Joint Stock Company

Registered Office in Milan - Piazzale Cadorna 14

Share capital EUR 230,000,000.00 fully paid up

FNM S.p.A. Consolidated financial statements

and Separate financial statements

at 31 December 2019

CORPORATE BODIES

Board of Directors	
Chairman	Andrea Gibelli
Deputy Chairman	Gianantonio Battista Arnoldi
Directors	Giuseppe Bonomi
	Tiziana Bortot
	Mirja Cartia D'Asero

Board of Statutory Auditors	
Chairman	Paolo Prandi
Regular Auditors	Massimo Codari
	Giussi Mainetti

General Manager	Marco Piuri
Executive in charge of financial reporting	Valentina Montanari

Independent Auditor	PricewaterhouseCoopers S.p.A.

INFORMATION FOR INVESTORS

Ordinary shares of FNM S.p.A. have been listed on the Italian Stock Exchange since 1926.

The FNM stock is present in the indexes:

- generic Borsa Italiana: FTSE Italia All Share and FTSE Italia Small Cap;
- sector: FTSE Italia Servizi al Consumo (Consumer Services) and FTSE Italia Viaggi e Tempo Libero (Travel and Leisure).

Market on which the shares are	MTA
ISIN Code	IT0000060886

FNM stock performance in 2019

Source: FactSet

In 2019, **the FNM title** recorded a **rising trend**, by approximately **40.5%** compared to the end of 2018 (**TSR +42.5%** considering the ex-dividend date), with an average price of **EUR 0.54** (average stock market capitalisation of EUR **235.5 million**). This growth was particularly concentrated in the last four months of the year (+40.1%).

On 30/12/2019, last day of trading of the year, the FNM stock recorded a closing price of EUR **0.70** with a consequent capitalisation of EUR **303.1 million**.

Share and stock market data	**Year 2019**
Closing price of 30/12/2019 in Euro	0.70
Average price in Euro	0.54
Highest price in Euro (16/12/2019)	0.71
Lowest price in Euro (16/08/2019)	0.49
Average volume (thousands)	212.7
Maximum volume (thousands, 30/10/2019)	1,593.9
Minimum volume (thousands, 21/08/2019)	3.2
Number of ordinary shares (million)*	434.9
Average Stock Market capitalisation in Euro million*	212.7
Stock Market capitalisation at 30/12/2019 in Euro million	303.1

Source: FactSet

In 2019, trading of FNM shares on the market managed by Borsa Italiana S.p.A. reached an average daily value of **EUR 121 thousand** (maximum value recorded on 31 October 2019 of over EUR 900 thousand). Average daily trading of the shares amounted to 153 thousand shares in the first eight months and 340 thousand shares in the last four, with an annual average of approximately 213 thousand shares traded daily.

In the year under analysis, a total of 53.6 million shares were traded, equal to about 12.3% of the share capital.

On 5 June, a dividend of EUR 0.0225 per share was paid out (up by 12.5% from the previous year), for a total value of EUR 10.5 million (record date 4 June 2019).

The financial markets in 2019

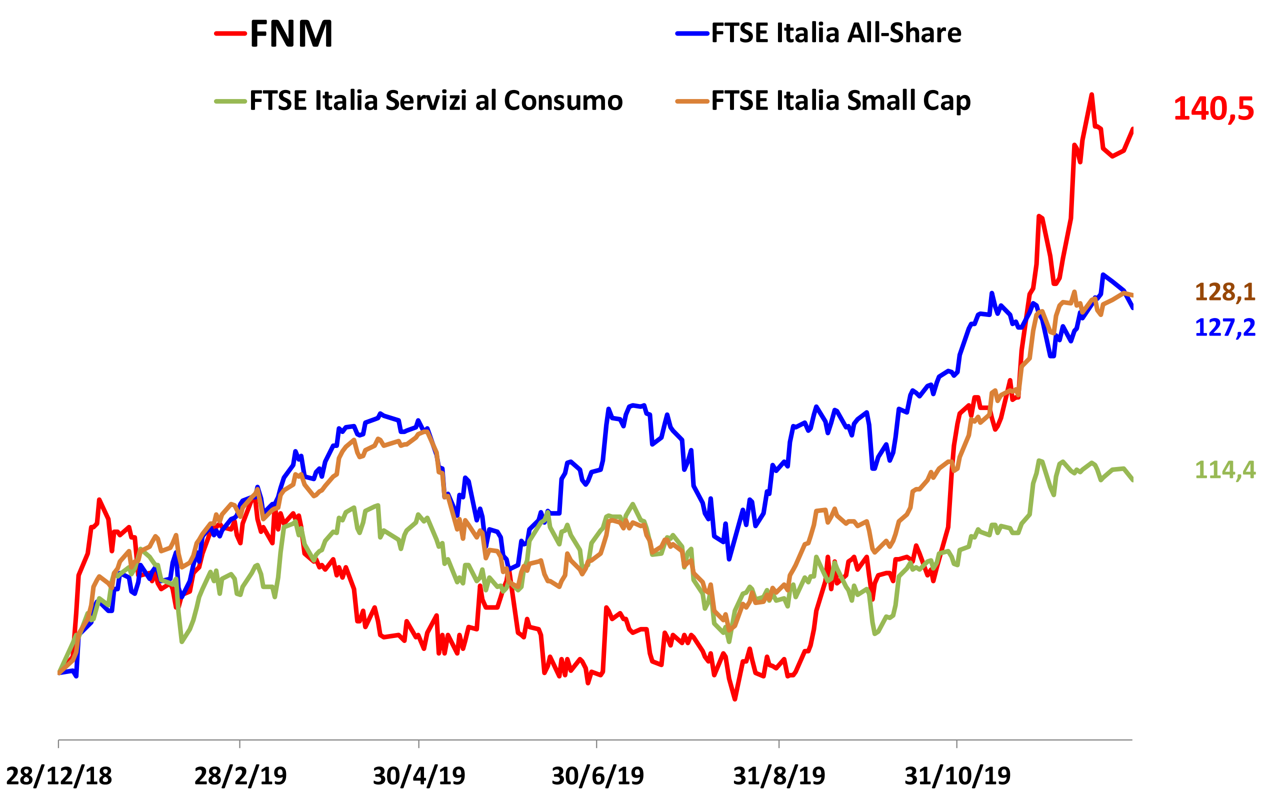
From mid-October in 2019, the yields of Italian Government bonds increased, reflecting a trend shared with other countries of the Euro area. Stock prices benefited from the attenuation of the trade tensions deriving from the positive developments in the trade negotiations between China and United States and from the publication of better than expected macroeconomic data in the Euro area. The average yields of the bonds issued by Italian non financial companies and banks remained nearly unchanged, at markedly lower levels than those of the first half of 2019[1].

The **Italian financial market** rose by **27.2%** relative to 2018 (FTSE Italia *All Share*).

1 Bollettino Economico 1 / 2020, Bank of Italy

In the same period, **the FNM title** recorded an over performance both relative to the Italian sector index (FTSE Italia Servizi al Consumo, i.e. Consumer Services, +14.4%) and to the trend recorded by the reference index FTSE Italia Small Cap (up by 28.1%) of Italian small capitalisation stocks.

FNM stock performance compared to the main reference indexes in 2019



(Price=100 as at 28 December 2018) *Source: FactSet*

Shareholding structure

At 31 December 2019 the share capital amounted to EUR 230,000,000.00, corresponding to 434,902,568 ordinary shares with no par value.

Shareholder composition

At the same date, to the best of the Company's knowledge based on the communications received in accordance with art. 120 of the Consolidated Law on Finance (TUF) and other available information, the shareholder structure of the Company shows the following material shareholdings.

Shareholders	Shareholding at 31/12/2019
LOMBARDY REGION	57.6%
FERROVIE DELLO STATO	14.7%
ANIMA SGR SPA	5.0%

Outlook 2020

As a result of the current coronavirus emergency, the Italian economy is probably in recession according to the international rating agency Moody's, which forecast a GDP contraction in the first quarter of 2020 and cut the growth projection for 2020 to -0.5% (from the previous projection of +0.5%).

Moody's revised, overall, its basic growth forecasts for the G20 economies to 2.1%, 0.3 percentage points less than the previous baseline, on the basis of the high current level of uncertainty.

The growth forecast for China for 2020 was reduced to 4.8% relative to the previous forecast of 5.2%. For the United States, growth is forecast at 1.5%, down from the previous forecast of 1.7%. Moreover, the weak demand will translate into generally low commodity prices and oil prices will remain volatile.

SUMMARY INDICATORS OF RESULT

FNM GROUP CONSOLIDATED DATA

Amounts in millions of euros	2019	2018	Change	Change %
Revenues*	300,6	296,3	4,3	1,5%
Adjusted EBITDA*	69,6	67,8	1,8	2,6%
EBITDA*	71,0	72,1	(1,1)	-1,5%
Operating income*	30,3	31,0	(0,7)	-2,3%
Earnings Before Tax*	35,9	36,3	(0,4)	-1,1%
Net profit for the period*	30,9	28,5	2,4	8,4%
Shareholders' equity (A)	454,3	435,2	19,1	4,4%
Net financial position (Cash) (B) **	(107,4)	22,5	(129,9)	-577,9%
Net invested capital (A+B)	346,9	457,7	(110,8)	-24,2%
Market capitalisation	303,1	215,7	87,4	40,5%
Investments	194,1	56,9	137,2	241,1%

*The value of this item includes the results of the subsidiary ATV (consolidated from 12 February 2018) for the entire period.
**The net financial position for the year 2018 has been adjusted for the impacts of the adoption of IFRS 16.

SUMMARY INDICATORS OF RESULT

FNM S.p.A.

Amounts in thousands of euros	2019	2018	Change	Change %
Revenues	80,2	79,9	0,3	0,4%
Adjusted EBITDA	51,1	49,7	1,4	2,8%
EBITDA	51,1	50,5	0,6	1,2%
Operating income	24,9	24,2	0,7	3,1%
Net profit	23,9	24,3	(0,4)	-1,7%
Shareholders' equity (A)	375,7	361,6	14,1	3,9%
(Net financial position)/Net financial debt (B)	66,6	106,8	(40,2)	-37,6%
Net invested capital (A+B)	442,3	468,4	(26,1)	-5,6%
Investments	11,0	6,6	4,4	66,7%

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MANAGEMENT REPORT
of the year 2019

1 GROUP STRUCTURE AND BUSINESS SEGMENTS AS AT 31 December 2019

FNM is the leading integrated transport and mobility group in Lombardy and Northern Italy with companies active in five regions. It is the most important non-governmental Italian investor in the sector. The FNM Group is present, through subsidiaries and/or joint ventures or associates in public rail transport with FERROVIENORD, NORD_ING and Trenord, in road transport with FNM Autoservizi, Omnibus Partecipazioni, ATV and La Linea and E-Vai with car sharing, in rail freight transport with DB Cargo Italia, Fuorimuro, Locoitalia, Malpensa Intermodale and Malpensa Distripark, in ICT with NordCom, in the energy sector with NORD ENERGIA.

In addition to acting as the Group's holding company, providing corporate services to its subsidiaries, FNM carries out operating activities, through the leasing of assets used by subsidiaries operating in particular in the local public transport and freight transport sectors and the management of their real estate assets.

1.1 LOCAL PUBLIC TRANSPORT

The Group's core business is **Collective Transport**.

As regards the business segments in which the Group operates through subsidiaries and companies subject to joint control, there are three sectors:

1. **Railway infrastructure management**, the companies operating in this business segment are:
   - FERROVIENORD - which is responsible for managing the railway infrastructure on the basis of a concession which expires on 31 October 2060;
   - NORD_ING - which is entrusted with planning activity, as well as technical and administrative support for investments in the railway network;
2. **Passenger road transport**, the companies operating in this business segment are:

- Ferrovie Nord Milano Autoservizi - concessionaire of parts of public road transport services in the Provinces of Varese and Brescia, holder of the service contract for those in the Province of Como in a Temporary Consortium of Companies with ASF Autolinee S.r.l., and support operator to Trenord for "train replacement" activity;
- Azienda Trasporti Verona - a company that provides urban public road transport services in the municipalities of Verona and Legnago and extra-urban services throughout the province of Verona;
- La Linea - company operating in the Veneto Region in the local public road transport sector and also hires out buses with driver, also through subsidiaries/investees;
- Omnibus Partecipazioni - a company that holds 49% of the shares in ASF Autolinee S.r.l. and is jointly owned by the Arriva Italia S.r.l.;
- E-VAI - a car sharing company operating in Lombardy with electric and bimodal vehicles.

3. **Railway transport**, the companies operating in this business segment are the Parent Company FNM for the lease of rolling stock and Trenord (50% owned by Trenitalia S.p.A.) - manager of rail transport services in the Lombardy Region, as well as manager of "Brenner" railway services in collaboration with Deutsche Bahn and Österreische Bundes Bahn;

It should be noted that the contribution of Trenord S.r.l. (and the associate TILO S.A., 50% owned by Trenord) and Omnibus Partecipazioni S.r.l. to the consolidated financial statements as at 31 December 2019 is based on the valuation of the aforementioned equity investments with the "equity method", with no impact on individual items of the consolidated balance sheet and financial statement and the consolidated income statement with the exception of the "Equity investment "and "Net profit of companies valued with the equity method" items.

1.2 OTHER BUSINESS SEGMENTS

Among the other activities of the FNM Group outside from the Collective Transport service include those of Malpensa Intermodale - which manages the Sacconago terminal in Busto Arsizio (VA) and Malpensa Distripark - which has been tasked with the property development of terminal areas.
FNM, parent company, also serves as the provider of administrative services to its subsidiaries and as the manager of its own property portfolio.

Furthermore, the FNM Group operational divisions extend to segments other than those mentioned. It has a presence in the Information & Communication Technology segment with the joint venture

NordCom S.p.A., which operates both for the benefit of the FNM Group and for third parties; it also has a presence in the specialist electricity transport segment through the Mendrisio-Cagno power line (through the jointly controlled company NORD ENERGIA S.p.A. and the subsidiary CMC MeSta S.A.) and in the rail freight transport sector (through the subsidiaries DB Cargo Italia S.r.l., FuoriMuro Servizi Portuali e Ferroviari S.r.l, a company that at 31 December 2019 was reported among the assets held for sale and sold on 10 March 2020).

As a result of the valuation with the equity method of the jointly controlled companies NORD ENERGIA, NordCom and the associate DB Cargo Italia, "Other business segments" are included in the net profit/(loss) for the period under "Net profit/(loss) of companies valued using the equity method."

1.3 LPT REGULATORY FRAMEWORK

It should be noted that, pursuant to the Ministry of Infrastructure and Transport Decree of 5 August 2016, which identified railway networks as falling within the scope of application of Legislative Decree 15 July 2015, No. 112 ("*Implementing Directive 2012/34/EU of the European Parliament and the Council of 21 November 2012, which establishes a single European railway area (Recast)*") - starting from 15 September 2016 (date of publication of the Ministerial Decree in the Official Gazette of the Italian Republic) applies to the FERROVIENORD network - Milan Branch (sections: Milan - Saronno; Milan Bovisa – Erba – Asso; Saronno – Como; Saronno – Varese – Laveno; Saronno – Novara; Saronno – Seregno; Seveso – Camnago; Busto Arsizio/Vanzaghello – Malpensa Airport/Terminal 2) Legislative Decree 10 August 2007, No. 162 "*Implementing the 2004/49/EC and 2004/51/EC directives concerning the safety and development of the Community's railways*", and therefore, FERROVIENORD is subject to the National Railway Safety Agency (ANSF), with railway safety ceasing to fall with the remit of the Ministry of Infrastructure and Transport.

Following a request of 14 March 2017 for the issue of Safety Authorisation, FERROVIENORD was issued with Safety Authorisation No. IT2120180001 by ANSF on 17 April 2018.

The Decree of the Ministry of Infrastructure and Transport of 02 august 2019 identified - in accordance with art. 2, Paragraph 4, of Legislative Decree no. 50 of 14 May 2019, "*Implementing Directive 2016/798 of the European Parliament and of the Council of 11 May 2016 on railway safety*" - the Brescia Iseo Edolo line (Iseo Branch) between the railway networks functionally isolated from the rest of the railway system, subject to the application of the rules defined by the ANSF Decrees no. 1/2019 and no. 3/2019 with consequent cessation of all competence of the Ministry of Infrastructure and Transport.

Below are the updates on national legislative developments relating to the Local Public Transport sector (LPT).

LAW DECREE NO. 124 OF 26 OCTOBER 2019 (URGENT PROVISIONS ON TAXES AND FOR UNDEFERRABLE NEEDS)

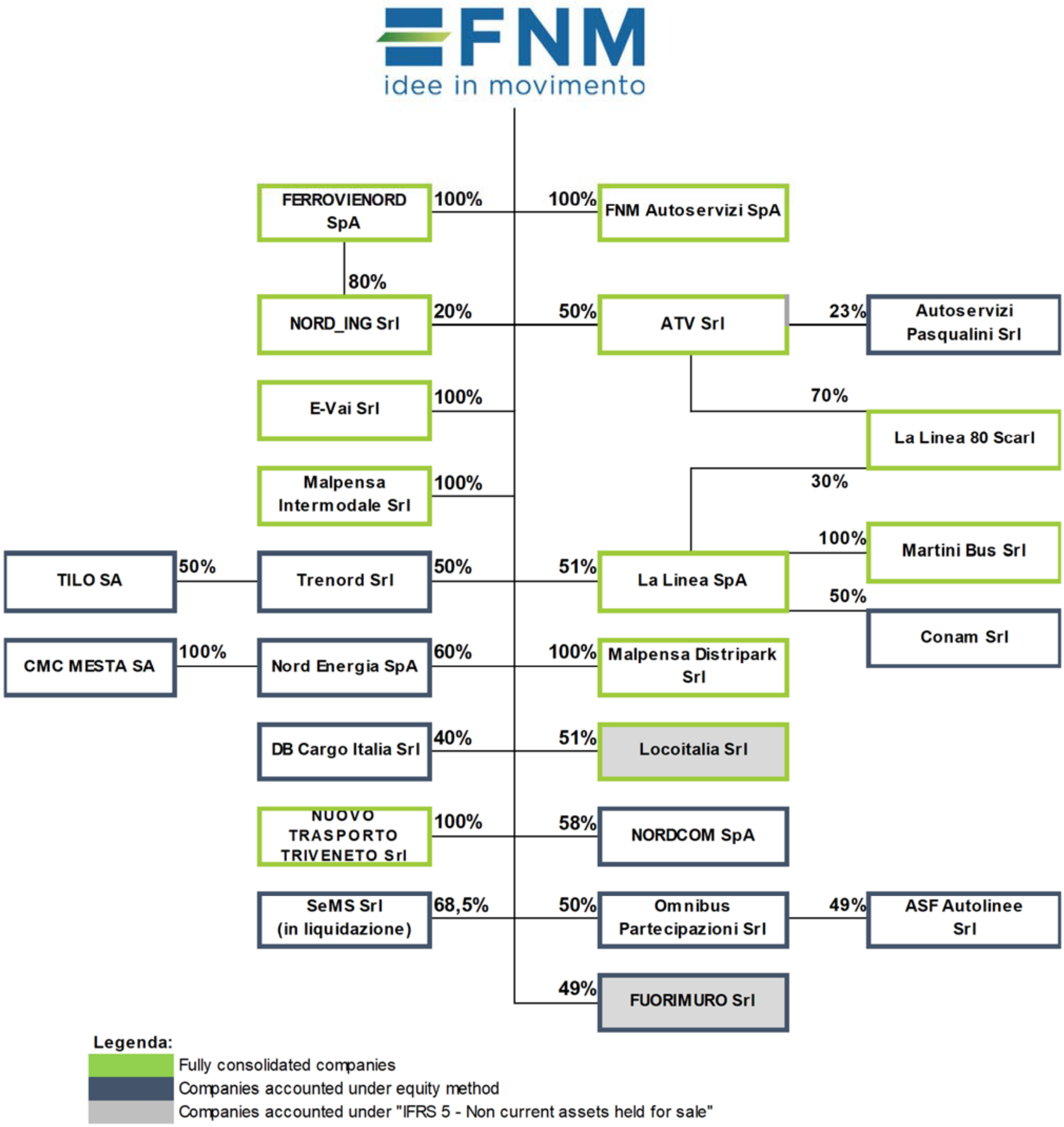
Law Decree no. 124 of 26 October 2019 “Urgent provisions on taxes and for undeferrable needs” (connected with the public finance initiatives for 2020) converted into law, with amendments, by Law no. 124 of 19 December 2019 prescribes (art. 47) the postponement to 2020 of the reform of the system for the allocation of the Fund for local public transport (per art. 27 of Law Decree no. 50 of 24 April 2017, no. 50, “The reduction shall apply starting from the year 2021. In any case it shall not apply to service agreements stipulated in accordance with the provisions, including the transitory ones, per Regulation (EC) no. 1370/2007 and with the current national legislative provisions”), and on the application from 2021 onwards of the residual portion of the Fund on the basis of adequate levels of service.

The new criteria for the allocation of the TPL Fund (Fund for the financial contribution of the State to the costs for local public transport, including railways, in ordinary statute regions, established from 2013 onwards by Law no. 228/2012), established by art. 27 of Law Decree no. 50/2017, intend to allow the definitive cessation of the criterion of historical expense, used heretofore in the TPL to allocate the amounts of the National TPL Fund among the Regions and cause local and regional public transport services to be ever more contracted with publicly transparent procedures. It should be recalled that Law Decree no. 50/2017 redetermined the size of the Fund, setting it by law. This allocation, as amended by the 2018 Budget Law, amounted to EUR 4,876,554 million for 2019 and to EUR 4,875,554 million for 2020 and, in the Italian National Budget, it is in Chapter 1315 of the Status of forecast of the expenditure of the Ministry of Infrastructure and Transports (Table 10).

LAW OF 27 DECEMBER 2019 NO. 160 (STATE BUDGET FOR THE 2020 FINANCIAL YEAR AND MULTI-YEAR BUDGET FOR 2020-2022)

The 2020 Budget Law introduces some provisions that determine impacts for the Local Public Transport sector and in particular for road transports, with respect to discounts on the diesel excise tax. The law introduced the extension of the abolition of the discount on the excise tax for euro 3 buses to 1 October 2020, while for euro 4 buses the discount will be eliminated from 1 January 2021 onwards.

1.4 THE GROUP AS AT 31 DECEMBER 2019



On 10 October 2019, the company Malpensa Distripark S.r.l., a wholly owned subsidiary of FNM, was incorporated. The company will be dedicated to real estate development in the areas adjacent to the Sacconago Terminal, which are functional to the project for the management of intermodal connections in the cargo sector, developing support activities that are consistent with the terminal management activities carried out by Malpensa Intermodale.

In consideration of the sales, on 10 March 2020, of the equity investments held in Locoitalia S.r.l. (51%) and in Fuorimuro Servizi Portuali e Ferroviari S.r.l. (49%), the related assets and liabilities were reclassified under the items “Assets held for sale” and “Liabilities related to assets held for sale” and measured in accordance with IFRS 5.

2 CONSOLIDATED OPERATING AND FINANCIAL PERFORMANCE

2.1 ECONOMIC DATA SUMMARY

The reclassified income statement for the year is shown below, compared with that of 2018. For completeness of disclosure, in the following reclassified income statement the items “costs for funded investments” and “grants for funded investments,” relating exclusively to FERROVIENORD, in which, in application of IFRIC 12, the amounts of the financed investments made during the period and the corresponding contributions are recognised, are stated net in “Other income and revenue.”

Amounts in millions of euros	**12 months 2019**	**12 months 2018**	***Difference****
Revenues from sales and services	279,2	270,9	*8,3*
Other revenues and income	21,4	19,8	*1,6*
TOTAL REVENUES AND OTHER INCOME	*300,6*	*290,7*	*9,9*
Operating costs	(105,5)	(104,4)	*(1,1)*
Personnel costs	(125,5)	(119,1)	*(6,4)*
Adjusted EBITDA	*69,6*	*67,2*	*2,4*
Non-ordinary Income and Expenses	1,4	4,3	*(2,9)*
EBITDA	*71,0*	*71,5*	*(0,5)*
Amortisation and depreciation	(40,7)	(40,2)	*(0,5)*
EBIT	*30,3*	*31,3*	*(1,0)*
Net financial income	(2,4)	(0,6)	*(1,8)*
Profit of companies measured with the Equity method	8,0	5,8	*2,2*
EARNINGS BEFORE TAX	*35,9*	*36,5*	*(0,6)*
Income tax	(5,0)	(7,8)	*2,8*
COMPREHENSIVE INCOME	**30,9**	**28,7**	***2,2***
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTEREST	**0,6**	**0,2**	***0,4***
COMPREHENSIVE GROUP INCOME	**30,3**	**28,5**	***1,8***

*The differences throughout the document have been calculated based on the values expressed in Euro thousands

For a better understanding of the changes in the year, the consolidated income statement is shown below based on a comparable scope of consolidation between the two periods, i.e., by consolidating ATV as from the beginning of 2018.

All the comments on the income statement below refer to the pro-forma income statement, which also takes into account the entire year 2018 for ATV, which is summarised below:

Amounts in millions of euros	12 months 2019	12 months 2018 pro-forma ATV	Change	Change %
Revenues from sales and services	279,2	276,3	2,9	1,0%
Other revenues and income	21,4	20,0	1,4	7,1%
TOTAL REVENUES AND OTHER INCOME	*300,6*	*296,3*	*4,3*	*1,5%*
Operating costs	(105,5)	(106,1)	0,6	-0,6%
Personnel costs	(125,5)	(122,4)	(3,1)	2,5%
Adjusted EBITDA	*69,6*	*67,8*	*1,8*	*2,6%*
Non-ordinary Income and Expenses	1,4	4,3	(2,9)	-67,4%
EBITDA	*71,0*	*72,1*	*(1,1)*	*-1,5%*
Amortisation and depreciation	(40,7)	(41,1)	0,4	-0,9%
EBIT	*30,3*	*31,0*	*(0,7)*	*-2,2%*
Net financial income	(2,4)	(0,6)	(1,8)	292,2%
Profit of companies measured with the Equity method	8,0	5,9	2,1	35,3%
EARNINGS BEFORE TAX	*35,9*	*36,3*	*(0,4)*	*-1,1%*
Income tax	(5,0)	(7,7)	2,7	-35,4%
COMPREHENSIVE INCOME	**30,9**	**28,6**	**2,3**	**8,2%**
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTEREST	**0,6**	**0,1**	**0,5**	**500,0%**
COMPREHENSIVE GROUP INCOME	**30,3**	**28,5**	**1,8**	**6,3%**

The **revenues from sales and services** recorded a net increase of EUR 2.9 million, i.e. approximately 1%, for the following reasons:

- revenues from transport services increased as a result of higher replacement runs of EUR 1.5 million and higher bus rental services of EUR 0.5 million;
- revenues from invoiced services increased by EUR 0.5 million due to the transfer to the EAV Consortium of the contract for the purchase of 5 Stadler trains;
- revenues from the rental of rolling stock increased by EUR 1.1 million, mainly as a result of the lease of locomotives by the subsidiary Locoitalia for EUR 0.7 million, of the lease to Trenord of 4-body TSR trains, whose delivery was completed in March 2018, for EUR 0.2 million, as well as the ISTAT revision of the lease fees of the CORADIA fleet, for EUR 0.2 million;
- the fees for the management of infrastructure carried out by FERROVIENORD decreased by EUR 1.1 million, in line with the contractual provisions with the Lombardy Region.
- during the year, revenues for Terminal movements were recorded, not included in the scope of consolidation of the year 2018 and entirely deriving from the management of the Sacconago Terminal.

The **other revenues and income** had a net increase of EUR 1.4 million; it mainly derived from the sale of obsolete inventory.

The **total revenues and other income**, amounting to EUR 300.6 million, which grew by 1.5%, are broken down as follows into the three business areas, shown before intercompany eliminations:

Amounts in millions of euros	2019	2018 (PRO-FORMA ATV)	*Change*	*Chg %*
Railway infrastructure management	124,6	122,2	*2,4*	*2,0%*
Passenger road transport	118,3	115,7	*2,6*	*2,2%*
Rosco & Services	82,6	82,1	*0,5*	*0,6%*
Intercompany eliminations	(24,9)	(23,7)	*(1,2)*	*5,1%*
Total	**300,6**	**296,3**	***4,3***	***1,5%***

Operating costs recorded a net decrease of EUR 0.6 million for the following reasons:

- decrease of EUR 2.2 million in operating lease instalments, in particular for property management, due to the adoption of the new accounting standard IFRS 16;
- decrease of legal and litigation expenses in relation to the reduced activities connected with tenders for the purchase of new rolling stock with respect to the comparative year 2018;
- increase of EUR 2.7 million in costs for allocations to the risk provisions for disputes with third party contractors.

Personnel costs increased by EUR 3.1 million, with a substantially stable average headcount, mainly due to the higher provision as an estimate of the costs for the renewal of the national collective bargaining agreement for railway/tram sector, which expired on 31 December 2017.

Adjusted EBITDA (excluding non-ordinary items), amounting to EUR 69.6 million, increased by 2.6% and is broken down into the three business segments as follows:

Amounts in millions of euros	2019	2018 (PRO-FORMA ATV)	*Change*	*Chg %*
Railway infrastructure management	4,2	7,5	*(3,3)*	*-44,1%*
Passenger road transport	13,2	9,8	*3,4*	*34,7%*
Rosco & Services	52,2	50,5	*1,7*	*3,4%*
Total	**69,6**	**67,8**	***1,8***	***2,6%***

Non-ordinary income/expenses amounted to EUR 1.4 million for the current year as the net value between a non-recurring income deriving from the closing of a dispute and development project costs, while the gain on the sale to GDF System S.r.l. of the areas adjacent to the Milan Affori station, totalling EUR 4.3 million, was recognised in the previous year.

Depreciation, amortisation and write-downs recorded a net decrease of EUR 0.4 million, as a result of the reduction in the depreciation of rolling stock, partially offset by the higher depreciation deriving from the adoption of IFRS 16, amounting to EUR 2.1 million.

Comprehensive EBIT amounted to EUR 30.3 million, compared with EUR 31 million in 2018, a net decrease of EUR 0.7 million mostly deriving from the capital gain recorded in 2018.

Comprehensive net financial income in 2019 was negative by EUR 2.4 million compared with negative EUR 0.6 million in 2018, particularly in relation to higher interest expense and commitment fees on the syndicated loan signed by the Parent Company in August 2018.

The result of financial management includes EUR 0.7 million (unchanged from 2018) of interest liability accrued on the corporate bond "FNM S.p.A. 2015 - 2020 ", as well as EUR 0.7 million (unchanged from 2018), as revenues deriving from the treasury management agreement signed with Finlombarda.

The **profit/(loss) of companies valued by the equity method** recorded a profit of EUR 8.0 million, compared with a profit of EUR 5.9 million in 2018, mainly due to the better result of the investees NORD ENERGIA, DB Cargo Italia and Trenord. This item is broken down as follows:

Amounts in thousands of euros	2019	2018	Change
Trenord Srl *	1.598	911	687
NORD ENERGIA SpA **	3.377	2.792	585
DB Cargo Italia Srl	1.722	988	734
Omnibus Partecipazioni Srl ***	1.192	1.325	(133)
NordCom SpA	460	173	287
Conam Srl	55	57	(2)
SeMS Srl in liquidation	34	18	16
Fuorimuro Srl	(391)	(382)	(9)
Result of companies measured with equity method	**8.047**	**5.882**	**2.165**

* includes the result of TILO SA

** includes the result of CMC MeSta SA

*** includes the result of ASF Autolinee Srl

In particular, the result of the investee Trenord reflects the following factors:

- a 4.3% growth in revenue (EUR 831.7 million from EUR 797.3 million in 2018) due both to the traffic component in relation to the positive trend of the airport segment (partly by effect of the closure of the Linate airport in the summer months), and to the general increase in demand, as well as to the improvement of the service that reduced the value of the bonuses paid to travellers, and to the component relating to the service agreement for lower penalties and deductions;
- an increase in EBITDA (amounting to EUR 202.1 million), in spite of an increase in personnel cost by approximately EUR 10 million in relation to the higher average number of employees in the year (+147 FTE) and of some operating costs tied mainly to the higher train replacement services and to the lease of rolling stock: the change from 2018 (EUR 67.9 million) is due, for EUR 2.6 million, to the better margin, while for EUR 131.6 million to the effects of the application of the new IFRS 16;
- a total net profit of EUR 3.7 million, up by EUR 1.4 million compared to 2018 (or nearly EUR 2 million before the adoption of IFRS 16).

The result of the investee Fuorimuro includes the alignment, as provided for by IFRS 5 and already recognised in the results at 30 September 2019, to the lower disposal value, recording a loss of EUR 0.4 million.

Earnings before taxes amounted to EUR 35.9 million, down by 1.1% compared to EUR 36.3 million in 2018.

Income taxes, amounting to EUR 5.0 million, decreased by EUR 2.7 million compared to 2018 as a result of the lower deferred tax assets, in relation to their adjustment for the Robin tax. This change is partly offset by the increase in current taxes due to the higher taxable income achieved and to the application of the Robin tax. The applied tax rate changed from 16.98% to 10.22%.

The **comprehensive income** in 2019 amounted to EUR 30.9 million, up compared to EUR 28.6 million of 2018 (+8.2% for equal scope of consolidation).

2.2 RECLASSIFIED STATEMENT OF FINANCIAL POSITION

Below is the reclassified statement of financial position at 31 December 2019, compared with that of 31 December 2018, as originally approved.

On 1 January 2019 the new accounting standard IFRS 16 was adopted, which led to an increase in financial liabilities and net non-current assets. For a better understanding of the changes in the year, below follows the reclassified statement of financial position at 31 December 2019 compared with that at 31 December 2018 to take into account the effect of the new standard.

Amounts in millions of euros	31/12/2019	31/12/2018 PRO-FORMA IFRS 16	Change	31/12/2018
Inventories	8,9	7,0	1,9	7,0
Current receivables	125,5	151,2	(25,7)	151,2
Current payables	(266,7)	(153,9)	(112,9)	(153,9)
Net Working Capital	***(132,3)***	***4,3***	***(136,6)***	***4,3***
Fixed assets	432,3	460,8	(28,6)	452,8
Equity interests	84,9	83,4	1,5	83,4
Non-current receivables	21,6	26,8	(5,1)	26,8
Non-current liabilities	(28,2)	(70,2)	42,0	(70,2)
Provisions	(60,9)	(47,5)	(13,4)	(47,5)
Assets and liabilities held for sale	29,5	0,0	29,5	0,0
NET INVESTED CAPITAL	***346,9***	***457,7***	***(110,8)***	***449,6***
Equity	*454,3*	*435,2*	*19,1*	*435,2*
Net financial position (cash)	*(107,4)*	*22,5*	*(129,9)*	*14,4*
TOTAL SOURCES	***346,9***	***457,7***	***(110,8)***	***449,6***

The **Net Working Capital** increased by EUR 136.6 million as a result of the changes in the following items:

- **current receivables** decreased by EUR 25.7 million mainly by the combined effect of the collection of the "CONFEMI" receivable, of EUR 42.0 million, and of the trade receivables of the previous year, for EUR 6.2 million, partly offset by the recording of advances to suppliers for the funded investments in rolling stock and infrastructure modernisation, for EUR 26.6 million;
- **current payables** increased mainly as a result of the increase in trade payables to suppliers for investments with borrowed and own funds, respectively for EUR 90.5 million and EUR 9.5 million, relating to the renewal of the rolling stock and the modernisation of the infrastructure.

Fixed assets were affected by the IFRS 5 reclassification of Locoitalia, amounting to EUR 31.2 million.

Non-current receivables decreased mainly as a result of the reclassification among current financial receivables, in relation to the due date of 21 July 2020, of the non-current portion at 31 December 2018, amounting to EUR 5.0 million, of the financial receivable from Finlombarda for the special treasury management agreement.

Non-current payables decreased mainly as a result of the reclassification of the payable to the Lombardy Region for the amounts collected from the CONFEMI settlement. The amounts collected, in agreement with the Lombardy Region, will be used from 2020 onwards for infrastructure modernisation works; as a result of advances received, the amount was then reclassified from other non-current liabilities to current financial payables, as advances for infrastructure modernisation works.

Assets and liabilities includes the assets and liabilities relating to the sale of the equity investment held in Locoitalia and Fuorimuro, completed on 10 March 2020, reclassified and measured in accordance with IFRS 5.

The change in **provisions** relates mainly to the allocations to cyclical maintenance provision, carried out during the year.

Below is the breakdown of the Group's net financial position at 31 December 2019, compared with 31 December 2018, adjusted by the impact of IFRS 16, and with the approved financial statements as at 31 December 2018.

Lastly, the better to represent the ability to generate cash and Group NFP, an adjusted NFP was calculated, which excludes the effects deriving from adoption of IFRIC 12:

Amounts in millions of euros	31/12/2019	31/12/2018 PRO-FORMA IFRS 16	Change	31/12/2018
Liquidity	(156,4)	(116,9)	(39,5)	(116,9)
Current financial receivables	(49,3)	(45,3)	(4,1)	(45,3)
Current financial debt	94,4	33,7	60,6	32,2
Current Net Financial Position (cash)	***(111,4)***	***(128,5)***	***17,1***	***(130,0)***
Non-current financial debt	71,5	136,0	(64,4)	129,5
Adjusted Net Financial Position (cash)	***(39,9)***	***7,5***	***(47,4)***	***(0,5)***
Debt for funded investments	(67,6)	15,0	(82,6)	15,0
Net Financial Position (cash)	***(107,4)***	***22,5***	***(129,9)***	***14,4***

At 31 December 2019, the net comprehensive financial position was positive at EUR 107.4 million, compared to a negative balance of EUR 22.5 million at 31 December 2018 (pro-forma IFRS 16); isolating the amount relating to the advances on investments for the renewal of rolling stock (EUR 67.6 million), the adjusted net financial position is positive by EUR 39.9 million, versus a negative balance of EUR 7.5 million at 31 December 2018 (pro-forma IFRS 16), and thus recognising an improvement of EUR 47.4 million.

The **adjusted net financial position** thus reflects the positive cash generation of the Group, as represented below by the cash flow changes in the reference year:

Amounts in millions of euros	2019	2018
EBITDA	71,0	71,5
NET WORKING CAPITAL	11,8	30,7
Taxes	(3,0)	(6,8)
Financial expenses/income	(1,4)	(0,1)
Free cash flow from operations	***78,4***	***95,3***
Investments paid	(35,2)	(34,9)
Cash flow generation	***43,2***	***60,4***
Dividends cash-in	5,8	7,8
Cash from acquired companies		8,5
Assets sold		5,7
Free cash flow	**49,0**	**82,4**
Dividends cash-out	(10,5)	(9,2)
Cash flow	**38,5**	**73,2**
INITIAL NFP (Cash) 01/01	**7,5**	**80,8**
Cash flow generation	(38,5)	(73,2)
Reclassified Financial Receivables Finlombarda	(5,0)	-
IFRS 5 Reclassification	(3,9)	-
Total change in NFP	***(47,4)***	***73,2***
FINAL Adj NFP (Cash) 31/12	**(39,9)**	**7,6**

The performance of **cash flow from operations** deriving from income management was positively influenced by the change in Net Working Capital, due mainly to the collection of trade receivables from joint ventures relating to the grants on funded investments of previous years.

Cash flow from operations, which also includes the cash outflows relating to tax and financial charges, amounted to over EUR 78.4 million; net of the investments made in the year, amounting to EUR 35.2 million, the **cash generated by the Group** amounted to EUR 43.2 million.

The adjusted net financial position also reflects:

- the aforesaid reclassification among current financial receivables, in relation to the due date of 21 July 2020, of the non-current portion at 31 December 2018, amounting to EUR 5.0 million, of the financial receivable from Finlombarda for the special treasury management agreement;
- the decrease in financial debt, following the reclassification of the financial liabilities of the subsidiary Locoitalia, amounting to EUR 3.8 million, in accordance with the provisions of IFRS 5.

Current and non-current financial debt changed as a result of the reclassification of the bond maturing on 21 July 2020.

The net comprehensive financial position, lastly, positive by EUR 107.4 million compared with net debt of EUR 22.5 million at 31 December 2018, was positively influenced for EUR 67.6 million (negative impact of EUR 15 million at 31 December 2018) by the early receipts of grants on investments financed for the renewal of rolling stock, recorded in accordance with the requirements of IFRIC 12.

Concerning existing credit facilities, FNM, in the service of the plan of investments in rolling stock, in 2015 issued a bond called "FNM S.p.A. 2015 – 2020", totalling EUR 58 million, with repayment date of 21 July 2020 and a floating rate equal to the 6-month Euribor with a 360 base, plus 150 b.p., with half-yearly coupons.

The corporate bond was fully subscribed by Finlombarda S.p.A.

Since FNM expressed the need to use a cash surplus management service in relation to the sums paid by Finlombarda S.p.A. with the signing of the loan and up to their use, with the aim of optimising the yield of these sums and covering the interest liability due on the basis of the loan itself, on 16 June 2015 a "treasury management contract" was signed between the parties.

With the signing of this contract Finlombarda S.p.A. is committed to:

- grant to FNM a guaranteed minimum yield equal to the interest rate indicated above;
- pay the recognised interest on a half-yearly basis.

It was also envisaged that any possible higher management yield will be paid to FNM in an amount equal to 75% of the amount accrued, while the remaining portion of any higher management yield, equal to 25%, represents the variable payment recognised in favour of Finlombarda S.p.A. for the management of cash surpluses deriving from the transaction. During the year, liquidity management generated a 1.49% yield, with recognition of financial income of EUR 0.7 million; the interest rate on the bond was 1.147%, for the six-month coupon relating to the 21 January 2019 - 21 July 2019 lending period, and 1.168% for the six-month coupon relating to the 21 July 2019 - 21 January 2020 lending period, resulting in financial expenses of EUR 0.7 million.
The loan requires covenants to be met, which are aligned with market practices, such as maintaining the net financial position/shareholders' equity ratio above 1 and the EBITDA/net financial expenses ratio below 6. If these covenants are not met, the counterparties may consider the Company subject to the activation of the acceleration clause, which could give rise to the early repayment of the entire loan. At the closing date of 31 December 2019 these covenants had been complied with.

It should also be noted that the 2015-2020 service contract, signed by the Lombardy Region and Trenord, an investee company 50% owned by FNM, provides for a commitment by Trenord to "*buy or hire new rolling stock for at least EUR 200 million*" during the duration of the aforementioned contract. In December 2015, FNM signed a contract for the supply of 10 4-body TSR trains with the ATI Hitachi Rail Italy S.p.A. - Titagarh Firema Adler S.p.A., for a total investment of EUR 107.3 million.
With reference to the residual contractual commitment, Trenord requested FNM to proceed with the purchase of 9 6-body electric trains to be used for the development and strengthening of cross-border services connected to the opening of the Monte Ceneri base tunnel (scheduled for 2020). In relation to this investment, on 30 November 2018 FNM signed two executive contracts with STADLER BUSSNANG AG for the supply of No. 5 and No. 4 trains for a total investment of EUR 95.1 million.
In order to guarantee the financial hedging of this investment, the FNM Board of Directors, on 21 December 2017, approved the signing of a loan agreement with the European Investment Bank. On the signing of the agreement, the EIB undertook to grant FNM financial resources for a maximum amount of EUR 50 million, and in any event not exceeding 50% of the cost of acquiring the rolling stock.
The main terms of the loan agreement can be summarised as follows:
- *disbursement procedure*: disbursement, by the European Investment Bank, in a maximum of 5 tranches, each for an amount not less than EUR 10 million, within 36 months from the agreement signing date; FNM will have the right to define the amount and duration for each tranche, as well as

the choice between fixed or variable rate; the first tranche will be disbursed subject to confirmation of the completion of all public tender procedures required by the applicable legislation and the signing of the contracts for the supply of rolling stock;
- *maturity*: up to a maximum of 16 years from the disbursement date of each tranche, with a maximum pre-amortisation period of 4 years;
- *repayment methods*: amortizing;
- *interest rate*: fixed or variable, to be determined at the time of the request of tranche disbursement by FNM;
- *financial covenants*, calculated on the consolidated financial statements of the group headed by FNM and to be verified on the calculation dates of 30 June and 31 December of each FNM financial year:
    - o NFP/Shareholders' equity ≤ 1
    - o NFP/EBITDA ≤ 4
    - o EBITDA/Financial expenses ≥ 7

At the closing date of 31 December 2019 these covenants had been complied with.
On 20 March 2020, the first EUR 10 million at the fixed rate of 0.377% were disbursed, with a repayment date of 31 January 2026.

On 7 August 2018, FNM signed a loan agreement for a total of EUR 200 million with a pool of leading banks. The main terms and conditions of the loan agreement are summarised below:
- Lender Bodies: Intesa Sanpaolo S.p.A., BPER Banca S.p.A., Banco BPM S.p.A., MPS Capital Services Banca per le Imprese S.p.A., Crédit Agricole Cariparma S.p.A., Credito Valtellinese S.p.A. and Banca Carige S.p.A. – Cassa di Risparmio di Genova e Imperia;
- Agent Bank and Mandated Lead Arranger: Banca IMI S.p.A.;
- purpose: (i) a maximum of EUR 50 million for the partial refinancing, over the medium/long term, of current short-term credit facilities ("hot money") of FNM ("*Term Loan Facility*"); (ii) a maximum of EUR 100 million to finance investments of FNM and its group ("*Capex Facility*"); and (iii) a maximum of EUR 50 million to use for the general operating requirements of FNM ("*Revolving Credit Facility*");
- maturity: for the *Term Loan Facility* and *Capex Facility*, 7 years from the date of signing the loan agreement; for the *Revolving Credit Facility*, 6 years;
- disbursement procedure: with reference to the *Term Loan Facility*, in a single amount by 15 September 2018; with reference to the *Capex Facility* and *Revolving Credit Facility*, in one or more

tranches, up to, respectively, the 18th month after the date of signing the Loan Agreement and the month prior to the relative expiry date;

- repayment procedure: amortizing for the *Term Loan Facility* and *Capex Facility* from the 48th month to the 84th month; with reference to the *Revolving Credit Facility*, on repayment (bullet);
- interest rate: on an annual basis and equal, for all components, to the EURIBOR plus 1.30%, to pay on a six-monthly or quarterly basis for the *Term Loan Facility* and *Capex Facility*, and on a six-monthly, quarterly or monthly basis for the *Revolving Credit Facility*;
- guarantees: not provided;
- financial covenants: provided for all components, calculated from the consolidated financial statements of FNM (annual or six-monthly, as applicable):
    - o NFP/Shareholders' equity: not above 1
    - o NFP/EBITDA: not above 4
    - o EBITDA/Net financial expenses: not below 7

As regards the *Term Loan Facility*, on 14 September 2018, banks disbursed the amount of EUR 50 million, as provided for in the contract.

The period of availability of the *Capex Facility* component, amounting to EUR 100,000 million, not used by the Company, ended on 7 February 2020.

At the end of the reporting period, the above covenants had been met.

2.3 INVESTMENTS

Investments in the year amounted to a total of EUR 194.1 million compared to the EUR 56.9 million of the previous year.

In particular:

- **investments with public funds** were made for a total of EUR 153.6 million (EUR 22.7 million in the comparative period), relating to the renewal of rolling stock for EUR 114.5 million, including the amounts paid in advance, and the modernisation and upgrading of infrastructure for EUR 39.1 million. In detail, these interventions relate to: the renewal of the superstructure on the Bovisa - Seveso - Mariano Comense sections, the construction of the network duct support system, the construction of the Malpensa T2 - RFI Sempione Line railway link, the extraordinary maintenance concerning the platforms of the Canzo-Asso, Cittiglio, Laveno-Mombello, Cocquio-Trevisago, Barasso-Comerio, Novate Milanese and Milano Quarto Oggiaro facilities, the renewal of the Milano

Bovisa and Saronno switch points, the upgrading of the Garbagnate Milanese station, and the upgrading of the Milan Affori - Varedo railway line;

- **investments using own funds** accrued in 2019 were made for EUR 40.4 million (EUR 34.2 million in 2018) and refer mainly to the purchase of four new E191 Vectron DC electric locomotives (EUR 10.6 million), to the advances paid for the delivery of 9 FLIRT trains (EUR 9.5 million), to the purchase of 3 E494 TRAXX DC locomotives (EUR 7.8 million), to the commissioning of 22 new buses and minibuses (with related on-board equipment) for EUR 4.6 million, as well as to advances paid for the delivery of two E494 TRAXX DC electric locomotives (EUR 0.6 million), for the construction of the car park adjacent to Milan Affori station (EUR 1.4 million) and for the supply of six intercity buses with related on-board equipment (EUR 1.4 million).The outlay of the year 2019 relating to the Group's investments amounted to EUR 28 million.

3 OPERATING PERFORMANCE OF BUSINESS SEGMENTS

The following table shows the economic performance of the consolidated business segments in the two years in question, before intercompany eliminations:

Amounts in millions of euros	2019 Railway infrastructure management	2019 Passenger road transport	2019 Rosco & Services	2019 Eliminations	2019 Total	2018 (PRO-FORMA ATV) Railway infrastructure management	2018 (PRO-FORMA ATV) Passenger road transport	2018 (PRO-FORMA ATV) Rosco & Services	2018 (PRO-FORMA ATV) Eliminations	2018 (PRO-FORMA ATV) Total
Revenues from third parties	116,9	111,7	70,2		**298,8**	115,5	109,7	69,7		**294,9**
Intercompany revenues	5,9	6,6	12,4	(24,9)	**,0**	5,3	6,0	12,4	(23,7)	**,0**
Grants for funded investments net of	1,8				**1,8**	1,4				**1,4**
Segment revenues	**124,6**	**118,3**	**82,6**	**(24,9)**	**300,6**	**122,2**	**115,7**	**82,1**	**(23,7)**	**296,3**
Adjusted EBITDA	**4,2**	**13,2**	**52,2**		**69,6**	**7,5**	**9,8**	**50,5**		**67,8**
Adjusted EBITDA%	***6%***	***19%***	***75%***			***11%***	***14%***	***74%***		
EBITDA	**6,7**	**13,2**	**51,1**		**71,0**	**11,0**	**9,8**	**51,3**		**72,1**
EBITDA %	***9%***	***19%***	***72%***			***15%***	***14%***	***71%***		
Operating income	**4,4**	**1,7**	**24,2**		**30,3**	**9,1**	**(2,1)**	**24,0**		**31,0**

3.1 RAILWAY INFRASTRUCTURE MANAGEMENT

The "Railway infrastructure management" segment includes the management of railway infrastructure of the Milan and Iseo lines, under concession, as well as terminal design and management activities. With Regional Council Resolution no. X/4823 of 15 February 2016, the Lombardy Region ordered the Concession to FERROVIENORD S.p.A. for the construction, operation and management of the Regional Railway Network be renewed from 18 March 2016 to 31 October 2060.

The concession agreement includes the construction, management and maintenance of the railway

infrastructure, the upgrading and modernisation of the network, traffic management and the allocation of capacity. The concessionaire also has the role of acquiring and managing, on a non-exclusive basis, the fleet necessary to provide railway services and the enhancement of railway assets including those of historical value. The concessionaire is also assigned the tasks regulated by the Investment Programme Agreement, Service Agreement or other administrative provision, as discussed below.
The activity relating to railway infrastructure is carried out by FERROVIENORD, which manages infrastructure and circulation, and NORD_ING, which oversees the implementation of ordinary and extraordinary maintenance on the railway network, upgrading works and the commissioning of new systems, mainly on behalf of FERROVIENORD.
The terminal management activity is carried out by Malpensa Intermodale, a company established in December 2018, which started the management of the Sacconago terminal owned by the Group, in the municipality of Busto Arsizio (VA), to be used mostly for intermodal transport, which may have significant impacts of efficiency-boosting and sustainability of freight transport to the advantages of local companies, and by the newly-established Malpensa Distripark (October 2019), focused on the further property development of terminal areas.

Amounts in millions of euros	**2019**	**2018**	***Change***	***Chg %***
Contracts and public grants	99,6	99,7	*(0,1)*	*(0,1%)*
Lease of rolling stock	8,5	8,5	*0,0*	*0,1%*
Other revenues	16,5	14,0	*2,5*	*18,1%*
Segment revenues	**124,6**	**122,2**	***2,4***	***2,0%***
EBITDA Adj.	**4,2**	**7,5**	***(3,3)***	***(44,1%)***
EBITDA Adj. %	***3,4%***	***6,2%***		
EBIT	**4,4**	**9,1**	***(4,7)***	***(51,7%)***

The revenues of the segment amounted to EUR 124.6 million, up by 2% compared to the EUR 122.2 million of the previous year.
Revenues comprise:

- the consideration deriving from the infrastructure management service agreement, as well as the income for the recovery of general expenses, design and project management costs on the investments made with the financing of the Lombardy Region - deriving from the Programme Agreement - pertaining both to the railway infrastructure and the purchase of the new rolling material decreased mainly in relation to the recalculation of the listed amount on the actual distances travelled provided by the Infrastructure Manager and on the number of stations where the service is provided;

- other revenues - deriving from diverse activities as property income and deriving from the management of the movement of goods within the managed Terminal - up by 18.1% relative to the previous year mainly due to cost recovery.

The reduction of the Adjusted EBITDA of the segment is mainly due to an increase in the cost for maintenance and in the cost of labour with substantially equal headcount (as a result of the cessation of the relief on social security costs and to the full enforcement of contractual agreements) as well as to the higher allocations on pending disputes.

Service Agreement for infrastructure management

On 16 March 2016, FERROVIENORD signed the Service Agreement for the Management of the Railway Infrastructure with the Lombardy Region for the period 18 March 2016 - 31 December 2022. In the Service Agreement the characteristics of the offered services are identified, for the purposes of defining the fee, through the Catalogue tool, which divides the Concession Holder performance obligations based on the following areas:

- Services to railway companies: A. Traffic and B. Routine maintenance of the infrastructure;
- Services for citizens: C. Station and system accessibility services and G. Enhancement of historical assets;
- Services to the awarding body: D. Purchase and management of the regional fleet;
- Internal services: E. Engineering and Infrastructure Development, Assets and F. The specific activities of the Railway Infrastructure Manager and H. General and administrative activities.

Therefore FERROVIENORD committed to guarantee:

(i) availability of the infrastructure and the allocation of available capacity, in line with that necessary for the implementation of the operating model envisaged by regional planning;

(ii) preservation, routine maintenance and efficiency of the infrastructure itself

(iii) safety management;

(iv) planning of infrastructure development, in line with the Planning Agreement;

(v) traffic monitoring and supply of the related data;

(vi) station management, information to the public and accessibility services to the railway system on the infrastructure managed by the Concessionaire;

(vii) management and enhancement of historical assets;

(viii) management and enhancement of station spaces and buildings not directly used by rail traffic and travellers;
(ix) travellers' personal and financial security and security of the environments accessible to them;
(x) activities concerning the purchase, financing and management of rolling stock, destined for the regional rail service; and
(xi) management and development of sustainable mobility services (car sharing).

The fee - in relation to the provision of the previous Service Agreement (single lump sum payment) - was calculated on the various items in the service and performance catalogue based on physical factors such as actual production (trains-km), the physical extension of the network (km of track), the attendance arc of service in signalling control locations, the number and type of stations in operation of the network.

A specific fee is also provided for the implementation of a car sharing service to encourage low environmental impact electric mobility, which extends the scope of the Concessionaire's activities.

The Agreement innovatively introduces a progressive reduction (so-called "streamlining" of 2%) of the fee envisaged by the catalogue of services, with the exception of ancillary services to safety-related processes (Traffic, Regional Fleet Management, Railway Safety Operation and Network Access). However, in relation to this it was contractually agreed to allocate the portion resulting from the streamlining to the extraordinary maintenance programme governed by the Planning Agreement.

The Lombardy Region approved an update of the Service Agreement with Regional Government Decree No. 7725 of 15 January 2018 transposed on 14 February 2019 by the Board of Directors of FERROVIENORD.

Planning agreement for investments in the concession network

On 28 July 2016 - following Regional Council Resolution no. X/5476 of 25 July 2016 - the new "*Planning Agreement for investments and extraordinary maintenance on the regional rail network under concession to FERROVIENORD S.p.A. between the Lombardy Region and FERROVIENORD S.p.A. for the period 28/07/2016 - 31/12/2022*" was signed. The Planning Agreement defines:

1. activities for the renewal, extension and modernisation of the infrastructure and technological systems, to improve service quality, develop the infrastructure and achieve high levels of safety in accordance with the provisions of the Regional Mobility and Transport Programme - PRMT for a total amount of EUR 726 million;
2. extraordinary maintenance activities to maintain network efficiency in accordance with the provisions of the Service Agreement of 16 March 2017 for a total amount of EUR 89.2 million.

The Lombardy Region approved an update of the planning, with Regional Government Decree no. 7645 of 28 January 2017, transposed on 14 February 2018 by the Board of Directors of FERROVIENORD, which provides:

- the introduction of two new activities tables for the safety of the Milan Branch and for the infrastructure upgrading activity linked to the construction of the railway connection of the Malpensa T2 station with the RFI Sempione line;
- additional financial resources for approximately EUR 150 million;
- the inclusion in the planning of important upgrades to infrastructure and technology, such as the implementation of the railway safety systems on the Milan branch and the modernisation and upgrade of the Bovisa Node infrastructure and the construction of the new ACCM (Computerized Multistation Central Apparatus).

Subsequently, with Regional Government Decree no. 383 of 23 July 2018 the Lombardy Region approved a second update which provides in particular for the planning of new financial resources and the consequent identification of new activities, recognised as priorities for railway safety and the regular running and enhancement of the service:

From the point of view of financial resources, those planned in the Planning Agreement signed on 28 July 2016 and updated on 28 December 2017 are confirmed, to which EUR 65 million is added. Furthermore, the Lombardy Region has already planned to allocate the amount of EUR 40.0 million available following the finalisation of the Transaction Agreement with the CONFEMI Consortium.

Lastly, with Regional Government Decree no. XI/2054 of 31 July 2019, the Lombardy Region approved the third revision and in full continuity with the planning of July 2016, of December 2017 and of July 2018 confirmed the planning of the infrastructure upgrades, necessary to assure the development of the services. Overall, the financial resources planned in the Planning Agreement signed on 28 July 2016 and updated on 28 December 2017 and on 23 July 2019 are confirmed, to which EUR 53.3 million of regional resources is added.

Total investments in the network in the 2019 financial year amounted to EUR 46.6 million and mainly related to the following activities:

- equipment renewal on the Saronno - Malnate and Bovisa - Seveso - Mariano Comense sections;
- construction of the network operation support system;
- construction of the Malpensa T2 - RFI Sempione line railway connection;

- enhancement of the Milan Affori - Varedo railway section.

Rolling stock supply

FERROVIENORD provides for the acquisition, management, maintenance and storage of railway rolling stock on behalf of the Lombardy Region.

With the Regional Council Resolution of 24 July 2017 laying down the "*PROGRAMME FOR THE PURCHASE OF ROLLING STOCK FOR THE REGIONAL RAILWAY SERVICE FOR THE YEARS 2017-2032 AND INTEGRATION OF THE SUPPLY OF THE PURCHASE PROGRAMME OF ROLLING STOCK IN THE REGIONAL GOVERNMENT DECREE NO. X/4177 OF 16/10/2015*" the Lombardy Region decided to approve the programme for the supply of rolling stock for the regional rail service for the years 2017-2032 as follows:

- No. 100 High capacity electric trains (EMU) of which No. 60 long configuration and No. 40 short configuration;
- No. 31 Medium capacity electric trains (EMU);
- No. 30 Diesel trains (DMU);

for a total of 161 trains;

authorising FERROVIENORD to provide for the acquisition, management, maintenance and storage of railway rolling stock with the obligation for the concessionaire to assign the rolling stock in use to the railway companies indicated by the Lombardy Region.

The rolling stock supply programme is covered by the total amount of EUR 1,607 million in the regional budget 2017-2019 and in the budget for the years 2020-2032, including charges for recourse to the market by FERROVIENORD for the anticipation - with respect to the availability of the regional budget - of the necessary resources to comply with contractual terms for the payment of supplies to be completed by 2025 and for general management costs for the order - set for FERROVIENORD by the Service Agreement - to the extent of 1% of the contracts amounts.

To implement the mandate from the Lombardy Region, FERROVIENORD has entrusted FNM with the mandate to carry out - on behalf of FERROVIENORD - the necessary tender procedures using the "QUALIFICATION SYSTEM FOR THE SUPPLY AND MAINTENANCE OF RAILWAY ROLLING STOCK", adopted by FNM itself. To this end the notice was published in the Official Journal of the European Union No. S149 of 5 August 2017 with which - pursuant to art. 134, paragraph 3 of Legislative Decree no. 50/2016 - FERROVIENORD S.p.A. announced the use of the qualification system for companies for the maintenance of rolling stock, established by FNM S.p.A.

The state of implementation of the plan at 31 December 2019 is as follows.

- **Supply of High Capacity trains**

For the supply of the 100 High Capacity trains (EMU) - following the tender launched on 25 October 2017 - on 12 September 2018 the following took place:

- the execution - by FNM S.p.A. - of the Framework Agreement with HITACHI RAIL ITALY S.p.A. lasting 8 years, relating to the supply of 120 new high-capacity, two-way, fixed formation, 3kV DC electric trains, as well as the scheduled 1st level maintenance service and corrective maintenance of vandalism and accidental events and the supply of technical stock;
- the execution - by FERROVIENORD S.p.A. - of the 1st Executive Contract with HITACHI RAIL ITALY S.p.A. for the supply of No. 30 (thirty) Short trains for a total amount of EUR 237.5 million.

The delivery of the first train is scheduled for 20 months from the executive contract agreement with a consequent reduction of 16 months from the deadline set for the tender (36 months). The Framework Agreement provides for a commitment to agree - within 30 (thirty) months from the signing of the aforementioned first Executive Contract - a second Executive Contract for the supply of No. 20 (twenty) Long trains. For the additional 50 trains (20 short configuration and 30 long configuration) the contracts can be activated by FERROVIENORD with timings compatible to the programme completion by 2025.

- **Diesel train supply**

For the supply of the 30 diesel trains (DMU) - following the tender launched on 16 November 2017 - on 21 November 2018 the following took place:

- the execution - by FNM S.p.A. - of the Framework Agreement with STADLER BUSSNANG AG for a period of 8 years, relating to the supply of No. 50 new two-way, fixed formation, diesel-electric traction trains, as well as the scheduled 1st level maintenance service and corrective maintenance of vandalism and accidental events and the supply of technical stock;
- the execution - by FERROVIENORD S.p.A. - of the 1st Executive Contract with STADLER BUSSNANG AG for the supply of No. 30 (thirty) Trains for a total amount of EUR 191.9 million.

The delivery time for the first train is 36 months from the signing of the executive contract (i.e. November 2021).

- **Supply of Medium Capacity trains**

For the supply of 31 Medium Capacity trains on 14 November 2019, FNM awarded the contract to ALSTOM FERROVIARIA S.p.A. as a result of the filing on 8 November 2019, by the Regional Administrative Court of Lombardy, of the decision on R.G. appeal no. 1032/2018, initiated by CAF S.A., whereby, definitively passing judgement on the appeal and on its additional reasons, rejected them in each of their requests, ordering the appellant to pay all expenses. On 20 November 2019, the following took place:

- the execution - by FNM S.p.A. - of the Framework Agreement with ALSTOM FERROVIARIA S.p.A. lasting 8 years, relating to the supply of 61 new Mid-capacity, two-way, fixed formation, 3kV DC electric trains, as well as the scheduled 1st level maintenance service and corrective maintenance of vandalism and accidental events and the supply of technical stock;
- the execution - by FERROVIENORD S.p.A. - of the 1st Executive Contract with ALSTOM FERROVIARIA S.p.A. for the supply of No. 31 (thirty) Trains for a total amount of EUR 193.8 million.

Moreover, on 15 May 2019 the Lombardy Region resolved:

a) to approve, supplementing the Original Purchasing Programme, the Supplementary Purchasing Programme, comprising:
   - 10 mid-capacity electric trains of the “Pop” type;
   - 5 high-capacity trains of the “Rock” type;

   with costs to be paid through the savings obtained from awarding the first two contracts for the High Capacity trains and the Diesel trains;

b) authorising FERROVIENORD to provide for the acquisition, management, maintenance and storage, in addition to the railway rolling stock of the Original Purchasing Programme, also of the railway rolling stock of the Supplementary Purchasing Programme, in accordance with the current service agreement, with the obligation for the concessionaire to assign the rolling stock in use to the railway companies that are parties to the service agreement with the Lombardy Region.

On 1 July 2019, TRENITALIA, ALSTOM and FERROVIENORD then executed the transfer of the agreement for the supply of 10 POP trains for a total amount of EUR 60.4 million with delivery no later than July 2020.

On 25 July 2019, TRENITALIA, HITACHI RAIL and FERROVIENORD then executed the transfer of the agreement for the supply of 5 ROCK trains for a total amount of EUR 45.7 million with delivery no later than March 2020.

In relation to the financial strategy, necessary to couple the need to acquire the electric trains no later than 2025 with the cash flows authorised with the Regional Law that will be disbursed during the years 2017-2032, on 31 May 2018 FERROVIENORD entered into a loan agreement with Cassa Depositi e Prestiti S.p.A., directed at satisfying the related financial requirements. Upon signing of the loan agreement, CDP undertook to grant FERROVIENORD financial resources for a maximum amount of EUR 650 million. It should be noted that provision for the disbursement of this amount will be made available to CDP by the European Investment Bank. The main terms of the loan agreement can be summarised as follows:

- disbursement procedure: disbursement, starting from 1 January 2021, by CDP in tranches, subject to a request for use by FERROVIENORD, each of which for an amount not less than EUR 30 million (or for the least amount of funding available). Each payment will be subject to FERROVIENORD's satisfaction of some condition precedents, including, *inter alia*, submitting the time schedule relating to the progress status of the purchase programme;
- repayment procedure: amortizing;
- repayment date: all disbursed amounts shall be repaid no later than 31 July 2032. The repayment of the amounts will take place, according to the relative amortisation schedule, on 31 July of each year starting from the first day between (i) 31 July 2026 and (ii) 31 July of the year in which the payment is due, on the part of the Lombardy Region to FERROVIENORD, of the first receivable based on the purchase programme implementation agreement;
- interest rate: to be determined in relation to each loan disbursed under the loan agreement, based on the interest rate applied by the EIB on the amounts made available to CDP, increased by a margin;
- FERROVIENORD financial commitments: commitment not to take on or maintain financial debt, except in the case of permitted financial debt;
- other commitments: standard for this type of transaction, including the negative pledge clauses and the limitations placed on the amount of distributable profit, without prejudice to the possibility of cash transfers in favour of FNM under the so-called group cash pooling;
- early repayment provisions: included in the Loan Agreement on the basis of that usually provided by the market for this type of transaction, connected, *inter alia*, to non-compliance with the commitments by FERROVIENORD and to the assumptions of the so-called change of control relating to FERROVIENORD and FNM.

To guarantee the obligations deriving from the loan and up to a maximum of 150% of the latter's maximum principal amount (EUR 975 million), FERROVIENORD has provided the following guarantees in the implementation of the financing forecasts: (a) a pledge on receivables in favour of CDP and EIB, set up on the contributions from the Lombardy Region to FERROVIENORD to finance up to an amount of EUR 1.607 million for the acquisition of rolling stock programme pursuant to resolutions no. X/6932 of 24 July 2017 and Regional Government Decree no. X/7643 of 28 December 2017; and (b) a further pledge in favour of the same lending institutions for the current accounts opened by the Company in implementation of the loan agreement.

On 11 July 2019, FERROVIENORD and the Lombardy Region entered into a convention for the implementation of the Mandate, as supplemented - relative to the Original Mandate - by the Supplemental Mandate, for the implementation of the Purchasing Programme, as supplemented - with respect to the Original Purchasing Programme - by the Supplementary Purchasing Programme; on 2 August 2019 then FERROVIENORD and Cassa Depositi e Prestiti stipulated the amendment to the loan agreement entered into on 31 May 2018.

3.2 PASSENGER ROAD TRANSPORT

The "Passenger road transport" segment recorded 2.2% revenue growth from EUR 115.8 to 118.4 million.

Amounts in millions of euros	**2019**	**2018**	***Change***	***Chg %***
Contracts and public grants	46,4	46,2	*0,2*	*0,3%*
Transport services	62,3	60,0	*2,4*	*3,9%*
Other revenues	9,6	9,6	*0,1*	*0,7%*
Segment revenues	**118,4**	**115,8**	***2,6***	***2,2%***

EBITDA Adj.	**13,2**	**9,8**	***3,4***	***34,7%***
EBITDA Adj. %	***11,2%***	***8,5%***		
EBIT	**1,7**	**(2,1)**	***3,8***	***n.s.***

In particular:

- the revenues deriving from contracts and public grants (amounting to EUR 46.4 million) were substantially stable relative to the previous year;
- the revenues deriving from the transport services and hence relating to ticketing, to replacement services carried out by FNM on behalf of Trenord, to sub-leasing activities and to the car-sharing of E-VAI, grew by 3.9% during the year;
- the residual revenues, relating mainly to contributions on the purchase of rolling stock, remained unchanged at EUR 9.6 million.

The significant improvement in Adjusted EBITDA which, without the impact of the adoption of the new IFRS 16 - which entailed a reduction in operating lease fees of EUR 1.6 million and an equal increase in amortisation - would change from EUR 11.4 to 13.6 million, is due to the effect of the better performance of the activities in Veneto, of the increased replacement services carried out in Lombardy and to the improvement of E-Vai margins.

The segment includes different dynamics and phenomena with respect to the different services offered and to the different areas where the different companies operate. In particular:

- **FNM AUTOSERVIZI**, which manages local public transport in the provinces of Varese, Brescia and Como; also providing train replacement services for the railway services provided by Trenord.

  In particular, the local public transport activities in the provinces of Varese and Brescia are carried out under concession (extended to 31 December 2019 and 30 June 2020, respectively, or the date on which the new operator takes charge of the service), while in the province of Como they are governed by a service contract, with duration extended to 31 December 2020 or the date on which the new operator takes charge of the service.

  At 31 December 2019, the fleet consists of 153 buses (of which 47% new generation[2]) with an average age of 11.6 years.

  In the year under review, production stood at a total of 5.6 million bus/km, versus 5.5 million bus/km in 2018 (+1.4%), while the number of passengers carried decreased by 2.9% from 4.5 million to 4.3 million in all managed provinces.

  Total revenues, amounting to EUR 22.4 million, grew by approximately 5%: in particular, traffic revenues (inclusive of passenger ticketing revenues and train replacement services carried out on behalf of Trenord) amounted to EUR 11.5 million versus EUR 10.4 million in 2018, with over 10% growth as a result of the train replacement services; the public grants recognised in view of existing concessions amounted to EUR 7.7 million, substantially unchanged from the previous year.

  As regards the future dates of tenders for the award of local public transport services in the provinces of the Lombardy Region, any loss of services would have a significant impact on the company's revenues, but would also lead to a proportional reduction in costs, since under current legislation, the incoming company must take over the staff and equipment dedicated to the service, while the subsidiary would continue to own the depots without any obligation of transfer to, or use by, the incoming company.

- **Azienda Trasporti Verona**, which operates mainly in the passenger road transport segment in the municipality and province of Verona; the company is jointly owned by FNM and Azienda Mobilità Trasporti S.p.A.

  In 2019, in relation to production figures, there was an increase of 2.5% in carried passengers (73.4 million versus 71.6 million in 2018), with consistent growth in urban and extra-urban

2 Euro5, Euro6, EEV Engines

sections, in the presence of substantial lack of change of bus/km travelled, equal to 19.8 million bus/km.

Total revenues, amounting to EUR 76.1 million, recognised a slight increase (+0.5%) from the previous year:

- traffic revenues (sale of tickets and season tickets) changed from EUR 33.4 million to EUR 34.1 million, with 2% growth, consistent with the trend in the number of passengers given the lack of change of the selling prices of tickets and season tickets; the determining factors were the actions contrasting evasion and tourist inflows towards Lake Garda resorts, which saw an upgrade of the connections.
- consideration for service contracts amounted to EUR 36.2 million, slightly lower than in 2018 (-0.3%).

In December 2017, the restricted procedure announcement was published for the selection of the public transport manager in Verona and the province; essentially relating to the services currently provided by ATV, it provides for the assignment of two lots (one urban with Catullo airport service, the other extra-urban including the Municipality of Legnago). On 11 January 2018, the company filed an appeal with the Regional Administrative Court against the tender and relative resolution of the Provincial Council of Verona, concerning the type of tender planned and division in lots. The date of the first hearing still has to be set. In 2019, however, the Province continued to collect data in preparation for the drafting of the tender specifications, such as, in particular, personnel data and tariff structure, and the evaluation of buses by an appointed expert began.

It is believed that the three current service agreements (Municipality of Verona, Municipality of Legnago and Province of Verona), expiring on 31 December 2020, will probably be extended further, since the tender procedure will not be completed before the end of the year.

- **La Linea**, a company that operates in the Veneto area in local public road transport sector and also hires out buses with driver, also through subsidiaries and/or investees. Revenues were substantially in line due to increased operations in the Verona area (sub-contracting for ATV), partly offset by a slight decrease in activity in the Venice area as a result of the cancellation of some urban routes, as well as a different service mix (greater incidence of extra-urban km at a reduced unit value) and of lower revenues in the Padua area. Revenues from transport services in the year are from the companies ACTV and AVM in the area of the Venice

province, ATV in the Verona area, Busitalia in the Padua area and Dolomiti Bus in the Belluno area.
In terms of production value, 5.3 million km were outsourced in the year, a decrease of approximately 2.7% from the previous year, following the resolution of the Revenue Agency, which establishes that in the event of a temporary grouping of enterprises, the lead company may invoice only the revenues relating to its own services. In application of this directive, in May La Linea ceased to charge back services rendered by third parties in the Padua area.

Overall, the fleet operating in the Veneto Region at 31 December 2019 consisted of 570 buses, of which 45% new generation[3], with an average age of 12.3 years.

- The sharing mobility service carried out by **E-VAI** with electric and bimodal vehicles aims to finalise the completion of public mobility and in particular railway mobility, according to traditional, innovative and sustainable business models.
  Revenues, amounting to EUR 3.3 million, increased slightly (+35%) from the previous year, as a result of the newly activated business lines.
  In 2019 there was substantial stability in activity volumes in the historical car sharing 1.0 station based business model, in relation to which the contract for the provision of services for the management of Lombardy ecological car sharing continued, signed with FERROVIENORD in the context of its commitment with the Lombardy Region to provide an "ecological" car sharing service in exchange for the payment of a fee of EUR 1.8 million per year, unchanged from the previous year.
  During the period, work continued on the business line linked to the E-Vai 3.0 project (Easy Station), and on the two new lines E-Vai 2.0 (Public) and E-Vai 4.0 (Corporate), which are extensions of the E-Vai 3.0 model defined based on market requirements and provide services dedicated to both municipal administrations and private businesses.
  The updated managed service models, which were also considered integrable with one another in the near future, were also implemented by the European Community: E-Vai participates in two European projects, *I-SharE LIFE* and *CarE-Service Horizon 2020*, for which grants of EUR 0.7 million have been recognised in the financial statements.

At 31 December 2019, the fleet consisted of a total of 175 vehicles, (105 in December 2018), 49 of which were dedicated to the *I-SharE LIFE* project. There are 112 *E-Vai Point*, distributed over 59

[3] Euro5, Euro6, EEV Engines

municipalities and provided with 63 charging stations. The geographic presence increased compared to 31 December 2019, when 96 E-Vai Points were distributed over 47 municipalities and provided with 50 charging stations.

3.3 ROSCO & SERVICES

The segment refers to business fields in which FNM operates directly and comprises the hire of rolling stock to investees operating in the local public transport and freight transport sectors; the activities carried out by the subsidiary Locoitalia are also included[4].

Amounts in millions of euros	**2019**	**2018**	***Change***	***Chg %***
Lease of rolling stock	55,9	54,7	*1,2*	*2,2%*
Other revenues	26,7	27,5	*(0,7)*	*(2,6%)*
Segment revenues	**82,6**	**82,1**	***0,5***	***0,6%***
EBITDA Adj.	**52,2**	**50,5**	***1,7***	***3,4%***
EBITDA Adj. %	***63,2%***	***61,5%***		
EBIT	**24,2**	**24,0**	***0,2***	***0,8%***

The types of revenues included are:

- lease of rolling stock for EUR 55.9 million versus EUR 54.7 million in 2018, up by 2.2% as a result of the delivery of the new train fleets and of ISTAT raises; moreover, during the year revenues further increased by EUR 0.5 million due to the transfer to a third party of the agreement for the purchase of 5 Stadler trains;
- other revenues - equal to EUR 26.7 million versus EUR 27.5 million of 2018 - comprising:
  - administrative services, i.e. management through service agreements with the investees of the centralised corporate activities, in particular: organisation and provision of accounting services, personnel administration, human resources management, company secretariat, legal activities and consultancy, treasury, planning and control, ICT (Information & Communication Technology), purchases, tenders and procurement, marketing and general services; accrued revenues, fully due to intercompany transactions, amounted to EUR 20.2 million versus EUR 20.4 million in 2018;
  - real estate management, relating to lease payments of owned property, such as the building in Piazzale Cadorna, the commercial premises of the Milan Cadorna station

4 The subsidiary Locoitalia is included in the scope of consolidation at 31 December 2019 and it was sold on 10 March 2020.

lobby, the buildings in Iseo, the parking area in Novate and the depot in Solbiate Comasco. With the exception of Milan Cadorna station leases, the other contracts are with Group companies; the accrued revenues amounted to EUR 1.5 million, unchanged from the comparative year of 2018;

- management of advertising space, relating to income from the sale of advertising space on the Digital Signage network, as well as through traditional channels, such as display systems located at stations. Since 1 December 2019 this activity has been managed by FERROVIENORD and hence included in the "Railway infrastructure management" business line.

The increase in Adjusted EBITDA in the segment from EUR 50.5 million to EUR 55.2 million is mainly due to the higher lease fees and to the reduction in operating costs, mainly as a result of the adoption of the new IFRS 16 and the reduction of the cost of personnel.

Within the RoSCo segment in which the Parent Company is active is positioned the main joint venture, operating the Local Public rail Service in Lombardy, Trenord, whose economic and financial highlights for 2019 are provided below.

Trenord

Service performance

The train/km in the year amounted to 42.7 million, compared to 43.5 million in 2018.

Overall, the customers recorded in working days for 2019 were 2% more than those recorded by the survey carried out the previous year and equal to 13% more than in the last 5 years.

Overall, the number of travellers who used Trenord's service, calculated on an annual basis, changed from 209 million in 2018 to 214 million in 2019, growing by 2.4%.

From 15 July 2019, the new Fee System of the Milan and Monza Brianza Mobility Area (STIBM) has been in force, replacing the Integrated Fee System of the Milan Area (SITAM)

The new Fee System extends to all municipalities in the metropolitan City of Milan, in the Province of Milan and Monza and Brianza and in some municipalities outside the province, already included in the SITAM area.

The new zone-based fee system with a single ticket or subscription allows to travel on all public means of transportation of the acquired area, including trains for integrated, intermodal mobility.

Overall, 2019 saw an improvement in operating performance, partly as a result of the service remodulation plan, activated at the end of 2018:

- 5-minute punctuality perceived by customers (no cause excluded) amounted to 80.2% (+2% compared to 2018);
- suppressions (excluding force majeure) amounted to 35.7 suppressions/day, with a reduction of 39 suppressions compared to 2018.

Lastly, the commercial service of the first train delivered of the total number of 176 purchased by the Lombardy Region (Caravaggio) started on 3 February 2020.

Economic data summary

The statements for 2019 were prepared applying the new IFRS 16 and therefore the data are not comparable with the 2018 data under the items operating costs, EBITDA, amortisation/depreciation, EBIT and net financial income. The main effects are described in the comments to the related items.

Amounts in millions of euros	12 months 2019	12 months 2018	Change	Change %
Revenues from sales and services	824,0	787,6	36,4	5%
Other revenues and income	7,7	9,7	(2,0)	-21%
TOTAL REVENUES AND OTHER INCOME	*831,7*	*797,3*	*34,4*	*4%*
Operating costs	(354,6)	(464,8)	110,2	-24%
Personnel costs	(275,0)	(264,6)	(10,4)	4%
EBITDA	*202,1*	*67,9*	*134,2*	*-15%*
Amortisation and depreciation	(192,2)	(62,8)	(129,4)	206%
EBIT	*9,9*	*5,1*	*4,8*	*94%*
Net financial income	(2,9)	(0,7)	(2,2)	314%
EARNINGS BEFORE TAX	*7,0*	*4,4*	*2,6*	*59%*
Income tax	(3,3)	(2,0)	(1,3)	65%
COMPREHENSIVE INCOME	**3,7**	**2,4**	**1,3**	**124%**

Revenues amounted to EUR **831.7** million, up by 4.3% relative to the previous year (net of approximately EUR **5.1** million of penalties on Services Agreement; in 2018, penalties to the Lombardy Region had been approximately EUR **12.5** million):

- Revenues from **rail traffic** amounted to EUR 352.5 million, an increase of EUR 21.4 million compared to the previous year, due mainly to the positive performance of the airport segment - also because of the extraordinary effect of the shut-down of the Linate Airport in the summer months - to the general trend in demand and to the lower bonuses paid to customers.
- Revenues from **Service Agreement** amounted to EUR 445.5 million, up by EUR 10.9 million compared to 2018. The main changes refer to lower penalties and deductions, to the higher fees for leases of rolling stock and cyclical, offset by lower fees for network access and service remodulation.

- Other revenues, amounting to EUR 33.6 million and up by EUR 2.0 million compared to 2018, refer mainly to the service revenues for medium-long distance lines and to service revenues realised with Trenitalia.

Employee costs amounted to EUR 275.0 million (EUR 264.6 million in 2018), an increase deriving from the higher number of resources employed (+147 FTE).

Other operating costs (net of IFRS 16 impacts amounting to EUR 131.6 million) increased relative to the previous year (EUR +21.4 million), mainly because of higher fees for the lease of rolling stock as a result of the entry of new rolling material, for maintenance costs and for cleaning services, as well as for the train replacement services.

EBITDA amounted to EUR **202.1** million. The change from 2018 (EUR 67.9 million) is due, for EUR 2.6 million, to the better margin, in addition to the aforesaid effect of the adoption of the new IFRS 16.

Depreciation of fixed assets (net of IFRS 16 impacts, equal to EUR 130.1 million) amounted EUR 62.5 million (EUR 61.3 million in 2018) and mainly related to the depreciation of cyclical maintenance on supplied and rented materials, as well as the depreciation of other fixed assets.

The value of **EBIT** was positive by EUR **9.9** million (EUR 8.4 million before IFRS 16), up from the value of the previous year (EUR 5.1 million).

The **net financial income** recorded (net of IFRS 16 impacts of EUR 2.2 million) a negative value of EUR 0.7 million, in line with the figure of the previous year.

Earnings before taxes amounted to EUR **7.0** million, up from the value of 2018 (EUR 4.4 million).

The year 2019 recorded a **comprehensive income** of EUR **3.7** million, up by EUR 1.3 million compared to 2018 (or nearly EUR 2 million when compared like-for-like).

The following table shows the reclassified **Balance Sheet** as at 31 December 2019, compared with the same values as at 31 December 2018 pro-forma to include the effects of the adoption of the new standard and with the approved statement at 31 December 2018:

Amounts in thousands of euros	31/12/2019	31/12/2018 PRO-FORMA IFRS 16	Change	31/12/2018
Inventories	104,5	99,4	5,1	99,4
Trade Receivables	176,4	140,0	36,4	140,0
Trade Payables	(252,2)	(264,0)	11,8	(264,0)
Other Net Current Assets	(66,7)	(61,1)	(5,6)	(61,1)
Net Working Capital	*(38,0)*	*(85,7)*	*47,7*	*(85,7)*
Net non-current assets	306,4	441,6	(135,2)	183,7
Other Net Non-current Assets	28,5	23,4	5,1	23,4
Provisions for risks and charges	(69,2)	(81,0)	11,8	(81,0)
NET INVESTED CAPITAL	*227,7*	*298,3*	*(70,6)*	*40,4*
Equity	*94,4*	*91,3*	*3,1*	*91,3*
Net financial indebtedness/(Net financial position)	*133,3*	*207,0*	*(73,7)*	*(50,9)*
TOTAL SOURCES	*227,7*	*298,3*	*(70,6)*	*40,4*

Net Invested Capital

The Net Operating Working Capital is negative by EUR 62.8 million, up by EUR 22.9 million relative to 31 December 2018 mainly deriving from the increase in trade receivables, in particular from related parties, from the increase in inventory during the year, in spite of the increase in trade payables, in particular to related parties; the other current net assets decreased compared to 2018 (EUR -5.6 million).

Net non-current assets increased by EUR 122.7 million due to the recognition of assets used by third parties, in accordance with the new IFRS 16.

The value of third-party assets in use refers mainly to EUR 117.8 million of rolling stock and to EUR 11.3 million of buildings.

In addition to third-party assets in use, the item comprises:

- property, plant and equipment, amounting to EUR 167 million that pertain mainly for EUR 143.8 million to the residual value of rolling stock in use by the Company. Investments for the year amounted to EUR 50.1 million and were mainly connected to cyclical maintenance on rolling stock;
- intangible assets, amounting to EUR 7.3;
- equity investments amounting to EUR 1.9 million, which refer mainly to the subsidiary Tilo S.p.A., and - to a minimal extent - to the associates Consorzio SBE and Consorzio Elio Scarl.

Other non-current net assets increased by EUR 5.1 million as a result of higher deferred tax assets.

Net Financial Position

Net financial debt amounted to EUR 133.3 million, worse than the 2018 figure, pro-forma for IFRS 16, by EUR 207.0 million (EUR 50.8 million of cash as at 31 December 2018) essentially due, as mentioned previously, to the adoption of the new IFRS 16, which entailed the recognition of a payable of EUR 155.5 million at 31 December 2019. Net of the adoption of IFRS 16, the net financial position of 2019 would amount to approximately EUR 22.2 million.

The following table shows the breakdown of the Net Financial Position of the company:

Amounts in millions of euros	31/12/2019	31/12/2018 PRO-FORMA IFRS 16	Change	31/12/2018
Liquidity	(22,2)	(51,9)	29,7	(51,9)
Current financial receivables	-	(0,1)	0,1	(0,1)
Current financial debt	155,5	130,5	25,0	1,1
Current Net financial indebtedness/(Net financial position)	***133,3***	***78,5***	***54,8***	***(50,9)***
Non-current financial debt	-	128,5	(128,5)	-
Net financial indebtedness/(Net financial position)	***133,3***	***207,0***	***(73,7)***	***(50,9)***

4 FNM S.P.A. OPERATING AND FINANCIAL PERFORMANCE

4.1 ECONOMIC DATA SUMMARY

The reclassified income statement for the year is shown below, compared with that of 2018, with an indication of the differences in absolute and percentage terms.

Amounts in millions of euros	**2019**	**2018**	***Change***	***Change %***
Revenues from sales and services	76,5	75,8	*0,7*	*0,9%*
Other revenues and income	3,7	4,1	*(0,4)*	*-10,0%*
TOTAL REVENUES	*80,2*	*79,9*	*0,3*	*0,4%*
ADJUSTED EBITDA	*51,1*	*49,7*	*1,4*	*2,8%*
Non-recurring income	-	*0,8*	*(0,8)*	*-100,0%*
EBITDA	*51,1*	*50,5*	*0,6*	*1,2%*
EBIT	*24,9*	*24,2*	*0,7*	*3,1%*
COMPREHENSIVE INCOME	**23,9**	**24,3**	***(0,4)***	***-1,7%***

Revenues from sales and services increased by EUR 0.7 million compared to 2018; as a result of the increase in revenues from leases of rolling stock, of EUR 0.2 million, and of the revenues for services invoiced in relation to the transfer to the EAV Consortium of the agreement to purchase 5 FLIRT trains, for EUR 0.5 million.

Other revenues and income amounted to EUR 3.7 million versus EUR 4.1 million in 2018, the decrease relates to the release of risk provisions for EUR 550 thousand, carried out in 2018, as a result of the cessation of the risk of loss in litigation.

External operating costs fell by EUR 0.4 million, from EUR 14.6 million to EUR 14.2 million, chiefly due to the decrease in legal and court expenses, as well as to the reduction in costs for operating leases, for EUR 0.7 million, as a result of the adoption of the new IFRS 16.

Employee costs amounted to EUR 14.9 million, down by EUR 0.7 million compared to EUR 15.5 million in 2018 mainly in relation to the lower amounts disbursed for the early termination of employment relationships with top management.

Adjusted EBITDA, which rose from EUR 49.7 million to EUR 51.1 million, grew by 2.8% due to the combined effect of the slight increase in revenues and of the reduction in personnel cost, as well as of the aforementioned effect of the adoption of the new IFRS 16.

Non-recurring income are due to the capital gain of EUR 0.8 million, deriving from the last instalment of the consideration for the sale of the areas adjacent to Milan Affori station totalling EUR 3.0 million (including VAT).

The **amortisation, depreciation and allocations to provisions** decreased by EUR 0.1 million compared to 2018, mainly from the combined effect of the reduction in depreciation on the train fleets, partially offset by the higher right-of-use amortisation in relation to the adoption of the new IFRS 16.

Operating income, determined by the combined effect of performance of the previously discussed revenue and cost categories, amounted to EUR 24.9 million compared to EUR 24.2 million in 2018, with an improvement of EUR 0.7 million, equal to 3.1%.

Net financial income amounted to EUR 4.7 million, down by EUR 2.1 million compared to EUR 6.8 million in 2018, in relation to the lower dividends, equal to EUR 6.6 million versus EUR 8.2 million at 31 December 2018, and to the higher financial expenses, equal to EUR 1.8 million versus EUR 0.6 million at 31 December 2018. The impairments of equity investments, amounting to EUR 0.4 million, refer to Fuorimuro, aligned to the sale value; in the previous year the amount, of EUR 1.2 million, related to the impairment of the equity investments in ATV and Fuorimuro.

Earnings before taxes amounted to EUR 29.7 million versus EUR 31.0 million in 2018.

Income taxes, amounting to EUR 6.7 million, remained substantially unchanged from the previous year.

The **net profit for the year** amounted to EUR 23.9 million, down by EUR 0.4 million compared to the profit of EUR 24.3 million achieved in 2018, mainly determined by the lower dividends distributed by the investees (EUR 6.5 million versus EUR 6.6 million of 2018).

4.2 RECLASSIFIED FINANCIAL POSITION AND SUMMARY INDICATORS OF RESULT

Below is the reclassified financial position of the financial year and the previous one:

Amounts in millions of euros	**31/12/2019**	**31/12/2018**	***Change***
Current receivables	42,8	39,2	*3,6*
Current payables	(21,7)	(10,9)	*(10,8)*
Net Working Capital	*21,1*	*28,3*	*(7,2)*
Fixed assets	344,9	353,9	*(9,0)*
Equity interests	97,0	99,5	*(2,5)*
Non-current receivables	7,2	20,1	*(12,9)*
Non-current provisions and paya	(22,9)	(26,3)	*3,4*
NET INVESTED CAPITAL	***447,3***	***475,5***	***(28,2)***
Equity	375,7	361,6	*14,1*
Current financial debt	66,6	106,8	*(40,2)*
TOTAL SOURCES	***442,3***	***468,4***	***(26,1)***

The Company manages the liquidity of the other Group companies in cash pooling; therefore, in view of cash on bank deposits of EUR 136.6 million, FNM has giro accounts receivables of EUR 0.3 thousand (EUR 2.3 million at 31 December 2018) and giro accounts payable of EUR 166.0 million (EUR 141.0 million at 31 December 2018).

As shown in the cash flow statement, to which reference is made, operating activities generated liquidity of EUR 43.3 million, investment activities absorbed financial resources of EUR 14.8 million, while financing activities generated liquidity of EUR 11.5 million.

5 PROPERTY ASSETS

At 31 December 2019, the FNM Group owned some areas in proximity to railway stations and the related construction rights, the main ones relating to the area of Milan Bovisa, Saronno and Milan Affori. Information about the main initiatives pursued by the Group to valorise these areas is provided below.

MILAN BOVISA

In March 2018, FERROVIENORD, implementing the provision updating the Planning Agreement signed on 28 July 2016 with the Lombardy Region, presented the feasibility study for the modernisation and strengthening of the Bovisa node, which envisages the installation of four new tracks and a series of activities on the plant to improve its potential and flexibility and to allow for the extension of some existing railway services and the establishment of two new suburban lines.

On receipt of the feasibility study and considering the transport and urban value of the section, the Lombardy Region promoted a technical working group for the main participants involved in the Bovisa node works, amongst which were the Transport and Urban Planning sections of the Municipality of Milan and the Milan Underground.

During the meetings with the Lombardy Region in the following months, the project guidelines and objectives that the various participants intended to put in place for the Bovisa node emerged, which included, for FNM/FERROVIENORD, the possibility of development and implementation of volumes, allocated to their own offices, generated by the areas under their responsibility.

At the same time, on 1 June 2018 the Municipality of Milan made the procedural documents for the Strategic Environmental Assessment (SEA) relating to the revised Zoning Plan (PGT) in force available, by publishing them on its online Municipal Notice Board.

In July, in view of the updated PGT documents publication, FNM/FERROVIENORD jointly presented technical observations relating to the development of the railway service and expansion of the Bovisa station, and urban planning, focussing attention on determining the building capacity for the new “Interchange Nodes” section which include the areas of the Group.

Therefore, meetings have been scheduled between FNM/FERROVIENORD and the Municipality of Milan to identify a joint path for the urban development of the Bovisa node, which also involves the Lombardy Region in relation to transport matters linked in particular to railway infrastructure. The Zoning Plan (PGT), approved with Municipal Council resolution no. 34 of 14 October 2019, placed a portion of areas of FERROVIENORD inside the perimeter of one of the “Interchange nodes”, for which the Plan identified a specific set of rules because of the specific role attributed to the interchange function and of the need to promote interventions for the requalification of the system of public spaces and, in the specific case of the Bovisa Node, of the transformation areas present near the station and the railway embankment. The areas under FERROVIENORD’s competence obtained a building ratio index of 0.35/sqm.

Following the meetings of the Boards of Directors of FNM (of 28 November 2019) and of FERROVIENORD (of 2 December 2019), on 2 December 2019 the agreements regulating the

partnership between FERROVIENORD and the Municipality were formalised for participation in the tender entitled "*Reinventing Cities*", relating to the Bovisa Interchange Node.
On 18 December, the SSR data sheet for participation in the tender was defined, then published on 20 December, containing the starting auction price of the volume and surface rights generated by the owned areas.
The deadline for manifestations of interest has been set to 4 May 2020.

SARONNO

The design lay-out for the reorganisation and move of the FERROVIENORD workshops and facilities from the areas adjacent to the Saronno Centro station to the FNM areas of Saronno Sud has been defined for some years; said move is the necessary condition to definitively identify the areas available for the presentation of an urban requalification proposal. In 2012, several meetings had been held with the Municipality of Saronno, together with the owners of the areas of the B6.2 section, to formalise a proposed Programme Agreement for the definition of a single design of the transformation areas, including also the areas neighbouring the two FERROVIENORD stations. These meetings had led to the request to promote a Programme Agreement of Regional Interest formulated by the Municipality of Saronno at the Lombardy Region on 13 April 2012.
In July 2012, the Municipality had started the Strategic Environmental Assessment (SEA) procedure of the Zoning Plan (PGT) filing the proposed Plan Document and FERROVIENORD had produced, on 24 September 2012, its own observations, to which the Municipality had brought no objections.
On 20 December 2012, with Municipal Council Resolution no. 82, the Municipality had then adopted the PGT, completely neglecting to take into account the observations of FERROVIENORD and of the Owners of section B6.2.
Additional observations were then produced with respect to the adopted PGT, to try to balance the economic budget of the Transformation Areas of which the properties of the FNM Group are a part, burdened with an important set of urbanisation works and prescriptive constraints inserted by the Municipal Administration.
The PGT was then definitively approved with Municipal Council Resolution no. 27 of 15 June 2013, without including, more than marginally, the observations produced and making it in fact impossible to pursue the activation of the Programme Agreement procedure according to the guidelines and policy orientations that the Owners and the Municipality had laboriously tried to implement for the recovery and requalification of the areas.
With two successive notes of 25 February and of 23 April 2015, addressed to the Lombardy Region, the outgoing Municipal Administration asked for and then requested again the promotion of a specific

Programme Agreement of regional interest for the "*requalification of the FNM stations in the Municipality of Saronno and of the Divested Areas located between via Milano and via Varese*". Said initiative, however, received no reply at all from the Regional Administration.

In 2016, contacts with the new Municipal Administration resumed, to verify the possibility of an early implementation of the requalification of the area of former building B. Luini, together with urbanisation works directed at improving and increasing the potential accessibility and interchange of the Saronno railway station.

In this context FERROVIENORD, with the technical support of the associate NORD_ING, started a series of activities directed at assessing a possible broader reorganisation of the areas, to include the rationalisation of its own managerial and operational structures at the Saronno yard area. In particular, it prepared the documentation necessary to call for a contest of ideas with the purpose of identifying an appropriate proposal for the rationalisation of the structures and of the functions located at the logistical area and the station of Saronno Centro, through the restructuring, recovering and valorisation of some existing buildings, to be retained, and the demolition and construction of new buildings. Said documentation was presented, for sharing and informally, to the Municipal Administration on 2 November 2017, without receiving any reply at all.

FERROVIENORD, therefore, in 2019 studied several possible ideas for the reorganisation and requalification of the existing spaces in relation to the operational and functional needs of its own departments.

In this perspective, numerous technical and political meetings were held with the Municipality of Saronno, which led to the drafting - with the contribution of the Milan Polytechnic as well - of a general reorganisation project impacting the functionality and accessibility to the railway stations, including for bicycles and pedestrians.

Since the execution of the project requires amendments to the PGT of the Saronno Municipality, which today is not conforming, a Memorandum of Understanding was prepared, as also required by the Lombardy Region, to bind the parties for the purposes of the activation of the procedures per art. 19 of Regional Law no. 9/2001. The final text of the Memorandum of Understanding, which also includes the options of the Municipality, was made official on 4 December 2019, but, to date, there have been no official replies from the Municipal Administration.

MILAN AFFORI

Approximately 54,000 square meters involved in the project, of which 53% is owned by FNM and 47% by FERROVIENORD.

The approved Integrated Intervention Program (PII) envisaged the construction of a total floor area of 27,700 square metres on the owned areas located on both sides of the new station, of which 24,700 sqm for reception and tertiary activities and 3,000 sqm for commercial and other compatible uses.
The selection procedure for an operator interested in the Integrated Program implementation materialised with GDF Group S.p.A. - Gruppo Della Frera's irrevocable purchase proposal of 7 October 2010, based on which, on 25 November 2010, the preliminary real estate purchase and sale agreement was signed for a total of EUR 14 million. On 18 April 2011, the sale and purchase contract was agreed with the GDF SYSTEM S.r.l. company. Based on the originally scheduled payment terms, extended up to 18 April 2017 (later postponed to 18 April 2018), the sale was carried out with a retention of title agreement in favour of FNM and FERROVIENORD.
On 26 October 2016, with private agreement no. 16276/6A, FNM, FERROVIENORD and GDF SYSTEM signed a definitive settlement agreement to avoid any litigation and clarify the reciprocal rights and duties in relation to some issues regarding the interpretation of the obligations arising from the sale deed and subsequent amending deeds. In particular, this related to the payment of the costs deriving from reclamation of the area, cancellation of the lien agreement on the Subsidised Housing Lot B, payment methods following this release, construction of the underground interchange car park, de-electrifying the temporary lines in underground stations and, finally, the CTE headquarters relocation and the related agreed obligations.
In particular, with the signing of the above settlement, FNM, FERROVIENORD and GDF agreed to bring an action against the Municipality of Milan for the amendment of art. 6 of the recognition act, in order to provide for the assignment, by FERROVIENORD to GDF, as general contractor, pursuant to art. 20 of the new Procurement Code, of the interchange car park construction, with the full replacement of FERROVIENORD with GDF in relation to the relative agreed obligations towards the Municipality itself.
However, with a subsequent note dated 6 July 2017, GDF expressed some substantial reservations about the possibility of being able to apply the aforementioned art. 20 for the assignment of the works to the same GDF as general contractor. Therefore, having obtained the Building Permit from the Municipality of Milan on 25 May 2017, FERROVIENORD proceeded with the call for tenders for joint assignment of the executive design and execution of the building works for the underground parking lot as envisaged in art. 6 of the Recognition and Specification Act of 26 June 2014.
The tender procedure for the joint award of the executive design and execution of the works ended with the tender being awarded to the PAOLO BELTRAMI COSTRUZIONI S.p.A. company for a total amount of EUR 4,653,390.37 of which EUR 4,582,786.65 for works (including security charges)

and EUR 70,603.72 for executive design, net of the offered tender discount of 34.421%; the related contract was signed on 18 July 2018.

In 2019, the Contractor developed the executive design and, on 15 April 2019, work started on the car park.

At the same time, the discussions that took place between GDF System and the municipal Offices on the advisability of not building the overpass above the railway line led to the execution, by GDF System, of a unilateral deed of obligation to the Municipality of Milan whereby it undertook to build alternative works.

Therefore, considering also the time elapsed from the stipulation of the Recognition Act, the Municipality, FNM and GDF System agreed on the need to activate a coordinating roundtable to prepare all documents directed at the stipulation of a new revision document amending and/or reformulating some conventional obligations.

GARBAGNATE MILANESE

The project area is around 26,000 square meters of which 79% is owned by FNM and 21% by the Parish of Saints Eusebio and Maccabei.

The Integrated Intervention Programme (PII) provides for the construction of a residential use building of an overall volume of 31,000 cubic meters (20% subsidised housing), a gross surface area of 1,350 sqm for commercial use and an area of 150 sqm for services and standards to be sold.

The PII was adopted by the Municipality of Garbagnate with Municipal Council Resolution no. 41 of 4 July 2011 and definitively approved with the subsequent Municipal Council Resolution no. 65 of 1 December 2011.

On 2 May 2012, the FNM and the Parish of Saints Eusebio and Maccabei signed the PII Implementation Agreement for the “Serenella - Parco delle Groane” area with the Municipality of Garbagnate.

Since the areas were not sold, on 27 June 2013, the Municipality of Garbagnate was requested to extend the required time to complete the PII. With Municipal Executive Committee Deliberation no. 101 of 31 July 2014, concerning the “Recognition of Allocation Agreements and Integrated Planning Agreements” for which the terms are laid down by art. 30, paragraph 3-bis of the “Decreto del Fare” [action decree], the terms of validity, as well as the start and end of works, of the agreements made up to 31 December 2012, including the PII Serenella - Parco delle Groane Implementation Agreement, were extended three years.

At the same time, to keep the uses of the Lots independent and to simplify the implementation methods of the PII, FNM and the Parish of Saints Eusebio and Maccabei signed a specific agreement

to identify the borders, ensuring that each implementing entity owned the areas under their remit for construction according to the plan.
To this end, on 15 September 2014, FNM and the Parish of Saints Eusebio and Maccabei signed a private agreement to define the respective obligations for the PII implementation, with particular reference to urbanisation works.
However, following the continuing crisis in the real estate market that made it difficult to begin negotiations for the sale of the areas, FNM and the Parish of Saints Eusebio and Maccabei, with a joint note dated 27 October 2016, asked the Municipality of Garbagnate Milanese to extend the terms of art. 3 of the PII Implementation Agreement from the minimum period of two years.
In February 2018, the Parish of Saints Eusebio and Maccabei presented the Municipality with a hypothesis of a preliminary proposal for a partial change to the Plan, with a view to possibly also revising downwards the volumes provided by the Plan. However, this possibility fell through as well.
In 2019, meetings were held with the Municipal Administration to seek possible solutions, without any concrete results to date.

6 NON-FINANCIAL STATEMENT

On today's date the Board of Directors will approve the consolidated non-financial statement ("NFS") prepared pursuant to the Legislative Decree n. 254/2016. The NFS illustrates the activities of the Group, its progress, results and impact produced in relation to environmental, social, personnel-related issues, respect for human rights and the fight against active and passive corruption. The 2019 consolidated non-financial statement is contained in a report separate from the management report, published together with the latter and available on the Company's website.

7 EMPLOYEES: FIGURES, COSTS AND TRAINING

7.1 FIGURES AND COSTS

The average number of employees of the Group companies in 2019 was 2,268, down compared to the average figures of 2,271 recorded in 2018 (-0.1%).
In particular, the Parent Company FNM had an average number of employees of 193 compared to 199 for the previous year (-3%).

7.2 INDUSTRIAL RELATIONS

In 2019, in continuity with what took place in the previous year, there was a significant amount of dialogue with the trade unions, involving the various companies of the FNM Group.

During 2019, the employees of the companies FNM, FERROVIENORD, FNM Autoservizi who opted to allocate their performance bonus or the one-off amount to welfare services, were able to experiment with the different areas set up by the welfare platform of the FNM Group.

In April 2019, through a trade union agreement, based on the positive feedback received during the experimental phase, the agile working mode was identified as the structural working mode for the office workers of the company FNM. In addition, an experimental phase was introduced and started in the following months, involving the office workers of the companies Nord_ING and FERROVIENORD.

In June, an agreement was executed, involving the employees of the Circulation sector of the company FERROVIENORD. Consistently with the technological changes that entailed a reorganisation of the sector, and on the basis of the provisions of the 2017 trade union agreement, which provides for a progressive reduction of the work shifts of movement managers, a new reference remuneration framework was defined for the employees of the aforesaid sector, more closely reflecting the professional skills and the requirements of the new work environment. The career path for newly hired personnel in this sector was also defined.

In November, a new union relations protocol was signed which will ultimately lead to regulate the representation, allowed union activities and the mutual communication procedures of the different contractual levels within the FNM Group for the next three years, also through the electoral process that will lead to the establishment of the new Unitary Trade Unions, presumably in June 2020.

In December, the office workers and blue collar workers of the companies FNM and FERROVIENORD decided on the allocation of their performance bonus. Over 60% of those entitled opted to allocate all or part of the bonus to welfare services.

Group training activities involved the employees of the Group companies identified below, for a total of 7,626 days.

During the year, the FNM Group adopted MaaM, "*Maternity as a Master*", an innovative educational programme focused on the theme and importance of being a parent in the company.

8 MAIN RISKS AND UNCERTAINTIES

In carrying out its activities, the Group is exposed to external risks and uncertainties, deriving from external factors connected to the general macroeconomic context in addition to those specific to the

operating segments in which the operations are carried out, to which the risks deriving from strategic and internal management choices are added.
FNM S.p.A. prepared and adopted, as an integral part of its Internal Control and Risk Management system, a Risk Management process aimed at identifying and managing the various types of risk to which the Company and the Group are exposed both in relation to the external context of reference and to the specific technical and operational characteristics of the various sectors in which the investee companies operate.
The main purpose of the process is to adopt a systematic approach to the identification of priority risks, to assess potential negative effects and to take the appropriate actions to mitigate them.
To this end, FNM S.p.A. has adopted a risk model and recognition methodology that assigns an index of relevance to risk based on the assessment of the overall impact, probability of occurrence and level of control.
Under the coordination of the Risk Committee the identified Process Owners identify and assess the risks under their remit through a Risk Self-Assessment process and provide a first indication of associated mitigation actions. The results of the process are subsequently consolidated at a central level in a map, where the risks are prioritised on the basis of the resulting scoring and aggregated to allow for the coordination of mitigation plans in an integrated risk management perspective.
During 2019, the FNM Group activity of “Updating the corporate risks assessment” was completed, in continuity and integration with previous analyses, subject to the approval of the Risk Committee, with the aim of:

- ensuring a better understanding of the risks to which the Group is exposed and, consequently, of the potential impact of those risks on Parent Company’s results;
- identifying improvement actions to be implemented to the existing prevention and protection solutions;
- assessing possible margins for improvement of current insurance coverage programmes in place.

The project methodology followed is in line with the UNI ISO 31000:2010 standard.

The main risk scenarios are provided below, separately identifying those common to the various operating segments and those of each sector.
Finally, in relation to specific financial risks and more detailed analyses of credit and liquidity risk, please refer to the Notes to the separate financial statements (Note 35) and the consolidated financial statements (Note 46).

8.1 MAIN RISKS

Uncertainty of the legislative and regulatory framework

The FNM Group chiefly operates in the local public transport (LPT) segment on railways and motor vehicles. This segment is characterised by considerable legislative and regulatory complexity and, for over ten years, has been the object of a deep and radical transformation process, not always without interpretative and applicative uncertainties and far from being considered stabilised.

In relation to railway transport specifically, on 13 April 2015, the Lombardy Region and Trenord signed the new Service Agreement for regional and local public rail transport for the period from 1 January 2015 to 31 December 2020.

On the other hand, on 15 February 2016 the concession to FERROVIENORD was renewed to 31 October 2060, on 16 March 2016 the new Service Agreement was signed, with a duration from 18 March 2016 to 31 December 2022, to the same company, while on 28 July 2016 the new Planning Agreement was signed, with a term from 28 July 2016 to 31 December 2022, as previously described in paragraph 3.1 “Railway infrastructure management”.

In relation to road transport and, consequently, to the LPT activities of the Group through FNM Autoservizi S.p.A. and ASF Autolinee S.r.l., despite the uncertainty deriving from the management of the concessions for the provinces of Brescia and Varese extended to 30 June 2020 or on the date when the new operator took over the service (only relating to FNM Autoservizi S.p.A.) and of the Service Agreement for the province of Como extended to 30 June 2020 or on the date when the new operator (for both investee companies) took over the service, the risk of non-assignment/renewal is shared by all competitors as, in this hypothesis, the costs of the Group would be reduced due to the regulatory provisions for the new operator to take over the use of vehicles and personnel.

The same considerations apply in relation to LPT activity carried out by ATV S.r.l. in Verona and province, with a contract expiring in June 2019, extended to 31 December 2020.

Service and network security

Security risk must be separated into that linked to traffic safety and of the security of people and assets.

For both areas, the operating segments of the Group are subject to a high level of regulation from the point of view of operations management and numerous inspections carried out by the competent supervisory bodies.

Failure to comply with the regulations in force, in addition to exposing the Group to the risk of litigation, may result in the loss of reputation with Licensers and Customers, at the risk of compromising the cost of the Service Agreements.

With specific reference to FERROVIENORD, the progressive installation of Train Stop Systems (SCMT and SSC) across the entire network will significantly increase the level of safety guaranteed. The progressive availability of new technologically advanced rolling stock will also contribute to the further increase in traffic safety.
The internal departments, assisted by specialist consultants, stay constantly updated on regulatory developments to allow progressive adaptation of the processes and procedures to new requirements, and timely development of staff training to make any adjustments operational; control and internal auditing activities for the continuous verification of service quality in relation to the procedural and process constraints imposed by regulatory evolution are significant.
The safety of people and property is constantly monitored with reference to assaults and acts of vandalism, but also taken into account the perception of the safety of passengers and employees.

Failure to comply with the commitments to the Awarding body

Inability to comply with contractual commitments or an impairment of the Group's image from a reduction of the service quality provided represents a significant risk for maintaining the cost-effectiveness of the Service Agreements due to the risk of contractual penalties being debited.
Faced with this risk, the Group continuously monitors the quality of the service provided to the Awarding body (with reference to the quantitative and qualitative parameters defined in the Service Agreements) and to the Customer (with reference to their perceived level of satisfaction with service quality and safety), both through continuous checks on procedures and processes, carried out by the relevant internal departments and by external bodies, and through staff training activities to ensure high service standards, as well as through systematic reviews of procedures and operating processes aimed at maintaining the efficiency and effectiveness of the service provided and the safety of Group personnel.

Risks related to employee relationships

Labour costs represent a significant production factor for the three main operating segments. The need to maintain service levels consistent with the Awarding Body and Customer's expectations and the complexity of labour law regulations lead to limited flexibility in the management of labour resources; therefore, significant increases in staff unit costs could significantly affect the Group's profitability, since the possibility downsizing the workforce and ensuring the same level of quality and efficiency of operations is limited.
From this point of view, as described in paragraph 4 above "Employees: Figures, costs and training", the Group considers it a priority to maintain a constructive dialogue with staff and trade unions to

guarantee the satisfaction of efficiency and effectiveness objectives for production processes with full assumption of social responsibility, job security and guaranteed employment even in recession periods.

The Group is also subject to other specific risks of the individual operating sectors, as described below:

8.2 TYPICAL RISKS OF THE RAILWAY INFRASTRUCTURE MANAGEMENT OPERATING SEGMENT

Railway network maintenance management by FERROVIENORD on the basis of a Service Agreement as described in the segment, does not present particular areas of risk as it is a service governed by extremely stringent regulations relating to the safety of stations and the network and by precise planning of financed interventions agreed with the Awarding Body.

However, it should be noted that, in relation to the planning of improvement activities on the network aimed at increasing service efficiency and the cost of renewing the network itself, the Group faces a risk of low availability of long-term loans and dependence on financial resources from the public operator, which are also influenced by external variables that are difficult to control.

8.3 TYPICAL RISKS OF AUTOMOTIVE PASSENGER TRANSPORT OPERATING SEGMENT

Risk of increased fuel costs

The variable “diesel fuel price” significantly affects the profitability of auto mobile transport, as shown by the performance of the investee companies FNM Autoservizi, ATV, La Linea and ASF Autolinee, as diesel represents a fundamental production factor; in the context of the uncertainty set out in the previous paragraph “Main risks - Uncertainty of the legislative and regulatory framework”, the impossibility of governing this exogenous variable can only be countered with service revision proposals consistent with the dynamics of diesel costs.

8.4 TYPICAL RISKS FOR THE RAIL PASSENGER TRANSPORT OPERATING SEGMENT

Risks related to fare policies

Historically, the companies operating in LPT in Italy have had a fare system that has not allowed for a progressive approach to fares as seen in other European countries with the result that the fares currently in force, recognised by the Service Agreements, are considerably low.

A contribution to the resolution of this problem is provided by the tariff policy envisaged by the LPT Pact signed in 2009 by the Lombardy Region with segment operators, which provides for increases not only linked to inflation recovery, but also to an effective improvement in service quality.

A significant portion of revenues in the operational segment of Passenger Transport by rail is from tickets and season tickets, even in the context of a segment strongly influenced by social needs and therefore supported by public grants. Revenues deriving from fares only cover a part of the service management costs. The national legislator defined at least 35% of traffic revenue as an adequate level a coverage of transport management costs. Trenord guarantees around a 44% coverage of operating costs with revenue from tickets and season tickets, positioning itself among the leading companies in the national benchmark.

Risk of fare evasion

Fare evasion represents a significant profitability risk for Trenord which, in the light of some specific social degradation situations, has become significant.

To face this risk, Trenord also carried out a series of control activities during 2019, both on board the main routes and on the ground. Specific checks were also carried out on the most at risk sections, with targeted activities in specific time slots as well as on the routes characterised by greater passenger numbers. A marketing plan for season tickets was also put in place, while the development of the Electronic Magnetic Ticketing System (SBME) project continued.

Furthermore, on board security activity continued and intensified on the most critical routes served by Trenord in the Region, with subsidiary safety officer certificate qualified staff.

Risk of traffic evolution

Market revenues are affected by the change in demand for rail services in terms of volumes on some or all of the routes served and the type of passenger, also taking into account the evolution of the economic context.

Trenord has a continuous monitoring process in terms of traffic flow and performance with a level of detail by direction, event, seasonality and time slot.

Risk of delay in fleet renewal

In order to improve the quality of service, an investment plan was launched by the Lombardy Region to renew the fleet of rolling stock in operation. As part of the required continuous increase in production, it is more important than ever to monitor the plan for the development and entry into operation of new rolling stock in order to avoid repercussions on service quality in the event of delays in deliveries from the manufacturers.

Trenord monitors the rolling stock renewal plan, compliance of new rolling stock delivery with contractual specifications and any delivery delays. To date, production planning is such as to use the available and maintained rolling stock with the consequent mitigation of the risk in question.

8.5 TYPICAL RISKS FOR THE RAIL FREIGHT TRANSPORT OPERATING SEGMENT

Reduced traffic flow

Any exogenous or endogenous variable that determines a reduction in freight traffic flows has an impact on the operating segment under consideration. Uncontrollable exogenous factors that can affect traffic flow are recession, oil price trends and in general the cost of transport which have an effect on the propensity to move goods. The impact of the risk in question is chiefly economic with a reduction in sales and profitability.

8.6 TYPICAL RISKS OF THE OTHER OPERATING SEGMENTS

Risk of deterioration of the macroeconomic situation and cuts in public spending

In relation to operational risks of IT consulting activities developed by the Group through NordCom it should be noted that the development of IT activities with third-party customers and government is conditioned by uncontrollable external variables such as the macroeconomic situation and government spending power: given the impossibility of controlling this variable, NordCom maintains a flexible cost structure in order to be able to reduce any impact on profitability connected to the fall in revenues from these counterparties.

Price risks

In relation to the Mendrisio - Cagno merchant line management activity and the partial decision of the Swiss Federal Administrative Court of July 2017, which has not yet given its opinion on the capacity reduction forecast in the ElCom decision of December 2014, it should be noted that in the event of a decision which is unfavourable to NORD ENERGIA, the reduction itself not accompanied by an extension of the concession would lead to a reduction in the future profitability of the Group.

9 FNM S.p.A. CORPORATE GOVERNANCE

FNM S.p.A. corporate governance is based on the traditional system: the corporate bodies are the Shareholders' Meeting, Board of Directors and Board of Statutory Auditors and, as an external body, the Independent Auditor.

FNM S.p.A. has adopted a corporate governance system that complies with the legal provisions and CONSOB regulations in force, aligned with the contents of the Corporate Governance Code of listed companies of Borsa Italiana S.p.A. and national and international best practices.

In particular, FNM S.p.A. exercises management and coordination activities for some of the subsidiaries, pursuant to the provisions of current legal provisions and company agreements with partners.

FNM S.p.A. also holds equity investments in companies that guarantee the presence of the Group in activities consistent with the corporate purpose and in segments complementary to its core business.

The corporate governance system adopted by FNM S.p.A. is based on compliance with current regulations, maximising value for shareholders, controlling business risks, transparency with respect to the market and reconciling the interests of all shareholders. The in-house rules system is consistent with the principles of the FNM Group's Code of Ethics and Conduct.

The following procedures form an integral part of the corporate governance system:

- the Guidelines for the Internal Control and Risk Management System;
- the Procedure for the regulation of transactions with related parties;
- the Regulation for internal management and public disclosure of documents and information regarding FNM S.p.A. and the establishment, management and maintenance of the register of people who have access to it;
- The Internal Dealing Code;
- The Code of Ethics and Conduct of the FNM Group;
- The Organisation, Management and Control Model pursuant to Legislative Decree 231/2001;
- the Regulation of the Executive in charge of financial reporting;
- the Shareholders' Meeting Regulations.

On 13 May 2019, FNM amended the Regulation for internal management and public disclosure of documents and information regarding FNM S.p.A. and the establishment, management and maintenance of the register of people who have access to it, to align its content to the changes that have taken place in the organisational structure of FNM.

On 18 July 2019, FNM approved the revision of the Regulation of the Executive in charge of financial reporting, aligning its content to the changes that have taken place in its organisational structure and providing for the 262 tests to be carried out by outside consultants, as well as by the Internal Audit Function.

The Organisation, Management and Control Model pursuant to Legislative Decree No. 231/2001 was revised on 26 September 2019, adding offence types and the organisational changes that had taken place in the meantime.

The Parent Company Board of Directors, at the same time of the approval of these financial statements, approved the Annual Report on Corporate Governance, to which reference is made here for a detailed illustration of the FNM S.p.A. governance system.

The aforesaid Report can be found on the Company's website at the address www.fnmgroup.it (Governance section).

The Company, aware of the need to guarantee the conditions of transparency and fairness in the conduct of business activities, considered it appropriate to adopt its own Organisation, Management and Control Model ("Model") as required by Legislative Decree 8 June 2001 no. 231 and a Code of Ethics and Conduct of the FNM Group which forms an integral part of the Model, and the FNM Anti-corruption Policy. The current version of the Model was updated by resolution of the Board of Directors on 26 December 2019. The Model is aimed at preventing the commission of specific offences provided for by current legislation and considered relevant to the Company; it is constantly monitored and, where deemed necessary, updated to ensure a continuous improvement in internal control. The Model, based on the Confindustria and ASSTRA Guidelines, was prepared taking into account the structure and activity currently carried out by the Company and the nature and size of its organisation. The Company carried out a preliminary analysis of its own business context and subsequently an analysis of the areas of activity that present potential risk profiles in relation to the commission of the offences indicated in the Decree.

In line with the provisions of Legislative Decree 231/2001, the Company also appointed an autonomous, independent and competent Supervisory Body in the field of risk control relating to the specific activity performed by the Company and the related legal profiles. This body, of a collegial nature, is made up of two chartered accountants outside the Company and a criminal lawyer, also outside the Company - also appointed Chairman, with proven technical skill in legal matters.

The Supervisory Body has the task of constantly monitoring:

- compliance with the Model by the company boards, employees and consultants of the Company;
- effectiveness of the Model in preventing the commission of the offences referred to in the Decree;
- implementation of the provisions of the Model in the performance of Company activities;

- updating of the Model, in the event that it is necessary to adapt it following changes in the structure and/or the corporate organisation or in relation to the evolution of the reference regulatory framework.

To carry out of the assigned duties, the Supervisory Body is invested with all the powers of initiative and control over each company activity and employee level, and reports to the Board of Directors through its Chairman. The Supervisory Body carries out its functions in coordination with the other bodies and control departments in the Company.

The Supervisory Body, in supervising the actual implementation of the Model, is endowed with the powers and duties it exercises in compliance with the law and with the individual rights of workers and interested parties.

10 FNM S.p.A. TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES

The Group's transactions with related parties can be qualified neither as atypical or unusual, as they fall within the ordinary operations of the Company. These transactions are carried out in the interest of the Company and of the Group at normal market conditions.

Please refer to Notes 47 of the consolidated financial statements and 34 of the separate financial statements, for additional information about related party transactions.

Information about fees for Directors, Statutory Auditors and Key Personnel is indicated in the Annual Report on Remuneration prepared pursuant to art. 123-ter of Legislative Decree 58/98 (Consolidated Law on Finance) as amended.

The "Procedure for related party transactions" is available on the website of the Company (www.fnmgroup.it – Governance section – documents and procedures).

11 SIGNIFICANT LITIGATION AND OTHER INFORMATION

The most significant litigation for FNM and Group companies is summarised below. It should be noted that, also based on the opinion of appointed consultants, additional charges are not expected to those already reflected in the separate and consolidated financial statements as at 31 December 2019.

FERROVIENORD

In relation to the status of ongoing litigation with the suppliers Costruzioni Napoletane under liquidation (formerly De Lieto Costruzioni S.r.l.) and Cogel S.p.A. under liquidation, which was noted in the management report to the financial statements as at 31 December 2018, it should be

noted that actions to protect the subsidiary's interest continued, with the monitoring of the liquidation situation of the counterparties.
It should also be noted that, as a result of the positive judicial decisions, the guarantees relating to these contracts were collected for an amount of EUR 3.3 million.
With regard to the De Lieto contract, as a result of the settlement, under which FERROVIENORD paid to the Bankrupt the amount of EUR 1,589,700.00 plus VAT as payment and satisfaction of claims made by the plaintiff, the proceeding RG 75325/2014 was abandoned with compensated expenses and fees of the court-appointed expert totally at FERROVIENORD's expense.
It is further pointed out that judgement no. 28319/2017, with which the Court of Cassation rejected Allianz's appeal, was challenged by the latter with an appeal for revision before the same Court of Cassation and that upon rendering said judgement the Court issued its Order no. 26709/2019 declaring the inadmissibility of the motion for revocation.
Therefore, as a result of the stipulation of the settlement agreement and of the aforementioned Court of Cassation decision, the effects were recognised in the income statement. For additional details, please refer to Note 51.

The Cogel judgement was concluded in the first instance with the Court of Milan decision recognising the legitimacy of all three resolutions of the contracts agreed with Cogel (also ordering the contractor to pay the Affori contract penalty equal to EUR 887,239 and make the insurance payment in the Busto contract equal to EUR 63,194). At the same time, though, it rejected the FERROVIENORD's damage claims and ordered the railway company (in relation to the Affori contract) to repay to Cogel - by way of *Restitutio ad integrum* - the value of the contract works already carried out, i.e. EUR 7,468,694.96. The decision was appealed by FERROVIENORD and on 1 February 2018 decision no. 534/2018 of the Court of Appeal was published: it confirmed Cogel's right to the value of the works, as already decided in the court of first instance, but unlike the Court, the Court of Appeal quantified the sum due, resulting from the work progress report, as EUR 8,398,737.40 (and not EUR 7,468,694.96 as claimed by Cogel). The Court of Appeal amended the Court's judgement to the extent that it had not taken into account the fact that most of the works value executed at the time of the resolution had already been paid for by FERROVIENORD in the amount of EUR 7,087,783.68. The Court of Appeal therefore ordered FERROVIENORD to pay Cogel the residual value of the works, amounting to EUR 1,310,953.72 and not EUR 7,468,694.96 as ordered by the first Court. The Court of Appeal also confirmed the first instance judgement to the extent in which it ordered Cogel to pay the Affori penalty and the Busto Arsizio insurance. Finally, FERROVIENORD, jointly and severally with Cogel, must pay legal fees in favour of Generali Italia

S.p.A., for the total amount of EUR 25,560.00 with any additional sums as required by law and flat-rate reimbursement.
The Court of Appeal’s judgement was challenged by Generali Italia S.p.A. who asked for FERROVIENORD jointly and severally with Cogel or exclusively to be ordered to repay the amount of EUR 680,406.91 plus interest and revaluation (equal to the amount already paid as a guarantee). Subsequently, Cogel also challenged the same judgement requesting the recognition of default interest pursuant to Legislative Decree 231/2002 for an amount of EUR 963,369 (in addition to the legal interest already recognised in the second-degree decision in its favour). FERROVIENORD defended the proceedings and in turn challenged the second instance judgement to, among other things, the extent in which it rejected the claim for compensation for the damages quantified as EUR 3,332,154.54. The discussion hearing has not yet been scheduled.
In relation to the integrated contract for the redevelopment of the Saronno-Seregno railway line, signed with the ATI Salcef S.p.A. and Acmar S.p.A., FERROVIENORD was brought before the Civil Court of Milan for the order, subject to verification of the legitimacy of the reserves entered during the contract execution, of the payment of EUR 17,171,841.03 or that ascertained by the equitable assessment of the judge, with revaluation and interest. The first hearing was set for 7 May 2019 and the Company joined the proceedings to explain its defence, including the existence of a transaction, unilaterally signed by the contractor, in which the contractor was willing to accept an amount of EUR 2,516,569.68.
In two separate appeals, 41 contractor workers filed an application for the order for FERROVIENORD (acting jointly and severally) to make a contribution to INPS, respectively of EUR 99,363 and EUR 88,001 for social security contributions accrued under the procurement contract. Subsequently, five other workers also lodged appeals with two further appeals with which an additional EUR 18,294 was requested.
Having declared their lack of jurisdictional competence due to the applicants’ residence, the cases were sent to the various courts of the places of residence. Currently, fourteen cases are pending, at different stages: a) in the first instance, there are six pending cases, while seven cases were adjudicated against FERROVIENORD jointly and severally with Lucentissima, subject to the benefit of preventive enforcement against Lucentissima; b) the appeals filed by FERROVIENORD against two first degree decisions ended with two decisions that, while confirming the decision against FERROVIENORD and La Lucentissima, slightly reduced the amounts due to the workers.

CONFEMI

On 23 June 2011, the decision of the Milan Court of Appeal, civil section IV, was published, which essentially rejected Confemi's appeal against the judgement of the Court of Milan no. 10677/05 of 4 October 2005.

The Court of Appeal confirmed with little variation the invalidity of the assignment contract for the Saronno-Malpensa line works to Confemi, on the grounds of ascertained corruption, with the consequent obligation for Confemi to return what it had received in performance of the contract, with legal interest from the payment dates.

This resulted in an amount in favour of FERROVIENORD of over EUR 70 million, in addition to the interest from the publication of the judgement up to the actual payment, the amount of which, net of the costs of its possible collection, would benefit the Public Bodies Ministry/Lombardy Region to finance modernisation works.

Since a settlement agreement previously signed with Confemi and the Ministry (which had allowed for the dropping of all remaining litigation) provided that the judgement of the Court of Appeal would not be executed by the winning party until the outcome of the judgement of the Court of Cassation, provision was made for notification of the judgement from July 2011, in order to expedite any appeals.

On 7 November 2011, Confemi's appeal to the Cassation Court was received, which was based on various aspects of law and to which FERROVIENORD replied with a counterclaim which also contained some incidental demands: the most important was the request for the liquidation of image damage to be determined equitably.

The Ministry of Infrastructure and Transport had also requested rejection of the Confemi appeal.

With judgement no. 11446 of 10 May 2017 the Court of Cassation ruled on the dispute by rejecting all the Consortium's main grounds of appeal, accepting the first two reasons of FERROVIENORD's cross-appeal (compensation for image damage and return of the 25% increase) and referred the liquidation of amounts not yet paid, subject of the compensation and restitution, to the Court of Appeal. Therefore, proceeding no. RG 4195/2017 will go before the Milan Court of Appeal.

The sentence of the Court of Cassation no. 11446/2017 was challenged to be overturned pursuant to art. 391-bis of the Italian Code of Civil Procedure by the Consortium and FERROVIENORD made its defence by proposing a counter-appeal.

In 2014, FERROVIENORD, to protect the receivable, brought a liability action against the Confemi Consortium shareholders with which it requested they be ordered, including jointly and severally, to pay the sum of EUR 70,113,179 .

Following a long and complex negotiation process, a settlement agreement was formalised on 16 May 2018 whereby the Consortium undertook to pay FERROVIENORD an amount of EUR 42 million and waived the clauses contained in the settlement of 4 April 2008, with the simultaneous dropping of all litigation upon payment. Considering the doubts arising after the signing of the aforementioned agreement, as to whether or not the sum of EUR 42 million should be subject to VAT, FERROVIENORD submitted an application to the Revenue Agency pursuant to art. 11, paragraph 1, letter A, of Law no. 212/2000. The Revenue Agency responded to the application on 27 March 2019 and established that no VAT was due on the amount and, according to the agreements, CONFEMI paid the sum of EUR 42 million on 18 April 2019. In implementation of the settlement agreement, the above lawsuits were dropped as follows:

- on 17 July 2019, a notice was filed with the Chairman of the Court of Appeal, Civil Section I RG. 1484/2018 (shareholder litigation), declaring that at the hearing of 25 September 2019 the parties would not appear for the purposes of abandoning the case in accordance with art. 309 of the Italian Code of Civil Procedure;
- on the appeal for revocation, the Court of Cassation, Civil Section I, issued decree no. 19140/2019 of 17 July 2019, which declared that the ruling for revocation had been dismissed;
- on 12 July 2019, ruling no. 3119/2019 of the Milan Court of Appeal was filed, declaring that case no. RG 4195/2017 had been closed.

In view of the above, all cases were closed.

Tax inspections and assessments

With reference to the dispute with the Customs Agency, in relation to the appeal filed by the Como Customs Agency to overturn ruling no. 155/2016 of the Provincial Tax Commission of Como, in favour of the company, filed on 20 April 2016, after several adjournments, the hearing to discuss the dispute in question before the Regional Tax Commission was scheduled for 13 June 2019.

At the hearing of 13 June 2019, a further adjournment was granted to continue the adversarial procedure with the Office.

At the first hearing, a postponement was requested once again and granted, at first, to 12 December 2019 and, at the time, the case was placed on a new docket.

During the talks aimed at settling the matter out of court, also in consideration of the recent note Doc. no. 12243/RU of 6 March 2019, where the Central Directorate of Legislation and Customs Procedures specified that “the importer may be considered to have met its obligation by self-invoicing (reverse charge) of the VAT relating to royalties on the imported goods”, it was agreed to verify the full and actual payment, by FERROVIENORD, of VAT by reverse charge, thus, the complete fulfilment of the obligation to pay the tax.

For this purpose, the Company provided the Office with the documentation necessary for a reconciliation between the invoices issued by the supplier (the Swiss Company Stadler Bussnang AG) and the corresponding self-invoices issued by the Company.

Given the positive outcome of this reconciliation, FERROVIENORD submitted to the Como Customs Office a petition for nullification by internal review of the notice of assessment and correction doc no. ASP RU 15537/14 and of the order to impose administrative penalties doc. no. ASP. RU 15550/14, to involve the Regional Directorate of the Customs Agency in the matter.

At present, discussions are ongoing with the Como Customs Agency and with the Regional Directorate of the Customs Agency to settle the matter out of court.

The appeal hearing has not yet been scheduled.

Taking into account the uncertainty associated with the subsequent judgements, it is deemed appropriate to keep the provision for risks allocated in previous years, amounting to EUR 3.7 million, in the financial statements.

12 CASES BROUGHT AGAINST THE FORMER GENERAL MANAGER AND CONSEQUENT ACTIONS

In relation to the actions resulting from the cases brought against the former General Manager in charge during the period July 2008-January 2013 (as well as the former CEO of Trenord S.r.l. in the period August 2009-December 2012), it is noted that he challenged the sentence imposed by the court of first instance. In July 2018, the Court of Appeal found the former General Manager guilty of false representation and fraud (for which FNM joined proceedings as a civil party seeking damages), however, it reduced the sentence imposed by the court of first instance and declared the same conduct carried out in the years 2008 and 2009 as statute-barred. The Company has also taken steps to recover damages.

13 RESEARCH AND DEVELOPMENT ACTIVITIES

Due to the nature of the activity carried out, in 2019 the Group carried out the following activities:

- E-Vai with 2 European projects: the project called I-SharE Life (within the European programme LIFE) driven by FNM, and the Car E-Service project (within the European programme Horizon 2020), driven by the Italian National Research Council (CNR) with national (e.g. FCA) and international partners. These activities allowed to recover resources through tax credit in accordance with the existing regulations pertaining to Industria 4.0;

- the Framework Agreement for scientific collaboration between FERROVIENORD and the MILAN POLYTECHNIC is still in force; its goal is to develop joint training and research initiatives in areas like: electric systems and energy efficiency; maintenance and advanced diagnostic activities; railway engineering; urban planning in relation to infrastructures and transport systems; rolling stock; innovative systems for station surveillance and security.

14 FINANCIAL INSTRUMENTS

It should be noted that during the year and as of 31 December 2019 the Company and Group had not used any derivative financial instruments.

15 EQUITY INVESTMENTS HELD BY DIRECTORS, AUDITORS AND GENERAL MANAGERS; ARTICLE 2428, PARAGRAPH 3, NUMBERS 3-4 OF THE ITALIAN CIVIL CODE

Pursuant to and in accordance with the provisions of art. 79 of CONSOB resolution no. 11971 of 14 May 1999 and subsequent amendments, it is specified that, from the information resulting from the shareholder's register and from the acquired notifications, the directors and auditors, as well as their spouses who are not legally separated and their minor children, do not hold equity investments in the Company and in companies under its control, neither directly nor through trust companies nor through third parties.
Furthermore, as required by the Code of Conduct on Internal Dealing approved on 22 November 2018, there were no transactions on FNM S.p.A. financial instruments by any of the relevant persons subject to the disclosure obligations.
Lastly, it should be noted that the company does not come under any of the cases indicated by art. 2428, paragraph 3, numbers 3 and 4 of the Italian Civil Code.

16 SIGNIFICANT EVENTS DURING THE YEAR

On **17 April 2019**, the Shareholders' Meeting approved the proposed separate financial statements of the Parent and the consolidated results of the Group for 2018, and resolved to allocate profit for the year as follows:

- EUR 1,215,585 to the legal reserve;

- EUR 9,785,308 as an ordinary dividend to Shareholders, to ensure a remuneration of EUR 0.0225 for each ordinary share outstanding;
- EUR 13,310,810 to the extraordinary reserve.

The dividend was made available for payment on 05 June 2019, with ex-dividend date on 03 June 2019 and record date on 04 June 2019.

On **17 May 2019**, the Board of Directors of FERROVIENORD S.p.A. resolved to implement the programme for the purchase of railway rolling stock ("Supplementary Purchase Programme"). In particular, the resolution of the Regional Council no. XI/1619 of 15 May 2019 (DGR 2019) mandates FERROVIENORD to purchase 10 medium-capacity trains of the "Pop" type and 5 high-capacity trains of the "Rock" type - whose technical characteristics are detailed in the DGR 2019 - through the transfer to FERROVIENORD by TRENITALIA S.p.A. of supply application contracts resulting from framework agreements already signed by the latter. This Supplementary Purchase Programme, like the original purchase programme, approved by resolution of the Regional Council no. X/6932 of 24 July 2017, is covered by the Regional Budget within the total amount of resources provided for by Regional Law 22/2017, for a total of EUR 1,607 million.

The contracts between FERROVIENORD and TRENITALIA for the 10 medium-capacity "Pop" trains were transferred on 1 July 2019, and for the 5 high-capacity "Rock" trains on 25 July 2019.

On **22 July 2019**, FNM signed a non-binding letter of intent with its controlling shareholder Lombardy Region, describing what the parties are considering at present in connection with a potential transaction, which would make it possible to create the first integrated hub for rail and road mobility in Lombardy. This potential transaction could take place through the sale to the Company of the entire equity investment held by the Lombardy Region in Milano Serravalle - Milano Tangenziali S.p.A. The potential transaction, as well as the related valuation and financial aspects, will be defined in the ongoing negotiations between the parties, taking into account, *inter alia*, the outcome of the due diligence activities.

On **31 July 2019**, the Board of Directors of FNM resolved the purpose to dispose of the equity investment held in Locoitalia S.r.l. (51%) and of the shareholding (49%) in FuoriMuro Servizi Portuali e Ferroviari S.r.l.

On **10 October 2019**, the company Malpensa Distripark S.r.l., a wholly owned subsidiary of FNM, was incorporated. The company will be dedicated to real estate development in the areas adjacent to the Sacconago Terminal, which are functional to the project for the management of intermodal connections in the cargo sector, developing support activities that are consistent with the work carried out by Malpensa Intermodale. In this context, the development of a logistics and services hub for transport companies is expected, with a significant impact on employment and in quantitative and qualitative terms.

On **29 November 2019**, FNM S.p.A. disclosed that it had executed with Alstom a framework agreement for the delivery of mid-capacity trains for the regional railway service. This stipulation followed the award to Alstom of the tender called by FNM - also on behalf of the subsidiary FERROVIENORD S.p.A. - based on the provisions of the programme for the purchase of new rolling stock, approved on 24 July 2017 by the Lombardy Regional Government with resolution no. X/6932, per the Regional Law “Adjustment to the 2017-2019 Budget” and of the programme for the supplementary purchase of rolling stock, approved on 15 May 2019 by the Lombardy Regional Government with resolution no. XI/1619.

The framework agreement has a duration of 8 years and it provides for the delivery to FNM (as Ro.S.Co.) or FERROVIENORD, after the stipulation of implementing agreement, of up to 61 single-deck, two-way, fixed formation electric trains, which will provide an improvement in the performance and closer focus on sustainability matters: with these trains, a significant reduction in energy consumption (by 30%) is expected; moreover, use of recyclable materials is high (reutilisation index of 96%). Thus, positive impacts are expected in terms of improved quality of service.

The framework agreement also envisages the possibility of contracting Alstom for the first-level scheduled maintenance service and corrective maintenance for acts of vandalism and accidental events, as well as for the supply of the technical stock.

Concurrently with the signature of the framework agreement, FERROVIENORD executed with Alstom the first implementing agreement for the supply of 31 trains for a total amount of EUR 193.75 million. The financial resources to be used by FERROVIENORD to pay this amount will derive from the amount allocated by the Lombardy Region for the implementation of the purchase programme.

The first trains are expected to be delivered in early 2022.

On **20 December 2019**, FNM S.p.A. executed the agreements for the sale of the equity investments held in Locoitalia S.r.l. (51%) - a company consolidated line by line, active in the lease of rolling stock for cargo transport - and in Fuorimuro Servizi Portuali e Ferroviari S.r.l. (49%) - a company consolidated with the equity method, active in the railway freight rolling stock and concession-holder for railway operations within the Genoa harbour - in accordance with the intention expressed by the Board of Directors and already communicated on 31 July 2019.

17 SIGNIFICANT EVENTS AFTER THE CLOSING OF THE YEAR

On **10 March 2020**, FNM S.p.A. executed the agreements for the sale of the equity investments held in:

- Locoitalia S.r.l. (51%), a line-by-line consolidated company active in the business of leasing rolling stock for the transportation of goods: the sale of the shares held by FNM to Tenor was closed after the completion of the partial and proportional demerger of the company in Locoelettriche S.r.l., whose shares held by FNM were sold to Railpool GmbH, for a total equity value of EUR 6.0 million. FNM's portion amounts to EUR 3.0 million;
- Fuorimuro Servizi Portuali e Ferroviari S.r.l. (49%), a company consolidated with the equity method, active in the railway freight rolling stock and concession-holder for railway operations within the Genoa harbour, to Tenor S.r.l.; the price for the shareholding was EUR 0.5 million.

These transactions result in an overall improvement of approximately EUR 30.8 million of the Group's Net Financial Position (including the net financial position of Locoitalia) and a consolidated capital gain of EUR 1.1 million deriving from the sale of the shareholding in Locoitalia.

For more information, please refer to the Notes to the consolidated financial statements for the year ended 31 December 2019 (Note 49).

18 MANAGEMENT OUTLOOK

Concerning the current economic-social situation in Italy, in particular in the Lombardy Region and in the Veneto Region, tied to the current Coronavirus COVID-19 outbreak (which the World Health Organisation declared a "pandemic" on 11 March), all of the Group's companies, following the contagion that occurred, promptly activated the measures required by regulatory provisions and deemed appropriate to safeguard the health of personnel and of customers and to contain the economic repercussions.

In particular, with the goal of protecting workers' health, the Group, in addition to having incentivised smart-working since the start of the health emergency, also activated an extraordinary insurance coverage for the management of Coronavirus infection for all its employees, stipulating a supplemental policy able to cover the expenses tied to possible hospitalisation and to the subsequent recovery phase.

The persistence of the emergency and the consequent precautionary measures may impact even significantly the outlook for the future growth of the economy, both locally and internationally. Currently, the situation determined by these events is not expected to have a significant impact on the medium-term economic performance and on the business continuity of FNM Group companies.

The effects on the Group, whose main businesses relating to the leasing of rolling stock and to management of the railway infrastructure are not substantially impacted by the current emergency, impact mainly on road transport and to a greater extent on the Trenord investee.

In particular:

- for all companies, that started the revision of the commercial offering, at this time the duration of the provisions is limited in time and, since the management has already taken actions to mitigate their possible negative effects, currently the economic-financial impacts are estimated to be limited. Given the uncertainty of the continuously evolving situation, any impacts deriving from an extension of the limits imposed by the competent Authorities cannot be measured reliably at this time.
- Additional effects may derive from the reduction of visits and tourist activities in general in the city of Verona, in the Garda area and in the Venice area (where the Group operates with the companies ATV, La Linea and Martini also with lease services with driver) with the consequent reduction of the demand for transport, in particular in the spring and summer periods.
- Trenord - consolidated at equity - proceeded, starting from 24 February 2020, to revise the railway service which is entailing a significant reduction in ticketing revenues. Additional risks may be connected with the extension in time of the restrictive measures.

Before the current emergency, the Company estimated, at the consolidated level for the year 2020, an operating performance substantially in line with 2019, both in terms of revenues and in terms of adjusted EBITDA (net of non-recurring elements). In light of the previous reflections, at this time and in the absence of elements that at present cannot be foreseen, it is reasonable to expect a mid-single digit negative impact on revenues and therefore a high-single digit negative impact on the adjusted EBITDA, implementing all possible measures to contain this impact.

The Adjusted NFP, in spite of the positive continuing generation of operating cash, is expected to grow, reflecting the higher investments expected for fleet modernisation, in particular relating to trains in the RoSCo segment, and the development of the business of freight mobility, whose programme will be carefully monitored to safeguard the Group’s liquidity. In addition to having a positive adjusted net financial position by approximately EUR 40 million at the end of 2019 and confirmed positive at the present date, also has a significant liquidity headroom of EUR 90 million of committed lines and over EUR 140 million of uncommitted lines.

Milan, 31 March 2020

The Board of Directors

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE INDICATORS USED

The present document, in addition to the conventional financial statements and indicators prescribed by IFRS, presents some reclassified statements and some alternative performance indicators in order to allow a better assessment of the economic-financial performance of the Group. These statements and indicators should not be deemed to be replacements for the conventional ones prescribed by IFRS. For these quantities, the descriptions of the criteria adopted in their preparation and the appropriate notes referring to the items contained in the mandatory statements are provided in accordance with the indications of Consob Communication no. 6064293 of 28 July 2006, in Consob Communication no. 0092543 of 3 December 2015 and of the ESMA 2015/1415 guidelines for alternative performance indicators ("Non GAAP Measures").

In particular, among the alternative indicators used, the following are pointed out:

EBITDA: it represents the earnings for the year before income taxes, of the other financial income and expenses, of depreciation, amortisation and impairments of non-current assets. The Group also provides an indication of the incidence of EBITDA on net sales. The calculation of EBITDA carried out by the Group allows to compare the operating results with those of other companies, excluding any effects deriving from financial and tax components and from depreciation and amortisation, which may vary from company to company for reasons not correlated with the general operating performance.

EBITDA %: it represents the percentage of EBITDA over total revenues.

EBITDA Adjusted: it is represented by EBITDA as identified above, excluding non-ordinary expenses and income, such as:

(i) income and expenses deriving from restructuring, reorganisation and business combination operations;

(ii) income and expenses not directly referred to the ordinary performance of the business, clearly identified;

(iii) in addition to any income and expenses deriving from non-ordinary events and significant transactions as

defined by Consob DEM6064293 communication of 28 July 2006.

With reference to the adjusted EBITDA of 2018, the following components were excluded from EBITDA:

a) capital gains deriving from the sale to GDF System S.r.l. of areas next to Affori station in Milan equal to EUR 4.3 million.

With reference to the adjusted EBITDA of 2019, the following components were excluded from EBITDA:

a) non-recurring income deriving from the closure of a dispute with third parties, amounting to EUR 2.6 million;
b) non-ordinary expenses deriving from development projects, amounting to EUR 1.1 million.

Adjusted EBITDA %: it represents the percentage of adjusted EBITDA over total revenues.

EBIT: it represents the earnings for the year before the income deriving from sold/disposed assets, income taxes, financial income and expenses and the result of the companies measured at equity.

Net Working Capital: it includes current assets (excluding cash and cash equivalents and the current financial assets included in the net financial position), and current liabilities (excluding the current financial liabilities included in the net financial position).

Net Invested Capital: it is equal to the algebraic sum of fixed capital, which includes non-current assets and non-current liabilities (excluding the non-current financial liabilities included in the net financial position) and of net working capital.

NFP (Net Financial Position): it includes cash and cash equivalents, current financial assets and current financial liabilities.

Adjusted NFP: it is represented by the net financial position as identified above, excluding the impacts of the timeline of the collections of the contributions on financial investments for the renewal of the railway rolling stock and of the related payments made to suppliers, recognised in accordance with IFRIC 12.

Consolidated Financial Statements

for the year ended 31 December 2019

- *Consolidated Statement of Financial Position*
- *Consolidated Income Statement*
- *Other Consolidated Comprehensive Income*
- *Consolidated Shareholders' Equity*
- *Consolidated Statement of Cash Flows*
- *Notes to the Consolidated Financial Statements*

CONSOLIDATED FINANCIAL STATEMENT AT 31.12.2019

Amounts in thousands of euros	Notes	31/12/2019	31/12/2018	Change
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	6	409.864	437.354	(27.490)
Intangible assets	7	7.156	9.066	(1.910)
Goodwill	8	6.358	6.358	0
Right of use	9	8.879	0	8.879
Investments measured with the equity method	10	79.429	78.062	1.367
Investments in other companies	10	5.472	5.380	92
Financial receivables	11	2	998	(996)
of which: from Related Parties	11	0	996	(996)
Financial Receivables measured at Fair Value in profit or loss	12	0	5.000	(5.000)
of which: from Related Parties	12	0	5.000	(5.000)
Deferred Tax Assets	14	21.543	16.106	5.437
Tax receivables	18	0	4.549	(4.549)
Other Receivables	17	82	99	(17)
TOTAL NON-CURRENT ASSETS		**538.785**	**562.972**	**(24.187)**
CURRENT ASSETS				
Inventories	15	8.910	6.967	1.943
Trade Receivables	16	64.619	70.247	(5.628)
of which: from Related Parties	16	45.227	50.172	(4.945)
Other Receivables	17	60.612	79.767	(19.155)
of which: from Related Parties	17	11.275	12.781	(1.506)
Tax receivables	18	280	1.215	(935)
Financial receivables	11	40.997	1.951	39.046
of which: from Related Parties	11	997	1.951	(954)
Financial Receivables measured at Fair Value in profit or loss	12	48.352	43.335	5.017
of which: from Related Parties	12	48.352	43.335	5.017
Increase in financial receivables for services under concession	13	59.096	29.088	30.008
of which: from Related Parties	13	59.096	29.088	30.008
Cash and cash equivalents	19	228.723	137.316	91.407
TOTAL CURRENT ASSETS		**511.589**	**369.886**	**141.703**
Assets held for sale	20	35.239	0	35.239
TOTAL ASSETS		**1.085.613**	**932.858**	**152.755**
LIABILITIES				
Share capital		230.000	230.000	0
Other reserves		7.788	7.788	0
Reserve for indivisible profit		172.970	154.333	18.637
Reserve for actuarial gains/(losses)		(7.545)	(6.474)	(1.071)
Translation reserve		96	64	32
Profit for the year		30.281	28.477	1.804
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP		**433.590**	**414.188**	**19.402**
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTEREST		**20.711**	**20.983**	**(272)**
TOTAL SHAREHOLDERS' EQUITY	**21**	**454.301**	**435.171**	**19.130**
NON-CURRENT LIABILITIES				
Payables to banks	22	49.780	50.034	(254)
Financial Payables	23	9.184	64.282	(55.098)
of which: from Related Parties	23	2	58.000	(57.998)
Payables for funded investments	24	12.581	15.150	(2.569)
of which: from Related Parties	24	6.079	6.079	0
Other liabilities	26	27.550	68.841	(41.291)
of which: from Related Parties	26	12.253	54.311	(42.058)
Deferred tax liabilities	14	692	1.384	(692)
Provisions for risks and charges	27	36.977	22.698	14.279
Post-employment benefit	28	23.931	24.768	(837)
TOTAL NON-CURRENT LIABILITIES		**160.695**	**247.157**	**(86.462)**
CURRENT LIABILITIES				
Payables to banks	22	304	431	(127)
Financial Payables	23	94.053	31.764	62.289
of which: from Related Parties	23	86.573	19.758	66.815
Payables for funded investments	24	103.818	64.469	39.349
of which: from Related Parties	24	103.818	64.469	39.349
Trade payables	29	175.746	63.476	112.270
of which: from Related Parties	29	3.930	4.131	(201)
Payables for taxes	30	3.181	175	3.006
Tax payables	30	3.775	3.742	33
Other liabilities	31	65.180	64.600	580
of which: from Related Parties	31	35.762	33.449	2.313
Provisions for risks and charges	27	18.856	21.873	(3.017)
TOTAL CURRENT LIABILITIES		**464.913**	**250.530**	**214.383**
Liabilities related to assets held for sale	20	5.704	-	**5.704**
TOT. LIABILITIES and SHAREHOLDERS' EQUITY		**1.085.613**	**932.858**	**152.755**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR 2019

Amounts in thousands of euros	Notes	2019	2018	Change
Revenues from sales and services	32	268.359	260.296	8.063
of which: from Related Parties	32	177.053	176.416	637
Grants	33	10.850	10.599	251
of which: from Related Parties	33	8.069	8.047	22
Grants for funded investments	34	40.986	24.085	16.901
of which: from Related Parties	34	40.986	24.085	16.901
Other income	35	22.138	22.719	(581)
of which: from Related Parties	35	7.601	6.965	636
of which: Non Recurring	35	2.569	2.000	569
TOTAL REVENUES AND OTHER INCOME		**342.333**	**317.699**	**24.634**
Raw materials, consumables and goods used	36	(21.794)	(19.674)	(2.120)
Service costs	37	(72.468)	(72.105)	(363)
of which: from Related Parties	37	(8.173)	(8.225)	52
of which: Non Recurring	37	(1.145)		(1.145)
Personnel costs	38	(125.467)	(119.136)	(6.331)
Depreciation and Amortisation	39	(40.739)	(40.237)	(502)
Other operating costs	40	(12.429)	(12.477)	48
of which: from Related Parties	40	(113)	(55)	(58)
Costs for funded investments	34	(39.141)	(22.667)	(16.474)
TOTAL COSTS		**(312.038)**	**(286.296)**	**(25.742)**
EBIT		**30.295**	**31.403**	**(1.108)**
Financial income	41	1.792	1.371	421
of which: from Related Parties	41	1.101	1.141	(40)
Financial expenses	42	(4.269)	(1.995)	(2.274)
of which: from Related Parties	42	(713)	(725)	12
NET FINANCIAL INCOME		**(2.477)**	**(624)**	**(1.853)**
Net profit of companies measured with the equity method	45	8.047	5.771	2.276
EARNINGS BEFORE TAX		**35.865**	**36.550**	**(685)**
Income tax	43	(4.975)	(7.815)	2.840
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**30.890**	**28.735**	**2.155**
NET PROFIT FROM DISCONTINUED OPERATIONS	44	-	-	-
PROFIT FOR THE YEAR		**30.890**	**28.735**	**2.155**
Profit/(loss) attributable to NON-CONTROLLING interest		**609**	**258**	**351**
PROFIT attributable to Parent Company shareholders		**30.281**	**28.477**	**1.804**
Profit/(loss) attributable to NCIs for discontinued operations		**-**	**-**	**-**
PROFIT attributable to Parent Company shareholders for discontinued operations		**-**	**-**	**-**

Earnings per share attributable to Group shareholders				
Basic earnings per share (euro)	46	0,07	0,07	0,00
Diluted earnings per share (euro)	46	0,07	0,07	0,00
Earnings per share attributable to Group shareholders for discontinued operations				
Basic earnings per share (euro)		-	-	-
Diluted earnings per share (euro)		-	-	-

OTHER CONSOLIDATED COMPREHENSIVE INCOME FOR 2019

Amounts in thousands of euros	Notes	2019	2018
PROFIT FOR THE YEAR		**30.890**	**28.735**
Other components of companies consolidated on a line-by-line basis			
Post-employment benefit actuarial gain/(loss)	**28**	(1.275)	644
Tax effect	**14**	357	(180)
Total components that will not be reclassified in the operating result		**(918)**	**464**
Total components that will be reclassified in the operating result		**-**	**-**
Total companies consolidated on a line-by-line basis		**(918)**	**464**
Other components of companies consolidated on a line-by-line basis			
Post-employment benefit actuarial gain/(loss) of companies measured with the equity method		(534)	1.578
Tax effect		154	(441)
Total components that will not be reclassified in the operating result	**10**	**(380)**	**1.137**
Gains/(losses) arising from the translation of financial statements of foreign companies		32	30
Total components that will be reclassified in the operating result	**10**	**32**	**30**
Total companies consolidated with equity method		**(348)**	**1.167**
Total Other Comprehensive Income	**48**	**(1.266)**	**1.631**
TOTAL COMPREHENSIVE INCOME		**29.624**	**30.366**
Comprehensive result attributable to NCIs		**382**	**343**
Comprehensive INCOME attributable to Parent Company shareholders		**29.242**	**30.023**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

Amounts in thousands of euros	Share capital	Other reserves	Indivisible Profits/Losses	Reserve for actuarial gain/loss	Translation reserve	Profit/Loss for the year	Shareholders' equity attributable to the Group	Shareholders' equity attributable to non-controlling interest	Total Shareholders' equity
Balance 01.01.2018	**230.000**	**7.788**	**130.467**	**(7.990)**	**34**	**34.993**	**395.292**	**1.911**	**397.203**
Total Comprehensive Income				**1.516**	**30**	**28.477**	**30.023**	**343**	**30.366**
Allocation of 2017 profit			34.993			(34.993)	-		-
Distribution of dividends			(8.698)				(8.698)	-	(8.698)
Put option recognition			(2.431)				(2.431)		(2.431)
Change in the scope of consolidation			2				2	18.729	18.731
Balance at 31.12.2018	**230.000**	**7.788**	**154.333**	**(6.474)**	**64**	**28.477**	**414.188**	**20.983**	**435.171**
Total Comprehensive Income				**(1.071)**	**32**	**30.281**	**29.242**	**382**	**29.624**
Allocation of 2018 profit			28.477			(28.477)	-		-
Distribution of dividends			(9.785)				(9.785)	(750)	(10.535)
Change in the scope of consolidation			(55)				(55)	96	41
Balance at 31.12.2019	**230.000**	**7.788**	**172.970**	**(7.545)**	**96**	**30.281**	**433.590**	**20.711**	**454.301**

CONSOLIDATED STATEMENT OF CASH FLOWS AT 31/12/2019

Amounts in thousands of euros	Notes	31/12/2019	31/12/2018
Cash flow from operating activities		**Total**	**Total**
Operating result		30.890	28.735
Income tax	43	4.975	7.815
Net profit of companies measured with the equity method	45	(8.047)	(5.771)
Amortisation for the period of intangible assets	7	3.733	3.547
Depreciation for the period	6	34.890	34.669
Amortisation of right of use	9	2.116	-
Impairment of intangible assets	8	-	2.221
Provisions for risks and charges	27	16.086	10.892
Releases of provisions for risks and charges	27	(748)	(678)
Provision for bad debts	16	403	125
Releases provision for bad debts	16	(142)	(75)
Gains from disposal of property, plant and equipment	35	(50)	(234)
Gains from disposal of assets held for sale	35	-	(2.315)
Capital grants for the period	33	(3.671)	(4.323)
Interest income	41	(1.792)	(1.371)
Interest expense	42	4.269	1.995
Other non-monetary income	35	(3.402)	(98)
Cash flow from income activities		**79.510**	**75.134**
Net change in the provision for post-employment benefit	28	(2.469)	(2.952)
Net change in the provision for bad debts	16	(22)	(354)
Changes in provision for risks and charges	27	(931)	(576)
Decrease in trade receivables	16	4.461	4.134
(Increase)/Decrease in inventories	15	(1.943)	340
Increase in other receivables	17	2.708	(35.240)
Increase in trade receivables	29	821	11.221
Increase in other liabilities	31	861	52.658
Payment of taxes		(3.147)	(6.794)
Net change in deferred tax assets/liabilities	14	-	(2)
Total cash flow from operating activities		**79.849**	**97.569**
Cash flow from investing activities			
Investments in intangible assets	7	(1.823)	(2.019)
Investments in owned property, plant and equipment	6	(38.633)	(32.152)
Increase/(Decrease) in trade payables for investments	29	26.263	(32.319)
Investments in funded rolling stock net of grants collected		50.953	-
Increase in financial receivables for services under concession	13	(46.559)	(22.667)
Decrease in financial receivables for services under concession - payments received	13	26.804	34.189
Disposal value of property, plant and equipment		119	353
Investments in Equity investments	10	(113)	-
Dividends distributed by investees measured with the equity method	10	5.840	7.781
Other changes in financial receivables	11	17	-
Interest income collected		1.775	1.394
Repayment of finance lease receivables	11	1.933	1.788
La Linea acquisition net of cash held		-	337
ATV acquisition net of cash held		-	8.172
Total cash flow from investing activities		**26.576**	**(35.143)**
Cash flow from assets held for sale			
Decrease in assets held for sale	20	-	5.675
Total cash flow from assets held for sale		**-**	**5.675**
Cash flow from/(for) financing activities			
Repayment of finance lease payables	23	(3.030)	(7.964)
Interest paid		(2.004)	(613)
Decrease in payables to banks	22	(431)	(51.411)
Interest paid on debenture loan	23	(733)	(721)
Increase in other financial liabilities	23	3.020	51.292
Dividends paid out to FNM shareholders	21	(9.785)	(8.698)
Dividends paid out to third parties	21	(750)	(469)
Total cash flow from/(for) financing activities		**(13.713)**	**(18.584)**
Liquidity generated (+) / absorbed (-)		**92.712**	**49.517**
Cash and cash equivalents at start of period	19	137.316	88.494
IFRS 9 - first-time adoption	19	-	(695)
IFRS 5	19	(1.305)	-
Cash and cash equivalents at end of period	19	228.723	137.316
Liquidity generated (+) / absorbed (-)		**92.712**	**49.517**

FNM S.p.A.

Registered Office in Piazzale Cadorna 14 – 20123 Milan
Share capital EUR 230,000,000.00 fully paid up

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31.12.2019

NOTE 1 GENERAL INFORMATION

GROUP OPERATIONS

Companies belonging to the FNM Group (hereinafter the "Group"), mainly carry out activities in the management of railway infrastructure and in the sector of passenger road transport (including sustainable mobility) and the management of Ro.Sco activities as well as central activities carried out by FNM (hereafter, also the "Parent Company" or "FNM"); in particular, section 2 of the management report, "Performance in the business segments" analyses the activities carried out by the Group. Reference is made to Note 5 for a more detailed analysis of the effect of segment disclosure on consolidation with the equity method of investments in joint ventures operating in particular in the passenger rail transport sector, energy (consisting of the operation of the Mendrisio - Cagno power line), of cargo rail transport sector and of Information & Communication Technology.
The Parent FNM S.p.A., domiciled in P.le Cadorna, 14 – MILAN, is listed on the Standard Class 1 market, Milan (ISIN IT0000060886).

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements, prepared in compliance with CONSOB provisions in resolution no. 11971/1999 as amended, including in particular provisions introduced by rulings no. 14990 of 14 April 2005 and no. 15519 of 27 July 2006, contain the financial statements and notes relative to the Company, produced on the basis of international accounting standards (IFRS) issued by the IASB (*International Accounting Standards Boards*) and adopted by the European Union. IFRS mean all "*International Financial Reporting Standards*", all "*International Accounting Standards*" (IAS) and all interpretations of the "*International Financial Reporting Standards Interpretations Committee*" (IFRS IC, formerly IFRIC), previously called the "*Standard Interpretations Committee*" (SIC). In particular, IFRS were adopted in a manner consistent with all periods presented in this document.

These consolidated financial statements were prepared on a going concern basis, as the Directors verified that no indicators of a financial, management or other nature exist indicating criticalities as to the Group's ability to meet its obligations in the foreseeable future. Business risks and uncertainties are described in relative sections in the management report. Note 49 "Risk Management" describes how the Group manages financial risks, including liquidity and capital risk.

The present draft financial statements were prepared and authorised for publication by the Board of Directors of the Company in the course of its meeting of 31 March 2020.

PRESENTATION OF THE FINANCIAL STATEMENTS

The following presentation of the financial statements was adopted:

a) in the Consolidated Statement of Financial Position, assets and liabilities are entered as current or non-current items; an asset/liability is classified as current when it meets one of the following criteria:
   - it is expected to be realised/settled or to be sold/used in the entity's normal operating cycle or
   - it is held primarily for the purpose of trading
   - it is expected to be realised/settled within 12 months after the reporting period.

   If these three conditions are not met, the assets/liabilities are classified as non-current.

b) in the Consolidated Income Statement, positive and negative income components are stated by nature;

c) in Other Consolidated Comprehensive Income, all changes in Other comprehensive income, in the year, generated by transactions other than those carried out with Shareholders and based on specific IAS/IFRS are recognised. These changes are presented in a separate statement from the Income Statement. Changes in Other consolidated comprehensive income are recognised net of related tax effects, separately indicating components that will be recorded in subsequent years in the income statement, and components for which no recognition in the income statement is expected, pursuant to IAS 1R in effect since 1 January 2013. Moreover, as provided for by the amendment to IAS 1 – *Disclosure Initiative*, applicable from years starting on or after 1 January 2016 (Note 2 "Accounting standards and measurement criteria"), the portion of Other Comprehensive Income ("OCI") of associates and joint ventures consolidated with the equity method was already presented in aggregate form in a single item, broken down in turn into components which could be reclassified in the future in the income statement;

d) the Consolidated Statement of Changes in Equity, as required by international accounting standards, provides separate evident of income for the period and any other change not recorded in the Income Statement, but directly recognised as Other consolidated comprehensive income based on specific IAS/IFRS, as well as transactions with Shareholders, in their capacity as Shareholders;

e) the Consolidated Statement of Cash Flows has been prepared using the indirect method.

With reference to CONSOB resolution no. 15519 of 27 July 2006, related-party transactions are indicated separately in the consolidated statement of financial position and consolidated income statement, given their significance. With reference to the above resolution, income and expenses arising from non-recurrent transactions or events that are not repeated frequently during normal activities are indicated separately in the consolidated income statement; non-recurrent transactions are identified in Note 51 "Non recurring events and significant transactions", using internal management criteria in the absence of reference standards, and this identification might differ from that adopted by other Issuers or operators in the sector.

Lastly, with reference to disclosure required by IFRS 8, main information refers to the operating segments "Infrastructure Management", "Passenger Road Transport" (including Sustainable Mobility) and "Ro.Sco & *Services*" (Note 5 "Segment reporting").

NOTE 2 ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

In preparing these consolidated financial statements, the same accounting standards and measurement criteria used to prepare the consolidated financial statements at 31 December 2018 were used, supplemented as described in the section "IFRS accounting standards, amendments and interpretations adopted from 1 January 2019".

The consolidated financial statements of the FNM Group were prepared measuring all financial statement items at cost, apart from assets and liabilities classified as "Assets held for sale" and "Liabilities related to assets held for sale" for which the fair value, represented by the estimated realisable value, was used, if considered a reliable measurement.

Areas requiring a greater degree of discretion and significant assumptions and estimates are reported in Note 4 "Items subject to significant assumptions and estimates".

All amounts in the consolidated financial statements are in thousands of Euro, unless otherwise indicated.

To provide a greater clarity of presentation and guarantee the comparability of data, receivables for investments on the network under concessions were reclassified from "Financial receivables" to "Financial receivables for services under concession"; payables to the Lombardy Region relative to advances on current investments were reclassified from the item "Financial payables" to the item "Payables for funded investments", without this changing the result and shareholders' equity approved at 31 December 2018.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED FROM 1 JANUARY 2019

The following IFRS accounting standards, amendments and interpretations were adopted for the first time by the Group, starting from 1 January 2019:

- On 13 January 2016, the IASB published the standard IFRS 16 – *Leases* to replace IAS 17 – *Leases,* as well as the interpretations IFRIC 4 *Determining whether an Agreement contains a 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 criterion based on the control (right of use) of an asset, to make a distinction between lease agreements, and service agreements, identifying the following as discriminating aspects: Identification of the asset, the right to replace the asset, the right to substantially obtain all economic benefits from its use and the right to control the asset underlying the agreement.
  The standard establishes a single model for the recognition and measurement of lease agreements for the lessee, which requires the recognition of the leased asset, also of an operating *lease*, under assets, with a financial liability as a contra-entry. The standard also allows for agreements concerning low-value assets and agreements with a duration of 12 months or less not to be recognised as lease agreements. On the other hand, the standard does not include significant changes for lessors. The Group used the practical expedient envisaged in IFRS 16:C3 which makes it possible to adopt conclusions reached in the past based on IFRIC 4 and IAS 17 concerning the quantification of an operating lease for a specific contract. This practical expedient was selected for all contracts, as envisaged by IFRS 16:C4.

The change in the definition of lease is mainly referred to the control-based criterion ("right of use"). According to IFRS 16, an agreement contains a lease if the customer is entitled to control use of an identified asset for a period of time in exchange for consideration. This notion is substantially different from the concept of "risks and benefits" to which significant attention is paid in IAS 17 and IFRIC 4.

The Group applies the definition of lease and the related provisions of IFRS 16 for all lease agreements stipulated or amended starting from 1 January 2019 (regardless of the condition as lessee or lessor in each lease agreement). In view of the first adoption of IFRS 16, the Group has carried out a project of assessment of the potential impacts and implementation of IFRS 16.

The Group has opted to adopt the standard retrospectively, however recognising the cumulative effect arising from the adoption in shareholders' equity at 1 January 2019, as provided for in IFRS 16:C7-C13. In particular, as regards lease agreements previously classified as operating leases, the Group recognised the following:

a) a financial liability, equal to the present value of future payments outstanding at the transition date, discounted using for each agreement the incremental borrowing rate applicable at the transition date;
b) a right of use equal to the value of the financial liability at the transition date, net of any accruals and deferrals referred to the lease and recognised in the balance sheet at the end of the reporting period.

When assessing the liabilities of the lease, the Group discounted the payments due for the lease using the marginal lending rate as at 1 January 2019. The weighted average of the applied rate is 1.47%. The rate was defined taking into account the duration of the lease agreements, the characteristics of the economic environment in which the agreement was stipulated and the credit adjustment.

The Company, for agreements providing a renewal option at the end of the non-cancellable period, opted to consider only the non-cancellable period, in consideration of the assessments made that induce to deem reasonable not exercising the renewal option. For agreements with renewal options exercisable automatically at the end of the non-cancellable period and not terminable by either party, the duration considered is the maximum one.

The next table shows the estimated impacts of the adoption of IFRS 16 at the transition date:

Amounts in thousands of euros	**Impacts at the transition date (01.01.2019)**
ASSETS	
NON-CURRENT ASSETS	
Right of use - Software	68
Right of use - Buildings	7.178
Right of use - Plant and machinery	277
Right of use - Other assets	521
TOTAL ASSETS	**8.044**
LIABILITIES	
SHAREHOLDERS' EQUITY	**0**
NON-CURRENT LIABILITIES	
Non-current financial liabilities for leases	6.520
CURRENT LIABILITIES	
Current financial liabilities for leases	1.524
TOT. LIABILITIES and SHAREHOLDERS' EQUITY	**8.044**

The adoption of the modified retrospective method did not have any impact on shareholders' equity at the date of first-time adoption.

The impact arising from the adoption of the new standard on earnings before tax for 2019, amounting to approximately EUR 40 thousand of higher costs, is summarised as follows:

Amounts in thousands of euros		**2019**
Service costs		2.204
	of which: from Related Parties	42
Depreciation and Amortisation		(2.116)
TOTAL COSTS		**88**
EBIT		**88**
Financial expenses		(128)
	of which: from Related Parties	(1)
NET FINANCIAL INCOME		**(128)**
EARNINGS BEFORE TAX		**(40)**

To aid in understanding the impacts deriving from the first time adoption of the standard, the following table provides a reconciliation between the future commitments relating to lease agreement of the financial statements of the year 2018 and the impact deriving from adoption of IFRS 16 on 1 January 2019:

Amounts in thousands of euros	**01-gen-19**
Commitments for operating leases at 31 December 2018	**9.096**
Short term lease fees (exemption)	(285)
Low-value lease fees (exemption)	(547)
Non-discounted financial liabilities for leases at 1 January 2019	**8.264**
Discounting effect	(220)
Financial liability for leases at 1 January 2019	**8.044**
Present value of liability for finance leases at 31 December 2018	4.952
Financial liability for leases at the transition to IFRS at 1 January 2019	**12.996**
of which Current financial liabilities	10.189
of which Non-current financial liabilities	2.807

In adopting IFRS 16, the Group used the exemption contemplated in IFRS 16:5(a) in relation to short-term leases.

Similarly, the Group used the exemption contemplated in IFRS 16:5(b) as regards lease agreements for which the underlying asset is a low -value asset (i.e. assets underlying the lease agreement which do not exceed EUR 5,000 when new). Contracts for which the exemption was applied mainly refer to the following categories:

- Computers, telephones and tablets;
- Printers;
- Other electronic devices.

For these contracts, the introduction of IFRS 16 will not result in the recognition of the financial liability of the lease and relative right of use, but the lease payments will be recognised in the income statement on a line-by-line basis for the duration of the respective contracts.

With reference to transition rules, the Group will use the following practical expedients, which are available if the modified retrospective transition method is adopted:

- Classification of contracts expiring within 12 months from the transition data as short-term leases. The lease payments for these contracts will be recognised in the income statement on a line-by-line basis.
- The exclusion of direct initial costs from the measurement of the right of use at 1 January 2019.
- The use of information present at the transition date to determine the lease term, with particular reference to exercising the options of extension and early closing.

- On 12 December 2017, the IASB published the document ***"Annual Improvements to IFRSs 2015-2017 Cycle"*** which implements the amendments to some standards as part of the annual improvement process. The main amendments concern:
  - IFRS 3Business Combinations and IFRS 11Joint Arrangements: the amendment clarifies that when an entity obtains control of a business which represents a joint operation, it must remeasure the interest previously held in that business. Instead, this process is not applied 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 in shareholders' equity) should be recognised consistently with the transaction generating such profits (income statement, OCI or shareholders' equity).
  - IAS 23 *Borrowing costs*: the amendment clarifies that in the case of loans which still exist even after the relative qualifying asset is already ready for use or sale, said loans become a part of the loans used to calculate borrowing costs.

  The adoption of this amendment did not therefore have any effects on the consolidated financial statements of the Group.
- On 7 February 2018, the IASB published the document "*Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*". The document clarifies how an entity must recognise an amendment (i.e. a curtailment or settlement) to a defined benefits plan. The amendments require the entity to revise its assumptions and remeasure the liability or negative asset arising from the plan. The amendments clarify that after the occurrence of such an event, an entity must use revised assumptions to measure the current service cost and interests for the rest of the reporting period subsequent to the event. The adoption of this amendment did not therefore have any effects on the consolidated financial statements of the Group.
- 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 adopt IFRS 9, including requirements concerning impairment and other long-term interests in associates and joint ventures, for which the equity method is not applied.
  The adoption of this amendment did not therefore have any effects on the consolidated financial statements of the Group.

- On 7 June 2017, the IASB published the interpretation *Uncertainty over Income Tax Treatments (IFRIC Interpretation 23).* The interpretation deals with uncertainties over tax treatment for income tax. In particular, the interpretation requires an entity to analyse uncertain tax treatments (individually or as a whole, depending on the characteristics), assuming that the tax authority will examine the tax position and will have full knowledge of all relevant information when doing so. If the entity concludes that it is not probable that a particular tax treatment is accepted by the tax authority, the entity has to reflect the uncertainty of the measurement of its own current and deferred income taxes. Moreover, the document does not contain any disclosure obligation, but states that the entity shall establish whether it will be necessary to provide information on considerations made by management and relative to the uncertainty of the tax treatment, as provided for by IAS 1.
  The adoption of this amendment did not therefore have any effects on the consolidated financial statements of the Group.
- On 12 October 2017, the IASB published an amendment to IFRS 9 "*Prepayment Features with Negative Compensation* (*Amendments to IFRS 9*)". This document specifies that instruments with early repayment could meet the *Solely Payments of Principal and Interest* ("*SPPI*") test which are characteristic of contract cash flows, also if the "*reasonable additional compensation*" to pay in the case of early reimbursement is "*negative*

compensation" for the lender. The adoption of this amendment did not therefore have any effects on the consolidated financial statements of the Group.

IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP AT 31 DECEMBER 2019

- On 31 October 2018, the IASB published the document "*Definition of Material (Amendments to IAS 1 and IAS 8)*". The document introduces an amendment to the definition of "material" 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 "material" more specific and to introduce the concept of "obscured information" along with the concepts of omitted or misstated information already contained in the above two standards. The amendment clarifies that information is "obscured" if described in such a way as to have - for primary uses of general-purpose financial statements - an effect similar to that produced if such information had been omitted or misstated.
  The amendments introduced were approved on 29 November 2019 and apply to all transactions after 1 January 2020.
  The Directors do not expect the adoption of these amendments to have a significant effect on the consolidated financial statements of the Group.
- On 29 March 2018, the IASB published an amendment to "*References to the Conceptual Framework in IFRS Standards*". The amendment is effective for the periods that start on or after 1 January 2020, but early adoption is permitted.
  The Conceptual Framework defines the fundamental concepts for financial disclosure and guides the Board in the development of IFRS standards. The document helps in guaranteeing that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information to investors, lenders and other creditors.
  The Conceptual Framework supports enterprises in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more in general, it helps the involved parties to understand and interpret the Standards.
- On 26 September 2019, the IASB published the amendment entitled "*Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform*". The same amends IFRS 9 - *Financial Instruments* and IAS 39 - *Financial Instruments: Recognition and Measurement* in addition to IFRS 7 - *Financial Instruments: Disclosures*. In particular, the amendment modifies some of the requirements for hedge accounting, providing temporary waivers thereof, in order to mitigate the impact deriving from the uncertainty of the IBOR reform (still ongoing) on future cash flows in the period preceding its completion. The amendment further imposes to companies to provide in their financial statements additional information about their hedges that are directly affected by the uncertainties generated by the reform and to which the above mentioned waivers apply.
  The amendments apply from 1 January 2020, but enterprises may opt for early adoption. The Directors do not expect the adoption of this amendment to have effects on the consolidated financial statements of the Group.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

At the end of the reporting period, competent bodies of the European Union had not completed the approval process necessary to adopt the amendments and standards described below.

- On 22 October 2018, the IASB published the document "*Definition of a Business (Amendments to IFRS 3)*". The document provides some clarifications of the definition of a business for the purpose of adopting IFRS 3. In particular, the amendment clarifies that while a business usually produces output, the presence of output is not strictly necessary to identify a business in the presence of an acquired set of activities/processes and assets. However, to meet the definition of a business, an acquired set of activities/processes and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. For this purpose, the IASB has replaced the wording "ability to create outputs" with the wording "ability to contribute to creating outputs" to clarify that a business may exist also without the presence of all inputs and processes necessary to create outputs.
  The amendment also introduced an optional test ("concentration test"), which allows to exclude the presence of a business if the price paid can substantially be referred to a single asset or group of assets. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early adoption is permitted.
  The Directors do not expect the adoption of this amendment to have effects on the consolidated financial statements of the Group.
- On 18 May 2017, the IASB published IFRS 17 – *Insurance Contracts* which is to replace IFRS 4 – *Insurance Contracts*.
  The purpose of the new standard is to guarantee that an entity provides relative information which faithfully represents the rights and obligations arising from insurance contracts issued. The IASB has developed a standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework, in order to consider all types of insurance contract, including reinsurance contracts, held by an insurance undertaking.
  The new standard also establishes requirements for presentation and disclosure in order to improve comparability between entities belonging to this sector.
  The new standard measures an insurance contract based on a *General Model* or a simplified version of this model called the *Premium Allocation Approach* ("PAA").
  The main characteristics of the *General Model* are:
    - estimates and assumptions of future cash flows are always current;
    - the measurement reflects the time value of money;
    - estimates are based on an extensive use of observable market information;
    - a current and explicit measurement of risk exists;
    - expected profit is deferred and aggregated in groups of insurance contracts on initial recognition; and,
    - expected profit is recognised in the contract coverage period, considering adjustments arising from changes in assumptions concerning cash flows relative to each group of contracts.

  The PAA requires the measurement of the liability for the remaining coverage of a group of insurance contracts on condition that, at the time of initial recognition, the entity expects the liability to reasonably represent an approximation of the *General Model*. Contracts with a coverage of one year or less are automatically suitable for the PAA. The simplifications arising from the adoption of PPA do not apply to the measurement of liabilities for claims, which are measured using the *General Model*. However, it is not necessary to discount those

cash flows if the balance to pay or receive is expected within one year from the date when the claim was made.
The entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF).
The standard applies starting from 1 January 2021 but early adoption is permitted, only for entities that adopt IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from Contracts with Customers*. The Directors do not expect the adoption of these amendments to have a significant effect on the consolidated financial statements of the Group.

- 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 to solve the current conflict between IAS 28 and IFRS 10.
  As provided for in IAS 28, the gain or loss resulting from the sale or disposal of a non-monetary asset to a joint venture or associate in exchange for an equity interest in the latter is limited to the equity interest held in the joint venture or associate by other investors not involved in the transaction. On the contrary, IFRS 10 provides for the recognition of the entire gain or loss in the case of a loss of control of a subsidiary, also if the entity continues to hold a non-controlling interest, including in this case the sale or disposal of a subsidiary to a joint venture or associate. The amendments introduced require, in the case of a sale/disposal of an asset or a subsidiary to a joint venture or associate, that the gain or loss to recognise in the financial statements of the transferor/transferee is measured depending on whether assets or the subsidiary sold/transferred are a business or otherwise, according to the definition in IFRS 3. If the assets or the subsidiary sold/transferred are a business, the entity must recognise the gain or loss for the entire equity interest previously held; if they are not defined as a business, the portion of loss or gain relative to the equity interest still held by the entity must be eliminated. At present, the IASB has suspended the adoption of this amendment. The Directors do not expect the adoption of these amendments to have a significant effect on the consolidated financial statements of the Group.

NOTE 3 SCOPE AND PRINCIPLES OF CONSOLIDATION

Principles of consolidation
The scope of consolidation includes the Financial Statements of FNM S.p.A. and its subsidiaries at 31 December 2019.

As stated in paragraph 1 of the management report, the Group scope changed compared to 31 December 2018, as described below:

- On 10 October 2019, the company Malpensa Distripark S.r.l., a wholly owned subsidiary of FNM, was incorporated. The company will be dedicated to the development of real estate in the areas adjacent to the Sacconago Terminal, which are functional to the project for the management of intermodal connections in the cargo sector, developing support activities that are consistent with the work carried out by Malpensa Intermodale;
- in consideration of the sales, completed on 10 March 2020, of the equity investments in Locoitalia S.r.l. and of the joint venture FuoriMuro Servizi Portuali e Ferroviari S.r.l., the related assets and liabilities were reclassified under the items “Assets held for sale” and “Liabilities related to assets held for sale” and measured in accordance with IFRS 5.

Subsidiaries are entities over which the Group: (a) has power; (b) is exposed to, or has the rights to, variable returns arising from its involvement with said entity; (c) has the capacity to use power to influence the amount of such variable returns.

The financial statements of consolidated companies are prepared by the Boards of Director for approval by the Shareholders' Meetings, suitable aligned to IAS/IFRS and Group policies.

The financial statements of subsidiaries were consolidated on a line-by-line basis.

With this method, the total amount of assets, liabilities, costs and revenues is recorded (regardless of the scale of the investment held) and the portion of shareholders' equity and result for the year are attributed to non-controlling interest, in specific items of the consolidated financial statements.

Intergroup transactions and profit not realised between Group companies are eliminated.
Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment loss of the asset.

As regards procedures for the valuation of joint ventures, FNM S.p.A., in preparing consolidated financial disclosure, measures the joint venture investees Trenord S.r.l. (and investee TILO S.A.), NordCom S.p.A., NORD ENERGIA S.p.A. (and subsidiary CMC MeSta S.A.), SeMS S.r.l. in liquidation, Omnibus Partecipazioni S.r.l. with the "equity method".
Associates DB Cargo Italia S.r.l. (formerly DB Schenker Rail Italia S.r.l.) and ASF Autolinee S.r.l. are similarly valued using the "equity method".

Joint ventures are investments in companies in which the Group exercises joint control with another investor. In joint ventures, activities are developed with a specialist partner, with whom financial decisions about significant operations are shared, also backed up by partner agreements and by the articles of association in which joint control of the investees is established, even when FNM holds the majority of voting rights, as in the case of the investee NordCom S.p.A. and NORD ENERGIA S.p.A.

The economic results of joint ventures or associates are therefore recognised in the consolidated income statement under the item "Net profit of companies measured with the equity method". A brief analysis of the nature of costs and revenues of joint ventures, and additional information required by IFRS 12, are given in Note 45.

Reference is made to Attachment 1 for information on the list of companies included in the scope of consolidation, their registered office, percentages held, type of control and consolidation method adopted.

Business combinations

Business combinations are recognised according to the acquisition method. According to this method, the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair value*s* of the transferred assets and liabilities undertaken by the Group at the acquisition date and the equity instruments issued in exchange for control of the purchased entity. Costs related to the transaction are generally recognised in the income statement when they are incurred.
At the acquisition date, identifiable acquired assets and liabilities undertaken are measured at the fair value at the acquisition date; the following items are an exception, which instead are measured according to their reference standard:

- deferred tax assets and liabilities;
- assets and liabilities for employee benefits;
- liabilities or equity instruments relative to share-based payments of the purchased entity or share-based payments relative to the Group issued to replace contracts of the acquired entity;
- assets held for sale and discontinued assets and liabilities.

Goodwill is determined as the excess between the sum of amounts transferred in a business combination, the value of equity attributable to non-controlling interest and the fair value of any investment previously held in the acquired entity compared to the fair value of net assets acquired and liabilities undertaken at the acquisition date. If the value of net assets acquired and liabilities undertaken at the acquisition date exceeds the sum of amounts transferred, the value of shareholders' equity attributable to non-controlling interest and the fair value of any investment previously held in the acquired entity, this excess is immediately recognised in the income statement as income arising from the completed transaction.
Shareholders' equity attributable to non-controlling interest, may be measured at fair value or at the pro-quota of the value of net assets recognised for the acquired company. The measurement method is selected for each transaction.

In the case of the acquisition of a subsidiary in stages, IFRS 3 (2008) establishes that a business combination occurs only when control is acquired and, at this stage, all identifiable net assets of the acquired company must be measured at fair value. Non-controlling interest must be measured based on the fair value or the proportional amount of the fair value of identifiable net assets of the acquired company (method already permitted by the previous version of IFRS 3).
In the acquisition of a subsidiary where control is acquired in stages, the investment previously held, recognised up until that time according to IAS 39 – *Financial instruments: Recognition and measurement*, or according to IAS 28 – *Investments in associates* or according to IFRS 11 – *Joint arrangements*, must be treated as if it had been sold and re-purchased at the date when control is acquired. This investment must therefore be measured at its fair value at the date of "disposal" and losses and gains resulting from this measurement must be recognised in the income statement.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment mainly consist of:

a) land;
b) buildings;
c) plant and machinery;
d) rolling stock (trains, buses).

Property, plant and equipment may be owned and may be funded by grants or specific public funds.

Own property, plant and equipment are recognised at purchase or production cost including directly related costs. The cost is reduced by depreciation, apart from land, which is not depreciated, and write-downs. If funded by government grants, property, plant and equipment are recognised including the grant, which is entered in the item "Other liabilities" according to criteria indicated in the accounting standard "Government grants".

Depreciation is calculated on a straight-line basis using percentages that reflect the economic and technical deterioration of the asset. Depreciation is calculated when the asset becomes available for use according to Management's intentions.

Significant parts of tangible assets that have different useful lives are recognised separately and depreciated based on their useful life.

The useful lives and residual values are revised annually at the end of the reporting period.

Useful lives are as follows:
Buildings: 50 years
Plant and machinery: 4 -16 years
Rolling stock (trains): 15 - 22 years
Rolling stock (buses): 4 - 15 years

If an impairment loss is recorded, the property, plant or equipment is written down according to criteria indicated below in the section “Impairment loss of intangible assets, property, plant and equipment and investments”.

PROPERTY ASSETS
Property assets, i.e. assets held for rent income or to appreciate their value, mainly refer to stores near Cadorna station in Milan.

In compliance with IAS 40, the Group opted to measure these assets at cost, net of depreciation and impairment, using the same treatment adopted for plant, property and equipment and, given their limited significance, these items are not recorded in a separate line of assets in relation to “Plant, property and equipment”.

IFRS 16 LEASES
The new accounting standard introduced a new definition of leases based on control of the underlying asset, i.e. the right to use an identified asset and to obtain substantially all of its economic benefits through the direction of the use of the asset itself, for a period of time in exchange for consideration.
IFRS 16 provides a single accounting model for lease agreements, based on which the lessee must recognise, as an asset, the right to use the leased asset (“Right of use”) as a contra entry to a liability representing the financial obligation (“Financial liabilities for leased assets”) determined by discounting the payments for the minimum guaranteed future lease payment, thus eliminating, for the lessee (leases as lessee) the accounting distinction between operating and finance leases, as was instead previously required by IAS 17.
The new IFRS 16 is effective for the Group starting from 1 January 2019. The Group took the option of adopting IFRS 16 with the modified retrospective approach; therefore, upon first time adoption, the Group recognised the cumulative effect deriving from adoption of the standard in the shareholders’ equity as at 1 January 2019, without redetermining the comparative data of the previous year.

Accounting model for the lessee
The Group recognises in the statement of financial position the assets for the right of use and the financial liabilities for leased assets for most leases, with the exception of low value assets under lease, i.e. having a new value of less than Euro 5,000. Therefore, the Group recognises the payments due for the leases relating to the aforesaid leases as cost with a straight line criterion throughout the duration of the lease.
On the effective date of the lease, the Group recognises the asset for the right of use and the financial liability for leased assets.
The asset for the right of use is initially measured at cost, and subsequently at cost less amortisation and impairment losses, cumulated, and adjusted to reflect the write-backs of the lease liability.

The Group measures the financial liability for leased assets at the present value of the payment due for the leases not paid as at the effective date, discounting them using the implied interest rate of the lease. Whenever it is not possible to determine this rate easily, the Group uses the marginal lending rate. Generally, the Group uses the marginal lending rate as the discounting rate. The financial liability for leased assets is subsequently increased by the interest that accrue on said liability and decreased by the payments due for the leases carried out and it is revalued in case of change in the future payments due for the lease deriving from a change in the index or rate, in case of change of the amount the Group expects to have to pay by way of guarantee on the residual value or when the Group changes its valuation with reference to whether or not a buy, extension or termination option is exercised. *Accounting model for the lessor*
The Group sub-leases to third parties the right of use of some leased assets for a duration prevalently coinciding with that of the main agreement. The accounting principles applicable to the Group as lessor do not deviate from those prescribed by IAS 17. However, when the Group acts as intermediate lessor, sub-leases are classified referring to the asset for a right of use deriving from the main lease, rather than to the underlying asset.

INTANGIBLE ASSETS
Intangible assets refer to costs, including related charges, incurred to purchase resources without physical substance on condition that their amount can be reliably quantified, and the asset is clearly identifiable and controlled by the Group.
Intangible assets are recognised at purchase or production cost including related costs and are amortised based on their future use.
If an impairment loss is recorded, the intangible asset is written down according to criteria indicated below in the section "Impairment losses of intangible assets, property, plant and equipment and investments".

Non-compensated assets are assets which, at the end of the concession, must be given free of charge to the State. These assets are partially or totally funded by the State and recognised at a value corresponding to the cost incurred by the Group. In the case of total funding, the net carrying amount of these assets is equal to zero. For recently acquired wholly funded assets, the lender maintains legal ownership of the asset; less recent purchases are recognised as Group equity. Initial recognition, if funded assets are under development, coincides with the time when the relative documentation is made available. Non-compensated assets are amortised breaking down their cost, determined according to the criterion explained above, based on the lesser of the concession duration and useful life of the asset.

Costs for the purchase of *software* licences, together with related costs, are capitalised and amortised based on the expected useful lives represented by the licence duration (5 years). Amortisation starts when the asset becomes available for use according to Management's intentions.

Other intangible assets are amortised based on their remaining useful life. Useful lives are mainly estimated in five years.

EQUITY INVESTMENTS
Joint ventures are investments in companies in which the Group exercises joint control with another investor. In joint ventures (identified in Attachment 1 to these notes), activities are developed with a specialist partner, with whom financial decisions about significant operations are shared, also backed up by partner agreements in which joint control of the investees is established, even when FNM holds the majority of voting rights. Section 1 of the management report "Group structure and business segments" specifically analyses the activities carried out by joint ventures.

Investments in associates are investments in which the Group has a significant influence.

Investments in joint ventures and associates are measured using the equity method and are initially recognised at cost. Investments include goodwill identified at the time of the acquisition, net of any accumulated impairment losses. The consolidated financial statements include gains or losses attributable to investees measured according to the equity method, net of reclassifications necessary to align accounting standards, starting from the date when significant influence or joint control started, up to the date when said influence or control stopped.

The economic results of joint ventures or associates are therefore recognised in the consolidated income statement under the item "Net profit of companies measured with the equity method". A brief analysis of the nature of costs and revenues of joint ventures, and additional information required by IFRS 12, are given in Note 45.

Investments in other companies are classified, for measurement purposes, as financial assets at "fair value", with a contra-entry in the income statement; however, in the absence of an active market, they are recognised at purchase cost.

Economic results and assets and liabilities of associates and joint ventures are recognised in the consolidated financial statements using the equity method.

CURRENT AND NON-CURRENT FINANCIAL RECEIVABLES

Receivables and loans are initially recognised at their fair value, which corresponds to the nominal value. Subsequently they are measured at amortised cost based on the original effective rate of return of the financial asset. Financial assets are eliminated from the statement of financial position when the contractual right to receive cash flows has been transferred and the entity no longer has control of said financial assets.

Receivables and loans recognised as current assets are recorded at their nominal value as the present value would not vary significantly. At the end of each reporting period, the Group assesses the possibility of recovering the receivables, taking into account expected future cash flows.

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are determined based on temporary taxable differences existing between the carrying amount of assets and liabilities and their tax value and are classified as non-current assets and liabilities.

Deferred tax assets are only recognised to the extent that the existence of adequate future taxable income against which said deferred tax assets can be used is probable.

The value of deferred tax assets that may be presented in the financial statements is tested annually.

When results are directly recognised in shareholders' equity, in particular in the reserves "actuarial gains (losses)" and "gains/(losses) arising from the translation of financial statements of foreign companies", current taxes, deferred tax assets and or deferred tax liabilities are also directly recognised in shareholders' equity.

The value of deferred tax assets and liabilities is determined based on expected tax rates for the period when the deferrals will occur, considering rates in effect or known rates which will subsequently be issued.

TRADE RECEIVABLES

Trade receivables are recognised at their nominal value, suitably adjusted to align them with their estimated realisable value.

INVENTORIES
Inventories mainly refer to spare parts and are measured at the lower of purchase/production cost and net realisable value inferred from market trends. The cost is determined adopting the average weighted cost method.
Inventories are written down when the realisable value inferred from market trends is lower than the relative carrying amount. Obsolete and slow-moving socks are written down in relation to their possible use or realisable value.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents include cash and sight deposits and are recognised at nominal value. For an investment to qualify as cash or a cash equivalent it must be readily convertible to a known amount of cash and have an insignificant risk of change in value.
In relation to the adoption of IFRS 9, based on the expected losses model, the Group considers the expected losses along the life of the financial asset at each reference date of the financial statements.

ASSETS HELD FOR SALE
As provided for in IFRS 5 "Non-current assets held for sale and discontinued operations", non-current assets whose carrying amount is mainly recovered through a sale rather than continual use, if the requirements of the standard are met, are classified as held for sale and recognised at the lower of the carrying amount and fair value, net of the cost to sell. From the date when these assets are classified in the category of non-current assets held for sale, relative amortisation/depreciation is suspended. The liabilities connected with these assets are classified under "Liabilities relative to assets held for sale", while the economic result concerning these assets is recognised under "Other income" of the Consolidated Income Statement.

LOANS AND CORPORATE BONDS
Loans and corporate bonds are initially recognised at cost represented by the fair value of the value received net of additional acquisition costs.
After initial recognition, loans and corporate bonds are measured according to the amortised cost method calculated by adopting the effective interest rate.
Amortised cost is calculated taking into account issue costs and any discount or premium at the time of settlement.

EMPLOYEE BENEFITS
Employee benefits provided at the end of employment or afterwards mainly refer to post-employment benefit.

Law no. 296 of 27 December 2006 (2007 Budget Law) and subsequent decrees and regulations issued in the first few months of 2007 introduced significant changes to legislation on post-employment benefit, including the possibility for employees to choose the allocation of the post-employment benefit they accrue.

This means, for IFRS purposes, a different accounting treatment which is explained below:

a) Post-employment benefit accruing as from 1 January 2007: this is a defined contribution plan, in the case of the employee opting for a supplementary pension and in the case of the employee opting to pay the post-employment benefit into the Treasury Fund held with Italy's state social security institute (INPS). The accounting treatment will therefore be the same as that adopted for various social security/pension payments.

b) Post-employment benefit accrued at 31 December 2006: this item remains a defined benefits plan, with the consequent need for actuarial calculations to be carried out by independent actuaries, who shall exclude the component related to future salary increases. The difference resulting from the new calculation compared to the previous one was treated as a curtailment, as defined in paragraph 109 of IAS 19 and consequently recognised in the income statement in the first half of 2007. The liability is entered in the financial statements at the present value of the Group's obligation based on actuarial assumptions made using the projected unit credit method. Actuarial gains and losses arising from changes in assumptions and changes in final and hypothesized data are recognised in the statement of comprehensive income in a specific reserve of shareholders' equity called "Reserve for actuarial gains/(losses)". The present value of the obligation is determined by discounting future cash flows at an interest rate based on the *Euro swap* benchmark rate (AA rating with reference to 2014 and the comparative year) with an average financial duration for the item in question.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges include allocations arising from current (legal or implicit) obligations resulting from a past event which, in order to be met, will probably require the use of resources, that can be reliably estimated.

If the expected use of resources goes beyond the following year, the obligation is recognised at the present value determined by discounting expected future flows by a rate that takes into account the cost of money and risk of the liability.

Instead no provision is made for risks for which the occurrence of a liability is only possible. In this case, specific disclosure is provided in the section on commitments and risks and no allocation is made.

FINANCIAL AND TRADE PAYABLES

Payables are initially recognised at fair value, and subsequently recognised at amortised cost, which generally corresponds to the nominal value.

Financial liabilities are eliminated from the statement of financial position when, and only when, they are settled, or when the specific contract obligation has been met or cancelled or has expired.

REVENUES

Revenues for the provision of services are recognised at the time the service is provided. The main sources of revenue are as follows:

a) revenues from transport: these refer to revenues from tickets and travel passes for passenger road transport. They are recognised in the Consolidated Income Statement based on the validity of the tickets/travel passes.
b) Infrastructure Management Service contract: consideration referring to the "Infrastructure Management Contract" paid by the Lombardy Region to operate lines under concession, are recognised in the Consolidated Income Statement on an accrual basis.
c) operating lease payments relative to rolling stock;
d) consideration for administration services provided centrally to Group companies not consolidated on a line-by-line basis: accounting and financial reporting, payroll processing, management of centralised treasury and of the IT services connected with SAP and communication coordination;
e) lease payments: these refer to the rental of civil and commercial property of the Group.
f) financial income for finance lease agreements. These refer to finance leases of locomotives to Group companies not consolidated on a line-by-line basis.

All revenues from letter c) to letter f) are recognised on an accrual basis.

GOVERNMENT GRANTS

Government grants are recorded when there is reasonable certainty that they may be received. This coincides with the moment when public bodies formalise the disbursement.

Grants relative to the purchase of property, plant and equipment, disbursed by the Lombardy Region or third parties (other public bodies) are recognised as "Other liabilities" as non-current and current items, and expensed in the Consolidated Income Statement on a straight line basis according to the expected useful life of the assets they refer to.

GRANTS FOR FUNDED INVESTMENTS

In accordance with IFRIC 12, the railway infrastructure management contract of the subsidiary FERROVIENORD S.p.A. was recognised in the consolidated financial statements according to the financial asset model, starting from the financial year ended 31 December 2010.

In particular, as provided for in IFRIC 12, the financial asset model may be applied as the operator FERROVIENORD S.p.A. has the unconditional right to receive contractually guaranteed cash flows from the investment guarantor - i.e. the Lombardy Region - regardless of the actual use of the railway infrastructure. These cash flows correspond to costs incurred for contract management. Consequently, the operator must not recognise the infrastructure in its assets, or more generally, the funded asset. Instead it must recognise costs relative to the investment in the income statement for the year, as contemplated by IFRS 15, and must recognise grants corresponding to the investments as revenues, according to the investment completion percentage. The amount of these grants not yet received at the reporting date is recognised as a short-term financial receivable.

Consequently, the items "Grants for funded investments" and "Costs for funded investments" were recognised, for corresponding amounts, determined as contemplated by IFRS 15. The amount of these grants not yet received at the reporting date is recognised as a financial receivable.

Moreover, in accordance with IFRIC 12, non-compensated assets are no longer recognised as property, plant and equipment, but are classified as intangible assets.

For information about the aspects of the agreement for concession services, please refer to Paragraph 3.1 "Railway infrastructure management" of the management report.

IMPAIRMENT LOSSES OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND INVESTMENTS IN OTHER COMPANIES

Non-current assets include - among others - property, rolling stock, intangible assets, investments and financial receivables. Management periodically revises the carrying amount of non-current assets held and used and assets that must be disposed of, when required by facts and circumstances.

This revision is carried out comparing the carrying amount of the asset and the greater of the fair value, net of costs to sell, and the value in use of the asset. In the absence of market values considered representative of the actual value of the investment, estimate methods and valuation models are used based on data and assumptions which are sustainable and reasonable, based on historical experience and future expectations of the market and foreseeable changes in the specific legal framework. The value in use is determined based on estimates of cash flows expected from the use or sale of the asset, approved by competent bodies and based on projections that do not exceed five years and discount rates to calculate the present value, referred to market conditions.

When the carrying amount of a non-current asset is impaired, the Group records a write-down for the excess between the carrying amount of the asset and its recoverable value through use or sale, determined with reference to the Group's most recent plans, and recognised under "Amortisation, depreciation and impairments".

For assets not subject to amortisation/depreciation and intangible assets not yet available for use, impairment testing is carried out annually, regardless of whether or not specific indicators are present.

If the conditions for a previous write-down no longer apply, the carrying amount, with the exception of goodwill, is restored to the new estimated value, which will not exceed the net carrying amount the asset would have had, if it had not been written down. Reversals are recorded in the Income Statement.

INCOME AND CHARGES FROM THE SALE OF INVESTMENTS

Operations to sell controlling interests that do not cause a loss of control of the sold investee result in the recognition of the difference between the carrying amount of net consolidated assets concerning the sold investment and the consideration of the sale directly recognised in consolidated shareholders' equity; on the other hand, operations to sell controlling interests that cause a loss of control of the sold investee result in the recognition of the difference between the carrying amount of net consolidated assets concerning the sold investment and the consideration of the sale in the income statement for the year.

DIVIDENDS

Revenues for dividends are recognised when the right to collection arises, which normally coincides with the resolution of the shareholders' meeting to distribute dividends.
Resolved dividends are recognised as a payable to Shareholders at the time of the resolution on distribution.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses are recognised in the Consolidated Income Statement during the year when they are accrued or sustained, on an accrual basis.

CURRENT TAXES

Current taxes are recognised and determined based on a realistic estimate of taxable income in compliance with applicable tax regulations of the country and considering applicable exemptions and any tax receivables due.

TAX CONSOLIDATION

The Parent Company renewed the option for the National Tax Consolidation Scheme for the 2019 - 2021 three-year time interval (art. 117, Paragraph 1 of the Consolidated Income Tax Act),), which subsidiaries of FNM are also party to, pursuant to art. 2359 of the Italian Civil Code. This provision enables FNM S.p.A. to manage all obligations to make periodic payments to the Revenue Agency and offset any credit positions of other Group companies against relative debt positions. Subsidiaries determine taxes, and revenue payments are made exclusively by FNM S.p.A. On payment, companies transfer their IRES receivable/payable, recording the payable/receivable to the Parent Company, which in turn records the IRES receivable/payable transferred by the subsidiaries and the payable/receivable towards them, proceeding with payment or collection.

GROUP VAT

The Parent has chosen the option in art. 73, paragraph 3 of Italian Presidential Decree 633/72 relating to Group VAT. This provision enables FNM S.p.A. in a capacity as Parent pursuant to art. 73, paragraph 3, to manage all obligations to make periodic payments to the Revenue Agency and offset any credit positions of other Group companies against relative debt positions. Subsidiaries periodically liquidate VAT and payments are made exclusively by FNM S.p.A. On payment, companies transfer their VAT receivable/payable, recording the payable/receivable to the Parent Company, which in turn records the VAT receivable/payable transferred by the subsidiaries and the payable/receivable towards them, proceeding with payment or collection.

EARNINGS PER SHARE
Basic earnings per share are calculated dividing net profit for the year attributable to owners of ordinary shares of the Parent by the weighted average number of ordinary shares outstanding in the period, excluding treasury shares.

DILUTED EARNINGS PER SHARE
Diluted earnings per share are determined by adjusting the weighted average of outstanding shares to take into account all dilutive potential ordinary shares.

TRANSLATION OF FOREIGN CURRENCY ITEMS
Functional currency
Group companies prepare their financial statements based on the money of account used in individual countries. The functional currency of the Parent is the Euro, which is the presentation currency of the consolidated financial statements.

Transactions and accounting records
Transactions in foreign currency are initially recognised at the exchange rate in effect at the transaction date.
At the end of the reporting, period, monetary assets and liabilities in foreign currency are re-translated based on the exchange rate in effect at that date.
Non-monetary items measured at historical cost in foreign currency are translated using the exchange rate in effect at the transaction date.
Non-monetary items recognised at fair value are translated using the exchange rate in effect at the date when the value was determined.

NOTE 4 ITEMS SUBJECT TO SIGNIFICANT ASSUMPTIONS AND ESTIMATES

The preparation of the consolidated financial statements and notes requires Management to use estimates and assumptions that have an effect on financial statement assets and liabilities and on the disclosure of potential assets and liabilities at the reporting date. The estimates and assumptions used are based on experience and other factors considered material. Final results could differ from these estimates. Estimates and assumptions are revised periodically and the effects of all changes are reflected in the Consolidated Income Statement in the year when the estimate is revised if the revision only impacts that year, or also in subsequent years, if the revision has effects on the current year as well as on future years.
The main critical measurement processes and key assumptions used by Management in adopting accounting standards, concerning the future and which may have significant effects on figures in the consolidated financial statements or for which there is a risk that value adjustments to the carrying amount of assets and liabilities in the year following the reporting period in question may be identified, are summarised below.

Provision for bad debts
The provision for bad debts reflects Management estimates of losses relative to the receivables portfolio.
The estimate of the provision for bad debts is based on losses expected by the Group, determined based on past experience with similar receivables, current and historical past due receivables, and losses and collections, the careful monitoring of credit quality and forecasts of economic and

market conditions, assisted by legal advisors representing the Group during pre-litigation and litigation stages.

Inventory impairment
Inventory impairment is an estimate process subject to the uncertainty of determining the replacement value of rolling stock components and consumables which varies over time and according to market conditions.

Recoverable value of property, plant and equipment, intangible assets and investments
Non-current assets include land, property, plant and machinery and other assets and intangible assets, as well as investments. As stated in the accounting standard "Impairment of intangible assets, property, plant and equipment and investments in other companies", management periodically revises the carrying amount of non-current assets held and used and of assets to be disposed of, as required by facts and circumstances. This revision is carried out using estimates of expected cash flows and adequate discount rates to calculate the present value and is therefore based on a set of assumptions relative to future events and the actions of administrative bodies of the Group that might not necessarily occur according to expected times and procedures.
With reference to the differential between market capitalisation and Group shareholders' equity, the market Fair Value (coinciding with market capitalisation) is not deemed representative of the Group's recoverable value, in view of the following considerations:

- the Group is included in the FTSE Small Cap index, and it typically expresses low daily trading volumes (in particular in the first part of 2019);
- FNM has limited free float on the market, since 72.3% of its shareholders are stable. Hence, the free float is less than 30%;
- market transactions relate to minority shareholdings, which reflect information asymmetries with respect to controlling shareholders.

Deferred tax assets and liabilities
The Group recognises current taxes and deferred tax assets and liabilities based on applicable laws. The recognition of taxes requires the use of estimates and assumptions concerning procedures to interpret applicable regulations, regarding operations carried out during the year, and their effect on company taxes. Moreover, the recognition of deferred tax assets and liabilities requires the use of estimates concerning prospective taxable income and relative developments, as well as tax rates that are actually applicable. This takes place through the analysis of transactions and their tax profiles, assisted by external consultants as necessary for various issues addressed and the use of simulations of prospective income and relative sensitivity analysis.

Defined benefit plans
Post-employment benefit may be classified as a defined benefit plan for the portion accrued up to 31 December 2006. Management uses various statistical assumptions and valuation factors with the aim of anticipating future events to calculate expenses, liabilities and assets relative to such plans. The assumptions concern the discount rate and rates of future salary increases. Moreover, actuaries acting as consultants for the Group use subjective factors, such as mortality and resignation rates.

Potential liabilities
The Group may be involved in legal, and tax litigation, arising from complex and difficult issues, with varying degrees of uncertainty, including factors and circumstances inherent to each case, jurisdiction and different applicable laws.
Given the uncertainties of these issues, it is difficult to predict outflows that could arise from these disputes, with certainty.

Consequently, Management, after consulting with its legal and tax advisors, recognises a liability for these disputes when a financial outflow is likely and when the amount of resulting losses can be reasonably estimated. If a financial outflow becomes possible but the amount cannot be determined, the situation is reported in the notes to the financial statements.

NOTE 5 SEGMENT REPORTING

With reference to the Group's business segments, the following three sectors can be identified:

- <u>management of railway infrastructure</u>: this includes maintenance, design and construction of new facilities carried out on the railway infrastructure obtained under concession from the Lombardy Region. The consideration for carrying out this activity is defined in the "Service Contract" while the "Programme Contract" regulates the investments directed at modernising and enhancing the network, both stipulated with the Lombardy Region in 2016 and subsequently supplemented. From 2019, the segment also includes the terminal management activity;
- <u>passenger road transport</u>: it refers to the Local Public Transport service performed with owned bus fleets in three provinces in Lombardy (Varese, Como and Brescia), of Veneto and in the city of Verona, in addition to the electric car sharing services in Lombardy. As part of these activities, the Group realised revenues from the sale of tickets, payments for sub-contracts, regional grants for activities carried out in the provinces of Varese and Brescia and payments for the service contract in the city and province of Verona, and in the province of Como, and from agreements with municipal administrations and private enterprises with regard to the car-sharing business.
- <u>lease of rolling material and management of the centralised services</u> (*Rosco & Services*): the parent company FNM is active in *(i)* the hire of rolling stock with an owned fleet of 63 trains and 26 locomotives, to investees operating in the local public transport and freight transport sectors, *(ii)* the provision of administration services to own subsidiaries and *(iii)* management of the Group's property portfolio. This segment also comprises the business sectors of joint venture investees, valued at "equity", contributing to net profit for the year under "Net profit of companies measured with the equity method", the most significant of which relates to the "Passenger rail transport" activities as part of Local Public Transport carried out by the joint venture Trenord S.r.l. in the Lombardy Region. As part of this activity, the Group realised revenues from the Service Contract stipulated with the Lombardy Region for provision of the transport service, and revenues from the sale of tickets.

The following tables show the income statement and balance sheet figures of the Group in relation to the three business sectors described above.

2019	Railway infrastructure management	Passenger road transport	Rosco & Services	Eliminations	Total from continuing operations
Revenues from third parties	119.415	111.676	70.256		**301.347**
Intersegment sales	5.858	6.596	12.412	(24.866)	
Grants for funded investments	40.986				**40.986**
Segment revenues	166.259	118.272	82.668	(24.866)	**342.333**
Costs to third parties	(106.648)	(110.200)	(56.050)		**(272.898)**
Intersegment purchases	(16.151)	(6.374)	(2.341)	24.866	
Costs for funded investments	(39.140)				**(39.140)**
Segment costs	(161.939)	(116.574)	(58.391)	24.866	**(312.038)**
Operating income	**4.320**	**1.698**	**24.277**		**30.295**
Net financial income	155	(226)	(2.406)		**(2.477)**
Net profit of companies measured with the equity method					**8.047**
Earnings before tax					**35.865**
Taxes					**(4.975)**
Result for the year from continuing operations					**30.890**
Result from discontinued operations					
Operating result					**30.890**

31/12/2019	Railway infrastructure management	Passenger road transport	Rosco & Services	Others	Total
Segment assets	264.045	134.372	630.415		1.028.832
Assets held for sale	35.239				35.239
Income tax assets				21.542	21.542
Total unallocated group assets				**21.542**	**21.542**
Total assets					**1.085.613**
Segment liabilities	370.491	69.721	187.227		627.439
Deferred tax liabilities				692	692
Income tax liabilities				3.181	3.181
Other unallocated liabilities				454.301	454.301
Total unallocated group liabilities				**458.174**	**458.174**
Total liabilities					**1.085.613**

2018	Gestione infrastruttura ferroviaria	Trasporto passeggeri su gomma	Rosco & Services	Elisioni	Totale da operazioni in continuità
Ricavi verso terzi	118.883	104.117	70.614		**293.614**
Vendite intersegmento	5.347	5.740	12.435	(23.522)	
Contributi per investimenti finanziati	24.085				**24.085**
Ricavi di settore	148.315	109.857	83.049	(23.522)	**317.699**
Costi verso terzi	(101.340)	(105.774)	(56.515)		**(263.629)**
Acquisti intersegmento	(15.326)	(5.762)	(2.434)	23.522	
Costi per investimenti finanziati	(22.667)				**(22.667)**
Costi di settore	(139.333)	(111.536)	(58.949)	23.522	**(286.296)**
Risultato operativo	**8.982**	**(1.679)**	**24.100**		**31.403**
Risultato gestione finanziaria	(19)	(137)	(468)		**(624)**
Risultato netto delle società valutate con il metodo del patrimonio netto					**5.771**
Risultato prima delle imposte					**36.550**
Imposte					**(7.815)**
Risultato dell'esercizio da operazioni in continuità					**28.735**
Risultato da operazioni discontinue					
Risultato netto dell'esercizio					**28.735**

31/12/2018	Railway infrastructure management	Passenger road transport	Rosco & Services	Others	Total
Segment assets	154.169	116.025	646.558		916.752
Assets held for sale					
Income tax assets				16.106	16.106
Total unallocated group assets				**16.106**	**16.106**
Total assets					**932.858**
Segment liabilities	256.584	68.113	171.431		496.128
Deferred tax liabilities				1.384	1.384
Income tax liabilities				175	175
Other unallocated liabilities				435.171	435.171
Total unallocated group liabilities				**436.730**	**436.730**
Total liabilities					**932.858**

The analysis by nature of revenues and costs, income and charges, concerning sectors whose contribution to the consolidated result is recognised in “Net profit of companies measured with the equity method”, is presented in Note 45, to which reference is made.

Please see paragraph 3. “Operating performance of Business segments” of the management report for the detailed analysis of the revenues and cost trends of the Group’s segments.

The “Rosco & Service” sector comprises “Assets held for sale” and “Liabilities related to assets held for sale”, pertaining to the equity investments in Locoitalia and Fuorimuro, measured in accordance with IFRS 5 (Note 20).

Transactions between sectors take place at arm’s length.

STATEMENT OF FINANCIAL POSITION

For a better understanding of the changes in the period, the following table shows the consolidated statement of financial position with pro-forma values at 31 December 2018 inclusive of the effects resulting from the adoption of the new IFRS 16 at 1 January 2019.

Amounts in thousands of euros	Notes	31/12/2019	31/12/2018 PRO-FORMA IFRS 16	Change
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	6	409.864	437.354	(27.490)
Intangible assets	7	7.156	9.066	(1.910)
Goodwill	8	6.358	6.358	0
Right of use	9	8.879	8.044	835
Investments measured with the equity method	10	79.429	78.062	1.367
Investments in other companies	10	5.472	5.380	92
Financial receivables	11	2	998	(996)
of which: from Related Parties	11	0	996	(996)
Financial Receivables measured at Fair Value in profit or loss	12	0	5.000	(5.000)
of which: from Related Parties	12	0	5.000	(5.000)
Deferred Tax Assets	14	21.543	16.106	5.437
Tax receivables	18	0	4.549	(4.549)
Other Receivables	17	82	99	(17)
TOTAL NON-CURRENT ASSETS		**538.785**	**571.016**	**(32.231)**
CURRENT ASSETS				
Inventories	15	8.910	6.967	1.943
Trade Receivables	16	64.619	70.247	(5.628)
of which: from Related Parties	16	45.227	50.172	(4.945)
Other Receivables	17	60.612	79.767	(19.155)
of which: from Related Parties	17	11.275	12.781	(1.506)
Tax receivables	18	280	1.215	(935)
Financial receivables	11	40.997	1.951	39.046
of which: from Related Parties	11	997	1.951	(954)
Financial Receivables measured at Fair Value in profit or loss	12	48.352	43.335	5.017
of which: from Related Parties	12	48.352	43.335	5.017
Increase in financial receivables for services under concession	13	59.096	29.088	30.008
of which: from Related Parties	13	59.096	29.088	30.008
Cash and cash equivalents	19	228.723	137.316	91.407
TOTAL CURRENT ASSETS		**511.589**	**369.886**	**141.703**
Assets held for sale	20	35.239	0	35.239
TOTAL ASSETS		**1.085.613**	**940.902**	**144.711**
LIABILITIES				
Share capital		230.000	230.000	0
Other reserves		7.788	7.788	0
Reserve for indivisible profit		172.970	154.333	18.637
Reserve for actuarial gains/(losses)		(7.545)	(6.474)	(1.071)
Translation reserve		96	64	32
Profit for the year		30.281	28.477	1.804
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP		**433.590**	**414.188**	**19.402**
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTEREST		**20.711**	**20.983**	**(272)**
TOTAL SHAREHOLDERS' EQUITY	**21**	**454.301**	**435.171**	**19.130**
NON-CURRENT LIABILITIES				
Payables to banks	22	49.780	50.034	(254)
Financial Payables	23	9.184	70.802	(61.618)
of which: from Related Parties	23	2	58.000	(57.998)
Payables for funded investments	24	12.581	15.150	(2.569)
of which: from Related Parties	24	6.079	6.079	0
Other liabilities	26	27.550	68.841	(41.291)
of which: from Related Parties	26	12.253	54.311	(42.058)
Deferred tax liabilities	14	692	1.384	(692)
Provisions for risks and charges	27	36.977	22.698	14.279
Post-employment benefit	28	23.931	24.768	(837)
TOTAL NON-CURRENT LIABILITIES		**160.695**	**253.677**	**(92.982)**
CURRENT LIABILITIES				
Payables to banks	22	304	431	(127)
Financial Payables	23	94.053	33.288	60.765
of which: from Related Parties	23	86.573	19.758	66.815
Payables for funded investments	24	103.818	64.469	39.349
of which: from Related Parties	24	103.818	64.469	39.349
Trade payables	29	175.746	63.476	112.270
of which: from Related Parties	29	3.930	4.131	(201)
Payables for taxes	30	3.181	175	3.006
Tax payables	30	3.775	3.742	33
Other liabilities	31	65.180	64.600	580
of which: from Related Parties	31	35.762	33.449	2.313
Provisions for risks and charges	27	18.856	21.873	(3.017)
TOTAL CURRENT LIABILITIES		**464.913**	**252.054**	**212.859**
Liabilities related to assets held for sale	20	5.704	-	**5.704**
TOT. LIABILITIES and SHAREHOLDERS' EQUITY		**1.085.613**	**940.902**	**144.711**

As is highlighted in Note 2, the effects of the first-time adoption of IFRS 16 at 1 January 2019 were the recognition of Rights of use for EUR 8,044 thousand, of non-current financial liability for EUR 6,520 thousand and current financial liability for EUR 1,524 thousand.

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

At 1 January 2018, property, plant and equipment, net of relative accumulated depreciation and provisions for loans, comprised the following:

Description	01.01.2018		
	Historical cost	Accumulated depreciation	Book value
Land and buildings	44.696	(14.283)	30.413
Plant and machinery	59.847	(45.795)	14.052
Industrial and commercial equipment	6.171	(5.551)	620
Other assets	546.790	(200.802)	345.988
Assets in the course of construction and advances	26.615		26.615
Total property, plant and equipment	**684.119**	**(266.431)**	**417.688**

Changes for 2018 are shown below:

Description	Land and buildings	Plant and Machinery	Industrial and commercial equipment	Other assets	Assets in the course of construction and advances	Total
Net Value as at 01.01.2018	**30.413**	**14.052**	**620**	**345.988**	**26.615**	**417.688**
Investments financed with own funds	1.017	18.524	369	5.313	6.930	**32.153**
Transfers gross value	387	1.659	77	19.727	(21.850)	
Divestments: Gross disposals	(59)	(16.775)	(33)	(139)		**(17.006)**
Divestments: Use of Accumulated Depreciation	35	16.696	33	123		**16.887**
Depreciation Rates	(944)	(6.637)	(339)	(26.749)		**(34.669)**
ATV consolidation: Historical cost	30	117.884	4.153	8.777	222	**131.066**
ATV consolidation: Provisions	(26)	(103.140)	(3.611)	(8.169)		**(114.946)**
La Linea consolidation: Historical cost	5.824	4.417	41	296		**10.578**
La Linea consolidation: Provisions	(1.104)	(3.058)	(34)	(201)		**(4.397)**
Net Value as at 31.12.2018	**35.573**	**43.622**	**1.276**	**344.966**	**11.917**	**437.354**

At 31 December 2018, property, plant and equipment, net of relative accumulated depreciation and provisions for loans, comprised the following:

Description	31.12.2018		
	Historical cost	Accumulated depreciation	Book value
Land and buildings	51.876	(16.303)	35.573
Plant and machinery	185.553	(141.930)	43.623
Industrial and commercial equipment	10.777	(9.502)	1.275
Other assets	580.764	(235.798)	344.966
Assets in the course of construction and advances	11.917		11.917
Total property, plant and equipment	**840.887**	**(403.533)**	**437.354**

Changes for 2019 are shown below:

Description	Land and buildings	Plant and Machinery	Industrial and commercial equipment	Other assets	Assets in the course of construction and advances	Total
Net Value 2018 as at 01.01.2019	**35.573**	**43.623**	**1.275**	**344.966**	**11.917**	**437.354**
Investments financed with own funds	395	5.721	194	19.151	13.172	**38.633**
Transfers gross value	705	954	3	4.621	(6.283)	
Divestments: Gross disposals	(220)	(6.560)		(120)		**(6.900)**
Divestments: Use of Accumulated Depreciation	4	6.503		120		**6.627**
Depreciation Rates	(977)	(7.227)	(375)	(26.311)		**(34.890)**
Ifrs 5 - Locoitalia: Historical cost				(32.442)	(1.913)	**(34.355)**
Ifrs 5 - Locoitalia: Provisions				3.395		**3.395**
Net Value at 31.12.2019	**35.480**	**43.014**	**1.097**	**313.380**	**16.893**	**409.864**

At 31 December 2019, property, plant and equipment, net of relative accumulated depreciation and provisions for loans, comprised the following:

Description	31.12.2019		
	Historical cost	Accumulated depreciation	Book value
Land and buildings	52.756	(17.276)	35.480
Plant and machinery	185.668	(142.654)	43.014
Industrial and commercial equipment	10.974	(9.877)	1.097
Other assets	571.974	(258.594)	313.380
Assets in the course of construction and advances	16.893		16.893
Total property, plant and equipment	**838.265**	**(428.401)**	**409.864**

Land and buildings

The item "Land and buildings" mainly refers to the net residual value of the following property:

- EUR 8,927 thousand for property related to the Cadorna station in Milan;
- EUR 4,846 thousand for Sacconago Terminal;
- EUR 4,313 thousand for property in Saronno;
- EUR 4,830 thousand for land and property situated in the municipality of Mestre;
- EUR 4.531 thousand for land situated in the municipality of Saronno;
- EUR 880 thousand for the property situated in the municipality of Tradate;
- EUR 1,587 thousand for land situated in the municipality of Garbagnate Milanese;
- EUR 1,086 thousand for garages situated in the municipality of Milan;
- EUR 697 thousand for property situated in the municipality of Iseo.

Investments for the period mainly refer to:

- completion of the renovation work at the offices located in the municipality of Mestre for EUR 199 thousand;
- the acquisition of 4 land plots in the Sacconago site (cadastral map 8084 and cadastral map 8086) for EUR 189 thousand, for the development of the terminal area.

Plant and machinery

The item "Plant and machinery" mainly refers to the net residual value of the following assets:

- EUR 37,917 thousand for buses;
- EUR 3,083 thousand for plant and machinery used for railway infrastructure maintenance.

Main increases in the item "Plant and machinery" (EUR 5,721 thousand) chiefly concern the purchase of:

- 20 diesel buses for extraurban transport, for EUR 4,009 thousand, by the subsidiary ATV;
- 2 diesel buses for extraurban transport for EUR 465 thousand, by the subsidiary FNMA; moreover, following the registration of 1 bus in January 2019, the advance payments for one bus paid the previous year, amounting to EUR 437 thousand, were transferred to this item from "Assets in the course of construction and advances";
- 3 tour buses, of which an electric one for EUR 496 thousand, purchased by the subsidiary Martini Bus;
- on-board equipment for the buses for EUR 701 thousand;

Moreover, costs, incurred in previous years, relating to facilities for railway infrastructure maintenance, amounting to EUR 472 thousand, were transferred to the item in question.

Disposals refer entirely to the scrapping of fully depreciated buses that can no longer be used.

Other changes refer to depreciation charges for the year.

Industrial and commercial equipment
The item "Industrial and commercial equipment", increased mainly due to the purchase of equipment used for railway infrastructure maintenance, for EUR 85 thousand.
Other changes refer to depreciation charges for the year.

Other assets
Other assets mainly refer to rolling stock (for EUR 310,193 thousand), vehicles, furnishings and leased assets (operating leases).
As regards rolling stock, the investment for the year, equal to EUR 18,741 thousand, concerns:

- 4 E191 Vectron DC electric locomotives for EUR 10,560 thousand; following commissioning, investments incurred in the previous year, amounting to EUR 2,640 thousand, were transferred from "Assets in the course of construction and advances" to "Other assets". Of these, one was leased to the investee Fuorimuro and the remaining ones to third parties;
- 3 E494 TRAXX DC electric locomotives for EUR 7,768 thousand; following commissioning, investments incurred in the previous year, amounting to EUR 1,963 thousand, were transferred from "Assets in the course of construction and advances" to "Other assets"; the locomotives are leased to the parent company FNM, which sub-leases to the associate DB Cargo Italia;
- the revamping work carried out on two LHB locomotives for EUR 255 thousand;
- cyclical maintenance on a BR 189 locomotive for EUR 158 thousand.

Other increases mainly refer to furniture and furnishings of Group company offices and for stations of the entire company network.

Assets in the course of construction and advances
The increase in the item, for EUR 13,172 thousand, mainly refers to advances paid for the purchase of 9 FLIRT trains (EUR 9,508 thousand), to the costs incurred for the construction of the car park adjacent to the Milan Affori station (EUR 1,236 thousand), to the supply of 2 E494 TRAXX DC electric locomotives (EUR 592 thousand), to the costs incurred for the installation of tanks at the Saronno depot (EUR 175 thousand) as well as initial costs for the new electronic ticketing system in the areas of Como, Varese and Brescia (EUR 73 thousand).

Transfers concern the items referred to above.

With regard to the 9 FLIRT trains, the total amount of the commitment signed by FNM, on 30 November 2018, with STADLER BUSSNANG AG for the two application contracts for the supply respectively of No. 5 and No. 4 trains, is equal to EUR 95.1 million. FNM proceeded with the purchase of 9 6-body electric trains at Trenord's request, to be used for the development and strengthening of cross-border services connected to the opening of the Monte Ceneri base tunnel (scheduled for 2020).

If property, plant and equipment had been recognised net of relative capital grants, under the items "Other non-current liabilities" (Note 26) and "Other current liabilities" (Note 31) respectively, the effect on the financial statements at 31 December 2019 would have been the following:

2019	Book value	Grant	Net value less the grant
Land and buildings	35.480	(6.210)	29.270
Plant and machinery	43.014	(18.620)	24.394
Industrial and commercial equipment	1.097		1.097
Other assets	313.380	(3.348)	310.032
Assets in the course of construction and advances	16.893		16.893
Total property, plant and equipment	**409.864**	**(28.178)**	**381.686**

Management did not identify any factors indicating the need for impairment testing, to verify the recoverability of the carrying amount of property, plant and equipment.

Grants for funded investments

The adoption of IFRIC 12 meant that investments made in infrastructure and rolling stock, entirely financed by the Lombardy Region, are not shown among tangible assets, but, as required by IAS 15, are charged to costs for the year. For comments on this item, please refer to Note 34.

NOTE 7 INTANGIBLE ASSETS

At 1 January 2018, intangible assets comprised the following:

Description	01.01.2018		
	Historical cost	Accumulated amortisation	Net Value
Assets in the course of construction and advances	1.368		1.368
Other	11.109	(9.896)	1.213
Non-compensated assets	46.140	(46.027)	113
Trademarks			
Total intangible assets	**58.617**	**(55.923)**	**2.694**

Changes for 2018 are shown below:

Description	Assets in the course of construction and advances	Other	Non-compensated assets	Total
Net Value as at 01.01.2018	**1.368**	**1.213**	**113**	**2.694**
Acquisitions	1.454	565		**2.019**
Transfers	(593)	593		
Amortisation Rates		(3.544)	(3)	**(3.547)**
ATV consolidation: Historical cost	67	15.066		**15.133**
ATV consolidation: Provisions		(7.301)		**(7.301)**
La Linea consolidation: Historical cost		279		**279**
La Linea consolidation: Provisions		(211)		**(211)**
Net Value as at 31.12.2018	**2.296**	**6.660**	**110**	**9.066**

Therefore at 31 December 2018, intangible assets comprised the following:

Description	01.01.2019		
	Historical cost	Accumulated amortisation	Net Value
Assets in the course of construction and advances	2.296		2.296
Other	27.599	(20.948)	6.651
Non-compensated assets	46.140	(46.021)	119
Total intangible assets	**76.035**	**(66.969)**	**9.066**

Changes for 2019 are shown below:

Description	Assets in the course of construction and advances	Other	Non-compensated assets	Total
Net Value 2018 as at 01.01.2019	**2.296**	**6.651**	**119**	**9.066**
Acquisitions	762	1.061		**1.823**
Transfers	(2.128)	2.128		
Depreciation Rates		(3.731)	(2)	**(3.733)**
Net Value at 31.12.2019	**930**	**6.109**	**117**	**7.156**

Therefore at 31 December 2019, intangible assets comprised the following:

Description	31.12.2019		
	Historical cost	Accumulated amortisation	Net Value
Assets in the course of construction and advances	930		930
Other	30.788	(24.679)	6.109
Non-compensated assets	46.140	(46.023)	117
Total intangible assets	**77.858**	**(70.702)**	**7.156**

Assets in the course of construction and advances
Increases in the item "Assets in the course of construction and advances", equal to EUR 762 thousand, refer mainly to the upgrade of the BW SAP module, managed by FNM and used by Trenord, for EUR 177 thousand, to the creation of the new Intranet platform for EUR 96 thousand, to the implementation of additional SAP modules which FNM uses for its administration service, for EUR 93 thousand, activation of additional SAP PO management *software* modules, managed by FNM and used by Trenord for EUR 68 thousand, activation of additional SAP modules for intercompany reconciliations and consolidation for EUR 62 thousand, activation of additional modules of the SAP HR management *software* for EUR 59 thousand, as well as the design activities relating to cyber security instruments for EUR 56 thousand.

During the year, since the design activities had been completed, with the availability of the implemented modules, a transfer was made from the category in question to "Other" of the costs incurred in 2018 in relation to the SAP R3 upgrade to the S/4 HANA version for EUR 1,806 thousand, to the development of the management software for railway circulation for EUR 104 thousand, to additional SAP modules that FNM uses in the administrative service for EUR 89 thousand, to the aforesaid SAP management *software* managed by FNM and used by Trenord for EUR 33 thousand, to the activities relating to identity assessment instruments for EUR 24 thousand, to additional modules of the SP HR management *software* for EUR 21 thousand, to the development of the *software* used by FNM for the management of corporate entities for EUR 21 thousand, and to the activation of the IT system for the management of the new IFRS 16 for EUR 15 thousand.

Overall, assets in the course of construction and advances at 31 December 2019 mainly refer to the upgrade of the BW SAP, managed by FNM and used by Trenord, for EUR 177 thousand, to the activities relative to identity assessment instruments for EUR 129 thousand, to the creation of the new Intranet platform for EUR 96 thousand, to additional SAP modules which FNM uses for its administration service for EUR 93 thousand, to additional modules of the SAP HR management *software* for EUR 74 thousand, to the aforesaid SAP management *software* managed by FNM and used by Trenord for EUR 68 thousand, to migration to the G-Suite platform for EUR 66 thousand, to the activation of the SAP modules for intercompany reconciliation and consolidation for EUR 62 thousand, as well as to the development of the *software* used by FNM for the management of the corporate entities for EUR 13 thousand.

Other fixed assets
Increases in the year (EUR 1,061 thousand) are mainly due to the costs relating to the implementation of electronic ticketing application systems for EUR 238 thousand, to the costs relating to the upgrade of SAP R3 to the S/4 HANA version for EUR 185 thousand, to the costs relating to the additional modules of SAP that FNM uses for the service for EUR 184 thousand, to the costs relating to the additional modules of the SAP HR management *software* for EUR 88 thousand, to the development of the management software for railway circulation for EUR 86 thousand, to the activation of the IT system for the management of the new IFRS 16 for EUR 61 thousand, to the development of the software for the management of terminal activities, for EUR 47 thousand, as well as to the activities relating to identity assessment instruments for EUR 35 thousand.

Transfers concern items referred to in "Assets in the course of construction and advances".

The item also includes EUR 2,482 thousand relative to the fair value of the intangible asset for the Service Contract resulting from purchase price allocation activities, carried out following the acquisition of the investment in ATV, as defined in IFRS 3 (revised) and IAS 38.

Non-compensated assets
The adoption of IFRIC 12 requires non-compensated assets (comprising railway lines to hand over at the end of the concession for which the transport service is provided) to be classified as "Intangible assets".
Amortisation charge, equal to EUR 3 thousand, is calculated based on the duration of the concession, renewed in 2016 up to 31 October 2060.

Management did not identify any factors indicating the need for impairment testing, to verify the recoverability of the carrying amount of intangible assets.

NOTE 8 GOODWILL

Goodwill recognised refers to the subsidiaries indicated below and did not undergo any changes from the previous year:

Description	31.12.2018	Changes in 2019			31.12.2019
		Increases	(Impairment)	Reclassification	
Locoitalia S.r.l.	5				5
Azienda Trasporti Verona S.r.l.	3.627				3.627
La Linea S.p.A.	2.726				2.726
Total Goodwill	**6.358**				**6.358**

As regards the goodwill of ATV, following purchase price allocation activities carried out following the acquisition of the investment (2 May 2017), as defined by IFRS 3 (revised) and IAS 38, an amount of EUR 5,501, including the goodwill recognised for the subsidiary La Linea 80, was recognised. Goodwill was written down by EUR 1,874 thousand in 2018, as a result of the impairment test.

The goodwill recognised for the subsidiary La Linea derives from the difference between the price paid and the fair value of the investment, following purchase price allocation activities at the date of acquisition of the investment (1 January 2018).

For 2019 the Directors again had an independent expert carry out impairment testing in order to verify the recoverability of net invested capital allocated to the reference CGU, including intangible assets identified during PPA and residual goodwill as described below.

Impairment Test

Goodwill of ATV

A.T.V., in a capacity as contractor, provides public road transport services in the municipalities of Verona and Legnago and extra-urban services throughout the province of Verona.

Pending the expiry of the current service contract, originally set to 30 June 2019, and then extended to 31 December 2020, on 6 December 2017 the Provincial Council of Verona approved the proposal for an expression of interest to take part in the public tender for the award of the local public transport service (TPL) for a contract duration of 7 years, with the possibility of renewal for a further two years. This proposal refers to two separate lots that may be awarded separately (1. urban and sub-urban network of Verona 2. extra-urban, provincial and urban network of Legnago). On 11 January 2018, the investee filed an appeal with the TAR (Regional Administrative Court) against the tender and relative resolution of the Provincial Council of Verona, concerning the type of tender planned and division in lots. The date of the first hearing still has to be set.

In particular, the recoverable value of goodwill, considered as the value in use, was determined through a multi-scenario analysis approach, that considered 2 alternative scenarios, with different probabilities of occurrence, based on assumptions relative to renewal of the service contract. The two scenarios differ depending on whether one assumes at the expiry of the extensions of the current concession period to 2022, considered highly likely given developments in processes to award local public transport concessions, *(i)* the service contract is stopped due to failure to award the contract, with consequent disposal of the asset and settlement of the liability, or *(ii)* the contract is awarded in 2022 for both urban and extraurban lots, for a period of 9 years.

Expected future cash flows used in the analysis are taken from the long-term plan for the 2020-2030 period (corresponding to ten years in case of awarding of the service contract tender for both lots), approved on 6 March 2020 by the Directors of the investee. This plan includes assumptions of evolution of revenues and costs on the basis of historical trends and without introduction of expected efficiency-improving effects of the operating leverage that are reasonably achievable. The economic-financial forecasts contained in the plan prepared by ATV management and taken as references for impairment testing do not include the case of separate award of the local public transport service on two lots. As previously indicated, the investee appealed against the decision taken by the provincial council of Verona, as it does not consider the possibility of dividing the local public transport catchment area into two separate lots a consistent approach.

The rate used to discount cash flows determined as above is equal to 5.62% (net tax) and reflects current market valuations of the present value of money and specific risks of the asset, processed with reference to the country risk (Italy) and systematic risk and the financial structure of the sector, based on mean values observed for a sample of listed sector companies.

The growth rate estimated for the period beyond the plan timeframe, equal to 1%, is in line with the inflation rate expected for Italy for 2023, considering a rate consistent with expectations for growth in the sector and the reference area, as well as assumptions relative to future flows beyond the plan timeframe (2031). Among the assumptions used, of note is an average fee increase of 10% in 2022 applied to all traffic revenues, from 2023 production and base fee (for each lot) consistent with what is provided today by the tender procedure. Also envisaged are functional investments to make the fleet consistent with the prescriptions of the assumed tender regulations started from 2023.

The impairment test developed according to the above methodology confirmed the carrying amount at which goodwill is recognised in the consolidated financial statements, assuring a cover of EUR 3,301 thousand.
Sensitivity analysis was carried out considering a change in the WACC discount rate; no significant differences from the above assumptions were identified, as set out below:

WACC				
5,12%	5,37%	5,62%	5,9%	6,1%
4.625	3.954	3.301	2.665	2.045

The break-even WACC that leads to a cover value of zero is 7.00%.

Based on a sensitivity analysis, the impact of Covid 19 could cause a reduction in EBITDA in 2020, as per subsequent events, which, at present, would not entail a zeroing of the cover value.

Goodwill of La Linea
The recoverable value of the investment, considered as the value in use, was determined through a multi-scenario analysis approach, that considered two alternative scenarios, with different probabilities of occurrence. The two scenarios differ depending on whether the following occur, at the end of the ATV service contract, *(i)* the sub-contract of Verona to La Linea stops, because the service contract is not awarded to ATV, with consequent disposal of the asset and settlement of the liability, or *(ii)* the new service contract is awarded to ATV and sub-contracting by La Linea in the Verona catchment area continues.
Expected future cash flows used in this analysis were taken from the long-term plan approved on 28 February 2019 by directors of the investee for the 2019-2022 period, whose validity was recently confirmed by the Board of Directors of La Linea S.p.A. at its meeting of 6 March 2020, produced with an "inertial" approach, without any forecasts for growth in catchment areas other than those currently serviced following the possible award of contracts and which includes the assumption that current activities will continue, with the sole exclusion of the Padova catchment area, for which subcontracting is assumed to stop from 2021 onwards. Also from 2021 onwards, the plan forecasts an increase in volumes in the Verona catchment area, equal to 500,000 bus/km; as regards the wholly owned subsidiary Martini Bus, the plan predicts 5% annual growth.
The rate used to discount cash flows determined as above is equal to 4.27% (net tax) and reflects current market valuations of the present value of money and specific risks of the asset, processed with reference to the country risk (Italy) and systematic risk and the financial structure of the sector, based on mean values observed for a sample of listed sector companies. A growth rate equal to zero is indicated for the period after the plan timeframe.

Impairment testing, carried out based on the above methodology, did not uncover impairment situations, detecting a test cover of EUR 916 thousand.

Sensitivity analysis was carried out considering both a change in the WACC discount rate and g-rate growth rate in the calculation of the terminal value, from which no critical aspects related to a possible impairment of the carrying amount of goodwill were identified, as shown below:

		WACC				
		3,27%	3,77%	4,27%	4,77%	5,27%
G rate	0,0%	2.039	1.407	916	523	201
	0,5%	2.813	1.971	1.345	859	471
	1,0%	3.927	2.738	1.904	1.285	805
	1,5%	5.674	3.845	2.667	1.841	1.227
	2,0%	8.800	5.579	3.765	2.597	1.779

The break-even WACC that leads to a cover value of zero is 5.63%.

Based on a sensitivity analysis, the impact of Covid 19 could cause a reduction in EBITDA in 2020, as per subsequent events, which, at present, would not entail a zeroing of the cover value.

NOTE 9 RIGHT OF USE

As at 1 January 2019, the item "Right of use", recognised upon adoption of the new IFRS 16, was broken down as follows:

Description	01.01.2019		
	Historical cost	Accumulated amortisation	Net Value
Right of use - software	68		68
Right of use - buildings	7.178		7.178
Right of use - plant and machinery	277		277
Right of use - other assets	521		521
Total right of use	**8.044**		**8.044**

Changes for 2019 are shown below:

Description	Right of use - software	Right of use - buildings	Right of use - plant and machinery	Right of use - other assets	Total
Net Value 2018 as at 01.01.2019	**68**	**7.178**	**277**	**521**	**8.044**
Acquisitions		290	2.055	598	2.943
Fee Reduction		13			13
Depreciation Rates	(38)	(1.255)	(311)	(512)	(2.116)
Ifrs 5 - Locoitalia: Historical cost				(8)	(8)
Ifrs 5 - Locoitalia: Provisions				3	3
Net Value at 31.12.2019	**30**	**6.226**	**2.021**	**602**	**8.879**

Therefore at 31 December 2019, "Right of Use" comprised the following:

Description	31.12.2019		
	Historical cost	Accumulated amortisation	Net Value
Right of use - software	68	(38)	30
Right of use - buildings	7.481	(1.255)	6.226
Right of use - plant and machinery	2.332	(311)	2.021
Right of use - other assets	1.114	(512)	602
Total right of use	**10.995**	**(2.116)**	**8.879**

NOTE 10 INVESTMENTS

Changes in 2019 relative to investments are presented below:

Description	01.01.2019 Book Value	Changes					31.12.2019 Book Value
		Increases Decreases	Operating result	Translation reserve	Reserve for actuarial gains/(losses)	IFRS 5 Reclassification	
Equity investments in joint ventures:							
Trenord Srl	42.007		1.598	32	(371)		43.266
NordCom SpA	7.054		460		4		7.518
Nord Energia SpA	14.586	(4.723)	3.377		(1)		13.239
SeMS Srl	251	(137)	34				148
Omnibus Partecipazioni Srl	6.032	(980)	1.192				6.244
FuoriMuro Servizi Portuali e Ferroviari Srl	929		(391)		(8)	(530)	
Conam S.r.l.	120		55		1		176
Total equity investments in joint ventures	**70.979**	**(5.840)**	**6.325**	**32**	**(375)**	**(530)**	**70.591**
Equity investments in associates:							
DB Cargo Italia S.r.l.	6.732	55	1.722		(22)		8.487
Autotrasporti Pasqualini S.r.l.	181						181
Servizi Trasporti Interregionali S.p.A.	170						170
Total equity investments in associates	**7.083**	**55**	**1.722**		**(22)**		**8.838**
Total equity investments	**78.062**	**(5.785)**	**8.047**	**32**	**(397)**	**(530)**	**79.429**
Other equity investments:							
Consorzio ELIO	4						4
ATAP	2						2
STECAV	2						2
Rete Fidi Liguria Società Consortile	7					(7)	
Azienda Trasporti Veneto Orientale S.p.A.	5.272						5.272
Fondazione ATV		99					99
Aeroporto Valerio Catullo di Verona Villafranca	40						40
Fap SpA	39						39
Cosmo Scarl	7						7
Trasporti Brescia Nord	3						3
Sviluppo Artigiano	2						2
Imprese Artigiane Soc. Coop.	2						2
Total equity investments in other companies	**5.380**	**99**				**(7)**	**5.472**
Total equity investments	**83.442**	**(5.686)**	**8.047**	**32**	**(397)**	**(537)**	**84.901**

Changes in the year relative to the "Reserve for actuarial gains/losses" refer to the effect of measurement using the equity method on the change in actuarial gains and losses recognised, in the financial statements of investees, directly in the Statement of Comprehensive Income, in accordance with IAS 19 (Note 45).

The main changes in the year, other than from the recognition of the contribution to the consolidated financial statements arising from profit for the year and the above-mentioned "Reserve for actuarial gains/losses" are reported below:

Trenord S.r.l.

The item "Translation reserve", positive for EUR 32 thousand, is due to the translation into euro of the financial statements of the investee TILO SA, which prepares its financial reporting using the Swiss franc as the money of account.

The translation was carried out, adopting an average exchange rate for 2019 (equal to 1.1127) to income statement items, and the spot exchange rate at 31 December 2019 (1.0854) to assets and liabilities.

Based on a sensitivity analysis, the impact of Covid 19 could entail trigger events on the carrying amount of the equity investment, to date not reliably quantifiable. Moreover, the shareholder has undertaken to support the investee's capital and finances.

NORD ENERGIA S.p.A.

The decrease in the investment, equal to EUR 4,723 thousand, is determined by the distribution of the dividend, carried out in 2019, as approved by the Shareholders' Meeting of the investee, based on the result of 2018.

SeMS S.r.l. in liquidation

The decrease in the investment, equal to EUR 137 thousand, was due to the distribution of an interim dividend by the investee on the liquidation result, as approved by the Shareholders' Meeting of the investee on 12 March 2019.

Omnibus Partecipazioni S.r.l.
A 49.037% investment in ASF Autolinee is held by the FNM Group through Omnibus Partecipazioni S.r.l. (investee in the FNM joint venture, held 50%) with 49% and FERROVIENORD S.p.A. with 0.037%; as ASF Autolinee is the only asset held by Omnibus Partecipazioni S.r.l., the FNM Group has 24.537% of ASF Autolinee, which is therefore recognised for a total of EUR 6,244 thousand in the consolidated statement of financial position at 31 December 2019.
The decrease in the investment, equal to EUR 980 thousand, is determined by the distribution of the dividend, carried out in 2019, as approved by the Shareholders' Meeting of the investee, based on the result of 2018.
Based on a sensitivity analysis, the economic impacts of Covid 19 could entail trigger events on the carrying amount of the equity investment, to date not reliably quantifiable.

Fuorimuro Servizi Portuali e Ferroviari S.r.l.
As a result of the sale of the equity investment on 10 March 2020, it was reclassified among the assets held for sale, as required by IFRS 5, adjusting it to the envisioned sale value.

NOTE 11 CURRENT AND NON-CURRENT FINANCIAL RECEIVABLES

This item is broken down as follows:

Description	31.12.2019		
	Non Current	Current	Total
Time deposits		40.000	40.000
Others	2		2
Financial receivables	**2**	**40.000**	**40.002**
Finance lease receivables	-	996	996
Financial receivables for interest to related parties		47	47
(LESS) IFRS 9 Impairment Provision		(46)	(46)
Financial receivables from related parties (Note 47)	**-**	**997**	**997**
Total	**2**	**40.997**	**40.999**

Description	31.12.2018		
	Non Current	Current	Total
Others	2		2
Financial receivables	**2**	**-**	**2**
Finance lease receivables	996	1.933	2.929
Financial receivables for interest to related parties		64	64
(LESS) IFRS 9 Impairment Provision		(46)	(46)
Financial receivables from related parties (Note 47)	**996**	**1.951**	**2.947**
Total	**998**	**1.951**	**2.949**

As a result of the execution of the settlement agreement between FERROVIENORD and CONFEMI, amply described in the management report, to which reference is made, on 18 April 2019 the agreed amount of EUR 40,000 thousand was collected. Upon collecting the amount, with the agreement of the Lombardy Region, the amount was transferred to a 12-month "Time deposit", anticipating the use starting from 2020 for infrastructure modernisation work.
The time deposit was established on 16 May 2019 and it bears interest at the annual nominal rate of 0.18%.

Finance lease agreements receivable are for locomotives hired out to investees belonging to the FNM Group.

Details of minimum future payments from finance leases (receivable) by due date and reconciliation with the relative present value, equal to the receivable recognised in the financial statements, which decreased compared to 31 December 2018 due to the collection of payments for the year, are provided below:

Minimum future lease collections	31.12.2019	31.12.2018
Less than 1 year	1.046	2.114
1 - 5 years		1.047
Total	**1.046**	**3.161**
Future interest income	(50)	(232)
Present value of receivables related to finance leases	**996**	**2.929**

Receivables relative to leases have variable interest rates; consequently, their fair value approximates the carrying amount.
Rates relative to receivables from related parties for leases, exposed to interest rate risk, are revised over a period of less than six months.

Effective rates of the return on receivables are indicated below:

Description	31.12.2019	31.12.2018
Time deposit	0,18%	
Finance lease receivables	2.27% - 13.10%	2.96% - 13.9%

The next tables summarise existing leases and sub-leases:

Type/Lessee	Subject matter	Sub-leases	Starting date - Ending date of the agreement	Future minimum collections	Interest	Present Value
Financial/ DB Cargo Italia	2 DE 520 Locomotives	YES	01/01/2018 - 31/12/2020	523	22	501
Financial/ DB Cargo Italia	2 DE 520 Locomotives	NO	01/01/2018 - 31/12/2020	261	10	251
Financial/ DB Cargo Italia	4 DE 520 Locomotives	YES	01/01/2018 - 31/12/2020	262	18	244
				1.046	**50**	**996**

NOTE 12 CURRENT AND NON-CURRENT FINANCIAL RECEIVABLES MEASURED AT FAIR VALUE

Description	31.12.2019		
	Non Current	Current	Total
Financial receivable from Finlombarda - Special treasury management agreement	-	48.352	48.352
Financial receivables at FV through profit or loss from related parties (Note 47)	**-**	**48.352**	**48.352**
Total financial receivables at FV through profit or loss	**-**	**48.352**	**48.352**

Description	31.12.2018		
	Non Current	Current	Total
Financial receivable from Finlombarda - Special treasury management agreement	5.000	43.335	48.335
Financial receivables at FV through profit or loss from related parties (Note 47)	**5.000**	**43.335**	**48.335**
Total financial receivables at FV through profit or loss	**5.000**	**43.335**	**48.335**

The item “Financial receivables from Finlombarda – Special treasury management contract” refers to the credit facility for Finlombarda S.p.A. of cash surpluses identified following the issue of the corporate bond, in 2015 for EUR 58 million, up to their use for the investment plan concerning the purchase of rolling stock to carry out investment activities concerning these financial resources. The item also includes receivables from interest accrued in the period and not collected, amounting to EUR 352 thousand.

The long-term portion of credit outstanding at 31 December 2018 resulted from the contract obligation to manage a minimum of EUR 5 million, up to contract expiry, scheduled for 31 July 2020, in order to allow for the adequate diversification of invested amounts.
The receivable was classified among financial assets at fair value through profit or loss because the cash flows are not represented only by payments of principal and interest on the amount of the principal to be repaid.

NOTE 13 RECEIVABLES FOR FUNDED INVESTMENTS

In accordance with IFRIC 12, this item includes the portion of grants recognised, corresponding to investments made according to the completion percentage, not yet collected at the end of the reporting period.
The next table shows the change in this item, in the year under review:

Description	Amount
Financial receivables for services under concession 01.01.2019	**29.088**
Grants collected during the year	(119.735)
Use of advances	(3.908)
Receivables for costs incurred in the period and not collected - Infrastructure (Note 34)	39.141
Credit for costs incurred in the period and not collected - Rolling Stock	114.510
Financial receivables for services under concession 31.12.2019	**59.096**

The above-mentioned financial receivables are included in the net financial position, prepared based on CONSOB notice no. 6064293 of 28 July 2006 (Note 22).

At 31 December 2019, the item is broken down as follows:

Description	Amount
Receivables for costs incurred in the period and not collected - Infrastructure	38.079
Credit for costs incurred in the period and not collected - Rolling Stock	21.017
Financial receivables for services under concession 31.12.2019	**59.096**

NOTE 14 DEFERRED TAX ASSETS AND LIABILITIES

Description	31.12.2019	31.12.2018	Change
Deferred tax assets	23.320	19.845	3.475
Deferred tax liabilities	(1.777)	(3.739)	1.962
Balance	**21.543**	**16.106**	**5.437**

Changes in net deferred tax assets are shown below:

Description	31.12.2019	31.12.2018	Change
Balance at the start of the year	**16.106**	**15.927**	**179**
Allocated to income statement	5.348	(379)	5.727
Allocated to capital	358	(181)	539
IFRS 5 Locoitalia	(269)		
ATV consolidation		501	(501)
La Linea consolidation		(39)	39
IFRS 9 - first-time adoption		277	(277)
Balance at the end of the year	**21.543**	**16.106**	**5.706**

Deferred tax assets and liabilities are mainly generated from temporary differences on capital gains with deferred taxation, and on other income components with a future deductibility or taxability and on other adjustments for the adoption of international accounting standards to the financial statements of investees.

Following the introduction of the Robin Tax on the income deriving from activities carried out on the basis of railway concessions, the deferred tax assets and liabilities of the years 2020 and 2021 were adjusted accordingly.

The nature of temporary differences generating deferred tax assets and liabilities is summarised below:

2019 Deferred tax assets	Balance 01.01.2019	Allocated to income statement	Allocated to capital	Change IFRS 5	Balance 31.12.2019
Capital gains	562	36			598
Non-deductible amortisation and depreciation	11.406	4.130		(180)	15.356
Intangible Assets	414	(152)		(3)	259
Post-employment benefit	507	36	358		901
Impairment of receivables	776	73			849
Writebacks and Amort. Intangible Assets	4.763	623		(38)	5.348
Leases	1.417	(142)		(1.266)	9
Total	**19.845**	**4.604**	**358**	**(1.487)**	**23.320**

2018 Deferred tax assets	Balance 01.01.2018	Change scope of consolidation	Allocated to income statement	Allocated to capital	Balance 31.12.2018
Capital gains	1.254		(692)	-	562
Non-deductible amortisation, depreciation and allocations to provisions	11.468	176	(238)	-	11.406
Intangible Assets	407		7	-	414
Post-employment benefit	335	381	(28)	(181)	507
Impairment of receivables	498	39	(38)	277	776
Writebacks and Amort. Intangible Assets	3.991		772	-	4.763
Finance leases	2.830		(1.413)		1.417
Total	**20.783**	**596**	**(1.630)**	**96**	**19.845**

2019 Deferred tax liabilities	Balance 01.01.2019	Allocated to income statement	Allocated to capital	Change IFRS 5	Balance 31.12.2019
Capital gains	220	(64)			156
Fixed assets	3.519	(680)		(1.218)	1.621
Total	**3.739**	**(744)**	**-**	**(1.218)**	**1.777**

2018 Deferred tax liabilities	Balance 01.01.2018	Change scope of consolidation	Allocated to income statement	Allocated to capital	Balance 31.12.2018
Capital gains	308		(88)		220
Fixed assets	4.548	134	(1.163)		3.519
Total	**4.856**	**134**	**(1.251)**	**-**	**3.739**

The recognition of deferred tax assets in shareholders' equity is related to the recognition of actuarial gains and losses in a specific reserve of shareholders' equity regarding the post-employment benefit of companies consolidated on a line-by-line basis and companies consolidated using the equity method (Note 10), for which the change in actuarial gain/loss is a change in the carrying amount of the investment other than the contribution to the Consolidated Income Statement.

The details of the deferred tax liabilities recorded on the Intangible Asset recognised during PPA of the posting of the equity investment in ATV are provided below.

2019 Deferred tax liabilities	Balance 01.01.2019	Allocated to income statement	Balance 31.12.2019
Intangibles from PPA	(1.384)	692	(692)
Total	**(1.384)**	**692**	**(692)**

Considerations on estimates of future taxability of the Group, on which the recognition of deferred taxes depends, are made in Note 4 “Items subject to significant assumptions and estimates”. Specifically, based on historical results and expectations of taxability, the Group is expected to reasonably realise the deferred tax assets at 31 December 2019.

NOTE 15 INVENTORIES

The next table shows how this item is broken down:

Description	31.12.2019	31.12.2018
Permanent way material	6.007	4.629
Bus Spare Parts	2.955	2.990
Spare parts for contact lines, apparatuses, control units and telephones	1.818	1.433
Gasoil and lubricants	373	428
Other auxiliary materials	532	370
(LESS: Provision for stock obsolescence)	(2.775)	(2.883)
Total	**8.910**	**6.967**

The increase in the item in question is mainly due to the procurement made for the maintenance work expected on the railway infrastructure.

Following specific analysis of the rotation indexes of materials, the provision for inventory write-down at 31 December 2019 was considered appropriate.

NOTE 16 TRADE RECEIVABLES

Description	Current	
	31.12.2019	31.12.2018
Receivables from others - gross	22.336	22.990
(LESS) Provision for bad debts	(2.846)	(2.817)
(LESS) IFRS 9 Impairment Provision	(98)	(98)
Trade receivables from third parties	**19.392**	**20.075**
Receivables from related parties - gross	45.296	50.241
(LESS) IFRS 9 Impairment Provision	(69)	(69)
Trade receivables from related parties (Note 47)	**45.227**	**50.172**
Total	**64.619**	**70.247**

Trade receivables from third parties
Receivables from third parties decreased by EUR 654 thousand, mainly in relation to the lower receivable from the Verona Province for the automotive service agreement, equal to EUR 9,209 thousand (EUR 10,366 thousand at 31 December 2018).

The fair value of receivables, obtained by adjusting their nominal value through the provision for bad debts (allocated to estimate the risk of the uncollectability of receivables existing at the end of each reporting period), approximates the carrying amount of the receivables at 31 December 2019 and 31 December 2018.
With reference to IFRS 9, it is pointed out that the risk of default on the receivables was estimated, as in previous years, taking into account the generic risk of non-collectibility of the receivables not due at the reference date, which can be derived from historical experience.

Trade receivables from related parties
The decrease in “trade receivables from related parties”, amounting to EUR 4,945 thousand, was determined mainly by the lower receivables from the investee Trenord S.r.l., for EUR 5,697 thousand, as a result of the different collection times, with particular regard to the administrative

service agreement, as well as those from Consorzio Elio for the train replacement services, for EUR 909 thousand.

NOTE 17 OTHER CURRENT AND NON-CURRENT RECEIVABLES

This item is broken down as follows:

Description	31.12.2019		
	Non Current	Current	Total
Receivables for advances to suppliers on work in progress on financed Trains		19.185	19.185
Tax receivables		9.000	9.000
Receivables for advances to suppliers on work in progress on Infrastructure		7.419	7.419
Receivable for contractual advance		3.405	3.405
Receivables for grants for the purchase of buses		1.909	1.909
Receivables from INPS illness costs		1.908	1.908
Receivables for Government grants		102	102
Sundry receivables	82	6.752	6.834
(LESS) Provision for bad debts		(307)	(307)
(LESS) IFRS 9 Impairment Provision		(36)	(36)
Other receivables from third parties	**82**	**49.337**	**49.419**
Receivables from related parties		11.312	11.312
(LESS) IFRS 9 Impairment Provision		(37)	(37)
Other receivables from related parties (Note 47)		**11.275**	**11.275**
Total	**82**	**60.612**	**60.694**

Description	31.12.2018		
	Non Current	Current	Total
CONFEMI receivables		42.000	42.000
Tax receivables		8.446	8.446
Receivables for grants for the purchase of buses		5.280	5.280
Receivables from INPS illness costs		2.083	2.083
Receivables for Government grants		102	102
Sundry receivables	99	9.208	9.307
(LESS) Provision for bad debts		(97)	(97)
(LESS) IFRS 9 Impairment Provision		(36)	(36)
Other receivables from third parties	**99**	**66.986**	**67.085**
Receivables from related parties		12.818	12.818
(LESS) IFRS 9 Impairment Provision		(37)	(37)
Other receivables from related parties (Note 47)		**12.781**	**12.781**
Total	**99**	**79.767**	**79.866**

Other receivables - third parties

The “CONFEMI Receivable” was fully collected on 18 April 2019 (Note 11).

“Receivables for advances to suppliers on work in progress on financed Trains”, amounting to EUR 19,885 thousand, is entirely due to the advance portion on the progress (SAL) of the orders relating to the “Programme for the purchase of rolling stock for the regional railway service for the years 2017 - 2032”, the portion accrued in relation to the percentage of completion of the orders of the period amounted to EUR 114,510 thousand.

Current tax receivables refer to VAT receivables for which a refund has already been requested for EUR 7,223 thousand (EUR 7,223 thousand at 31 December 2018), VAT receivables to use in offsetting for EUR 130 thousand (EUR 143 thousand at 31 December 2018), as well as receivables from the financial administration for the refund of excise duty on diesel fuels for EUR 1,532 thousand (EUR 1,077 thousand at 31 December 2018).

The VAT receivable for which a refund has already been requested refers to refund applications filed by the Company on 27 April 2017 for the first quarter of 2017, for EUR 1,723 thousand, and on 24 April 2018 in the VAT return relative to the 2017 tax period, for EUR 5,500 thousand.

“Receivables for advances to suppliers on work in progress on infrastructure”, amounting to EUR 7,419 thousand, is entirely due to the advance portion on the progress (SAL) of the orders relating to the maintenance of the Infrastructure under Concession.

“Receivable for contractual advance” relates to the receivable claimed as a result of the application of fines on a contract for the supply of rolling stock, which will be used to offset with the supply of technical inventory relating to the purchased rolling stock.

Receivables for grants for the purchase of buses relate to the amounts to be received from the Province of Verona on the bus purchases carried out by ATV.

Receivables for Government grants refer to grants for investments to make to cover expenses sustained by the Group for infrastructure modernisation.

Sundry receivables
The item “Current sundry receivables” includes:

- EUR 1,751 thousand (EUR 3,936 thousand at 31 December 2018) as advances to suppliers; the change from 31 December 2018 is mainly due to the closure of the dispute with the supplier De Lieto, EUR 2,191 thousand paid to sub-contractors and employees of the company De Lieto Costruzioni Generali S.r.l. were then offset with the “Receivable from suppliers”, relating to the services invoiced by it before the termination of the contract, and not yet paid for EUR 5,737 thousand (Note 29);
- EUR 1,031 thousand as deferrals on insurance premiums.

Other receivables - related parties
Receivables from related parties refer mainly to amounts for services provided to investees in joint ventures, which remained substantially unchanged from the previous year, as well as tax receivables, in particular items related to Group VAT for EUR 1.8 million (EUR 1.9 million at 31 December 2018).

The fair value of receivables approximates the carrying amount at 31 December 2019 and 31 December 2018.

NOTE 18 CURRENT AND NON-CURRENT TAX RECEIVABLES

Description	31.12.2019		
	Non Current	Current	Total
Tax receivables		280	280

Description	31.12.2018		
	Non Current	Current	Total
Tax receivables	4.549	1.215	5.764

Non-current tax receivables, totally collected during the year, mainly concerned the receivable which the Parent Company had requested as a refund, pursuant to Decree Law no. 16 of 2 March 2012, amended and converted to Law no. 44 of 26 April 2012, in relation to the higher corporate income tax paid by the Group in 2007 – 2011 following the previous regime of the complete non-deductibility of regional income tax relative to personnel costs.

The item “Current tax receivables” includes receivables from the Revenue Agency for corporate income tax and regional production tax, for EUR 100 thousand and EUR 180 thousand respectively (EUR 326 thousand and EUR 889 thousand at 31 December 2018 respectively).

NOTE 19 CASH AND CASH EQUIVALENTS

The next table shows how this item is broken down.

Description	31.12.2019	31.12.2018
Bank and postal deposits	229.358	137.457
(LESS) IFRS 9 Impairment	(693)	(695)
Cash and cash equivalents	58	554
Total	**228.723**	**137.316**

The FNM Group manages cash and cash equivalents (on positive and negative balances) through cash pooling: on a daily basis the balances of current bank accounts of individual companies, apart from ATV and La Linea (including its subsidiary Martini Bus), are transferred to the current accounts of the parent FNM, that concurrently credits/debits the giro account of individual subsidiaries.
Therefore, in view of cash on bank deposits of EUR 229,358 thousand, of short-term payables to banks of EUR 431 thousand and non-current payables to banks of EUR 49,780 thousand (Note 22), the Group has payables in giro accounts - inclusive of interest - of EUR 33,258 thousand (EUR 24,761 thousand at 31 December 2018), represented below:

Payables in giro account	31.12.2019	31.12.2018	Change
Nord Energia	18.009	13.303	4.706
NordCom	9.552	4.111	5.441
Sems	362	527	(165)
Trenord	48	64	(16)
Corporate bodies	5.287	6.756	(1.469)
Total (Note 23)	**33.258**	**24.761**	**8.497**

On these giro accounts, interest income and expenses are paid at market rates (Note 23).
On 31 May 2018, the subsidiary FERROVIENORD stipulated with Cassa Depositi e Prestiti a loan agreement to support the regional train purchasing programme; this agreement provides that the grants paid by the Lombardy Region after the execution, are credited on a specific current account, pledged in favour of DCP and European Investment Bank. The balance of this current account at 31 December 2019 amounts to EUR 72,364 thousand.

The change in the item is analysed in more detail by nature of component in the statement of cash flows.

In relation to the adoption of IFRS 9, based on the expected losses model, the Group considers the expected losses along the life of the financial asset at each reference date of the financial statements, for this purpose an impairment adjustment of EUR 693 thousand was carried out.

NOTE 20 ASSETS HELD FOR SALE

In consideration of the sale of the equity investments held in Locoitalia and Fuorimuro, completed on 10 March 2020, the related assets and liabilities were reclassified under the items “Assets held for sale” and “Liabilities related to assets held for sale” and measured in accordance with IFRS 5.

With regard to the sale of the equity investment in Fuorimuro, the measurement of the equity investment reflects the fair value resulting from trading with the counterparty that entailed an adjustment of the value by EUR 224 thousand, recognised as a reduction of "Net Result of the equity investments measured at equity" (Note 45).

Amounts in thousands of euros	**Notes**	**IFRS5**
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	6	(31.163)
Right of use	9	(5)
Investments measured with the equity method	10	(530)
Investments in other companies	10	(7)
Deferred Tax Assets	14	(269)
Other Receivables	17	(42)
TOTAL NON-CURRENT ASSETS		**(32.016)**
CURRENT ASSETS		
Trade Receivables	16	(1.138)
of which: from Related Parties	16	(1.002)
Other Receivables	17	(780)
Cash and cash equivalents	19	(1.305)
TOTAL CURRENT ASSETS		**(3.223)**
Assets held for sale	20	35.239
TOTAL ASSETS		**0**
LIABILITIES		
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP		**17**
TOTAL SHAREHOLDERS' EQUITY	**18**	**17**
NON-CURRENT LIABILITIES		
Financial Payables	23	(3.238)
of which: from Related Parties	23	(5)
Post-employment benefit	28	(5)
TOTAL NON-CURRENT LIABILITIES		**(3.243)**
CURRENT LIABILITIES		
Payables to banks	22	(30)
Financial Payables	23	(640)
Trade payables	29	(1.008)
Payables for taxes	30	(20)
Tax payables	30	(65)
Other liabilities	31	(367)
of which: from Related Parties	31	(117)
Provisions for risks and charges	27	(348)
TOTAL CURRENT LIABILITIES		**(2.478)**
Liabilities related to assets held for sale	20	5.704
TOT. LIABILITIES and SHAREHOLDERS' EQUITY		**0**

NOTE 21 SHAREHOLDERS' EQUITY

Amounts in thousands of euros	Share capital	Other reserves	Indivisible Profits/Losses	Reserve for actuarial gain/loss	Translation reserve	Profit/Loss for the year	Shareholders' equity attributable to the Group	Shareholders' equity attributable to non-controlling interest	Total Shareholders' equity
Balance 01.01.2018	**230.000**	**7.788**	**130.467**	**(7.990)**	**34**	**34.993**	**395.292**	**1.911**	**397.203**
Total Comprehensive Income				**1.516**	**30**	**28.477**	**30.023**	**343**	**30.366**
Allocation of 2017 profit			34.993			(34.993)	-		-
Distribution of dividends			(8.698)				(8.698)	-	(8.698)
Put option recognition			(2.431)				(2.431)		(2.431)
Change in the scope of consolidation			2				2	18.729	18.731
Balance at 31.12.2018	**230.000**	**7.788**	**154.333**	**(6.474)**	**64**	**28.477**	**414.188**	**20.983**	**435.171**
Total Comprehensive Income				**(1.071)**	**32**	**30.281**	**29.242**	**382**	**29.624**
Allocation of 2018 profit			28.477			(28.477)	-		-
Distribution of dividends			(9.785)				(9.785)	(750)	(10.535)
Change in the scope of consolidation			(55)				(55)	96	41
Balance at 31.12.2019	**230.000**	**7.788**	**172.970**	**(7.545)**	**96**	**30.281**	**433.590**	**20.711**	**454.301**

At 31 December 2019 and 31 December 2018, fully paid-up share capital amounted to EUR 230,000 thousand, comprising 434,902,568 ordinary shares, with no par value.
On 17 April 2019, the Shareholders' Meeting approved the proposed separate financial statements of the Parent and the consolidated results of the Group for 2018, and resolved to allocate profit for the year as follows:

- EUR 1,216 thousand to legal reserve;
- EUR 9,785 thousand as an ordinary dividend to Shareholders, to ensure a remuneration of EUR 0.0225 for each ordinary share outstanding;
- EUR 13,311 thousand to extraordinary reserve.

The dividend was made available for payment on 05 June 2019, with coupon detachment date on 03 June 2019 and the record date on 04 June 2019.

When acquiring the investment in La Linea, FNM signed an agreement with the seller, granting the latter the right to sell FNM all shares held in the company La Linea, i.e. 28.73%. This option may be exercised as from 1 January 2024 for the payment of a consideration that will be determined at this date, based on the market value of the shares to sell. The present value of the fair value of these shares was therefore recognised as a reduction of Group shareholders' equity, with a contra-entry under non-current financial payables (Note 23), for EUR 2,486 thousand.

Changes in shareholders' equity attributable to non-controlling interest are presented below:

	Eurocombi	Locoitalia	La Linea	ATV	Total
	24%	*49%*	*49%*	*50,00%*	
Balance at 01.01.2019	**(147)**	**2.030**	**2.860**	**16.240**	**20.983**
Change in the scope of consolidation	147			(51)	96
Distribution of dividends				(750)	(750)
Operating result		(128)	197	540	609
Reserve for Actuarial Gains/(Losses)			(34)	(193)	(227)
Balance at 31.12.2019		**1.902**	**3.023**	**15.786**	**20.711**

The following is a reconciliation between the result and shareholders' equity of FNM S.p.A.'s separate financial statements and the Group's consolidated financial statements:

Amounts in thousands of euros	Shareholders' Equity excluding profit	2018 Profit	Distribution of FNM dividends	Other result components transited directly to Shareholders' Equity	Other changes	Shareholders' Equity including profit
Financial Statements of FNM S.p.A.	361.648	23.913	(9.785)	(60)		375.716
Derecognition of equity investments	(19.696)					(19.696)
Shareholders' Equity contributed by the consolidated companies	74.580	6.368		(980)	33	80.001
Put option recognition	(2.430)					(2.430)
Consolidation adjustments	529				(529)	-
FNM Group shareholders' equity	**414.631**	**30.281**	**(9.785)**	**(1.040)**	**(496)**	**433.591**

NOTE 22 PAYABLES TO BANKS

Payables to banks at 31 December 2019 and 31 December 2018 are broken down as follows:

Description	31.12.2019		
	Non Current	Current	Total
Term Loan Facility	49.611		49.611
Other payables to banks for loans	169	304	473
Payables to banks	**49.780**	**304**	**50.084**

Description	31.12.2018		
	Non Current	Current	Total
Term Loan Facility	49.530		49.530
Other payables to banks for loans	504	431	935
Payables to banks	**50.034**	**431**	**50.465**

"*Term Loan Facility*" pertains to the facility disbursed in accordance with the loan agreement stipulated on 7 August 2018 between FNM and a pool of leading banks for a total maximum amount of EUR 200,000 thousand.
In particular, the item recognised at 31 December 2019 refers to the amount of EUR 50,000 thousand disbursed on 14 September 2018 and recognised according to the amortised cost criterion.
The main terms and conditions of the loan agreement are:

- maturity: with reference to the *Term Loan Facility* and *Capex Facility*, 7 years from the date of signing the loan agreement; for the *Revolving Credit Facility*, 6 years from the above date;
- interest rate: for all credit facilities, equal to EURIBOR plus a margin of 1.30%;
- commitment fee: for all credit facilities, equal to 35% of the margin;
- financial covenants: provided for all components, calculated from the consolidated financial statements of FNM (annual or six-monthly, as applicable):
  - NFP/Shareholders' equity: not above 1
  - NFP/EBITDA: not above 4
  - EBITDA/Net financial expenses: not below 7
- No guarantees are provided.
- other commitments: the standard for this type of transaction, including negative pledge clauses, restrictions on sales and disposals save for any exceptions, restrictions on financial debt, save for any exceptions;
- early repayment provisions: established in the Loan Agreement and standard for this type of transaction, including clauses relative to (i) failure to meet financial covenants; (ii) the cross-default; (iii) the change of control of FNM; and (iv) failure to meet other commitments of the Company.

The period of availability of the *Capex Facility* component, amounting to EUR 100,000 thousand, not used by the Company, ended on 7 February 2020. In relation to it, the related capitalised costs of EUR 788 thousand were recognised in the income statement.
The "*Revolving Credit Facility*", for a maximum amount of EUR 50,000 thousand, has not yet been used.

At 31 December 2019, the end of the reporting period, the above covenants had been met.

Reference is made to section 1.3 of the management report for detailed information about the Group's financial structure.

NOTE 23 CURRENT AND NON-CURRENT FINANCIAL PAYABLES

Financial liabilities are described below:

Description	31.12.2019		
	Non Current	Current	Total
Payables for lease agreements IFRS 16	6.688	2.198	8.886
Giro account		5.015	5.015
Financial Debt Put Option La Linea	2.494		2.494
Other financial payables		267	267
Financial Payables	**9.182**	**7.480**	**16.662**
Payables to Bondholders		58.301	58.301
Giro account		28.243	28.243
Financial income for lease agreements	2	29	31
Financial payables to related parties (Note 47)	**2**	**86.573**	**86.575**
Total	**9.184**	**94.053**	**103.237**

Description	31.12.2018		
	Non Current	Current	Total
Giro account		5.328	5.328
Payables for financial lease agreements	3.669	1.283	4.952
Financial Debt Put Option La Linea	2.462		2.462
Other financial payables	151	5.395	5.546
Financial Payables	**6.282**	**12.006**	**18.288**
Payables to Bondholders	58.000	323	58.323
Giro account		19.435	19.435
Financial payables to related parties (Note 47)	**58.000**	**19.758**	**77.758**
Total	**64.282**	**31.764**	**96.046**

The item "Third-party giro account" refers to the giro account for cash pooling with two company entities (Supplementary FNM scheme and the FNM Company Recreational Group).

The item "Financial payable Put Option La Linea" refers to the present value of the fair value of La Linea shares indicated in the Put Option. When acquiring the investment in La Linea, FNM signed an agreement with the seller, granting the latter the right to sell FNM shares held in the company La Linea (28.73%). This option may be exercised as from 1 January 2024 for the payment of a consideration that will be determined at this date, based on the market value of the shares to sell. The present value of the fair value of these shares was therefore recognised with a contra-entry reduction of Group shareholders' equity (Note 21).

The decrease in the Other financial payables, due within 12 months, is entirely due to the amount, repaid during the year by the subsidiary ATV to the factor. The factoring agreement was directed at the financial coverage of the plan of investments in buses.

The item "Payable to bond holders" refers entirely to the corporate bond "FNM S.p.A. 2015 – 2020", issued on 21 July 2015 and subscribed in full by Finlombarda S.p.A.
In this context, the loan requires covenants to be met, which are aligned with market practices, such as maintaining the net financial position/shareholders' equity ratio above 1 and the EBITDA/net financial expenses ratio below 6. If these covenants are not met, the counterparties may consider the Parent Company subject to the activation of the acceleration clause, which could give rise to the early repayment of the entire loan. At the end of the reporting period, these covenants had been met.

The item "Giro accounts with related parties" refers to the balance payable of the giro account between FNM and investees in joint ventures; the increase in the year is from the increase in balances payable to NORD ENERGIA for EUR 4,705 thousand and to NordCom for EUR 5,441 thousand, partially offset by the decrease in the payable to the Pension Scheme for EUR 1,156 thousand and to SeMS for EUR 165 thousand (Note 20).

The due date of the non-current portion of the payables is shown below:

Descrizione	31.12.2019	31.12.2018
Tra 1 e 2 anni	1.871	436
Tra 2 e 5 anni	19.894	74.725
Più di 5 anni		4.271
Totale	**21.765**	**79.432**

Effective interest rates at the end of the reporting periods are shown below:

Description	31.12.2019	31.12.2018
Payables for leases IFRS 16	1%	1.8% - 8.86%
Payables for cash pooling	0,002%	0,007%
Payables to Bondholders	1.147% - 1.168%	1.225% - 1.231%

The fair value of these financial liabilities approximates their carrying amount.

The decrease in lease payables is due to the reclassification of the Locoitalia subsidiary among assets held for sale.

Details of minimum future payments of finance leases by due date and reconciliation with the relative present value, equal to the payable recognised in the financial statements, are provided below:

Minimum future lease payments	31.12.2019	31.12.2018
Less than 1 year	2.334	1.453
2 - 5 years	6.750	2.318
Over 5 years	205	1.933
Total	**9.289**	**5.704**
Future interest expense	(372)	(752)
Present value of payables related to finance leases	**8.917**	**4.952**

The due dates for the present value of liabilities relative to finance leases are as follows:

Present value of payables related to finance leases	31.12.2019	31.12.2018
Less than 1 year	2.227	1.283
2 - 5 years	6.501	1.861
Over 5 years	189	1.808
Total	**8.917**	**4.952**

NOTE 24 PAYABLES FOR FUNDED INVESTMENTS

The details of the payables for current funded investments are shown below:

Payables for funded investments	31.12.2019	31.12.2018
Payables to Lombardy Region - Programme Contract	52.046	14.684
Payables to Lombardy Region - Purchase of rolling stock	51.772	49.785
Payables for funded investments to related parties (Note 47)	**103.818**	**64.469**
Total payables for funded investments	**103.818**	**64.469**

The item refers mainly to the excess of grants paid by the Region for investments made by the Group, for the portion already allocated to investments and not yet paid to suppliers.
The increase from 31 December 2018 is mainly connected with the recognition, as advance received for infrastructure modernisation work, as a result of the collection of the amounts deriving from the settlement agreement entered into with the CONFEMI Consortium (Note 13), as well as with the advanced portion on the progress (SAL) of the orders relating to the "Programme for the purchase of rolling stock for the regional railway service for the years 2017 - 2032", amounting to EUR 51,773 thousand (EUR 49,785 thousand at 31 December 2018). Concerning the advances for the Train Purchase Programme, it is noted that during the year advances of EUR 94,918 thousand were collected and EUR 92,931 were used.

The details of the payables for non-current funded investments are shown below:

Payables for funded investments	31.12.2019	31.12.2018
Payables to the Ministry of Transport	5.821	5.821
Other financial payables	681	3.250
Payables for funded investments to related parties (Note 47)	**6.502**	**9.071**
Payables to the Lombardy Region	6.079	6.079
Total payables for funded investments	**12.581**	**15.150**

The items "Payables to the Ministry of Transport" and "Payables to the Lombardy Region" mainly refer to the portion of grants relative to advances on investments made and refunded by the Ministry of Transport and Lombardy Region. The Group recognises this amount as suspended under financial liabilities, pending the cash in of notice from the counterparties of use of the advance received.

Other financial payables, due after 12 months, refer to the amount collected following the enforcement of guarantees provided in relation to contracts which were terminated following the default of the counterparty COGEL (EUR 681 thousand). The management report, to which reference is made, describes the situation concerning litigation with this counterparty.

NOTE 25 NET FINANCIAL POSITION

The item net financial position is broken down below, based on CONSOB notice no. 6064293 of July 2006 and relative notices which refer data in the table to data in the Consolidated Statement of Financial Position:

Description	31.12.2019	of which related parties	31.12.2018	of which related parties	Notes
A. Cash	58		554		19
B. Bank and postal deposits	228.665		136.762		19
D. Liquidity (A+B)	**228.723**		**137.316**		
E. Current financial receivables	**148.445**	**108.445**	**74.374**	**74.374**	**11 -** 12 - 13
F. Current bank payables	(304)		(431)		22
G. Current portion of non-current debt	(2.227)	(29)	(1.606)	(323)	23
H. Other current financial payables	(195.644)	(190.362)	(94.627)	(83.904)	23 - 24
I. Current financial debt (F+G+H)	**(198.175)**	**(190.391)**	**(96.664)**	**(84.227)**	
J. Net current financial debt (D+E+I)	**178.993**	**(81.946)**	**115.026**	**(9.853)**	
K. Non-current bank borrowings	(49.780)		(50.034)		22
L. Bonds issued	-		(58.000)	(58.000)	23
M. Other non-current financial payables	(21.765)	(6.081)	(21.432)	(6.079)	23 - 24
O. Net financial debt (J+K+L+M)	**107.448**	**(88.027)**	**(14.440)**	**(73.932)**	

For a better understanding of the changes in the Net financial position, below are provided for comparison the values as at 31 December 2018, including the effects recognised at 1 January 2019 deriving from the adoption of IFRS 16:

Description	31.12.2019	31.12.2018 PRO-FORMA IFRS 16	Notes
A. Cash	58	554	19
B. Bank and postal deposits	228.665	136.762	19
D. Liquidity (A+B)	**228.723**	**137.316**	
E. Current financial receivables	**148.445**	**74.374**	**11 - 12 - 13**
F. Current bank payables	(304)	(431)	22
G. Current portion of non-current debt	(2.227)	(3.130)	23
H. Other current financial payables	(195.644)	(94.627)	23 - 24
I. Current financial debt (F+G+H)	**(198.175)**	**(98.188)**	
J. Net current financial debt (D+E+I)	**178.993**	**113.502**	
K. Non-current bank borrowings	(49.780)	(50.034)	22
L. Bonds issued	-	(58.000)	23
M. Other non-current financial payables	(21.765)	(27.952)	23 - 24
O. Net financial debt (J+K+L+M)	**107.448**	**(22.484)**	

Lastly, the better to represent Group NFP, an adjusted NFP was calculated, which excludes the effects deriving from adoption of IFRIC 12, as represented below:

Description	31.12.2019	31.12.2018 PRO-FORMA IFRS 16	Notes
A. Cash	58	554	19
B. Bank and postal deposits	156.301	116.339	19
D. Liquidity (A+B)	**156.359**	**116.893**	
E. Current financial receivables	**49.349**	**45.286**	**11 - 12**
F. Current bank payables	(304)	(431)	22
G. Current portion of non-current debt	(2.227)	(3.130)	23
H. Other current financial payables	(91.826)	(30.158)	23
I. Current financial debt (F+G+H)	**(94.357)**	**(33.719)**	
J. Net current financial debt (D+E+I)	**111.351**	**128.460**	
K. Non-current bank borrowings	(49.780)	(50.034)	22
L. Bonds issued	-	(58.000)	23
M. Other non-current financial payables	(21.765)	(27.952)	23 - 24
O. Adjusted current financial debt (J+K+L+M)	**39.806**	**(7.526)**	
IFRIC 12 Impacts			
of which - D. Liquidity	72.364	20.423	19
of which - E. Current financial receivables - CONFEMI	40.000	-	11
of which - E. Current financial receivables - Financial receivables for services under concession	59.096	29.088	13
of which - H. Other current financial payables - Payables for funded investments	(103.818)	(64.469)	24
P. Total IFRIC 12 financial debt	**67.642**	**(14.958)**	
Net financial debt (O + P)	**107.448**	**(22.484)**	

The item “E. Current financial receivables” includes EUR 48,352 thousand of the financial receivable from Finlombarda for the “Special treasury management agreement” (Note 12), in addition to receivables for financial leases (Note 11). The change in the period relates to the reclassification among current financial receivables, in relation to the due date of 21 July 2020, of the non-current portion at 31 December 2018, amounting to EUR 5,000 thousand, of the financial receivable from Finlombarda.
The Other current financial payables (Note 23) include mainly EUR 58,000 thousand of the bond maturing on 21 July 2020, classified at 31 December 2018 under “L. Bonds issued” and the balance of the giro accounts in cash pooling towards the joint ventures and towards the corporate entities for a total of EUR 33,258 thousand (EUR 24,761 thousand at 31 December 2018).
The other non-current financial payables decreased mainly by effect of the lease fees paid during the year, for the reclassification of the financial liabilities of the subsidiary Locoitalia, amounting to EUR 3,238 thousand, in accordance with IFRS 5.

To exclude the effects of the adoption of IFRIC 12, cash at bank deriving from the crediting of the Lombardy Region grants for the regional programme for the purchase of trains (Note 19) were excluded from the adjusted NFP and reclassified among IFRIC 12 impacts, as were the financial receivable for the time deposit established with the CONFEMI provisions (Note 11), the Receivables for funded investments equal to the portion of grants, corresponding to the investments made according to the completion percentage, not yet collected at the reporting date (Note 13), as well as the related payables deriving from the advances paid by the Lombardy Region for the funded investments related to the purchase of rolling stock and to the modernisation of the railway infrastructure (Note 24).

NOTE 26 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities are broken down as follows:

Description	31.12.2019	31.12.2018
Capital grants	12.713	12.886
Other liabilities	2.584	1.644
Non-current liabilities	**15.297**	**14.530**
Payables to the Lombardy Region		40.000
Capital grants from Lombardy Region	11.676	13.323
Other liabilities	577	988
Other non-current liabilities to related parties (Note 47)	**12.253**	**54.311**
Total	**27.550**	**68.841**

The item “Capital grants” concerns the non-current portion of loans received by the subsidiary ATV from the Veneto region for the purchase of new buses for urban and extraurban transport (EUR 11,278 thousand) besides loans received in 2001 pursuant to Law 270/97 from the Ministry of Public Works to redevelop the Cadorna Station in Milan equal to EUR 1,138 thousand. The decrease in the year is due to the recognition of the grant in the Consolidated Income Statement, according to procedures indicated in the accounting standard.

The item “Other liabilities” of EUR 1,748 thousand includes the deferred income relative to future maintenance costs for own rolling stock, with advances paid by lessees during 2017.

The reduction of the CONFEMI payable, recorded following the signing of the settlement agreement with the CONFEMI Consortium, described in section 11 of the management report, relates to the reclassification among the Payables for funded investments, following the collection obtained by FERROVIENORD on 18 April 2019, because it is intended for use, in accordance with the Lombardy Region, for infrastructure modernisation works.

“Capital grants - Lombardy Region” mainly refer to grants from the Lombardy Region for the renovation of the property in piazza Cadorna in Milan for EUR 4,224 thousand, for the purchase of buses for EUR 3,888 thousand, for the purchase of rolling stock for EUR 2,128 thousand and for the construction of the “La civiltà di Golasecca” (The Golasecca Civilisation) museum equal to EUR 201 thousand. The decrease in the year is due to the recognition of the grant in the Consolidated Income Statement, according to procedures indicated in the accounting standard.

NOTE 27 PROVISIONS FOR RISKS AND CHARGES

This item is broken down as follows:

Description	Cyclical maintenance	Personnel	Ancillary charges for the Affori Redevelopment Programme	Other risks	Total
Balance at 01.01.2019	**33.601**	**2.000**	**1.940**	**7.030**	**44.571**
Increases	8.696	2.989		4.401	**16.086**
Uses	(2.797)	(111)		(820)	**(3.728)**
IFRS 5 Locoitalia	(348)				**(348)**
Releases				(748)	**(748)**
Balance at 31.12.2019	**39.152**	**4.878**	**1.940**	**9.863**	**55.833**

Provisions for risks and charges comprise the following:

Description	31.12.2019	31.12.2018
Current	18.856	21.873
Non current	36.977	22.698
Total	**55.833**	**44.571**

Reference is made to Note 4 for considerations on the estimate processes underlying the assessment of litigation and potential liabilities.

Cyclical maintenance
With reference to rolling stock, owned by the Lombardy Region, the subsidiary FERROVIENORD is the operator of the job order for the purchase of rolling stock, and is also responsible for maintenance of equipment in order to guarantee the effective operation of the service, with particular reference to cyclical maintenance. As regards this maintenance, which is scheduled based on years of use and kilometres travelled, the Group allocated provisions to cyclical maintenance of EUR 8,696 thousand, with use in the year amounting to EUR 2,797 thousand.

Personnel
During the year, allocations of EUR 2,989 thousand were made as an estimate of the contractual increases for the year 2019 for employees under the National Collective Bargaining Agreement for the Railway/Tram sector (expired on 31 December 2017).
With reference to the renewal of the previous National Collective Bargaining Agreement for the Railway/Tram sector, based on the assessment of negotiations and the economic terms of previous contract renewals, the Group had made allocations in previous years for an amount equal to EUR 294 thousand.
During 2017 and 2018, as part of negotiations with trade union organisations, some contractual aspects were defined, determining some welfare payments and contributions for families. This led to use of the fund for EUR 111 thousand.

Expenses for Plan of Integrated Intervention (PII) Affori
As regards the sale of areas next to the Affori Station in Milan, the FNM Group undertook to carry out activities related to the redevelopment programme (clean-up of land, development of urban infrastructure works, movement of the electric power unit); the original estimate of these futures costs payable by the Group was equal to EUR 2,640 thousand. During 2016, following the completion of clean up works for EUR 819 thousand, the provision was used for the previously allocated amount of EUR 700 thousand; the residual provision therefore amounts to EUR 1,940 thousand.

Other risks
The provision for other risks at 31 December 2019 included:

- EUR 3,694 thousand as the risk estimate from the dispute with the Customs Agency described in the management report, in paragraph 11 “Litigation”;
- EUR 251 thousand for insurance pay-outs for claims; during previous years, provisions for EUR 249 thousand had been allocated as an estimate of the costs incurred by the Group regarding claims not covered by insurance policies stipulated, as these were below the contract excess; during the year, EUR 13 thousand of the fund was used and, in view of the revision of the estimates made, EUR 15 thousand were allocated;
- EUR 5,918 thousand, of which EUR 4,401 thousand allocated in the year, as a risk estimate of losing litigation ongoing with third parties; EUR 820 thousand of the fund was used in the year, and EUR 748 thousand was released due to litigation that had been settled.

Considerations on the estimates used in assessing litigation and potential liabilities are made in the section “Items subject to significant assumptions and estimates”.

NOTE 28 POST-EMPLOYMENT BENEFIT

Description	31.12.2019	31.12.2018
Present value of the post-employment benefit liability, calculated on the basis of demographic and financial assumptions	23.931	24.768
Total	**23.931**	**24.768**

The amount of the cost recognised in the income statement relative to this item is broken down as follows:

Description	31.12.2019	31.12.2018
Service costs	310	251
Interest (Note 38)	362	352
Total	**672**	**603**

Actuarial gains and losses arising from changes in assumptions and changes in final and hypothesized data, starting from the year ended 31 December 2011, are recognised in the statement of comprehensive income in a specific reserve of shareholders' equity called "Reserve for actuarial gains/(losses)" (Note 45).
The change in the liability relative to post-employment benefit is shown below:

Description	31.12.2019	31.12.2018
Debt at the start of the year	**24.768**	**13.955**
Service costs	310	251
Actuarial gain	1.275	(644)
Interest cost	362	352
Uses	(2.779)	(3.140)
Transfers		(33)
ATV consolidation		11.930
La Linea consolidation		2.097
IFRS 5 Locoitalia	(5)	
Debt at the end of the year	**23.931**	**24.768**

The following main actuarial assumptions were used:

Description	31.12.2019	31.12.2018
Discount rate	0,70	1,50
Annual rate of compensation increase	1,50	1,50
Annual rate of inflation	1,50	1,50
Annual rate of post-employment benefit increase	2,64	2,64

Assumptions concerning mortality are based on the probability of death of the Italian population identified by ISTAT in 2000, by gender. This probability is reduced by 25% to take into account the average of active workers' characteristics and the decrease in mortality registered in recent years.

The annual discounting rate, used to determine the present value of the obligation, was inferred from the Iboxx Eurozone Corporate AA index, according to ESMA provisions.

Below is provided the sensitivity analysis carried out on the average annual discount rate entered in the calculation model, considering the scenario described above as the base scenario and increasing or reducing the average annual discount rate by half a percentage point. The results obtained are summarised in the following table:

Discount rate	0,50%	-0,50%
POST-EMPLOYMENT BENEFIT	22.877	25.057

NOTE 29 TRADE PAYABLES

Trade payables are broken down as follows:

Description	31.12.2019	31.12.2018
Payables for invoices received	55.168	35.587
Payables for invoices to be received	116.648	23.758
Trade payables	**171.816**	**59.345**
Trade payables to related parties	3.930	4.131
Trade payables to related parties (Note 40)	**3.930**	**4.131**
Total	**175.746**	**63.476**

The increase in third-party trade payables is mainly related to greater investments for the renewal of rolling stock and railway infrastructure modernisation.

In particular, concerning the renewal of the rolling stock, it is noted that the balance includes payables for invoices received for EUR 10,766 thousand and payables for invoices to be received for EUR 79,664 thousand.

The item includes payables to Cogel S.p.A. (equal to EUR 2,644 thousand), in relation to which there is a pending dispute, from whose outcome no additional liabilities from those already allocated are expected. As a result of the settlement agreement executed during the year, the payables to De Lieto, amounting to EUR 5,737 thousand, were offset (Note 17).
“Trade payables to related parties” remain substantially unchanged from the previous year.

NOTE 30 PAYABLES FOR TAXES AND DUTIES

Payables are broken down as follows:

Description	31.12.2019	31.12.2018
IRES (CORPORATE INCOME TAX)	3.085	5
IRAP (REGIONAL BUSINESS TAX)	96	170
Payables for taxes	**3.181**	**175**
IRPEF and withholdings	3.728	3.568
Other	47	174
Tax payables	**3.775**	**3.742**

The increase in “Payables for taxes” is mainly due to the higher payable for Group tax consolidation in relation to higher IRES expense accrued during the year, with respect to the advances paid.

NOTE 31 OTHER CURRENT LIABILITIES

Other current liabilities are broken down as follows:

Description	31.12.2019	31.12.2018
Payables to personnel	13.723	14.363
Payables to social security agencies	4.195	4.243
Deferred income	6.193	7.441
Capital grants	1.903	1.746
Advances from customers	194	203
Agencies	92	92
Payables to the Ministry of Infrastructures and Transport	85	85
Deferred income capital gains		57
Other liabilities	3.033	2.921
Current liabilities	**29.418**	**31.151**
Payables to Joint Ventures/Associates	33.236	31.053
Capital grants from Lombardy Region	1.886	1.789
Payable to the Pension Fund	640	492
Payables to the Lombardy Region		115
Current liabilities to related parties (Note 47)	**35.762**	**33.449**
Total	**65.180**	**64.600**

The item “Payables to personnel” refers to amounts at December 2019 paid in January 2020 and to holidays accrued but not taken.

The item “Payables to social security institutes” concerns social security and insurance payments for various categories of employees and staff, relative to December 2019 and paid in January 2020.

Deferred income refers to the annual and monthly subscriptions (urban and extraurban) purchased by customers, valid for the following year.

“Capital grants” relates mainly to the grants on buses received from the Veneto Region.

The item “Payables to the Ministry of Infrastructures and Transport” refers to expenses sustained for ongoing contracts. When these expenses are refunded by the Ministry, the Group offsets this item with the receivable recognised in the financial statements.

The item “Other liabilities” includes EUR 130 thousand for the current portion of deferred income relative to future maintenance costs for own rolling stock, with advances paid by lessees during 2017.

The item “Payables to joint ventures” refers to payables for services provided to the Group and to corporate income tax advances paid to the Parent by investees in joint ventures.
The increase in the year mainly refers to the payable to the subsidiary Trenord for cyclical maintenance carried out during the year on TSR trains (EUR 2,797 thousand).

The item “Capital grants - Lombardy Region” mainly refers to grants from the Lombardy Region for the purchase of rolling stock (EUR 950 thousand) and for the purchase of buses (EUR 569 thousand).

INCOME STATEMENT

For a better understanding of the changes in the year, the pro-forma consolidated income stated is provided below; it includes, in 2018, the period before consolidation of ATV; control over the subsidiary ATV was acquired on 12 February 2018 and previously the company was consolidated at equity.

Amounts in thousands of euros	Notes	2019	ATV JAN. 2018	2018	12 months 2018 PRO-FORMA*	Change
Revenues from sales and services	32	268.359	5.322	260.296	265.618	2.741
of which: from Related Parties	32	177.053	-	176.416	176.416	637
Grants	33	10.850	78	10.599	10.677	173
of which: from Related Parties	33	8.069	-	8.047	8.047	22
Grants for funded investments	34	40.986	-	24.085	24.085	16.901
of which: from Related Parties	34	40.986	-	24.085	24.085	16.901
Other income	35	22.138	185	22.719	22.904	(766)
of which: from Related Parties	35	7.601	-	6.965	6.965	636
of which: Non Recurring	35	2.569		2.000	2.000	569
TOTAL REVENUES AND OTHER INCOME		**342.333**	**5.585**	**317.699**	**323.284**	**19.049**
Raw materials, consumables and goods used	36	(21.794)	(902)	(19.674)	(20.576)	(1.218)
Service costs	37	(72.468)	(759)	(72.105)	(72.864)	396
of which: from Related Parties	37	(8.173)	-	(8.225)	(8.225)	52
of which: Non Recurring	37	(1.145)	-	-	-	(1.145)
Personnel costs	38	(125.467)	(3.342)	(119.136)	(122.478)	(2.989)
Depreciation and Amortisation	39	(40.739)	(885)	(40.237)	(41.122)	383
Other operating costs	40	(12.429)	(66)	(12.477)	(12.543)	114
of which: from Related Parties	40	(113)	-	(55)	(55)	(58)
Costs for funded investments	34	(39.141)	-	(22.667)	(22.667)	(16.474)
TOTAL COSTS		**(312.038)**	**(5.954)**	**(286.296)**	**(292.250)**	**(19.788)**
EBIT		**30.295**	**(369)**	**31.403**	**31.034**	**(739)**
Financial income	41	1.792	3	1.371	1.374	418
of which: from Related Parties	41	1.101	-	1.141	1.141	(40)
Financial expenses	42	(4.269)	(15)	(1.995)	(2.010)	(2.259)
of which: from Related Parties	42	(713)	-	(725)	(725)	12
NET FINANCIAL INCOME		**(2.477)**	**(12)**	**(624)**	**(636)**	**(1.841)**
Net profit of companies measured with the equity method	45	8.047	111	5.771	5.882	2.165
EARNINGS BEFORE TAX		**35.865**	**(270)**	**36.550**	**36.280**	**(415)**
Income tax	43	(4.975)	159	(7.815)	(7.656)	2.681
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**30.890**	**(111)**	**28.735**	**28.624**	**2.266**
NET PROFIT FROM DISCONTINUED OPERATIONS		-	-	-	-	-
PROFIT FOR THE YEAR		**30.890**	**(111)**	**28.735**	**28.624**	**2.266**
Comprehensive result attributable to NCIs		**609**	**(111)**	**258**	**147**	**462**
PROFIT attributable to Parent Company shareholders		**30.281**	**-**	**28.477**	**28.477**	**1.804**
Result attributable to NCIs for discontinued operations		**-**	**-**	**-**		**-**
PROFIT attributable to Parent Company shareholders for discontinued operations		**-**	**-**	**-**		**-**

The comments provided in the following notes are made with the pro-forma 2018 year.

NOTE 32 REVENUES FROM SALES AND SERVICES

The next table shows the breakdown of this item:

Description	2019	2018
Products of automotive traffic	46.380	43.916
Revenues from service agreement for automotive sector	38.907	35.977
Services invoiced	3.993	2.569
Hire of rolling stock	1.072	763
Property income	650	655
Terminal movements revenues	275	
Car sharing revenues	29	
Revenues from sales and services	**91.306**	**83.880**
Infrastructure management service agreement	89.917	91.033
Car Sharing	1.800	1.800
Hire of rolling stock	63.214	62.386
Services invoiced	13.240	13.731
Train replacements	7.354	5.923
Revenues from network access	1.528	1.543
Revenues from sales and services to related parties (Note 47)	**177.053**	**176.416**
Total	**268.359**	**260.296**

Revenues from sales and services - third parties
Revenues from sales and services to third parties increased by EUR 2,104 thousand compared to the comparative period of 2018, in relation to the following changes:

Services invoiced
The revenues from invoiced services increased by EUR 1,150 thousand, mainly in relation to the transfer to the EAV Consortium of the contract for the purchase of 5 FLIRT trains for EUR 544 thousand, as well as for higher revenues from bus lease services for EUR 494 thousand.

Hire of rolling stock
The item increased by EUR 309 thousand in relation to the new lease agreements relating to the commissioning of the Siemens electric locomotives.

Terminal movements revenues
The item was not included in the scope of consolidation of the year 2018 and it is entirely due to the revenues deriving from the management of the Sacconago Terminal.

Revenues from sales and services - related parties
Revenues from sales to related parties increased by EUR 637 thousand over the previous year; the most significant changes are reported below.

Infrastructure management service agreement
The consideration of the Service Contract for infrastructure management with the Lombardy Region decreased by EUR 1,116 thousand as a result of the remodulation of the Programme of Operation of the Railway Enterprise, in lower train/km scheduled and of the reduction of the number of stations opened to passenger service, as well as for the contractual efficiency-boosting mechanism provided by the Contract.

Car sharing
The item "Car sharing", unchanged from the previous year, reflects the consideration owed by the Lombardy Region, as established in the Service Contract, for the service provided by FERROVIENORD through the subsidiary E-Vai.
Hire of rolling stock

Revenues for the hire of rolling stock went up by EUR 828 thousand, mainly for the hire to Trenord S.r.l. of 4-body TSR trains, for which the supply of the last train was completed in March 2018, for EUR 220 thousand, for the ISTAT revision of the lease fees of the CORADIA fleet, for EUR 188 thousand, and for the lease to Fuorimuro of an additional locomotive of the new Siemens fleet, for EUR 364 thousand.

Services invoiced
The item includes revenues for services provided to investees by the Parent, and is basically unchanged, as well as revenues from Railway Infrastructure Planning and Project Management, carried out through funding from the Lombardy Region.

Train replacements
The item refers to the consideration invoiced by FNMA to Consorzio Elio for buses provided to replace the train service; income for train replacement services amounted to EUR 7,354 thousand compared to EUR 5,923 thousand in 2018, due to increased extraordinary transit.

Revenues from network access
The amount refers to the contract with Trenord for FERROVIENORD's access to the rail network.

For a more detailed analysis of revenues by business segment, please refer to paragraph 3 "Operating performance of business segments" of the management report.

NOTE 33 GRANTS

The next table shows the breakdown of this item:

Description	**2019**	**2018**
Grants for the renewal of the National Collective Bargaining Agreement, other Regions	398	456
Capital grants	534	454
Other grants	1.849	1.642
Grants	**2.781**	**2.552**
Capital grants Lombardy Region	4.603	4.603
Grants for the renewal of the National Collective Bargaining Agreement, Lombardy Region	1.644	1.673
Other grants, Lombardy Region	1.822	1.771
Grants to related parties (Note 47)	**8.069**	**8.047**
Total	**10.850**	**10.599**

Grants - third parties
Grants to third parties remained substantially unchanged.

Grants for current expenses - related parties
This item refers to grants from the Lombardy Region for current expenses concerning car transport, including benefits from the Local Public Transport Agreement.

Grants for the renewal of the National Collective Bargaining Agreement, Lombardy Region
This item includes grants to cover greater costs from renewals of the National Collective Bargaining Agreement for the Railway/Tram sector for the 2002-2003, 2004-2005 and 2006-2007 periods, accrued in 2019.

Other grants, Lombardy Region

This item mainly refers to grants received for the purchase of high frequency trains (EUR 950 thousand), buses (EUR 541 thousand), the redevelopment of the Cadorna station in Milan (EUR 146 thousand), the grant, as per Regional Law 12/88, for the development of car parks at various stations along the Bovisa – Saronno stretch (EUR 121 thousand) and for the development of the "La Civiltà di Golasecca" museum (EUR 69 thousand).

NOTE 34 GRANTS FOR FUNDED INVESTMENTS

The adoption of IFRIC 12 meant that investments made in infrastructure and rolling stock, entirely financed by the Lombardy Region, are not shown among tangible assets, but, as required by IAS 15, are charged to costs for the year.
The amount of these investments, in 2019, was EUR 40,986 thousand, versus EUR 24,085 thousand of the previous year, and refers to infrastructure modernisation and enhancement work, as represented below:

Description	2019
Equipment renewal on the Bovisa - Seveso - Mariano Comense sections	10.014
Equipment renewal on the Saronno - Malnate sections	8.897
Equipment renewal on the Saronno - Como sections	3.947
Enhancement of the Milano Affori - Varedo railway section	3.447
Construction of the network operation support system	2.342
Construction of the Malpensa T2 - Linea RFI Sempione railway connection	2.067
Works to upgrade the Garbagnate Milanese station	1.697
Requalification of Borgo San Giovanni (Brescia) station to meet standards	1.689
Automatic Reversible Block for Saronno - Como and Saronno - Varese Segment	1.547
Extraordinary maintenance on the platforms of several facilities	1.100
Other maintenance work	2.394
Recovery of general expenses	1.845
Grants	**40.986**

"Recovery of general expenses" refers both to the contracts funded for infrastructure modernisation and for the renewal of the rolling stock.

The portions accrued in relation to the percent of completion of the contracts related to the renewal of the rolling stock are recognised net of the costs incurred, in accordance with IFRS 15.

NOTE 35 OTHER INCOME

The next table shows the breakdown of this item:

Description	2019	2018
Lease payments	2.347	2.338
Non-recurring income	2.297	1.557
Performance of services	1.707	1.666
Recovery of costs	1.476	1.528
Recovery of gasoil excise	937	1.323
Sale of warehouse materials	804	15
Fines and penalties	565	442
Insurance pay-outs	381	644
Release of the provision for bad debts	149	75
Capital gain on property, plant and equipment	84	296
Lease-back capital gains	57	98
Capital gain from the sale of AFFORI areas		2.315
Non-recurring income	2.569	2.000
Release of provisions for risks and charges		678
Other income	1.164	779
Other income	**14.537**	**15.754**
Sundry income with related parties	7.601	6.965
Other income from related parties (Note 47)	**7.601**	**6.965**
Total	**22.138**	**22.719**

Other income decreased by EUR 581 thousand; the main changes are reported below.

Capital gain from the sale of AFFORI areas
In 2018, the capital gain of EUR 2,315 thousand was recorded for the sale to GDF System S.r.l. of areas next to Affori station in Milan, as the difference between the price for the sale of the areas and the value of the asset sold.

Non-recurring income
This item is due to the closure of a dispute with third parties; in the previous year, it referred entirely to the income from the transaction related to the CONFEMI dispute, as described in more detail in section 11 “Significant litigation and other information” of the management report, to which reference is made.

Release of provisions for risks and charges
With the risk of losing lawsuits pending in the previous year no longer applicable, provisions for EUR 678 thousand were released (Note 27).

Sundry income with related parties
The item includes services provided by the Group to companies in joint ventures, inclusive of recovered costs, up by EUR 450 thousand, besides the amount recovered for railway infrastructure Planning and Project Management, carried out through funding from the Lombardy Region for general expenses incurred for railway infrastructure modernisation works and the renewal of rolling stock, up by EUR 12 thousand.

NOTE 36 RAW MATERIALS, CONSUMABLES AND GOODS USED

The next table shows the breakdown of this item, by company:

Description		2019	2018
Fuel, of which:			
	ATV S.p.A.	*8.105*	*8.236*
	FNM Autoservizi S.p.A.	*2.535*	*2.653*
	La Linea S.p.A.	*1.875*	*1.442*
	Malpensa Intermodale	*8*	
Total Fuel		**12.523**	**12.331**
Other Costs for materials, of which:			
	FERROVIENORD S.p.A.	*5.130*	*3.817*
	ATV S.p.A.	*3.366*	*2.744*
	FNM Autoservizi S.p.A.	*746*	*692*
	La Linea S.p.A.	*29*	*90*
Total Other costs for materials		**9.271**	**7.343**
Total		**21.794**	**19.674**

The increase in automotive fuel consumption of the investee ATV remains substantially unchanged in relation to the slight reduction of the cost of diesel fuel, to 1.11 EUR /litre from 1.13 EUR/litre of 2018).

As regards costs of FNM Autoservizi S.p.A., costs for diesel fuel equal to EUR 2,535 thousand, are lower than those recognised in the comparative year (EUR 2,653 thousand); in relation to the decline of average cost (1.11 EUR/litre versus 1.13 EUR/litre in 2018) partly offset to the change in average consumption (2.479 km/litre versus 2.39 km/litre in 2018).

The change in the year attributable to FERROVIENORD, equal to EUR 1,313 thousand, is due to a lower use of materials for maintenance works over the comparative year.

Reference is made to Note 4 for considerations on the estimate process for inventory obsolescence.

NOTE 37 SERVICE COSTS

The next table shows the breakdown of this item:

Description	2019	2018
Third-party services - Maintenance	16.512	17.898
Utilities	5.780	5.317
Expenses for employees	5.079	4.642
Cost to rent rolling stock and buses	4.554	4.416
Cleaning expenses	4.017	3.859
Allocations to provisions for disputes	3.434	715
Insurance	3.142	3.049
Third-party services - Bus maintenance	3.075	3.318
Sundry third-party services	3.073	3.271
Consulting	2.339	2.640
Supervision expenses	2.185	2.056
Commercial expenses	1.978	1.718
Motor vehicles management	1.406	2.138
Legal and notary fees	1.185	2.339
Third-party services - Maintenance of rolling stock	949	915
IT costs	743	660
Coordinated and continuative services	693	715
Buildings management	657	2.159
Costs for non-ordinary consulting services	1.145	
Other charges	2.349	2.055
Service costs	**64.295**	**63.880**
Service costs - related parties	8.173	8.225
Service costs to related parties (Note 47)	**8.173**	**8.225**
Total	**72.468**	**72.105**

Service costs - third parties

"Service costs with third parties" recorded a net decrease of EUR 396 thousand compared to 2018, mainly due to the effect of the adoption of the new IFRS 16, which entailed a reduction in costs for services of EUR 2,204 thousand.

The change in the period also relates to what is described below:

Third-party services - maintenance
This item decreased by EUR 1,386 thousand in costs for maintenance of railway infrastructure.

Consulting
Consulting services, amounting to EUR 2,339 thousand, down from the previous year, include the non recurring cost, amounting to EUR 1,145 thousand for development project costs, these higher costs are partly offset by the lower costs deriving from participation in tenders of local passenger road transport, incurred in 2018.

Legal and notary fees
During the year, lower legal expenses were incurred, in relation to the reduced activities connected with tenders for the purchase of new rolling stock.

Provisions for risks and charges
The item, amounting to EUR 3,434 thousand, relates to disputes initiated with third parties as commented in Note 27 and in section 11 "Litigation" of the management report, to which reference is made.

Other charges
The item "Other charges" includes bank charges and fees (EUR 0.3 million), lease payments due for equipment (EUR 0.4 million) and disaggregate amounts of a various nature which are not individually significant.

Service costs - related parties

Costs for services from related parties mainly refer to costs for IT services charged by the *joint venture* investee NordCom, as well as fees to corporate boards.

NOTE 38 PERSONNEL COSTS

This item is broken down as follows:

Description	2019	2018
Wages and salaries	88.192	84.267
Social security contributions	25.416	24.174
Allocation to supplementary pension fund	5.684	5.564
Allocation to National Collective Labour Agreement provision	2.120	1.706
Pension liabilities	1.523	1.838
Allocation to provision for risks	600	
Allocation for post-employment benefit payable	310	251
Other cost	1.622	1.336
Total	**125.467**	**119.136**

Personnel costs increased by a total net amount of EUR 2,989 thousand, mainly as a result of the increase in the average number of employees in the year (+1.4%), as well as the provision for EUR 2,120 thousand as an estimate of costs to renew the National Collective Bargaining Agreement for the Railway/Tram sector, expired on 31 December 2017.
The item also includes allocations of EUR 600 thousand for a dispute initiated with an employee.

The National Collective Bargaining Agreement for the Railway/Tram sector is applied to all Group employees, apart from E-Vai and La Linea employees, to whom the National Collective Bargaining Agreement for Commerce applies, Locoitalia employees, to whom the National Collective Bargaining Agreement for the Logistics, Goods Transport and Shipment sector applies, Martini Bus employees, to whom the National Collective Bargaining Agreement for the Garages sector applies, and senior managers, to whom the contract for senior managers of industrial companies applies.

The average number of employees by category is shown below:

Average number of employees by category	2019	2018
Executives	42	41
Middle managers	126	117
Office workers	396	418
Blue collar workers	1.704	1.695
Total	**2.268**	**2.271**

NOTE 39 AMORTISATION, DEPRECIATION AND IMPAIRMENT

The next table shows the breakdown of this item:

Description	2019	2018
Depreciation	34.890	34.669
Amortisation	3.733	3.547
Amortisation of right of use	2.116	
Impairment Goodwill		2.021
Depreciation and Amortisation	**40.739**	**40.237**

Reference is made to Note 4 for the type of estimate processes connected with this item.

Depreciation
The item remained substantially unchanged from the previous year.

Amortisation

The item increased by EUR 168 thousand, mainly in relation to the capitalisations, made during the year, of the new SAP S/4 HANA platform.

Amortisation of right of use
The item relates to the amortisation of the right of use recognised starting from 1 January 2019 following adoption of the new IFRS 16.

Impairment Goodwill
Comments are provided in Note 8.

NOTE 40 OTHER OPERATING COSTS

The next table shows the breakdown of this item:

Description	2019	2018
Allocations to the provision for risks and charges	8.113	8.572
Taxes and duties	1.625	1.701
Non-recurring expenses	489	246
Impairment of receivables	403	125
Capital losses on property, plant and equipment	33	62
Losses on receivables	9	122
Other charges	1.644	1.594
Other operating costs	**12.316**	**12.422**
Other charges	113	55
Other operating costs to related parties (Note 47)	**113**	**55**
Total	**12.429**	**12.477**

The change in other operating costs over 2018 is analysed below:

Allocations to the provision for risks and charges
This item refers to provisions made for the cyclical maintenance of rolling stock (EUR 8,696 thousand compared to EUR 8,113 thousand at 31 December 2018) (Note 27). During the year, a provision for risks for disputes with third parties of EUR 710 thousand was released.

Impairment of receivables
Provisions were allocated to the provision for bad debts for a total of EUR 403 thousand.

Other charges
This item includes membership fees for EUR 988 thousand (EUR 849 thousand at 31 December 2019).

NOTE 41 FINANCIAL INCOME

Financial income accrued as shown in the following table:

Description	2019	2018
Current bank accounts and deposits	104	27
Interest on credit reimbursement for taxes	525	
Other financial income	62	203
Financial income	**691**	**230**
Financial income from the special treasury management contract	719	659
Finance lease agreements as lessor	341	451
Other financial income	41	31
Financial income from related parties (Note 47)	**1.101**	**1.141**
Total	**1.792**	**1.371**

Current bank accounts and deposits
The FNM Group, with the exception of the subsidiaries ATV and La Linea, manages cash and cash equivalents through cash pooling: on a daily basis the balances of current bank accounts of individual companies are transferred to the current accounts of the Parent FNM, that concurrently credits/debits the giro account of the individual subsidiaries.
Financial income on current bank accounts and deposits increased by EUR 77 thousand in relation to the higher quantity of cash and to the slight increase in the average remuneration rate, which rose from 0.023% to 0.040% in 2019.

Interest on credit reimbursement for taxes
During the year, the Group collected the receivable for which it had requested a refund from the Revenue Agency, and related accrued interest, pursuant to Decree Law no. 16 of 2 March 2012, amended and converted to Law no. 44 of 26 April 2012, in relation to the higher corporate income tax paid by the Group in 2007 – 2011 following the previous regime of the complete non-deductibility of regional income tax relative to personnel costs.

Finance leases
Income from finance leases, by agreement, is broken down in the next table:

Type/Lessee	Subject matter	Sub-leases	Starting date - Ending date of the agree	2019	2018
Financial/ DB Cargo	4 DE 520 Locomotives	YES	01/01/2018 - 31/12/2020	61	97
Financial/ DB Cargo	2 DE 520 Locomotives	NO	01/01/2018 - 31/12/2020	28	45
Financial/ DB Cargo	2 DE 520 Locomotives	YES	01/01/2018 - 31/12/2020	49	75
Financial/ Trenord	1 DE 520 Locomotive	NO	01/01/2005 - 31/12/2019	32	35
Financial/ Trenord	2 DE 520 Locomotives	YES	01/10/2007 - 31/12/2019	65	72
Financial/ Trenord	3 DE 520 Locomotives	NO	01/01/2005 - 31/12/2019	96	102
Financial/ Trenord	4 E 640 Locomotives	NO	01/01/2005 - 30/04/2017		
Financial/ Trenord	4 E 640 Locomotives	YES	01/01/2005 - 30/04/2017		
Financial/ Trenord	Fitting out of 6 DE520 Locomotives	NO	01/01/2012 - 31/12/2019	7	18
Financial/ Trenord	Fitting out of 8 DE520 Locomotives	YES	01/09/2015 - 31/12/2019	3	7
				341	**451**

Financial income from the special treasury management contract
Financial income refers to interest income on financial resources granted to Finlombarda S.p.A. and regulated in the "Special treasury management contract" (Note 12). Provisions were interest bearing at an average rate of 1.49% (1.32% in 2018), equal to the rate actually accrued for sums deposited in sight and restricted deposits.

NOTE 42 FINANCIAL EXPENSES

Financial expenses are accrued on:

Description	2019	2018
Financial expenses on loans	1.750	585
Fees and charges for not using loans	794	
Lease agreement as lessee	604	260
Post-employment benefit (Note 28)	362	352
Others	46	73
Financial expenses	**3.556**	**1.270**
Financial expenses on the corporate bond	711	722
Financial expenses on giro account	1	3
Lease agreement as lessee	1	
Financial expenses to related parties (Note 47)	**713**	**725**
Total	**4.269**	**1.995**

Financial expenses on loans
This item includes financial expenses for the loan taken out by FNM on 7 August 2018 and disbursed only for the *Term Loan Facility* on 14 September 2018, and calculated at the contract rate of 1.3%, adjusted to the internal rate of return equal to 1.47%, for adoption of the amortised cost criterion.

During the year, the capitalised costs, amounting to EUR 788 thousand, were also expensed on the Capex Line (Note 22), unused, whose availability expired on 7 February 2020.

Fees and charges for not using loans
During the period, commitment fees were also recognised on the "*Capex Facility*" and "*Revolving Credit Facility*", for EUR 692 thousand, calculated applying a rate equal to 35% of the margin, i.e. 0.455% (Note 22). In addition, commitment fees were recognised on the EUR 50,000-thousand loan, stipulated with the EIB, for EUR 101 thousand, calculated applying a fixed rate of 0.2% per annum.

Financial expenses on the corporate bond
The item includes financial expenses for the corporate bond, issued on 21 July 2015 and fully subscribed by the associate Finlombarda S.p.A. (Note 21) and calculated applying the variable rate, consisting of the sum of the 6-month Euribor base 360 rate plus a spread of 1.3%, equal to 1,147% for the coupon maturing on 21 July 2019, and to 1.168% for the coupon maturing on 22 January 2020.

NOTE 43 INCOME TAXES

The next table shows the breakdown of this item.

Description	2019			2018		
	Total	INCOME TAX)	EGIONAL BUSINESS TAX)	Total	IRES (CORPORATE INCOME TAX)	IRAP (REGIONAL BUSINESS TAX)
Current	(10.652)	(8.533)	(2.119)	(8.071)	(6.428)	(1.643)
Robin Tax	(555)	(555)				
Taxes for previous years	192	192				
Prepaid/Deferred	6.040	5.232	808	256	220	36
Total	**(4.975)**	**(3.664)**	**(1.311)**	**(7.815)**	**(6.208)**	**(1.607)**

The increase in current taxes is due to the higher taxable income of the year and to the expense of the Robin Tax, introduced by art. 1, Paragraphs 716 - 718 of the Budget Law no. 304 of 30 December 2019, to carry out initiatives directed at the improvement of the infrastructure and transport network.
Application of the Robin Tax, deviating from the principle whereby tax measures have no retroactive effect, was applied to the income generated in 2019 and subsequent years 2020 and 2021.
The tax consists of an addition of 3.5 percentage points to the ordinary corporate income tax rate and it also entailed the revision of the deferred tax assets for the years 2020 and 2021.

<u>Reconciliation between the IRES ordinary rate and effective rate:</u>

Description	2019	2018
Applicable IRES rate	24,00%	24,00%
Untaxed capital grants	-2,64%	-2,60%
Robin Tax	1,55%	-
Other changes	3,73%	-1,90%
ACE Deduction	-1,70%	-1,75%
Deductible IRAP	-0,13%	-0,18%
Deferred tax liabilities	-14,59%	-0,60%
Effective rate	10,22%	16,98%

NOTE 44 RESULT FROM DISCONTINUED OPERATIONS

No discontinued operations were recognised, as in 2018.

NOTE 45 NET PROFIT OF COMPANIES MEASURED WITH THE EQUITY METHOD

The item of the result of companies measured with the equity method at 31 December 2019 and 31 December 2018 is broken down as follows:

Description	2019	2018	Change
Trenord Srl *	1.598	911	687
NORD ENERGIA SpA **	3.377	2.792	585
DB Cargo Italia Srl	1.722	988	734
Omnibus Partecipazioni Srl ***	1.192	1.325	(133)
NordCom SpA	460	173	287
Conam Srl	55	57	(2)
ATV S.r.l.		(111)	111
SeMS Srl in liquidation	34	18	16
Fuorimuro Srl	(391)	(382)	(9)
Result of companies measured with equity method	**8.047**	**5.771**	**2.160**

* includes the result of TILO SA
** includes the result of CMC MeSta SA
*** includes the result of ASF Autolinee Srl

The details of the breakdown of the item for joint ventures are provided below:

Amounts in thousands of euros	Trenord Srl	NordCom SpA	SeMS Srl	Nord Energia SpA	Omnibus Partecipazioni Srl	DB Cargo Italia S.r.l.	Fuorimuro S.r.l.	Conam S.r.l.	2019
Revenues from sales and services	411.981	11.823	36	7.327	-	25.966	7.767	355	465.255
Grants	-	-	-	-	-	2.094	325	-	2.419
Other income	3.858	225	41	1	-	1.200	365	13	5.703
TOTAL REVENUES AND OTHER INCOME	**415.839**	**12.048**	**77**	**7.328**	**-**	**29.260**	**8.457**	**368**	**473.377**
Raw materials, consumables and goods used	(19.129)	(339)	-	-	-	(346)	(213)	(45)	(20.072)
Service costs	(156.375)	(5.668)	(37)	(3.455)	(5)	(13.913)	(4.296)	(114)	(183.863)
Personnel costs	(137.497)	(3.089)	-	(194)	-	(10.255)	(3.043)	(103)	(154.181)
Depreciation and Amortisation	(96.087)	(2.337)	-	(362)	-	(2.079)	(1.054)	(1)	(101.920)
Other operating costs	(1.775)	(24)	(1)	(13)	-	(175)	(36)	(28)	(2.052)
TOTAL COSTS	**(410.863)**	**(11.457)**	**(38)**	**(4.024)**	**(5)**	**(26.768)**	**(8.642)**	**(291)**	**(462.088)**
EBIT	**4.976**	**591**	**39**	**3.304**	**(5)**	**2.492**	**(185)**	**77**	**11.289**
Financial income	66	8	1	610	(370)	8	-	-	323
Financial expenses	(1.559)	(63)	-	(8)	-	(43)	(202)	(2)	(1.877)
NET FINANCIAL INCOME	**(1.493)**	**(55)**	**1**	**602**	**(370)**	**(35)**	**(202)**	**(2)**	**(1.554)**
Net profit of companies measured with the equity method	52	-	-	549	1.575	-	-	-	2.176
EARNINGS BEFORE TAX	**3.535**	**536**	**40**	**4.455**	**1.200**	**2.457**	**(387)**	**75**	**11.911**
Income tax	(1.937)	(76)	(6)	(1.078)	(8)	(735)	(4)	(20)	(3.864)
NET PROFIT FOR THE YEAR	**1.598**	**460**	**34**	**3.377**	**1.192**	**1.722**	**(391)**	**55**	**8.047**

Amounts in thousands of euros	Trenord Srl	NordCom SpA	SeMS Srl	Nord Energia SpA	Omnibus Partecipazioni Srl	DB Cargo Italia S.r.l.	Fuorimuro S.r.l.	ATV S.r.l.	Conam S.r.l.	2018
Revenues from sales and services	393.802	13.938	103	6.984	1	21.341	7.523	2.806	355	446.853
Grants	-	-	-	-	-	1.218	185		-	1.403
Other income	4.843	62	23	113	-	1.438	419	132	15	7.045
TOTAL REVENUES AND OTHER INCOME	**398.645**	**14.000**	**126**	**7.097**	**1**	**23.997**	**8.127**	**2.938**	**370**	**455.301**
Raw materials, consumables and goods used	(15.044)	(465)	-	-	-	(441)	(152)	(450)	(50)	(16.602)
Service costs	(216.906)	(7.832)	(97)	(3.638)	(3)	(12.559)	(5.170)	(525)	(133)	(246.863)
Personnel costs	(132.286)	(3.354)	-	(197)	-	(9.315)	(3.055)	(1.671)	(103)	(149.981)
Depreciation and Amortisation	(31.410)	(1.964)	-	(175)	-	(13)	(28)	(359)	-	(33.949)
Other operating costs	(438)	(123)	(8)	(13)	-	(231)	(68)	(33)	(4)	(918)
TOTAL COSTS	**(396.084)**	**(13.738)**	**(105)**	**(4.023)**	**(3)**	**(22.559)**	**(8.473)**	**(3.038)**	**(290)**	**(448.313)**
EBIT	**2.561**	**262**	**21**	**3.074**	**(2)**	**1.438**	**(346)**	**(100)**	**80**	**6.988**
Financial income	129	-	-	45	-	11	-	2	-	187
Financial expenses	(501)	-	-	-	-	-	(16)	(8)	-	(525)
NET FINANCIAL INCOME	**(372)**	**-**	**-**	**45**	**-**	**11**	**(16)**	**(6)**	**-**	**(338)**
Net profit of companies measured with the equity method	-	-	-	572	1.337	-	3	-	-	1.912
EARNINGS BEFORE TAX	**2.189**	**262**	**21**	**3.691**	**1.335**	**1.449**	**(359)**	**(106)**	**80**	**8.562**
Income tax	(1.278)	(89)	(3)	(899)	(10)	(461)	(23)	(5)	(23)	(2.791)
NET PROFIT FOR THE YEAR	**911**	**173**	**18**	**2.792**	**1.325**	**988**	**(382)**	**(111)**	**57**	**5.771**

Reference is made to the management report for the analysis of the trend of investments in joint ventures and events affecting the profitability of the investee and on the capital and financial situation of the investee Trenord (section 3.3).

NOTE 46 EARNINGS PER SHARE

Earnings per share are calculated dividing the result attributable to Group shareholders by the average weighted number of ordinary shares issued, excluding any treasury shares purchased from this calculation, no *stock option* plans being in place.

Description	2019	2018
Profit attributable to parent company shareholders in Euro	30.281.000	28.477.000
Weighted average number of shares	434.902.568	434.902.568
Basic earnings per share in Euro cents	0,07	0,07

Diluted earnings per share coincide with basic earnings per share.

NOTE 47 RELATED-PARTY TRANSACTIONS

FNM is controlled by the Lombardy Region, which holds 57.57%. 14.74% is held by Ferrovie dello Stato S.p.A. and the remaining interest is listed on the Standard Class 1 market of the Milan Stock Exchange.

Therefore all transactions with the Lombardy Region are reported under Related-Party transactions, which include also the transactions with entities for which the Group has joint control and with associates.

Pursuant to art. 2427, subparagraph 1 n. 22-*quinquies and sexies* of the Italian Civil Code, it is pointed out that the Lombardy Region, in application of the addendum 4/4 to Italian Legislative Decree 118/2011, introducing the applied accounting standard concerning the consolidated financial statements, included from the 2018 consolidated financial statements its own instrumental agencies, units and bodies and the subsidiary and investee companies, thus also including the FNM Group.

Transactions with Related Parties are presented below:

Description	Notes	31/12/2019			31/12/2018		
		Total	Related parties		Total	Related parties	
			Absolute value	Proportion %		Absolute value	Proportion %
BALANCE SHEET							
Non current financial receivables	11	2	-	0,0%	998	996	99,8%
Non current financial receivables at FV	12	-	-	0,0%	5.000	5.000	100,0%
Trade receivables	16	64.619	45.227	70,0%	70.247	50.172	71,4%
Other current receivables	17	60.612	11.275	18,6%	79.767	12.781	16,0%
Current financial receivables	11	40.997	997	2,4%	1.951	1.951	100,0%
Current financial receivables measured at FV	11	48.352	48.352	100,0%	43.335	43.335	100,0%
Receivables for funded investments	13	59.096	59.096	100,0%	29.088	29.088	100,0%
Non-current financial payables	23	9.184	2	0,0%	64.282	58.000	90,2%
Payables for funded investments	24	12.581	6.079	48,3%	15.150	6.079	40,1%
Total non-current liabilities	26	27.550	12.253	44,5%	68.841	54.311	78,9%
Current financial payables	23	94.053	86.573	92,0%	31.764	19.758	62,2%
Payables for funded investments	24	103.818	103.818	100,0%	64.469	64.469	100,0%
Trade payables	29	175.746	3.930	2,2%	63.476	4.131	6,5%
Other current liabilities	31	65.180	35.762	54,9%	64.600	33.449	51,8%

Description	Notes	2019			2018		
		Total	Related parties		Total	Related parties	
			Absolute value	Proportion %		Absolute value	Proportion %
INCOME STATEMENT							
Revenues from sales and services	32	268.359	177.053	66,0%	260.296	176.416	67,8%
Grants	33	10.850	8.069	74,4%	10.599	8.047	75,9%
Grants for funded investments	34	40.986	40.986	100,0%	24.085	24.085	100,0%
Other income	35	22.138	7.601	34,3%	22.719	6.965	30,7%
Service costs	37	(72.468)	(8.173)	11,3%	(72.105)	(8.225)	11,4%
Other operating costs	40	(12.429)	(113)	0,9%	(12.477)	(55)	0,4%
Financial income	41	1.792	1.101	61,4%	1.371	1.141	83,2%
Financial expenses	42	(4.269)	(713)	16,7%	(1.995)	(725)	36,3%

Description	2019			2018		
	Total	Related parties		Total	Related parties	
		Absolute value	Incidence %		Absolute value	Incidence %
CASH FLOWS						
Cash flows from operations	79,849	194,258	243.3%	97,569	231,829	237.6%
Cash flow from investments	26,576	130,483	491.0%	(35,143)	88,974	-253.2%
Cash flow from assets held for sale	-	-	0.0%	5,675		0.0%
Cash flow from financing	(13,713)	(1,681)	12.3%	(18,584)	(10,971)	59.0%

The decrease in “trade receivables from related parties”, amounting to EUR 4,945 thousand, was determined mainly by the lower receivables from the investee Trenord S.r.l., for EUR 5,697 thousand, as a result of the different collection times, with particular regard to the administrative service agreement, as well as those from Consorzio Elio for the train replacement services, for EUR 909 thousand.

The change in “Receivables for funded investments” is due to the portion of grants recognised in accordance with IFRIC 12, corresponding to investments made according to the completion percentage, yet not collected at the reporting date (Note 13).
The change in “Financial payables to related parties” is mainly due to the reclassification among current financial payables of the bond maturing on 21 July 2020.

The change in “Other current liabilities” relates to the reclassification of the payable for funded investments to the Lombardy Region, for the collection obtained from the CONFEMI Consortium.

“Payables for funded investments to related parties” includes payables to the Lombardy Region relative to the excess of grants paid by the Region for investments made by the Group, for the portion already allocated to investments and not yet paid to suppliers.

The services provided to and received from investee companies, under normal market conditions, are summarised below:

Activities which produced revenue	Trenord	NordCom	NORD ENERGIA	DBCI
Administrative Services	X	X	X	
Sap Fee	X	X	X	
Lease of premises in Novate	X			
Lease of offices in P.le Cadorna	X	X		
Lease of Iseo offices and space	X			
Hire of rolling stock	X			X
Sale of advertising space	X			

Activities which produced costs	Trenord	NordCom	NORD ENERGIA	DBCI
IT Services		X		
Lease of distributed IT		X		

Top Management

Relations with Top Management refer to the compensation of the Directors of the Parent Company and to the remuneration of key personnel and they are analysed as follows with reference to 31 December 2019:

(Amounts in thousands of Euro)	Amount	Total
Directors	702	702
Other Key Personnel	2,469	2,469
Total	**3,171**	**3,171**

NOTE 48 RESULT FROM TRANSACTIONS WITH NON-SHAREHOLDERS

Details of relative items recorded in shareholders' equity at 31 December 2019 and 31 December 2018 are reported below:

	2019			2018		
Descrizione	**Valore lordo**	**(Onere)/Beneficio fiscale**	**Valore netto**	**Valore lordo**	**(Onere)/Beneficio fiscale**	**Valore netto**
Utile/(perdita) attuariale TFR	(1.275)	357	(918)	644	(180)	464
Utile/(perdita) attuariale TFR delle imprese	(553)	154	(399)	1.578	(441)	1.137
Utili/(perdite) derivanti dalla conversione dei bilanci di imprese estere	32		32	30		30
Totale	**(1.796)**	**511**	**(1.285)**	**2.252**	**(621)**	**1.631**

Post-employment benefit actuarial gain/(loss)

Starting from the preparation of the consolidated financial statements at 31 December 2011, actuarial gains/losses are not recognised the income statement, but in a specific reserve of shareholders' equity, net of the tax effect, recognised in the statement of comprehensive income (Note 28).

Post-employment benefit actuarial gain/(loss) of companies measured with the equity method

This item includes the change in actuarial gains and losses recognised in the financial statements of joint ventures (Note 10).

Gains/(losses) arising from the translation of financial statements of foreign companies

Reference is made to Note 10.

NOTE 49 RISK MANAGEMENT

Credit risk

Credit risk represents the Company's exposure to potential losses arising from counterparty default.
The Group has a considerable number of receivables from the counterparty Lombardy Region, the Group's majority shareholder.
In particular, as regards financial counterparty risk from the use of liquidity, the Group deals with entities that have a secure, high profile and considerable international standing.
Receivables due from third parties for which credit risk is assessed, are summarised below.

Description	31/12/2019	31/12/2018
Payables to banks (note 19)	229.358	137.457
Trade receivables from third parties (note 16)	19.392	20.075
Other receivables from third parties (note 117)	40.419	58.639
Financial receivables from third parties (note 11)	40.002	2
Total	**329.171**	**216.173**

"Receivables from others" included in the previous table are net of tax payables.

Financial assets are recognised in the financial statements, net of the write-down calculated based on the counterparty default risk, determined considering information available on customer solvency and historical data.

Trade receivables from non-related parties at the end of the reporting period present the following due dates:

Description	31/12/2019			31/12/2018		
	Gross	Impairment	Net	Gross	Impairment	Net
Not yet due	13.224	(45)	13.179	18.195	(35)	18.160
Due from 31-60 days	3.772	(160)	3.612	1.101	(13)	1.088
Due from 61-90 days	956	(28)	928	304		304
Due from 91-120 days	1.010	(8)	1.002	104		104
Due from 121-360 days	815	(285)	530	452	(174)	278
Over 361 days	2.558	(2.417)	141	2.834	(2.693)	141
Total	**22.335**	**(2.943)**	**19.392**	**22.990**	**(2.915)**	**20.075**

Changes in the provision for bad debts (trade) during the year are presented below:

Description	31/12/2019	31/12/2018
Balance at 1 January	2.915	2.778
ATV consolidation		275
Allocation of the period	193	125
Allocation to IFRS 9 impairment provision		166
Releases of the period	(142)	(75)
Uses of the period	(23)	(354)
Balance at 31 December	**2.943**	**2.915**

Liquidity risk

The Group's liquidity risk may arise from the difficulty of obtaining loans for its operations in appropriate times, or failure to meet financial ratios (covenants), required for the corporate bond issued in 2015, and for loans taken out by the Parent in December 2017 with the European Investment Bank and in August 2018 with a pool of leading banks operating in the Italian market,

because if the covenants were not met, repayment conditions would no longer apply, and lenders could obtain early repayment of the loans disbursed.
Group company cash flows, financing needs and liquidity are monitored or managed centrally controlled by its Treasury department, with the aim of guaranteeing the effective and efficient management of financial resources.
Management considers that currently available funds and credit lines, as well as funds and credit lines that will be generated from operations and loans, will enable the Group to meet its requirements arising from investing activities, the management of working capital and repayment of loans on their natural expiry.

Contract due dates for financial liabilities are shown below:

Description	< 1 year	between 1 and 2 years	between 2 and 5 years	> 5 years	Total
2019					
Financial income for finance lease agreements	29		2		31
Payables to the Lombardy Region	103.818		6.079		109.897
Payables to Bondholders	58.301				58.301
Current account	28.243				28.243
Total related parties	**190.362**		**6.079**		**196.441**
Finance lease payables	2.227	2.227	4.274	189	8.917
Other financial payables	267		8.996		9.263
Current account	5.015				5.015
Total third parties	**7.509**	**2.227**	**13.270**	**189**	**23.195**
Total	**197.871**	**2.227**	**19.349**	**189**	**219.636**

Description	< 1 year	between 1 and 2 years	between 2 and 5 years	> 5 years	Total
2018					
Payables to the Lombardy Region	64.469		6.079		70.548
Payables to Bondholders	323	58.000			58.323
Current account	19.435				19.435
Total related parties	**84.227**	**58.000**	**6.079**		**148.306**
Finance lease payables	1.283	436	1.424	1.809	4.952
Other financial payables	5.395		11.684		17.079
Current account	5.328				5.328
Total third parties	**12.006**	**436**	**13.108**	**1.809**	**27.359**
Total	**96.233**	**58.436**	**19.187**	**1.809**	**175.665**

The following average rate was applied for finance lease agreements:

Description	31/12/2019	31/12/2018
Average rate applied	1,47%	0,98%

Currency risk
The Group mainly operates at a local level, and therefore is not exposed to currency risk.

Interest rate risk
Financial liabilities mainly refer to finance lease agreements, the corporate bond and loan agreement with a pool of leading banks. The Group is not exposed to particular risks of changes in interest rates on finance lease agreements, as these agreements concern corresponding finance lease agreements in which the Group is the lessor. The possible volatility of financial expenses associated with changes in interest rates on loans is monitored and mitigated by adopting an interest rate risk management policy which opts for a balanced mix of loans.

A sensitivity analysis was carried out, to assess any impact in case of increase or decrease of the rate by +1% -1%, which would entail a higher / lower expense by EUR 1,042 thousand.

Capital management
The main objectives pursued by the Group in its capital risk management policy are to create value for shareholders and safeguard the business as a going concern. The Group also aims to maintain an optimal capital structure in order to reduce the cost of debt and meet requirements (covenants) of debt agreements (Note 22 and Note 23). Particular attention is paid to the level of indebtedness in relation to shareholders' equity and to EBITDA, pursuing goals of profitability and generation of operating cash.

Fair value estimate
The fair value of the financial instruments listed on an active market is based on market prices at the reporting date. The fair value of the financial instruments that are not listed on an active market is determined using measurement techniques based on a series of methods and assumptions tied to market conditions at the reporting date.
The fair value of the financial instruments based on the following hierarchical levels is provided below:

- Level 1: Fair value determined with reference to (unadjusted) listed prices on active markets for identical financial instruments;
- Level 2: Fair value determined with measurement techniques with reference to variables observable on active markets;
- Level 3: Fair value determined with measurement techniques with reference to non-observable market variables.

Amounts in thousands of euros	Notes	Book value at 31/12/2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through OCI		0				**0**
Financial assets measured at fair value through profit or loss	**10 - 12**	53.824		48.352	5.472	53.824

During 2019, there were no transfers between different hierarchical levels. The accounting value already approximates fair value, where the related hierarchical level is not expressed.

NOTE 50 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES RECOGNISED IN THE FINANCIAL STATEMENTS

In compliance with provisions in IFRS 7, the next tables show information on categories of financial assets and liabilities of the Company at 31 December 2019 and 31 December 2018, restated according to IFRS 9 information.

Importi in migliaia di Euro	Note	Valore di bilancio al 31/12/2019	Attività finanziarie valutate al costo ammortizzato	Attività finanziarie al FV a conto economico	Attività finanziarie al FV a OCI	Passività finanziarie al costo ammortizzato
ATTIVITA' NON CORRENTI						
Partecipazioni in altre imprese	10	5.472		5.472		
Crediti Finanziari	11	2	2			
Crediti Finanziari valutati al Fair Value a con	12	0				
Altri Crediti	17	82				
ATTIVITA' CORRENTI						
Crediti Commerciali	16	64.619	64.619			
Altri Crediti	17	60.612	60.612			
Crediti Finanziari	11	40.997	40.997			
Crediti Finanziari valutati al Fair Value a con	12	48.352		48.352		
Crediti finanziari per servizi in concessione	13	59.096	59.096			
Disponibilità liquide e mezzi equivalenti	19	228.723	228.723			
PASSIVITA' NON CORRENTI						
Debiti verso banche	22	49.780				49.780
Debiti Finanziari	23	9.184				9.184
Debiti per investimenti finanziati	24	12.581				12.581
Altre passività	26	27.550				27.550
PASSIVITA' CORRENTI						
Debiti verso banche	22	304				304
Debiti Finanziari	23	94.053				94.053
Debiti per investimenti finanziati	24	103.818				103.818
Debiti verso fornitori	29	175.746				175.746
Altre passività	31	65.180				65.180

Importi in migliaia di Euro	Note	Valore di bilancio al 31/12/2018	Attività finanziarie valutate al costo ammortizzato	Attività finanziarie al FV a conto economico	Attività finanziarie al FV a OCI	Passività finanziarie al costo ammortizzato
ATTIVITA' NON CORRENTI						
Partecipazioni in altre imprese	10	5.380		5.380		
Crediti Finanziari	11	998	998			
Crediti Finanziari valutati al Fair Value a con	12	5.000		5.000		
Altri Crediti	17	99	99			
ATTIVITA' CORRENTI						
Crediti Commerciali	16	70.247	70.247			
Altri Crediti	17	79.767	79.767			
Crediti Finanziari	11	1.951	1.951			
Crediti Finanziari valutati al Fair Value a con	12	43.335		43.335		
Crediti finanziari per servizi in concessione	13	29.088	29.088			
Disponibilità liquide e mezzi equivalenti	19	137.316	137.316			
PASSIVITA' NON CORRENTI						
Debiti verso banche	22	50.034				50.034
Debiti Finanziari	23	64.282				64.282
Debiti per investimenti finanziati	24	15.150				15.150
Altre passività	26	68.841				68.841
PASSIVITA' CORRENTI						
Debiti verso banche	22	431				431
Debiti Finanziari	23	31.764				31.764
Debiti per investimenti finanziati	24	64.469				64.469
Debiti verso fornitori	29	63.476				63.476
Altre passività	31	64.600				64.600

NOTE 51 SIGNIFICANT NON-RECURRENT EVENTS AND TRANSACTIONS

During the year, following the closing of a dispute with third parties, a non-recurring income of EUR 2,569 thousand was recognised.
Moreover, in relation to the Group's development projects, a non-recurring expense of EUR 1,145 thousand was recognised.
In the previous year, a non-recurring income of EUR 2,000 thousand had been recognised, deriving from the settlement related to the CONFEMI dispute, as described in more detail in section 11 "Significant litigation and other information" of the management report, to which reference is made.
In 2018, the capital gain of EUR 2,315 thousand was also recorded for the sale to GDF System S.r.l. of areas next to Affori station in Milan, as the difference between the price for the sale of the areas and the value of the asset sold.

NOTE 52 TRANSACTIONS ARISING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

Pursuant to the CONSOB notice of 28 July 2006, the Group did not carry out atypical and/or unusual transactions, defined as such in the notice, during 2019.

NOTE 53 SUBSEQUENT EVENTS

- On **10 March 2020**, FNM S.p.A. executed the agreements for the sale of the undersigned equity investments held in:
  - Locoitalia S.r.l. (51%), a line-by-line consolidated company active in the business of leasing rolling stock for the transportation of goods: the sale of the shares held by FNM to Tenor was closed after the completion of the partial and proportional demerger of the company in Locoelettriche S.r.l., whose shares held by FNM were sold to Railpool GmbH, for a total equity value of EUR 6.0 million. FNM's portion amounts to EUR 3.0 million;
  - Fuorimuro Servizi Portuali e Ferroviari S.r.l. (49%), a company consolidated with the equity method, active in the railway freight rolling stock and concession-holder for railway operations within the Genoa harbour, to Tenor S.r.l.; the price for the shareholding was EUR 0.5 million.

  These transactions result in an overall improvement of approximately EUR 30.8 million of the Group's Net Financial Position (including the net financial position of Locoitalia) and a consolidated capital gain of EUR 1.1 million deriving from the sale of the shareholding in Locoitalia.
- Concerning the current economic-social situation in the Lombardy Region and in the Veneto Region, tied to the current Coronavirus 2019-nCoV outbreak (which the World Health Organisation declared a "pandemic" on 11 March), all of the Group's companies, following the contagion that occurred, promptly activated the measures required and deemed appropriate to safeguard the health of personnel and of customers and to contain the economic repercussions.

  In particular, with the goal of protecting workers' health, the Group, in addition to having incentivised smart-working since the start of the health emergency, also activated an

extraordinary insurance coverage for the management of Coronavirus infection for all its employees, stipulating a supplemental policy able to cover the expenses tied to possible hospitalisation and to the subsequent recovery phase.
The persistence of the emergency and the consequent precautionary measures may impact even significantly the outlook for the future growth of the economy, both locally and internationally. Currently, the situation determined by these events is not expected to have a significant impact on the medium-term economic performance and on the business continuity of FNM Group companies.
The effects on the Group, whose main businesses relating to the leasing of rolling stock and to management of the railway infrastructure are not substantially impacted by the current emergency, impact mainly on road transport and to a greater extent on the Trenord investee.
In particular:

- for all investee companies, that started the revision of the commercial offering, at this time the duration of the provisions is limited in time and, since the management has already taken actions to mitigate their possible negative effects, currently the economic-financial impacts are estimated to be limited. Given the uncertainty of the continuously evolving situation, any impacts deriving from an extension of the limits imposed by the competent Authorities cannot be measured reliably at this time.
- Additional effects may derive from the reduction of visits and tourist activities in general in the city of Verona, in the Garda area and in the Venice area (where the Group operates with the companies ATV, La Linea and Martini also with lease services with driver) with the consequent reduction of the demand for transport, in particular in the spring and summer periods.
- Trenord - consolidated at equity - proceeded, starting from 24 February 2020, to revise the railway service which is entailing a significant reduction in ticketing revenues. Additional risks may be connected with the extension in time of the restrictive measures.

Before the current emergency, the Group estimated, for the year 2020, an operating performance substantially in line with 2019, both in terms of revenues and in terms of adjusted EBITDA (net of non-recurring elements). In light of the previous reflections, at this time and in the absence of elements that at present cannot be foreseen, it is reasonable to expect a mid-single digit negative impact on revenues and therefore a high-single digit negative impact on the adjusted EBITDA, implementing all possible measures to contain this impact.
The Adjusted NFP, in spite of the positive continuing generation of operating cash, is expected to grow, reflecting the higher investments expected for fleet modernisation, in particular relating to trains in the RoSCo segment, and the development of the business of freight mobility, whose programme will be carefully monitored to safeguard the Group's liquidity. In addition to having a positive adjusted net financial position by approximately EUR 40 million at the end of 2019 and confirmed positive at the present date, also has a significant liquidity headroom of EUR 90 million of committed lines and over EUR 140 million of uncommitted lines.

Milan, 31 March 2020

The Board of Directors

ATTACHMENT 1
to the NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS at 31.12.2019

Name	Registered Office	Nature of Control	Consolidation method	Percentage of ownership
FERROVIENORD S.p.A.	Milan - P.le Cadorna 14	Subsidiary	Line-by-line Consolidation	100,0%
NORD_ING S.r.l.	Milan - P.le Cadorna 14	Subsidiary	Line-by-line Consolidation	100,0%
FNM Autoservizi S.p.A.	Milan - P.le Cadorna 14	Subsidiary	Line-by-line Consolidation	100,0%
E-Vai S.r.l.	Milan - P.le Cadorna 14	Subsidiary	Line-by-line Consolidation	100,0%
Nuovo Trasporto Triveneto S.r.l.	Milan - P.le Cadorna 14	Subsidiary	Line-by-line Consolidation	100,0%
Malpensa Intermodale S.r.l.	Milan - P.le Cadorna 14	Subsidiary	Line-by-line Consolidation	100,0%
Malpensa Distripark S.r.l.	Milan - P.le Cadorna 14	Subsidiary	Line-by-line Consolidation	100,0%
Locoitalia S.r.l.	Genoa - Via Boccanegra 15/2	Subsidiary	IFRS 5	51,0%
Azienda Trasporti Verona S.r.l.	Verona - Lungadige Galtarossa 5	Subsidiary	Line-by-line Consolidation	50,0%
La Linea 80 Scarl	Belluno - via Garibaldi 77	Subsidiary	Line-by-line Consolidation	50,30%
La Linea S.p.A.	Venice - Via della Fisica 30	Subsidiary	Line-by-line Consolidation	51,0%
Martini Bus S.r.l.	Venice - Via Mutinelli 11	Subsidiary	Line-by-line Consolidation	51,0%
Conam S.r.l.	Schio VI - Via Enrico Fermi 13	Subsidiary	Consolidation of Shareholders' Equity	25,5%
Trenord S.r.l.	Milan - P.le Cadorna 14	Joint Venture	Consolidation of Shareholders' Equity	50,0%
NordCom S.p.A.	Milan - P.le Cadorna 14	Joint Venture	Consolidation of Shareholders' Equity	58,0%
NORD ENERGIA S.p.A.	Milan - P.le Cadorna 14	Joint Venture	Consolidation of Shareholders' Equity	60,0%
CMC MeSta SA	Bellinzona CH - Viale Officina 10	Joint Venture	Consolidation of Shareholders' Equity	60,0%
SeMS S.r.l. in liquidation	Milan - P.le Cadorna 14	Joint Venture	Consolidation of Shareholders' Equity	68,5%
Omnibus Partecipazioni S.r.l.	Milan - P.le Cadorna 14	Joint Venture	Consolidation of Shareholders' Equity	50,0%
TILO SA	Bellinzona CH - Via Portaccia 1a	Joint Venture	Consolidation of Shareholders' Equity	25,0%
FuoriMuro Servizi Portuali e Ferroviari S.r.l.	Genoa - Via Boccanegra 15/2	Joint Venture	IFRS 5	49,0%
DB Cargo Italia S.r.l.	Milan - P.le Cadorna 14	Associate	Consolidation of Shareholders' Equity	40,0%
ASF Autolinee S.r.l.	Como - via Asiago 16/18	Associate	Consolidation of Shareholders' Equity	24,5%

ATTACHMENT 2
To the notes to the consolidated financial statements
Information pursuant to art. 149-*duodecies* of the Consob Issuer Regulation

The following statement, prepared pursuant to art. 149-*duodecies* of the Consob Issuer Regulation, indicates fees for 2019 for auditing services and non-auditing services provided by the same independent auditors and by entities belonging to its network.

(Importi in migliaia di Euro)	
Verso la Società Capogruppo:	
a) dalla società di revisione, per la prestazione di servizi di revisione	34
b) dalla società di revisione:	
- per servizi di verifica finalizzati all'emissione di un'attestazione	182
- per la prestazione di altri servizi	
c) da entità appartenenti alla rete della società di revisione:	
- per servizi di verifica finalizzati all'emissione di un'attestazione	-
- per la prestazione di altri servizi	80
Verso le società controllate:	
a) dalla società di revisione, per la prestazione di servizi di revisione	193
b) dalla società di revisione:	
- per servizi di verifica finalizzati all'emissione di un'attestazione	-
- per la prestazione di altri servizi	-
c) da entità appartenenti alla rete della società di revisione:	
- per servizi di verifica finalizzati all'emissione di un'attestazione	-
- per la prestazione di altri servizi	-

CERTIFICATION
of the consolidated financial statements pursuant to art. 154-bis of Legislative Decree 58/98

1. The undersigned, Andrea Gibelli as "Chairman of the Board of Directors" and Valentina Montanari as "Executive in charge of financial reporting" of FNM S.p.A., also taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree of 24 February 1998, No. 58, attest to:

    - the adequacy in relation to the characteristics of the company and
    - effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during the year 2019.

2. They also attest that

    a) the consolidated financial statements of FNM S.p.A.:
        - were prepared in accordance with the applicable International Accounting Standards (IAS/IFRS) recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002;
        - correspond with the results of the accounting books and records;
        - provide a true and fair view of the economic and financial position of the issuer and of the group of companies included in the consolidation.

    b) The management report includes a reliable analysis of the performance and operating result as well as the situation of the issuer and the group of companies included in the consolidation, together with the description of the main risks and uncertainties to which they are exposed.

Milan, 31 March 2020

The Executive in charge
of financial reporting
Valentina Montanari

The Chairman
of the Board of Directors
Andrea Gibelli

FNM S.p.A.

Financial Statements

for the year ended 31 December 2019

- ***Statement of Financial Position***
- ***Income Statement***
- ***Other Comprehensive Income***
- ***Shareholders' Equity***
- ***Statement of cash flows***
- ***Notes to the Separate Financial Statement***

STATEMENT OF FINANCIAL POSITION AT 31.12.2019

Amounts in Euro		Notes	31/12/2019	31/12/2018	Change
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment		1	335.961.215	350.796.069	(14.834.854)
Intangible assets		2	3.506.631	3.085.910	420.721
Right of use		3	5.439.850	-	5.439.850
Equity interests		4	96.995.604	99.532.206	(2.536.602)
Financial receivables		5	1.166.667	5.643.728	(4.477.061)
	of which: from Related Parties	5	1.166.667	5.643.728	(4.477.061)
Financial Receivables measured at fair value		5	-	5.000.000	(5.000.000)
	of which: from Related Parties	5	-	5.000.000	(5.000.000)
Deferred Tax Assets		6	6.059.737	4.939.801	1.119.936
Other Receivables		8	1.780	1.780	-
Tax receivables		8	-	4.548.621	(4.548.621)
TOTAL NON-CURRENT ASSETS			**449.131.484**	**473.548.115**	**(24.416.631)**
CURRENT ASSETS					
Trade Receivables		7	21.433.693	27.134.628	(5.700.935)
	of which: from Related Parties	7	19.485.392	25.438.588	(5.953.196)
Financial Receivables		5	29.054.821	3.948.157	25.106.664
	of which: from Related Parties	5	29.054.821	3.948.157	25.106.664
Financial Receivables measured at fair value		5	48.352.105	43.335.216	5.016.889
	of which: from Related Parties	5	48.352.105	43.335.216	5.016.889
Other Receivables		8	18.933.290	11.937.050	6.996.240
	of which: from Related Parties	8	5.288.137	2.308.024	2.980.113
Tax receivables		8	-	124.460	(124.460)
Other securities			13	13	-
Cash and cash equivalents		9	135.944.490	95.923.746	40.020.744
TOTAL CURRENT ASSETS			**253.718.412**	**182.403.270**	**71.315.142**
Assets held for sale		10	2.674.040	-	2.674.040
TOTAL ASSETS			**705.523.936**	**655.951.385**	**49.572.551**
LIABILITIES					
SHAREHOLDERS' EQUITY					
Share capital			230.000.000	230.000.000	-
Other reserves			7.788.521	7.788.521	-
Reserve for indivisible profit			114.200.602	99.674.206	14.526.396
Reserve for actuarial gains/(losses)			(186.438)	(126.810)	(59.628)
Profit for the year			23.912.965	24.311.703	(398.738)
SHAREHOLDERS' EQUITY		11	**375.715.650**	**361.647.620**	**14.068.030**
NON-CURRENT LIABILITIES					
Payables to banks		12	49.610.981	49.530.747	80.234
Financial payables		13	3.761.855	58.000.000	(54.238.145)
	of which: from Related Parties	13	3.529.963	58.000.000	(54.470.037)
Other liabilities		15	10.038.506	12.089.810	(2.051.304)
	of which: from Related Parties	15	7.081.221	10.278.775	(3.197.554)
Provisions for risks and charges		19	233.464	233.464	-
Employee severance indemnities		16	1.656.026	1.740.201	(84.175)
TOTAL NON-CURRENT LIABILITIES			**65.300.832**	**121.594.222**	**(56.293.390)**
CURRENT LIABILITIES					
Financial payables		13	226.618.138	142.430.966	84.187.172
	of which: from Related Parties	13	221.219.623	136.044.088	85.175.535
Trade payables		17	18.559.703	9.968.043	8.591.660
	of which: from Related Parties	17	4.116.367	4.836.950	(720.583)
Tax payables		18	687.412	866.777	(179.365)
Payables for taxes		18	2.446.907	101.202	2.345.705
Other liabilities		15	14.718.969	18.509.546	(3.790.577)
	of which: from Related Parties	15	10.924.922	12.248.647	(1.323.725)
Provisions for risks and charges		19	1.476.325	833.009	643.316
TOTAL CURRENT LIABILITIES			**264.507.454**	**172.709.543**	**91.797.911**
Liabilities related to assets held for sale			-	-	-
TOT. LIABILITIES and SHAREHOLDERS' EQUITY			**705.523.936**	**655.951.385**	**49.572.551**

2019 INCOME STATEMENT

Amounts in Euro	Notes	2019	2018	Change
Revenues from sales and services	20	76.521.329	75.799.351	721.978
of which: from Related Parties	20	74.677.145	74.433.606	243.539
Grants	21	1.204.136	1.204.136	-
of which: from Related Parties	21	1.164.886	1.164.886	-
Other income	22	2.501.056	3.719.274	(1.218.218)
of which: from Related Parties	22	1.930.747	1.850.374	80.373
of which: Non Recurring	22		832.102	(832.102)
PRODUCTION VALUE		**80.226.521**	**80.722.761**	**(496.240)**
Service costs	23	(13.265.732)	(13.824.223)	558.491
of which: from Related Parties	23	(7.893.881)	(8.188.350)	294.469
Personnel costs	24	(14.850.378)	(15.542.295)	691.917
Depreciation and Amortisation	25	(26.204.280)	(26.344.812)	140.532
Other operating costs	26	(954.944)	(816.059)	(138.885)
of which: from Related Parties	26	(9.894)	(5.184)	(4.710)
TOTAL COSTS		**(55.275.334)**	**(56.527.389)**	**1.252.055**
EBIT		**24.951.187**	**24.195.372**	**755.815**
Dividends	27	6.590.062	8.207.004	(1.616.942)
of which: from Related Parties	27	6.590.062	8.207.004	(1.616.942)
Impairment of equity investments	4	(399.120)	(1.233.000)	833.880
Financial income	28	2.163.214	1.211.869	951.345
of which: from Related Parties	28	1.870.571	1.185.134	685.437
Financial expenses	29	(3.641.617)	(1.421.634)	(2.219.983)
of which: from Related Parties	29	(749.923)	(725.957)	(23.966)
NET FINANCIAL INCOME		**4.712.539**	**6.764.239**	**(2.051.700)**
EARNINGS BEFORE TAX		**29.663.726**	**30.959.611**	**(1.295.885)**
Income tax	30	(5.750.761)	(6.647.908)	897.147
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**23.912.965**	**24.311.703**	**(398.738)**
NET PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS	31	-	-	-
PROFIT FOR THE YEAR		**23.912.965**	**24.311.703**	**(398.738)**

OTHER CONSOLIDATED COMPREHENSIVE INCOME FOR 2019

Amounts in Euro	Notes	31/12/2019	31/12/2018	Change
PROFIT FOR THE YEAR		**23.912.965**	**24.311.703**	**(398.738)**
Components that will not be reclassified in the operating result				
Actuarial gain		(82.702)	42.015	(124.717)
Income tax		23.074	(11.722)	34.796
Total other consolidated comprehensive income that will not be reclassified in the operating result	**32**	**(59.628)**	**30.293**	**(89.921)**
TOTAL COMPREHENSIVE INCOME		**23.853.337**	**24.341.996**	**(488.659)**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2019

Amounts in Euro	Share capital	Other reserves	Reserve for indivisible profit	Reserve for actuarial Gains/(Losses)	Profit for the year	TOTAL
Balance 01.01.2018	**230.000.000**	**7.788.521**	**87.160.384**	**(157.103)**	**21.211.873**	**346.003.675**
Allocation of 2017 profit			21.211.873		(21.211.873)	-
Distribution of dividends			(8.698.051)			(8.698.051)
Total other consolidated comprehensive income that will not be reclassified in the operating result				30.293		30.293
Profit for the year					24.311.703	24.311.703
Balance at 31.12.2018	**230.000.000**	**7.788.521**	**99.674.206**	**(126.810)**	**24.311.703**	**361.647.620**
Allocation of 2018 profit			24.311.703		(24.311.703)	-
Distribution of dividends			(9.785.307)			(9.785.307)
Total other consolidated comprehensive income that will not be reclassified in the operating result				(59.628)		(59.628)
Profit for the year					23.912.965	23.912.965
Balance at 31.12.2019	**230.000.000**	**7.788.521**	**114.200.602**	**(186.438)**	**23.912.965**	**375.715.650**

STATEMENT OF CASH FLOWS AT 31 DECEMBER 2019

Amounts in Euro	Notes	**31/12/2019**	**31/12/2018**
Cash flow from operating activities		**Total**	**Total**
Operating result		23.912.965	24.311.703
Income tax	30	5.750.761	6.647.908
Depreciation for the year	25	24.604.877	25.398.173
Amortisation of intangible assets for the period	25	834.368	946.639
Amortisation of right of use	25	765.035	-
Gain from disposal of property, plant and equipment	22	(4.284)	(3.898)
Capital gain on the disposal of assets held for sale	22	-	(832.102)
Impairment of equity investments	4	399.120	1.233.000
Allocation to the provision for risks	19	643.316	470.037
Dividends cash-in	27	(6.590.062)	(8.207.004)
Release of the provision for risks	19	-	(550.000)
Release of the provision for bad debts	7	-	(75.000)
Capital grants for the year	21	(1.204.136)	(1.204.136)
Interest income	28	(2.163.214)	(1.211.869)
Interest expense	29	3.641.617	1.421.634
Other non-monetary income	21	(56.815)	(97.534)
Cash flow from income activities		**50.533.548**	**48.247.551**
Net change in the provision for employee severance indemnity	16	(192.357)	(65.796)
Net change in provision for risks and charges	19	-	(107.145)
Decrease in trade receivables	7	5.700.935	4.683.671
(Increase)/Decrease in other receivables	7	(8.007.650)	5.455.219
(Increase)/Decrease in trade payables	17	(12.914)	303.604
Decrease in other liabilities	15	315.772	(8.035.823)
Payment of taxes	18	(5.005.771)	(6.487.577)
Total cash flow from operating activities		**43.331.563**	**43.993.704**
Cash flow from investing activities			
Investments in property, plant and equipment	1	(9.770.023)	(4.935.608)
Investments in intangible assets	2	(1.255.089)	(1.696.120)
Increase/(Decrease) in trade payables for property, plant and equipment	17	8.604.574	(23.539.805)
Disposal value of property, plant and equipment	1	4.284	71.037
Investments in Equity investments	4	(536.558)	(2.590.000)
Dividends cash-in	27	6.590.062	8.207.004
Increase/(Decrease) in financial receivables	5	1.337.199	(1.563.086)
Disbursement of loan to subsidiary companies	5	(23.255.888)	(4.883.207)
Interest income collected		1.502.213	1.296.363
Decrease in finance lease receivables	5	1.933.198	1.788.153
Total cash flow from investing activities		**(14.846.028)**	**(27.845.269)**
Cash flow from assets held for sale			
Change in assets held for sale	10	-	3.011.095
Total cash flow from assets held for sale		**-**	**3.011.095**
Cash flow from/(for) financing activities			
Increase in trade payables	13	25.358.164	54.301.546
Repayments of finance lease payables	13	(1.591.959)	(3.084.507)
Payment of interest expense		(2.445.689)	(893.433)
Increase/(Decrease) in Current Payables to banks	12	-	(100.000.000)
Increase in non-current payable to banks	12	-	49.312.202
Dividends cash-out	11	(9.785.307)	(8.698.051)
Total cash flow from/(for) financing activities		**11.535.209**	**(9.062.243)**
Liquidity generated (+) / absorbed (-)		**40.020.744**	**10.097.287**
Cash and cash equivalents at the start of the year	9	95.923.746	86.483.897
IFRS 9 - first-time adoption	9		(657.438)
Cash and cash equivalents at the end of the year	9	135.944.490	95.923.746
Liquidity generated (+) / absorbed (-)		**40.020.744**	**10.097.287**

FNM S.p.A.

Registered office in P.le Cadorna 14 - 20123 Milan
Share capital EUR 230,000,000.00 fully paid up

NOTES TO THE SEPARATE FINANCIAL STATEMENTS for the year ended 31.12.2019

GENERAL INFORMATION

COMPANY OPERATIONS

As already stated in the management report, FNM S.p.A. (hereinafter “FNM” or the “Company” or the “Parent”) guides and coordinates the operating subsidiaries of the Group, the leasing of rolling stock, and also manages its centralised services.
Main investee companies carry out their own activities, managing railway infrastructure, in the passenger rail and road transport sectors. These activities take place under concessions and/or service agreements stipulated with the Lombardy Region. The FNM Group also carries out important operations in the sectors of sustainable mobility, goods’ transport, IT and energy. The management report and consolidated financial statements provide further details on the FNM Group’s operating segments and the activity carried out by each investee.

The centralised services carried out by FNM S.p.A. can be defined, overall, as:

a) rolling stock lease services, in particular to Trenord and to DB Cargo Italia;
b) administrative services: concerning the management through specific service agreements with investees of the following centralised activities: the organisation and provision of accounting services; personnel administration; general services; support for project development and extraordinary initiatives; coordination of company secretarial departments; legal advice and related activities; treasury; planning and control; ICT(Information & Communication Technology); purchasing, tenders and contracts; management of human resources and organisation, communication;
c) property management services.

The Company, domiciled in P.le Cadorna, 14 – MILAN, is listed on the Standard Class 1 market of the Milan Stock Exchange.

FORM AND CONTENT OF THE SEPARATE FINANCIAL STATEMENTS

These financial statements, prepared in compliance with CONSOB provisions in resolution no. 11971/1999 as amended, including in particular provisions introduced by resolutions no. 14990 of 14 April 2005 and no. 15519 of 27 July 2006, contain the financial statements and notes relative to the Company, produced on the basis of international accounting standards (IFRS) issued by the IASB (*International Accounting Standards Boards*) and adopted by the European Union. IFRS mean all “*International Financial Reporting Standards*”, all “*International Accounting Standards*” (IAS) and all interpretations of the “*International Financial Reporting Standards Interpretations Committee*” (IFRS IC, formerly IFRIC), previously called the “*Standard Interpretations Committee*” (SIC). In particular, IFRS were adopted in a manner consistent with all periods presented in this document.

These separate financial statements are presented together with the consolidated financial statements at 31 December 2019 prepared in compliance with IFRS.

With reference to IAS 1, paragraphs 25 and 26, the Directors confirm that in view of the outlook, capitalisation and financial position of the Company, there were no material uncertainties over the Company's ability to continue as a going concern and therefore the Company prepared the financial statements at 31 December 2019 on a going concern basis.

The present document was prepared and authorised for publication by the Board of Directors of the Company that met on 31 March 2020.

PRESENTATION OF THE FINANCIAL STATEMENTS
The following presentation of the financial statements was adopted:

a) in the Statement of Financial Position, assets and liabilities are entered as current or non-current items; an asset/liability is classified as current when it meets one of the following criteria:
- it is expected to be realised/settled or to be sold/used in the entity's normal operating cycle or
- it is held primarily for the purpose of trading or
- it is expected to be realised/settled within 12 months after the reporting period.
If these three conditions are not met, the assets/liabilities are classified as non-current;

b) in the Income Statement, positive and negative income components are stated by nature;

c) in Other Comprehensive Income, all changes in Other comprehensive profit(loss), in the year, generated by transactions other than those carried out with Shareholders and based on specific IAS/IFRS are recognised. The Company opted to present these changes in a separate statement from the Income Statement. Changes in Other comprehensive income are recognised net of related tax effects, indicating the amount of deferred taxes relative to such changes in a separate item, separately indicating components that will be recorded in subsequent years in the income statement, and components for which no recognition in the income statement is expected, pursuant to IAS 1R in effect since 1 January 2013;

d) the Statement of Changes in Equity, as required by international accounting standards, provides separate evidence of income for the period and any other change not recorded in the Income Statement, but directly recognised as Other comprehensive income based on specific IAS/IFRS standards, as well as transactions with Shareholders, in their capacity as Shareholders;

e) the Statement of Cash Flows has been prepared using the indirect method.

With reference to CONSOB resolution no. 15519 of 27 July 2006, related-party transactions are indicated separately in the statement of financial position and income statement, given their significance. With reference to the above resolution, income and expenses arising from non-recurrent transactions or events that are not repeated frequently during normal activities are indicated separately in the income statement; non-recurrent transactions are identified based on internal management criteria in the absence of reference standards, and this identification might differ from that adopted by other Issuers or operators in the sector.

ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA
In preparing these separate financial statements, the same accounting standards and measurement criteria used to prepare the separate financial statements at 31 December 2018 were used,

supplemented as described in the section "IFRS accounting standards, amendments and interpretations adopted from 1 January 2019".

The separate financial statements were prepared measuring all financial statement items at cost, apart from assets and liabilities classified as "Assets held for sale" and "Liabilities related to assets held for sale" for which the fair value, represented by the estimated realisable value, was used as this is considered a reliable measurement.

Areas requiring a greater degree of discretion and significant assumptions and estimates are reported in the section "Items subject to significant assumptions and estimates".

All amounts in the separate financial statements are in Euro, unless otherwise indicated.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED FROM 1 JANUARY 2019

The following IFRS accounting standards, amendments and interpretations were adopted for the first time by the Company, starting from 1 January 2018:

- On 13 January 2016, the IASB published the standard IFRS 16 – *Leases* which replaces IAS 17 – *Leases,* as well as the interpretations IFRIC 4 *Determining whether an Agreement contains a 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 criterion based on the control (right of use) of an asset, to make a distinction between lease agreements, and service agreements, identifying the following as discriminating aspects: identification of the asset, the right to replace the asset, the right to substantially obtain all economic benefits from its use and the right to control the asset underlying the agreement.
  The standard establishes a single model for the recognition and measurement of lease agreements for the lessee, which requires the recognition of the leased asset, also of an operating lease, under assets, with a financial liability as a contra-entry. The standard also allows for agreements concerning low-value assets and agreements with a duration of 12 months or less not to be recognised as lease agreements. On the other hand, the standard does not include significant changes for lessors.
  The Company used the practical expedient envisaged in IFRS 16:C3 which makes it possible to adopt conclusions reached in the past based on IFRIC 4 and IAS 17 concerning the quantification of an operating lease for a specific contract. This practical expedient was selected for all contracts, as envisaged by IFRS 16:C4.
  The change in the definition of lease is mainly referred to the control-based criterion ("right of use"). According to IFRS 16, an agreement contains a lease if the customer is entitled to control use of an identified asset for a period of time in exchange for consideration. This notion is substantially different from the concept of "risks and benefits" to which significant attention is paid in IAS 17 and IFRIC 4.
  The Company applies the definition of lease and the related provisions of IFRS 16 for all lease agreements stipulated or amended starting from 1 January 2019 (regardless of the condition as lessee or lessor in each lease agreement). In view of the first adoption of IFRS 16, the Company has carried out a project of assessment of the potential impacts and implementation of IFRS 16.

  The Company has opted to adopt the standard retrospectively, however recognising the cumulative effect arising from the adoption in shareholders' equity at 1 January 2019 (not changing the comparative data of the year 2018), as provided for in IFRS 16:C7-C13. In particular, as regards lease agreements previously classified as operating leases, the Company recognised the following:

a) a financial liability, equal to the present value of future payments outstanding at the transition date, discounted using for each agreement the *incremental borrowing rate* applicable at the transition date;
b) a right of use equal to the value of the financial liability at the transition date, net of any accruals and deferrals referred to the lease and recognised in the balance sheet at the end of the reporting period.

When assessing the liabilities of the lease, the Company discounted the payments due for the lease using the marginal lending rate as at 1 January 2019. The weighted average of the applied rate is 1.47%. The rate was defined taking into account the duration of the lease agreements, the characteristics of the economic environment in which the agreement was stipulated and the *credit adjustment*.

The Company, for agreements providing a renewal option at the end of the non-cancellable period, opted to consider only the non-cancellable period, in consideration of the assessments made that induce to deem reasonable not exercising the renewal option. For agreements with renewal options exercisable automatically at the end of the non-cancellable period and not terminable by either party, the duration considered is the maximum one.

The next table shows the estimated impacts of the adoption of IFRS 16 at the transition date:

Amounts in thousands of euros	**Impacts at the transition date (01.01.2019)**
ASSETS	
NON-CURRENT ASSETS	
Right of use - Software	68
Right of use - Buildings	2.595
Right of use - Motor Vehicles	248
TOTAL ASSETS	**2.911**
LIABILITIES	
SHAREHOLDERS' EQUITY	**0**
NON-CURRENT LIABILITIES	
Non-current financial liabilities for leases	2.297
CURRENT LIABILITIES	
Current financial liabilities for leases	614
TOT. LIABILITIES and SHAREHOLDERS' EQUITY	**2.911**

The adoption of the modified retrospective method did not have any impact on shareholders' equity at the date of first-time adoption.

The impact arising from the adoption of the new standard on earnings before tax for 2019, amounting to approximately EUR 37 thousand of higher costs, is summarised as follows:

Amounts in thousands of euros	2019
Service costs	768
of which: from Related Parties	653
Depreciation and Amortisation	(765)
TOTAL COSTS	**3**
EBIT	**3**
Financial expenses	(40)
of which: from Related Parties	(35)
NET FINANCIAL INCOME	**(40)**
EARNINGS BEFORE TAX	**(37)**

To aid in understanding the impacts deriving from the first time adoption of the standard, the following table provides a reconciliation between the future commitments relating to lease agreement of the financial statements of the year 2018 and the impact deriving from adoption of IFRS 16 on 1 January 2019:

Amounts in thousands of euros	1-Jan-19
Commitments for operating leases at 31 December 2018	**3.606**
Short term lease fees (exemption)	(35)
Low-value lease fees (exemption)	(546)
Non-discounted financial liabilities for leases at 1 January 2019	**3.025**
Discounting effect	(115)
Financial liability for leases at 1 January 2019	**2.910**
Present value of liability for finance leases at 31 December 2018	864
Financial liability for leases at the transition to IFRS at 1 January 2019	**3.707**
of which Current financial liabilities	1.478
of which Non-current financial liabilities	2.229

In adopting IFRS 16, the Company used the exemption contemplated in IFRS 16:5(a) in relation to short-term leases.
Similarly, the Company used the exemption contemplated in IFRS 16:5(b) as regards lease agreements for which the underlying asset is a low-value asset (i.e. assets underlying the lease agreement which do not exceed EUR 5,000 when new). Contracts for which the exemption was applied mainly refer to the following categories:

- Computers, telephones 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 relative right of use, but the lease payments will be recognised in the income statement on a line-by-line basis for the duration of the respective contracts.

With reference to transition rules, the Company used the following practical expedients, which are available if the modified retrospective transition method is adopted:

- o Classification of contracts expiring within 12 months from the transition data as *short-term leases*. The lease payments for these contracts are recognised in the income statement on a line-by-line basis;
- o The exclusion of direct initial costs from the measurement of the right of use at 1 January 2019.
- o The use of information present at the transition date to determine the lease term, with particular reference to exercising the options of extension and early closing.

- On 12 December 2017, the IASB published the document ***"Annual Improvements to IFRSs 2015-2017 Cycle"*** which implements the amendments to some standards as part of the annual improvement process. The main amendments concern:
  - o IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*: the amendment clarifies that when an entity obtains control of a business which represents a joint operation, it must remeasure the interest previously held in that business. Instead, this process is not applied if joint control is obtained.
  - o IAS 12 *Income Taxes*: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified in shareholders' equity) should be recognised consistently with the transaction generating such profits (income statement, OCI or shareholders' equity).
  - o IAS 23 *Borrowing costs*: the amendment clarifies that in the case of loans which still exist even after the relative qualifying asset is already ready for use or sale, said loans become a part of the loans used to calculate borrowing costs.

  The adoption of this amendment did not have any effects on the separate financial statements of the Company.

- On 7 February 2018, the IASB published the document "*Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*". The document clarifies how an entity must recognise an amendment (i.e. a *curtailment* or *settlement*) to a defined benefits plan. The amendments require the entity to revise its assumptions and remeasure the liability or negative asset arising from the plan. The amendments clarify that after the occurrence of such an event, an entity must use revised assumptions to measure the current service cost and interests for the rest of the reporting period subsequent to the event. The adoption of this amendment did not have any effects on the separate financial statements of the Company.

- 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 adopt IFRS 9, including requirements concerning impairment and 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 separate financial statements of the Company.
- On 7 June 2017, the IASB published the interpretation *Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)*. The interpretation deals with uncertainties over tax treatment for income tax. In particular, the interpretation requires an entity to analyse *uncertain tax treatments* (individually or as a whole, depending on the characteristics), assuming that the tax authority will examine the tax position and will have full knowledge of all relevant information when doing so. If the entity concludes that it is not probable that a particular tax treatment is accepted by the tax authority, the entity has to reflect the uncertainty of the measurement of its own current and deferred income taxes. Moreover, the

document does not contain any new disclosure obligation, but states that the entity shall establish whether it will be necessary to provide information on considerations made by management and relative to the uncertainty of the tax treatment, as provided for by IAS 1.
The adoption of this amendment did not have any effects on the separate financial statements of the Company.

- On 12 October 2017, the IASB published an amendment to IFRS 9 "*Prepayment Features with Negative Compensation* (*Amendments to IFRS 9*)". This document specifies that instruments with early repayment could meet the *Solely Payments of Principal and Interest* ("*SPPI*") test, also if the "*reasonable additional compensation*" to pay in the case of early reimbursement is "*negative compensation*" for the lender. The adoption of this amendment did not have any effects on the separate financial statements of the Company.

IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE COMPANY AT 31 DECEMBER 2019

- On 31 October 2018, the IASB published the document "*Definition of Material (Amendments to IAS 1 and IAS 8)*". The document introduces an amendment to the definition of "material" 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 "material" more specific and to introduce the concept of "*obscured information*" along with the concepts of omitted or misstated information already contained in the above two standards. The amendment clarifies that information is "*obscured*" if described in such a way as to have - for primary uses of general-purpose financial statements - an effect similar to that produced if such information had been omitted or misstated.
  The amendments introduced were approved on 29 November 2019 and apply to all transactions after 1 January 2020.
  The Directors do not expect the adoption of this amendment to have a significant effect on the separate financial statements of the Company.

- On 29 March 2018, the IASB published an amendment to "*References to the Conceptual Framework in IFRS Standards*". The amendment is effective for the periods that start on or after 1 January 2020, but early adoption is permitted.
  The *Conceptual Framework* defines the fundamental concepts for financial disclosure and guides the Board in the development of IFRS standards. The document helps in guaranteeing that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information to investors, lenders and other creditors.
  The Conceptual Framework supports enterprises in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more in general, it helps the involved parties to understand and interpret the Standards.

- On 26 September 2019, the IASB published the amendment entitled "*Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform*". The same amends IFRS 9 - *Financial Instruments* and IAS 39 - *Financial Instruments: Recognition and Measurement* in addition to IFRS 7 - *Financial Instruments: Disclosures.* In particular, the amendment modifies some of the requirements for hedge accounting, providing temporary waivers

thereof, in order to mitigate the impact deriving from the uncertainty of the IBOR reform (still ongoing) on future cash flows in the period preceding its completion. The amendment further imposes to companies to provide in their financial statements additional information about their hedges that are directly affected by the uncertainties generated by the reform and to which the above mentioned waivers apply.
The amendments apply from 1 January 2020, but enterprises may opt for early adoption. The Directors do not expect the adoption of this amendment to have effects on the separate financial statements of the Company.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

At the end of the reporting period, competent bodies of the European Union had not completed the approval process necessary to adopt the amendments and standards described below.

- On 22 October 2018, the IASB published the document "*Definition of a Business (Amendments to IFRS 3)*". The document provides some clarifications of the definition of a business for the purpose of adopting IFRS 3. In particular, the amendment clarifies that while a business usually produces output, the presence of output is not strictly necessary to identify a business in the presence of an acquired set of activities/processes and assets. However, to meet the definition of a business, an acquired set of activities/processes and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. For this purpose, the IASB has replaced the wording "ability to create outputs" with the wording "ability to contribute to creating outputs" to clarify that a business may exist also without the presence of all inputs and processes necessary to create outputs.
  The amendment also introduced an optional test ("*concentration test*"), which allows to exclude the presence of a business if the price paid can substantially be referred to a single asset or group of assets. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early adoption is permitted.
  The Directors do not expect the adoption of this amendment to have effects on the separate financial statements of the Company.

- On 18 May 2017, the IASB published IFRS 17 – *Insurance Contracts* which is to replace IFRS 4 – *Insurance Contracts*.
  The purpose of the new standard is to guarantee that an entity provides relative information which faithfully represents the rights and obligations arising from insurance contracts issued. The IASB has developed a standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single *principle-based* framework, in order to consider all types of insurance contract, including reinsurance contracts, held by an insurance undertaking.
  The new standard also establishes requirements for presentation and disclosure in order to improve comparability between entities belonging to this sector.
  The new standard measures an insurance contract based on a *General Model* or a simplified version of this model called the *Premium Allocation Approach* ("PAA").
  The main characteristics of the *General Model* are:
    - estimates and assumptions of future cash flows are always current;
    - the measurement reflects the time value of money;
    - estimates are based on an extensive use of observable market information;
    - a current and explicit measurement of risk exists;
    - expected profit is deferred and aggregated in groups of insurance contracts on initial recognition; and,

- expected profit is recognised in the contract coverage period, considering adjustments arising from changes in assumptions concerning cash flows relative to each group of contracts.

The PAA requires the measurement of the liability for the remaining coverage of a group of insurance contracts on condition that, at the time of initial recognition, the entity expects the liability to reasonably represent an approximation of the *General Model*. Contracts with a coverage of one year or less are automatically suitable for the PAA. The simplifications arising from the adoption of PPA do not apply to the measurement of liabilities for claims, which are measured using the *General Model*. However, it is not necessary to discount those cash flows if the balance to pay or receive is expected within one year from the date when the claim was made.

The entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with a *discretionary participation feature* (DPF).

The standard applies starting from 1 January 2021 but early adoption is permitted, only for entities that adopt IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from Contracts with Customers*. The Directors do not expect the adoption of this standard to have a significant effect on the separate financial statements of the Company.

- 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 to solve the current conflict between IAS 28 and IFRS 10.
  As provided for in IAS 28, the gain or loss resulting from the sale or disposal of a non-monetary asset to a joint venture or associate in exchange for an equity interest in the latter is limited to the equity interest held in the joint venture or associate by other investors not involved in the transaction. On the contrary, IFRS 10 provides for the recognition of the entire gain or loss in the case of a loss of control of a subsidiary, also if the entity continues to hold a non-controlling interest, including in this case the sale or disposal of a subsidiary to a joint venture or associate. The amendments introduced require, in the case of a sale/disposal of an asset or a subsidiary to a joint venture or associate, that the gain or loss to recognise in the financial statements of the transferor/transferee is measured depending on whether assets or the subsidiary sold/transferred are a business or otherwise, according to the definition in IFRS 3. If the assets or the subsidiary sold/transferred are a business, the entity must recognise the gain or loss for the entire equity interest previously held; if they are not defined as a business, the portion of loss or gain relative to the equity interest still held by the entity must be eliminated. At present, the IASB has suspended the adoption of this amendment. The Directors do not expect the adoption of these amendments to have a significant effect on the separate financial statements of the Company.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment mainly consist of:

a) land;
b) buildings;
c) plant and machinery;
d) rolling stock (hired rolling stock and locomotives).

Property, plant and equipment are recognised at purchase or production cost including directly related costs. The cost is reduced by depreciation and impairment. Land is not depreciated. If financed by government grants, property, plant and equipment are recognised including the grant, which is entered in the item "Other liabilities" according to criteria indicated in the accounting standard "Government grants".

Depreciation is calculated on a straight-line basis using percentages that reflect the economic and technical deterioration of the asset. Depreciation is calculated when the asset becomes available for use according to Management's intentions.
Significant parts of tangible assets that have different useful lives are recognised separately and depreciated based on their separate useful life.

The useful lives and residual values are revised annually at the end of the reporting period.

Useful lives are as follows:
Buildings: 50 years;
Plant and machinery: 5-16 years;
Rolling stock: 15-22 years.

If an impairment loss is recorded, the property, plant or equipment is written down according to criteria indicated below in the section "Impairment loss of intangible assets, property, plant and equipment and investments".

PROPERTY ASSETS
Property assets, i.e. assets held for rent income or to appreciate their value, mainly refer to stores located near Cadorna station in Milan.

In compliance with IAS 40, the Company opted to measure these assets at cost, net of depreciation and impairment, using the same treatment adopted for property, plant, and equipment and, given their limited significance, these items are not recorded in a separate line of assets in relation to "Property, plant and equipment".

IFRS 16 LEASES
The new accounting standard introduced a new definition of leases based on control of the underlying asset, i.e. the right to use an identified asset and to obtain substantially all of its economic benefits through the management of the use of the asset itself, for a period of time in exchange for consideration.
IFRS 16 provides a single accounting model for lease agreements, based on which the lessee must recognise, as an asset, the right to use the leased asset ("Right of use") as a contra entry to a liability representing the financial obligation ("Financial liabilities for leased assets") determined by discounting the payments for the minimum guaranteed future lease payment, thus eliminating, for the lessee (leases as lessee) the accounting distinction between operating and finance leases, as was instead previously required by IAS 17.
The new IFRS 16 is effective for the Company starting from 1 January 2019. The Company took the option of adopting IFRS 16 with the modified retrospective approach; therefore, upon first time adoption, the Company recognised the cumulative effect deriving from adoption of the standard in the shareholders' equity as at 1 January 2019, without redetermining the comparative data of the previous year.
Accounting model for the lessee
The Company recognises in the statement of financial position the assets for the right of use and the financial liabilities for leased assets for most leases, with the exception of low value assets under lease, i.e. having a new value of less than Euro 5,000. Therefore, the Company recognises the

payments due for the leases relating to the aforesaid leases as cost with a straight line criterion throughout the duration of the lease.
On the effective date of the lease, the Company recognises the asset for the right of use and the financial liability for leased assets.
The asset for the right of use is initially measured at cost, and subsequently at cost less amortisation and impairment losses, cumulated, and adjusted to reflect the write-backs of the lease liability.
The Company measures the financial liability for leased assets at the present value of the payment due for the leases not paid as at the effective date, discounting them using the implied interest rate of the lease. Whenever it is not possible to determine this rate easily, the Company uses the marginal lending rate. Generally, the Company uses the marginal lending rate as the discounting rate. The financial liability for leased assets is subsequently increased by the interest that accrue on said liability and decreased by the payments due for the leases carried out and it is revalued in case of change in the future payments due for the lease deriving from a change in the index or rate, in case of change of the amount the Company expects to have to pay by way of guarantee on the residual value or when the Company changes its valuation with reference to whether or not a buy, extension or termination option is exercised. *Accounting model for the lessor*
The Company sub-leases to third parties the right of use of some leased assets for a duration prevalently coinciding with that of the main agreement. The accounting principles applicable to the Company as lessor do not deviate from those prescribed by IAS 17. However, when the Company acts as intermediate lessor, sub-leases are classified referring to the asset for a right of use deriving from the main lease, rather than to the underlying asset.

INTANGIBLE ASSETS
Intangible assets refer to costs, including related charges, incurred to purchase resources without physical substance on condition that their amount can be reliably quantified, and the asset is clearly identifiable and controlled by the Company. Intangible assets are recognised at purchase or production cost including related costs and are amortised based on their future use.
If an impairment loss is recorded, the intangible asset is written down according to criteria indicated below in the section “Impairment loss of intangible assets, property, plant and equipment and investments”.

Costs for the purchase of software licences, together with related costs, are capitalised and amortised based on the expected useful lives represented by the licence duration. Amortisation starts when the asset becomes available for use according to Management’s intentions.

Other intangible assets are amortised based on their remaining useful life. Useful lives are mainly estimated in five years.

EQUITY INVESTMENTS
Subsidiaries are entities over which the Company: (a) has power; (b) is exposed to, or has the rights to, variable returns arising from its involvement with said entity; (c) has the capacity to use power to influence the amount of such variable returns; while joint ventures are investees in which the Company exercises joint control with another investor. Joint ventures operate in different sectors from the operating segments of the Company and their activities are developed with a specialist partner, with whom decisions about significant operations are shared, also backed up by partner agreements in which joint control of the investees is established.

All investments are recognised at purchase cost on initial recognition. Subsequently, if there is evidence of an impairment loss, the recoverable value of the investment is estimated. If an impairment loss is recorded, the investment is written down according to criteria indicated below in the section “Impairment loss of intangible assets, property, plant and equipment and investments”.

CURRENT AND NON-CURRENT FINANCIAL RECEIVABLES

Receivables and loans are initially recognised at their fair value, which corresponds to the nominal value. Subsequently they are measured at amortised cost based on the original effective rate of return of the financial asset. Financial assets are eliminated from the balance sheet when the contractual right to receive cash flows has been transferred and the entity no longer has control of said financial assets.

Receivables and loans recognised as current assets are recorded at their nominal value as the present value would not vary significantly. At the end of each reporting period, the Company assesses the possibility of recovering the receivables, taking into account expected future cash flows.

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are determined based on temporary differences existing between the carrying amount of assets and liabilities and their tax value and are classified as non-current assets and liabilities.

Deferred tax assets are only recognised to the extent that the existence of adequate future taxable income against which said deferred tax assets can be used is probable.

The value of deferred tax assets that may be presented in the financial statements is tested annually.

The value of deferred tax assets and liabilities is determined based on expected tax rates for the period when the deferrals will occur, considering rates in effect or known rates which will subsequently be issued.

Current and deferred taxes are recognised in the Income Statement, apart from taxes relative to items directly recognised in Other comprehensive income, or other items of Shareholders’ equity, in which case the tax effect is directly recognised in Other comprehensive income or in Shareholders’ equity.

TRADE RECEIVABLES

Trade receivables are recognised at their nominal value, suitably adjusted to align them with their estimated realisable value.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and sight deposits, recognised at their nominal value. For an investment to qualify as cash or a cash equivalent it must be readily convertible to a known amount of cash and have an insignificant risk of change in value.

In relation to the adoption of IFRS 9, based on the expected losses model, the Company considers the expected losses along the life of the financial asset at each reference date of the financial statements.

ASSETS HELD FOR SALE

As provided for in IFRS 5 “Non-current assets held for sale and discontinued operations”, non-current assets whose carrying amount is mainly recovered through a sale rather than continual use, if the requirements of the standard are met, are classified as held for sale and recognised at the lower of the carrying amount and fair value, net of the cost to sell. From the date when these assets are classified in the category of non-current assets held for sale, relative amortisation/depreciation is suspended. The liabilities connected with these assets are classified under “Liabilities relative to assets held for sale”, while the economic result concerning these assets is recognised under “Other income”.

LOANS

Loans are initially recognised at cost represented by the fair value of the value received net of additional costs related to acquiring the loan.
After initial recognition, loans are measured according to the amortised cost method calculated by adopting the effective interest rate.
Amortised cost is calculated taking into account issue costs and any discount or premium at the time of settlement.

EMPLOYEE BENEFITS

Employee benefits provided at the end of employment or afterwards mainly refer to post-employment benefit.
Law no. 296 of 27 December 2006 (2007 Budget Law) and subsequent decrees and regulations issued in the first few months of 2007 introduced significant changes to legislation on post-employment benefit, including the possibility for employees to choose the allocation of the post-employment benefit they accrue.
This means, for IFRS purposes, a different accounting treatment which is explained below:

a) post-employment benefit accruing as from 1 January 2007: this is a defined contribution plan, both in the case of the employee opting for a supplementary pension and in the case of the employee opting to pay the post-employment benefit into the Treasury Fund held with Italy's state social security institute (INPS). The accounting treatment will therefore be the same as that adopted for various social security/pension payments;
b) post-employment benefit accrued at 31 December 2006: this item remains a defined benefits plan, with the consequent need for actuarial calculations to be carried out by independent actuaries, who shall exclude the component relative to future salary increases. The difference resulting from the new calculation compared to the previous one was treated as a curtailment, as defined in paragraph 109 of IAS 19 and consequently recognised in the income statement in the first half of 2007. The liability is entered in the financial statements at the present value of the Company's obligation based on actuarial assumptions made using the *projected unit credit method*. Actuarial gains and losses arising from changes in assumptions and changes in final and hypothesized data are recognised in the statement of comprehensive income in a specific reserve of shareholders' equity called "Reserve for actuarial gains/(losses)".

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges include allocations arising from current (legal or implicit) obligations resulting from a past event which, in order to be met, will probably require the use of resources, that can be reliably estimated. If the expected use of resources goes beyond the following year, the obligation is recognised at the present value determined by discounting expected future flows by a rate that takes into account the cost of money and risk of the liability.
Instead no provision is made for risks for which the occurrence of a liability is only possible. In this case, specific disclosure is provided in the section on commitments and risks and no allocation is made.

FINANCIAL AND TRADE PAYABLES

Payables are initially recognised at fair value, and subsequently recognised at amortised cost, which generally corresponds to the nominal value.
Financial liabilities are eliminated from the balance sheet when, and only when, they are settled, or when the specific contract obligation has been met or cancelled or has expired.

OPERATIONS *UNDER COMMON CONTROL*

A business combination involving businesses or companies *under common control* is a combination in which all businesses or companies are ultimately controlled by the same entity or entities both before and after the business combination and the control is not of a temporary nature.

If a significant influence on future cash flows after the transfer of all parties involved, can be demonstrated, these operations are treated as described in the section “business combinations”. If, instead, this significant influence cannot be demonstrated, these operations are recognised on a going concern basis.

In particular, the criteria for recognition, applying the going concern principle, in line with IAS 8.10 and with international practices and guidelines from the Italian accounting profession on business *combinations under common control*, require the purchaser to recognise the assets acquired based on their historical carrying amounts determined according to the cost base. Where the transfer values are greater than the historical values, the excess is reversed, decreasing the shareholders’ equity of the purchasing company, with a reserve debited.

Similarly, the accounting standard adopted to prepare the financial statements of the transferring company requires any difference between the transaction price and pre-existing carrying amount of the assets being transferred to not be recognised in the income statement, but instead to be recognised in shareholders’ equity.

BUSINESS COMBINATIONS

Business combinations are recognised according to the acquisition method. According to this method, the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair values of the transferred assets and liabilities undertaken by the Company at the acquisition date and the equity instruments issued in exchange for control of the purchased entity.

At the acquisition date, identifiable acquired assets and liabilities undertaken are measured at the fair value at the acquisition date; the following items are an exception, which instead are measured according to their reference standard:

- deferred tax assets and liabilities;
- assets and liabilities for employee benefits;
- liabilities or equity instruments relative to share-based payments of the purchased entity or share-based payments relative to the Group issued to replace contracts of the acquired entity;
- assets held for sale and discontinued assets and liabilities.

Goodwill is determined as the excess between the sum of amounts transferred in a business combination, the value of equity attributable to non-controlling interest and the fair value of any investment previously held in the acquired entity compared to the fair value of net assets acquired and liabilities undertaken at the acquisition date. If the value of net assets acquired and liabilities undertaken at the acquisition date exceeds the sum of amounts transferred, the value of shareholders’ equity attributable to non-controlling interest and the fair value of any investment previously held in the acquired entity, this excess is immediately recognised in the income statement as income arising from the completed transaction.

REVENUES

Revenues for the provision of services are recognised at the time the service is provided.

Financial income is recognised in the Income Statement during the year when it is accrued or sustained, on an accrual basis.

The main sources of revenue are as follows:

a) operating lease payments relative to rolling stock to Group companies;

b) fees for the administrative services rendered centrally to Group companies: the organisation and provision of accounting and personnel administration services, general services, assistance for project development and extraordinary initiatives of subsidiaries, the coordination of corporate secretarial departments, legal activities and consultancy, treasury, planning and control, ICT (Information & Communication Technology), purchasing, tenders and contracts, human resources management and organisation, communication;
c) lease payments received for civil and commercial own property, from both Group companies and third parties.
d) financial income for finance lease agreements from Group companies: finance leases for locomotives.

GOVERNMENT GRANTS

Government grants are recorded when there is reasonable certainty that they may be received. This coincides with the moment when public bodies formalise the disbursement.
Grants relative to the purchase of property, plant and equipment, disbursed by the Lombardy Region or third parties (other public bodies) are recognised as "Other liabilities" and expensed in the income statement on a straight-line basis according to the expected useful life of the assets they refer to.

IMPAIRMENT LOSS OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INVESTMENTS

Non-current assets include - among others - property, rolling stock, intangible assets and investments. Management periodically revises the carrying amount of non-current assets held and used and assets that must be disposed of, when required by facts and circumstances. This revision is carried out comparing the carrying amount of the asset and the greater of the fair value, net of costs to sell, and the value in use of the asset. In the absence of market values considered representative of the actual value of the investment, estimate methods and valuation models are used based on data and assumptions which are sustainable and reasonable, based on historical experience and future expectations of the market and foreseeable changes in the specific legal framework. The value in use is determined based on estimates of cash flows expected from the use or sale of the asset, approved by competent bodies and based on projections that do not exceed five years and discount rates to calculate the present value, referred to market conditions.
When the carrying amount of a non-current asset is impaired, the Company records a write-down for the excess between the carrying amount of the asset and its recoverable value through use or sale, determined with reference to the Company's most recent plans.
For assets not subject to amortisation/depreciation and intangible assets not yet available for use, impairment testing is carried out annually, regardless of whether or not specific indicators are present.
If the conditions for a previous write-down no longer apply, the carrying amount is restored to the new estimated value, which will not exceed the net carrying amount the asset would have had, if it had not been written down. Reversals are recorded in the Income Statement.

DIVIDENDS

Income for dividends is recognised when the right to collection arises, which normally coincides with the resolution of the Shareholders' Meeting to distribute dividends.
Resolved dividends are recognised as a payable to Shareholders at the time of the resolution on distribution.

FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income and expenses are recognised on an accrual basis.

CURRENT TAXES
Current taxes are recognised and determined based on a realistic estimate of taxable income in compliance with applicable tax regulations and considering applicable exemptions and any tax receivables due.

TAX CONSOLIDATION
The Company renewed the option for the National Tax Consolidation Scheme for the 2019 - 2021 three-year time interval (art. 117, Paragraph 1 of the Consolidated Income Tax Act),), which subsidiaries of FNM S.p.A. are also party to, pursuant to art. 2359 of the Italian Civil Code. This provision enables the Company to manage all obligations to make periodic payments and offset any credit positions of other Group companies against relative debt positions. Subsidiaries determine taxes, and revenue payments are made exclusively by FNM S.p.A. On payment, companies transfer their IRES receivable/payable, recording the payable/receivable to the Company, which in turn records the IRES receivable/payable transferred by the subsidiaries and the payable/receivable towards them, proceeding with payment or collection.

GROUP VAT
The Company has chosen the option in art. 73, paragraph 3 of Italian Presidential Decree 633/72 relative to Group VAT. This provision enables FNM S.p.A. in a capacity as Parent pursuant to art. 73, paragraph 3, to manage all obligations to make periodic payments to the Revenue Agency and offset any credit positions of other Group companies against relative debt positions. Subsidiaries periodically liquidate VAT and payments are made exclusively by FNM S.p.A. On payment, companies transfer their VAT receivables/payables to the Company, which then records them, and oversees relative payment or collection.

EARNINGS PER SHARE
Basic earnings per share are calculated dividing net profit for the period attributable to owners of ordinary shares of the Company by the weighted average number of ordinary shares outstanding in the period, excluding treasury shares.

TRANSLATION OF FOREIGN CURRENCY ITEMS
Functional currency
The Company prepares the financial statements in accordance with the money of account used in Italy. The functional currency of the Company is the Euro, which is the presentation currency of the separate financial statements.

Transactions and accounting records
Transactions in foreign currency are initially recognised at the exchange rate in effect at the transaction date.
At the end of the reporting, period, monetary assets and liabilities in foreign currency are re-translated based on the exchange rate in effect at that date.
Non-monetary items measured at historical cost in foreign currency are translated using the exchange rate in effect at the transaction date.
Non-monetary items recognised at fair value are translated using the exchange rate in effect at the date when the value was determined.

ITEMS SUBJECT TO SIGNIFICANT ASSUMPTIONS AND ESTIMATES
The preparation of the separate financial statements and notes requires Management to use estimates and assumptions that have an effect on financial statement assets and liabilities and on the disclosure of potential assets and liabilities at the reporting date. The estimates and assumptions used are based on experience and other factors considered material. Final results could differ from

these estimates. Estimates and assumptions are revised periodically and the effects of all changes are reflected in the income statement in the year when the estimate is revised if the revision only impacts that year, or also in subsequent years, if the revision has effects on the current year as well as on future years.
The main critical measurement processes and key assumptions used by Management in adopting accounting standards, concerning the future and which may have significant effects on figures in the separate financial statements or for which there is a risk that value adjustments to the carrying amount of assets and liabilities in the year following the reporting period in question may be identified, are summarised below.

Recoverable value of property, plant and equipment, intangible assets and investments
Non-current assets include land, property, plant and machinery and other assets and intangible assets, as well as investments.
As stated in the accounting standard "Impairment of intangible assets, property, plant and equipment and investments", Management periodically revises the carrying amount of non-current assets held and used and of assets to be disposed of, as required by facts and circumstances. This revision is carried out using estimates of expected cash flows and adequate discount rates to calculate the present value and is therefore based on a set of assumptions relative to future events and the actions of administrative bodies of the Company that might not necessarily occur according to expected times and procedures.

Provision for bad debts
The provision for bad debts reflects Management estimates of losses relative to the receivables portfolio.
The estimate of the provision for bad debts is based on losses expected by the Company, determined based on past experience with similar receivables, current and historical past due receivables, and losses and collections, the careful monitoring of credit quality and forecasts of economic and market conditions, assisted by legal advisors representing the Company during pre-litigation and litigation stages.

Deferred tax assets and liabilities
The Company recognises current taxes and deferred tax assets and liabilities based on applicable laws. The recognition of taxes requires the use of estimates and assumptions concerning procedures to interpret applicable regulations, regarding operations carried out during the year, and their effect on company taxes. Moreover, the recognition of deferred tax assets and liabilities requires the use of estimates concerning prospective taxable income and relative developments, as well as tax rates that are actually applicable. This takes place through the analysis of transactions and their tax profiles, assisted by external consultants as necessary for various issues addressed and the use of simulations of prospective income and relative sensitivity analysis.

Defined benefit plans
Post-employment benefit may be classified as a defined benefit plan for the portion accrued up to 31 December 2006. Management uses various statistical assumptions and valuation factors with the aim of anticipating future events to calculate expenses, liabilities and assets relative to such plans. The assumptions concern the discount rate and rates of future salary increases. Moreover, actuaries acting as consultants for the Company use subjective factors, such as mortality and resignation rates.

Potential liabilities

The Company may be involved in various proceedings (legal, tax, labour litigation), arising from complex and difficult issues, with varying degrees of uncertainty, including factors and circumstances inherent to each case, jurisdiction and different applicable laws.

Given the uncertainties of these issues, it is difficult to predict outflows that could arise from these disputes, with certainty.

Consequently, Management, after consulting with its legal and tax advisors, recognises a liability for these disputes when a financial outflow is likely and when the amount of resulting losses can be reasonably estimated. If a financial outflow becomes possible but the amount cannot be determined, the situation is reported in the notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

NOTE 1 PROPERTY, PLANT AND EQUIPMENT

At 1 January 2018, property, plant and equipment, net of relative accumulated depreciation, comprised the following:

Description	01.01.2018		
	Cost	Accumulated depreciation	Book value
Land and buildings	23.788.303	(7.560.489)	16.227.814
Plant and machinery	597.355	(313.200)	284.155
Industrial and commercial equipment	66.935	(66.935)	
Other assets:			
Rolling stock	508.411.085	(173.891.381)	334.519.704
Furniture and furnishings, office machines, improvements to third party assets	2.087.301	(1.436.945)	650.356
Total other assets	510.498.386	(175.328.326)	335.170.060
Assets in the course of construction and advances	19.643.744		19.643.744
Total	**554.594.723**	**(183.268.950)**	**371.325.773**

Changes for 2018 are shown below:

Description	Land and buildings	Plant and Machinery	Industrial and commercial equipment	Other assets		Assets in the course of construction and advances	Total
				Rolling stock	Furniture and furnishings, office machines, improv. to third party assets		
Net Value as at 01.01.2018	**16.227.814**	**284.155**		**334.519.704**	**650.356**	**19.643.744**	**371.325.773**
Investments financed with own funds	111.058	4.005	3.846	4.795.546	21.153		**4.935.608**
Transfers gross value	2.308	18.000	189	19.520.768	102.479	(19.643.744)	
Divestments: Gross Disposals	(67.139)						**(67.139)**
Amortisation Rates	(380.927)	(55.252)	(269)	(24.804.132)	(157.593)		**(25.398.173)**
Net Value as at 31.12.2018	**15.893.114**	**250.908**	**3.766**	**334.031.886**	**616.395**		**350.796.069**

Therefore at 31 December 2018, property, plant and equipment, net of relative accumulated depreciation, comprised the following:

Description	31.12.2018		
	Cost	Accumulated depreciation	Book value
Land and buildings	23.834.530	(7.941.416)	15.893.114
Plant and machinery	619.360	(368.452)	250.908
Industrial and commercial equipment	70.970	(67.204)	3.766
Other assets:			
Rolling stock	532.727.399	(198.695.513)	334.031.886
Furniture and furnishings, office machines, improvements to third party assets	2.210.933	(1.594.538)	616.395
Total other assets	534.938.332	(200.290.051)	334.648.281
Assets in the course of construction and advances			
Total	**559.463.192**	**(208.667.123)**	**350.796.069**

Changes for 2019 are shown below:

Description	Land and buildings	Plant and Machinery	Industrial and commercial equipment	Other assets		Assets in the course of construction and advances	Total
				Rolling stock	Furniture and furnishings, office machines, improv. to third party assets		
Net Value as at 01.01.2019	**15.893.114**	**250.908**	**3.766**	**334.031.886**	**616.395**		**350.796.069**
Investments financed with own funds		102.703		158.800		9.508.520	**9.770.023**
Amortisation Rates	(384.363)	(68.090)	(484)	(23.998.095)	(153.845)		**(24.604.877)**
Net Value as at 31.12.2019	**15.508.751**	**285.521**	**3.282**	**310.192.591**	**462.550**	**9.508.520**	**335.961.215**

Therefore, at 31 December 2019, property, plant and equipment, net of relative accumulated depreciation, comprised the following:

Description	31.12.2019		
	Cost	**Accumulated depreciation**	**Book value**
Land and buildings	23.834.530	(8.325.779)	15.508.751
Plant and machinery	722.063	(436.542)	285.521
Industrial and commercial equipment	70.970	(67.688)	3.282
Other assets:			
Rolling stock	532.886.199	(222.693.608)	310.192.591
Furniture and furnishings, office machines, improvements to third party assets	2.210.933	(1.748.383)	462.550
Total other assets	535.097.132	(224.441.991)	310.655.141
Assets in the course of construction and advances	9.508.520		9.508.520
Total	**569.233.215**	**(233.272.000)**	**335.961.215**

Land and buildings
The item “Land and buildings” mainly refers to net values outstanding at 31 December 2019 relative to the building in Piazzale Cadorna for EUR 9,030 thousand, land in the municipality of Saronno for EUR 3,421 thousand and in the municipality of Garbagnate Milanese for EUR 1,076 thousand, garages in the municipality of Milan for EUR 1,068 thousand and property in the municipality of Iseo for EUR 697 thousand.

Plant and machinery
The increases during the year are entirely determined by the cost of modernising the electric and HVAC systems at the new ticket office in Milan Cadorna.

Other assets
The category “rolling stock” refers to 26 TAF trains, 2 TSR trains, 8 CSA trains, 10 6-body CORADIA carriages, 7, 6-body TSR trains, 10, 4-body TSR trains; this category also includes 1, BR 189 locomotive and 8, 483 locomotives leased to DB Cargo Italia S.r.l.

The investment in the year, amounting to EUR 158 thousand is entirely due to a second-level cyclical maintenance activity carried out on the BR 189 locomotive.

Investments in furniture, furnishings and office equipment mainly refer to office furnishings for the offices of the Company, situated in Milan – Piazzale Cadorna.

Assets in the course of construction and advances
The investment in Assets in the course of construction and advances, amounting to EUR 9,509 thousand, are entirely due to the advance paid for the work order for 9 FLIRT trains.

With regard to the 9 FLIRT trains, the total amount of the commitment signed by the Company, on 30 November 2018, with STADLER BUSSNANG AG for the two application contracts for the supply respectively of No. 5 and No. 4 trains, is equal to EUR 95.1 million. The Company proceeded with the purchase of 9 6-body electric trains at Trenord’s request, to be used for the development and strengthening of cross-border services connected to the opening of the Monte Ceneri base tunnel (scheduled for 2020).

If property, plant and equipment had been recognised net of relative capital grants (Note 14), the effect on the financial statements at 31 December 2019 would have been the following:

2019	Book value	Grant	Net value less the grant
Land and buildings	15.508.751	(5.546.747)	9.962.004
Plant and machinery	285.521		285.521
Industrial and commercial equipment	3.282		3.282
Other assets	310.655.141	(3.348.192)	307.306.949
Assets in the course of construction and advances	9.508.520		9.508.520
Total property, plant and equipment	**335.961.215**	**(8.894.939)**	**327.066.276**

Management did not identify any factors indicating the need for impairment testing, to verify the recoverability of the carrying amount of property, plant and equipment.

NOTE 2 INTANGIBLE ASSETS

At 1 January 2018, intangible assets comprised the following:

Description	01.01.2018		
	Historical cost	Accumulated amortisation	Net Value
Assets in the course of construction and advances	1.264.253		1.264.253
Other	2.400.855	(1.328.679)	1.072.176
Total intangible assets	**3.665.108**	**(1.328.679)**	**2.336.429**

Changes for 2018 are shown below:

Description	Assets in the course of construction and advances	Other	Total
Net Value as at 01.01.2018	**1.264.253**	**1.072.176**	**2.336.429**
Investments financed with own funds	1.406.770	289.350	**1.696.120**
Transfers gross value	(526.108)	526.108	
Amortisation Rates		(946.639)	**(946.639)**
Net Value as at 31.12.2018	**2.144.915**	**940.995**	**3.085.910**

Therefore at 31 December 2018, intangible assets comprised the following:

Description	31.12.2018		
	Historical cost	Accumulated amortisation	Net Value
Assets in the course of construction and advances	2.144.915		2.144.915
Other	1.887.634	(946.639)	940.995
Total intangible assets	**4.032.549**	**(946.639)**	**3.085.910**

Changes for 2019 are shown below:

Description	Assets in the course of construction and advances	Other	Total
Net Value as at 01.01.2019	**2.144.915**	**940.995**	**3.085.910**
Investments financed with own funds	701.822	553.267	**1.255.089**
Transfers gross value	(2.008.548)	2.008.548	
Amortisation Rates		(834.368)	**(834.368)**
Net Value as at 31.12.2019	**838.189**	**2.668.442**	**3.506.631**

Therefore at 31 December 2019, intangible assets comprised the following:

Description	31.12.2019		
	Historical cost	Accumulated amortisation	Net Value
Assets in the course of construction and advances	838.189		838.189
Other	4.449.449	(1.781.007)	2.668.442
Total intangible assets	**5.287.638**	**(1.781.007)**	**3.506.631**

Assets in the course of construction and advances

Increases in the item "Assets in the course of construction and advances", equal to EUR 702 thousand, refer mainly to the upgrade of the BW SAP module, managed by FNM and used by Trenord, for EUR 177 thousand, to the creation of the new Intranet platform for EUR 96 thousand, to the implementation of additional SAP modules which FNM uses for its administration service, for EUR 93 thousand, activation of additional SAP PO management software modules, managed by FNM and used by Trenord for EUR 68 thousand, activation of additional SAP modules for intercompany reconciliations and consolidation for EUR 62 thousand, activation of additional modules of the SAP HR management software for EUR 59 thousand, as well as the design activities relating to cyber security instruments for EUR 56 thousand.

During the year, since the design activities had been completed, with the availability of the implemented modules, a transfer was made from the category in question to "Other" of the costs incurred in 2018 in relation to the SAP R3 upgrade to the S/4 HANA version for EUR 1,806 thousand, to additional SAP modules that FNM uses in the administrative service for EUR 89 thousand, to the aforesaid SAP management software managed by FNM and used by Trenord for EUR 33 thousand, to the activities relating to identity assessment instruments for EUR 24 thousand, to additional modules of the SP HR management software for EUR 21 thousand, to the development of the software used by FNM for the management of corporate entities for EUR 21 thousand, and to the activation of the IT system for the management of the new IFRS 16 for EUR 15 thousand.

Overall, assets in the course of construction and advances at 31 December 2019 mainly refer to the upgrade of the BW SAP, managed by FNM and used by Trenord, for EUR 177 thousand, to the activities relative to identity assessment instruments for EUR 129 thousand, to the creation of the new Intranet platform for EUR 96 thousand, to additional SAP modules which FNM uses for its administration service for EUR 93 thousand, to additional modules of the SAP HR management software for EUR 74 thousand, to the aforesaid SAP management software managed by FNM and used by Trenord for EUR 68 thousand, to migration to the G-Suite platform for EUR 66 thousand, to the activation of the SAP modules for intercompany reconciliation and consolidation for EUR 62 thousand, as well as to the development of the software used by FNM for the management of the corporate entities for EUR 13 thousand.

Other

Increases in the year (EUR 553 thousand) are mainly due to the costs relating to the *upgrade* of SAP R3 to the S/4 HANA version for EUR 185 thousand, to the costs relating to the additional modules of SAP that FNM uses for the service for EUR 184 thousand, to the costs relating to the additional modules of the SAP HR management software for EUR 88 thousand, to the activation of the IT system for the management of the new IFRS 16 for EUR 61 thousand as well as to the activities relating to identity assessment instruments for EUR 35 thousand.

Transfers concern items referred to in "Assets in the course of construction and advances".

Management did not identify any factors indicating the need for impairment testing, to verify the recoverability of the carrying amount of intangible assets.

NOTE 3 RIGHT OF USE

As at 1 January 2019, the item "Right of use", recognised upon adoption of the new IFRS 16, was broken down as follows:

Description	01.01.2019		
	Historical cost	Accumulated amortisation	Net Value
Right of use - software	67.862		67.862
Right of use - buildings	2.595.410		2.595.410
Right of use - other assets	247.565		247.565
Total	**2.910.837**		**2.910.837**

Changes for 2019 are shown below:

Description	Right of use - software	Right of use - buildings	Diritto d'uso materiale rotabile	Right of use - other assets	Total
Net Value as at 01.01.2019	**67.862**	**2.595.410**		**247.565**	**2.910.837**
Acquisitions			3.166.946	137.515	**3.304.461**
Divestments Historical Cost				(13.436)	**(13.436)**
Divestments Accumulated depreciation				3.023	**3.023**
Depreciation Rates	(37.563)	(535.638)	(85.593)	(106.241)	**(765.035)**
Net Value as at 31.12.2019	**30.299**	**2.059.772**	**3.081.353**	**268.426**	**5.439.850**

At 31 December 2019, the right of use therefore was broken down as follows:

Description	31.12.2019		
	Historical cost	Accumulated depreciation	Net Value
Right of use - software	67.862	(37.563)	30.299
Right of use - buildings	2.595.410	(535.638)	2.059.772
Right of use - rolling stock	3.166.946	(85.593)	3.081.353
Right of use - other assets	371.644	(103.218)	268.426
Total	**6.201.862**	**(762.012)**	**5.439.850**

NOTE 4 INVESTMENTS

At 31 December 2019, equity investments amounted to EUR 96,996 thousand with a decrease by EUR 3,280 thousand as a result of the recognitions and reclassifications that took place during the year and commented below.

Investments are shown in the next tables:

Description	31.12.2018			Changes in 2019				31.12.2019		
	Cost	(Impairment)	Book value	Increases	(Decreases)	Reclassification	(Impairments)/ Write-backs	Cost	(Impairment)	Book value
Equity investments in subsidiaries	52.325.895	(5.650.189)	46.675.706	536.559	(2.144.041)			50.718.413	(5.650.189)	45.068.224
Equity investments in joint ventures	50.231.794	(442.000)	49.789.794		(530.000)		(399.120)	49.701.794	(841.120)	48.860.674
Equity investments in associates	3.066.706	0	3.066.706					3.066.706		3.066.706
Total equity investments	**105.624.395**	**(6.092.189)**	**99.532.206**	**536.559**	**(2.674.041)**		**(399.120)**	**103.486.913**	**(6.491.309)**	**96.995.604**

Investments in subsidiaries

Investments in subsidiaries are shown in the following table:

Description	31.12.2018			Changes in 2019				31.12.2019		
	Cost	(Impairment)	Book value	Increases	(Decreases)	Reclassification	(Impairments)/ Write-backs	Cost	(Impairment)	Book value
FERROVIENORD S.p.A.	4.571.732	(234.548)	4.337.184					4.571.732	(234.548)	4.337.184
FNM Autoservizi S.p.A.	16.274.641	(4.624.641)	11.650.000					16.274.641	(4.624.641)	11.650.000
NORD_ING S.r.l.	10.329		10.329					10.329		10.329
Locoitalia S.r.l.	2.144.040		2.144.040		(2.144.040)					
Nuovo Trasporto Triveneto S.r.l.	248.000	(148.000)	100.000					248.000	(148.000)	100.000
Eurocombi S.r.l. under liquidation	1		1		(1)					
La Linea S.p.A.	5.576.152	(94.000)	5.482.152					5.576.152	(94.000)	5.482.152
Azienda Trasporti Verona S.r.l.	21.001.000	(549.000)	20.452.000					21.001.000	(549.000)	20.452.000
E-Vai S.r.l.	2.000.000		2.000.000	36.559				2.036.559		2.036.559
Malpensa Intermodale S.r.l.	500.000		500.000					500.000		500.000
Malpensa Distripark S.r.l.				500.000				500.000		500.000
Total equity investments in subsidiaries	**52.325.895**	**(5.650.189)**	**46.675.706**	**536.559**	**(2.144.041)**			**50.718.413**	**(5.650.189)**	**45.068.224**

NORD_ING S.r.l.
FNM S.p.A. holds a controlling interest in NORD_ING S.r.l. directly through a 20% stake in the share capital, and indirectly through FERROVIENORD S.p.A. which holds the remaining 80% of the share capital.

Locoitalia S.r.l.
On 20 December 2019, the Company executed the preliminary agreement for the sale of the equity investment held in Locoitalia (51%). The sale of Locoitalia presupposes the completion of a preliminary partial and proportional demerger, which took place on 4 February 2020, of Locoitalia into a newly established company called "Locoelettriche S.r.l.". Both equity investments will be subjected to two concurrent sales respectively to Tenor S.r.l. and to Railpool GmbH for an equity value of EUR 6.0 million, equal to EUR 3.0 million for the portion pertaining to FNM. The closing of the sale took place on 10 March 2020.
In consideration of the sale, the value of the equity investment at 31 December 2019 was reclassified among assets held for sale.

Eurocombi S.r.l. under liquidation
On 13 November 2019, the investee filed the final financial statements for liquidation in conditions of solvency and on 24 December 2019 it was removed from the register of companies.

Impairment Test
La Linea S.p.A.
On 21 December 2017, with effect from 1 January 2018, a majority interest (51%) in the share capital of La Linea S.p.A. was acquired. This company is active in the Veneto area in local public road transport and the hire of buses with driver, also through subsidiaries and/or investees.
As in the previous year, in view of the significant difference between the percentage of shareholders' equity and carrying amount of the investment, the Directors carried out impairment testing.
In particular, the recoverable value of the investment, considered as the value in use, was determined through a multi-scenario analysis approach, that considered 2 alternative scenarios, with different probabilities of occurrence. The two scenarios differ depending on whether the following occur, at the end of the ATV service contract, *(i)* the sub-contract of Verona to La Linea stops, because the service contract is not awarded to ATV, with consequent disposal of the asset and settlement of the liability, or *(ii)* the new service contract is awarded to ATV and sub-contracting by La Linea in the Verona catchment area continues.

Expected future cash flows used in this analysis were taken from the long-term plan approved on 28 February 2019 by directors of the investee for the 2019-2022 period, whose validity was recently confirmed by the Board of Directors of La Linea S.p.A. at its meeting of 6 March 2020, produced with an "inertial" approach, without any forecasts for growth in catchment areas other than those currently serviced following the possible award of contracts and which includes the assumption that current activities will continue, with the sole exclusion of the Padova catchment area, for which

subcontracting is assumed to stop from 2021 onwards. Also from 2021 onwards, the plan forecasts an increase in volumes in the Verona catchment area, equal to 500,000 bus/km; as regards the wholly owned subsidiary Martini Bus, the plan predicts 5% annual growth.
The rate used to discount cash flows determined as above is equal to 4.27% (net tax) and reflects current market valuations of the present value of money and specific risks of the asset, processed with reference to the country risk (Italy) and systematic risk and the financial structure of the sector, based on mean values observed for a sample of listed sector companies. A growth rate equal to zero is indicated for the period after the plan timeframe.

The impairment test developed according to the above methodology confirmed the carrying amount at which the equity investment is recognised in the separate financial statements, assuring a cover of EUR 3,301 thousand.

Sensitivity analysis was carried out considering a change in the WACC discount rate and *g-rate* growth rate; no significant differences on the test cover value were identified, as stated below:

		WACC				
		3,77%	4,02%	4,27%	4,52%	4,77%
G rate	0,0%	772	640	522	416	322
	0,5%	1.060	889	740	609	493
	1,0%	1.451	1.221	1.026	857	710
	1,5%	2.016	1.686	1.415	1.187	993
	2,0%	2.900	2.381	1.975	1.648	1.379

The break-even WACC that leads to a cover value equal to zero is 5.84%, for equal zero g-rate, with respect to the base value of the impairment test of 4.27%.

Based on a sensitivity analysis, the impact of Covid 19 could cause a reduction in EBITDA in 2020, as per subsequent events, which, at present, would not entail a zeroing of the cover value.

A.T.V. S.r.l.
A.T.V., in a capacity as contractor, provides public road transport services in the municipalities of Verona and Legnago and extra-urban services throughout the province of Verona.
Following the addendum to shareholder agreements signed on 12 February 2018 by FNM and AMT S.p.A., the investee Azienda Trasporti Verona S.r.l. is considered a subsidiary, from this date. Consequently, the investment was reclassified from "investments in joint ventures" to "investments in subsidiaries".
Pending the expiry of the current service contract on 30 June 2019, and later extended to 31 December 2020, on 6 December 2017 the Provincial Council of Verona approved the proposal for an expression of interest to take part in the public tender for the award of the local public transport service (TPL) for a contract duration of 7 years, with the possibility of renewal for a further two years. This proposal refers to two separate lots that may be awarded separately (1. urban and sub-urban network of Verona 2. extra-urban, provincial and urban network of Legnago). On 11 January 2018, the investee filed an appeal with the TAR (Regional Administrative Court) against the tender and relative resolution of the Provincial Council of Verona, concerning the type of tender planned and division in lots. The date of the first hearing still has to be set.
In view of the significant difference between the percentage of shareholders' equity and carrying amount of the investment, the Directors carried out impairment testing.

In particular, the recoverable value of the investment, considered as the value in use, was determined through a multi-scenario analysis approach, that considered two alternative scenarios, with different probabilities of occurrence, based on assumptions relative to renewal of the service contract. The two scenarios differ depending on whether one assumes the expiry of the extensions of the current concession period to 2022, considered highly likely given developments in processes to award local public transport concessions, *(i)* the service contract is stopped due to failure to

award the contract, with consequent disposal of the asset and settlement of the liability, or *(ii)* the contract is awarded in 2022 for both urban and extraurban lots, for a period of 9 years.
Expected future cash flows used in the analysis are taken from the long-term plan for the 2020-2030 period (corresponding to ten years in case of awarding of the service contract tender for both lots), approved on 6 March 2020 by the Directors of the investee. This plan includes assumptions of evolution of revenues and costs on the basis of historical trends and without introduction of expected efficiency-improving effects of the operating leverage that are reasonably achievable. The economic-financial forecasts contained in the plan prepared by ATV management and taken as references for impairment testing do not include the case of separate award of the local public transport service on two lots. As previously indicated, the investee appealed against the decision taken by the provincial council of Verona, as it does not consider the possibility of dividing the local public transport catchment area into two separate lots a consistent approach.

The rate used to discount cash flows determined as above is equal to 5.62% (net tax) and reflects current market valuations of the present value of money and specific risks of the asset, processed with reference to the country risk (Italy) and systematic risk and the financial structure of the sector, based on mean values observed for a sample of listed sector companies.
The growth rate estimated for the period beyond the plan timeframe, equal to 1%, is in line with the inflation rate expected for Italy for 2023, considering a rate consistent with expectations for growth in the sector and the reference area, as well as assumptions relative to future flows beyond the plan timeframe (2031). Among the assumptions used, of note is an average fee increase of 10% in 2022 applied to all traffic revenues, from 2023 production and base fee (for each lot) consistent with what is provided today by the tender procedure. Also envisaged are functional investments to make the fleet consistent with the prescriptions of the assumed tender regulations started from 2023.

The impairment testing, carried out based on the above methodology, did not result in any impairments, assuring a cover of EUR 1,972 thousand.

Sensitivity analysis was also carried out, considering a change in the WACC discount rate; no significant changes in the test cover value were identified, as set out below:

WACC				
5,12%	5,37%	5,62%	5,87%	6,12%
2.634	2.298	1.972	1.654	1.344

The break-even WACC that leads to a cover value of zero is 7.29% with respect to the base value of the impairment test of 5.62%.
Based on a sensitivity analysis, the impact of Covid 19 could cause a reduction in EBITDA in 2020, as per subsequent events, which, at present, would not entail a zeroing of the cover value.

E-Vai S.r.l.
In view of the difference between the percentage of shareholders' equity and carrying amount of the investment, the Directors carried out impairment testing.

Expected future cash flows used in the analysis are taken from the long-term plan approved on 19 December 2018 by the Directors of the investee for the 2019-2023 period, whose validity was recently confirmed by the Board of Directors at its meeting of 4 March 2020, which include hypotheses for development of the current services:

- traditional car sharing (model 1.0);
- community hire services (model 2.0);
- commuters and business hire services (model 3.0);
- corporate hire services (model 4.0).

In particular, the plan expects a growth in volumes, with the fleet increasing to 627 vehicles by the end of 2023, with growth mainly in the model 2.0 and model 4.0 segments; investments are not planned, and all production factors are hired; costs and revenues are not indexed.

The rate used to discount cash flows determined as above is equal to 6.79% (net tax) and reflects current market valuations of the present value of money and specific risks of the asset, processed with reference to the country risk (Italy) and systematic risk and the financial structure of the sector, based on mean values observed for a sample of listed sector companies. A growth rate equal to zero is indicated for the period after the plan timeframe.

Impairment testing carried out according to the above methodology confirmed the carrying amount at which the investment is recognised in the separate financial statements; the test cover, of EUR 271 thousand, was reached even considering only cash flows expected in the plan, without valuing the subsequent terminal value.

Sensitivity analysis, discussed below, was carried out considering a change in the WACC discount rate and g-rate growth rate; no significant differences from the above assumptions were identified.

		WACC				
		5,79%	6,29%	6,79%	7,29%	7,79%
G rate	0,0%	535	393	271	164	71
	0,5%	674	508	368	248	143
	1,0%	842	646	483	344	225
	1,5%	1.050	812	619	457	320
	2,0%	1.313	1.018	783	592	432

The break-even WACC that leads to a cover value equal to zero is 8.21%, for equal zero g-rate, with respect to the base value of the impairment test of 6.79%.

Based on a sensitivity analysis, the impact of Covid 19 could cause a reduction in EBITDA in 2020, as per subsequent events, which, at present, would not entail a zeroing of the cover value.

Malpensa Intermodale S.r.l.
On 17 December 2018 FNM established the single member limited liability company MALPENSA INTERMODALE, with share capital of EUR 500,000.00. The purpose of the subsidiary is to manage the Sacconago intermodal terminal in the industrial area of the municipality of Busto Arsizio, which is rented out to it by FERROVIENORD S.p.A.
Expected future cash flows used in the analysis are taken from the long-term plan approved on 28 February 2020 by the Sole Director of the investee for the 2020-2024 period, which include the following macro-assumptions:

- development and performance of the agreements with customers;
- enhancement of the ability to manage cargo units of the Terminal;
- reduced investment plan, because the expected business development does not entail structural investments.

In particular, according to the plan, after the first year of ramp-up and settlement (2019), the company is able to generate positive operating cash flows starting from 2020.
The rate used to discount cash flows determined as above is equal to 7.95% (net tax) and reflects current market valuations of the present value of money and specific risks of the asset, processed with reference to the country risk (Italy) and systematic risk and the financial structure of the sector, based on mean values observed for a sample of listed sector companies. A growth rate equal to zero is indicated for the period after the plan timeframe.

The impairment testing carried out according to the above methodology confirmed the carrying amount at which the investment is recognised in the separate financial statements; the test cover,

amounting to EUR 913 thousand, was reached even considering only cash flows expected in the plan, without valuing the subsequent terminal value.
Sensitivity analysis was also carried out, considering a change in the WACC discount rate; no significant changes in the test cover value were identified, as set out below:

		WACC				
		6,95%	7,45%	7,95%	8,45%	8,95%
G rate	0,0%	1.084	993	913	843	781
	0,5%	1.166	1.063	973	895	826
	1,0%	1.261	1.143	1.042	954	877
	1,5%	1.374	1.237	1.121	1.021	935
	2,0%	1.510	1.348	1.213	1.099	1.001

The break-even WACC that leads to a cover value equal to zero is 32.76%, for equal zero g-rate, with respect to the base value of the impairment test of 7.95%.
Based on a sensitivity analysis, the impact of Covid 19 could cause a reduction in EBITDA in 2020, as per subsequent events, which, at present, would not entail a zeroing of the cover value.

Investments in joint ventures
Investments in joint ventures are shown in the following table:

Description	31.12.2018			Changes in 2019				31.12.2019		
	Cost	(Impairment)	Book value	Increases	(Decreases)	Reclassification	(Impairments)/ Write-backs	Cost	(Impairment)	Book value
NordCom S.p.A.	743.407		743.407					743.407		743.407
NORD ENERGIA S.p.A.	6.194.267		6.194.267					6.194.267		6.194.267
SeMS S.r.l. in liquidation	253.000		253.000					253.000		253.000
Omnibus Partecipazioni S.r.l.	3.610.000		3.610.000					3.610.000		3.610.000
Trenord S.r.l.	38.060.000		38.060.000					38.060.000		38.060.000
FuoriMuro Servizi Portuali e Ferroviari S.r.l.	1.371.120	(442.000)	929.120		(530.000)		(399.120)	841.120	(841.120)	
Equity investments in joint ventures	**50.231.794**	**(442.000)**	**49.789.794**		**(530.000)**		**(399.120)**	**49.701.794**	**(841.120)**	**48.860.674**

Fuorimuro Servizi Portuali e Ferroviari S.r.l.
On 20 December 2019, the Company executed the preliminary agreement for the sale of the equity investment held in Fuorimuro Servizi Portuali e Ferroviari S.r.l. (49%).
The agreed sale price is EUR 530 thousand. In consideration of the sale, the value of the equity investment at 31 December 2019 was adjusted to fair value, recognising a capital loss of EUR 399 thousand, and reclassified among assets held for sale.
The closing of the sale took place on 10 March 2020.

Investments in associates
Investments in associates are shown in the following table:

Description	31.12.2018			Changes in 2019				31.12.2019		
	Cost	(Impairment)	Book value	Increases	(Decreases)	Reclassification	(Impairments)/ Write-backs	Cost	(Impairment)	Book value
DB Cargo Italia S.r.l.	3.066.706		3.066.706					3.066.706		3.066.706
Total equity investments in associates	**3.066.706**		**3.066.706**					**3.066.706**		**3.066.706**

The following information on investments held is also reported:

Description	Type	Valuation	Capital	Shareholders' Equity (including result)	Profit/loss	% of ownership	Shareholders' equity held	Book value
FERROVIENORD S.p.A. Milan - P.le Cadorna 14	Subsidiary	Cost	5.250.000	34.750.489	3.518.099	100%	34.750.489	4.337.184
FNM Autoservizi S.p.A. Milan - P.le Cadorna 14	Subsidiary	Cost	3.000.000	16.584.267	1.764.737	100%	16.584.267	11.650.000
NORD_ING S.r.l. Milan - P.le Cadorna 14	Subsidiary	Cost	50.000	447.039	71.930	20%	89.408	10.329
Nuovo Trasporto Triveneto S.r.l. Milan - P.le Cadorna 14	Subsidiary	Cost	10.000	84.899	(2.818)	100%	84.899	100.000
E-Vai S.r.l. Milan - P.le Cadorna 14	Subsidiary	Cost	2.000.000	1.110.186	10.186	100%	1.110.186	2.036.559
Malpensa Intermodale S.r.l. Milan - P.le Cadorna 14	Subsidiary	Cost	500.000	134.623	(365.377)	100%	134.623	500.000
Malpensa Distripark S.r.l. Milan - P.le Cadorna 14	Subsidiary	Cost	500.000	461.653	38.347	100%	461.653	500.000
La Linea S.p.A. Milan - P.le Cadorna 14	Subsidiary	Cost	3.160.000	6.826.245	138.694	51%	3.481.385	5.482.152
Trenord S.r.l. Milan - P.le Cadorna 14	Joint Venture	Cost	76.120.000	94.371.592	3.741.676	50%	47.185.796	38.060.000
NORD ENERGIA S.p.A. Milan - P.le Cadorna 14	Joint Venture	Cost	10.200.000	18.976.335	6.326.580	60%	11.385.801	6.194.267
NordCom S.p.A. Milan - P.le Cadorna 14	Joint Venture	Cost	5.000.000	13.412.987	841.236	58%	7.779.533	743.407
SeMS S.r.l. in liquidation Milan - P.le Cadorna 14	Joint Venture	Cost	50.000	272.000	44.045	68,5%	186.320	253.000
Omnibus Partecipazioni S.r.l. Milan - P.le Cadorna 14	Joint Venture	Cost	20.000	9.223.686	1.878.100	50%	4.611.843	3.610.000
Azienda Trasporti Verona S.r.l. Verona - Lungadige Galtarossa 5	Joint Venture	Cost	15.000.000	30.688.138	2.534.204	50%	15.344.069	20.452.000
DB Cargo Italia S.r.l. Milan - P.le Cadorna 14	Associate	Cost	3.000.100	20.891.012	4.370.520	40%	8.356.405	3.066.706

Based on a sensitivity analysis, the economic impacts of Covid 19 could entail trigger events on the carrying amount of equity investments in joint ventures and associates, to date not reliably quantifiable.

Reference is made to the management report for a comment on the performance of investees, subsidiaries, joint ventures and associates.

NOTE 5 CURRENT AND NON-CURRENT FINANCIAL RECEIVABLES

This item at 31 December 2019 is broken down in the following table:

Description	31.12.2019		
	Non Current	**Current**	**Total**
Other financial receivables		38.323	38.323
Provision for financial bad debts		(38.323)	(38.323)
Financial receivables	**-**	**-**	**-**
Locoitalia Loan		27.504.883	27.504.883
La Linea Loan	1.166.667	233.333	1.400.000
Finance lease receivables		995.858	995.858
Receivables current accounts from subsidiaries		326.736	326.736
(LESS) *IFRS 9 Impairment* Provision		(5.989)	(5.989)
Financial receivables from related parties (Note 34)	**1.166.667**	**29.054.821**	**30.221.488**
Total	**1.166.667**	**29.054.821**	**30.221.488**
Financial receivable from Finlombarda - Special treasury management agreement		48.352.105	48.352.105
Financial Receivables measured at fair value		**48.352.105**	**48.352.105**

This item at 31 December 2018 is broken down in the following table:

Description	31.12.2018		
	Non Current	Current	Total
Other financial receivables		38.323	38.323
Provision for financial bad debts		(38.323)	(38.323)
Financial receivables	**-**	**-**	**-**
Locoitalia Loan	4.647.870	235.337	4.883.207
Finance lease receivables	995.858	1.933.198	2.929.056
Receivables current accounts from subsidiaries		2.323.949	2.323.949
Other financial receivables			
(LESS) IFRS 9 Impairment Provision		(5.989)	(5.989)
Provision for financial bad debts and current accounts from subsidiaries		(538.338)	(538.338)
Financial receivables from related parties (Note 34)	**5.643.728**	**3.948.157**	**9.591.885**
Total	**5.643.728**	**3.948.157**	**9.591.885**
Financial receivable from Finlombarda - Special treasury management agreement	5.000.000	43.335.216	48.335.216
Financial Receivables measured at fair value	**5.000.000**	**43.335.216**	**48.335.216**

On 30 June 2018, the Company signed a loan agreement with the subsidiary Locoitalia, to provide it with the necessary resources to purchase 9 new electric locomotives (5 manufactured by Bombardier, model TRAXX DC and 4 manufactured by Siemens, model Vectron DC), for a total investment of EUR 29.2 million. The loan, equal to EUR 27.5 million, is interest bearing at a rate of 3%, and comprises the following 2 credit lines:

- Line 1, for EUR 5 million, to fund the advance and first advance payment established in contracts with suppliers, disbursed on 30 June 2018;
- Line 2, for EUR 22.5 million, to fund the loan for the residual price of the programme to purchase the locomotives, established in contracts with suppliers, disbursed on 2 January 2019.

According to the original agreement, 25% of each credit line has to be repaid in 10 six-monthly instalments, including principal and interest, and 75% is repaid in a single amount including principal and interest at the expiry date of each line, which is 5 years from the date of disbursement. As highlighted in Note 3 “Equity Investments”, following the execution of the preliminary agreements for the sale of the equity investments, which provide inter alia, the early repayment of the debt, the receivable was entirely classified as current and repaid on 10 March 2020.

On 20 December 2019, the Company executed a loan agreement with the subsidiary La Linea in order to provide it with the funds necessary to subscribe and fully pay the share capital increase in La Linea 80 S.c.a r.l., a special purpose entity of which ATV S.p.A. owns 70% and La Linea S.p.A. owns 30%. The loan, totalling EUR 1,400 thousand, matures 6 years after the stipulation date. The credit facility, bearing interest at a floating rate of 6-month Euribor + 165 bps per annum, shall be repaid in 12 six-monthly instalments inclusive of principal and interest.

Finance lease agreements receivable are for locomotives hired out to investees belonging to the FNM Group.

Details of minimum future payments from finance leases (receivable) by due date and reconciliation with the relative present value, equal to the receivable recognised in the financial statements, which decreased compared to 31 December 2018 due to the collection of payments for the year, are provided below:

Description	31.12.2019		31.12.2018	
	Minimum future collections	Present value of minimum collections	Minimum future collections	Present value of minimum collections
Within 1 year	1.046.400	995.858	2.114.451	1.933.199
Between 1 and 5 years			1.046.400	995.857
Over 5 years				
Total	**1.046.400**	**995.858**	**3.160.851**	**2.929.056**
Deferred financial profits	(50.542)		(231.795)	
Total finance lease receivables	**995.858**		**2.929.056**	

Receivables from leases are at a variable rate and their fair value approximates the carrying amount. Rates relative to receivables from related parties for leases, exposed to interest rate risk, are revised over a period of less than six months.

The next tables summarise existing leases and sub-leases:

Lease agreements in which FNM S.p.A. is the lessor:

Type	Lessee	Subject matter	Net Value	Sub-leases	Agreement Starting Date	Agreement Ending Date	Min. Future Coll.	Interest	Present Value
1 Financial	DB Cargo Italia	2 LocDE 520	-	NO	01/01/2018	31/12/2020	261.600	10.164	251.436
2 Financial	DB Cargo Italia	2 LocDE 520	-	NO	01/01/2018	31/12/2020	261.600	18.119	243.481
3 Financial	DB Cargo Italia	4 LocDE 520	-	NO	01/01/2018	31/12/2020	523.200	22.259	500.941
Finance leases							**1.046.400**	**50.542**	**995.858**
4 Operating	Trenord	1 LocDE 520	-	NO	01/01/2020	31/12/2020	174.614		
5 Operating	Trenord	2 LocDE 520	-	NO	01/01/2020	31/12/2020	349.228		
6 Operating	Trenord	3 LocDE 520	-	NO	01/01/2020	31/12/2020	523.842		
7 Operating	Trenord	26 TAF	17.702.249	NO	01/01/2006	31/12/2020	13.603.290		
8 Operating	DB Cargo Italia	Loc. ES64 F4 no. 1	2.325.276	NO	01/05/2008	30/04/2023	1.180.280		
9 Operating	DB Cargo Italia	Loc. E 483 no. 3	5.863.636	NO	01/12/2009	01/12/2024	4.210.560		
10 Operating	DB Cargo Italia	Loc. E 483 no. 3	6.140.553	NO	01/04/2009	31/03/2024	3.578.976		
11 Operating	DB Cargo Italia	Loc. E 483 no. 1	2.154.571	NO	01/05/2009	30/04/2024	1.216.384		
12 Operating	DB Cargo Italia	Loc. E 483 no. 1	2.015.301	NO	01/05/2009	31/01/2024	1.598.692		
13 Operating	Trenord	2 TSR	7.604.005	NO	01/01/2009	31/12/2020	1.269.804		
14 Operating	Trenord	8 CSA	29.409.294	NO	25/01/2012	31/03/2021	7.031.160		
15 Operating	Trenord	10 CORADIA	51.091.633	NO	31/08/2014	31/03/2021	9.773.250		
16 Operating	Trenord	10 CORADIA IV carriage	12.024.124	NO	05/02/2016	31/03/2021	1.863.900		
17 Operating	Trenord	7 6-body TSRs	78.238.166	NO	14/04/2016	31/12/2020	9.765.420		
18 Operating	Trenord	10 4-body TSR	95.764.752	NO	11/05/2017	31/12/2020	10.782.480		
19 Operating	DB Cargo Italia	No.3 E494 TRAXX F140 DC3	3.081.353	YES	13/12/2019	31/12/2022	4.199.040		
Operating leases			**313.414.912**				**71.120.921**		
Total							**72.167.321**	**50.542**	**995.858**

Current account receivables from subsidiaries include EUR 304 thousand relative to the current account receivable from Malpensa Intermodale S.r.l. and EUR 22 thousand of the current account receivable from Malpensa Distripark S.r.l., both not yet active as at 31 December 2018. In the previous year, the balance included EUR 1,656 thousand relative to the current account receivable from Locoitalia (payable of EUR 2,473 thousand in the current year), EUR 528 thousand for the receivable from Eurocombi S.r.l. in liquidation, which was entirely written off and EUR 138 thousand relative to the current account receivable from NORD_ING S.r.l. (payable of EUR 377 thousand in the current year).

The item “Financial receivables from Finlombarda – Special treasury management contract” refers to the credit facility for Finlombarda S.p.A. of cash surpluses identified following the issue of the corporate bond, up to their use for the investment plan concerning the purchase of rolling stock to carry out investment activities concerning these financial resources. The item also includes receivables from interest accrued in the year and not yet collected, amounting to EUR 352 thousand.
The long-term portion of credit outstanding at 31 December 2018, resulting from the contract obligation to manage a minimum of EUR 5 million, up to contract expiry, scheduled for 31 July 2020, in order to allow for the adequate diversification of invested amounts, was reclassified in the current portion.

The “Financial receivable from Finlombarda – Special treasury management contract”, whose cash flows are not solely payments of principal and interest on the principal amount outstanding, was classified as a financial asset at fair value, recognised in the income statement.

Effective rates of the return on receivables are indicated below:

Description	2019	2018
Receivable for - Special Treasury Management Agreement	1,49%	1,320%
Finance lease receivables	2.27% - 13.1%	2.96% - 13.9%
Locoitalia Loan	3,00%	3%
Receivables current accounts vs subsidiaries	0,02%	0,03%

NOTE 6 DEFERRED TAX ASSETS AND LIABILITIES

(Amounts in thousands of Euro)

Description	31.12.2019	31.12.2018	Change
Deferred tax assets	6.466	5.835	631
Deferred tax liabilities	406	895	(489)
Net deferred tax assets	**6.060**	**4.940**	**1.120**

Changes in net deferred tax assets for the year are shown below:

(Amounts in thousands of Euro)

Description	31.12.2019	31.12.2018	Change
Balance at the start of the year	**4.940**	**4.604**	**336**
Allocated to income statement	1.097	125	972
Allocated to shareholders’ equity	23	211	(188)
Balance at the end of the year	**6.060**	**4.940**	**1.120**

Deferred tax assets and liabilities are mainly generated from temporary differences on capital gains with deferred taxation, and on other income components with a future deductibility or taxability.
The nature of temporary differences generating deferred tax assets and liabilities is summarised below:

Deferred tax assets

(Amounts in thousands of Euro)

Deferred tax assets 31.12.2018	01.01.2018	to income statement	to capital		31.12.2018
Capital gains	355	(274)			81
Allocation	572	(59)			513
Post-employment benefit valuation	40	(2)	(11)		27
Intangible assets	362	(32)			330
Plant, property and equipment write-backs, impairments and depreciation	3.923	739			4.662
Impairment of Receivables	-	-	222		222
Total	**5.252**	**372**	**211**	**-**	**5.835**

Deferred tax assets 31.12.2019	Balance 01.01.2019	Allocated to income statement	Allocated to capital	Reclassification	Balance 31.12.2019
Capital gains	81	(16)			65
Allocation	513	126			639
Post-employment benefit valuation	27	27	23		77
Intangible assets	330	(158)			172
Plant, property and equipment write-backs, impairments and depreciation	4.662	630			5.292
Impairment of Receivables	222	-	-		222
Total	**5.835**	**609**	**23**	**-**	**6.467**

Deferred tax liabilities

(Amounts in thousands of Euro)

Deferred tax liabilities 31.12.2018	Balance 01.01.2018	Allocated to income statement	Allocated to capital	Reclassification	Balance 31.12.2018
Capital gains	131	(55)			76
Plant, property and equipment	517	302			819
Total	**648**	**247**	**-**	**-**	**895**

Deferred tax liabilities 31.12.2019	Balance 01.01.2019	Allocated to income statement	Allocated to capital	Reclassification	Balance 31.12.2019
Capital gains	76	(30)			46
Plant, property and equipment	819	(458)			361
Total	**895**	**(488)**	**-**	**-**	**407**

Considerations on estimates of future taxability of the Company, on which the recognition of deferred taxes depends, are made in the section "Items subject to significant assumptions and estimates".

NOTE 7 TRADE RECEIVABLES

The next table shows entries for trade receivables from related parties and third parties, suitably adjusted by the provision for bad debts:

Description	31.12.2019	31.12.2018
Receivables from third parties	2.091.113	1.838.852
(LESS) Provision for bad debts	(99.586)	(99.586)
(LESS) IFRS 9 Impairment Provision	(43.226)	(43.226)
Trade receivables	**1.948.301**	**1.696.040**
Trenord S.r.l.	16.230.592	22.395.729
FERROVIENORD S.p.A.	1.852.538	1.701.147
DB Cargo Italia S.r.l.	457.495	444.781
ATV S.p.A.	373.453	297.920
Fuorimuro Servizi Portuali e Ferroviari S.r.l.	169.419	135.435
FNM Autoservizi S.p.A.	116.886	107.645
La Linea Spa	91.911	147.084
Malpensa Intermodale S.r.l.	70.006	
Nord_Ing S.r.l.	53.427	82.628
E-Vai S.r.l.	46.576	44.576
Malpensa Distripark S.r.l.	27.863	
NordCom S.p.A.	27.467	54.967
NORD ENERGIA S.p.A.	11.022	11.476
ASF Autolinee S.r.l.	9.222	
Locoitalia	4.148	70.171
SeMS S.r.l. in liquidation	838	2.500
NTT Srl	310	310
(LESS) IFRS 9 Impairment Provision	(57.781)	(57.781)
Trade receivables from related parties (Note 34)	**19.485.392**	**25.438.588**
Total	**21.433.693**	**27.134.628**

"Receivables from third party customers" increased in relation to the different timing of collection from the trade counterparty.

Trade receivables from related parties decreased mainly as regards the investee Trenord, following different dynamics in collection times, in particular with regard to the administrative service agreement.

Provision for bad debts

Following analysis of the risk of the uncollectability of receivables at the end of the reporting period, the EUR 143 thousand allocated to the provision in previous year was deemed sufficient.

The fair value of receivables, obtained by adjusting their nominal value through the provision for bad debts (allocated to estimate the risk of the uncollectability of receivables existing at the end of each reporting period), approximates the carrying amount of the receivables at 31 December 2019 and 31 December 2018.

NOTE 8 OTHER CURRENT AND NON-CURRENT RECEIVABLES AND TAXES

The next tables show items relative to “Other receivables” for 2019 and 2018:

Description	31.12.2019		
	Non Current	Current	Total
Tax receivables		7.240.149	7.240.149
Receivable for contractual advance		3.405.261	3.405.261
Receivables in insolvency proceedings		1.511.346	1.511.346
Deferred charges		844.084	844.084
Receivables from others	1.780	2.275.825	2.277.605
(Less) Provision for bad debts		(1.608.839)	(1.608.839)
(LESS) IFRS 9 Impairment Provision		(22.673)	(22.673)
Other receivables	**1.780**	**13.645.153**	**13.646.933**
Other receivables from related parties (Note 34)		**5.288.137**	**5.288.137**
Total	**1.780**	**18.933.290**	**18.935.070**
Tax receivables			

Description	31.12.2018		
	Non Current	Current	Total
Tax receivables		7.222.938	7.222.938
Receivables in insolvency proceedings		1.511.346	1.511.346
Deferred charges		1.862.427	1.862.427
Receivables from others	1.780	663.827	665.607
(Less) Provision for bad debts		(1.608.839)	(1.608.839)
(LESS) IFRS 9 Impairment Provision		(22.673)	(22.673)
Other receivables	**1.780**	**9.629.026**	**9.630.806**
Other receivables from related parties (Note 34)		**2.308.024**	**2.308.024**
Total	**1.780**	**11.937.050**	**11.938.830**
Tax receivables	4.548.621	124.460	4.673.081

Other receivables

Tax receivables
Current tax receivables refer to VAT receivables for which a refund has already been requested, amounting to EUR 7,223 million (EUR 7,223 million at 31 December 2018), as well as to the Group VAT receivable of EUR 17 thousand.

The VAT receivable for which a refund has already been requested refers to refund applications filed by the Company on 27 April 2017 for the first quarter of 2017, for EUR 1,723 thousand, and on 24 April 2018 in the VAT return relative to the 2017 tax period, for EUR 5,500 thousand.

Receivable for contractual advance
The item relates to the receivable claimed as a result of the application on a contract for the supply of rolling stock, which will be used to offset with the supply of technical inventory relating to the purchased rolling stock.

Receivables in insolvency proceedings

“Receivables in insolvency proceedings” were written down entirely in the specific “provision for bad debts”.

Deferred charges
Current deferred charges refer to deferrals for insurance policies for EUR 64 thousand (EUR 72 thousand at 31 December 2018), as well as EUR 366 thousand for the advance paid to Alstom in relation to the purchase of documentary material required by the long-term maintenance contract for CSA type rolling stock used for the airport service.

Receivables from others
“Receivables from others” mainly refer to advances for services paid to suppliers for EUR 235 thousand (EUR 164 thousand at 31 December 2018), as well as credit notes to be received for EUR 74 thousand (EUR 74 thousand at 31 December 2018).

The item includes the costs incurred for development projects pertaining to future years for EUR 1,684 thousand.

The fair value of receivables other than those recognised as “Receivables in insolvency proceedings”, obtained by adjusting their nominal value through the provision for bad debts (allocated to estimate the risk of the uncollectability of receivables existing at the end of each reporting period) approximates the carrying amount of the receivables at 31 December 2019 and 31 December 2018.

Other receivables - related parties
Other receivables from related parties include:

Description	31.12.2019	31.12.2018
FERROVIENORD SpA	2.495.421	249.642
NORD ENERGIA SpA	2.154.561	1.972.981
Locoitalia S.r.l.	279.879	
NordCom SpA	179.446	71.622
E-Vai S.r.l.	152.491	
NORD_ING S.r.l.	18.524	7.863
SeMS S.r.l. in liquidation	15.020	13.121
Total subsidiary companies (Note 34)	**5.295.342**	**2.315.229**
Lombardy Region	2.900	2.900
Total related parties	**5.298.242**	**2.318.129**
(LESS) *IFRS 9 Impairment* Provision	(10.105)	(10.105)
Total related parties (Note 34)	**5.288.137**	**2.308.024**

Receivables from subsidiaries refer to tax receivables: they include the items arising from Tax Consolidation for EUR 3,030 thousand (EUR 369 thousand at 31 December 2018) and Group VAT for EUR 2,255 thousand (EUR 1,938 thousand at 31 December 2018).
The change in the receivable for tax Consolidation is due to the different exposure of the subsidiary FERROVIENORD for EUR 2,487 thousand and Nord Energia for EUR 404 thousand.
The change in the VAT receivable is mainly due to the higher receivable from Locoitalia, for EUR 280 thousand (it was a payable at 31 December 2018), NORD_ING, for EUR 179 thousand (EUR 72 thousand at 31 December 2018) and E-Vai for EUR 150 thousand (it was a payable at 31 December 2018), partially offset by the lower receivable from NORD ENERGIA, for EUR 222 thousand.

Tax receivables
Non-current tax receivables concerned the receivable which the Company had requested as a refund, pursuant to Decree Law no. 16 of 2 March 2012, amended and converted to Law no. 44 of 26 April 2012, in relation to the higher corporate income tax paid by the Group in 2007 – 2011 following the previous regime of the complete non-deductibility of regional income tax relative to personnel costs. During the year, these amounts were collected in full.
Considering provisions in National Tax Consolidation Scheme agreements, the consolidating company FNM S.p.A. gave consolidated entities the part of corporate income tax reimbursed related to the deductible regional production tax of individual companies: the Company, as a result of the collection of the receivable from the Revenue Agency, therefore paid the payable to the investees amounting to EUR 2,561 thousand (Note 14).

The current item, as at 31 December 2018, included receivables from the Revenue Agency for corporate income tax of EUR 125 thousand, generated from higher advances paid compared to corporate income tax due.

NOTE 9 CASH AND CASH EQUIVALENTS

The next table shows how this item is broken down:

Description	31.12.2019	31.12.2018
Bank and postal deposits	136.592.002	96.574.372
Cash and cash equivalents	9.926	6.812
(LESS) IFRS 9 Impairment	(657.438)	(657.438)
Total	**135.944.490**	**95.923.746**

The Company manages the liquidity of the other Group companies in cash pooling; therefore, in view of cash on bank deposits of EUR 135,592 thousand, FNM has giro accounts receivables of EUR 327 thousand (EUR 2,324 thousand at 31 December 2018) and giro accounts payable of EUR 166,335 thousand (EUR 141,048 thousand at 31 December 2018), including interest, represented below:

Description	31.12.2019	31.12.2018
Malpensa Intermodale	304	
Malpensa Distripark	23	
Locoitalia		1.656
Eurocombi		530
Nord_Ing		138
Total receivables		**2.324**
FERROVIENORD	123.825	113.715
Nord Energia	18.009	13.303
NordCom	9.552	4.111
Corporate bodies	5.287	6.756
Fnm Autoservizi	4.975	1.104
Locoitalia	2.473	
E-Vai	1.427	1.468
Nord_Ing	377	
Sems	362	527
Trenord	48	64
Total payables	**166.335**	**141.048**

On this giro accounts, interest income and expenses are paid at market rates (Note 5 and Note 12).

In relation to the adoption of IFRS 9, based on the expected losses model, the Company considers the expected losses along the life of the financial asset at each reference date of the financial statements, for this purpose an impairment adjustment of EUR 657 thousand was carried out.

The change in the item is analysed in more detail by nature of component in the statement of cash flows.

NOTE 10 ASSETS HELD FOR SALE

The breakdown of the item in question is as follows:

Description	31.12.2019	31.12.2018
Equity investment in Locoitalia S.r.l.	2.144.040	
Equity investment in Fuorimuro Servizi Portuali e Ferroviari S.r.l.	530.000	
Balance at 31.12.2019	**2.674.040**	

As discussed in Note 4 Equity Investments, in consideration of the execution of the preliminary agreements for the sale of the equity investments held in Locoitalia and Fuorimuro, on 20 December, the value of the equity investments at 31 December 2019 was reclassified among assets held for sale.

NOTE 11 SHAREHOLDERS' EQUITY

The table breaks down shareholders' equity at 31 December 2019 and 31 December 2018, indicating possible uses of reserves.

Description		31.12.2019	31.12.2018	Changes	Allowable uses
Share Capital		230.000	230.000		
Other Reserves:					
	- Share premium reserve	6.545	6.545		A, B
	- Provisions for grants and donations	1.078	1.078		A, B, C
	- Merger surplus reserve	165	165		A, B, C
Total Other Reserves:		*7.789*	*7.789*		
Reserve for indivisible profit:					
	- Legal reserve	14.516	13.301	1.216	A, B
	- Demerger surplus reserve	2.832	2.832		A, B, C
	- Extraordinary reserve	97.427	84.116	13.311	A, B, C
	- FTA IFRS 9	(575)	(575)		
Total Reserve for indivisible profit:		*114.201*	*99.674*	*14.526*	
Reserve for actuarial Gains/(Losses)		(186)	(127)	(60)	
Profit for the year		23.913	24.312	(399)	
Total		**375.716**	**361.648**	**14.068**	

Key: A = to increase capital - B = to cover losses - C = to distribute to shareholders

The following changes in shareholders' equity were recorded in 2018 and 2019:

(Amounts in thousands of Euro)

Description	Share capital	Share premium reserve	Provisions for grants and donations	Merger surplus reserve	Legal Reserve	Demerger surplus reserve	Extraordinary reserve	Reserve for actuarial gains/losses	Operating result	Total
Balance 01.01.2018	**230.000**	**6.546**	**1.078**	**165**	**12.240**	**2.832**	**72.087**	**(156)**	**21.212**	**346.004**
Allocation of 2017 profit					1.061		20.151		(21.212)	
Distribution of dividends							(8.698)			(8.698)
Reserve for actuarial gains/losses								30		30
Profit for the year									24.312	24.312
Balance at 31.12.2018	**230.000**	**6.546**	**1.078**	**165**	**13.301**	**2.832**	**83.540**	**(126)**	**24.312**	**361.648**
Allocation of 2018 profit					1.216		23.096		(24.312)	
Distribution of dividends							(9.786)			(9.786)
Reserve for actuarial gains/losses								(60)		(60)
Profit for the year									23.914	23.914
Balance at 31.12.2019	**230.000**	**6.546**	**1.078**	**165**	**14.517**	**2.832**	**96.850**	**(186)**	**23.914**	**375.716**

Share capital
At 31 December 2019 and 31 December 2018, fully paid-up share amounted to EUR 230,000,000, comprising 434,902,568 ordinary shares, with no par value.

Share premium reserve and Provisions for grants and donations
These reserves did not change compared to the previous year.

Merger surplus reserve
Pursuant to art. 2504-bis, paragraph 4 of the Italian Civil Code, this financial statement item includes the surplus from the merger by incorporation of the subsidiary Interporti Lombardi S.p.A, completed in October 2008. This merger surplus resulted from the difference between the shareholders' equity of the incorporated entity, equal to EUR 665 thousand, and the value of the investment held by FNM in Interporti Lombardi S.p.A., equal to EUR 500 thousand. This reserve did not change compared to the previous year.

Legal reserve
It is increased due to the allocation of the result for 2018. In this regard, it should be stressed that, on the proposal of the Board of Directors held on 11 March 2019, the Shareholders' Meeting, on 17 April 2019, approved the Company's proposed separate financial statement and the consolidated results for 2018 and resolved to allocate the profit as follows:

- EUR 1,215,585 to the legal reserve;
- EUR 9,785,308 as an ordinary dividend to Shareholders, to ensure a remuneration of EUR 0.02 for each ordinary share outstanding;
- EUR 13,310,810 to the extraordinary reserve.

The dividend was made available for payment on 05 June 2019, with coupon detachment date on 03 June 2019 and the record date on 04 June 2019.

Demerger surplus reserve
During 2010, FERROVIENORD was demerged in favour of FNM, with reference to the demerged unit represented, in terms of assets, by the investment held in the share capital of the company DB Cargo Italia S.r.l. (40%) and, in terms of liabilities, by the portion of shareholders' equity comprising "Retained earnings" equal to EUR 3,066,706. The demerger led to a decrease in the shareholders' equity of FERROVIENORD from EUR 53,022,518 to EUR 49,955,812, with a reduction equal to 5.7838%; therefore the carrying amount of the investment in FERROVIENORD was reduced by the same percentage, with a write-down of EUR 234,548. The difference between the carrying amount of the investment in DB Cargo Italia S.r.l. and the decrease in the carrying amount of the investment in FERROVIENORD, equal to EUR 2,832,158, was therefore identified

in the demerger surplus reserve in shareholders' equity. This reserve did not change compared to the previous year.

Extraordinary reserve
This reserve increased due to the allocation of the result for 2018, as already indicated in the note on the "Legal reserve".

Reserve for actuarial gains/losses
This item refers to cumulative actuarial gains and losses at 31 December 2019, from the measurement of post-employment benefit, net of the related tax effect, in accordance with IAS 19.

NOTE 12 PAYABLES TO BANKS

Payables to banks at 31 December 2019 and 31 December 2018 are broken down as follows:

Description	31.12.2019		
	Non Current	Current	Total
Term Loan Facility	49.610.981		49.610.981
Payables to banks	**49.610.981**	**-**	**49.610.981**

Description	31.12.2018		
	Non Current	Current	Total
Term Loan Facility	49.530.747		49.530.747
Payables to banks	**49.530.747**	**-**	**49.530.747**

"Payables to banks" were entirely due to the loan agreement stipulated on 7 August 2018, for a total maximum amount of EUR 200 million with a pool of leading banks. The main terms and conditions of the loan agreement are summarised below:

- maturity: with reference to the *Term Loan Facility* and *Capex Facility*, 7 years from the date of signing the loan agreement; for the *Revolving Credit Facility*, 6 years from the above date;
- interest rate: for all credit facilities, equal to EURIBOR plus a margin of 1.30%;
- commitment fee: for all credit facilities, equal to 35% of the margin;
- financial covenants: provided for all components, calculated from the consolidated financial statements of FNM (annual or six-monthly, as applicable):
  - NFP/Shareholders' equity: not above 1
  - NFP/EBITDA: not above 4
  - EBITDA/Net financial expenses: not below 7
- No guarantees are provided.
- other commitments: the standard for this type of transaction, including negative pledge clauses, restrictions on sales and disposals save for any exceptions, restrictions on financial debt, save for any exceptions;
- early repayment provisions: established in the Loan Agreement and standard for this type of transaction, including clauses relative to (i) failure to meet financial covenants; (ii) the cross-default; (iii) the change of control of FNM; and (iv) failure to meet other commitments of the Company.

As regards the *Term Loan Facility*, on 14 September 2018, banks disbursed the amount of EUR 50 million, as provided for in the contract.
The amount was recognised at amortised cost.

The period of availability of the *Capex Facility* component, amounting to EUR 100,000 million, not used by the Company, ended on 7 February 2020. In relation to it, the related capitalised costs of EUR 788 thousand were recognised in the income statement.
The "*Revolving Credit Facility*", for a maximum amount of EUR 50,000 thousand, has not yet been used.

At 31 December 2019, the end of the reporting period, the above covenants had been met.

Reference is made to section 1.3 of the management report for detailed information about the Group's financial structure.

NOTE 13 CURRENT AND NON-CURRENT FINANCIAL PAYABLES

The next tables show items relative to "Financial payables" at 31 December 2019 and 31 December 2018:

Description	31.12.2019		
	Non Current	Current	Total
Payables current accounts to third parties	-	5.015.317	5.015.317
Financial income for finance lease agreements	231.892	116.531	348.423
Accruals for interest on financial payables	-	266.667	266.667
Financial payables	**231.892**	**5.398.515**	**5.630.407**
Payables current accounts to subsidiaries	-	161.319.599	161.319.599
Payables to bondholders		58.301.213	58.301.213
Financial income for finance lease agreements	3.529.963	1.598.811	5.128.774
Financial payables to related parties (Note 34)	**3.529.963**	**221.219.623**	**224.749.586**
Total	**3.761.855**	**226.618.138**	**230.379.993**

Description	31.12.2018		
	Non Current	Current	Total
Payables current accounts to third parties	-	5.327.607	5.327.607
Payables for financial lease agreements	-	864.271	864.271
Accruals for interest on financial payables	-	195.000	195.000
Financial payables	**-**	**6.386.878**	**6.386.878**
Payables current accounts to subsidiaries	-	135.720.812	135.720.812
Payables to bondholders	58.000.000	323.276	58.323.276
Financial payables to related parties (Note 34)	**58.000.000**	**136.044.088**	**194.044.088**
Total	**58.000.000**	**142.430.966**	**200.430.966**

The due date of the non-current component is shown below:

Description	31.12.2019	31.12.2018
Between 1 and 2 years	3.529.963	58.000.000
Between 2 and 5 years	231.892	
Total	**3.761.855**	**58.000.000**

The fair value of these financial liabilities approximates their carrying amount.

The item "Current account payables to third parties" refers to the cash pooling giro account with various company entities (Supplementary FNM scheme for EUR 4,965 thousand and the FNM Company Recreational Group for EUR 51 thousand). The item "Current account payables to subsidiaries" mainly refers to the cash pooling giro account with investees, of which EUR 123,823 thousand to FERROVIENORD, EUR 18,009 thousand to NORD ENERGIA, EUR 9,552 thousand to NordCom, EUR 1,427 million to E-Vai, EUR 4,975 thousand to FNMA and EUR 362 thousand to SeMS in liquidation.

All payables for lease agreements relate to the application of IFRS 16 to operating leases. During the year, finance lease agreements payable concerned 8 DE 520 locomotives and related fittings, and 4 E 640 locomotives.

Details of minimum future payments of finance leases by due date and reconciliation with the relative present value, equal to the payable recognised in the financial statements, are provided below:

Description	31.12.2019		31.12.2018	
	Minimum future payments	Present value of minimum payments	Minimum future payments	Present value of minimum payments
Less than 1 year	1.749.577	5.477.197	872.754	864.271
1 - 5 years	3.756.647			
Over 5 years	94.805			
Total	**5.601.029**	**5.477.197**	**872.754**	**864.271**
Future interest expense	(123.832)		(8.483)	
Present value of payables related to finance leases	**5.477.197**		**864.271**	

Rates relative to payables from related parties for leases, exposed to interest rate risk, are revised over a period of less than 12 months.

The item “Payable to bond holders” refers entirely to the corporate bond “FNM S.p.A. 2015 – 2020”, issued on 21 July 2015 and subscribed in full by Finlombarda S.p.A.
In this context, the loan requires covenants to be met, which are aligned with market practices, such as maintaining the net financial position/shareholders’ equity ratio above 1 and the EBITDA/net financial expenses ratio below 6. If these covenants are not met, the counterparties may consider the Company subject to the activation of the acceleration clause, which could give rise to the early repayment of the entire loan. At the end of the reporting period, these covenants had been met.

Effective interest rates at the end of the reporting periods are shown below:

Description	2019	2018
Financial income for finance lease agreements.	1.8% - 8.86%	1.8% - 8.86%
Payables for cash pooling	0,002%	0,007%
Payables to bondholders	1.147% - 1.168%	1.225% - 1.231%

NOTE 14 NET FINANCIAL POSITION

The net financial position at 31 December 2019 and 2018 is broken down as follows, based on CONSOB notice no. 6064293 of July 2006 and relative notes which refer to the data on the Statement of Financial Position and comment on the nature of individual items:

(Amounts in thousands of Euro)

Description	31.12.2019		31.12.2018		Notes
	Total	Of which: Related parties	Total	Of which: Related parties	
A. Cash	10		7		9
B. Bank and postal deposits	135.935		95.917		9
D. Liquidity (A+B)	**135.945**		**95.924**		
E. Current financial receivables	**77.407**	**77.407**	**47.283**	**47.283**	**5**
F. Current bank payables	-	-	-	-	12
G. Current portion of non-current debt	-	-	(323)	-	13
H. Other current financial payables	(226.618)	(221.220)	(142.108)	(136.044)	13
I. Current financial debt (F+G+H)	**(226.618)**	**(221.220)**	**(142.431)**	**(136.044)**	
J. Net current financial debt (D+E+I)	**(13.266)**	**(143.813)**	**776**	**(88.761)**	
K. Non-current bank borrowings	(49.611)	-	(49.531)	-	12
L. Bonds issued	-	-	(58.000)	(58.000)	13
M. Other non-current financial payables	(3.762)	(3.530)	-	-	13
N. Non-current financial debt (K+L+M)	**(53.373)**	**(3.530)**	**(107.531)**	**(58.000)**	
O. Net financial debt (J+N)	**(66.639)**	**(147.343)**	**(106.755)**	**(146.761)**	

The item "E. Current financial receivables" includes EUR 48,352 thousand of the financial receivable from Finlombarda for the "Special treasury management agreement" (Note 5), in addition to receivables for financial leases (Note 5). The change in the period relates to the reclassification among current financial receivables, in relation to the due date of 21 July 2020, of the non-current portion at 31 December 2018, amounting to EUR 5,000 thousand, of the financial receivable from Finlombarda.

The Other current financial payables (Note 13) include mainly EUR 58,000 thousand of the bond maturing on 21 July 2020, classified at 31 December 2018 under "L. Bonds issued" and the balance of the giro accounts in cash pooling towards the joint ventures and towards the corporate entities for a total of EUR 166,335 thousand (EUR 141,048 thousand at 31 December 2018).

NOTE 15 OTHER NON-CURRENT LIABILITIES

The next tables show the item at 31 December 2019 and 31 December 2018:

Description	31.12.2019		
	Non Current	Current	Total
Personnel		2.476.061	2.476.061
Capital grants	1.138.272	39.251	1.177.523
Social security agencies		302.907	302.907
Security deposits	36.963		36.963
Corporate Bodies		13.146	13.146
Others	1.782.050	962.682	2.744.732
Other liabilities	**2.957.285**	**3.794.047**	**6.751.332**
FERROVIENORD S.p.A.	298.779	7.234.051	7.532.830
FNM Autoservizi S.p.A.	26.143	1.697.444	1.723.587
NordCom SpA	14.939	13.097	28.036
DB Cargo Italia S.r.l.	175.758	332.193	507.951
E-Vai S.r.l. (formerly FN Mobilità Sostenibile S.r.l.)	1.867	11.877	13.744
Corporate Bodies		115.280	115.280
Nord_Ing S.r.l.	5.602	21.913	27.515
NORD ENERGIA SpA	5.602	1.867	7.469
Trenord S.r.l.		49.216	49.216
SeMS S.r.l. in liquidation			
Malpensa Intermodale		127.802	127.802
Malpensa Distripark		10.118	10.118
Locoitalia Srl		145.179	145.179
Capital grants Lombardy Region	6.552.531	1.164.885	7.717.416
Other liabilities to related parties (Note 34)	**7.081.221**	**10.924.922**	**18.006.143**
Total	**10.038.506**	**14.718.969**	**24.757.475**

Description	31.12.2018		
	Non Current	Current	Total
Personnel		3.410.373	3.410.373
Capital grants	1.177.522	39.251	1.216.773
Social security agencies		337.434	337.434
Deferred income - Lease back		56.816	56.816
Security deposits	36.963		36.963
Corporate Bodies		14.036	14.036
Others	596.550	2.402.989	2.999.539
Other liabilities	**1.811.035**	**6.260.899**	**8.071.934**
FERROVIENORD S.p.A.	1.962.322	8.428.127	10.390.449
FNM Autoservizi S.p.A.	175.166	2.040.859	2.216.025
NORD ENERGIA SpA	126.502	183.127	309.629
Trenord S.r.l.	206.586		206.586
DB Cargo Italia S.r.l.		157.569	157.569
E-Vai S.r.l. (formerly FN Mobilità Sostenibile S.r.l.)		93.033	93.033
NordCom SpA	70.524	20.153	90.677
Nord_Ing S.r.l.		48.682	48.682
SeMS S.r.l.	20.258		20.258
Corporate Bodies		112.212	112.212
Capital grants Lombardy Region	7.717.417	1.164.885	8.882.302
Other liabilities to related parties (Note 34)	**10.278.775**	**12.248.647**	**22.527.422**
Total	**12.089.810**	**18.509.546**	**30.599.356**

Other liabilities - Personnel and social security institutes
Payables to personnel refer to December 2019 amounts paid in January 2020 and holidays accrued but not taken, while payables to social security institutes concern social security and insurance payments relative to different categories of employees and staff. The decrease in the item is relative to the payable for the consensual termination of employment for EUR 1,340 thousand, not present at 31 December 2018.

Other liabilities - other
This item includes deferred income relative to future maintenance costs for own rolling stock, against advances paid by lessees during the year, recognised for EUR 1,748 thousand in other non-current liabilities, and EUR 130 thousand in other current liabilities.

Other liabilities to related parties - current
This item includes payables to subsidiaries which mainly refer to amounts resulting from Group VAT equal to EUR 7,566 thousand (EUR 9,379 thousand at 31 December 2018), in particular to FERROVIENORD, for EUR 7,134 thousand (EUR 8,428 thousand at 31 December 2018), and FNM Autoservizi, for EUR 411 thousand (EUR 903 thousand at 31 December 2018).
The item includes entries arising from Tax Consolidation for EUR 1,580 thousand (EUR 1,563 thousand at 31 December 2018), mainly to FNM Autoservizi for EUR 1,277 thousand, to Locoitalia for EUR 145 thousand, and to Malpensa Intermodale for EUR 128 thousand, relative to subsidiaries being recognised as having an income equal to 100% the tax benefit transferred to the Parent, in accordance with the National Tax Consolidation scheme.

Other liabilities to related parties - non-current
At 31 December 2018, this item included the payable of EUR 2,561 thousand to investees, including corporate income tax requested as a refund in relation to the deductible regional production tax of individual subsidiaries, repaid in full in the current year (Note 8).

The balance of grants received at 31 December 2018 in relation to investments made in previous years amounted to EUR 8,894,939 (Note 1). This amount consists of:

Lombardy Region capital grants
Capital grants were disbursed by the Lombardy Region for the purchase of 5 TAF trains, for the renovation of the property in Piazzale Cadorna and the development of the "La civiltà di Golasecca" (The Golasecca Civilization) museum. The decrease in the year is due to the recognition in the income statement of the grant, according to procedures defined in the accounting standard on government grants, of an annual amount of EUR 1,165 thousand.

Third-party capital grants
Capital grants concern loans received in 2001 from the Ministry of Public Works pursuant to Law 270/97, for works at the Cadorna station in Milan. The decrease in the year is due to the recognition in the income statement of the grant, according to procedures defined in the accounting standard on government grants, of an annual amount of EUR 39 thousand.

NOTE 16 POST-EMPLOYMENT BENEFIT

Description	31.12.2019	31.12.2018
Present value of the post-employment benefit liability, calculated on the basis of demographic and financial assumptions	1.656.026	1.740.201
Total	**1.656.026**	**1.740.201**

The amount of the cost recognised in the income statement relative to post-employment benefit is broken down as follows:

Description	2019	2018
Cost of services and interest	25.480	23.716
Total	**25.480**	**23.716**

The change in the liability relative to post-employment benefit is shown below:

Description	31.12.2019	31.12.2018
Debt at the start of the year	**1.740.201**	**1.824.295**
Actuarial gains	82.702	(42.015)
Cost of services and interest	25.480	23.716
Uses/Transfers	(192.357)	(65.795)
Debt at the end of the year	**1.656.026**	**1.740.201**

The following main actuarial assumptions were used:

Description	2019	2018
Discount rate	0,70	1,50
Annual rate of compensation increase	1,50	1,50
Annual rate of inflation	1,50	1,50
Annual rate of post-employment benefit increase	2,64	2,64

The annual discounting rate, used to determine the present value of the obligation, was inferred from the Iboxx Eurozone Corporate AA index (0.70% at 31 December 2019) according to ESMA provisions.

Assumptions concerning mortality are based on the probability of death of the Italian population identified by ISTAT in 2000, by age and gender and reduced by 25% to take into account the average of active workers' characteristics and the decrease in mortality registered in recent years.

Below is provided the sensitivity analysis carried out on the average annual discount rate entered in the calculation model, considering the scenario described above as the base scenario and increasing or reducing the average annual discount rate by half a percentage point. The results obtained are summarised in the following table:

Description	0,50%	-0,50%
POST-EMPLOYMENT BENEFIT	1.592.226	1.723.807

Considerations on the estimate of the item are included in the section "Items subject to significant assumptions and estimates".

NOTE 17 TRADE PAYABLES

Trade payables at 31 December 2019 and 2018 comprise the following:

Description	31.12.2019	31.12.2018
Third party suppliers	14.443.336	5.131.093
Trade payables	**14.443.336**	**5.131.093**
Trenord S.r.l.	2.693.083	2.148.479
NordCom SpA	843.757	1.788.185
FERROVIENORD SpA	453.348	831.143
Finlombarda S.p.A.	16.858	8.077
NORD_ING S.r.l.	17.392	21.973
FNM Autoservizi SpA	8.344	11.200
E-Vai S.r.l. (formerly FN Mobilità Sostenibile S.r.l.)	18.625	7.893
NORD ENERGIA Spa		20.000
Locoitalia	64.960	
Trade payables to related parties (Note 34)	**4.116.367**	**4.836.950**
Total	**18.559.703**	**9.968.043**

"Third-party trade payables" increased following higher trade payables for rolling stock, amounting to EUR 9,508 thousand at 31 December 2019 (EUR 2,955 thousand at 31 December 2018).

The item "Trade payables, related parties" decreased compared to the previous year, mainly due to lower payables to NordCom, which in the previous year included investments for the SAP R3 upgrade to the S/4 HANA version.

NOTE 18 PAYABLES FOR TAXES AND DUTIES

They refer to amounts owing to the financial administration for:

Description	31.12.2019	31.12.2018
Income tax employees and contractors	641.921	600.177
VAT		264.860
Withholdings to be paid	44.235	1.049
Post-employment benefit substitute tax	1.256	691
Total tax payables	**687.412**	**866.777**
IRAP (REGIONAL BUSINESS TAX)	72.527	101.202
IRES (CORPORATE INCOME TAX)	2.374.380	
Total Payables for taxes	**2.446.907**	**101.202**

The decrease in "Payables for taxes" is due to the fact that at 31 December 2019 the Group recorded a receivable from the Revenue Agency for VAT for the payment of the 2019 advance.

The tax payable for the corporate income tax (receivable at 31 December 2018) is due to the higher current taxes accrued in the year, recognised in particular by the subsidiary FERROVIENORD, with respect to the paid advances.

NOTE 19 PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges comprise the following:

Description	Non-current: future costs Affori	Current: Personnel	Current: Renewal of the National Collective Bargaining Agreement	Current: other risks	Total
Balance 01.01.2018	**233.464**	**40.117**		**980.000**	**1.253.581**
Increases			146.037	324.000	470.037
Releases				(550.000)	(550.000)
Uses		(7.145)		(100.000)	(107.145)
Balance at 31.12.2018	**233.464**	**32.972**	**146.037**	**654.000**	**1.066.473**
Increases			319.316	324.000	643.316
Balance at 31.12.2019	**233.464**	**32.972**	**465.353**	**978.000**	**1.709.789**

Provisions for risks and charges - non-current
The amount of EUR 234 thousand, unchanged compared to the previous year, refers to estimated costs the Company will have to pay for commitments undertaken in relation to the sale of areas next to the Affori station in Milan, the commitment to carry out actives related to the Integrated Re-qualification Plan, such as land clean-up, development of urban infrastructure works, move of the electric power unit.

Provisions for risks and charges - Personnel
With reference to the renewal of the National Collective Bargaining Agreement for the Railway/Tram sector, based on an assessment of negotiations underway and the economic terms of previous contract renewals, the Company had made allocations in previous years for an amount equal to EUR 33 thousand.

Provisions for risks and charges - current - Renewal of the National Collective Bargaining Agreement
With reference to the renewal of the National Collective Bargaining Agreement for the Railway/Tram sector, expired on 31 December 2017, the Company, based on an assessment of ongoing negotiations and the economic terms of contract renewals, allocated a provision equal to EUR 319 thousand.

Provisions for risks and charges - other risks
In the previous years, EUR 324 thousand had been allocated to this item, as an estimate of the risk of losing in litigation with third parties. In relation to the higher costs expected as a result of the revised valuations, an additional amount of EUR 324 thousand were allocated.

Considerations on the estimates used in assessing litigation and potential liabilities are made in the section “Items subject to significant assumptions and estimates”.

INCOME STATEMENT

NOTE 20 REVENUES FROM SALES AND SERVICES

Revenues comprise the following:

Description	2019	2018
Sale of advertising space	650.833	710.000
Property income	649.776	655.045
Others services	543.575	700
Revenues from sales and services	**1.844.184**	**1.365.745**
Operating leases	53.436.813	52.981.047
Central services for the Group	20.169.974	20.369.450
Property income	840.775	838.109
Sale of advertising space	229.583	245.000
Revenues from sales and services to related parties (Note 34)	**74.677.145**	**74.433.606**
Total	**76.521.329**	**75.799.351**

Sale of advertising space - third parties
This item refers to revenues realised for the sale of advertising space on the *Digital Signage* network, as well as through traditional channels (displays at stations) and decreased due to the closing of the agreement at 30 November 2019. Since 1 December 2019, the *Digital Signage* network has been managed directly by the subsidiary FERROVIENORD.

Property income
This item refers to revenues realised with FNM group companies and third parties, only for property rentals.

Other revenues and income
The item includes EUR 544 thousand relating to the transfer to the EAV Consortium of the contract for the purchase of 5 Stadler trains. This revenue was not present in the previous year.

Operating leases - related parties
Revenues for operating leases recorded a net increase of EUR 456 thousand, mainly due to the changes indicated below:

- greater revenues for the hire to Trenord of 10 TSR 4-body trains, for which the supply of the last item was completed in March 2018, for EUR 220 thousand;
- higher revenues for ISTAT revision of the lease fees to Trenord of the CORADIA rolling stock, for EUR 188 thousand;
- higher revenues for the sub-hire to DB Cargo of 3, E494 trains, for EUR 48 thousand, following the execution of the new agreement and delivery of the locomotives last December.

The details of the revenues deriving from operating leases by fleet are shown below:

Revenues by Fleet (In thousands of Euro)	2019	2018
26 TAF	13.603	13.603
Loc. ES64 F4 no. 1	354	354
Loc. E 483 no. 8	2.479	2.479
2 TSR	1.270	1.270
8 CSA	5.704	5.625
10 CORADIA	9.419	9.310
7 6-body TSR	9.765	9.765
8 4-body TSR	10.796	10.575
Loc. E494 TRAXX F140 DC3 no. 3	47	
Total	**53.437**	**52.981**

Revenues from operating leases with related parties refer to the contracts listed below:

Lessee	Subject matter	Starting date of the agreement	Ending date of the agreement
Trenord S.r.l.	26 TAF	01/01/2006	31/12/2020
Trenord S.r.l.	6 DE 520	01/01/2020	31/12/2020
DB Cargo Italia S.r.l.	Loc. ES64 F4 no. 1	01/05/2008	30/04/2023
DB Cargo Italia S.r.l.	Loc. E 483 no. 3	01/12/2009	01/12/2024
DB Cargo Italia S.r.l.	Loc. E 483 no. 3	01/04/2009	31/03/2024
DB Cargo Italia S.r.l.	Loc. E 483 no. 1	01/05/2009	30/04/2024
DB Cargo Italia S.r.l.	Loc. E 483 no. 1	01/05/2009	31/01/2024
DB Cargo Italia S.r.l.	Loc. E494 TRAXX F140 DC3 no. 3	13/12/2019	31/12/2022
Trenord S.r.l.	2 TSR	01/01/2009	31/12/2020
Trenord S.r.l.	8 CSA	25/01/2012	31/03/2021
Trenord S.r.l.	10 CORADIA	31/08/2014	31/03/2021
Trenord S.r.l.	10 CORADIA IV carriage	05/02/2016	31/03/2021
Trenord S.r.l.	7 6-body TSR	01/05/2016	31/12/2020
Trenord S.r.l.	10 4-body TSR	08/11/2017	31/12/2020

Details are given of future minimum payments of operating leases by due date:

Description	2019	2018
Within 1 year	55.513.535	53.066.170
Between 2 and 5 years	15.607.385	65.743.046
Over 5 years		1.178.834
Total	**71.120.920**	**119.988.051**

Central services for the Group
Amounts mainly refer to the following services provided to FNM Group companies: accounting and financial reporting, payroll processing, purchasing, treasury, SAP IT services and communication coordination.
This item decreased by EUR 200 thousand compared to the previous year, mainly as a result of the reduction of the fees for SAP IT service.

NOTE 21 GRANTS

Grants comprise the following:

Description	2019	2018
Other grants	39.250	39.250
Grants	**39.250**	**39.250**
Other grants, Lombardy Region	1.164.886	1.164.886
Grants to related parties (Note 34)	**1.164.886**	**1.164.886**
Total	**1.204.136**	**1.204.136**

Other grants, Lombardy Region
This item includes grants received for the purchase of TAF high frequency trains (EUR 950 thousand), for development of the Cadorna terminal (EUR 146 thousand), and for the development of the “La Civiltà di Golasecca” museum for (EUR 69 thousand) (Note 14).

Information required by art. 1, paragraphs 125 and subsequent of Law 124/2017
As regards information required by art. 1, paragraphs 125 and subsequent of Law 124/2017, it is pointed out that no amounts were received from the public administration in 2019.

NOTE 22 OTHER INCOME

Other income comprises the following:

Description	2019	2018
Non-recurring income	276.941	82.848
Capital gains - property, plant and equipment	61.099	101.432
Insurance pay-outs	46.495	68.387
Release of the provision for risks	7.699	550.000
Capital gain from the sale of Affori areas		832.102
Release of the provision for bad debts		75.000
Other income	178.075	159.131
Other income	**570.309**	**1.868.900**
Sundry income with related parties	1.930.747	1.850.374
Other income from related parties (Note 34)	**1.930.747**	**1.850.374**
Total	**2.501.056**	**3.719.274**

Capital gain from the sale of Affori areas
In the previous year, the sale to GDF System S.r.l. of the areas adjacent to the Milan Affori station was completed, recognising a capital gain of EUR 832 thousand, not present in the current year.

Release of the provision for risks
With the risk of losing lawsuits no longer applicable in the previous year, provisions for EUR 550 thousand were released.

Capital gains - property, plant and equipment
The amounts refer, for EUR 57 thousand (EUR 98 thousand at 31 December 2018) to the portion relative to the year for the purchase transaction with lease back, with MPS Leasing & Factoring S.p.A. for locomotives.
In 2019, capital gains were also realised, for the sale of land in Trenzano (EUR 4 thousand).

Release of the provision for bad debts
The release recognised the previous year related to the collection of receivables under litigation, written down in previous years, as they were considered uncollectible.

Insurance pay-outs
This item mainly refers to insurance pay-outs for claims concerning locomotives.

Sundry income with related parties
This item includes costs recharged for personnel seconded to Group companies, which increased by EUR 180 thousand compared to the previous year.
This increase is partly offset by the lower charge-backs for EUR 76 thousand, for recovery of other costs.

NOTE 23 SERVICE COSTS

The next table shows the breakdown of this item:

Description	2019	2018
Consulting	1.156.491	876.338
Expenses for employees	689.163	665.799
Coordinated and continuative services	479.432	482.171
Marketing and advertising	363.008	193.666
Legal and notary fees	354.052	828.032
Allocations to provisions for disputes	324.000	324.000
Insurance	285.515	265.554
Motor vehicles management	225.776	288.972
Cleaning expenses	203.829	205.339
Third-party services - Maintenance	88.154	104.463
Utilities	87.045	104.576
Corporate bodies	84.892	53.235
Real estate management	37.391	45.706
Other charges	993.103	1.198.022
Service costs	**5.371.851**	**5.635.873**
Costs for IT services	5.329.373	5.104.452
Corporate bodies	835.396	703.227
Marketing and advertising	366.666	400.640
Real estate lease fees	178.792	748.339
Miscellaneous services	1.183.654	1.231.692
Service costs - related parties (Note 34)	**7.893.881**	**8.188.350**
Total	**13.265.732**	**13.824.223**

Service costs - third parties

Service costs with third parties recorded a net decrease of EUR 264 thousand compared to 2018, mainly due to the changes analysed below:

Consulting

The increase in consulting expenses, equal to EUR 280 thousand (EUR 876 thousand as at 31 December 2018), is mainly due to higher costs related to updates of the industrial and strategic plan of the FNM Group, not present in 2018.

Marketing and advertising

The costs of the item in question increased by EUR 169 thousand in relation to the execution of a three-year agreement directed at providing professional support in the care of institutional relations and in the representation of the corporate interests with the most diverse stakeholders of the Company, in addition to the costs for organising the UITP event.

Legal and notary fees

In the previous year, higher legal expenses had been incurred, by EUR 474 thousand, in relation to the activities connected with the tenders for the purchase of new rolling stock.

Other charges

The item “Other charges”, which decreased by EUR 205 thousand, refers to disaggregate amounts of a various nature, which are not individually significant.

Service costs - related parties

Costs for related-party services recorded a net decrease of EUR 295 thousand. In particular, this item refers to:

Costs for IT services

These are costs for the IT services invoiced by NordCom (EUR 5,329 thousand) and increased by EUR 225 thousand compared to the previous year, in relation to the increase both of the SAP 4/HANA fee, and of the higher costs for distributed IT.

Marketing and advertising with related parties

This item includes the amount relating to the FERROVIENORD concession of advertising spaces at stations, starting from 1 January 2013. This agreement was completed on 30 November 2019, from which derives the change with respect to the previous year.

Real estate lease fees

This item includes the amount relating to real estate management, which decreased from the previous year by effect of the adoption of the new IFRS 16.

Miscellaneous services
This item includes disaggregate amounts of a various nature and not individually significant, mainly for costs recharged for seconded personnel (EUR 593 thousand) and service fees (EUR 268 thousand).

NOTE 24 PERSONNEL COSTS

This item is broken down as follows:

Description	2019	2018
Wages and salaries	10.564.064	10.497.216
Social security contributions	2.993.272	2.915.165
Pension liabilities	579.000	1.405.000
Other cost	714.042	724.914
Total	**14.850.378**	**15.542.295**

Personnel costs decreased by EUR 692 thousand, mainly in relation to the lower amounts paid for the early termination of employment contracts of senior managers. The average number of employees changed from 199 in 2018 to 193 in 2019.

The Company applies the bargaining agreement for the railway/tram sector for all employees, apart from senior managers, for whom the contract for senior managers of industrial companies is applied.

The average number of employees per category for the current year and comparative year, is shown below:

Average number of employees by category	2019	2018
Executives	18	19
Middle managers	46	46
Office workers	129	134
Total	**193**	**199**

NOTE 25 AMORTISATION, DEPRECIATION AND IMPAIRMENT

The next table shows the breakdown of this item:

Description	2019	2018
Amortisation	834.368	946.639
Depreciation	24.604.877	25.398.173
Amortisation of right of use	765.035	
Total	**26.204.280**	**26.344.812**

Amortisation
This item mainly refers to the amortisation of SAP modules used in administration service activities.

Depreciation
The item decreased by EUR 793 thousand mainly in relation to lower depreciation on TAF rolling stock (EUR 904 thousand) and cyclical maintenance on CSA rolling stock (EUR 140 thousand) partly offset by the higher depreciation pertaining to the fitting out of the DE 520 locomotives (EUR 120 thousand) and of the 10 4-body TSR trains for which the deliveries and commissioning were completed in March 2018.

Amortisation of right of use

The amortisation of the right of use is accounted for starting from 1 January 2019 following adoption of the new IFRS 16.

NOTE 26 OTHER OPERATING COSTS

Other operating costs are analysed in the following table:

Description	**2019**	**2018**
Membership fees	452.085	336.392
Taxes and duties	321.792	331.524
Newspapers and magazines	51.838	48.572
Non-recurring expenses	106.309	46.297
Other charges	13.026	48.090
Other operating costs	**945.050**	**810.875**
Other charges	9.894	5.184
Other operating costs to related parties (Note 34)	**9.894**	**5.184**
Total	**954.944**	**816.059**

Membership fees increased by EUR 116 thousand in particular for the membership fee paid to Fondazione Politecnico Milano.

The item “Taxes and duties” includes costs incurred by the Company for IMU (Municipal Property Tax), equal to EUR 266 thousand.

NOTE 27 DIVIDENDS

This item is broken down as follows:

Description	**2019**	**2018**
NORD ENERGIA S.p.A.	4.723.062	4.498.337
Omnibus Partecipazioni S.r.l.	980.000	967.366
ATV S.p.A.	750.000	468.940
SEMS S.r.l. in liquidation	137.000	205.500
Trenord S.r.l.		1.500.000
NORDCOM S.p.A.		566.861
Dividends	**6.590.062**	**8.207.004**

On 29 March 2019, the Shareholders’ Meeting of NORD ENERGIA S.p.A. resolved on the distribution of a total dividend of EUR 7,871,770; the amount due to the Company totals EUR 4,723,062.

On 09 April 2019, the Shareholders’ Meeting of Omnibus Partecipazioni S.r.l. resolved on the distribution of a total dividend of EUR 1,960,000; the amount due to the Company totals EUR 980,000.

On 08 April 2019, the Shareholders’ Meeting of ATV S.p.A. resolved on the distribution of a total dividend of EUR 1,500,000; the amount due to the Company totals EUR 750,000.

On 12 March 2019, the Shareholders’ Meeting of SeMS S.r.l. in liquidation resolved on the distribution of an interim dividend on the liquidation result of EUR 200,000; the amount due to the Company totals EUR 137,000.

NOTE 28 FINANCIAL INCOME

Financial income concerns:

Description	2019	2018
Current bank accounts and deposits	21.429	26.727
Interest on credit reimbursement for taxes	242.584	
Others	28.630	8
Financial income	**292.643**	**26.735**
Financial income from the special treasury management contract	719.169	658.624
Finance lease agreements as lessor	340.954	451.039
Intergroup current accounts	1	9
Other financial income - related parties	810.447	75.462
Financial income from related parties (Note 34)	**1.870.571**	**1.185.134**
Total	**2.163.214**	**1.211.869**

Liquidity management
The Company manages the liquidity of all Group companies through cash pooling agreements; therefore, FNM current accounts also have liquidity from the operations of subsidiaries.
Financial income accrued in current bank accounts was in line with the previous year.
The following overall results are presented for liquidity management:

Description	2019	2018
Financial income - bank current accounts and deposits	21.429	26.727
Financial income - intercompany current accounts	1	9
Financial expenses - intercompany current accounts	(3.029)	(3.980)
Financial expenses - bank current accounts and deposits		(6.706)
Total	**18.401**	**16.050**

Interest on credit reimbursement for taxes
During the current year, the Company collected the receivable for which it had requested a refund from the Revenue Agency, and related accrued interest, pursuant to Decree Law no. 16 of 2 March 2012, amended and converted to Law no. 44 of 26 April 2012, in relation to the higher corporate income tax paid by the Group in 2007 – 2011 following the previous regime of the complete non-deductibility of regional income tax relative to personnel costs.
Financial income from the special treasury management contract
Financial income refers to interest income on financial resources granted to Finlombarda S.p.A. and regulated in the "Special treasury management contract" (Note 5). Provisions were interest bearing at an average rate of 1.49% (1.32% in 2018), equal to the rate actually accrued for sums deposited in sight and restricted deposits.

Finance lease agreements
Income from finance leases, by agreement, is broken down in the next table:

Lessee	Subject matter	Sub Leases	Starting date of the agreement	Ending date of the agreement	2019	2018
DB Cargo Italia	4 DE 520 Locomotives	YES	01/01/2018	31/12/2020	61.124	96.975
DB Cargo Italia	2 DE 520 Locomotives	NO	01/01/2018	31/12/2020	28.001	44.572
DB Cargo Italia	2 DE 520 Locomotives	YES	01/01/2018	31/12/2020	48.628	75.315
Trenord	1 DE 520 Locomotive	NO	01/01/2005	31/12/2019	32.187	34.848
Trenord	2 DE 520 Locomotives	YES	01/10/2007	31/12/2019	65.250	71.835
Trenord	3 DE 520 Locomotives	NO	01/01/2005	31/12/2019	95.671	102.360
Trenord	Fitting out 2 DE 520	NO	01/01/2012	31/12/2019	7.246	17.853
Trenord	Fitting out 4 DE 520	YES	01/09/2015	31/12/2019	2.847	7.281
TOTAL					**340.954**	**451.039**

Other financial income - related parties
The item includes the interest on the loan granted to the subsidiary Locoitalia, to provide it with the necessary resources for the purchase of the rolling stock. The overall loan of EUR 27,500 thousand bears interest at the fixed rate of 3%. The change relative to the previous year derives from the disbursement procedure of the amounts in two tranches, of EUR 5,000 thousand and EUR 22,500 thousand, which took place respectively on 30 June 2018 and 2 January 2019.

Effective rates of the return are indicated below:

Description	2019	2018
Receivable for - Special Treasury Management Agreement	1,49%	1,320%
Finance lease receivables	2.27% - 13.1%	2.96% - 13.9%
Locoitalia Loan	3,00%	3%
Receivables current accounts vs subsidiaries	0,02%	0,03%

NOTE 29 FINANCIAL EXPENSES

Financial expenses are accrued in relation to:

Description	2019	2018
Costs for Loans payable	1.750.445	584.960
Fees and charges for not using loans received	793.368	
Lease agreement as lessee	322.177	80.197
Post-employment benefit	25.480	23.716
Bank current accounts		6.706
Others	224	98
Financial Expenses	**2.891.694**	**695.677**
Financial expenses on the corporate bond	711.458	721.977
Lease agreement as lessee	35.436	
Intergroup current accounts	3.029	3.980
Financial expenses to related parties (Note 34)	**749.923**	**725.957**
Total	**3.641.617**	**1.421.634**

Costs for Loans payable
This item includes financial expenses for the loan taken out by FNM on 7 August 2018 and disbursed only for the *Term Loan Facility* on 14 September 2018, and calculated at the contract rate of 1.3%, adjusted to the internal rate of return equal to 1.47%, for adoption of the amortised cost criterion.
During the year, the capitalised costs, amounting to EUR 788 thousand, were also expensed on the *Capex Line* (Note 12), whose availability expired on 7 February 2020.

Commitment fees on loans
During the year, commitments fees on the "Capex Facility" and "Revolving Credit Facility", amounting to EUR 692 thousand, were recognised applying a rate of 35% of the margin, i.e. equal to 0.455% (Note 12). In addition, commitment fees were recognised on the EUR 50,000-thousand loan, stipulated with the EIB, for EUR 101 thousand, calculated applying a fixed rate of 0.2% per annum.

Lease agreement as lessee
Lease agreement as lessee increased in relation to the adoption of the new IFRS 16.

Financial expenses on the corporate bond
The item includes financial expenses for the corporate bond, issued on 21 July 2015 and fully subscribed by the associate Finlombarda S.p.A. (Note 12) and calculated applying the variable rate equal to 1,147% for the coupon maturing on 21 July 2019, and to 1.168% for the coupon maturing on 22 January 2020, deriving from the contractual rate consisting of the sum of the 6-month Euribor base 360 rate plus a spread of 1.3%.

Intergroup current accounts
The decrease in financial expenses with related parties is mainly due to the reduction in interest recognised compared to the previous year, as a result of the decrease in the average rate of return on capital (0.002% compared to 0.007% in 2018).

NOTE 30 INCOME TAXES

Amounts relative to current and deferred taxes are shown below:

(Amounts in thousands of Euro)

Description	2019			2018		
	Total	IRES (CORPORATE INCOME TAX)	IRAP (REGIONAL BUSINESS TAX)	Total	IRES (CORPORATE INCOME TAX)	IRAP (REGIONAL BUSINESS TAX)
Current	(6.841)	(5.704)	(1.137)	(6.773)	(5.708)	(1.065)
Taxes for previous years	(7)	(7)				
Net Deferred Tax Assets	1.097	930	167	125	93	32
Total	**(5.751)**	**(4.781)**	**(970)**	**(6.648)**	**(5.615)**	**(1.033)**

The change derives from the higher taxable amount of the current year.

<u>Corporate income tax - Reconciliation between the ordinary rate and effective rate</u>

Description	2019	2018
Applicable IRES rate	24,00%	24,00%
Non-deductible impairment	1,41%	1,71%
Non-deductible taxes	0,22%	0,21%
Capital gains	0,10%	-0,54%
Other non-deductible costs	1,41%	2,14%
Expenses not deducted previously	-0,77%	-0,86%
Non-taxable portion of dividends	-5,07%	-6,04%
ACE Deduction	-1,95%	-1,98%
Deductible IRAP	-0,14%	-0,16%
Deferred tax liabilities	-3,11%	-0,32%
Effective rate	16,12%	18,14%

NOTE 31 RESULT FROM DISCONTINUED OPERATIONS

No discontinued operations were recognised, as in the previous year.

NOTE 32 RESULT FROM OCI

Starting from the preparation of the separate financial statements at 31 December 2011, actuarial gains/(losses) are not recognised in the income statement, but in a specific reserve of shareholders' equity, net of the tax effect, recognised in the statement of comprehensive income.

This item is broken down as follows:

Description	2019	2018
Actuarial gain/(loss)	(82.702)	42.015
Tax effect	23.074	(11.722)
Total	**(59.628)**	**30.293**

NOTE 33 EARNINGS PER SHARE

Earnings per share are calculated dividing net income by the average weighted number of ordinary shares issued, excluding any treasury shares purchased from this calculation.

Description	2019	2018
Net profit	23.912.965	24.311.703
Weighted average number of shares	434.902.568	434.902.568
Basic earnings per share in Euro cents	0,05	0,06

Diluted earnings per share coincide with basic earnings per share.

NOTE 34 RELATED-PARTY TRANSACTIONS

FNM S.p.A. is controlled by the Lombardy Region, which holds 57.57%, 14.74% is held by Ferrovie dello Stato S.p.A. and the remaining interest is listed on the Standard Class 1 market of the Milan Stock Exchange.
Therefore all transactions with the Lombardy Region are reported under Related-Party transactions, which include also the transactions with entities for which the Company has joint control and with associates.

Related-party transactions are summarised in the next table:

2019	**Notes**	**Total**	**Total Related parties**	**Of which: Parent company**	**Of which: Subsidiaries**	**Of which: Joint Venture**	**Of which: Associates**	**Of which: Management**	**Proportion %**
BALANCE SHEET									
Non-current financial receivables	5	**1.166.667**	1.166.667		1.166.667				100,0%
Financial Receivables measured at fair value	5								
Trade receivables	7	**21.433.693**	19.485.392		2.073.575	16.812.791	501.157		90,9%
Current financial receivables	5	**29.054.821**	29.054.821			28.821.487			100,0%
Financial Receivables measured at fair value	5	**48.352.105**	48.352.105				48.352.105		100,0%
Other current receivables	8	**18.933.290**	5.288.137	2.900	2.656.331	2.628.906			27,9%
Non-current financial payables	13	**3.761.855**	3.529.963				58.000.000		93,8%
Other Non-Current Liabilities	15	**10.038.506**	7.081.221	6.552.531	332.391	20.541	175.758		70,5%
Current financial payables	13	**226.618.138**	221.219.623		130.603.563	32.043.192	58.572.868		97,6%
Trade payables	17	**18.559.703**	4.116.367		497.709	3.601.800	16.858		22,2%
Other current liabilities	15	**14.718.969**	10.924.922	1.164.885	8.965.285	679.472	115.280		74,2%
INCOME STATEMENT									
Revenues from sales and services	20	**76.521.329**	74.677.145		11.452.618	59.110.815	4.113.710		97,6%
Grants	21	**1.204.136**	1.164.886	1.164.886					96,7%
Other income	22	**2.501.056**	1.930.747		711.143	860.862	349.520		77,2%
Service costs	23	**(13.265.732)**	(7.893.881)	(120.867)	(2.123.368)	(6.023.255)	(32.593)	(835.397)	59,5%
Other operating costs	26	**(954.944)**	(9.894)		(9.894)				1,0%
Dividends	27	**6.590.062**	6.590.062		750.000	5.840.062			100,0%
Financial income	28	**2.163.214**	1.870.571		810.447	340.954	719.169		86,5%
Financial expenses	29	**(3.641.617)**	(749.923)		(2.620)	(35.846)	(711.457)		20,6%

2018	**Notes**	**Total**	**Total Related parties**	**Of which: Parent company**	**Of which: Subsidiaries**	**Of which: Joint Venture**	**Of which: Associates**	**Of which: Management**	**Proportion %**
BALANCE SHEET									
Non-current financial receivables	4	**5.643.728**	5.643.728			5.643.728			100,0%
Financial Receivables measured at fair value	4	**5.000.000**	5.000.000				5.000.000		100,0%
Trade receivables	6	**27.134.628**	25.438.588		2.006.167	22.898.027	534.394		93,7%
Current financial receivables	4	**3.948.157**	3.948.157		129.462	3.818.695			100,0%
Financial Receivables measured at fair value	4	**43.335.216**	43.335.216				43.335.216		100,0%
Other current receivables	7	**11.937.050**	2.308.024	2.900	247.400	2.057.724			19,3%
Non-current financial payables	11	**58.000.000**	58.000.000				58.000.000		100,0%
Other Non-Current Liabilities	14	**12.089.810**	10.278.775	7.717.417	2.208.012	146.760	206.586		85,0%
Current financial payables	11	**142.430.966**	136.044.088		116.286.081	18.006.475	1.751.532		95,5%
Trade payables	16	**9.968.043**	4.836.950		872.209	3.956.664	8.077		48,5%
Other current liabilities	14	**18.509.546**	12.248.647	1.164.885	10.646.708	344.021	93.033		66,2%
INCOME STATEMENT									
Revenues from sales and services	19	**75.799.351**	74.433.606		11.179.395	59.257.993	3.996.218		98,2%
Grants	20	**1.204.136**	1.164.886	1.164.886					96,7%
Other income	21	**3.719.274**	1.850.374		780.002	812.632	257.740		49,8%
Service costs	22	**(13.824.223)**	(8.188.350)	(11.562)	(2.272.878)	(5.185.402)	(15.281)	(703.227)	59,2%
Other operating costs	25	**(816.059)**	(5.184)		(5.184)				0,6%
Dividends	26	**8.207.004**	8.207.004		468.940	7.738.064			100,0%
Financial income	27	**1.211.869**	1.185.134		75.462	451.048	658.624		97,8%
Financial expenses	28	**(1.421.634)**	(725.957)		(3.623)	(357)	(721.977)		51,1%

The services provided to and received from subsidiaries, joint ventures and associates under normal market conditions, are summarised below:

Activities which produced revenue:	Subsidiaries	Joint Venture	Associates
Administrative Services	X	X	
Sap Fee	X	X	
Lease of premises in Novate		X	
Lease of offices in P.le Cadorna	X	X	
Lease of Iseo offices and space	X	X	
Hire of rolling stock	X	X	X
Assistance activities for Legislative Decree 231	X	X	
Sale of advertising space	X	X	

Activities which produced costs:	Subsidiaries	Joint Venture	Associates
IT Services		X	
Security services	X		
Advertising space management	X		
Lease of offices and commercial spaces	X		
Lease of distributed IT		X	

The cash flows with related parties for the year 2019 and 2018 are shown below:

Description	2019			2018		
	Total	Related parties		Total	Related parties	
		Absolute value	Incidence %		Absolute value	Incidence %
CASH FLOWS						
Cash flows from operations	43,331,563	61,647,028	142.3%	43,993,704	69,848,868	158.8%
Cash flow from investments	(14,846,028)	(12,722,417)	85.7%	(27,845,269)	(3,341,671)	12.0%
Cash flow from assets held for sale	-	-	0.0%	3,011,095		0.0%
Cash flow from financing	11,535,209	20,170,268	174.9%	(9,062,243)	44,986,891	-496.4%

NOTE 35 RISK MANAGEMENT

Market risk

FNM, mainly operating with subsidiaries and associates, is not exposed to market risks.

Credit risk

FNM S.p.A. is not exposed to particular commercial or financial credit risks. The Company has a considerable number of receivables due from subsidiaries and joint ventures.
In particular, as regards financial counterparty risk from the use of liquidity, the Company deals with entities that have a secure, high profile and considerable international standing.

Receivables due from third parties for which credit risk is assessed, are summarised below.

(Amounts in thousands of Euro)

Description	31.12.2019	31.12.2018
Receivables from banks (note 9)	136.592	96.574
Trade receivables from third parties (note 7)	1.948	1.696
Other receivables from third parties (note 8)	6.527	2.526
Total	**145.067**	**100.796**

Receivables from others included in the previous table are net of receivables in insolvency proceedings, written down entirely through the specific provision for bad debts, and tax payables for VAT (Note 7).

Trade receivables from third parties at the end of the reporting period present the following due dates:

(Amounts in thousands of Euro)

Description	31.12.2019			31.12.2018		
	Gross	Impairment	Net	Gross	Impairment	Net
Not yet due	1.423	(10)	1.413	1.731	(35)	1.696
Due from 31-60 days				13	(13)	
Due from 61-90 days	4		4			
Due from 91-120 days	1		1			
Due from 121-360 days	567	(37)	530	10	(10)	
Over 361 days	96	(96)		85	(85)	
Total	**2.091**	**(143)**	**1.948**	**1.839**	**(143)**	**1.696**

Changes in the provision for bad debts (trade) for the years ended 31 December 2019 and 2018 are shown below:

(Amounts in thousands of Euro)

Description	31.12.2019	31.12.2018
Balance at 1 January	143	272
Allocation of the period		
IFRS 9 Impairment		(54)
Uses of the period		(75)
Balance at 31 December	143	143

Liquidity risk

The Company's liquidity risk may arise from the difficulty of obtaining loans for its operations in appropriate times, or failure to meet financial ratios (covenants), required for the corporate bond issued in 2015, and for loans taken out by the Company in December 2017 with the European Investment Bank and in August 2018 with a pool of leading banks, because if the covenants were not met, repayment conditions would no longer apply, and lenders could obtain early repayment of the loans disbursed.

The Company's cash flows, financing needs and liquidity are monitored or managed centrally controlled by its Treasury department, with the aim of guaranteeing the effective and efficient management of financial resources.

Management considers that currently available funds and credit lines, as well as funds and credit lines that will be generated from operations and loans, will enable the Company to meet its requirements arising from investing activities, the management of working capital and repayment of loans on their natural expiry.

Contract due dates for financial liabilities are shown below:

(Amounts in thousands of Euro)

Description	<1 year	between 1 and 2 years	between 2 and 5 years	>5 years	Total
2019					
Other payables to subsidiaries for giro accounts	161.320				161.320
Payables to Bondholders	58.301				58.301
Finance lease payables	1.599	1.599	1.931		5.129
Total related parties	**221.220**	**1.599**	**1.931**		**224.750**
Finance lease payables	117	120	112		349
Other financial payables	5.282				5.282
Total third parties	**5.399**	**120**	**112**		**5.631**
Total	**226.619**	**1.719**	**2.043**		**230.381**

Description	<1 year	between 1 and 2 years	between 2 and 5 years	>5 years	Total
2018					
Other payables to subsidiaries for giro accounts	135.721				135.721
Payables to Bondholders	323	58.000			58.323
Total related parties	**136.044**	**58.000**			**194.044**
Finance lease payables	873				873
Other financial payables	5.328				5.328
Total third parties	**6.201**				**6.201**
Total	**142.245**	**1.907**			**200.245**

Contract due dates for financial assets are shown below:

(Amounts in thousands of Euro)

Description	<1 year	between 1 and 2 years	between 2 and 5 years	>5 years	Total
2019					
Finance lease receivables	1.046				1.046
Financial receivable from Finlombarda - Special treasury management agreement	48.352				48.352
Other financial receivables	327				327
Total related parties	**49.725**				**49.725**
Receivables from banks	136.592				136.592
Total third parties	**136.592**				**136.592**
Total	**186.317**				**186.317**

Description	<1 year	between 1 and 2 years	between 2 and 5 years	>5 years	Total
2018					
Finance lease receivables	2.114	1.046			3.161
Financial receivable from Finlombarda - Special treasury management agreement	43.335	5.000			48.335
Other financial receivables	1.786				1.786
Total related parties	**47.235**	**6.046**			**53.281**
Receivables from banks	96.574				96.574
Total third parties	**96.574**				**96.574**
Total	**143.809**	**6.046**			**149.855**

Currency risk
FNM operates exclusively at a local level, and therefore is not exposed to currency risk.

Interest rate risk
Financial liabilities mainly refer to finance lease agreements, the corporate bond and loan agreement with a pool of leading banks. FNM is not exposed to particular risks of changes in interest rates on finance lease agreements. The possible volatility of financial expenses associated with changes in interest rates on loans is monitored and mitigated by adopting an interest rate risk management policy which opts for a balanced mix of loans.
A sensitivity analysis was carried out, to assess any impact in case of increase or decrease of the rate by +1% -1%, which would entail a higher / lower expense by EUR 1,042 thousand.

Capital management
The main objectives pursued by the Company in its capital risk management policy are to create value for shareholders and safeguard the business as a going concern. The Company also aims to maintain an optimal capital structure in order to reduce the cost of debt and meet requirements (covenants) of debt agreements (Note 12 and Note 13). Particular attention is paid to the level of indebtedness in relation to shareholders' equity and to EBITDA, pursuing goals of profitability and generation of operating cash.

Fair value estimate
The fair value of the financial instruments listed on an active market is based on market prices at the reporting date. The fair value of the financial instruments that are not listed on an active market is determined using measurement techniques based on a series of methods and assumptions tied to market conditions at the reporting date.
The fair value of the financial instruments based on the following hierarchical levels is provided below:

- Level 1: Fair value determined with reference to (unadjusted) listed prices on active markets for identical financial instruments;
- Level 2: Fair value determined with measurement techniques with reference to variables observable on active markets;
- Level 3: Fair value determined with measurement techniques with reference to non-observable market variables.

Amounts in thousands of euros	Notes	Book value at 31/12/2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through OCI		0				**0**
Financial assets measured at fair value through profit or loss	5	48.352		48.352		48.352

During 2019, there were no transfers between different hierarchical levels. The accounting value already approximates fair value, where the related hierarchical level is not expressed.

NOTE 36 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES RECOGNISED IN THE FINANCIAL STATEMENTS

In compliance with provisions in IFRS 7, the next tables show information on categories of financial assets and liabilities of the Company at 31 December 2019 and 31 December 2018.

Amounts in thousands of euros	Notes	Book value at 31/12/2019	Financial assets at amortised cost	Financial assets at FV through profit or loss	Financial assets at FV through OCI	Financial liabilities at amortised cost
NON-CURRENT ASSETS						
Financial receivables	5	1.167	1.167			
		0				
CURRENT ASSETS		0				
Trade Receivables	7	21.434	21.434			
Financial Receivables	5	29.055	29.055			
Financial Receivables measured at fair value	5	48.352		48.352		
Other Receivables	8	18.933	18.933			
Cash and cash equivalents	9	135.944	135.944			
		0				
NON-CURRENT LIABILITIES		0				
Payables to banks	12	49.611				49.611
Financial payables	13	3.762				3.762
Other liabilities	15	10.039				10.039
		0				
CURRENT LIABILITIES		0				
Financial payables	13	226.618				226.618
Trade payables	17	18.560				18.560
Other liabilities	15	14.719				14.719

Amounts in thousands of euros	Notes	Book value at 31/12/2018	Financial assets at amortised cost	Financial assets at FV through profit or loss	Financial assets at FV through OCI	Financial liabilities at amortised cost
NON-CURRENT ASSETS						
Financial receivables	5	5.644	5.644			
Financial Receivables measured at fair value	5	5.000		5.000		
		0				
CURRENT ASSETS		0				
Trade Receivables	7	27.135	27.135			
Financial Receivables	5	3.948	3.948			
Financial Receivables measured at fair value	5	43.335		43.335		
Other Receivables	8	11.937	11.937			
Cash and cash equivalents	9	95.924	95.924			
		0				
NON-CURRENT LIABILITIES		0				
Financial payables	13	58.000				58.000
Other liabilities	15	12.090				12.090
		0				
CURRENT LIABILITIES		0				
Financial payables	13	142.431				142.431
Trade payables	17	9.968				9.968
Other liabilities	15	18.510				18.510

NOTE 37 SIGNIFICANT NON-RECURRENT EVENTS AND TRANSACTIONS

During the year, no significant, non-current events and transactions were reported.

NOTE 38 TRANSACTIONS ARISING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

Pursuant to CONSOB notice DEM/6064293 of 28 July 2006, the Company did not carry out atypical and/or unusual transactions, defined as such in the notice, during 2017.

NOTE 39 OTHER INFORMATION

Information about fees for Directors, Statutory Auditors and Key Personnel is provided below, with reference to the year 2019:

(Amounts in thousands of Euro)	**Amount**	**Total**
Directors	702	702
Auditors	185	
Other Key Personnel	2,469	2,469
Total	**3,356**	**3,171**

NOTE 40 SUBSEQUENT EVENTS

- On **10 March 2020**, the Company executed the agreements for the sale of the equity investments held in:
  - Locoitalia S.r.l. (51%), a line-by-line consolidated company active in the business of leasing rolling stock for the transportation of goods: the sale of the shares held by FNM to Tenor was closed after the completion of the partial and proportional demerger of the company in Locoelettriche S.r.l., whose shares held by FNM were sold to Railpool GmbH, for a total equity value of EUR 6.0 million. FNM's portion amounts to EUR 3.0 million;
  - Fuorimuro Servizi Portuali e Ferroviari S.r.l. (49%), a company consolidated with the equity method, active in the railway freight rolling stock and concession-holder for railway operations within the Genoa harbour, to Tenor S.r.l.; the price for the shareholding was EUR 0.5 million.
- Concerning the current economic-social situation in the Lombardy Region and in the Veneto Region, tied to the current Coronavirus 2019-nCoV outbreak (which the World Health Organisation declared a "pandemic" on 11 March), all of the Group's companies, following the contagion that occurred, promptly activated the measures required and deemed appropriate to safeguard the health of personnel and of customers and to contain the economic repercussions.

  In particular, with the goal of protecting workers' health, the Group, in addition to having incentivised smart-working since the start of the health emergency, also activated an extraordinary insurance coverage for the management of Coronavirus infection for all its employees, stipulating a supplemental policy able to cover the expenses tied to possible hospitalisation and to the subsequent recovery phase.

The persistence of the emergency and the consequent precautionary measures may impact even significantly the outlook for the future growth of the economy, both locally and internationally. Currently, the situation determined by these events is not expected to have a significant impact on the medium-term economic performance and on the business continuity of FNM S.p.A. companies and its subsidiaries.

The effects on the Group, whose main businesses relating to the leasing of rolling stock and to management of the railway infrastructure are not substantially impacted by the current emergency, impact mainly on road transport and to a greater extent on the Trenord investee.

In particular:

- for all companies, that started the revision of the commercial offering, at this time the duration of the provisions is limited in time and, since the management has already taken actions to mitigate their possible negative effects, currently the economic-financial impacts are estimated to be insignificant. Given the uncertainty of the continuously evolving situation, any impacts deriving from an extension of the limits imposed by the competent Authorities cannot be measured reliably at this time.
- Additional effects may derive from the reduction of visits and tourist activities in general in the city of Verona, in the Garda area and in the Venice area (where the Group operates with the companies ATV, La Linea and Martini also with lease services with driver) with the consequent reduction of the demand for transport, in particular in the spring and summer periods.
- Trenord - valued at equity - proceeded, starting from 24 February 2020, to revise the railway service which is entailing a significant reduction in ticketing revenues. Additional risks may be connected with the extension in time of the restrictive measures.

Before the current emergency, the Company estimated, for the year 2020, an operating performance substantially in line with 2019, both in terms of revenues and in terms of adjusted EBITDA (net of non-recurring elements). In light of the previous reflections, at this time and in the absence of elements that at present cannot be foreseen, it is reasonable to expect a mid-single digit negative impact on revenues and therefore a high-single digit negative impact on the adjusted EBITDA, implementing all possible measures to contain this impact.

The Adjusted NFP, in spite of the positive continuing generation of operating cash, is expected to grow, reflecting the higher investments expected for fleet modernisation, in particular relating to trains in the RoSCo segment, and the development of the business of freight mobility, whose programme will be carefully monitored to safeguard the Group's liquidity. In addition to having a positive adjusted net financial position by approximately EUR 40 million at the end of 2019 and confirmed positive at the present date, also has a significant liquidity headroom of EUR 90 million of committed lines and over EUR 140 million of uncommitted lines.

NOTE 41 PROPOSAL TO APPROVE THE FINANCIAL STATEMENTS AND ALLOCATE PROFIT FOR 2019

Dear Shareholders

In line with the target pay-out ratio of 40% of distributable profit arising from the separate financial statements of FNM S.p.A., and in keeping with choices made in previous years, it was considered appropriate to allocate a part of the result for a return on capital.

In submitting the financial statements for the year ended 31 December 2019, which recorded a profit of EUR 23,912,965, for your approval, the Board of Directors proposes allocating profit for the year as follows:

- EUR 1,195,648 to the legal reserve;
- EUR 9,567,856 as an ordinary dividend to Shareholders, to ensure a remuneration of EUR 0.0220 for each ordinary share outstanding;
- EUR 13,149,461 to the extraordinary reserve.

The dividend shall be released for payment following the Shareholders' Meeting for approval of the financial statements, scheduled by June 2020.

Milan, 31 March 2020

The Board of Directors

CERTIFICATION
of the separate financial statements pursuant to art. 154-bis of Legislative Decree 58/98

1. The undersigned, Andrea Gibelli as “Chairman of the Board of Directors” and Valentina Montanari as “Executive in charge of financial reporting” of FNM S.p.A., also taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree of 24 February 1998, No. 58, attest to:

   - the adequacy in relation to the characteristics of the company and
   - effective application of administrative and accounting procedures for the preparation of the separate financial statements during 2019.

2. They also attest that

   a) the separate financial statements:
      - were prepared in accordance with the applicable International Accounting Standards (IAS/IFRS) recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002;
      - correspond with the results of the accounting books and records;
      - provide a true and fair view of the economic and financial position of the issuer.

   b) The management report includes reliable analysis of the performance and operations, as well as the situation of the issuer, along with a description of the main risks and uncertainties to which it is exposed.

Milan, 31 March 2020

The Executive in charge of financial reporting Valentina Montanari	The Chairman of the Board of Directors Andrea Gibelli

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of FNM SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of FNM Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2019, the consolidated income statement, statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree 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 this report. We are independent of FNM SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recognition of grants on funded investments *Paragraph "Government grants"* *Note 34 "Grants for funded investments"* The line 'Grants for funded investments', amounting to Euro 40,986 thousand in the consolidated income statement for the year ended 31 December 2019, relates to grants on funded investments received in connection with the concession agreement for rail infrastructure in force between the subsidiary FERROVIENORD SpA and the Lombardy Region. We have identified grants on funded investments made by the subsidiary as the concession holder as a key audit matter in consideration of the materiality of the balance and of the method of recognition of the grants that is based on the percentage of completion of the investments, which in turn is determined on the basis of the percentage of costs incurred.	We have carried out specific analyses to understand, evaluate and validate the relevant controls implemented by the Group over the line 'Grants for funded investments'. We have selected a sample of investment projects and we have carried out the following main audit procedures: - We have verified the corrispondence between the costs resulting from the management accounts and the costs resulting from the general ledger; - We have recalculated the percentage of completion of projects using the cost-to-cost method; - We have verified the corrispondence between the claims for refund submitted to the Lombardy Region and the costs incurred on the relevant projects and amounts collected from the Lombardy Region. We have selected a sample of costs incurred and we have analysed their nature against supporting evidence, in order to verify that the investments made were relevant to the resolutions adopted by the Lombardy Region. Finally, we have verified the adequacy and completeness of disclosures in the notes to the consolidated financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate FNM SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 28 April 2017, the shareholders' meeting of FNM SpA appointed us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of FNM SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the FNM Group as of 31 December 2019, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the FNM Group as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of FNM SpA as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of FNM SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Milan, 29 April 2020

PricewaterhouseCoopers SpA

Signed by

Alessandro Turris
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of FNM SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FNM SpA (the Company), which comprise the statement of financial position as of 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity, 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 financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree 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 this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Assessment of the recoverability of the carrying amounts of equity investments *Paragraphs "Equity investments" and "Impairment losses of property, plant and equipment, intangible assets and equity investments"* *Note 4 "Equity investments"*	
The balance as of 31 December 2019 of the line 'Equity investments' in the separate financial statements of FNM SpA is Euro 96,996 thousand, comprising investments in subsidiaries, joint ventures and associates. This line represents 14% of total assets of FNM SpA's separate financial statements. Equity investments in subsidiaries, joint ventures and associates companies are carried at cost, inclusive of direct ancillary charges. When events indicate that the investments may have become impaired, management tests the recoverability of their carrying amounts by comparing the carrying amounts with the recoverable amounts. The valuation technique used by the Company to determine the recoverable amounts of the investees is the value in use determined with the support of an independent expert on the basis of the cash flows projections included in the business plans. The analyses carried out by management has not identified any impairment loss on any of the investments tested for impairment. We have identified the assessment of the recoverability of equity investments as a key audit matter for the following reasons: i) the materiality of the balance; ii) the complexity of the process to estimate the recoverable amounts of investees based on valuation assumptions affected by economic and market conditions that are subject to uncertainties; and iii) the high degree of judgement applied by management in estimating the future cash flows and the discount rate.	We have carried out specific analyses to understand, evaluate and validate the relevant controls implemented by the Company over the valuation of the line 'Equity investments'. We have obtained an understanding of the estimation method adopted by management to determine the recoverable amounts as approved by the board of directors of FNM SpA. Among equity investments showing indicators of impairment as of 31 December 2019 we have selected ATV Srl and La Linea SpA based on the materiality of their carrying amounts. For each entity: - We have understood the process adopted in the preparation of the entity's business plans. In particular, for ATV, in the 2020-2030 business plan approved by the entity's board of directors on 6 March 2020 and, for La Linea, in the 2019-2022 business plan approved on 28 February 2019, whose validity was confirmed by the entity's board of directors on 6 March 2020; - To assess the reasonableness of the business plans used in the impairment test we have analysed the performance of each entity in previous years and compared the actual results reported for FY 2019 with the budgets for the same year; - We have verified the consistency of the cash flows used with those included in the business plans used in the impairment test; - With the support of valuation experts belonging to the PwC network, we have

verified the reasonableness of the assumptions adopted by management to determine the discount rates used and the method of application of the discounted cash flow model, the mathematical accuracy of calculations and corrispondence of the information used with relevant data source;
- We have analysed the sensitivity analysis carried out by management.

Finally, we have verified the adequacy and completeness of disclosures in the notes to the financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 28 April 2017, the shareholders' meeting of FNM SpA appointed us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.
We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of FNM SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of FNM SpA as of 31 December 2019, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of FNM SpA as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of FNM SpA as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 29 April 2020

PricewaterhouseCoopers SpA

Signed by

Alessandro Turris
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.