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

as of 31 December 2020

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
Statutory Auditors	Massimo Codari
	Giussi Mainetti

General Manager	Marco Piuri

Executive in charge of financial reporting	Valentina Montanari

Independent Auditor	PricewaterhouseCoopers S.p.A.

CONTENTS

MANAGEMENT REPORT
of the year 2020

1 VISION

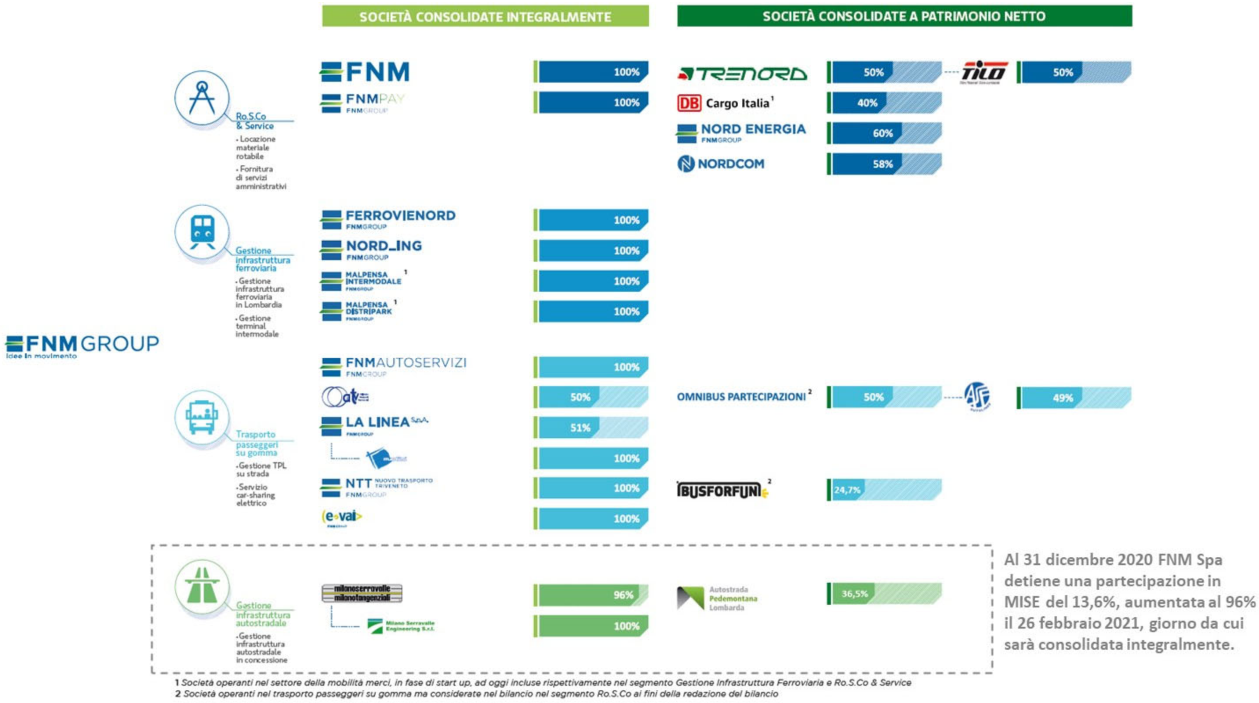
Improving the lives of **people**, cities and businesses, by developing connections and responding to mobility needs.

2 MISSION

Developing an integrated platform of mobility services, built according to criteria of environmental and economic sustainability, which rationalises and connects (physically and digitally) destinations, urban nodes and transport networks, to **create social value** and **promote the productivity** of the territory.

3 GROUP STRUCTURE AND BUSINESS SEGMENTS

FNM is the leading **integrated sustainable mobility Group in Lombardy**. It is the first organisation in Italy to combine railway infrastructure management with road transport and motorway infrastructure management in order to offer an innovative model for managing mobility supply and demand that optimises flows and is **environmentally and economically sustainable**. It is one of Italy’s leading non-state investors in the sector. FNM S.p.A. is a public company that has been listed on the Italian Stock Exchange since 1926. The majority shareholder is the Lombardy Region, which holds a 57.57% stake.



The FNM Group is present, through controlling interests and/or interests subject to joint control or associates, in the following four business areas:

3.1 RAILWAY INFRASTRUCTURE MANAGEMENT

The Group is active in the management of railway infrastructures in Lombardy and the Sacconago Intermodal Terminal through the following companies:

- FERROVIENORD S.p.A.- which is entrusted with the management and maintenance of the railway infrastructure, Milan and Iseo branches, on the basis of the concession expiring on 31 October 2060 and the Service Agreement signed with the Lombardy Region for the period 18 March 2016-31 December 2022;
- NORD_ING S.r.l. - which is entrusted with planning activity, as well as technical and administrative support for investments in the railway network;
- Malpensa Intermodale S.r.l.- which manages the Sacconago Terminal in Busto Arsizio (VA) and
- Malpensa Distripark S.r.l. - which is entrusted with the real-estate development of the areas adjacent to the Sacconago terminal, which is key to tl__ management of intermodal connections in the cargo sector carried out by Malpensa Intermodale.

3.2 ROAD PASSENGER TRANSPORT

FNM operates in the road mobility sector with:

- FNM Autoservizi S.p.A. - concessionaire of portions of public road transport services in the provinces of Varese and Brescia, holder of the Service Agreement for those in the Province of Como in a Temporary Consortium of Companies with ASF Autolinee S.r.l. (49% investee of Omnibus Partecipazioni[1] – which holds 50% of FNM S.p.A.), and support operator to Trenord for “train replacement” activity;
- Azienda Trasporti Verona S.r.l. - which provides urban public transport services in the municipalities of Verona and Legnago and extra-urban services throughout the province of Verona;
- La Linea S.p.A. – a company that operates in the Veneto Region in the local public road transport sector and also hires out buses with driver, also through subsidiaries/investees;
- E-VAI S.r.l. - a car sharing company operating in Lombardy with electric and bimodal vehicles.
- Busforfun.Com S.r.l.[1] - innovative startup in tourism and commuting technologies, in which FNM S.p.A. acquired a 24.7% stake in November 2020.

3.3 RO.S.CO. & SERVICES

The parent company FNM S.p.A. purchases and leases rolling stock to its subsidiaries, primarily for Trenord and DB Cargo, acting as a Rolling Stock Company (Ro.S.Co.).
Trenord (50% jointly owned with Trenitalia S.p.A.), is the main operator of suburban and regional passenger rail transport services in the Lombardy Region, including the Malpensa Express airport link, the Milan Rail Link and the Lombardy - Canton Ticino cross-border service through TILO S.A. (50% owned by Trenord). The railway service is managed under a Service Agreement with the Lombardy Region for the 2015-2020 period, extended to the end of 2021. DB Cargo Italia (40% owned by FNM S.p.A. with DB Cargo Italy S.r.l.) is active in rail freight transport.
Trenord and DB Cargo Italia are consolidated using the equity method.

FNM S.p.A. also provides administrative services to its subsidiaries and manages its real estate assets. With the establishment of FNMPAY in October 2020, the Group entered the digital payments sector. The FNM Group also extended its operations to the Information & Communication Technology sector with the joint venture NordCom, which operates both for the benefit of the FNM Group and for third parties; it is also present in the specialist sector of electricity transmission via the Mendrisio-Cagno power line, with the jointly controlled company NORD ENERGIA and its subsidiary CMC MeSta S.A.

1 - Companies operating in road passenger transport, but considered in the RoSCo segment for the purposes of preparing the financial statements. They are consolidated with the Equity method.

It should be noted that, as a result of the valuation using the equity method, the contribution of the jointly controlled companies Trenord (and its associate TILO), NORD ENERGIA (and its subsidiary CMC Mesta), NordCom, Omnibus Partecipazioni and the associates DB Cargo and Busforfun.Com, has no impact on the individual items of the consolidated statement of financial position and the consolidated income statement, with the exception of the items "Equity investment" and "Net profit of companies valued with the equity method", respectively.

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 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.
Lastly, please recall that since 10 June 2020, as a result of the sale of shares from FNM S.p.A. to FERROVIENORD S.p.A., 100% of the company NORD_ING S.r.l. is directly owned by FERROVIENORD S.p.A.

3.4 MOTORWAY INFRASTRUCTURE MANAGEMENT

2020 marked the FNM Group's entry into the motorway infrastructure management sector, thanks to the acquisition from ASTM, at the end of July, of the 13.6% shareholding in Milano Serravalle - Milano Tangenziali S.p.A., held directly and indirectly (hereinafter "MISE"). The consideration for this transaction was EUR 85.6 million (equal to EUR 3.5 per share), of which EUR 78.3 million (equal to EUR 3.2 per share) paid on 29 July 2020, and EUR 7.3 million (equal to EUR 0.3 per share) paid on 28 January 2021.
MISE is the concessionaire for the design, construction and management of the A7 Serravalle-Milan Motorway and the North, East and West Milan Ring Roads (a total of 179 km long) pursuant to the concession agreement signed on 7 November 2007 (as amended by the additional deed of 15 June 2016) between MISE, as concessionaire, and ANAS S.p.A. (subsequently replaced by the Ministry of Infrastructure and Transport), as the awarding body.
On 3 November 2020, FNM signed the sale and purchase agreement with the Lombardy Region for the acquisition of the entire 82.4% equity interest in MISE held by the Lombardy Region, for a total consideration of EUR 519.2 million (equal to EUR 3.5 per share). The completion of the transaction on 26 February 2021, brought FNM's total shareholding in MISE to 96% of the share capital, creating a strategic group in the infrastructure sector in Lombardy for the management of the mobility system, which integrates rail transport, local public road transport and motorway infrastructure. On the one

hand, the acquisition of MISE will allow FNM to strengthen its presence in Lombardy and in the areas of highest demand for transport, and on the other hand it will allow for the diversification of FNM Group's revenues, with an improvement of the income profile and a simultaneous diversification of regulatory risk.

MISE will be fully consolidated in the FNM Group’s financial statements starting 26 February 2021.

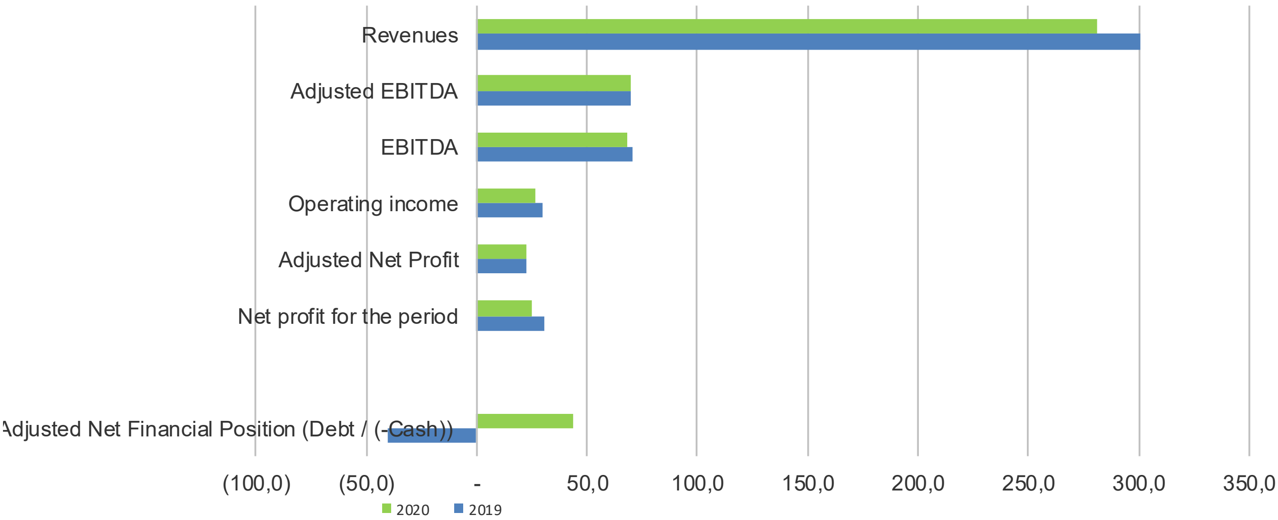
It should be noted that, by virtue of the subscription and release by the Lombardy Region on 26 February 2021 - at the same time as the signing of the contract for the purchase of MISE shares by FNM - of a share capital increase in Autostrada Pedemontana Lombarda (hereinafter “APL” - the concessionaire company for the activities of planning, construction and management of the motorway between Dalmine, Como, Varese, Valico di Gaggiolo and related works) for a total of EUR 350 million and the consequent dilution to 36.7% of the share capital of the equity investment held by MISE in APL (previously 79.3% owned by MISE), APL left MISE's scope of consolidation.

MISE's investee companies also include Milano Serravalle Engineering (100% owned), which provides design, technical and administrative support for infrastructure investments on the motorway network.

4 SUMMARY PERFORMANCE INDICATORS

4.1 FNM GROUP CONSOLIDATED PERFORMANCE INDICATORS

Amounts in millions of euros	2020	2019	*Change*	*Change %*
Revenues	281,3	300,6	*(19,3)*	*-6,4%*
Adjusted EBITDA	70,1	69,6	*0,5*	*0,7%*
EBITDA	68,2	71,0	*(2,8)*	*-3,9%*
Operating income	26,4	30,3	*(3,9)*	*-12,9%*
Earnings Before Tax	26,3	27,9	*(1,6)*	*-5,7%*
Adjusted Net Profit	22,7	22,9	*(0,2)*	*-0,9%*
Net profit for the period	24,7	30,9	*(6,2)*	*N/A*
Shareholders' equity (A)	477,1	454,3	*22,8*	*5,0%*
Net financial position (Cash) (B)	40,2	(107,5)	*147,7*	*-137,4%*
Adjusted Net Financial Position (Debt / (-Cash))	43,7	(39,9)	*83,6*	*-209,5%*
Net invested capital (A+B)	517,3	346,8	*170,5*	*49,2%*
Market capitalisation at 31.12	247,9	303,1	*(55,2)*	*-18,2%*
Investments	173,3	194,1	*(20,8)*	*-10,7%*

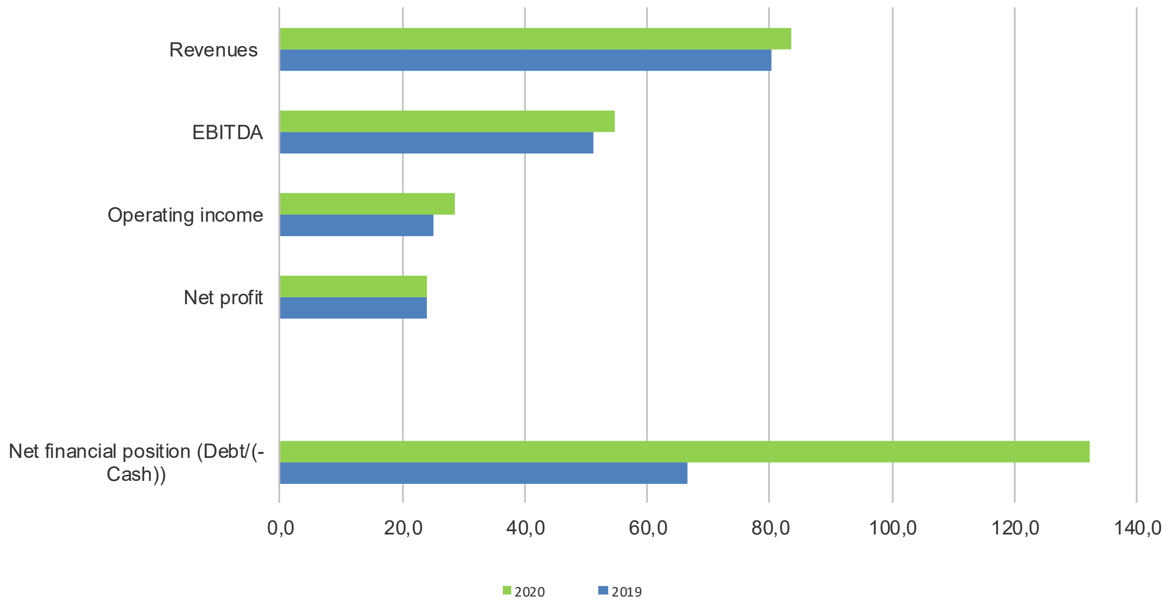


Credit Ratings

Moody's	
Long term	Baa3
Outlook	stable
Assignment date	25 January 2021
Fitch	
Long term	BBB-
Outlook	stable
Assignment date	10 November 2020

4.2 FNM S.p.A. PERFORMANCE INDICATORS

Amounts in thousands of euros	2020	2019	Change	Change %
Revenues	83,5	80,2	3,3	4,1%
EBITDA	54,6	51,2	3,4	6,7%
Operating income	28,5	25,0	3,5	14,0%
Net profit	23,9	23,9	(0,0)	-0,2%
Shareholders' equity (A)	399,6	375,7	23,9	6,4%
(Net financial position)/Net financial debt (B)	132,3	66,6	65,7	98,6%
Net invested capital (A+B)	531,9	442,3	89,6	20,3%
Investments	64,6	11,0	53,6	487,3%



5 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 Italian Stock Exchange indexes: FTSE Italia All Share and FTSE Italia Small Cap;
- sector indexes: FTSE Italia Servizi al Consumo (Consumer Services) and FTSE Italia Viaggi e Tempo Libero (Travel and Leisure).

Market on which the shares are listed	MTA
ISIN Code	IT0000060886

The financial markets in 2020[2]

The year 2020 was dominated by the health emergency related to the global spread of COVID-19 and the deep economic recession that followed.

In the first few months of 2020, the effects of the heavy restrictions adopted by various countries around the world to limit the spreading pandemic (especially in the second quarter) were reflected not only in global production activity but also in the deterioration of growth prospects. This resulted in a sharp decline in stock market indices, an increase in volatility and a deterioration in liquidity conditions worldwide.

The easing of the heavy-handed restraint measures in the summer months allowed for a temporary recovery in global economic activity, which even exceeded expectations. The start of the second wave of the pandemic in the fourth quarter required governments to adopt new restrictions, triggering another slowdown in the global economy. However, the long-term outlook has improved, thanks to the start of vaccination campaigns in many countries; however, uncertainty remains with respect to the timing of the large-scale distribution and administration of vaccines, on which the effects on the economic cycle will depend significantly.

During the period, important support for the economies of European Union member countries came from the extensive package of expansionary monetary policy measures adopted by the ECB and from the agreement on Next Generation EU reached by the European Council at the end of December, which set the budget for the 2021-2027 period at EUR 1,074074.3 billion (of which EUR 166 billion for 2021).

It should be noted that on 30 December 2020, the Understanding on the Future Relationship between the UK and the European Union was signed, introducing new provisions on trade, security and governance.

In our Country, the spread of the epidemic and the measures adopted to combat it had significant repercussions on economic activity. In fact, Italian GDP fell by 5.5% and 13% in the first and second quarters respectively, before rising by 15.9% in the third quarter, only partially recovering the contraction seen in the first part of the year. By contrast, the estimated decline in GDP in the fourth quarter was about 3.5% on the previous period, resulting in a contraction for the year of 9.2% (-7.3% in the EU). The sectors most affected were trade, transport, hotels and restaurants, professional activities and recreational, cultural and personal care services. Over the twelve-month period, inflation in Italy fell by 0.3%, in line with the average for European countries, driven in particular by

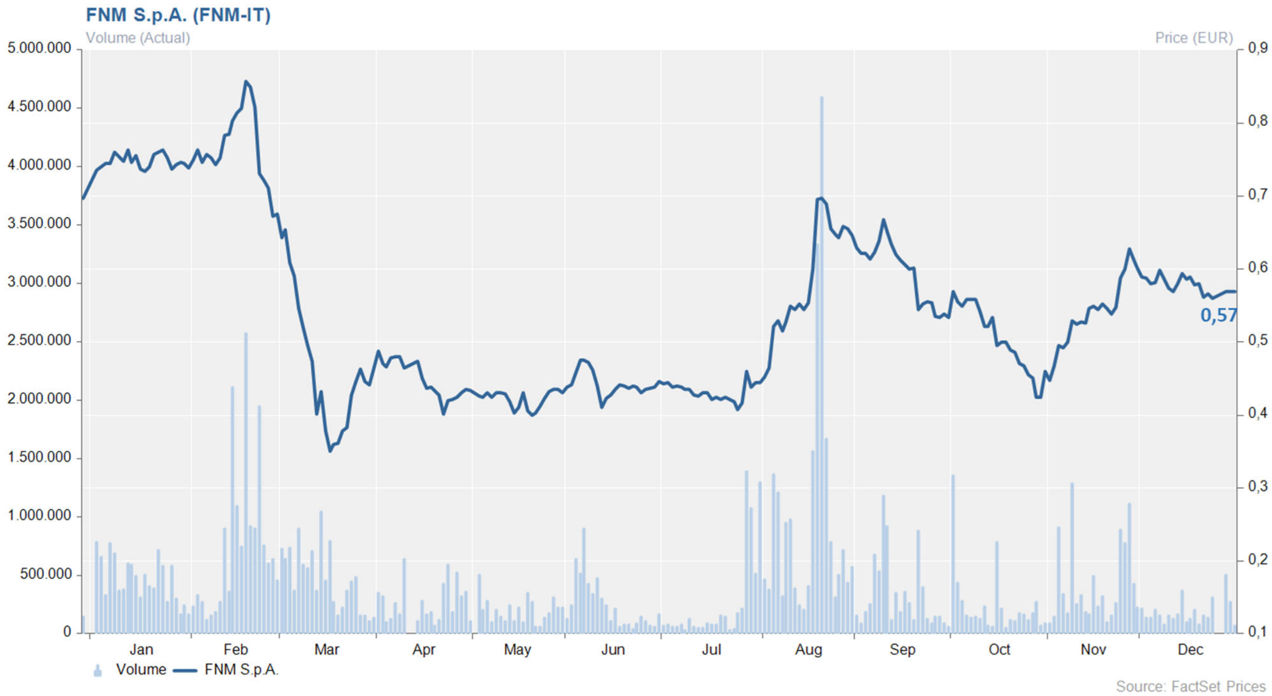
2 Sources: Borsa Italiana, Economic Bulletin 2 and 4/2020, 1/2021, Bank of Italy, Factset

a reduction in the prices of tourism-related services (especially transport), which were most affected by the consequences of the pandemic.
Financial market conditions in Italy, like those globally, have been influenced by the evolution of the pandemic and its effects on the economy. In particular, Italian Stock Exchange indices fell sharply in the first quarter, which saw levels of volatility exceeding the highs reached during the 2008-2009 financial crisis. Starting from the end of March, stock prices partially recovered and volatility decreased. In the second half of the year, financial market conditions in Italy, like those globally, were buoyed by the optimism generated by announcements regarding the efficacy of vaccines, further monetary support and the resolution of uncertainty linked to the presidential elections in the United States. However, financial market outlooks continue to be impacted by possible future scenarios concerning the evolution of the pandemic.
The yield spread of Italian government bonds compared to German bonds experienced a similar trend: at first, the spread widened considerably, and then narrowed on all maturities, reaching levels lower than those observed before the pandemic with almost stable volatility, mainly due to a reduction in country risk.
Overall, the **Italian market** fell by **5.6%** since the start of 2020 (FTSE Italia All Share).
In the same period, the **FNM stock** underperformed (-18.2%) compared to the FTSE Italia Small Cap benchmark (-4.6%), related to small-capitalisation Italian stocks, but well above the trend of the Italian sector index (FTSE Italia Servizi al Consumo -26.5%).

FNM stock performance in 2020[3]

In 2020, **the FNM share** declined by **-18.2%** compared to the end of 2019, with an average price of **EUR 0.54** (average stock market capitalisation of **EUR 236.3 million**). As a result of the impact of the pandemic on the economy, the FNM share price fell significantly in the first half of the year (the average price in the March-July period fell by more than 40% compared to the price in the first two months of 2020). In the following months, the share partially regained strength following the announcement of the acquisition of Milano Serravalle-Milano Tangenziali, as well as the approval of the guidelines of the 2021-2025 strategic plan (the average price in the August-December period rose by 27% compared to the average price in March-July).

3 Source: Factset



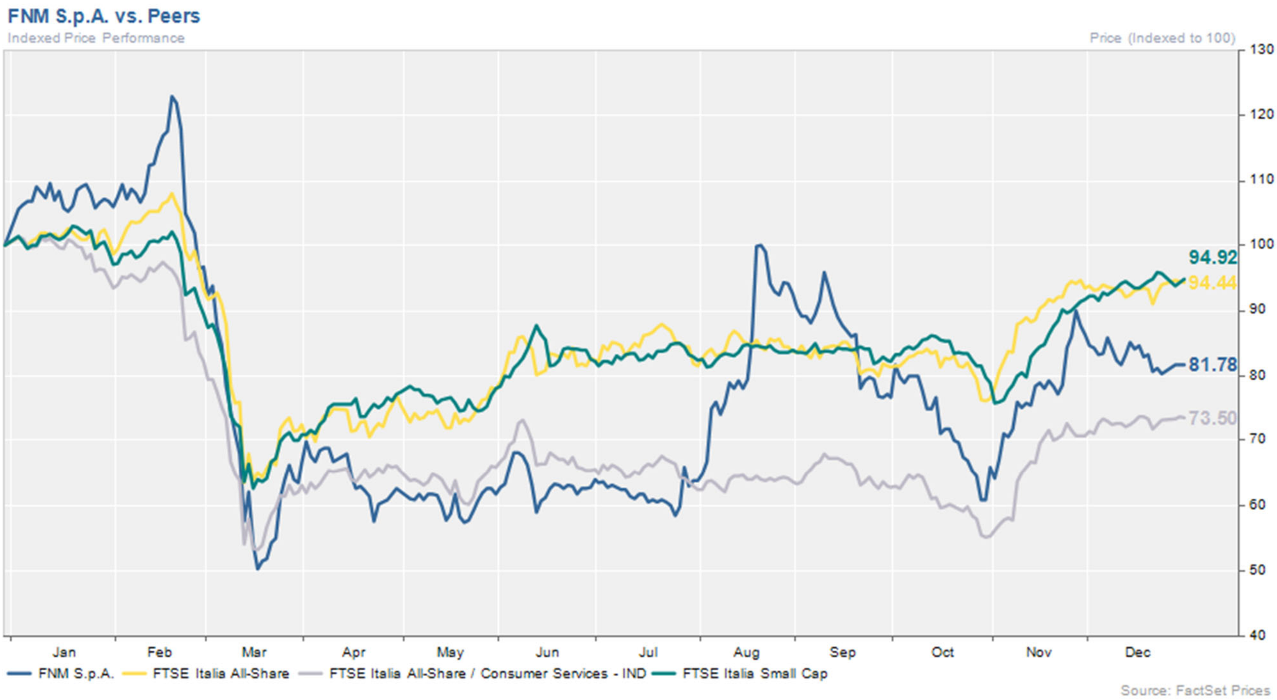
The average daily value of FNM shares traded on the MTA market, managed by Borsa Italiana, was EUR 244,000 (the maximum value recorded on 20 August 2020 was over EUR 3.2 million). Average daily trading of the security amounted to approximately 409 thousand shares.

In the period under analysis, a total of 104.2 million shares were traded, equal to about 24.0% of the share capital.

Share and stock market data	**Year 2020**
Closing price of 30/12/2020 in Euro	0.57
Average price in Euro	0.54
Highest price in Euro (19/02/2020)	0.86
Lowest price in Euro (17/03/2020)	0.35
Average volume (thousands)	408.8
Maximum volume (thousands, 20/08/2020)	4,602.3
Minimum volume (thousands, 22/07/2020)	36.12
Number of ordinary shares (million)	434.9
Average Stock Market capitalisation in Euro million	236.3
Stock Market capitalisation at 30/12/2020 in Euro million	247.9

Source: FactSet

FNM stock performance compared to the main reference indexes in 2020



(Price=100 at 30 December 2019)

Shareholding structure

At 31 December 2020 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 Article 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 31/12/2020
LOMBARDY REGION	57.6%
FERROVIE DELLO STATO	14.7%

Outlook 2021[4]

The outlook for the coming months remains closely linked to the evolution of the pandemic and the measures taken, on the one hand, to counteract the increase in infections and, on the other, to mitigate its impact on economic activity. According to the OECD forecasts released in December, global

4 Source: Economic Bulletin 1/2021, Bank of Italy, Fitch, Moody's, Standard & Poor's

output should resume expansion, by 4.2 percent in 2021, surpassing pre-pandemic levels by the end of the year, mainly thanks to China's contribution, responsible for more than one-third of global expansion in 2021.
In Italy, thanks to the start of vaccination campaigns, forecasts show that the epidemic may gradually come under control in the first part of 2021, and that the health emergency will be completely overcome by the end of 2022. However, uncertainties about the timing of the large-scale distribution and administration of vaccines will continue to affect the business cycle.
The expansionary effects of European monetary policy, combined with the considerable support to economic activity coming from the budgetary policy and from the use of the European funds made available as part of the NGEU, the confirmation of the recovery of international trade, as well as the expected improvement in the health situation, allow us to estimate a significant recovery in Italian gross domestic product starting in the spring. Italian GDP is expected to grow by 3.5% in 2021 and the following two years, returning to pre-crisis levels during 2023, trending slightly below the EU average in 2021 and 2022. Inflation is expected to remain below 1% in 2021 and 2022, to then increase to 1.1% in 2023.
On the basis of the above considerations, the main rating agencies Standard & Poors, Moody's and Fitch have given Italy an investment grade rating (BBB, Baa3 and BBB- respectively) with a stable outlook.

6 CONSOLIDATED OPERATING AND FINANCIAL PERFORMANCE

6.1 ECONOMIC DATA SUMMARY

The reclassified income statement for the year is shown below, compared with that of 2019. 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	2020	2019	Change	Change %
Revenues from sales and services	258,8	279,2	(20,4)	*-7,3%*
Other revenues and income	22,5	21,4	1,1	*5,1%*
TOTAL REVENUES AND OTHER INCOME	***281,3***	***300,6***	***(19,3)***	***-6,4%***
Operating costs	(97,7)	(105,5)	7,8	*-7,4%*
Personnel costs	(113,5)	(125,5)	12,0	*-9,6%*
ADJUSTED EBITDA	***70,1***	***69,6***	***0,5***	***0,7%***
Non-ordinary Income and Expenses	(1,9)	1,4	(3,3)	*N/A*
EBITDA	*68,2*	*71,0*	*(2,8)*	*-3,9%*
Depreciation, amortisation and write-downs	(41,8)	(40,7)	(1,1)	*2,7%*
EBIT	***26,4***	***30,3***	***(3,9)***	***-12,9%***
Net financial income	(0,1)	(2,4)	2,3	*-95,8%*
of which gains on divestments	*1,0*	*-*	*1,0*	*N/A*
EARNINGS BEFORE TAX	*26,3*	*27,9*	*(1,6)*	*-5,7%*
Income tax	(3,6)	(5,0)	1,4	*-28,0%*
ADJUSTED COMPREHENSIVE INCOME	**22,7**	**22,9**	**(0,2)**	***-0,9%***
Profit of companies measured with the Equity method	2,0	8,0	(6,0)	*-75,0%*
COMPREHENSIVE INCOME	**24,7**	**30,9**	**(6,2)**	***-20,1%***
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERES	**0,5**	**0,6**	**(0,1)**	***-16,7%***
COMPREHENSIVE GROUP INCOME	**24,2**	**30,3**	**(6,1)**	***-20,1%***

The revenues from sales and services recorded a net decrease of EUR 20.4 million, i.e. approximately 7.3%, for the following reasons:

- revenues from transport services decreased by EUR 23.5 million because of the lower sales in relation to the measures ordered from 24 February onwards for the COVID-19 emergency, from EUR 46.4 million in 2019 to EUR 22.3 million in 2020;
- revenues deriving from public contracts and contributions showed an increase of EUR 4.8 million, compared to the comparative period mainly due to the effect of Law 24 April 2020, no. 27 (article 92 paragraph 4-*bis*)[5], which provided for the recognition of the payments of the road transport sector on the basis of contractual planning, despite the reformulation of the offer implemented

5 "In order to contain the negative effects of the epidemiological emergency from COVID-19 and the measures to contrast the spread of the virus on operators of local and regional public transport services and school transport, reductions of fees, sanctions or penalties due to the reduced schedule or reduced travel from 23 February 2020 and until 31 December 2020 cannot be applied by the customers of the aforementioned services, also where negotiated…"

following the epidemiological emergency and the economic effect of the compensatory measures (equal to approximately EUR 4.1 million, to compensate for the lack of revenues from ticketing outlined above) introduced by Law 17 July 2020, no. 77 (article 200 paragraph 1, Relaunch Decree),[6] by Law 13 October 2020, no. 126 (article 44, August Decree)[7] and Law 18 December 2020, no. 176 (art. 22*ter*, Ristori Bis Decree)[8];

- revenues from the rental of rolling stock increased by EUR 2.1 million, mainly in relation to the operating lease of E494 locomotives to DB Cargo Italia and DE520 locomotives to Trenord.

Other revenues and income rose by EUR 1.1 million compared to 2019; the main changes are as follows:

- the recovery of general expenses on investments financed by the Planning Agreement increased by EUR 0.7 million, in relation to the higher funded investments for the modernisation of infrastructure carried out compared to the comparison year;
- sale of inventory materials, relating to the sale of obsolete material no longer usable for maintenance, increased by EUR 0.4 million.

Total revenues and other income thus had an overall decline of 6.4% and are broken down as follows into the three business areas:

6 "To sustain the local and regional public passenger transport service subject to public service obligation following the negative effects deriving from the COVID-19 epidemiological emergency, a fund is established with the Ministry for Infrastructure and Transport with an initial amount of EUR 500 million for the year 2020, to offset the reduction of fare revenues from passengers in the period from 23 February 2020 to 31 December 2020 compared to the average fare revenues recorded in the same period of the previous two years..."

7 "In order to support the local and regional public passenger transport sector subject to a public service obligation and allow the provision of local public transport services in compliance with the measures to contain the spread of COVID-19 referred to in the decree-law 25 March 2020, no. 19, converted, with amendments, by law 22 May 2020, no. 35, and the decree-law of 16 May 2020, no. 33, converted, with amendments, by law 14 July 2020, on. 74, the endowment of the fund referred to in paragraph 1 of article 200 of the decree-law of 19 May 2020, no. 34, converted, with amendments, by law 17 July 2020, no. 77, increased by EUR 400 million for the year 2020. These resources can be used, as well as for the same purposes referred to in the aforementioned article 200, also for the financing, within the limit of EUR 300 million, of additional local and regional public transport services, also intended for students, necessary to meet the transport needs resulting from the implementation of containment measures deriving from the application of the Guidelines for information to users and the organisational methods for containing the spread of COVID-19 in the field of public transport, and the Guidelines for dedicated school transport, where the aforementioned services in the period prior to the spread of COVID-19 had reached more than 80 percent capacity…"

8 "In *Article 200, paragraph 1, of Decree-Law 19 May 2020, no. 34*, converted, with amendments, by *Law 17 July 2020, no. 77*, the words: "during the period from 23 February 2020 to 31 December 2020" shall be replaced by the following: "during the period from 23 February 2020 to 31 January 2021." 2. For the purposes of paragraph 1, the endowment of the fund provided by *article 200, paragraph 1, of decree-law 19 May 2020, no. 34*, converted, with amendments, by *law 17 July 2020, no. 77*, shall be increased by EUR 390 million for the year 2021. These resources can be used not only for the same purposes as those set forth in the aforementioned *article 200*, but also for the financing, within the limit of EUR 190 million, of additional local and regional public transport services, also intended for students, needed in 2021 to meet the transport needs resulting from the implementation of the containment measures where the aforementioned services in the period prior to the spread of COVID-19 reached more than the capacity provided for by the decree of the President of the Council of Ministers in force at the time of the issue of the decree referred to in paragraph 3..."

Amounts in millions of euros	2020	2019	*Change*	*Chg %*
Railway infrastructure management	126,9	124,6	*2,3*	*1,8%*
Road passenger transport	94,7	118,3	*(23,6)*	*-19,9%*
Rosco & Services	84,0	82,6	*1,4*	*1,7%*
Intercompany eliminations	(24,3)	(24,9)	*0,6*	*-2,4%*
Total consolidated revenues	**281,3**	**300,6**	***(19,3)***	***-6,4%***

Operating costs recorded a net decrease of EUR 7.8 million (-7.4%) for the following main reasons:

- decrease of diesel and bus maintenance costs, respectively equal to EUR 4.5 million and EUR 1.0 million, in relation to the fewer km travelled as a result of the reduction in the runs carried out due to the health emergency;
- decrease in subcontracting to third parties, by EUR 1.0 million;
- decrease in employee expenses, by EUR 1.2 million;
- decrease in commercial expenses and commissions to third parties by EUR 0.6 million, in relation to the lower sales of tickets carried out in the year.

Personnel costs decreased by EUR 12.0 million (-9.6%), mainly as a result of the use of residual leave, of income supporting schemes (General Lay-off Fund and Public Transport Fund) and of the lesser employment of temporary workers, in relation to the reduction of working activities as a consequence of the COVID-19 emergency. Labour costs also benefited from the lower costs amounting to EUR 1 million in relation to the decreased workforce.

As a result of the significant reduction in costs described above, **adjusted EBITDA** (which excludes non-recurring items) of EUR 70.1 million was up by 0.5%, outperforming revenue growth due to the mentioned containment of costs. It is broken down as follows into the three business areas:

Amounts in millions of euros	2020	2019	*Change*	*Chg %*
Railway infrastructure management	5,8	4,1	*1,7*	*41,5%*
Road passenger transport	10,0	13,2	*(3,2)*	*-24,2%*
Rosco & Services	54,3	52,3	*2,0*	*3,8%*
Total adjusted EBITDA	**70,1**	**69,6**	***0,5***	***0,7%***

Non-ordinary costs amount to EUR 1.9 million and relate to costs for development projects, while last year the item expressed the net value between a contingent asset deriving from the closure of a dispute and costs for development projects.

Amortization, depreciation and impairment show a net increase of EUR 1.1 million, due to the impairment of two wrecked TAF bodies that can no longer be used (EUR 0.5 million) and the impairment of goodwill assigned to La Linea S.p.A. (EUR 2.0 million).

Comprehensive EBIT amounted to EUR 26.4 million, compared with EUR 30.3 million in 2019, a net decrease of EUR 3.9 million compared to the prior year.

The **comprehensive net financial loss** during the year 2020 was EUR 0.1 million compared to EUR -2.4 million in 2019, particularly in relation to the capital gain of EUR 1.0 million deriving from the sale of the equity investment held in Locoitalia. Net of this effect, net financial expenses were in any case lower than in the previous year due to the capital gain recognised at the closing of the financial receivable from Finlombarda for treasury management, repaid in July, as well as due to lower interest expense.

Earnings before taxes amounted to EUR 26.3 million, down by 5.7% compared to EUR 27.9 million in 2019.

Income taxes, amounting to EUR 3.6 million, decreased by EUR 1.4 million compared to FY 2019, in relation to the lower taxable income recorded in the period as well as the benefit deriving from the fact that the IRAP balance for 2019 and the first IRAP advance for 2020 were no longer due, as provided for by article 24 of the Relaunch Decree (Decree Law 34/2020). The tax rate changed from 10.22% to 10.94%.

The **profit/(loss) of companies measured at equity** recorded a profit of EUR 2.0 million, versus a profit of EUR 8.0 million in 2019, mainly due to the negative result of the investee Trenord. This item is broken down as follows:

Amounts in thousands of euros	**2020**	**2019**	***Change***
Trenord Srl *	(3.796)	1.598	*(5.394)*
NORD ENERGIA SpA **	2.567	3.377	*(810)*
DB Cargo Italia Srl	1.813	1.722	*91*
Omnibus Partecipazioni Srl ***	1.052	1.192	*(140)*
NordCom SpA	283	460	*(177)*
Conam Srl	44	55	*(11)*
SeMS Srl in liquidation	81	34	*47*
Fuorimuro Srl****	-	(391)	*391*
Result of companies valued at equity	**2.044**	**8.047**	***(6.003)***

* includes the result of TILO SA
** includes the result of CMC MeSta SA
*** includes the result of ASF Autolinee Srl
**** The result of the equity investment in Fuorimuro is down to zero as a result of the sale completed on 10 March 2020, adjusted to fair value as at 31 December 2019.

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

- a drop in revenues of 15.5% (EUR 703.1 million from EUR 831.7 million in 2019) attributable to the effects of the pandemic, which, starting from the end of February, forced the authorities to place a series of restrictions on people's movements and the use of means of transport, which, after a period of easing in the summer, were again exacerbated in the final quarter of the year, with a particularly significant drop in particular in the airport segment of Trenord's service. Revenues, however, include the benefits deriving from the compensatory measures made available by the State to the Local Public Transport Authorities with the Relaunch, August and Ristori Bis decrees, for a total of EUR 80.4 million.

- a decrease in EBITDA from EUR 202.1 million in 2019 to EUR 153.3 million. The change compared to the 2019 figure is due, for EUR 128.6 million, to lower operating revenues, offset by lower operating expenses by EUR 79.7 million. This reduction in costs is attributable for EUR 24.9 million to the reduction in personnel costs, in particular the variable components of labour costs, as a result of the lower service production in the initial months post-pandemic and the reduction in the number of resources employed (-34 FTE) and for EUR 54.8 million to the reduction in other operating costs, in particular due to the decrease in costs for tolls (EUR -16.9 million), commissions payable (EUR -8.2 million), replacement services (EUR -4.8 million) and traction energy (EUR -1.6 million).
- a total net profit of EUR -7.2 million, down by EUR 10.8 million compared to 2019.

Consolidated **comprehensive income** for the 2020 financial year amounted to EUR 24.7 million, down EUR 6.2 million, compared to EUR 30.9 million in the 2019 financial year (-20.1%), due to the effects described above resulting essentially from the epidemiological emergency and highlighting the Group's strong resilience to the impact of the pandemic both due to the different exposure to operational risk of the various business sectors and the actions implemented to limit the negative impacts of the emergency.

6.2 RECLASSIFIED STATEMENT OF FINANCIAL POSITION

Below is the reclassified statement of financial position at 31 December 2020, compared with that of 31 December 2019.

Amounts in millions of euros	31/12/2020	31/12/2019	Change
Inventories	8,7	8,9	(0,2)
Trade receivables	82,6	64,6	18,0
Other current receivables	99,0	60,9	38,1
Trade payables	(177,5)	(175,7)	(1,8)
Other current payables and current provisions	(70,7)	(91,0)	20,3
Net Working Capital	***(57,9)***	***(132,3)***	***74,4***
Fixed assets	468,3	432,3	36,0
Equity investments	168,0	84,9	83,1
Non-current receivables	24,2	21,6	2,6
Non-current liabilities	(24,4)	(28,2)	3,8
Provisions	(60,9)	(60,9)	0,0
Assets and liabilities held for sale	0,0	29,5	(29,5)
NET INVESTED CAPITAL	***517,3***	***346,9***	***170,4***
Equity	*477,1*	*454,3*	*22,8*
Adjusted Net Financial Position (Debt / -Cash)	**43,7**	**(39,9)**	**83,6**
Net Financial Position for funded investments (cash)	(3,5)	(67,6)	64,1
Total net financial position (Debt / -Cash)	*40,2*	*(107,5)*	*147,7*
TOTAL SOURCES	***517,3***	***346,8***	***170,5***

The **net working capital** increased by EUR 74.4 million as a result of the following changes:

- **trade receivables** increased by EUR 18.0 million, mainly due to the extension of collection times for receivables from related parties;
- **other current receivables** increased as a result of the advance recognised, amounting to EUR 31.8 million, in relation to the launch of a new work contract for the renewal of rolling stock with borrowed funds, as well as for the higher tax receivables for the year due to the higher advances paid with respect to the actual tax charge for the year, for EUR 2.7 million;
- **trade payables**, remain in line with the previous year. During the period, payments were made to suppliers for investments with borrowed and own funds, amounting to EUR 184.7 million and EUR 13.4 million respectively. It should be stressed that the investments paid with borrowed funds pertain for EUR 133.1 million to the renewal of rolling stock and hence paid with the resources allocated by the Lombardy Region on restricted funds, excluded from the adjusted NFP. These payments are offset by the investments made in the period and not yet paid;
- **other current payables**, down EUR 20.3 million, in relation to the payment of cyclical maintenance to Trenord, partially offset by the recognition of the payable to the ASTM Group of EUR 7.3 million, relating to the second tranche of the consideration agreed for 13.6% of the share capital of MISE. This amount was paid on 28 January 2021.

Investments increased mainly as a result of the acquisition of the investment, equal to 13.6%, in MISE for a value of EUR 85.6 million, net of the lower result contributed by the companies valued using the equity method.

The item **fixed assets** comprises mainly tangible assets of EUR 443.3 million, of which EUR 334.7 million pertain to rolling stock, EUR 5.2 million to intangible assets, EUR 4.3 million to goodwill and EUR 15.5 million to rights of use.

The change in **assets and liabilities held for sale**, which included the values of the equity investments held in Locoitalia and Fuorimuro, reclassified at 31 December 2019 and measured in accordance with IFRS 5, is consequent to their sale on 10 March 2020.

Provisions include non-current provisions relating to cyclical maintenance and severance indemnities.

Below is the breakdown of the Group's net financial position at 31 December 2020, compared with 31 December 2019.

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

Amounts in millions of euros	**31/12/2020**	**31/12/2019**	**Change**
Liquidity	(126,1)	(156,4)	30,3
Current financial receivables	(0,1)	(49,3)	49,2
Current financial debt	101,2	94,3	6,9
Current Net Financial Position (Debt / -Cash)	***(25,0)***	***(111,4)***	***86,4***
Non-current financial debt	68,7	71,5	(2,8)
Adjusted Net Financial Position (Debt / -Cash)	***43,7***	***(39,9)***	***83,6***
Net Financial Position for funded investments (Debt / -Cash)	(3,5)	(67,6)	64,1
Net Financial Position (Debt / -Cash)	***40,2***	***(107,5)***	***147,7***

The total net financial position at 31 December 2020 was negative at EUR 40.2 million, compared to a positive balance of EUR 107.5 million at 31 December 2019. Isolating the amount related to financed investments (EUR 3.5 million), the Adjusted Net Financial Position was negative by EUR 43.7 million compared to a positive balance of EUR 39.9 million at 31 December 2019, worsening by EUR 83.6 million, mainly due to the amount paid, on 29 July 2020, for the purchase of the 13.6% stake in MISE, amounting to EUR 78.3 million.

The **adjusted net financial position** reflects cash flow changes in the reference year:

Amounts in millions of euros	31/12/2020	31/12/2019
EBITDA	68,2	71,0
NET WORKING CAPITAL	(34,4)	11,8
Tax paid	(14,0)	(3,0)
Financial expenses/income	(0,9)	(1,4)
Free cash flow from operations	***18,9***	***78,4***
Net investments paid	(64,9)	(35,2)
Cash flow generation	***(46,0)***	***43,2***
Dividends cash-in	4,7	5,8
Investment purchase	(78,7)	
Divestments	32,1	-
Free cash flow	**(87,9)**	**49,0**
Dividends cash-out	-	(10,5)
Cash flow	**(87,9)**	**38,5**
Adjusted NFP (Debt/-Cash) OPENING 01/01/2020	**(39,9)**	**7,5**
Cash flow generation	87,9	(38,5)
Change in scope of consolidation	3,1	(3,9)
IFRS 16 Effect	(7,4)	-
Reclassification financial receivable Finlombarda		(5,0)
Total change in NFP	***83,6***	***(47,4)***
Adjusted NFP (Debt/-Cash) CLOSING 31/12/2020	**43,7**	**(39,9)**

Operating ***cash flow*** from income management is negatively affected by the change in net working capital, mainly due to lower collections of trade receivables from related parties and the payment to Trenord for the cyclical train maintenance carried out; these changes are partially offset by the remaining debt for the purchase of 13.6% of MISE, paid on 28 January 2021. Operating cash flow also includes the cash outflows relating to taxes paid amounting to EUR 14 million and financial expenses of EUR 0.9 million.

The change in taxes paid compared to 2019 is attributable to the higher taxable income referring to the 2019 tax year, which resulted in higher payments in 2020, the payment of the Robin Tax and the refund in 2019 of the higher IRES paid due to the previous system of non-deductibility of IRAP on personnel costs.

Investments of approximately EUR 64.9 million were paid in the year (compared to EUR 35.2 million paid in 2019), of which EUR 47.7 million related to investments in the previous year and EUR 17.2 million in the current year.

The ***cash flow generation*** for the year was therefore a negative EUR 46.0 million and derives from operations and investments paid.

FY 2020 showed a negative ***cash flow*** of EUR 87.9 million, compared to a positive value of EUR 38.5 million at 31 December 2019, and was affected, in addition to the working capital dynamics mentioned above, by the payment of tax and investments, by the cash outflow relating to the purchase of the stake held in MISE by the ASTM Group, amounting to EUR 78.3 million, partially offset by the proceeds from the sale of the equity investments held in Locoitalia and Fuorimuro, amounting to EUR 32.1 million.
The adjusted net financial position also reflects the effects deriving from the change of the scope of consolidation for the sale of the equity investment in Locoitalia, as a result of which financial payables for leases amounting to EUR 3.1 million were recognised relating to the lease agreements on the TRAXX DC E494 locomotives leased by Locoitalia to FNM.

In terms of the breakdown of the net financial position, **liquidity** decreased by EUR 30.3 million, mainly in relation to the aforementioned cash outflow relating to the purchase of the stake held in MISE by the ASTM Group, equal to EUR 78.3 million. This outlay was refinanced together with the purchase of the majority stake, equal to 82.4% of the share capital, held in MISE by the Lombardy Region through the use of a short-term credit line of EUR 650 million taken out on 28 January 2021 from a pool of banks including Intesa Sanpaolo S.p.A., JPMorgan Chase Bank, N.A., Milan Branch and BNP Paribas Italian Branch.
This cash outflow is partially offset by the collection of EUR 40 million of the EIB loan, taken out on 21 December 2017 and not yet used to pay for the supply of rolling stock for the cross-border service.
Current financial receivables decreased due to the collection on 29 July 2020 of the financial receivable from Finlombarda for the special treasury management contract, equal to EUR 48 million, which expired on 21 July 2020.
Current financial debt decreased due to the repayment, on 21 July 2020, of the bond referred to as “FNM S.p.A. 2015 - 2020”, equal to EUR 58 million; this decrease is offset by the change from the recognition of the current portion of the financial payable to the EIB, equal to EUR 8.2 million, and the reclassification of the financial payable related to the Term Loan Facility, repaid in advance on 29 January 2021. Lastly, there was an increase of EUR 4.0 million in cash pooling payables and the recognition of EUR 2.7 million in financial payables for leasing.
Non-current financial debt decreased as a result of the reclassification of the Term Loan Facility for EUR 50 million, offset by the recognition of financial payables for leases due to the change in the scope of consolidation and the non-current portion of the financial payable to the EIB, for EUR 41.7 million.

<u>*Bank loan facilities existing at the date of approval of the financial statements:*</u>

- FNM financing - European Investment Bank (EIB)

  On 21 December 2017 the Board of Directors of FNM, in order to guarantee the financial coverage of the investment totalling EUR 95.1 million, pertaining to the purchase of nine 6-body electric trains to be used for the development and enhancement of the cross-border services connected with the opening of the Monte Ceneri base tunnel, approved entering into a loan agreement with the EIB. 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 loan was fully utilised in 2020. Specifically, the first tranche of EUR 10 million was used on 20 March 2020, and the second tranche of EUR 40 million was used on 12 October 2020. The first tranche of the loan has a fixed rate of 0.377%, with six-year maturity and repayment plan in equal annual instalments with the first due date on 1 February 2021. The second tranche of the loan has a fixed rate of 0.446%, with six-year maturity and repayment plan in equal annual instalments with the first due date on 12 October 2021.

  In relation to FNM's commitments under the loan agreement, on 15 January 2021 a request was sent to the EIB for consent to complete the MISE acquisition transaction and to amend the materiality thresholds for permitted extraordinary transactions and financial covenants.

  The EIB granted its approval to the acquisition transaction and thus amended the financial covenants, calculated on the Group's consolidated financial statements, with effect from 3 March 2021:

  o NFP/Shareholders' equity ≤ 2.25

  o NFP/EBITDA ≤ 5.85

  o EBITDA/Financial expenses ≥ 5.77

  At the closing date of 31 December 2020 these covenants had been complied with.

- Bridge financing

  The payment of the consideration due for the acquisition of MISE was financed through the funding deriving from an unsecured facility for a maximum amount of EUR 650,000,000.00 (Bridge Loan), provided pursuant to a loan agreement signed on 28 January 2021 between FNM, as borrower, and the Banks Intesa Sanpaolo S.p.A., JPMorgan Chase Bank, N.A., Milan Branch and BNP Paribas, Italian Branch.

  The loan was used on 26 February 2021 for EUR 620,000,000 and has the following main terms:

(i) maturity date: six months from the date of execution of the loan agreement, without prejudice to the exercise of the extension option under point (ii) below;

(ii) the possibility of exercising an option to extend the final maturity date for two periods of three months each and provided that, inter alia, (a) no material events occur or are occurring as a result of the exercise of the extension option, (b) FNM has provided evidence of the payment of the fees relating to the exercise of the extension option, and (c) the further conditions provided under the terms of the loan agreement are satisfied;

(iii) purpose: (a) to finance, inter alia, the payment of the price due to the Lombardy Region for the acquisition of MISE, as well as the refinancing of the price already paid and the payment of the deferred price in favour of ASTM S.p.A., Autostrada dei Fiori S.p.A. and SATAP S.p.A. relating to the equity investment in MISE already acquired by FNM on 29 July 2020; (b) possible refinancing of part of the existing borrowing of MISE; and (c) payment of commissions, costs and expenses related to the acquisition;

(iv) repayment: bullet on the maturity date;

(v) ranking: pari passu, not backed by real or personal guarantees, except as may be provided for under the terms of the loan agreement;

(vi) interest: variable and equal to the sum of EURIBOR plus a margin, with an initial margin of 125 bps, subject to quarterly increases. Interest periods may be three or six months;

(vii) fees: calculated and payable in accordance with the terms and conditions set out in the Loan Agreement and the relevant fee letters;

(viii) cases of compulsory early repayment: in line with market practice for transactions of this kind, as well as in the case of issues of equity instruments, bonds or taking on medium/long-term debt, with the application of specific carve-outs provided for in the loan agreement;

(ix) representations and warranties, material events, general obligations: in line with market practice, including limits on the sale of assets, the granting of intercompany loans and acquisitions, subject to baskets and specific carve-outs provided for in the loan agreement;

(x) financial parameters: to be verified with reference to the Group's consolidated financial statements at the calculation dates of 30 June and 31 December of each year.

Thanks to the fact that FNM recently obtained investment grade ratings (BBB- from Fitch and Baa3 from Moody’s, both with a stable outlook), it expects to refinance the Bridge Loan, redefining its medium/long-term financial structure in the most efficient way to support future strategic development, also through access to the capital market.

Note that on 21 July 2020, the bond by the name of “FNM S.p.A. 2015 - 2020”, issued on 21 July 2015 for EUR 58 million and fully subscribed by Finlombarda S.p.A., was repaid in full and the tenth and last six-month coupon for the 21 January 2020 - 21 July 2020 lending period was paid on the same date. In relation to the special Treasury management agreement stipulated with Finlombarda, the deposit of EUR 48 million was repaid by Finlombarda on 29 July 2020. On 25 September 2020, Finlombarda repaid the capital gains from operations recognised, amounting to EUR 379 thousand.
Lastly, on 29 January 2021, FNM fully settled the pool loan taken out on 7 August 2018, as it was no longer consistent with the Group's financial structure, repaying in advance the entire amount used of EUR 50 million.

6.3 INVESTMENTS

Investments in the year amounted to a total of EUR 173.3 million compared to the EUR 194.1 million of the previous year.
In particular:

- **investments with public funds** were made for a total of EUR 105.1 million (EUR 153.6 million in the comparative year), relating to the renewal of rolling stock for EUR 69.7 million and the modernisation and upgrading of infrastructure for EUR 35.4 million. In detail, these works mainly relate to the renewal of the track on the Saronno - Como, Bovisa - Seveso - Mariano Comense and Saronno Malnate sections, the automatic reversible block on the Saronno - Como and Saronno Varese sections, the upgrading and requalification of the Borgo San Giovanni (Brescia) station to meet standards, the construction of the support system for the drive aid system, and the upgrading of the Milan Affori - Varedo railway section;
- **investments financed with own funds** pertaining to 2020 were made for EUR 68.2 million (EUR 40.4 million in 2019), mainly referring to the placement in service of 4 TILO trainsets for EUR 38.0 million, 2 E744 Effishunter locomotives for EUR 3.8 million, 5 new methane-fuelled city buses (with the relative on-board equipment) for EUR 1.1 million and 3 new diesel-fuelled suburban buses for a total of EUR 0.7 million. Investments also include deposits paid for the supply of hydrogen trains (EUR 14.1 million), the revamping of TAF rolling stock (EUR 3.8 million) and an additional 4 TILO trainsets (EUR 1.9 million). Investments of EUR 1.4 million were also made for the development of additional modules of the SAP application system.

7 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:

	2020					2019				
Amounts in millions of euros	Railway infrastructure management	Road passenger transport	Rosco & Services	liminatio	Total	Railway infrastructure management	Road passenger transport	Rosco & Services	liminatio	Total
Revenues from third parties	118,5	88,5	71,7		278,7	116,9	111,7	70,2		298,8
Intercompany revenues	5,8	6,2	12,3	*(24,3)*	,0	5,9	6,6	12,4	(24,9)	,0
Grants for funded investments net of costs	2,6				2,6	1,8				1,8
Segment revenues	**126,9**	**94,7**	**84,0**	***(24,3)***	**281,3**	**124,6**	**118,3**	**82,6**	**(24,9)**	**300,6**
Adjusted EBITDA	**5,8**	**10,0**	**54,3**		**70,1**	**4,1**	**13,2**	**52,3**		**69,6**
Adjusted EBITDA %	***8%***	***14%***	***77%***			***6%***	***19%***	***75%***		
EBITDA	**5,8**	**10,0**	**52,4**		**68,2**	**6,7**	**13,2**	**51,1**		**71,0**
EBITDA %	***9%***	***15%***	***77%***			***9%***	***19%***	***72%***		
Operating income	**3,6**	**(1,7)**	**24,5**		**26,4**	**4,4**	**1,7**	**24,2**		**30,3**

7.1 RAILWAY INFRASTRUCTURE MANAGEMENT

The "Railway infrastructure management" segment includes the management of railway infrastructure of the Milan and Iseo lines - which extend over 330 km of network and include 120 stations - 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.

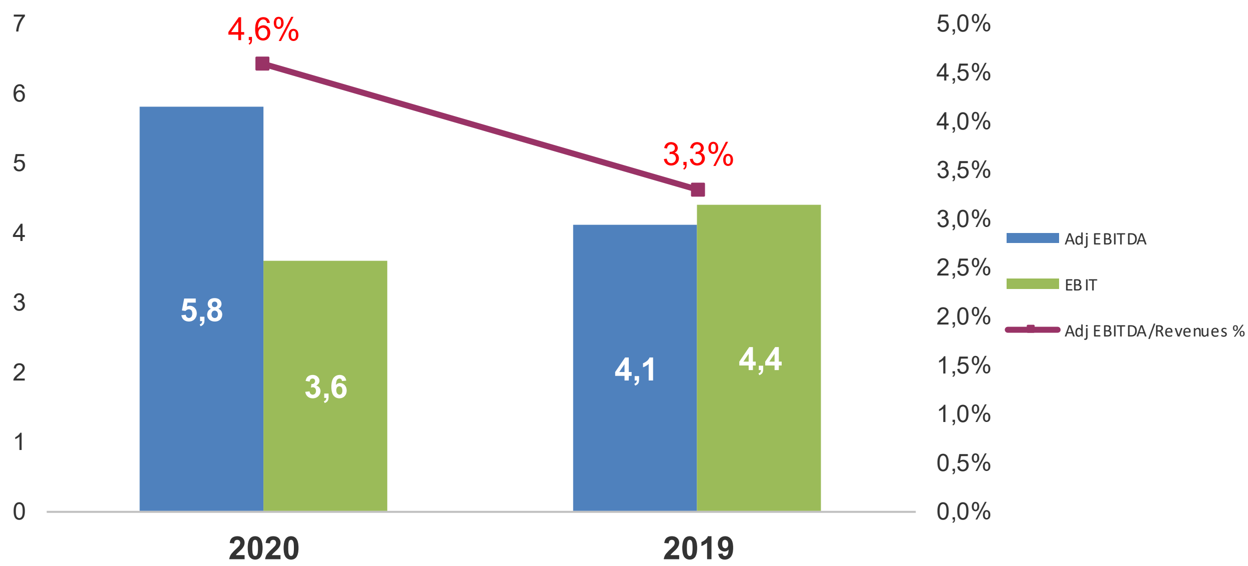
The concession agreement includes the construction, management and maintenance of the railway infrastructure, the upgrading and modernisation of the network, traffic management and the allocation of capacity. The concessionaire also has the role of acquiring and managing, on a non-exclusive basis, the 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 Planning Agreement, Service Agreement or other administrative provision, as discussed below.

The activity is carried out by the subsidiary FERROVIENORD, in synergy with the subsidiary NORD_ING, which follows the implementation of ordinary and extraordinary maintenance on the railway network, upgrading works and the commissioning of new systems.

Terminal management activities are carried out by the subsidiary Malpensa Intermodale, which manages the terminal of Sacconago, in the municipality of Busto Arsizio (VA), as well as by the subsidiary Malpensa Distripark, which deals with the property development of terminal areas.

Amounts in millions of euros	*2020*	*2019*	*Chg*	*Chg %*
Public contracts and grants	100,5	99,6	*0,9*	*0,9%*
Leasing rolling stock	9,3	8,5	*0,8*	*9,4%*
Other revenues	17,1	16,5	*0,6*	*3,6%*
Total Revenues	**126,9**	**124,6**	***2,3***	***1,8%***

Adj EBITDA	**5,8**	**4,1**	***1,7***	***41,5%***
Adj EBITDA %	**5%**	**3%**		
EBIT	**3,6**	**4,4**	***-0,8***	***-18,2%***



The revenues of the segment amounted to EUR 126.9 million, up by EUR 2.3 million (+1.8%) compared to the EUR 124.6 million in the previous year.

In particular, revenue relating to public contracts and grants increased by EUR 0.9 million compared to the previous year, primarily thanks to higher income linked to activities and works on the investments financed by the Lombardy Region, provided for by the Planning Agreement, which offset a slight reduction in the price deriving from the infrastructure management Service Agreement, following the rescheduling of the railway programming and the reduction in the number of stations open to passenger service, as well as the efficiency improvement mechanism provided for by the Agreement. Revenues from leasing of rolling stock increased by EUR 0.8 million due to the entry into service of new rolling stock.

Other revenues increased by EUR 0.6 million due to the sale of some residual inventories and growth in terminal management, which generated revenues of approximately EUR 1.2 million more than in the previous year.

The increase in Adjusted EBITDA of the segment of EUR 1.7 million (from EUR 4.1 million to EUR 6.2 million) also takes into account the higher costs for maintenance activities carried out in particular during the lockdown period, as well as, on the other hand, lower labour costs resulting from the reduction in the average workforce (-14 employees) with the average cost remaining the same, in addition to higher costs for terminal management following its development.

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 Concessionaire 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 2018 by the Board of Directors of FERROVIENORD.

During 2020, a roundtable meeting was activated with the Region to proceed with the updating of the Service Agreement in relation to the expected direct payment of the toll by all railway companies starting from December 2021 in order to comply with the requirements of Regulatory Authority for Transport (ART) Resolution no. 139/2019.

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.

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.

Finally, with **Regional Government Decree no. XI-4010 of 14 December 2020** the Lombardy Region approved the fourth update, which specifically incorporates the "*MARSHALL PLAN" - PROGRAM OF INTERVENTIONS FOR ECONOMIC RECOVERY*, approved by the Lombardy Region with Regional Government Decree no. 3531 of 5 August 2020 and updated with Regional Government Decree no. 3749 of 30 October 2020. Over the 2021/2027 time horizon, the latter envisages funding for FERROVIENORD for a total of more than EUR 371 million for infrastructural

works, which include, among other things, renewal of systems (traction substation, electric traction, Tracks, Signalling (ACCM), CCTV and Tele-indicators, Fire Prevention), implementation of 5G applications, predictive maintenance, level crossing replacement works, installation of aprons on the entire network's level crossings, development of the Saronno Maintenance Unit Technology Hub and development of the Sacconago Terminal.
The management rules provided by the Planning Agreement with respect to the approval procedures and the methods of disbursement of the resources will therefore be extended to the infrastructure projects of the "*MARSHALL PLAN*".
Full financial coverage is also provided for the project to connect Malpensa Terminal 2 with the RFI Sempione line (for EUR 211 million to be paid by the Region, the State and the European Union).

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. 30 Diesel trains (DMU);
- No. 31 Medium capacity electric trains (EMU).

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 train supply contract 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 implementation status of the plan at 31 December 2020 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 30 trains in short configuration (4 bodies) for a total amount of EUR 237.5 million.

The contractual delivery schedule called for the delivery of the first train in May 2020, followed by the delivery of two trains each month. The COVID-19 emergency caused a delay in train deliveries by HITACHI and in the issue of the AISM (Authorisation for Placement in the Market) by ANSF.
By 31 December 2020, four trains had been delivered: on 15 September 2020, trainsets no. 1 and 2 (ETR421.015 and ETR421.016), produced in the Pistoia plant; on 4 December 2020, train no. 3 (ETR421.017), the first to be produced in the Reggio Calabria plant; and on 29 December 2020, train no. 4 (ETR421.014).
The additional 26 trains are scheduled for delivery by November 2021.
FERROVIENORD S.p.A. signed the 2nd executive contract with HITACHI RAIL on 23 November 2020 for the supply of 20 (twenty) long configuration trainsets (5 bodies) for a total of EUR 186,340,000.00. Deliveries are expected to commence in December 2021, in continuity with the completion of deliveries under the first executive contract, with completion in September 2022.
For the additional 50 trainsets (10 short configuration and 40 long configuration), the 3rd executive contract for an amount of EUR 451,850,000.00 will be signed by FERROVIENORD by September 2021 (i.e. 1 year before the conclusion of the supply of the second executive contract) in a timeframe compatible with the completion of the programme by 2024.

- **<u>Diesel train supply</u>**

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 30 (thirty) Trains for a total amount of EUR 191.9 million.

The COVID-19 contingency has resulted in a delay in the start of production activities in Poland by the supplier, which has proposed an updated train availability plan that includes an initial three-month delay on the delivery of the first three trains (now scheduled for February 2022 instead of November 2021, December 2021 and January 2022) and a subsequent recovery of the delay with an early completion of deliveries in May 2024.

- **<u>Supply of Medium Capacity trains</u>**

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 (check whether to add to this). 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 31 (thirty) Trains for a total amount of EUR 193.8 million.

The contractual delivery schedule called for the delivery of the first train in March 2022, followed by the delivery of one train each month. The COVID emergency has led to a delay in the start of production activities by the supplier, which has proposed an updated train availability plan, which provides for a delay of two months (the first train is scheduled for May 2022, instead of March 2022) against which ALSTOM has defined a recovery plan, so as to complete deliveries in August 2024 instead of September 2024, as per the original contractual schedule.

Following the further appeal, lodged by CAF S.A., against judgment no. 2439/19 of the Regional Administrative Court of Milan, the Council of State with judgment no. 04996/2020, published on 10 August 2020, finally ruled on the appeal (RG no. 10034/2019) confirming the legitimacy of the exclusion of CAF from the tender in question and sentencing the same appellant to pay the costs of the proceedings.
The further proceedings brought by CAF before the Milan Regional Administrative Court (RG no. 02626/2019) for the annulment of the award decision in favour of Alstom Ferroviaria S.p.A. ("ALSTOM ") of the tender in question and suspended pending the definition of the proceedings pending before the Council of State, were declared extinguished by Decree no. 11/2021 of the Chief Judge of the Milan Regional Administrative Court, published on 8 January 2021.

In addition, with Regional Council Resolution no. XI/1619 of 15 May 2019 the Lombardy Region resolved to:

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. The COVID-19 contingency resulted in a delay in planned deliveries (July 2020), which were however completed in October 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. The COVID-19 contingency resulted in a delay in planned deliveries (March 2020), which were however completed in October 2020.
In relation to the financial strategy, necessary to couple the need to acquire new 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. (CDP), 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 of no less than EUR 30 million (or for the lower amount of funding available). Each payment will be subject to FERROVIENORD's satisfaction of some conditions precedent, including, inter alia, submitting the time schedule relating to the progress status of the purchase programme;
- repayment procedure: amortising;
- 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 amortization 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 negative pledge clauses and 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 contract;
- early repayment provisions: included in the Loan Agreement on the basis of what is 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 FERROVIENORD and Cassa Depositi e Prestiti therefore stipulated the amendment to the loan agreement entered into on 31 May 2018.

With Regional Council Resolution no. XI/3531 of 5 August 2020 "PROGRAMME OF INTERVENTIONS FOR ECONOMIC RECOVERY" (the "Marshall Plan"), the Lombardy Region has provided, in Annex 3, funding of EUR 351 million for the "Acquisition of trains to upgrade services on the Milan/Sondrio/Tirano and Milan/Airports routes". In particular, the following types of trains have been identified for purchase:

1) 10 Hitachi Caravaggios for use in the "Malpensa Express" service;
2) 20 Alstom Donizettis to be coupled, to be used for the "Valtellina" service;
3) 16 Hitachi Caravaggios to be used for the "Orio al Serio" service.

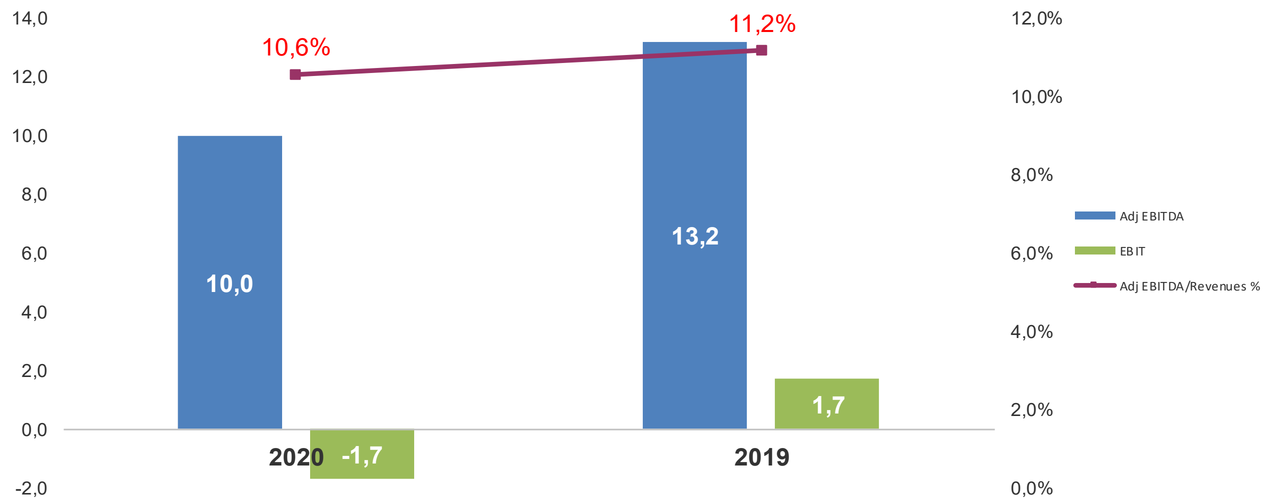
with the aim of putting the trains into service in time for the 2026 Winter Olympics in Milan - Cortina. Following the Lombardy Region's mandate resolutions, executive contracts will be signed under FNM's Framework Agreements with ALSTOM and HITACHI.

7.2 ROAD PASSENGER TRANSPORT

The "Road passenger transport" segment was particularly affected by the epidemic emergency: revenues decreased by EUR 23.6 million (-19.9%) from EUR 118.3 million to EUR 94.7 million in 2020.

Amounts in millions of euros	***2020***	***2019***	***Chg***	***Chg*** %
Public contracts and grants	47,6	46,4	*1,2*	*2,6%*
Transport services	35,3	62,3	*(27,0)*	*-43,3%*
Other revenues	11,8	9,6	*2,2*	*22,9%*
Total Revenues	**94,7**	**118,3**	***(23,6)***	***-19,9%***

Adj EBITDA	**10**	**13,2**	***-3,2***	***-24,2%***
Adj EBITDA %	**11%**	**11%**		
EBIT	**-1,70**	**1,7**	***-3,4***	***na***



In particular:

- revenues deriving from public contracts and contributions showed an increase of 2.6% compared to the previous year, mainly due to the effect of Law 24 April 2020, no. 27 (article 92 paragraph 4-*bis*), which provided for the recognition of the payments on the basis of contractual planning, despite the reformulation of the offer implemented following the epidemiological emergency and the economic effect of the compensatory measures (equal to approximately EUR 4.1 million, to compensate for the lack of revenues from ticketing) introduced by Law 17 July 2020, no. 77 (article 200 paragraph 1, Relaunch Decree), Law 13 October 2020, no. 126 (article 44, August Decree) and Law 18 December 2020, no. 176 (art. 22 ter, Ristori Bis Decree);
- the revenues deriving from the transport services and hence relating to ticketing, to replacement services carried out by FNM A on behalf of Trenord, to sub-leasing activities and to the car-sharing of E-VAI, contracted by 43.3% during the year as a result of the significant reduction in mobility demand due to the introduction of traffic bans during the health emergency, and the persistence of lower demand for mobility related to the continuation of the pandemic also in the final quarter of the year;
- the residual revenues, relating mainly to contributions on the purchase of rolling stock, increased to EUR 11.8 million (+22.9%).

All the companies of this segment have also initiated many actions to contain the negative impacts of the emergency, by reducing the main cost items; these measures enabled them to reduce the negative impact of the revenue decline on the Adjusted EBITDA, which was EUR 10.0 million in 2020 compared to EUR 13.2 million in the previous year.

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** manages Local Public Transport in the provinces of Varese, Brescia and Como; it also runs rail-replacement services for Trenord rail services.

  In particular, the local public transport activities in the provinces of Varese and Brescia are carried out under concession (extended to 30 April 2021 and 31 December 2021, 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 Agreement, with duration extended to 30 April 2021 or the date on which the new operator takes charge of the service.

  At 31 December 2020, the fleet consists of 157 buses (of which 48% new generation[9]) with an average age of around 12 years.

  In the year under analysis, the production of local public transport services fell by 23.2% (to 4.3 from 5.6 million bus-km in the previous year) in all provinces as a result of the revision of the offer from 24 February due to the health emergency and the ensuing national lockdown, against a drop in the number of passengers of approximately 67% (to 1.4 from 4.3 million) compared to the previous year.

  Ticket sales, amounting to EUR 6.8 million, fell by 41.0% during the period. Total revenues, amounting to EUR 18.1 million, instead fell by a smaller margin of 19.3%, thanks to the stability of fees under the Service Agreement and the offsetting effects of the “Relaunch Decree”, the “August Decree” and the “Ristori bis Decree”, amounting to EUR 0.7 million.

  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** 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 FY 2020, production marked a 22% decline to 15.4 million bus-km compared to 19.8 million bus-km in 2019, due to the revision of the offer as of 24 February. The number of passengers carried also contracted by 40% to 44.1 million from 73.4 million in 2019, with a

[9] Euro5, Euro6, EEV Engines

substantially analogous reduction on both urban and suburban routes. Sales of tickets and carnets to occasional customers, on the other hand, declined more than those of season tickets. Also in this case, traffic revenues (ticket and season ticket sales) decreased to EUR 16.1 million from EUR 33.2 million in 2019 (-51%). On the other hand, total revenues, as a result of higher fees from the Service Agreement and the compensatory effects of the "Relaunch Decree", the "August Decree" and the "Ristori bis Decree" (amounting to approximately EUR 3.4 million), saw a limitation of the decline to -18% (to EUR 61.0 million from EUR 74.7 million in 2019).

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 December 2020, by resolution 131 of the President of the Province of Verona, the direction was given to continue the procedure to suspend the tender, which had begun in September 2020, with resolutions to that effect by the Municipality of Verona and the Municipality of Legnago. Article 92 c.ter of Decree Law 18/2020 has in fact provided for the possibility that all ongoing award procedures may be suspended for a maximum of 12 months from the end of the emergency. The reasons cited in the resolution were the uncertainties related to the future scenarios of the Verona LPT post-COVID and those related to the evolution of the project for the construction of the urban trolleybus in the Municipality of Verona. As a result, it is considered reasonable to expect the procedure to resume no earlier than 12 months after the end of the emergency.

It is believed that the three current service agreements (Municipality of Verona, Municipality of Legnago and Province of Verona), expiring on 31 December 2021, 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 hires out buses with driver, also through subsidiaries (MartiniBus) and/or investees.
  The revenues of subcontracted services contracted by 25% due to the significant reduction of the offer as a result of the traffic limitations imposed by the competent authorities in all areas

of competence (Venice, Padua, Verona and Belluno). During the year, 3.7 million kilometres were managed under sub-contracts, compared to 5.3 million kilometres in 2019. Furthermore, the tourist services managed by Martinibus were suspended from the end of February.

Overall, the fleet operating in the Veneto Region at 31 December 2020 consisted of 529 buses, of which 48% new generation[10], with an average age of 13.1 years.

- The sharing mobility service carried out by E-VAI with electric 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 4.5 million, showed a significant decrease (-18.7%) compared to the previous year due to the drop in Regional Electric car sharing volumes, in relation to the events linked to the COVID-19 emergency. This Lombardy ecological car sharing agreement was stipulated with FERROVIENORD in the context of the 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, unchanged from the previous year.
  During the year, activities continued in connection with the three currently existing service models, which are aimed at individual users (Easy Station service), municipal administrations (Public service) and private companies (Corporate service) which, despite the difficulties during this period, developed overall with the activation of new contracts. 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 0.8 million were recognised in the financial statements in the period.

At 31 December 2020, the fleet consisted of a total of 242 vehicles, (175 in December 2019), 50 of which were dedicated to the I-SharE LIFE project. There are 142 E-Vai Points, distributed across 79 municipalities and equipped with 94 charging stations. The geographic presence increased compared to 31 December 2019, when 112 E-Vai Points were distributed across 59 municipalities and equipped with 63 charging stations.

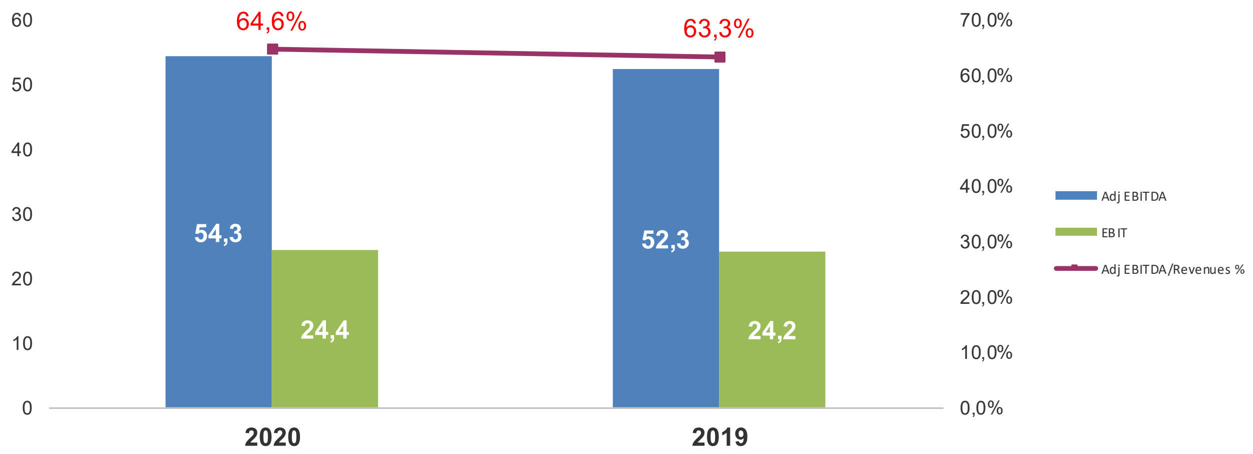
10 Euro5, Euro6, EEV Engines

7.3 RO.S.CO & SERVICES

The segment refers to the business segments in which FNM operates directly and comprises the hire of rolling stock to investees operating in the local public transport and freight transport sectors[11].

Amounts in millions of euros	*2020*	*2019*	*Chg*	*Chg %*
Leasing rolling stock	56,9	55,8	*1,1*	*2,0%*
Other revenues	27,1	26,8	*0,3*	*1,1%*
Total Revenues	**84,0**	**82,6**	***1,4***	***1,7%***

Adj EBITDA	**54,3**	**52,3**	***2***	***3,8%***
Adj EBITDA %	**65%**	**63%**		
EBIT	**24,4**	**24,2**	***0,2***	***0,8%***



The types of revenues included are:

- leasing of rolling stock, primarily to Trenord, for EUR 56.9 million compared to EUR 55.8 million in 2019, an increase of 2.0%, as a result of the operating lease of DE 520 locomotives and TILO trains to Trenord and of 4 E494 ETRAXX DC locomotives to DB Cargo Italia, such as to offset the loss of revenue from Locoitalia, sold in 2020. These higher revenues offset the absence of advertising revenues of EUR 0.9 million in 2019, as well as the EUR 0.5 million gain recognised in 2019 for the transfer of the contract to purchase 5 Stadler trains;
- other revenues - equal to EUR 27.1 million versus EUR 26.8 million of 2019 - 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

11 It should be noted that the results include the subsidiary Locoitalia, sold on 10 March 2020, and included in the scope of consolidation at 31 December 2019.

procurement, marketing and general services; accrued revenues, fully due to intercompany transactions, amounted to EUR 20.3 million versus EUR 20.2 million in 2019;

- o 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 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 1.3 million, compared to EUR 1.5 million recorded in 2019;
- o the collection of an insurance compensation of EUR 1.3 million in 2020.

The increase in Adjusted EBITDA for this segment to EUR 54.3 million from EUR 52.3 million is mainly due to the limitation of personnel costs, partially offset by higher service costs.

Within the Ro.S.Co 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 2020 are provided below.

Trenord

Trenord is the main passenger rail transport operator in Lombardy, managing about 25% of local public transport in Italy, including suburban and regional passenger transport, the Malpensa Express airport link, the Milan Rail Link and the Lombardy - Canton Ticino cross-border service through TILO. The railway service is managed under a Service Agreement with the Lombardy Region relating to the 2015-2020 period, extended under the same conditions to the end of 2021 as provided for by Regional Law no. 26 - 2021-2023 Stability Law - (art. 2 paragraph 8) of 28 December 2020. The renewal of the Service Agreement for the 2022-2031 period is currently being negotiated. The company also operates international rail services on the Brennero and Tarvisio routes in collaboration with Deutsche Bahn and Österreische Bundes Bahn.

Trenord operates on a network of approximately 2.000 km distributed over 40 trunk lines and 61 lines under the jurisdiction of two operators (FERROVIENORD of the FNM Group and RFI of the FS Group) and manages a fleet of over 400 trains leased by FNM and Trenitalia, or made available, through FERROVIENORD, by the Lombardy Region.

During 2020, the first new trains of the 176 deriving from the investments made by the Lombardy Region were put into service:

- 5 Rock ETR 521 trains

- 10 “Donizetti” ETR 103/104 trains
- 2 “Caravaggio” ETR 421 trains.

Due to the lockdown and the general reduction in the production capacity of the manufacturing companies, deliveries have been delayed by an average of 4 months and at the end of 2020 there are fewer new trains in service (-12 trains) than originally planned.
It was therefore necessary to keep in service some of the older rolling stock, which was scheduled to be decommissioned in 2020.

Service performance
The activities carried out by the subsidiary Trenord were significantly impacted by the measures to limit contagion and therefore by the revision of the offer implemented as of 24 February, following the start of the COVID-19 emergency, and re-modulated in a different form in the following months in relation to the evolution of the measures for limiting mobility and the need to ensure social distancing by making as many seats as possible available on each line.
Production in 2020 decreased by 16.6%, with 35.6 million trains-km made in the year compared to 42.7 million in 2019, corresponding to a decline of about 55% in travellers to 93 million from 214 million in 2019.
Overall, the 2020 financial year saw an improvement in operational performance, which, however, is not to be considered comparable to that of 2019 due to reduced line congestion, less interference with long-distance and high-speed service trains, as well as train cancellations as a result of the adaptation to the various stages of the pandemic:

- 5-minute punctuality perceived by customers (no cause excluded) amounted to 84.6% (+3.8% compared to 2019);
- cancellations (excluding causes of force majeure) stood at 31.7 train cancellations per day, down from 35.7 cancellations in 2019.

Economic data summary

Amounts in millions of euros	12 months 2020	12 months 2019	Change	Change %
Revenues from sales and services	611,8	824,0	(212,2)	-26%
Other revenues and income	91,3	7,7	83,6	*na*
TOTAL REVENUES AND OTHER INCOME	*703,1*	*831,7*	*(128,6)*	*-15%*
Operating costs	(299,7)	(354,6)	54,9	-15%
Personnel costs	(250,1)	(275,0)	24,9	-9%
EBITDA	*153,3*	*202,1*	*(48,8)*	*-40%*
Depreciation, amortisation and provisions	(186,3)	(192,2)	5,9	-3%
EBIT	*(33,0)*	*9,9*	*(42,9)*	*na*
Net financial income	(1,7)	(2,9)	1,2	-41%
EARNINGS BEFORE TAX	*(34,7)*	*7,0*	*(41,7)*	*na*
Income tax	27,7	(3,3)	31,0	*na*
COMPREHENSIVE INCOME	**(7,0)**	**3,7**	**(10,7)**	***na***

Overall, in 2020, **revenues** amounted to EUR **703.1** million, down by 15.5% relative to the previous year (net of approximately EUR **6.4** million in Service Agreement penalties; in 2019, penalties to the Lombardy Region amounted to approximately EUR **5.1** million):

- Revenues from **rail traffic** amounted to EUR 154.8 million, a decrease of EUR 197.8 million compared with the previous year. This decrease is mainly due to the reduction in the volume of passengers carried due to the spread of COVID-19 from the end of February and the various restrictions on the movement of people and the use of means of transport imposed by the competent authorities. After a period of easing in the summer period, restrictions tightened again in the final quarter of the year. The situation has particularly affected the airport segment.

- Revenues from the **Service Agreement** amounted to EUR 439.5 million, down by EUR 6.0 million compared to 2019. The main changes relate to lower penalties and deductions (by EUR 5.1 million) and lower network access fees (EUR -10.1 million), due to lower production as a result of COVID-19.

- The value of **other revenues** amounted to EUR 108.8 million, an increase of EUR 75.2 million compared to 2019, mainly due to the additional resources made available by the State to the Local Public Transport service commissioning entities with the Relaunch, August and Ristori bis decrees for a total of EUR 80.4 million. These are joined by other revenues, amounting to EUR 28.4 million (down by EUR 5.2 million) relating mainly to the service revenues for medium-long distance lines and to service revenues realised with Trenitalia.

Personnel costs decreased to EUR 250.1 million from EUR 275.0 million in 2019, due to lower variable labour cost components, reflecting the lower service production carried out in the initial months post-pandemic and the reduction in the number of resources employed (-34 FTE).

Other operating costs decreased compared to the previous year (EUR -54.9 million), mainly due to lower costs for raw materials, ancillary materials, consumables and goods (EUR -13.1 million) as well as lower services rendered, and are attributable in particular to lower toll and energy costs (EUR -18.5 million), lower commission expenses (EUR -8.2 million) and lower train replacement services (EUR -4.8 million).

EBITDA amounted to **EUR 153.3** million, a decrease of EUR 48.8 million compared to 2019, due to what is described above.

Depreciation of fixed assets amounted to EUR 186.3 million (EUR 192.2 million at 31 December 2019) and mainly related to the depreciation of leased rolling stock as well as the depreciation of cyclical maintenance on supplied and rented materials.

The value of **EBIT** was negative by EUR **33.0** million, down from the value of the previous year (EUR 9.9 million).

The **net financial loss** was EUR -1.7 million compared to EUR -2.9 million in 2019, due to lower interest expenses on financial debts relating to leased assets.

The **Loss before taxes** amounted to EUR 34.**7** million, compared to earnings of EUR 7 million in 2019.

Income taxes were positive at EUR 27.7 million, compared to a negative value of EUR 3.3 million in 2019, due to the recognition in “Deferred tax assets” of IRES tax losses for the year 2020, which the Company believes with reasonable certainty it will be able to recover in future years.

The year 2020 recorded a **comprehensive loss** of EUR **7.0** million, down by EUR 10.7 million compared to the income recorded in 2019, equal to EUR 3.7 million.

The following table shows the reclassified **Balance Sheet** as of 31 December 2020 compared to 31 December 2019:

Amounts in thousands of euros	31/12/2020	31/12/2019	Change
Inventories	112,1	104,5	7,6
Trade receivables	92,0	176,3	(84,3)
Trade payables	(238,3)	(233,8)	(4,5)
Other Net Current Assets	(53,2)	(66,7)	13,5
Net Working Capital	*(87,4)*	*(19,7)*	*(67,7)*
Net non-current assets	344,6	306,4	38,2
Other Net Non-current Assets	54,5	28,5	26,0
Provisions for risks and charges	(58,2)	(69,2)	11,0
NET INVESTED CAPITAL	*253,5*	*246,0*	*7,5*
Equity	*86,9*	*94,4*	*(7,5)*
Net financial indebtedness/(Net financial position)	*166,6*	*151,6*	*15,0*
TOTAL SOURCES	*253,5*	*246,0*	*7,5*

Net Invested Capital

Net Operating Working Capital was a negative by EUR 87.5 million, recording a decrease of EUR 67.8 million compared to 31 December 2019 mainly resulting from a reduction in trade receivables, particularly from related parties, and, to a lesser extent, an increase in trade payables. These changes are partially offset by an increase in inventories and a decrease in other net current assets, mainly due to a decrease in payables to personnel for outstanding amounts and lower deferred income, as a result of lower purchases of subscriptions by customers.

Net fixed assets increased by EUR 38.3 million due to the recognition of the extension of existing lease agreements following the extension of the Service Agreement.

The value of third-party assets in use refers mainly to EUR 150.7 million of rolling stock and to EUR 21.4 million of buildings.

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

- property, plant and equipment, amounting to EUR 161 million, that pertain mainly for EUR 126.8 million to the residual value of rolling stock in use. Investments for the year amounted to EUR 51.7 million and were mainly connected to cyclical maintenance on rolling stock;
- intangible assets, amounting to EUR 8.4 million;
- 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 26.0 million as a result of higher deferred tax assets.

Net Financial Position

Net financial debt amounted to EUR 166.6 million, an increase of EUR 15 million compared to 2019, essentially due to the application of IFRS 16, which resulted in the recognition of a financial payable against the recognition in Net fixed assets of the value of the asset subject to the lease, both operating and finance. . Net of the adoption of IFRS 16, the net financial position for 2020 would amount to a positive EUR 46.9 million.

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

Amounts in millions of euros	**31/12/2020**	**31/12/2019**	**Change**
Liquidity	(201,9)	(22,2)	(179,7)
Current financial debt	310,1	173,8	136,3
Current Net financial indebtedness/(Net financial position)	***108,2***	***151,6***	***(43,4)***
Non-current financial debt	58,4	-	58,4
Net financial indebtedness/(Net financial position)	***166,6***	***151,6***	***15,0***

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

8.1 ECONOMIC DATA SUMMARY

The reclassified income statement for the year is shown below, compared with that of 2019, with an indication of the differences in absolute and percentage terms.

Importi in milioni di Euro	**2020**	**2019**	***Differenza***	***Differenza %***
Ricavi delle vendite e prestazioni	78,0	76,5	*1,5*	*1,9%*
Altri ricavi e proventi	5,5	3,7	*1,8*	*48,0%*
TOTALE RICAVI	*83,5*	*80,2*	*3,3*	*4,1%*
EBITDA	*54,6*	*51,2*	*3,4*	*6,7%*
RISULTATO OPERATIVO	*28,5*	*25,0*	*3,5*	*14,0%*
UTILE COMPLESSIVO	**23,9**	**23,9**	***(0,0)***	***-0,2%***

Revenues from sales and services increased compared to 2019 by EUR 1.5 million; due to the operating lease of 4 new E494 ETRAXX DC locomotives to DB Cargo Italia, as well as DE 520 locomotives and new TILO trains to Trenord. These higher revenues offset the absence of advertising revenues of EUR 0.9 million on the Digital Signage network, which is managed directly by the subsidiary FERROVIENORD, as of 1 December 2019; as well as the income recognised in 2019 for the transfer of the contract for the purchase of 5 Stadler trains, amounting to EUR 0.5 million.

Other income and revenues amounted to EUR 5.5 million compared to EUR 2.9 million in 2019; the increase is mainly attributable to the collection of insurance compensation of EUR 1.3 million.

External operating costs decreased by EUR 0.1 million, from EUR 14.2 million to EUR 14.3 million.

Employee costs amounted to EUR 14.6 million, down by EUR 0.3 million compared to EUR 14.9 million in 2019 mainly in relation to the lower amounts disbursed for the early termination of employment relationships and the lower average number (-7 resources).

EBITDA rose from EUR 51.2 million to EUR 54.6 million, an increase of 6.7% due to the increase in revenues.

Depreciation, amortization and provisions decreased by EUR 0.1 million compared to 2019.

Operating income, determined by the combined effect of performance of the previously discussed revenue and cost categories, amounted to EUR 28.5 million compared to EUR 25.0 million in 2019, with an improvement of EUR 3.5 million, equal to 14%.

Net financial income amounted to EUR 1.9 million, down by EUR 2.8 million compared to EUR 4.7 million in 2019; in relation to the lower dividends, equal to EUR 4.7 million versus EUR 6.6 million at 31 December 2019; this effect is partially offset by lower financial expenses, equal to EUR 2.4 million versus EUR 3.6 million at 31 December 2019. The impairment of equity investments, amounting to EUR 2.3 million, refer to La Linea, E-Vai and ATV, following impairment testing; in the previous year the amount, of EUR 0.4 million, related to the impairment of the equity investment held in Fuorimuro.

Earnings before taxes amounted to EUR 30.3 million versus EUR 29.7 million in 2019.

Income tax of EUR 6.5 million increased due to higher taxable income.

The **profit for the year** amounted to EUR 23.9 million, in line with the result of EUR 23.9 million in 2019.

8.2 RECLASSIFIED FINANCIAL POSITION AND SUMMARY PERFORMANCE INDICATORS

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

Amounts in millions of euros	**31/12/2020**	**31/12/2019**	***Change***
Current receivables	62,1	43,0	*19,1*
Current payables	(97,6)	(37,9)	*(59,7)*
Net Working Capital	*(35,5)*	*5,1*	*(40,6)*
Fixed assets	388,2	344,9	*43,3*
Equity investments	181,4	97,0	*84,4*
Non-current receivables	7,8	7,2	*0,6*
Non-current provisions and payables	(10,0)	(11,9)	*1,9*
NET INVESTED CAPITAL	***531,9***	***442,3***	***89,6***
Equity	399,6	375,7	*23,9*
Net financial position (Debt/-Cash)	132,3	66,6	*65,7*
TOTAL SOURCES	***531,9***	***442,3***	***89,6***

The Company manages the liquidity of the other Group companies in cash pooling; therefore, in view of cash on bank deposits of EUR 101.3 million, FNM has giro accounts receivable of EUR 0.2 thousand (EUR 0.3 million at 31 December 2019) and giro accounts payable of EUR 125.2 million (EUR 166.0 million at 31 December 2019).

As shown in the cash flow statement, to which reference is made, operating activities generated liquidity of EUR 24.1 million, investment activities absorbed financial resources of EUR 9.4 million, assets held for sale generated liquidity of EUR 3.6 million, while financing activities absorbed liquidity of EUR 52.9 million.

9 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 24 April 2020, no. 27 (article 92, paragraph 4-bis) provided for the recognition of fees on the basis of contractual planning, notwithstanding the re-modulation of the offer implemented following the epidemiological emergency.
Furthermore, to partially offset revenues from ticket sales, article 200, paragraph 1 of Decree Law 19 May 2020, no. 34, converted, with amendments, by Law 17 July 2020, no. 77 established a fund at the Ministry for Infrastructure and Transport with initial resources of EUR 500 million for the year 2020, to offset the reduction of fare revenues from passengers in the period from 23 February 2020 to 31 December 2020 compared to the average fare revenues from passengers recorded in the same period of the previous two years.
The fund was then increased by EUR 400 million for 2020 by article 44, paragraph 1 of Decree-Law no. 104/2020. This provision also provided for the possibility of using the greater resources allocated, up to the limit of EUR 300 million, to finance additional local and regional public transport services intended for students as well.
With the subsequent art. 27 of Decree Law 149/2020 (Ristori bis) converted into law by Law 176/2020 art 22-ter was extended until 31 January 2021, the reference period in relation to which companies may use the Fund for local public transport companies due to the lower fare revenues earned during the COVID-19 emergency period; in addition, the Fund was increased by a further EUR 390 million, of which a portion of up to EUR 190 million for the financing of additional local and regional public transport services, including for students. Therefore, of the additional EUR 390 million allocated for 2021, EUR 200 million is intended to offset the lower revenues of LPT

companies already identified by article 200, paragraph 1 of the aforementioned Decree-Law no. 34/2020 and EUR 190 million for additional local and regional public transport services.

Finally, with article 1, paragraph 816 of Law 30 December 2020, no. 178 (Budget Law 2021), an additional EUR 200 million was provided for the year 2021, in order to enable the provision of additional local and regional public transport services.

Against these allocations, at 31 December 2020, as compensation for lower traffic revenues, relief totalling EUR 937,173,181.00 was provided. The allocation, as indicated above, was made on the basis of the average revenue declared in the LPT Observatory's monitoring relating to the 2019/2018 financial years.
To complete the regulatory framework related to the COVID-19 epidemiological emergency concerning Local Public Transport, it should be noted that art. 4 - ter of the previously mentioned Decree Law 17 March 2020, no. 18 (Conversion Law no. 27 of 24 April 2020) establishes that "Until the end of the measures to limit the COVID-19 virus, all the procedures underway relating to the assignment of local public transport services, may be suspended, with the option of extending the assignments in place on 23 February 2020 up to twelve months following the declaration of the end of the emergency; the public procedures relating to local public transport services already defined and awarded at 23 February 2020 remain excluded".

10 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 management 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 the year and as part of the periodic risk assessment activities carried out by FNM - with the support of the Risk Manager - it defined risk threshold values, calibrated and proportionate to the activity and size of the individual subsidiaries belonging to the Group, which should not be surpassed as this is not considered compatible with the Issuer's risk appetite. The risk scenarios thus identified qualify as “top-risk”, against which FNM's management has mitigation plans to bring the risk values within limits consistent with the identified threshold values.
During 2020 , the annual business risk *assessment* activity was also updated and the 2020 *Risk Assessment* Plan was approved on 26 October 2020. The activity is currently being finalised and has been carried out in continuity and integrated with previous analyses, following 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 the economic and financial 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 reference methodology used for risk management is UNI ISO 31000:2010.

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).

10.1 MAIN RISKS

<u>Uncertainty of the legislative and regulatory framework</u>

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 subject to 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. The deadline has been extended to 31 December 2021, due to Regional Law 28 December 2020, no. 26, art. 2.
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, with 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 April 2021 and 31 December 2021, respectively, or on the date when the new operator takes over the service (only relating to FNM Autoservizi S.p.A.) and of the Service Agreement for the province of Como extended to 30 April 2021 or on the date when the new operator (for both investee companies) takes over the service, the risk of non-assignment/renewal is shared by all competitors as, in this case, 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 2021.

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 significantly increased the level of safety guaranteed.

The progressive availability of new rolling stock more technologically advanced than that in use today will also contribute to the further increase in traffic safety.

The safety of people and property is constantly monitored with reference to assaults and acts of vandalism, but also taking into account the perception of the safety of passengers and employees.

FERROVIENORD, as part of its technological development programmes for its security, safety and passenger assistance systems, awarded the following in 2020:

- the tender for the "*Renewal of the video-surveillance systems*" in the station areas and in the relevant sensitive areas;
- the tender for the "*Supply, installation and commissioning of an Integrated Supervision Software Platform (PIS) for controlling stations of FERROVIENORD*".

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 of 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 14 below "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.

Risks related to the COVID-19 pandemic

The nationwide or regional spread of epidemiological or pandemic emergencies affecting the population (i.e. COVID-19) may cause, in addition to a deterioration in the macroeconomic scenario, slowdowns in the company's activities, resulting from measures issued by national and regional authorities, unavailability of personnel, difficulties encountered by customers in using collective mobility services, discontinuity in the supply chain, with negative impacts on the results of Group companies.

Group companies have adopted processes and procedures that support the identification, management and monitoring of events with a potential significant impact on the company's resources and business. To this end, a company protocol has been drawn up regarding preventive measures aimed at combating and limiting the spread of COVID-19.

The Group companies, particularly in the car and rail passenger transport operating segment, have been committed to ensuring a prompt response to the threat from the COVID-19 pandemic, with the aim of addressing certain issues during the pandemic situation and, in the following months, defining how service will be resumed.

These processes are aimed at maximising the timeliness and effectiveness of the actions taken in order to offer added value to stakeholders, while seeking to limit the impact of adverse events that could generate discontinuity in the transport service and resulting inconveniences for travellers, while protecting the interests and safety of customers, employees, shareholders and partners.

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

10.2 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 comment to the segment activities, 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.

10.3 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.

10.4 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 compared to international fares.

A contribution to the resolution of this problem is provided by the fare 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 has guaranteed, for 2019, with revenues from tickets and subscriptions, a coverage of operating costs equal to over 46% of costs. For the year 2020, the restrictions imposed on the movement of persons have reduced this percentage to below 23%. The Company, however, continues to pursue the continuous improvement of the efficiency of its production processes.

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 2020, 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.
During 2020, Trenord has further strengthened its continuous monitoring process, in terms of traffic flow and trends, with a level of detail by route, event, seasonality and time slot, and is planning a complex and detailed monitoring system, not only of demand for rail transport, but of all overall mobility flows, not only to respond to the effects of the pandemic but, from a strategic perspective, to have a tool capable of giving concrete indications on demand trends, in order to provide a service that is adequate and functional to the needs of actual demand. It is clear that the risks associated with the continuation of the pandemic are still factors of significant importance with regard to the development of rail traffic.

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. During 2020, the slowdown in the delivery schedule of new rolling stock, due to the spread of the pandemic within the supply chain, was promptly identified by the company, which put into place a specific plan for extraordinary maintenance to be carried out on decommissioned trains to increase their availability. To date, production planning is such so as to use the available and maintained rolling stock with the consequent mitigation of the risk in question.

10.5 TYPICAL RISKS FOR THE RAIL FREIGHT TRANSPORT OPERATING SEGMENT

Reduced traffic flow

Any exogenous or endogenous variable that results in 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.

10.6 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.

11 MOST RELEVANT LITIGATION AND OTHER INFORMATION

The most relevant litigations for FNM and Group companies are summarised below. It should be noted that, also based on the opinion of appointed consultants, charges are not expected in addition to those already reflected in the separate and consolidated financial statements as at 31 December 2020.

FERROVIENORD

In relation to the status of the ongoing litigation with the supplier Cogel S.p.A. under liquidation, which was noted in the management report to the financial statements as at 31 December 2019, it should be noted that actions to protect the subsidiary's interest continue, 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 0.7 million.

The Cogel judgement was concluded in the first instance with the Court of Milan decision recognising the legitimacy of all three terminations 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. A hearing in the Council Chamber was held on 15 July 2020, at the conclusion of which the Supreme Court decided to schedule a public hearing due to the complexity of the case. If the claims against FERROVIENORD were to be upheld, this would entail an outlay of approximately EUR 1,644,045.90. The risk in question is classifiable as possible.

In relation to the integrated contract for the redevelopment of the Saronno-Seregno railway line, signed with the ATI (temporary grouping of companies) 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. A court-appointed expert report was ordered at the last hearing on 14 January 2020. The filing of the expert report, originally scheduled for 21/12/2020, has been extended to 30 June 2021. The next hearing is scheduled for 13 July 2021.
In four separate appeals, 46 contractor workers filed an application for the order for FERROVIENORD (acting jointly and severally) to make a contribution to INPS for a total of EUR 205,658.
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 of the workers. Currently, thirteen cases are pending, at different stages: in the first instance, there are four pending cases, while nine cases were adjudicated against FERROVIENORD jointly and severally with Lucentissima, subject to the benefit of preventive enforcement against Lucentissima; FN appealed nine first instance decisions and will appeal the other two sentences (by the deadline of 30 December 2020). The appeals have already ended with two decisions that, without prejudice to the joint and several obligation between FERROVIENORD and La Lucentissima, partially reduced the amounts paid to the workers.

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 FERROVIENORD, 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 FERROVIENORD.
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 and the Central Directorate in the matter.
Despite various attempts to reach a settlement, it has not yet been possible to reach an out-of-court resolution to the matter, so the dispute pending before the Milan Regional Tax Commission will continue.
Although the arguments put forward by the Company to support its claims, and expressed both in the judicial proceedings and, most recently, in the application for nullification under internal review, are supported by EU and national case law, it is not possible to predict how the regional judges will proceed should the case be retained for decision. Therefore, it is deemed appropriate, on a prudent basis, to keep the provision for risks allocated in previous years in the financial statements.
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.

FNM

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.

12 PROPERTY ASSETS

At 31 December 2020, 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.

FNM, FERROVIENORD and Trenord have committed to an innovative project for the redevelopment of FERROVIENORD's main connection centres. On the Milan-Malpensa axis, a corridor for the 2026 Milan Olympics, with new green, modern and high visibility urban scenarios connecting in an unprecedented technological and environmental journey Milan Cadorna, Milan Bovisa, Saronno, Busto Arsizio and Malpensa. It is currently the largest urban and suburban regeneration project in Europe.

For the urban part, the creation of a “synthetic forest” of 72,000 sqm from Milan Cadorna to the Domodossola station, will be of fundamental importance.

A programme of urban and environmental redevelopment in Busto Arsizio will involve the relocation of car parks to a multi-storey building, allowing large areas of green space to be used for collective activities, thus connecting the north and south of the city.

For the suburban area, collaboration has been initiated with the Fondazione Lombardia per l'Ambiente (Lombardy Foundation for the Environment) for the mapping of railway and other associated areas, for a reforestation project for the entire area of the Lombardy industrial triangle between Milan, Varese and Como.

Work is also planned on Bovisa and Saronno as described below.

The project will not only focus on forestation or the creation of tree and shrub belts in uncultivated areas, but will also concern nature-based work to be carried out in stations (associates structures and nearby areas) aimed at improving the comfort of railway service users, as well as more general environmental resilience, without reducing the modal interchange function.

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 governing the partnership between FERROVIENORD and the Municipality were formalised for participation in the tender entitled "Reinventing Cities", relating to the Bovisa Interchange Node, an initiative of the C40 group cities to pursue policies to limit CO2 emissions. Bovisa is a strategic hub characterised by high accessibility and will in fact be subject to infrastructural enhancement and urban regeneration.
On 18 December 2019, the SSR data sheet for participation in the tender was defined, then published on 20 December 2019, containing the starting auction price of the volume and surface rights generated by the owned areas.
During 2020, FERROVIENORD played an active role in the roundtables with the Municipality of Milan to formulate the answers to the questions and prepare the documentation for the second phase

of the call for tenders. On 5 June the applications were received and the joint FERROVIENORD/Municipality of Milan Selection Committee was set up.
In September 2020, the Regulation for the second phase was published; the deadline for the submission of final proposals by the four selected Bidders is 8 February 2021 and the winners will be announced at the end of April 2021.

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 the Municipal Administration in office at the time did not provide any official response. On 18 February 2021, the new Municipal Administration issued Municipal Council Resolution no. 3 of 18 February 2021 containing the "Policy document for the requalification of the Saronno Centro railway station and the reorganisation of the technological and maintenance infrastructure hub". The aim is to achieve high standards of functionality and safety and to improve accessibility and viability through an urban redesign including the relocation of the Saronnese Museum of Industry and Labour, the restyling of the station passenger building and its underpass, and the creation of cycle and pedestrian paths.

MILAN AFFORI

Approximately 54,000 sqm are 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 was concluded with the awarding of the contract to the company PAOLO BELTRAMI COSTRUZIONI S.p.A. and the related contract was entered into 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.
During 2020, work continued on the construction of the underground car park, in addition to the activities of the coordination roundtable with the Municipality, where the proposal made to the Municipality to extend to FERROVIENORD the concession to use the area of the weekly market above the car park in order to increase its profitability is being discussed.

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.

During 2020 a number of meetings were held with a Real Estate Operator which informally expressed interest in purchasing the area. The Municipal Administration and the Private Partner, the Parish of Saints Eusebio and Maccabei, are also motivated to identify a shared strategy in order to sell the areas they own. However, since late 2020, the Operator has not resumed contact.

13 EMPLOYEES: FIGURES, COSTS AND TRAINING

13.1 FIGURES AND COSTS

The average number of employees of the Group companies in 2020 was 2,230, down compared to the average figures of 2,268 recorded in 2019 (-1.7%).

In particular, the Parent Company FNM had an average number of employees of 186 compared to 193 for the previous year (-3%).

13.2 INDUSTRIAL RELATIONS

In 2020, in continuity with what took place in the previous year, there was a significant amount of dialogue with the trade unions, for the companies of the FNM Group.

The emergency created by the spread of the COVID-19 virus and the ensuing measures taken to limit its spread led to a prompt redefinition of the ways in which work activities are carried out with a view to protecting health.

FNM employees already had an agreement that provided for the possibility of carrying out a day's work outside the workplace (agile/smart working), while employees of FERROVIENORD and NORD_Ing were in the process of testing this operating method.

In March 2020, based on instructions from the Human Resources and Welfare Department, and after discussions with the trade unions, in compliance with national and regional regulations, smart working was extended beyond the contractual limits, allowing all Group resources performing clerical duties to work from home without the need to be present in the offices. In the months that followed, periods of complete recourse to agile working services were alternated with others of a gradual and partial return to working in person, based on the evolution of the spread of the epidemic and the resulting regulatory provisions, as well as the organisational assessments made by the various company departments.

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.

In September 2020, an agreement was signed with the trade unions which, on the basis of the experience gained during the year, redefined the organisation of work for white-collar staff, with particular regard to working hours, service flexibility and recourse to smart working. This agreement reinforces an organisational and management approach focused on objectives and results, rather than on the duration of work.

The emergency caused by the spread of the COVID-19 virus also required an organisational response from FERROVIENORD's Circulation and Maintenance departments. For the Circulation sector, the peripheral offices were reactivated in order to allow for greater distancing of the agents, as well as a revision of the shifts, aimed at limiting contact between agents in the work sites, while for the Maintenance sector, the composition of the teams and the shifts of the workers was revised, again with a view to limiting the risk of contagion.

In general, all Group employees have taken steps in line with national and regional regulations, such as the distribution of masks, temperature measurements and sanitisation products. The companies have also taken steps to upgrade their technological and IT equipment, which has enabled an increasing number of employees to work off premises.
For the company FNM Autoservizi, the decline in demand, linked to the suspension of school services, led to a reduction in shifts for operating personnel in the spring of 2020, which was managed with a more extensive use of holidays and with recourse to the LPT Solidarity Fund on a rotating basis for personnel. In May 2020, an agreement was signed with the trade unions for this company that governed the topic of remuneration on vacation days, thus avoiding the opening of a dispute with employees on this issue.
For E-Vai, the drop of activities due to the COVID-19 emergency led to the implementation of a multi-period timetable to manage the periods of greatest reduction in activities.

Group training activities involved the employees of the Group companies identified below, for a total of 2,647 days.
Furthermore, during the year the Group continued to participate in MaaM, "Maternity as a Master", an innovative educational programme focused on the theme and importance of being a parent in the company.

14 RESEARCH AND DEVELOPMENT ACTIVITIES

Due to the nature of the activity carried out, in 2020 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 made it possible to recover resources through tax credit in accordance with the existing regulations pertaining to Industry 4.0;
- the Framework Agreement for scientific collaboration and support for innovation processes between the FNM Group and the Milan Polytechnic Foundation 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.

15 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.

In the NFS, FNM reports on its sustainability performance in accordance with the “*GRI Sustainability Reporting Standards*”; in 2020 the NFS was structured based on the principles of the Integrated Report.

The first part of the document illustrates how the strategy, governance, performance and prospects of the organisation enable us to create value in the short, medium and long term, in the context within which it operates. The second part focuses on the presentation on capital, i.e. the tangible and intangible resources that have been increased, decreased or transformed as a result of the organisation’s activities and outputs and that result in the creation of value. The main types of capital (Economic-Financial Capital, Productive and Intellectual Capital, Human Capital, Natural Capital, Social and Relational Capital) are related to the achievement of the Sustainable Development Goals (SDGs). The types of capital have contributed to the path of achieving the 10 SDGs established within the 2030 Agenda.

In addition, starting from 2020 and in continuity with the path undertaken, FNM has decided to identify and quantify the impacts that are generated through its activities not only from an economic point of view, but also from an environmental and social one. Therefore, in order to provide a complete representation of the value generated, FNM has decided to use KPMG's True Value methodology to measure the “real value” that the Group gives back to the community.

During 2020, the value generated by the FNM Group amounted to about EUR 2 billion, considering both the direct impacts generated and the indirect ones; about 65% is attributable to direct and indirect economic impacts.

The 2020 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.

16 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 Code of Conduct for the identification of Internal Dealing parties and for the communication of transactions carried out by them, 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 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 September 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 from outside the Company and a criminal lawyer, also from 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.

17 FNM S.p.A. RELATED PARTY TRANSACTIONS

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 relative to fees for Directors, Statutory Auditors and Key Personnel are indicated in the Annual Report on Remuneration prepared pursuant to article 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).

18 FINANCIAL INSTRUMENTS

It should be noted that during the year and as of 31 December 2020 the Company and Group had not used any derivative financial instruments.

19 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.

20 SIGNIFICANT EVENTS DURING THE YEAR

The sales of the shareholdings in Locoitalia and Fuorimuro have been finalised

10 March 2020: FNM S.p.A. signed the agreements for the sale of the 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 resulted 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 1.0 million deriving from the sale of the shareholding in Locoitalia.

The Shareholders' Meeting approved the 2019 financial statements

27 May 2020: the Shareholders' Meeting approved the proposal of the separate financial statements of the Parent, examined the consolidated financial statements of the FNM Group as at 31 December 2019 and resolved not to distribute a dividend and therefore to allocate the profit for the year 2019 as follows:

- EUR 1,195,648 to the legal reserve;
- EUR 9,567,856 to retained earnings;

- EUR 13,149,461 to the extraordinary reserve.

In addition, the Shareholders' Meeting approved the Report on the remuneration policy and on the compensation paid and authorised the purchase and disposal of treasury shares.

Full repayment of the corporate bond "FNM S.p.A. 2015 – 2020"

21 July 2020: the bond by the name of "FNM S.p.A. 2015 – 2020", issued on 21 July 2015 for EUR 58 million and subscribed in full by Finlombarda S.p.A., was repaid in full. With the same value date, the tenth and last half-yearly coupon was paid, amounting to EUR 342,484.20 and relating to the 21 January 2020 - 21 July 2020 lending period. In relation to the special Treasury management agreement stipulated with Finlombarda, the deposit of EUR 48 million was repaid by Finlombarda on 29 July 2020. In September, Finlombarda paid to FNM the interest accrued during the year 2020.

FNMPAY company established

7 October 2020: the company FNMPAY joint-stock company – wholly owned by FNM – was established which, upon obtaining the necessary authorisation from the Bank of Italy, will provide the service of agreement of payment transactions pursuant to art. 1, paragraph 2, lett. h)-septies.1), number 5) of Legislative Decree 385/1993.

The company will play an active role in managing the acceptance of POS payments (physical and virtual) by FNM Group companies, which currently outsource this activity to third-party companies. It is expected that the company, subject to obtaining the aforementioned authorisation from the Bank of Italy, will be able to start up its business during 2021.

Acquisition of Milano Serravalle – Milano Tangenziali S.p.A.

28 July 2020: the Council of the Lombardy Region, controlling shareholder of the Company, in its 2020 supplementary budget law, authorised *(i)* the sale in favour of FNM (the "Transaction") of the entire equity investment held by the Lombardy Region in Milano Serravalle – Milano Tangenziali S.p.A. ("MISE"), equal to 82.4% of the share capital and, as a result, the acceptance of the purchase proposal formulated by FNM, and *(ii)* the recapitalisation of Autostrada Pedemontana Lombarda S.p.A. ("APL"), through the underwriting of a capital increase for an amount up to EUR 350 million.

29 July 2020: the agreement was executed and performed for the purchase of the stake held in MISE, directly and indirectly, by ASTM, equal to 13.6% of the share capital[12], for EUR 85.6 million (i.e. EUR 3.5 per share).

The agreed price was paid in cash for an amount of EUR 3.2 per share (EUR 78.3 million) on the same date, using available liquidity and bank credit facilities, while the remaining EUR 0.3 per share (EUR 7.3 million) was paid in January 2021.

30 July 2020: the Council of the Lombardy Region resolved to accept *(i)* the proposal presented by the Parent Company in relation to the acquisition of the entire equity investment of the Lombardy Region in Milano Serravalle – Milano Tangenziali S.p.A., equal to 82.4% of the share capital; and *(ii)* the proposed exclusive agreement containing the commitment to define the contractual terms and conditions no later than four months from the date.

3 November 2020: the Company signed a purchase and sale contract with the Lombardy Region, which regulates the terms and conditions of a transaction aimed at creating a strategic group in the infrastructure sector in Lombardy.
In particular, the transaction involves the purchase by FNM of the entire equity investment, equal to 82.4% of the share capital, in Milano Serravalle – Milano Tangenziali S.p.A. (MISE) held by the Lombardy Region, for a total consideration of EUR 519.2 million (EUR 3.5 per share). The Lombardy Region also undertook to subscribe and release, at the same time as executing the contract for the purchase and sale of the equity investment in MISE, the shares of Autostrada Pedemontana Lombarda S.p.A. (APL), resulting from the paid-in capital increase, inseparably, for a nominal value of EUR 350 million, approved on 28 February 2020 by the shareholders' meeting of APL, that may have remained unopted. On the date of execution of the contract for the sale and purchase of the investment in MISE, APL will therefore exit the scope of consolidation of MISE.
The execution of the sale and purchase contract is subject to the fulfilment (or, as the case may be, the waiver in accordance with the terms and conditions set out in the contract) of certain conditions precedent, including obtaining the necessary authorisations in relation to the transaction in accordance with antitrust law and the golden power regulations (where applicable under the law), as well as authorisation by the Ministry of Infrastructure and Transport in accordance with the agreement to which MISE is a party.

12 The total equity investment to be purchased is held by ASTM S.p.A. for 10.704%, Autostrada Dei Fiori S.p.A. for 2.884% and SATAP S.p.A. for 0.007% of the share capital.

10 November 2020: the “Information document relating to significant transactions with related parties” was published, as the transaction of the aforementioned investment qualifies as a “significant” transaction between related parties, pursuant to article 8, paragraph 1, of the Consob RPT Regulation and article 4.3 of the RPT Procedure, since all the materiality indices set out in Annex 3 of the Consob RPT Regulation and article 2 of the RPT Procedure are greater than 5%.
The transaction is carried out with related parties in accordance with article 2 of Annex 1 of the regulation adopted by Consob with resolution no. 17221 of 12 March 2010, as subsequently amended and supplemented (Consob RPT Regulation), and article 2 of the procedure on related party transactions adopted by FNM (RPT Procedure), as Lombardy Region holds a 57.57% stake in the share capital of FNM and voting rights and, therefore, exercises control over FNM pursuant to article 93 of Legislative Decree no. 58/98 and article 2359, paragraph 1, no. 1 of the Italian Civil Code.
FNM has activated the controls and measures provided for in article 8 of the Consob RPT Regulation and article 4.3 of the RPT Procedure with regard to “significant” transactions with related parties. In particular, the Board of Directors of FNM approved the transaction on 26 October 2020, subject to the issuance on the same date, of a reasoned favourable opinion by the Control, Risks and Related Party Transactions Committee on the Company’s interest in carrying out the transaction, as well as on the convenience and substantial fairness of the related conditions.
The financial fairness of the purchase price was certified by Lazard S.r.l., which supported the Control, Risks and Related Party Transactions Committee as an independent, unrelated expert with no interest, even indirectly, in the transaction, which issued a specific opinion on 26 October 2020, as permitted by the Consob RPT Regulation and the RPT Procedure.

Fitch Ratings assigned an issuer default rating of BBB- with stable outlook

10 November 2020: Fitch Ratings assigned FNM an Investment Grade BBB- rating with a stable outlook. During the analysis, the agency highlighted the stability of revenues and the resilience of the business model, to which the motorway component will contribute with the recent acquisition of Milano Serravalle Milano Tangenziali, currently being finalised. The agency also considered the service and programme contracts in place between the Group's companies and the granting bodies (including the Lombardy Region) to be significant and stressed the central role of the FNM Group in the Lombardy regional transport system.
The assignment of the rating will allow FNM to optimise its financial structure, also by diversifying sources of funding, with, *inter alia*, possible access to the capital market.

Approval of the guidelines of the Group's 2021-2025 Strategic Plan

25 November 2020: The Board of Directors of FNM approved the Guidelines of the FNM Group 2021-2025 Strategic Plan (the “Plan”). The Plan has been designed for the post-Covid context, reflecting significant changes in how mobility services will be used. In this context, the system of social relations and the ways mobility services are used, and individuals' use of time and quality of life, will be weighed differently. The task of the FNM Group in the coming years will therefore be to read reality, investigating the “why” and “how” people, cities and businesses move, to anticipate and offer the best solutions in terms of new mobility models. From this perspective, sustainability will be an important driver to consider for every Group action. The Plan redefines the Group's vision - “Improving the lives of people, cities and businesses by developing connections and responding to mobility needs” - and the Group's mission - “Developing an integrated platform of mobility services, built to meet criteria of environmental and economic sustainability, which rationalises and connects (physically and digitally) urban nodes, destinations and transport networks, to create social value and promote the productivity of the territory”. The Plan configures the Group as an integrated sustainable mobility operator, ensuring that FNM is positioned as a Group guided by principles of environmental, social and governance (ESG) sustainability in defining the business processes and investment portfolio of the Group. For the first time the Group's Plan offers an integrated strategic vision to run the business sustainably, designing the industrial and sustainability dimensions within this context.

The Plan is built on four strategic pillars: mobility, infrastructure, fleets and people/community, enabled by four common cross-cutting elements: innovation and data management, energy efficiency and reducing emissions, governance, ethics and a culture of sustainability, and attracting people to work for it, enhancing their potential and promoting their well-being.

The provisions of the Plan will generate community value in terms of Sustainable Development Goals (SDGs) 3 (Health and well-being), 8 (Decent Work and Economic Growth), 9 (Industry, Innovation and Infrastructure), 11 (Sustainable Cities and Communities), 9 (Industry, innovation and infrastructure), 12 (Responsible Consumption and Production), 13 (Acting for the Climate), 15 (Life on land), 16 (Peace, Justice and Strong Institutions) and 17 (Partnership for Objectives).

The Plan provides for total investments preliminarily estimated at up to EUR 1 billion, in addition to the investment related to the acquisition of the equity investment in MISE. The investments will be better outlined when the 2021-2025 Strategic Plan is finalised, also in relation to the related borrowing requirement. The overall 2021-2025 strategic plan, which also includes economic and financial developments for the five-year period, will be finalised over the next few months.

Hydrogen trains and H2iseO project

25 November: as part of the investment plan mentioned above, the Board of Directors of FNM approved:

- an investment in the supply of 6 electric trains produced by Alstom fuelled by hydrogen, with the option to supply another 8 electric trains of the same type, for an amount preliminarily estimated at more than EUR 160 million, to be used as part of the H2iseO Project;
- an investment for an amount preliminarily identified as roughly EUR 49 million for the supply - to be awarded via a tender procedure - of 7 electric trains with pantograph and battery power supply, with an option to supply a further 20 electric trains of the same type, for an additional amount of around EUR 140 million.

It is planned that these trains, with delivery scheduled from 2023 onwards, will be leased to Trenord.

An analysis was also launched on the feasibility of the hydrogen production plants necessary to activate rail service using the trains specified above along the Valcamonica line (Brescia-Edolo line, operated by FERROVIENORD), which thus will become the first Italian Hydrogen Valley (H2iseO Project).

2 December 2020 - *green hydrogen production agreement*: A2A and FNM have signed a Memorandum of Understanding for the study and identification of the best way to produce and supply green hydrogen, deriving from renewable sources and the recovery of materials, to power new trains as part of the H2iseO project.

29 December 2020 - *agreement for green hydrogen mobility in Lombardy:* FNM, A2A and Snam have signed a memorandum of understanding aimed at studying, each for their own applicable areas, methods for the supply and refuelling of hydrogen from renewable sources and from the recovery of materials to power the new trains on the Brescia-Iseo-Edolo line.

Subscribed and paid-in share capital increase for 24.7% of Busforfun.com srl

26 November 2020: FNM entered the share capital of Busforfun.com (“Busforfun”), an innovative start-up active in the sector of tourism and commuting technologies, with 24.7% of shares with an investment of EUR 0.5 million, to support development in the Italian and international markets. FNM becomes the reference industrial partner of one of the most promising Italian start-ups in the mobility sector, supporting it in developing innovative solutions capable of responding to new mobility needs, both for people (B2C) and companies (B2B), also proposing to act together as mobility partners of companies. This operation allows FNM to start the path of Open Innovation in the world of integrated digital mobility services, through a start-up already established in its sector and capable of achieving important goals.

21 SIGNIFICANT EVENTS AFTER THE CLOSING OF THE YEAR

Moody's assigns an issuer rating of Baa3 with stable outlook

25 January 2021: FNM obtained a Baa3 long term issuer rating from Moody's, which takes into account the company's business prospects following the Milano Serravalle – Milano Tangenziali (MISE) acquisition and its balanced financial policy.

FNM's Baa3 rating incorporates the increase of one notch to reflect the strong ties with the Lombardy Region, its majority shareholder.

FNM has obtained investment grade ratings from Fitch Ratings (BBB- with stable outlook) and Moody's (Baa3 with stable outlook), which offers the company the possibility of defining its medium/long-term financial structure in the most efficient way to support future strategic development, also through access to the capital market.

FNM and Enel Green Power sign agreement for the development of hydrogen mobility

1 February 2021: Memorandum of understanding signed by FNM and Enel Green Power with the aim of studying, identifying and proposing the best solutions for the supply of green hydrogen - produced using renewable energy only - for rail mobility in Lombardy, as part of the H2IseO project.

Completion of the acquisition of 82.4% of Milano Serravalle – Milano Tangenziali

26 February 2021: FNM completed the acquisition of 82.4% of the share capital of Milano Serravalle - Milano Tangenziali S.p.A. (MISE)[13] by the Lombardy Region in execution of the sale and purchase contract signed and disclosed to the market on 3 November 2020. In consideration of the 13.6% shareholding of the share capital already acquired by FNM on 29 July 2020[14], FNM has a shareholding representing 96% of the MISE share capital.

The acquisition will enable FNM to strengthen its presence in Lombardy and in areas at higher transport demand, diversify its regulatory risk and improve the Group's profitability profile.

13 Concessionaire for the design, construction and management of the A7 Serravalle-Milan Motorway and the North, East and West Milan Ring Roads pursuant to the concession agreement signed on 7 November 2007 (as amended by the additional deed of 15 June 2016) between MISE, as concessionaire, and ANAS S.p.A. (subsequently replaced by the Ministry of Infrastructure and Transport), as the awarding body.

14 This shareholding was sold to FNM by ASTM S.p.A. and other companies controlled by it.

The acquisition was completed following the fulfilment of the conditions precedent set out in the sale and purchase contract, including the obtaining of authorisation from the Ministry of Infrastructure and Transport pursuant to the concession agreement to which MISE is a party.

At the same time as the acquisition was completed, Autostrada Pedemontana Lombarda S.p.A. (APL) – the concessionaire company for the design, construction and management of the motorway between Dalmine, Como, Varese, Valico di Gaggiolo and related works – exited the MISE scope of consolidation as a result of the subscription and release on the same date by the Lombardy Region of a share capital increase of APL for a total of EUR 350 million and the consequent dilution to 36.7% of the share capital of the shareholding held by MISE in APL[15].

The amount for the acquisition of the shareholding in MISE, amounting to EUR 519.2 million (or EUR 3.5 per share), was fully settled in cash, using a short-term credit line signed on 28 January 2021 with a pool of banks comprising Intesa Sanpaolo S.p.A., JPMorgan Chase Bank, N.A., Milan Branch and BNP Paribas Italian Branch, as lenders. The loan, for a maximum amount of EUR 650 million and used for EUR 620 million, is unsecured and must be repaid in a single instalment by no later than January 2022. The interest rate is equal to EURIBOR plus a margin, in line with current market conditions.

At the same time as the signing of the aforementioned short-term credit line, on 29 January 2020, FNM fully settled the loan signed on 7 August 2018, as it was no longer consistent with the Group's financial structure, repaying in advance the entire amount used of EUR 50 million.

MISE will be fully consolidated in the FNM financial statements starting 26 February 2021.

12 March 2021: issue of an information document relating to the transaction drafted pursuant to article 71, paragraph 1 of Consob Regulation no. 11971 of 14 May 1999 (as subsequently supplemented and amended).

22 MANAGEMENT OUTLOOK

Recent developments in the COVID-19 pandemic, the spread of new variants and uncertainty surrounding the timing of vaccinations, limit visibility over the coming months and require a continued cautious approach for 2021, especially with regard to the local public transport sector.

In particular, it is expected that traffic revenues in the road passenger transport segment will continue to be penalised by weak demand due to travel restrictions resulting from lock-downs, which may be envisaged from time to time depending on the evolution of the epidemiological emergency. On the

15 Previously 79.3% owned by MISE.

other hand, it is assumed that production will be reduced less than in the first half of 2020 with, therefore, an accordingly lesser reduction in direct operating costs. On the basis of the government support measures known to date, the segment's revenues and margins are therefore expected to contract compared to a pre-pandemic scenario and to 2020, a year that has benefited from important compensatory measures by the government. The introduction of additional relief would mitigate the negative effects on revenues and margins resulting from the pandemic.
By contrast, rolling stock rental and rail infrastructure management activities will continue to be less exposed to the effects of the epidemic; however, even in 2021, advertising revenues and revenues related to commercial real estate leases could be reduced compared to a pre-pandemic scenario.
Again for 2021, all companies will continue to implement actions to contain the negative impacts of the emergency, by reducing the main cost items.
In light of these considerations, on a like-for-like basis with 2020, it is reasonable to expect that the Group's revenues will be in line with 2020, while, on the other hand, EBITDA is expected to fall by more than 20% with respect to 2020, in the absence of additional government support measures.
However, 2021 will be a turning point for the FNM Group: the acquisition of 96% of MISE sanctions the Group’s transformation into an integrated mobility operator through rail transport, local public transport by road and motorway infrastructure.
The full consolidation of MISE, starting 26 February 2021, will result in a significant increase in the FNM Group's equity and economic performance, which will benefit from more diversified revenues and an improved earnings profile, with the simultaneous diversification of regulatory risk.
Therefore, including MISE in the FNM Group’s scope of consolidation as of 26 February 2021, it is expected that, compared to 2020, in 2021 revenues will increase by approximately 70% while Adjusted EBITDA is expected to double, with a positive effect on the Adjusted EBITDA/Revenues ratio which should increase by approximately 7 percentage points.
Also in the case of motorway infrastructure management, the current epidemiological situation calls for conservative forecasts of motorway demand, which is nevertheless expected to grow slightly in 2021 compared to 2020, also considering the greater resilience of freight transport and the faster recovery of car traffic during periods of relaxation of anti-contagion measures, as demonstrated in 2020. On the other hand, it should be noted that, at present, as in 2020, there are no government measures planned in 2021 to support the contraction of revenues due to lower motorway traffic compared to the pre-COVID-19 period.
At present, the comparison on a like-for-like basis (i.e. considering MISE consolidated in FNM for the whole of 2020 and the whole of 2021), shows revenues for 2021 in line with 2020 and slight

EBITDA growth (low single digit). The Adjusted EBITDA/Revenues ratio is expected to remain constant.

From a financial point of view, the payment of the purchase price (a total of EUR 604 million - of which EUR 78.3 million paid in 2020), combined with the consolidation of MISE's net financial position and the investments planned for the renewal of the fleets will result in an increase in the Group's debt, which in turn will result in an increase in the Adjusted NFP/Adjusted EBITDA ratio, compatible with the parameters set for the current rating levels (Baa3 by Moody's and BBB- by Fitch, both with positive outlook) and the financial covenants provided for in the existing loan agreements. To date, the Group has liquidity headroom of around EUR 90 million in uncommitted lines, thereby offering sufficient financial flexibility.

During the course of the year, the Company reserves the right to potentially define its medium/long-term financial structure as it sees fit, to increase efficiency in offering support to future strategic development, including through access to the capital market.

At present, for Trenord - valued using the equity method - 2021 looks very much like 2020. The persistence of the current situation of continuous variability of the overall conditions, however complex and difficult, leads to the hypothesis of a progressive recovery of volumes over a period of a few years. The investee company continues to constantly monitor all the main KPIs, regarding the performance of the service, attendance, receipts and the cost-revenue ratio.

Milan, 18 March 2021

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, amortization 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 amortization, 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.

Adjusted EBITDA: 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 combinations;

(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 2020, the following components were excluded from EBITDA:

a) non-ordinary expenses deriving from development projects, amounting to EUR 1.9 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 1.2 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 2020

- ***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 STATEMENT OF FINANCIAL POSITION AT 31.12.2020

Amounts in thousands of euros	Notes	31/12/2020	31/12/2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	443.340	409.864
Intangible assets	7	5.139	7.156
Goodwill	8	4.353	6.358
Right of use	9	15.489	8.879
Equity Investments measured with the equity method	10	76.733	79.429
Equity Investments in other companies	10	91.313	5.472
Financial receivables	11	2	2
of which: Related Parties	11	0	0
Financial Receivables measured at Fair Value in profit or loss	12	0	0
of which: Related Parties	12	0	0
Deferred tax assets	14	24.015	21.543
Tax receivables	18	0	0
Other Receivables	17	213	82
TOTAL NON-CURRENT ASSETS		**660.597**	**538.785**
CURRENT ASSETS			
Inventories	15	8.702	8.910
Trade Receivables	16	82.640	64.619
of which: Related Parties	16	65.052	45.227
Other Receivables	17	95.834	60.612
of which: Related Parties	17	14.686	11.275
Tax receivables	18	2.968	280
Financial receivables	11	115	40.997
of which: Related Parties	11	115	997
Financial Receivables measured at Fair Value in profit or loss	12	0	48.352
of which: Related Parties	12	0	48.352
Receivables for funded investments	13	41.511	59.096
of which: Related Parties	13	39.514	57.099
Cash and cash equivalents	19	253.344	228.723
TOTAL CURRENT ASSETS		**485.114**	**511.589**
Assets held for sale	20		35.239
TOTAL ASSETS		**1.145.711**	**1.085.613**
LIABILITIES			
Share capital		230.000	230.000
Other reserves		7.788	7.788
Reserve for indivisible profit		203.387	172.970
Reserve for actuarial gains/(losses)		(7.661)	(7.545)
Translation reserve		105	96
Profit/(Loss) for the year		24.185	30.281
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP		**457.804**	**433.590**
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTEREST		**19.304**	**20.711**
TOTAL SHAREHOLDERS' EQUITY	**21**	**477.108**	**454.301**
NON-CURRENT LIABILITIES			
Payables to banks	22	42.441	49.780
Financial Payables	23	13.706	9.184
of which: Related Parties	23	2	2
Payables for funded investments	24	12.581	12.581
of which: Related Parties	24	6.079	6.079
Other liabilities	26	24.357	27.550
of which: Related Parties	26	10.156	12.253
Deferred tax liabilities	14	0	692
Provisions for risks and charges	27	39.722	36.977
Post-employment benefits	28	21.201	23.931
TOTAL NON-CURRENT LIABILITIES		**154.008**	**160.695**
CURRENT LIABILITIES			
Payables to banks	22	58.619	304
Financial Payables	23	42.542	94.053
of which: Related Parties	23	32.278	86.573
Payables for funded investments	24	165.208	103.818
of which: Related Parties	24	165.208	103.818
Trade payables	29	177.538	175.746
of which: Related Parties	29	3.948	3.930
Payables for taxes	30	87	3.181
Tax payables	30	3.315	3.775
Other liabilities	31	46.049	65.180
of which: Related Parties	31	12.740	35.762
Provisions for risks and charges	27	21.237	18.856
TOTAL CURRENT LIABILITIES		**514.595**	**464.913**
Liabilities related to assets held for sale	20	0	5.704
TOT. LIABILITIES AND SHAREHOLDERS' EQUITY		**1.145.711**	**1.085.613**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR 2020

Amounts in thousands of euros	Notes	2020	2019
Revenues from sales and services	32	243.748	268.359
of which: Related Parties	32	176.622	177.053
Grants	33	15.023	10.850
of which: Related Parties	33	8.469	8.069
Grants for funded investments	34	38.023	40.986
of which: Related Parties	34	38.023	40.986
Other income	35	19.873	22.138
of which: Related Parties	35	7.642	7.601
of which: Non Recurring	35	-	2.569
TOTAL REVENUES AND OTHER INCOME		**316.667**	**342.333**
Raw materials, consumables and goods used	36	(18.881)	(21.794)
Service costs	37	(65.599)	(72.468)
of which: Related Parties	37	(8.159)	(8.173)
of which: Non Recurring	37	(1.908)	(1.145)
Personnel costs	38	(113.463)	(125.467)
Depreciation, amortisation and write-downs	39	(41.752)	(40.739)
Other operating costs	40	(15.150)	(12.429)
of which: Related Parties	40	(101)	(113)
Costs for funded investments	34	(35.445)	(39.141)
TOTAL COSTS		**(290.290)**	**(312.038)**
EBIT		**26.377**	**30.295**
Financial income	41	2.607	1.792
of which: Related Parties	41	756	1.101
Financial expenses	42	(2.670)	(4.269)
of which: Related Parties	42	(384)	(713)
NET FINANCIAL INCOME		**(63)**	**(2.477)**
Net profit of companies measured with the equity method	45	2.044	8.047
EARNINGS BEFORE TAX		**28.358**	**35.865**
Income tax	43	(3.673)	(4.975)
NET PROFIT / (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**24.685**	**30.890**
NET PROFIT FROM DISCONTINUED OPERATIONS	44	-	-
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		**24.685**	**30.890**
Profit/(loss) attributable to NON-CONTROLLING interest		**500**	**609**
Profit/(loss) attributable to Parent Company shareholders		**24.185**	**30.281**
Profit/(loss) attributable to NCIs for discontinued operations		-	-
Profit/(loss) attributable to Parent Company shareholders for discontinued operations		-	-

Earnings per share attributable to Group shareholders			
Basic earnings per share (euro)	46	0,06	0,07
Diluted earnings per share (euro)	46	0,06	0,07
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 2020

Amounts in thousands of euros	Notes	2020	2019
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		**24.685**	**30.890**
Other components of companies consolidated on a line-by-line basis			
Post-employment benefit actuarial gain/(loss)	**28**	152	(1.275)
Tax effect	**14**	(43)	357
Total components that will not be reclassified in the operating result		**109**	**(918)**
Total components that will be reclassified in the operating result		**-**	**-**
Total companies consolidated on a line-by-line basis		**109**	**(918)**
Other components of companies consolidated on a line-by-line basis			
Post-employment benefit actuarial gain/(loss) of companies measured with the equity method		(318)	(534)
Tax effect		89	154
Total components that will not be reclassified in the operating result	**10**	**(229)**	**(380)**
Gains/(losses) arising from the translation of financial statements of foreign companies		9	32
Total components that will be reclassified in the operating result	**10**	**9**	**32**
Total companies consolidated with equity method		**(220)**	**(348)**
Total Other Comprehensive Income	**48**	**(111)**	**(1.266)**
TOTAL COMPREHENSIVE PROFIT/(LOSS)		**24.574**	**29.624**
Comprehensive Profit/(Loss) attributable to non-controlling interest		**496**	**382**
Comprehensive Profit/(Loss) attributable to Parent Company shareholders		**24.078**	**29.242**

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 at 01.01.2019	**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**
Total Comprehensive Income				**(116)**	**9**	**24.185**	**24.078**	**496**	**24.574**
Allocation of 2019 profit			30.281			(30.281)	-		-
Change in the scope of consolidation			136				136	(1.903)	(1.767)
Balance at 31.12.2020	**230.000**	**7.788**	**203.387**	**(7.661)**	**105**	**24.185**	**457.804**	**19.304**	**477.108**
Notes	21	21	21	48	48	21	21	21	21

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in thousands of euros	Notes	31/12/2020	31/12/2019
Cash flow from operating activities		**Total**	**Total**
Operating result		24.685	30.890
Income tax	43	3.673	4.975
Net profit of companies measured with the equity method	45	(2.044)	(8.047)
Amortisation for the period of intangible assets	7	3.622	3.733
Depreciation for the period of property, plant and equipment	6	31.870	34.890
Amortisation of right of use	9	3.808	2.116
Impairment of intangible assets and property, plant and equipment	8	2.452	-
Provisions for risks and charges	27	15.777	16.086
Releases of provisions for risks and charges	27	(613)	(748)
Provision for bad debts	16	126	403
Allocation to the provision for obsolete inventory	15	464	-
Releases provision for bad debts	16	-	(142)
Gains from disposal of property, plant and equipment	35	(243)	(50)
Gains from disposal of assets held for sale	35	(1.014)	-
Capital grants for the period	33	(3.597)	(3.671)
Interest income	41	(1.593)	(1.792)
Interest expense	42	2.670	4.269
Other non-monetary income	35		(3.402)
Cash flow from income activities		**80.043**	**79.510**
Net change in the provision for post-employment benefit	28	(2.695)	(2.469)
Net change in the provision for bad debts	16	-	(22)
Net change in provision for risks and charges	27	(1.903)	(931)
(Increase)/Decrease in trade receivables	16	(18.147)	4.461
(Increase)/Decrease in inventories	15	(256)	(1.943)
(Increase)/Decrease in other receivables	17	(2.102)	2.708
Increase/(Decrease) in trade payables	29	685	821
Increase/(Decrease) in other liabilities	31	(36.051)	861
Payment of taxes		(12.130)	(3.147)
Total cash flow from operating activities		**7.444**	**79.849**
Cash flow from/(for) investing activities			
Investments in intangible assets	7	(1.605)	(1.823)
Investments in owned property, plant and equipment	6	(66.268)	(38.633)
Increase in trade payables for investments	29	32.866	26.263
Investments in funded rolling stock net of grants collected		15.269	50.953
Increase in receivables for funded investments	13	(36.373)	(46.559)
Decrease in financial receivables for funded investments - payments received	13	35.598	26.804
Disposal value of property, plant and equipment		945	119
Investments in Equity investments	10	(78.993)	(113)
Other changes in equity investments	10	315	-
Dividends distributed by investees measured with the equity method	10	4.696	5.840
Other changes in financial receivables	11	(114)	17
Interest income collected		1.479	1.775
Repayment of finance lease receivables	11	996	1.933
Change in financial receivables from assets sold		(3.464)	-
Collection from disposal of assets held for sale	20	32.124	-
Collection of financial receivable for Liquidity Management	12	48.000	-
Collection of time deposit	11	40.000	-
Total cash flow from investing activities		**25.471**	**26.576**
Cash flow from/(for) financing activities			
Repayment of finance lease payables	23	(2.964)	(3.030)
Interest paid		(1.533)	(2.004)
Increase/(Decrease) in payables to banks	22	50.802	(431)
Interest paid on debenture loan	23	(682)	(733)
Repayment of debenture loan	23	(58.000)	-
Increase in other financial liabilities	23	4.083	3.020
Total cash flow for financing activities		**(8.294)**	**(13.713)**
Liquidity generated (+)/absorbed (-)		**24.621**	**92.712**
Cash and cash equivalents at start of period	19	228.723	137.316
IFRS 5	19	-	(1.305)
Cash and cash equivalents at end of period	19	253.344	228.723
Liquidity generated (+)/absorbed (-)		**24.621**	**92.712**

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 31.12.2020

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 7 of the Management Report, "Operating 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 the 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 18 March 2021.

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 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 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.SCco. & Services" (Note 5 "Segment reporting").

NOTE 2 ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

In preparing these Consolidated Financial sStatements, the same accounting standards and measurement criteria used to prepare the Consolidated Financial Statements at 31 December 2019 were used, supplemented as described in the section "IFRS accounting standards, amendments and interpretations adopted from 1 January 2020".

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.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED FROM 1 JANUARY 2020

The following IFRS accounting standards, amendments and interpretations were adopted for the first time by the Group, starting from 1 January 2020:

- 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 amended two standards. The amendment clarifies that information is "obscured" if described in such a way as to have - for primary users of general-purpose financial statements - an effect similar to that produced if such information had been omitted or misstated.
  The adoption of this amendment did not therefore have any effects 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.
  The adoption of this amendment did not therefore have any effects on the Consolidated Financial statements of the Group.
- 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 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 adoption of this amendment did not therefore have any effects on the Consolidated Financial Statements of the Group.

- 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 integrated 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 an output. 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 adoption of this amendment did not therefore have any effects on the Consolidated Financial Statements of the Group.

- On 28 May 2020 the IASB published an amendment entitled "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document allows lessees to account for Covid-19 related rent concessions without having to assess, through contract analysis, whether the definition of lease modification of IFRS 16 is met. Therefore, the lessees who opt to do so may account for the effects of the rent concessions directly in the income statement as at the effective date of the concession. This amendment applies to financial statements starting on or after 1 June 2020, but it is possible to take advantage of the possibility to apply this amendment early, at 1 January 2020. 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 2020

- On 28 May 2020 the IASB published an amendment entitled "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments make it possible to extend the temporary exemption of the application of IFRS 9 to 1 January 2023 for insurance companies. These amendments will enter into force on 1 January 2021. The Directors do not expect the adoption of these amendments to have a significant effect on the Consolidated Financial Statements of the Group.

- On 27 August 2020, the IASB published, in light of the reform on interbank interest rates such as the IBOR, the document "Interest Rate Benchmark Reform-Phase 2" which contains amendments to the following standards:
  - IFRS 9 Financial Instruments;
  - IAS 39 Financial Instruments: Recognition and Measurement;
  - IFRS 7 Financial Instruments: Disclosures;
  - IFRS 4 Insurance Contracts; and
  - IFRS 16 Leases.

  All amendments will enter into force on 1 January 2021. The Directors do not expect the adoption of these amendments to have a significant effect 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, the competent bodies of the European Union had not completed the approval process necessary to adopt the amendments and standards described below.

- 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 the 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 the 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 2023 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 23 January 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The purpose of the document is to clarify how to classify payables and other short-term or long-term liabilities. The amendments apply from 1 January 2023, but early application is permitted. The Directors do not expect the adoption of these amendments to have a significant effect on the Consolidated Financial Statements of the Group.

- On 14 May 2020, the IASB published the following amendments:
    - Amendments to IFRS 3 Business Combinations: the purpose of the amendments is to revise the reference present in IFRS 3 to the Conceptual Framework in the revised version, without this entailing amendments to the provisions of IFRS 3.
    - Amendments to IAS 16 Property, Plant and Equipment: the purpose of the amendments is to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while testing that asset. These sale revenues and the related costs will therefore be recognised in the income statement.
    - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that in assessing whether a contract is onerous, all costs directly relating to the contract should be considered. Consequently, the assessment of whether a contract is onerous includes not only incremental costs (for example, the cost of the direct material employed in the work processes), but also all costs which the enterprise cannot avoid because it has stipulated the contract (for example, the portion of the labour cost and of the depreciation of the machinery used for the performance of the contract).
    - Annual Improvements 2018-2020: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, to IFRS 9 Financial Instruments, to IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.

  All amendments will enter into force on 1 January 2022. The Directors do not expect the adoption of these amendments to have a significant effect on the Consolidated Financial Statements of the Group.

- On February 12, 2021, the International Accounting Standards Board (IASB) published some amendments to the IFRS standards: Disclosure of Accounting Policies-Amendments to IAS 1 and IFRS Practice Statement 2, Definition of Accounting Estimates-Amendments to IAS 8. The amendments are aimed at improving disclosure on accounting policies in order to provide more useful information to investors and other primary users of the financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting policies. All changes will come into effect on January 1, 2022. The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of these amendments.

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 2020.

As stated in paragraph 3 of the Management Report, the Group scope changed compared to 31 December 2019, as described below:

- 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 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 using the equity method, active in rail freight transport and concessionaire for rail operations within the Port of Genoa; as of 31 December 2019, the related assets and liabilities had already been reclassified to "Assets held for sale" and "Liabilities related to assets held for sale" and measured in accordance with the provisions of IFRS 5;
- on 10 June 2020, FNM S.p.A. sold its 10% stake in NORD_ING S.r.l. to FERROVIENORD S.p.A.; since that date NORD_ING S.r.l. is wholly owned by FERROVIENORD S.p.A.;
- on 7 October 2020, the company FNMPAY S.p.A.– wholly owned by FNM – was established which, upon obtaining the necessary authorisation from the Bank of Italy, will provide the service of agreement of payment transactions pursuant to art. 1, paragraph 2, lett. h)-septies.1), number 5) of Legislative Decree 385/1993. The subsidiary will play an active role in managing the acceptance of payments via POS (physical and virtual) by the companies of the FNM Group, which currently entrust this activity to third-party companies, as well as certain companies outside the Group operating in the transport sector, with predominant focus in the regions of Northern Italy and shared mobility at national level. It is expected that the company, subject to obtaining the aforementioned authorisation from the Bank of Italy, will be able to start up its business during 2021;
- on 29 July 2020, the agreement was signed and performed for the purchase of the stake held in Milano Serravalle – Milano Tangenziali S.p.A. (hereinafter "MISE"), directly and indirectly, by ASTM, equal to 13.6% of the share capital, for EUR 85.6 million (equal to EUR 3.5 per share), of which EUR 78.3 million (equal to EUR 3.2 per share) paid on 29 July 2020, and EUR 7.3 million (equal to EUR 0.3 per share) paid on 28 January 2021.
  MISE is the concessionaire for the design, construction and management of the A7 Serravalle-Milan Motorway and the North, East and West Milan Ring Roads pursuant to the concession agreement signed on 7 November 2007 (as amended by the additional deed of 15 June 2016) between MISE, as concessionaire, and ANAS S.p.A. (subsequently replaced by the Ministry of Infrastructure and Transport), as the awarding body.
  In addition, on 3 November 2020, FNM signed a purchase and sale agreement with the Lombardy Region for the purchase of the entire investment held by Regione Lombardia in MISE, equal to 82.4% of the share capital, for a total of EUR 519.2 million (equal to EUR 3.5 per share).
  On 26 February 2021, in execution of the sale and purchase agreement, the acquisition of 82.4% of MISE's share capital from Regione Lombardia was finalised.
  The acquisition was finalised after the conditions precedent set forth in the purchase and sale agreement were met, including obtaining the authorisation from the competent Antitrust Authority and authorisation from the Ministry of Infrastructure and Transport, in accordance with the concession issued on 7 November 2007 between MISE and ANAS S.p.A. (now Ministry of Infrastructure and Transport).

At the same time as the acquisition was completed, Autostrada Pedemontana Lombarda S.p.A. (APL) – the concessionaire company for the design, construction and management of the motorway between Dalmine, Como, Varese, Valico di Gaggiolo and related works – exited the MISE scope of consolidation as a result of the subscription and release on the same date by Regione Lombardia of a share capital increase of APL for a total of EUR 350 million and the consequent dilution to 36.66% of the share capital of the shareholding held by MISE in APL, previously 79.29% owned.
In consideration of the 13.6% shareholding of the MISE share capital already acquired by FNM on 29 July 2020, and recognised under equity investments in other companies at 31 December 2020, as a result of the transaction completed on 26 February 2021, FNM therefore has a shareholding representing 96% of the MISE share capital. Accordingly, as of 26 February 2021 MISE will be fully consolidated in the Consolidated Financial Statements of the FNM Group on which significant effects will be determined as represented in the Information Document prepared pursuant to Article 71, paragraph 1, and in accordance with Schedule no. 3 of Annex 3B of the Regulations approved by Consob with resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented, published on the website https://www.fnmgroup.it/it/operazioni-straordinarie to which reference should be made.

The amounts recognised for each significant class of assets acquired and liabilities assumed in the acquiree with reference to the financial statements as of 31 December 2020, adjusted for consistency with IAS/IFRS, are presented below[1]:

Amounts in thousands of euros	**Mi-Se IAS (1) 31/12/20**
ASSETS	
NON-CURRENT ASSETS	
Property, plant and equipment	2.117
Intangible assets	476.493
Right of use	14.312
Equity investments	78.021
Investments in other companies	18.939
Financial receivables	58.548
Tax receivables	26
Deferred Tax Assets	6.505
Other Receivables	96
TOTAL NON-CURRENT ASSETS	**655.057**
CURRENT ASSETS	
Inventories	1.378
Trade Receivables	39.757
Other Receivables	12.421
Tax receivables	2.666
Cash and cash equivalents	152.521
TOTAL CURRENT ASSETS	**208.743**
Assets held for sale	
TOTAL ASSETS	**863.800**

1 The values reported derive from a preliminary standardisation of the accounting standards and classification criteria adopted by Milano Serravalle - Milano Tangenziale S.p.A. with the IAS/IFRSs adopted by the FNM Group. It cannot be excluded that further differences may emerge in the future when the above-mentioned preliminary standardisation has been finalised.

Amounts in thousands of euros	**Mi-Se IAS (1) 31/12/20**
LIABILITIES	
TOTAL SHAREHOLDERS' EQUITY	**386.213**
NON-CURRENT LIABILITIES	
Payables to banks	210.483
Financial Payables	25.791
Provisions for risks and charges	112.060
Post-employment benefits	7.749
TOTAL NON-CURRENT LIABILITIES	**356.083**
CURRENT LIABILITIES	
Payables to banks	47.414
Financial Payables	9.810
Trade payables	43.238
Payables for taxes	935
Other liabilities	20.107
TOTAL CURRENT LIABILITIES	**121.504**
TOT. LIABILITIES AND SHAREHOLDERS' EQUITY	**863.800**

Amounts in thousands of euros	**Mi-Se IAS (1) 2020**
Revenues from sales and services	187.419
Grants for funded investments	51.572
Other income	12.970
TOTAL REVENUES AND OTHER INCOME	**251.961**
TOTAL COSTS	**(226.716)**
EBIT	**25.245**
NET FINANCIAL INCOME	**(9.920)**
Net profit of companies measured with the equity method	12.705
EARNINGS BEFORE TAX	**28.030**
Income tax	(12.391)
PROFIT / (LOSS) FOR THE FINANCIAL YEAR	**15.639**

Completion of the transaction described above, in addition to allowing the diversification of the revenues of the FNM Group and an improvement of its earnings profile, will create the first infrastructural node in Lombardy based on an integrated management of rail and road mobility, with consequent optimisation of flows, enhancement of sustainable mobility and development of economies of scale within the scope of investments in technologies and innovation.

- On 18 November 2020, following the closure of the liquidation phase, SeMS S.r.l. in liquidation ceased operations.

- On 26 November 2020, FNM acquired 24.7% of the share capital of Busforfun.com (“BusForFun.com”), an innovative start-up active in the sector of tourism and commuting technologies, with an investment of EUR 492 thousand, to support development in the Italian and international markets.

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.) and 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 BusForFun.com 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 values 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 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 interests and the fair value of any investment previously held in the acquired entity compared to the fair value of net assets acquired and liabilities assumed 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 interests 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 interests 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, 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.

TRANSACTIONS UNDER COMMON CONTROL
A business combination that involves companies under common control (transaction under common control) is an aggregation in which all the companies are ultimately controlled by the same subject or by the same subjects both before and after the business combination and the control is not of a temporary nature.
If a significant influence on future cash flows is demonstrated after the transfer of the group of interested parties, these transactions are treated as described in the point "business combinations". If, on the other hand, this cannot be demonstrated, these transactions are recognized according to the principle of continuity of values.
In particular, the accounting recognition criteria, in application of the principle of continuity of values, falling within the scope of what is indicated in IAS 8.10, consistently with international practice and the guidelines of the Italian accounting profession about business combinations under common control, require the acquirer to recognize the assets acquired on the basis of their historical book values determined on the basis of cost. Where the transfer values are higher than the historical ones, the excess is reversed by decreasing the net assets of the acquiring company, with a specific charge of a reserve.

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 - 24 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”.

RIGHT OF USE
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 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 EUR 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 amortization 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 accrues on said liability and decreased by the payments due for the leases carried out and it is revalued in case of a change in the future payments due for the lease deriving from a change in the index or rate, in case of a 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 previous 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 the 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). Amortization 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 3 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; 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 throughout 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 amortization/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 benefits.

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 is 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 equal to the average financial duration for the service of the group 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 at 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 Regione Lombardia 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 related to 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 Regione Lombardia 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. Regione Lombardia - 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 7.1 “Railway infrastructure management” of the Management Report.

IMPAIRMENT LOSSES OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND INVESTMENTS

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 "Amortization, depreciation and impairments".
For assets not subject to amortization/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 FINANCIAL 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 (Article 117, Paragraph 1 of the Consolidated Income Tax Act), which subsidiaries of FNM are also party to, pursuant to article 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 article 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 article 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 reporting currency used in the 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.

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 and provisions for risks
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.

Offsetting measures for loss of traffic revenues
To partially offset revenues from ticket sales, article 200, paragraph 1 of Decree Law 19 May 2020 no. 34, converted, with amendments, by Law 17 July 2020, no. 77 established a fund at the Ministry for Infrastructure and Transport with initial resources of EUR 500 million for the year 2020, to offset the reduction of fare revenues from passengers in the period from 23 February 2020 to 31 December 2020 compared to the average fare revenues from passengers recorded in the same period of the previous two years.
The fund was then increased by EUR 400 million for 2020 by article 44, paragraph 1 of Decree-Law no. 104/2020. This provision also provided for the possibility of using the greater resources allocated, up to the limit of EUR 300 million, to finance additional local and regional public transport services intended for students as well.
With the subsequent art. 27 of Decree Law 149/2020 (Ristori bis) converted into law by Law 176 of 2020 art 22-ter was extended until 31 January 2021, the reference period in relation to which companies may use the Fund for local public transport companies due to the lower fare revenues earned during the COVID-19 emergency period; in addition, the Fund was increased by a further EUR 390 million, of which a portion of up to EUR 190 million for the financing of additional local and regional public transport services, including for students. Therefore, of the additional EUR 390 million allocated for 2021, EUR 200 million is intended to offset the lower revenues of LPT companies already identified by article 200, paragraph 1 of the aforementioned Decree-Law no. 34/2020 and EUR 190 million for additional local and regional public transport services.
Finally, with article 1, paragraph 816 of Law 30 December 2020 no. 178 (Budget Law 2021), an additional EUR 200 million was provided for the year 2021, in order to enable the provision of additional local and regional public transport services.
Against these allocations, at 31 December 2020, as compensation for lower traffic revenues, relief totalling EUR 937,173,181 was provided. The allocation, as indicated above, was made on the basis of the average revenue declared in the LPT Observatory's monitoring relating to the 2019/2018 financial years.

Currently, we still do not know the criteria and timing of the final allocation of resources, therefore the contributions due have been accounted for taking into account the limit of the so-called “overcompensation” provided for by law, in line with the information available at the reporting dateThe amount of these contributions recognized in the financial statements at 31 December 2020 is equal to EUR 4.1 million.

NOTE 5 SEGMENT REPORTING

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

- management of railway infrastructure: 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 “Planning Agreement” 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;
- passenger road transport: 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;

- lease of rolling stock and management of the centralised services (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 Regione Lombardia 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.

2020	**Railway infrastructure management**	**Road passenger transport**	**Rosco & Services**	**Eliminations**	**Total from continuing operations**
Revenues from third parties	118.547	88.518	71.579		**278.644**
Intersegment sales	5.827	6.156	12.292	(24.275)	
Grants for funded investments	38.023				**38.023**
Segment revenues	162.397	94.674	83.871	(24.275)	**316.667**
Costs to third parties	(106.923)	(90.198)	(57.724)		**(254.845)**
Intersegment purchases	(16.345)	(6.204)	(1.726)	24.275	
Costs for funded investments	(35.445)				**(35.445)**
Segment costs	(158.713)	(96.402)	(59.450)	24.275	**(290.290)**
Operating income	**3.684**	**(1.728)**	**24.421**		**26.377**
Net financial income	80	(64)	(79)		**(63)**
Net profit of companies measured with the equity method					**2.044**
Earnings before tax					**28.358**
Taxes					**(3.673)**
Result for the year from continuing operations					**24.685**
Result from discontinued operations					
Operating result					**24.685**

31/12/2020	Railway infrastructure management	Road passenger transport	Rosco & Services	Others	Total
Segment assets	299.177	124.366	698.153		1.121.696
Assets held for sale					
Income tax assets				24.015	24.015
Total unallocated group assets				**24.015**	**24.015**
Total assets					**1.145.711**
Segment liabilities	362.421	63.402	242.691		668.514
Deferred tax liabilities					
Income tax liabilities				89	89
Other unallocated liabilities				477.108	477.108
Total unallocated group liabilities				**477.197**	**477.197**
Total liabilities					**1.145.711**

2019	Railway infrastructure management	Road passenger 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	Road passenger 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				21.543	21.543
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**

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 7. “Operating performance of Business segments” of the Management Report for the detailed analysis of the revenues and cost trends of the Group’s segments.

Transactions between sectors take place at arm's length.

STATEMENT OF FINANCIAL POSITION

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

At 1 January 2019, property, plant and equipment, net of relative accumulated depreciation and provisions for loans, comprised the following:

Description	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 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 as 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 the relative accumulated depreciation and provisions for loans, comprised the following:

	31.12.2019		
Description	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**

Changes for 2020 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 01.01.2020	**35.480**	**43.014**	**1.097**	**313.380**	**16.893**	**409.864**
Investments financed with own funds	31	1.364	587	43.277	21.009	**66.268**
Transfers gross value	8	1.812	16	4.226	(6.062)	
Divestments: Gross disposals	(288)	(3.311)		(77)	(70)	**(3.746)**
Divestments: Use of Accumulated Depreciation		2.920		77		**2.997**
Depreciation rates	(975)	(7.077)	(377)	(23.164)		**(31.593)**
Impairment of property, plant and equipment				(450)		**(450)**
Net Value as at 31.12.2020	**34.256**	**38.722**	**1.323**	**337.269**	**31.770**	**443.340**

At 31 December 2020, property, plant and equipment, net of relative accumulated depreciation and provisions for loans, comprised the following:

Description	31.12.2020 Historical cost	Accumulated depreciation	Book value
Land and buildings	52.507	(18.251)	34.256
Plant and machinery	185.533	(146.811)	38.722
Industrial and commercial equipment	11.577	(10.254)	1.323
Other assets	619.400	(282.131)	337.269
Assets in the course of construction and advances	31.770		31.770
Total property, plant and equipment	**900.787**	**(457.447)**	**443.340**

Land and buildings

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

- EUR 8,577 thousand for property related to the Cadorna station in Milan;
- EUR 6,642 thousand for land situated in the Municipality of Saronno;
- EUR 4,730 thousand for Sacconago Terminal;
- EUR 2,381 thousand for property in the Municipality of Saronno;
- EUR 4,692 thousand for land and property situated in the Municipality of Mestre;
- EUR 1,597 thousand for land and property situated in the Municipality of Tradate;
- EUR 1,587 thousand for land situated in the Municipality of Garbagnate Milanese;
- EUR 871 thousand for garages situated in the Municipality of Milan;
- EUR 697 thousand for property situated in the Municipality of Iseo.

Plant and machinery

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

- EUR 35,387 thousand for buses;
- EUR 3,335 thousand for plant and machinery used for railway infrastructure maintenance.

The main increases in the item "Plant and machinery" (EUR 1,364 thousand) chiefly concern the purchase of:

- 3 diesel buses for extra-urban transport for EUR 701 thousand; following the registration of 2 buses in February 2020, the advance payments for two buses paid the previous year, amounting to EUR 476 thousand, were transferred to this item from "Assets in the course of construction and advances";
- 5 buses for extra-urban transport fuelled by methane and the relative on-board equipment for EUR 329 thousand; following their registration in January 2020, the advance payments for one bus paid the previous year, amounting to EUR 947 thousand, were transferred to this item from "Assets in the course of construction and advances";
- refurbishment of electrical and air-conditioning systems in some warehouses and offices for EUR 216 thousand; costs incurred in previous years relating to electrical systems were also transferred for EUR 144 thousand;

The amortization charge for the period does not include EUR 276 thousand relating to Locoitalia amortization, reclassified under assets held for sale. Locoitalia was sold on 10 March 2020.

The disposals are entirely attributable to a truck used for the maintenance of the railway infrastructure that was involved in an accident and is no longer usable, as well as the scrapping of buses that are no longer usable and have been totally depreciated.

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 498 thousand.

Other changes refer to depreciation charges for the year.

Other assets
Other assets mainly refer to rolling stock (for EUR 334,657 thousand), vehicles, furnishings and leased assets (operating leases).
As regards rolling stock, the investment for the year, equal to EUR 42,996 thousand, concerns:
- 4 FLIRT TILO rolling stocks for EUR 38,034 thousand; following commissioning, investments incurred in the previous year, amounting to EUR 4,226 thousand, were transferred from "Assets in the course of construction and advances" to the category in question; the four rolling stocks are leased to Trenord;
- for EUR 3,788 thousand, 2 E744 EffiShunter locomotives; the locomotives are leased to DB Cargo Italia;
- EUR 1,174 thousand for the redemption of 8 DE520 locomotives leased to DB Cargo Italia and Trenord.

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

The write-down concerns 2 TAF bodies that were damaged and can no longer be used for EUR 450 thousand.

Assets in the course of construction and advances
The increase in the item, in the amount of EUR 21,009 thousand, are attributableto advances paid for the purchase of 6 hydrogen-powered electric trains (EUR 14,160 thousand), 5 FLIRT TILO rolling stocks (EUR 1,057 thousand), 2 E744 EffiShunter locomotives (EUR 842 thousand) and 3 Yutong electric buses (EUR 638 thousand), the costs incurred for the revamping of the TAF (EUR 3,770 thousand) and DE520 rolling stock (EUR 307 thousand), the construction of the car park adjacent to the Milan Affori station (EUR 143 thousand), the initial costs relating to the new electronic ticketing system in the areas of Como, Varese and Brescia (EUR 74 thousand), and the modernisation of the Milan Cadorna building (EUR 62 thousand).

Transfers concern the items referred to above.

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 2020 would have been the following:

31/12/2020	Book value	Grant	Net value less the grant
Land and buildings	34.256	(5.904)	28.352
Plant and machinery	38.722	(16.897)	21.825
Industrial and commercial equipment	1.323		1.323
Other assets	337.269	(2.329)	334.940
Assets in the course of construction and advances	31.770		31.770
Total property, plant and equipment	**443.340**	**(25.130)**	**418.210**

Impairment Test
With reference to rolling stock, the Management has not identified indicators that determine the need to activate the impairment test to verify the recoverability of the book value of these tangible assets since these are assets mainly intended for the performance of local public transport through leasing contracts in force.
With reference to the verification of the recoverability of the value of other tangible fixed assets, it should be noted that the impact of COVID-19 on the operations and economic performance of some

CGUs coinciding with some investee companies operating in the passenger transport sector by road and rail, constituted a trigger event, which pursuant to IAS 36 required verification of the recoveraility of the book value of the aforementioned CGUs.
In fact, the prohibitions on mobility and circulation, as well as the closure of school activities, provided for by the provisions issued, have generated a significant reduction in the demand for transport and consequently in traffic revenues. The economic effects on the current year have been mitigated by the laws enacted to support the public transport sector. In addition, all Group companies, including non-controlled subsidiaries, have taken actions to contain the negative impacts of the emergency, by reducing the main cost items.
In this context, the Directors, also with the support of an independent expert, conducted impairment tests on all the CGUs coinciding with the subsidiaries operating in road transport and the jointly controlled investment in Trenord S.r.l.

Below and in Notes 8, the information regarding the impairment tests conducted on the CGUs concerning road passenger transport is reported. As regards the impairment test on Trenord, see Note 10.

FNM Autoservizi S.p.A.
The subsidiary currently operates as a concessionaire of shares of road public transport services in the provinces of Varese and Brescia, and as owner in A.T.I. (Temporary Association of Enterprises) with ASF Autolinee of the Service Contract in the province of Como, as well as as support operator for Trenord for "train replacement" services.
The value in use was determined by applying two alternative scenarios with different probability of occurrence.
The expected future cash flows used in this analysis are taken from the 2021-2024 multi-year plan approved by the company's BoD on 26 February 2021.
This plan provides that the local public transport service currently operated in the Varese, Como and Brescia basins will be awarded through a tender to be published soon; it is assumed that the service can be entrusted to new operators in all basins starting from January 1, 2025.
It is assumed that the FNM Group, should the new contractor of the service starting from 2025, operate these services through a new company (NewCo.) and not through FNM Autoservizi, which will cease operations on 31 December 2024 and will subsequently be liquidated.

On the basis of these flows, a multi-scenario analysis was developed considering the manifestation of two events, starting from the tender for the award of LPT services in the Varese, Como and Brescia basins. The events therefore concern the award or not of the tender and respectively configure two scenarios:

- FNMA wins the tender; the establishment of a NewCo is therefore envisaged, which will operate as the successful tenderer for the termination of the FNMA activity at the end of 2024, with the subsequent liquidation of the capital invested in 2025;
- the tender is not announced and, therefore, FNMA continues its activity until the end of the plan (2030); in this case, FNMA will replace the existing fleet with natural gas buses.

The explicit forecast time horizon of the first scenario is from 2021 to 2024, with cessation of operations at the end of 2024 and subsequent liquidation of the invested capital in 2025. For the second scenario, the explicit forecast horizon reaches 2030 with liquidation of the invested capital in 2031.

In consideration of the future call for competition, the Directors of the Company, in carrying out the impairment test, attributed a significantly higher probability of realization to the first scenario.

The rate used to discount cash flows determined as above is equal to 6.32% (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 calculation made resulted in a lower value in use than the book value. Consequently, the Directors, also with the support of independent experts, estimated that the fair value of the CGU was higher than the book value without therefore highlighting any value losses.

ATV S.r.l.
As regards the impairment exercise prepared by the Directors, please refer to the following Note 8 "Goodwill".

La Linea S.p.A.
As regards the impairment exercise prepared by the Directors, please refer to the following Note 8 "Goodwill".

E-Vai S.r.l.
The recoverable amount of the net invested capital, through the configuration of the value of use, was determined using expected future cash flows taken from the long-term plan approved on 25 February 2021 by Directors of the investee for the 2021-2030 period, 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).

The assessment was not determined on a multi-scenario analysis, as the subsidiary does not operate through service contracts, which involve participation or not in local public transport service tenders.

The estimated terminal value was calculated by projecting an average EBITDA flow for the period 2023-2025, to contain the effects of the growth forecast over the plan period.

The rate used to discount cash flows determined as above is equal to 6.70% (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 test, carried out based on the above methodology, did not reveal any situations of impairment as the recoverable value of the CGU is higher than the relative carrying amount.

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 Regione Lombardia, 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 2019, 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
Trademarks			
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 as at 01.01.2019	**2.296**	**6.651**	**119**	**9.066**
Acquisitions	762	1.061		**1.823**
Transfers	(2.128)	2.128		
Amortisation rates		(3.731)	(2)	**(3.733)**
Net Value as 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	Book 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**

Changes for 2020 are shown below:

Description	Assets in the course of construction and advances	Other	Non-compensated assets	Total
Net Value as at 01.01.2020	**930**	**6.109**	**117**	**7.156**
Acquisitions	705	900		**1.605**
Transfers	(499)	499		
Amortisation rates		(3.620)	(2)	**(3.622)**
Net Value as at 31.12.2020	**1.136**	**3.888**	**115**	**5.139**

As at 31 December 2020, intangible assets therefore comprised the following:

Description	31.12.2020		
	Historical cost	Accumulated amortisation	Net Value
Assets in the course of construction and advances	1.136		1.136
Other	32.187	(28.299)	3.888
Non-compensated assets	46.140	(46.025)	115
Total intangible assets	**79.463**	**(74.324)**	**5.139**

Assets in the course of construction and advances

The increases in the item “Assets in the course of construction and advances”, amounting to EUR 705 thousand, mainly refer to the upgrade of the BW SAP module, managed by FNM and used by Trenord, for EUR 286 thousand, the activation of additional modules of the SAP HR management software, for EUR 116 thousand, the implementation of additional SAP modules that FNM uses as part of its administrative service for EUR 162 thousand and, finally, the extension of the SAP application system to three Group companies for EUR 85 thousand.

It should be noted that during the year, as the project activities were completed, with the provision of the implemented modules, the costs incurred in 2019 in relation to the following were transferred from the category in question to the item “Other”: additional SAP modules that FNM uses as part of the administrative service, for EUR 124 thousand, the creation of the new intranet platform, for EUR 96 thousand, the SAP management software managed by FNM and used by Trenord, for EUR 68 thousand, the activation of additional modules of the SAP HR management software, for EUR 63 thousand, and the modules for the reconciliation of intercompany balances and consolidation, for EUR 62 thousand, as well as project activities relating to cyber security tools for EUR 56 thousand.

Overall, assets in the course of construction and advances at 31 December 2020 mainly refer to the upgrade of the BW SAP module, managed by FNM and used by Trenord, for EUR 435 thousand, to additional SAP modules which FNM uses for its administration service for EUR 140 thousand, to additional modules of the SAP HR management software for EUR 128 thousand, to migration to the G-Suite platform for EUR 88 thousand, to the extension of the SAP application to three Group companies for EUR 85 thousand, to the activities relative to identity assessment instruments for EUR 73 thousand, to the development of the software used by FNM for the management of the corporate entities for EUR 45 thousand and to the SAP management software managed by FNM and used by Trenord for EUR 28 thousand.

Other fixed assets
The increases for the year (EUR 900 thousand) are mainly attributable to additional modules of the SAP management software, managed by FNM and used by Trenord S.r.l., for EUR 201 thousand, the activation of SAP modules for the reconciliation of intercompany balances and consolidation, for EUR 181 thousand, additional SAP modules used by FNM for administrative services, for EUR 130 thousand, and the development of management software for railway traffic management, for EUR 79 thousand, as well as the implementation of the application Servicenow for EUR 77 thousand.
Transfers concern items referred to in “Assets in the course of construction and advances”.

During the year, the amortization of 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, was completed.

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”.
Amortization 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 changed as follows during the year:

Description	01/01/2020	Changes in 2020			31.12.2020
		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		(2.000)		726
Total Goodwill	**6.358**		**(2.000)**	**(5)**	**4.353**

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 acquired net assets, following purchase price allocation activities at the date of acquisition of the investment (1 January 2018).

Also for 2020, the Directors carried out impairment test, with the support of an independent expert, in order to verify the recoverability of the carrying amount of the CGU, which has residual goodwill allocated, coinciding with the investments described above.

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.
The expiry of the current service contract, originally planned for 30 June 2019, was extended to 31 December 2021. On 6 December 2017 the Provincial Council of Verona approved the restricted procedure for the choice of the operator and by the deadline set in May 2018, ATV submitted the proposal for an expression of interest to take part in the public tender for the award of the local public transport service (LPT) for a contract duration of 7 years, with the possibility of renewal for a further two years.However, on December 2020, by resolution 131 of the President of the Province of Verona, the direction was given to continue the procedure to suspend the tender, which had begun in September 2020, with resolutions to that effect by the Municipality of Verona and the Municipality of Legnago. Article 92 c.ter of Decree Law 18/2020 has in fact provided for the possibility that all ongoing award procedures may be suspended for a maximum of 12 months from the end of the emergency. The reasons cited in the resolution are the uncertainties related to the future scenarios of the Verona LPT post-COVID-19 and those related to the evolution of the project for the construction of the urban trolleybus in the Municipality of Verona.
In this context, the recoverable amount of goodwill, considered as the value in use, was determined by applying a multi-scenario analysis with different probabilities of occurrence, based on assumptions relating to the renewal of the service contract and the cost-effectiveness of the call for tenders.

Expected future cash flows used in the analysis are taken from the long-term plan for the 2021-2030 period (corresponding to ten years in case of awarding of the service contract tender), approved on

5 March 2021 by the Directors of the investee. This plan includes assumptions of evolution of revenues and costs on the basis of historical trends.
The economic-financial forecasts contained in the plan prepared by ATV management and taken as references for impairment testing include the case of the award of the service via a tender to ATV as of 2025 on the basis of a narrower perimeter of services than that currently provided by ATV, as a result of the envisaged activation of the trolleybus service managed by another operator.
It is assumed that both lots of the tender will be awarded, by virtue of the appeal with the TAR (Regional Administrative Court), filed by ATV, on 11 January 2018, 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.

Among the assumptions used in the plan, in addition to the above, the Directors of ATV had considered:

i) an average fee increase of 10% in 2022 applied to all traffic revenues,
ii) return to pre-pandemic traffic revenue volumes in 2023;
iii) increase in demand equal to 1% average per year;
iv) from 2025 production and base fee consistent with what is provided today by the tender procedure.

As anticipated, the *impairment* test was determined by applying a multi-scenario analysis with different probabilities of occurrence.
Particularry, in the first scenario, given the orientation of the new targets of the calls for tender, which favour operators making investments in environmentally sustainable buses (currently less cost effective with the public contribution remaining the same), the conditions of the call might not be economically viable, as the service contract would not allow for the adequate remuneration of such high investments. In this case ATV, in the absence of a review of the economic conditions of the tender notice or of a higher public contribution to investments in low-emission buses, would not participate in the Tender and would operate until the start of the service by the new contractor scheduled for 1 January 2025; this hypothesis would consequently foresee that the company would be liquidated in 2025.
In the second scenario it is expected that, given the actually unfavorable tender conditions, the tender will be deserted and, until the contracting authority has launched a new tender, ATV would continue its LTP activity until the end of the plan (2030) and then would subsequently be liquidated. This scenario envisaged the preparation of an investment plan that excludes investments in eco-sustainable buses that ATVs would have had to support to participate in the tender and that restores operating conditions that do not include the activation of the trolleybus.

In consideration of the inexpensiveness of the tender, the Directors of FNM, in carrying out the impairment test, attributed a significantly higher probability of realization to the first scenario.

The rate used to discount cash flows determined as above is equal to 6.32% (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 comparable sector companies.
The impairment test developed according to the above methodology point out a recoverable amount, through the configuration of the value of use, equal to Euro 17,064 thousand, assuring a cover of EUR 1,129 thousand. It should be noted that varying the occurrence rates guarantees a cover.

A sensitivity analysis was carried out considering a change in the WACC discount rate. Below is the change in the cover in millions of Euros that would occur when this parameter changes:

Sensitivity Analysis at WACC				
WACC				
5,32%	5,82%	6,32%	6,82%	7,32%
2,145	1,625	1,125	0,645	0,175

The break-even WACC that leads to a cover value of zero is 7.32%.

Goodwill of La Linea

La Linea S.p.A currently operates as subcontractor of PLT service in the Verona, Padua and Venice basins, and operates through its subsidiary Martinibus, a tourist transport service in the Venice area.

The recoverable value of the CGU, considered as the value in use, was determined through two alternative scenarios, with the same probabilities of occurrence.

Expected future cash flows used in this analysis are taken from the long-term plan approved on 2 March 2021 by the directors of the investee for the 2021-2030 period. The plan provides for several contracts for the award or modification of services in the basins of current competence, namely in the basins of Belluno, Padua, Venice and Verona.

The recovery of pre- pandemic production volumes in 2022, with the exception of tourist transport services operated by the subsidiary Martinibus, for which a gradual return to these levels is expected in 2024.

For the purpose of the impairtment test, given the uncertainty connected with the outcome of the tender for the public transport service in Venice (in which La Linea and another competing operator participated), a second scenario was considered which did not provide for the award of the tender, resulting in a reduction both in operating flows related to in the lower scope of activities and in the investment flow foreseen in the award scenario of the above-mentioned tender.

Finally, for the estimation of the value in use a forecast period of five years (2021-2025) was considered for both scenarios, with terminal value estimate in 2026.

The rate used to discount cash flows determined as above is equal to 6.32% (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 comparable sector companies.

The impairment test carried out based on the above methodology, through the configuration of the value of use, point out a recoverable amount equal to 6,141 thousand Euro and consequently brought to light an impairment loss of EUR 2,000 thousand.

The Directors consider that the fair value of this CGU does not differ significantly from the value of use commented above.

A 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.

Below are the writedowns in millions of Euros that would occur when these parameters were changed:

Sensitivity Analysis al WACC e al g rate						
		WACC				
		5,32%	5,82%	6,32%	6,82%	7,32%
g rate	-1,00%	(1,64)	(2,03)	(2,37)	(2,66)	(2,92)
	-0,50%	(1,38)	(1,82)	(2,20)	(2,52)	(2,80)
	0,00%	(1,07)	(1,58)	(2,00)	(2,36)	(2,67)
	0,50%	(0,71)	(1,29)	(1,77)	(2,17)	(2,52)
	1,00%	(0,25)	(0,94)	(1,49)	(1,95)	(2,34)

In order to avoid an impairment loss, a not superior WACC of 4.57% and a g-rate at least of +2.44% should be considered.

NOTE 9 RIGHT OF USE

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

	01.01.2019		
Description	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 as at 01.01.2019	**68**	**7.178**	**277**	**521**	**8.044**
Acquisitions		290	2.055	598	2.943
Amendment of Fee		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 as at 31.12.2019	**30**	**6.226**	**2.021**	**602**	**8.879**

Therefore, at 31 December 2019, “Right of use” comprised the following:

	31.12.2019		
Description	Historical cost	Accumulated amortisation	Net Value
Right of use - software	68	(38)	30
Right of use - buildings	7.468	(1.255)	6.213
Right of use - plant and machinery	2.332	(311)	2.021
Right of use - other assets	1.119	(504)	615
Total right of use	**10.987**	**(2.108)**	**8.879**

Changes for 2020 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 as at 01.01.2020	**30**	**6.213**	**2.021**	**615**	**8.879**
Acquisitions	96	125	2.049	5.067	7.337
Depreciation rates	(33)	(1.287)	(855)	(1.633)	(3.808)
Closing of contracts Historical Cost	(51)			(475)	(526)
Closing of contracts Fund	51			475	526
Change in the scope of consolidation Historical Cost				3.167	3.167
Change in the scope of consolidation Accumulated Depreciation				(86)	(86)
Net Value as at 31.12.2020	**93**	**5.051**	**3.215**	**7.130**	**15.489**

Therefore, at 31 December 2020, "Right of use" comprised the following:

	31.12.2020		
Description	**Historical cost**	**Accumulated amortisation**	**Net Value**
Right of use - software	113	(20)	93
Right of use - buildings	7.593	(2.542)	5.051
Right of use - plant and machinery	4.381	(1.166)	3.215
Right of use - other assets	8.878	(1.748)	7.130
Total right of use	**20.965**	**(5.476)**	**15.489**

The item "Right of use - Buildings" is mainly attributable to the premises leased by the subsidiary ATV to carry out its operations.
The item "Right of use - Plant and machinery" is mainly attributable to the cars rented by the subsidiary E-Vai to carry out car sharing activities; the increase in the year is attributable to the delivery of these cars.
The item "Right of use - Other assets" includes the lease of 4 Bombardier E494 TRAXX DC locomotives, as well as company cars.
The increase for the year, for EUR 4,907 thousand, is attributable to the extension of the contractual duration of the aforementioned contract by 3 years, in addition to the operations start of a locomotive.

The rents relating to assets of modest value or that are referable to contracts expiring within 12 months, that have been recognized in the income statement are shown below:

Canoni di locazione per beni *low value* e contratti *short term*	**beni *low value***	**contratti *short term***
Canoni per postazioni di lavoro e altri dispositivi	397	-
Canoni di locazione auto	-	96
Altri canoni	27	105
Totale a Conto econmico	**424**	**201**

The proceeds from the sub-leasing of assets consisting of the right of use are entirely attributable to the lease to DB Cargo of 4 Bombardier E494 TRAXX DC locomotives for an amount equal to EUR 1,543 thousand.

NOTE 10 EQUITY INVESTMENTS

Changes in 2020 relative to investments are presented below:

Description	01.01.2020 Book Value	Changes				31.12.2020 Book Value
		Increases Decreases	Operating result	Translation reserve	Reserve for actuarial gains/(losses)	
Equity investments in joint ventures:						
Trenord Srl	43.266		(3.796)	9	(204)	39.275
NordCom SpA	7.518		282		(5)	7.795
Nord Energia SpA	13.239	(3.796)	2.568		4	12.015
SeMS Srl in liquidation	148	(229)	81			
Omnibus Partecipazioni Srl	6.244	(900)	1.052			6.396
FuoriMuro Servizi Portuali e Ferroviari Srl						
Conam S.r.l.	176		44		(1)	219
Total equity investments in joint ventures	**70.591**	**(4.925)**	**231**	**9**	**(206)**	**65.700**
Equity investments in associates:						
DB Cargo Italia S.r.l.	8.487		1.813		(23)	10.277
Autotrasporti Pasqualini S.r.l.	181					181
Servizi Trasporti Interregionali S.p.A.	170	(87)				83
Busforfun.com Srl		492				492
Total equity investments in associates	**8.838**	**405**	**1.813**		**(23)**	**11.033**
Total investments measured with the equity method	**79.429**	**(4.520)**	**2.044**	**9**	**(229)**	**76.733**
Other equity investments:						
Consorzio ELIO	4					4
ATAP	2					2
STECAV	2					2
Milano Serravalle - Milano Tangenziale S.p.A.		85.841				85.841
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	**5.472**	**85.841**				**91.313**
Total equity investments	**84.901**	**81.321**	**2.044**	**9**	**(229)**	**168.046**

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 9 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 2020 (equal to 1.07031) for income statement items, and the spot exchange rate at 31 December 2019 (1.08002) for assets and liabilities.

The impact of COVID-19 on operations and on the business performance of the investee was a trigger event, which in accordance with IAS 36, required a test of the recoverability of the carrying amount of the equity investment.

The impairment test was developed using the economic and financial projections for the period 2021-2031 approved by the Board of Directors of Trenord on 15 February 2021.

Since the current situation of continuous variability and uncertainty regarding the overall general conditions as well as those specific to Trenord's business sector following the COVID-19 pandemic

make it very difficult to develop medium/long-term forecasts, which are strongly conditioned by the effects of the post-pandemic recovery, Trenord's management has developed three different scenarios for the 2021-2031 projections, which are based on two contextual elements, namely the (i) extension of the Service Contract to 31 December 2021 and (ii) the assignment to Trenord of the new Service Contract as of 1 January 2022 or until 31 December 2031.
These assumptions underlying the plan are consistent with the provisions of Regional Law no. 26 of 28 December 2020, which ordered the extension of the current Service Contract for the year 2021 and which amended the pre-information notice of direct assignment to Trenord of the new service contract for 10 years, communicating that the 10-year term will take effect from 1 January 2022.
The following assumptions are at the basis of the economic projections approved by Trenord Directors:

1. Traveller demand and traffic revenues: estimates for the years 2022-2023 are developed from the model used for the 2020 monitoring and 2021 Budget forecasts based on classifying customers by different clusters of behaviour. A recovery curve for travellers carried was assumed for subsequent years with the assumption of a return to 2019 levels
2. Service Contract consideration: for the year 2021 the Service Contract compensation was valued according to the contract in force for the years 2015-2021 with and without compensation measures, the latter assumed in a manner similar to what happened for the year 2020. For the following years 2022-2031, the New Service Contract will foresee revenues from consideration through the definition and calculation based on the model of the Regulatory Economic - Financial Plan provided for by the reference legislation and ART Resolution no. 154/2019;
3. Other elements (Operating Plan, operating costs, investments, etc.) were assumed to be stable over time, indexed to inflation and contractual adjustments, without further incremental and/or innovative effects, according to IAS 36.

Due to the pre-information notice relating to the assignment to Trenord, as also confirmed by Regional Law no. 26 of 28 December 2020, an alternative scenario of non-awarding of the tender was not considered, but a single scenario of awarding the tender consistently with the projections approved by Trenord Directors was assumed.
With reference instead to the period beyond the plan horizon, a single going concern scenario was considered with an estimate of the terminal value on the basis of an EBITDA flow equal to the average of the years 2021-2031 and an EBIT obtained by subtracting from the average EBITDA depreciation, assumed equal to investments. Only one scenario was considered for the purposes of the impairment exercise in view of the current market positioning of the investee in the reference economic context and in light of the complexity of the managed service, which makes the eventuality of a termination of service remote to 2031.

The rate used to discount cash flows determined as above is equal to 7.30% (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 reveal any situations of impairment.
A 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.
Below are the writedowns in millions of Euros (with a negative sign) that would occur when these parameters were changed:

Sensitivity Analysis al WACC e al g rate dell'impairment di TRENORD						
		WACC				
		7,30%	7,80%	8,30%	8,80%	9,30%
g rate	-1,0%	9,80	4,10	- 1,20	- 6,00	- 10,40
	-0,5%	11,80	5,70	0,20	- 4,80	- 9,40
	0,0%	14,00	7,60	1,80	- 3,50	- 8,30
	0,5%	16,50	9,70	3,50	- 2,00	- 7,00
	1,0%	19,50	12,10	5,50	- 0,30	- 5,60

The break-even WACC that leads to a cover value of zero is 8.47% and a g-rate of -4.99%.

Furthermore, as a mere additional sensitivity exercise, the Directors prepared an impairment exercise assuming, when determining the terminal value, two different scenarios to which a fair probability was attributed: i) a first scenario of continuation of the service in perpetuity consistent with the basic hypothesis described above; ii) the failure to reassign the service contract at the end of 2031 and the consequent liquidation of the operating invested capital at the end of the plan at book value as required by current legislation.
Even in the presence of this sensitivity scenario, there are no impairment losses.

It should also be noted that the Shareholder has undertaken to support the investee in equity and financial terms.

Sensitivity Analysis al WACC e al g rate dell'impairment di						
		WACC				
		7,30%	7,80%	8,30%	8,80%	9,30%
g rate	-1%	5,1	-0,6	-5,9	-10,7	-15,1
	-1%	7,1	1	-4,5	-9,5	-14,1
	0%	9,3	2,9	-2,9	-8,2	-13
	1%	11,8	5	-1,2	-6,7	-11,7
	1%	14,8	27,5	0,8	-5	-10,3

The break-even WACC that leads to a cover value of zero is 8.09% and a g-rate of -2.91%.

NORD ENERGIA S.p.A.
The decrease in the investment, equal to EUR 3,796 thousand, is determined by the distribution of the dividend, carried out in 2020, as approved by the Shareholders' Meeting of the investee, based on the result of 2019.

SeMS S.r.l. in liquidation
The decrease in the investment, amounting to EUR 229 thousand, is due to the distribution of the residual share capital resulting from the final distribution plan drawn up by the liquidators for the final liquidation financial statements as at 30 June 2020.

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 6,396 thousand in the consolidated statement of financial position at 31 December 2020.
The decrease in the investment, equal to EUR 900 thousand, is determined by the distribution of the dividend, carried out in 2020, as approved by the Shareholders' Meeting of the investee, based on the result of 2019.

BusForFun.com S.r.l.
As anticipated in Note 3, on 26 November 2020 FNM acquired, with an investment of EUR 492 thousand, 24.7% of the share capital of Busforfun.com ("BusForFun"), an innovative start-up operating in the tourism and commuting technologies sector.

Milano Serravalle - Milano Tangenziali S.p.A.
As mentioned in Note 3, on 29 July 2020 the agreement was executed and performed for the purchase of the share held in MIS, directly and indirectly, by ASTM, equal to 13.6% of the share capital, for EUR 85.6 million (equal to EUR 3.5 per share), of which EUR 78.3 million (equal to EUR 3.2 per share) paid on 29 July 2020, and EUR 7.3 million (equal to EUR 0.3 per share) paid on 28 January 2021.
MISE is the concessionaire for the design, construction and management of the A7 Serravalle-Milan Motorway and the North, East and West Milan Ring Roads pursuant to the concession agreement signed on 7 November 2007 (as amended by the additional deed of 15 June 2016) between MISE, as concessionaire, and ANAS S.p.A. (subsequently replaced by the Ministry of Infrastructure and Transport), as the awarding body.
In addition, on 3 November 2020, FNM signed a purchase and sale agreement with Regione Lombardia for the purchase of the entire investment held by Regione Lombardia in MISE, equal to 82.4% of the share capital, for a total of EUR 519.2 million (equal to EUR 3.5 per share).
On 26 February 2021, in execution of the sale and purchase agreement, the acquisition of 82.4% of MISE's share capital from Regione Lombardia was finalised.
In consideration of the 13.6% shareholding of the share capital already acquired by FNM on 29 July 2020, and recognised under equity investments in other companies at 31 December 2020, as a result of this transaction, FNM therefore has a shareholding representing 96% of the MISE share capital. Therefore, as of 26 February 2021 MISE will be consolidated line-by-line in the Consolidated Financial Statements of the FNM Group, on which there will be significant effects, as summarised in Note 3, to which reference should be made.

NOTE 11 CURRENT AND NON-CURRENT FINANCIAL RECEIVABLES

This item is broken down as follows:

Description	31.12.2020		
	Non Current	Current	Total
Time deposits			-
Others	2		2
Financial receivables	**2**	**-**	**2**
Financial receivables for interest to related parties		161	161
(LESS) IFRS 9 Impairment Provision		(46)	(46)
Financial receivables from related parties (Note 47)	**-**	**115**	**115**
Total	**2**	**115**	**117**

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**

As a result of the execution of the settlement agreement between FERROVIENORD and CONFEMI, on 18 April 2019 the agreed amount of EUR 40,000 thousand was collected. Upon collecting the amount, with the agreement of Regione Lombardia, 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 May 16, 2019 and it bears interest at the annual nominal rate of 0.18%. At the maturity date of the aforesaid deposit, on May 27, 2020 a new time deposit was stipulated at the annual rate of 0.50%, which expired on that date November 27, 2020 and was therefore reclassified to cash and cash equivalents. The deposit was not recorded in consideration of the notice of the financed orders to which the sums are intended. The amounts released can be used subject to authorisation by Regione Lombardia.

During 2020, the portions of the finance leases receivable recorded at 31 December 2019 were collected in full. The agreements were for locomotives hired out to investees belonging to the FNM Group.

Effective rates of the return on receivables are indicated below:

Description	31.12.2020	31.12.2019
Time deposit	0.18% - 0.50%	0,18%
Finance lease receivables	3.73% - 6.85%	2.27% - 13.10%

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

The “Financial receivable from Finlombarda - Special treasury Management contract” was fully repaid on 29 July 2020 (EUR 48,352 thousand at 31 December 2019), as the contractual maturity date was reached on 21 July 2020.
The item referred to the credit facility for Finlombarda S.p.A. of cash surpluses identified following the issue of the corporate bond, in 2015 for EUR 58,000 thousand. The receivable also included the interest income accrued of EUR 352 thousand.

The receivable was classified among financial assets at fair value through profit or loss because the cash flows were not represented solely 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
Receivables for funded investments 01.01.2020	**59.096**
Grants collected during the year	(52.203)
Use of advances	(827)
Receivables for costs incurred in the period and not collected - Infrastructure (Note 34)	35.445
Receivables for funded investments 31.12.2020	**41.511**

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 2020 and 2019, the item is broken down as follows:

Description	31.12.2020	31.12.2019
Receivables for costs incurred in the period and not collected - Infrastructure	41.511	38.079
Credit for costs incurred in the period and not collected - Rolling Stock		21.017
Receivables for funded investments	**41.511**	**59.096**

NOTE 14 DEFERRED TAX ASSETS AND LIABILITIES

Description	31.12.2020	31.12.2019	Change
Deferred tax assets	25.499	23.320	2.179
Deferred tax liabilities	(1.484)	(1.777)	293
Balance	**24.015**	**21.543**	**2.472**

Changes in net deferred tax assets are shown below:

Description	31.12.2020	31.12.2019	Change
Balance at the start of the year	**21.543**	**16.106**	**5.437**
Allocated to income statement	2.548	5.348	(2.800)
Allocated to capital	(43)	358	(401)
IFRS 5 Locoitalia	(33)	(269)	236
Balance at the end of the year	**24.015**	**21.543**	**2.472**

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

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

2019 Deferred tax assets	Balance 01.01.2019	Change scope of consolidation	Allocated to income statement	Allocated to shareholders' equity	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
Finance leases	1.417	(142)		(1.266)	9
Total	**19.845**	**4.604**	**358**	**(1.487)**	**23.320**

2020 Deferred tax assets	Balance 01.01.2020	Allocated to income statement	Allocated to shareholders' equity	Change IFRS 5	Balance 31.12.2020
Capital gains	598	(1)	-		597
Non-deductible amortisation and depreciation	15.356	1.231	-		16.587
Intangible Assets	259	(105)	-		154
Post-employment benefit	901	(83)	(43)		775
Impairment of receivables	849	37	-		886
Writebacks and Amort. Intangible Assets	5.348	603	-		5.951
Leases	9	33	-	(33)	9
Tax losses		540	-	-	540
Total	**23.320**	**2.255**	**(43)**	**(33)**	**25.499**

2019 Deferred tax liabilities	Balance 01.01.2019	Change scope of consolidation	Allocated to income statement	Allocated to shareholders' equity	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**

2020 Deferred tax liabilities	Balance 01.01.2020	Allocated to income statement	Allocated to shareholders' equity	Change IFRS 5	Balance 31.12.2020
Capital gains	156	(79)			77
Fixed assets	1.621	(214)			1.407
Total	**1.777**	**(293)**	**-**	**-**	**1.484**

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.

2020 Deferred tax liabilities	Balance 31.12.2019	Allocated in income statement	Balance 31.12.2020
Intangibles from PPA	(692)	692	-
Total	**(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 2020.

NOTE 15 INVENTORIES

The next table shows how this item is broken down:

Description	31.12.2020	31.12.2019
Permanent way material	5.890	6.007
Bus Spare Parts	3.120	3.063
Spare parts for contact lines, apparatuses, control units and telephones	2.059	1.818
Gasoil and lubricants	456	373
Other auxiliary materials	506	532
(LESS: Provision for stock obsolescence)	(3.329)	(2.883)
Total	**8.702**	**8.910**

The item in question was substantially aligned with the previous year.

Following a specific analysis of the material turnover rates, it was deemed necessary to add to the provision for inventory write-down relating to obsolete materials for railway infrastructure maintenance.

NOTE 16 TRADE RECEIVABLES

Description	Current	
	31.12.2020	31.12.2019
Receivables from others - gross	20.392	22.336
(LESS) Provision for bad debts	(2.707)	(2.846)
(LESS) IFRS 9 Impairment Provision	(98)	(98)
Trade receivables from third parties	**17.587**	**19.392**
Receivables from related parties - gross	65.122	45.296
(LESS) IFRS 9 Impairment Provision	(69)	(69)
Trade receivables from related parties (Note 47)	**65.053**	**45.227**
Total	**82.640**	**64.619**

Trade receivables from third parties

The change in "Trade receivables from third parties" is mainly tied to the reduction of road transport services performed in Veneto by effect of the COVID-19 emergencies, equal to EUR 652 thousand, and lower invoices to be issued in relation to the automobile service contract of the Province and Municipality of Verona, equal to EUR 1,065 thousand.

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 2020 and 31 December 2019.

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-collectability of the receivables not due at the reference date, which can be derived from historical experience.

Trade receivables from related parties

The increase in gross trade receivables from related parties of EUR 19,826 thousand compared to 31 December 2020, was mainly due to higher receivables from Trenord (EUR 21,670 thousand), due to longer collection times compared to the previous year, partially offset by lower receivables from Regione Lombardia (EUR 985 thousand) and from Consorzio Elio for the substitute ride service (EUR 626 thousand).

NOTE 17 OTHER CURRENT AND NON-CURRENT RECEIVABLES

This item is broken down as follows:

Description	31.12.2020		
	Non Current	Current	Total
Receivables for advances to suppliers on work in progress on financed Trains		51.726	51.726
Tax receivables		9.051	9.051
Receivables for advances to suppliers on work in progress on Infrastructure		8.348	8.348
Receivables from INPS illness costs		2.485	2.485
Receivables for grants		709	709
Receivables for Government grants		102	102
Receivable for contractual advance		70	70
Sundry receivables	213	9.326	9.539
(LESS) Provision for bad debts		(633)	(633)
(LESS) IFRS 9 Impairment Provision		(36)	(36)
Other receivables from third parties	**213**	**81.148**	**81.361**
Receivables from related parties		14.723	14.723
(LESS) IFRS 9 Impairment Provision		(37)	(37)
Other receivables from related parties (Note 47)		**14.686**	**14.686**
Total	**213**	**95.834**	**96.047**

Description	31.12.2019		
	Non Current	Current	Total
Receivables for advances to suppliers on work in progress on financed Trains		19.885	19.885
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	6.052	6.134
(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**

Other receivables - third parties

"Receivables for advances to suppliers on work in progress on financed Trains", amounting to EUR 51,726 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 increase in the period, amounting to EUR 31,841 thousand, relates to the start-up of a new job order, as well as the achievement of a contractual milestone related to the CARAVAGGIO fleet, net of utilisations in the period. The percentage of completion of job orders accrued in relation to the percentage of completion for the financial year amounted to EUR 69,686 thousand.

Current tax receivables refer mainly to VAT receivables for which a refund has already been requested for EUR 7,223 thousand (EUR 7,223 thousand at 31 December 2019), VAT receivables to be used in offsetting for EUR 272 thousand (EUR 130 thousand at 31 December 2019), as well as receivables from the tax authorities for the refund of excise duty on diesel fuels for EUR 1,282 thousand (EUR 1,532 thousand at 31 December 2019).

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 8,348 thousand, is entirely due to the advance portion on the progress (SAL) of the orders relating to the maintenance of the Infrastructure under Concession.

Receivables from INPS amounted to EUR 2,485 thousand (EUR 1,908 thousand at 31 December 2019) and comprises receivables from social security institutes, mainly referring to the recovery of costs incurred for sickness benefits paid to employees.

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 be disbursed to cover expenses incurred by the Group for infrastructure modernisation.

"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 the supply of technical inventory relating to the rolling stock purchased.

Sundry receivables
The item "Current sundry receivables" includes:

- EUR 1,218 thousand (EUR 1,751 thousand as at 31 December 2019) as advances to suppliers;
- EUR 1,064 thousand (EUR 1,031 thousand as at 31 December 2019) 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 1,986 thousand (EUR 1,825 thousand at 31 December 2019).
The fair value of receivables approximates the carrying amount at 31 December 2020 and 31 December 2019.

NOTE 18 CURRENT AND NON-CURRENT TAX RECEIVABLES

Description	31.12.2020		
	Non Current	Current	Total
Tax receivables		2.968	2.968

Description	31.12.2019		
	Non Current	Current	Total
Tax receivables		280	280

The item includes receivables from the Revenue Agency for corporate income tax and regional production tax, for EUR 2,571 thousand and EUR 397 thousand respectively (EUR 100 thousand and EUR 180 thousand at 31 December 2019 respectively).

NOTE 19 CASH AND CASH EQUIVALENTS

The next table shows how this item is broken down.

Description	31.12.2020	31.12.2019
Bank and postal deposits	253.983	229.358
(LESS) Impairment IFRS 9	(693)	(693)
Cash and cash equivalents	54	58
Total	253.344	228.723

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. In the first half of 2021, the subsidiaries La Linea and Martini Bus will also adopt cash pooling.
Therefore, in view of cash on bank deposits of EUR 253,983 thousand, current payables to banks of EUR 8,619 thousand and non-current payables to banks of EUR 92,441 thousand (Note 22), the Group has payables in giro accounts - inclusive of interest - of EUR 37,246 thousand (EUR 33,258 thousand at 31 December 2019), represented below:

Payables in giro account	31.12.2020	31.12.2019	Change
Nord Energia	20.188	18.009	2.179
NordCom	10.231	9.552	679
Trenord	13	48	(35)
Corporate bodies	6.814	5.287	1.527
Sems		362	(362)
Total (Note 23)	37.246	33.258	3.988

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 Regione Lombardia 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 as at 31 December 2020 amounts to EUR 87,099 thousand (EUR 72,364 thousand as at 31 December 2019).
In addition, following the maturity of the “CONFEMI” escrow account (Note 11), EUR 40,000 thousand was collected. These sums may be used subject to authorisation by Regione Lombardia.

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 AND LIABILITIES HELD FOR SALE

In consideration of the sales of the equity investments held in Locoitalia and FuoriMuro, completed on 10 March 2020, as at 31 December 2019 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.
The sale of Locoitalia S.r.l. of the shares held by FNM to Tenor S.r.l. was closed after the completion of the partial and proportional demerger of the company in Locoelettriche S.r.l.
The sale of Locoitalia was completed at a price equal to EUR 1,468 thousand generating a capital gain of EUR 257 thousand. The sale of Locoelettriche S.r.l. a Railpool GmbH was completed at a

price of EUR 1,567 thousand. The transaction allowed to record a net capital gain of EUR 1,014 thousand.
The equity investment in FuoriMuro Servizi Portuali e Ferroviari S.r.l. (49%), company valued at equity, was sold to Tenor S.r.l. for a price of EUR 530 thousand, corresponding to the carrying amount as at 31 December 2019.

NOTE 21 SHAREHOLDERS' EQUITY

Description	Shareholders' Equity attributable to Majority Shareholders						Total Shareholders' Equity attributable to the Group	Shareholders' Equity attributable to Non-Controlling Interest	Total Shareholders' Equity
	Share capital	Other reserves	Indivisible Profits/Losses	Reserve for actuarial gain/loss	Translation reserve	Profit/Loss for the year			
Balance at 01.01.2019	**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**
Total Comprehensive Income				**(116)**	**9**	**24.185**	**24.078**	**496**	**24.574**
Allocation of 2019 profit			30.281			(30.281)	-		-
Change in the scope of consolidation			136				136	(1.903)	(1.767)
Balance at 31.12.2020	**230.000**	**7.788**	**203.387**	**(7.661)**	**105**	**24.185**	**457.804**	**19.304**	**477.108**

At 31 December 2020 and 31 December 2019, fully paid-up share capital amounted to EUR 230,000 thousand, comprising 434,902,568 ordinary shares, with no par value.
On 27 May 2020, the Shareholders' Meeting approved the proposal of the separate financial statements of the Parent and the consolidated results of the Group for 2019, and resolved to allocate profit for the year as follows:
- EUR 1,196 thousand to legal reserve;
- EUR 9,568 thousand to retained earnings;
- EUR 13,149 thousand to extraordinary reserve.

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. The liability was adjusted to the current value of EUR 2,021 thousand.

The reconciliation between the result and the equity of the Separate Financial Statements of FNM S.p.A. and of the Group's Consolidated Financial Statements is presented below.:

Amounts in thousand of euros	Shareholders' equity excluding profit	2020 profit	FNM dividend distribution	Other related items directly recorded in Shareholders' equity	Other changes	Shareholders' equity including profit
FNM S.p.A.	375.716	23.892		18		399.626
Elimination of equity investments	(19.696)					(19.696)
Shareholders' equity of consolidated companies	80.001	292		(125)	136	80.304
Put option recording	(2.430)					(2.430)
Shareholders' equity of FNM Group	**433.591**	**24.184**		**(107)**	**136**	**457.804**

The reasons underlying the difference between market capitalization (equal to 247.9 million euros at 31 December 2020) and the Group's shareholders' equity (equal to 457.8 million euros at 31 December 2020) are to be found in the combination of factors summarized below:

- the Group is listed in the Standard segment of the MTA of the Italian Stock Exchange, a segment that penalizes the stock in terms of daily trading volumes;
- the free float on the market (free float) is less than 30%, being 72.3% of the Group's shareholding made up of stable shareholders;
- the transactions on the market relate to minority holdings, which reflect information asymmetries with respect to the controlling shareholders;
- minority shareholders could apply a significant discount to the value of non-consolidated equity investments recorded in the Group's financial statements as only 11% of the recorded value distributes dividends; these equity investments therefore represent surplus assets that do not offer remuneration to minority shareholders.

As a result of these considerations, the Directors believe that the difference existing between the market capitalization and the Group's shareholders' equity cannot be considered an indicator of impairment as the market capitalization is not considered representative of the recoverable value of the Group.
However, as a mere comparison exercise, the Directors have estimated the recoverable value of the FNM Group in the configuration of the value in use in order to make a comparison between this value so determined and the carrying amount resulting from the consolidated financial statements of the FNM Group.
As required by IAS 36 in paragraph 102, in the presence of corporate costs and support activities that cannot be allocated to specific segments, it is necessary to carry out a second level of impairment test which considers the Group as a whole. The second level of impairment test is aimed at verifying that the book value of all corporate assets not directly allocated to the individual CGUs or to specific segments is also covered by the overall recoverable value of the Group's CGUs.
The flows used are those deriving from the economic and financial projections approved by the BoD of FNM S.p.A. of 9 March 2021. These economic and financial projections do not constitute the Industrial Plan of the FNM Group, which will be approved following the obtaining of the information necessary for the inclusion in the Plan of the following assumptions: i) approval, still pending, of the Economic and Financial Plan (PEF) of Milano Serravalle-Milano Tangenziale, in accordance with the regulatory legislation in force by the competent national authorities; ii) the renewal of the Service Contract between Trenord and Regione Lombardia for the regional railway service in Lombardy for the period 2022-2031.

Since the Group will continue to make development investments beyond the explicit forecast period and the investments made over the period of the plan have not reached full profitability having a pay-back period that extends beyond 2025, for the purposes of estimating the value of use, a *steady-state* business valuation perspective was adopted.
The *steady-state* valuation perspective envisages the perpetual capitalization of an operating flow capable of expressing the Group's medium-normal income capacity in the long term.
The operating income (after tax) projected in perpetuity was therefore estimated on the basis of the flow expected to 2022, since the 2021 results are still affected by the second and third wave of the Covid-19 pandemic. Therefore, the value in use is obtained as the present value of the operating cash flow (so-called unlevered Free cash-flows or UCFC) expected for 2021 and the present value of the perpetuity at 2021, obtained by capitalizing the UFCF 2022 at the cost of capital. In determining the UFCF, in line with the *steady-state* perspective that sterilizes development investments and the related benefits, maintenance capex were used instead of depreciation.

The rate used to discount the cash flows determined as described above is equal to the weighted average of the net tax discount rate on the leasing fees of the trains, increased by a risk premium of

1.0% and the estimated WACC for the Group (equal to 6.30%), where the weighting weights are represented by the incidence of EBITDA from average long-term leasing fees on the entire Group EBITDA in 2022 and by the complement to one for the other businesses of the Group. The cost of capital used is therefore 5.50%. The WACC estimated for the Group reflects the current market valuations of the present value of money and the specific risks of the asset, prepared with reference to the Italian country risk and the systematic risk and financial structure of the sector derived from the average values observed for a sample of comparables in the sector.

The calculation developed according to the above methodology did not show impairment losses.

The breakeven WACC that leads to a cover value of zero is equal to 5.59% and a g-rate of -0.18%.

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

	Locoitalia	La Linea	ATV	Total
	49%	*49%*	*50,00%*	
Balance at 01.01.2020	**1.903**	**3.023**	**15.785**	**20.711**
Change in the scope of consolidation	(1.903)			(1.903)
Dividend distribution				0
Profit /(loss) for the year		210	290	500
Reserve for actuarial gains/(losses)		(33)	29	(4)
Ifrs 5 - Locoitalia				0
Balance at 31.12.2020		**3.200**	**16.104**	**19.304**

To complete the information relating to minority interests, the interest that minority shareholdings have in the Group's assets and cash flows, relating to the significant shareholding in ATV, are shown below:

Description	31.12.20
ATV Minority interests	
Total non current assets	18.450
Total current assets	19.830
Of which cash and cash equivalents	*12.053*
Total non current liabilities	11.433
Total current liabilities	10.733
Revenues	30.826

NOTE 22 PAYABLES TO BANKS CURRENT AND NON-CURRENT

Payables to banks at 31 December 2020 and 31 December 2019 are broken down as follows:

Description	31.12.2020		
	Non Current	Current	Total
Term Loan Facility		50.000	50.000
BEI Funding	41.688	8.244	49.932
Other payables to banks for loans	752	375	1.127
Payables to banks	**42.441**	**58.619**	**101.060**

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**

The item "Term Loan Facility" pertains to the facility 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 million.

In particular, the item recorded as at 31 December 2020 refers to the amount of EUR 50million thousand disbursed on 14 September 2018 and recognised according to the amortised cost criterion. The period of availability of the *Capex Facility* component, amounting to EUR 100million not used by the Company, ended on 7 February 2020.
As at December 31, 2020 these covenants were compled with.

At the same time as the signing of the aforementioned short-term credit line taken out on 28 January 2021 from a pool of banks consisting of Intesa Sanpaolo S.p.A., JPMorgan Chase Bank, N.A., Milan Branch and BNP Paribas Italian Branch, as the financing entities of the MISE acquisition transaction, on 29 January 2021 FNM extinguished in full the loan taken out on 7 August 2018, as it was no longer consistent with the Group's financial structure, repaying in advance the entire amount used of EUR 50 million and waiving the additional "Revolving Credit Facility" line, for a maximum of EUR 50million, which had not yet been used. The item "Term Loan Facility" was therefore reclassified under current payables to banks.

The item "EIB funding" is entirely attributable to the disbursement of the loan entered into between the Parent Company and the European Investment Bank on 21 December 2017, for a total maximum amount of EUR 50 million. The purpose of the loan is to guarantee the financial coverage of the investment totalling EUR 95.1 million, pertaining to the purchase of nine 6-body electric trains to be used for the development and enhancement of the cross-border services connected with the opening of the Monte Ceneri base tunnel.
The funding was drawn down in full during 2020. Specifically, the first tranche of EUR 10 million was drawn on 20 March 2020, and the second tranche of EUR 40 million was drawn on 12 October 2020. The first tranche of the loan has a fixed rate of 0.377%, with six-year maturity and repayment plan in equal annual instalments with the first due date on 1 February 2021. The second tranche of the loan has a fixed rate of 0.446%, with six-year maturity and repayment plan in equal annual instalments with the first due date on 12 October 2021.
In relation to FNM's commitments under the loan agreement, on 15 January 2021 a request was sent to the EIB for consent to complete the MISE acquisition transaction and to amend the materiality thresholds for permitted extraordinary transactions and financial covenants.
The EIB granted its approval to the acquisition transaction and thus amended the financial covenants, calculated on the Group's Consolidated Financial Statements, with effect from 3 March 2021:

- o NFP/Shareholders' equity ≤ 2.25
- o NFP/EBITDA ≤ 5.85
- o EBITDA/Financial expenses ≥ 5.77

At 31 December 2020, the end of the reporting period, the covenants relating to the loan had been met.

Reference is made to section 6.2 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	31.12.2020		
	Non Current	Current	Total
Payables for lease agreements IFRS 16	11.643	4.875	16.518
Giro account		5.058	5.058
Financial Payable Put Option La Linea	2.061		2.061
Other financial payables		331	331
Financial Payables	**13.704**	**10.264**	**23.968**
Giro account		32.188	32.188
Payables for finance lease agreements	2	90	92
Financial payables to related parties (Note 47)	**2**	**32.278**	**32.280**
Total	**13.706**	**42.542**	**56.248**

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 Payable 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
Payables for finance lease agreements	2	28	30
Other financial payables to related parties		1	1
Financial payables to related parties (Note 47)	**2**	**86.573**	**86.575**
Total	**9.184**	**94.053**	**103.237**

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 this compensationwas therefore recognised as debit with a contra-entry reduction of Group shareholders' equity (Note 21). The change in the period derives from the adjustment of the valuation based on the results of liability.

On 21 July 2020, the full repayment took place of the bond by the name of “FNM S.p.A. 2015 – 2020”, issued on 21 July 2015 and subscribed in full by Finlombarda S.p.A. With the same value date, the tenth and last half-yearly coupon was paid, amounting to EUR 342 thousand and relating to the 21 January 2020 - 21 July 2020 lending period.

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 2,179 thousand, the Pension Scheme for EUR 1,484 thousand and NordCom for EUR 679 thousand, partially offset by the decrease to SeMS for EUR 362 thousand (Note 20).

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

Description	31.12.2020	31.12.2019
Between 1 and 2 years	3.225	1.871
Between 2 and 5 years	10.344	7.313
Over 5 years	137	
Total	**13.706**	**9.184**

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

Description	31.12.2020	31.12.2019
Payables for leases IFRS 16	1,47%	1,47%
Payables for cash pooling	0,001%	0,002%
Payables to Bondholders	1,168%	1.147% - 1.168%

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

The increase in lease payables is attributable to the signing of lease agreements for the E494 TRAAX DC Bombardier locomotives, as well as the change in the consolidation area; the contract was signed with Locoelettriche (formerly Locoitalia). The subsidiary was sold on 10 March 2020.

Leasing installments of EUR 2,964 thousand were paid during the year.

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	31.12.2020	31.12.2019
Less than 1 year	5.764	2.334
2 - 5 years	11.631	6.749
Over 5 years	157	205
Total	**17.552**	**9.288**
Future interest expense	(942)	(372)
Present value of payables related to finance leases	**16.610**	**8.916**

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

Present value of payables related to finance leases	31.12.2020	31.12.2019
Less than 1 year	4.957	2.227
2 - 5 years	11.516	6.500
Over 5 years	137	189
Total	**16.610**	**8.916**

NOTE 24 PAYABLES FOR FUNDED INVESTMENTS

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

Payables for funded investments	31.12.2020	31.12.2019
Payables to Lombardy Region - Planning Agreement	55.583	52.046
Payables to Lombardy Region - Purchase of rolling stock	109.625	51.772
Payables for funded investments to related parties (Note 47)	**165.208**	**103.818**
Total payables for funded investments	**165.208**	**103.818**

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 2019 is mainly connected with the collection during the year of portions of the milestones related to the “Programme for the purchase of rolling stock for the regional railway service for the years 2017 - 2032”, amounting to EUR 131,950 thousand, net of utilisations of EUR 70,560 thousand.

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

Payables for funded investments	31.12.2020	31.12.2019
Payables to the Ministry of Transport	5.821	5.821
Other financial payables	681	681
Payables for funded investments	**6.502**	**6.502**
Payables to the Lombardy Region	6.079	6.079
Payables for funded investments to related parties (Note 47)	**6.079**	**6.079**
Total payables for funded investments	**12.581**	**12.581**

The items “Payables to the Ministry of Transport” and “Payables to Regione Lombardia” 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	31.12.2020	of which related parties	31.12.2019	of which related parties	Notes
A. Cash	54		58		19
B. Bank and postal deposits	253.290		228.665		19
D. Liquidity (A+B)	**253.344**		**228.723**	-	
E. Current financial receivables	**41.626**	**39.629**	**148.445**	**106.448**	**10 - 11 - 12**
F. Current bank payables	(58.619)		(304)		22
G. Current portion of non-current debt	(4.965)	(90)	(2.227)	(29)	21
H. Other current financial payables	(202.785)	(197.486)	(195.644)	(190.362)	21 - 22
I. Current financial debt (F+G+H)	**(266.369)**	**(197.576)**	**(198.175)**	**(190.391)**	
J. Net current financial debt (D+E+I)	**28.601**	**(157.947)**	**178.993**	**(83.943)**	
K. Non-current bank borrowings	(42.441)		(49.780)		20
M. Other non-current financial payables	(26.287)	(6.079)	(21.765)	(6.081)	21 - 22
O. Net financial debt (J+K+L+M)	**(40.127)**	**(164.026)**	**107.448**	**(90.024)**	

This item “E. Current financial receivables” includes the receivables for funded investments amounting to EUR 41,511 thousand, already commented on in Note 13. At 31 December 2019, it also included finance lease receivables and the financial receivable from Finlombarda for the “Special treasury management contract” (Note 12), amounting to EUR 48,352 thousand, which was collected in full on 29 July 2020.
The Other current financial payables (Note 23) mainly include payables for funded investments for EUR 165,208 thousand, as well as the balance of the giro accounts in cash pooling towards the joint ventures and towards the corporate entities for a total of EUR 37,246 thousand (EUR 33,258 thousand at 31 December 2019). At 31 December 2019, the item also included EUR 58,000 thousand related to the “FNM 2015 - 2020” bond, which fully matured and was repaid on 21 July 2020.
Bank borrowings increased by EUR 50,000 due to the collection of the EIB funding (Note 22).

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	31.12.2020		31.12.2019		Notes
A. Cash	54	-	58	-	19
B. Bank and postal deposits	126.072	-	156.301	-	19
D. Liquidity (A+B)	**126.126**	**-**	**156.359**	**-**	
E. Current financial receivables	**115**	**115**	**49.349**	**49.349**	**10 - 11 - 12**
F. Current bank payables	(58.619)	-	(304)	-	22
G. Current portion of non-current debt	(4.965)	(90)	(2.227)	(29)	21
H. Other current financial payables	(37.577)	(32.278)	(91.826)	(86.544)	21 - 22
I. Current financial debt (F+G+H)	**(101.161)**	**(32.368)**	**(94.357)**	**(86.573)**	
J. Net current financial debt (D+E+I)	**25.080**	**(32.253)**	**111.351**	**(37.224)**	
K. Non-current bank borrowings	(42.441)	-	(49.780)	-	20
L. Bonds issued	-	-	-	-	-
M. Other non-current financial payables	(26.287)	(6.079)	(21.765)	(6.081)	21 - 22
O. Adjusted current financial debt (J+K+L+M)	**(43.648)**	**(38.332)**	**39.806**	**(43.305)**	
IFRIC 12 Impacts					
of which - D. Liquidity	87.099		72.364		17
of which - D. Liquidity	40.119				17
of which - E. Current financial receivables			40.000		10
of which - E. Current financial receivables - Financial receivables for services under concession	41.511	39.514	59.096	57.099	12
of which - H. Other current financial payables - Payables for funded investments	(165.208)	(165.208)	(103.818)	(103.818)	22
P. Total IFRIC 12 financial debt	**3.521**	**(125.694)**	**67.642**	**(46.719)**	
Net financial debt (O + P)	**(40.127)**	**(164.026)**	**107.448**	**(90.024)**	

To exclude the effects of the adoption of IFRIC 12, cash at bank deriving from the crediting of Regione Lombardia grants for the regional programme for the purchase of trains (Note 19) was excluded from the adjusted NFP and reclassified among IFRIC 12 impacts, as were the cash at bank deriving from the release of the time deposit established with the CONFEMI funds (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 Regione Lombardia 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	31.12.2020	31.12.2019
Capital grants	11.626	12.713
Other liabilities	2.575	2.584
Non-current liabilities	**14.201**	**15.297**
Capital grants from the Lombardy Region	10.016	11.676
Other liabilities	140	577
Other non-current liabilities to related parties (Note 47)	**10.156**	**12.253**
Total	**24.357**	**27.550**

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 10,240 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 1,099 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 1,574 thousand, includes the deferred income relative to future maintenance costs for own rolling stock, with advances paid by lessees during 2017.
“Capital grants - Lombardy Region” mainly refer to grants from Regione Lombardia for the renovation of the property in piazza Cadorna in Milan for EUR 4,078 thousand, for the purchase of buses for EUR 4,207 thousand, for the purchase of rolling stock for EUR 1,178 thousand and for the construction of the “La civiltà di Golasecca” (The Golasecca Civilisation) museum equal to EUR 132 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 01.01.2020	**39.152**	**4.878**	**1.940**	**9.863**	**55.833**
Increases	9.280	3.933		2.563	**15.776**
Uses	(8.135)			(1.902)	**(10.037)**
Releases				(613)	**(613)**
Balance at 31.12.2020	**40.297**	**8.811**	**1.940**	**9.911**	**60.959**

Provisions for risks and charges have the following dates:

Description	31.12.2020	31.12.2019
Current	21.237	18.856
Non current	39.722	36.977
Total	**60.959**	**55.833**

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 Regione Lombardia, 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 9,280 thousand, with use in the year amounting to EUR 8,135 thousand.

Personnel
During the year, allocations of EUR 3,933 thousand were made as an estimate of the contractual increases for the year 2020 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 4,878 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 2020 included:

- EUR 3,694 thousand as the risk estimate from the dispute with the Customs Agency described in the Management Report, in paragraph 11 “Most relevant litigation and other information”;
- EUR 10 thousand for insurance pay-outs for claims; during previous years, provisions for EUR 251 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 137 thousand of the fund was used and, in view of the revision of the estimates made, EUR 103 thousand was released;
- EUR 6,206 thousand, of which EUR 2,563 thousand allocated in the year, as an estimate of the risk of losing litigation ongoing with third parties; EUR 1,902 thousand of the fund was used in the year, and EUR 613 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	31.12.2020	31.12.2019
Present value of the post-employment benefit liability, calculated on the basis of demographic and financial assumptions	21.201	23.931
Total	**21.201**	**23.931**

The amount of the cost recognised in the income statement relative to this item is broken down as follows:

Description	31.12.2020	31.12.2019
Service costs	215	310
Interest (Note 40)	118	362
Total	**333**	**672**

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	31.12.2020	31.12.2019
Debt at the start of the year	**23.931**	**24.768**
Service costs	215	310
Actuarial gain	(153)	1.275
Interest cost	118	362
Uses	(2.913)	(2.779)
Transfers	3	
IFRS 5 Locoitalia		(5)
Debt at the end of the year	**21.201**	**23.931**

The following main actuarial assumptions were used:

Description	31.12.2020	31.12.2019
Discount rate	0,35	0,70
Annual rate of compensation increase	1,50	1,50
Annual rate of inflation	1,00	1,50
Annual rate of post-employment benefit increase	2,25	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:

Annual discount rate	+0.5%	-0.5%
Post-employment benefits	20.278	22.186

NOTE 29 TRADE PAYABLES

Trade payables are broken down as follows:

Description	31.12.2020	31.12.2019
Payables for invoices received	63.269	55.168
Payables for invoices to be received	110.322	116.648
Trade payables	**173.591**	**171.816**
Trade payables to related parties	3.947	3.930
Trade payables to related parties (Note 47)	**3.947**	**3.930**
Total	**177.538**	**175.746**

Trade payables are substantially in line with the previous year, but with a different composition. In particular, trade payables for supplies relating to orders to renew rolling stock with own funds, in relation to the increase in investments made in the financial year, rose from EUR 9,509 thousand to EUR 57,177 thousand.
The balance of trade payables for supplies relating to orders to renew rolling stock with borrowed funds includes payables for invoices received for EUR 30,404 thousand (EUR 10,766 thousand at 31 December 2019) and payables for invoices to be received for EUR 28,429 thousand (EUR 79,664 thousand as at 31 December 2019).
Finally, trade payables for infrastructure modernisation decreased by EUR 17,346 thousand in relation to the higher payments made during the financial year compared to the investments made.

Trade payables include 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.

NOTE 30 PAYABLES FOR TAXES AND DUTIES

Payables are broken down as follows:

Description	31.12.2020	31.12.2019
IRES (CORPORATE INCOME TAX)		3.085
IRAP (REGIONAL BUSINESS TAX)	87	96
Payables for taxes	**87**	**3.181**
IRPEF and withholdings	3.298	3.728
Other	17	47
Tax payables	**3.315**	**3.775**

The payable includes the IRES and IRAP charge for the year (Note 41).
It should be recalled that art. 24 of the Relaunch Decree (Law Decree 34/2020) prescribed that the 2019 IRAP balance and the first advance instalment of the 2020 IRAP were not due. The Group has therefore recognised lower taxes for previous years by EUR 75 thousand and a lower IRAP charge for the current year by EUR 589 thousand.
The decrease in “Payables for taxes” is mainly due to the lower payable for Group tax consolidation in relation to lower 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	31.12.2020	31.12.2019
Payables to personnel	13.906	13.723
Payables for investment purchase	7.341	
Payables to social security agencies	3.164	4.195
Deferred income	5.626	6.193
Capital grants		1.903
Advances from customers	797	194
Agencies	84	92
Payables to the Ministry of Infrastructures and Transport	85	85
Other liabilities	2.306	3.033
Current liabilities	**33.309**	**29.418**
Payables to Joint Ventures/Associates	10.337	33.236
Capital grants from the Lombardy Region	1.827	1.886
Payable to the Pension Fund	442	640
Payables to the Lombardy Region	134	
Current liabilities to related parties (Note 47)	**12.740**	**35.762**
Total	**46.049**	**65.180**

The item “Payables to personnel” refers to amounts at December 2020 paid in January 2021 and to holidays accrued but not taken.

The item “Payables for investment purchase” is entirely attributable to the second tranche to be paid to the ASTM Group for the purchase of the equity investment of 13.6% of the share capital held in Milano Serravalle - Milano Tangenziali S.p.A., which took place on 29 July 2020, for a total amount of EUR 85,649 thousand. At the date of purchase the first tranche, amounting to EUR 78,308 thousand, was paid. The amount was paid in full on 28 January 2021.

The item “Payables to social security institutes” concerns social security and insurance payments for various categories of employees and staff, relative to December 2020 and paid in January 2021.
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 incurred for ongoing contracts. When these expenses are refunded by the Ministry, the Group offsets this item with the receivable will 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 decrease in the year is mainly related to the payment of the payable to the subsidiary Trenord for the cyclical maintenance carried out during the year on TSR rolling stock until 31 December 2019 (EUR 31,745 thousand), net of the payable recorded for the provisions for the period not yet paid.

The item “Capital grants from Regione Lombardia” mainly refers to grants from Regione Lombardia for the purchase of rolling stock (EUR 950 thousand) and for the purchase of buses (EUR 535 thousand).

INCOME STATEMENT

NOTE 32 REVENUES FROM SALES AND SERVICES

The next table shows the breakdown of this item:

Description	2020	2019
Products of automotive traffic	22.876	46.380
Revenues from service agreement for automotive sector	39.966	38.907
Services invoiced	1.454	3.993
Terminal movements revenues	1.449	275
Property income	460	650
Hire of rolling stock	286	1.072
Car sharing revenues	635	29
Revenues from sales and services	**67.126**	**91.306**
Infrastructure management service agreement	89.656	89.917
Hire of rolling stock	66.088	63.214
Services invoiced	12.259	13.240
Train replacements	5.099	7.354
Car Sharing	1.800	1.800
Revenues from network access	1.263	1.528
Property income	457	
Revenues from sales and services to related parties (Note 47)	**176.622**	**177.053**
Total	**243.748**	**268.359**

Revenues from sales and services - third parties
Revenues from sales and services to third parties decreased by EUR 24,180 thousand compared to the comparative period of 2019, in relation to the following changes:

Products of automotive traffic
Revenues from transport services decreased by EUR 23,504 thousand because of the lower sales in relation to the measures ordered from 24 February onwards for the COVID-19 emergency, relative to the comparative period. These revenues were partially offset by the recognition in the item "Grants" of the offsetting measures introduced by Law no. 77 of 17 July 2020 (art. 200 paragraph 1, the "Relaunch Decree"), Law no. 126 of 13 October 2020 (art. 44, the "August Decree") and Law no. 176 of 18 December 2020 (art. 22 *ter*, the "Ristori Bis Decree"), amounting to EUR 4,111 thousand.

Revenues from Service Agreement for automotive sector
Revenues exhibited approximately 2.6% growth compared to the previous year mainly as a result of Law of 24 April 2020, no. 27 (art. 92 paragraph 4-*bis*), which provided for the recognition of the fees on the basis of contractual programming, despite the remodulation of the offer implemented following the epidemiological emergency. The same Law also defined the non-applicability by customers of the reduction of consideration, penalties or sanctions due to the lower mileage made by the operators of local public transport services from 23 February to 31 December 2020.
With DGR 1320 of 8 September 2020, the Veneto Region also allocated additional sums to be used for the enhancement of the offer in anticipation of the imminent reopening of schools to maintain the level of safety among travellers in line with the measures dictated by the Health Authorities.

Services invoiced
The invoiced services decreased in relation to the reduction in passenger road transport; the revenues of subcontracted services during the period contracted by EUR 2,539 thousand due to the significant reduction of the offer as a result of the traffic limitations imposed by the competent

authorities in all applicable areas (Venice, Padua, Verona and Belluno), as well as of the elimination of tourist services from the end of February onwards.

Terminal movements revenues
Revenues from Terminal movements relate to the subsidiary Malpensa Intermodale, which started operations in 2019. The increase for the year reflects full operations over the 12 months of 2020.

Hire of rolling stock
This item decreased by EUR 786 thousand due to the sale of the subsidiary Locoitalia.

Revenues from sales and services - related parties
Revenues from sales to related parties decreased by EUR 431 thousand over the previous year; the most significant changes are reported below.

Infrastructure management Service agreement
The consideration from the Infrastructure Management Service Contract with the Region of Lombardy decreased by EUR 261 thousand, following the application of the contractual efficiency-boosting mechanism established.

Car sharing
The item “Car sharing”, unchanged from the previous year, reflects the consideration owed by Regione Lombardia, as established in the Service Contract, for the service provided by FERROVIENORD through the subsidiary E-Vai.

Hire of rolling stock
Revenues from the rental of rolling stock increased by EUR 2,874 thousand, mainly in relation to the lease of the new E494 fleet to DB Cargo Italia and of the DE 520 and TILO locomotives to Trenord.

Services invoiced
The item includes revenues for services provided to investees by the Parent, which are basically unchanged, as well as revenues from Railway Infrastructure Planning and Project Management, carried out through funding from Regione Lombardia.

Train replacements
The item refers to the consideration invoiced to Consorzio Elio for buses provided to replace the train service; income for train replacement services amounted to EUR 5,099 thousand compared to EUR 7,354 thousand in 2019, due to the reduction in extraordinary transit as a result of the traffic limitations imposed by the competent authorities.

Revenues from network access
The amount refers to the contract with Trenord for FERROVIENORD's access to the rail network. Lower revenues were recorded in relation to the change in the conditions of the new access contract as well as lower extra services.

For a more detailed analysis of revenues by business segment, please refer to paragraph 7 “Operating performance of business segments” of the Management Report.

NOTE 33 GRANTS

The next table shows the breakdown of this item:

Description	2020	2019
Offsetting measures due to loss of traffic revenues	3.703	
Capital grants	508	534
Grants for the renewal of the National Collective Bargaining Agreement, other Regions	264	398
Other grants	2.079	1.849
Grants	**6.554**	**2.781**
Capital grants Lombardy Region	4.603	4.603
Grants for the renewal of the National Collective Bargaining Agreement, Lombardy Region	1.612	1.644
Offsetting measures due to loss of traffic revenues	408	
Other grants, Lombardy Region	1.846	1.822
Grants to related parties (Note 47)	**8.469**	**8.069**
Total	**15.023**	**10.850**

Grants - third parties
The item grants increased by EUR3,773 thousand mainly in relation to the accounting of the offsetting measures introduced by Law no. 77 of 17 July 2020 (art. 200 paragraph 1, the "Relaunch Decree"), Law no. 126 of 13 October 2020 (art. 44, the "August Decree") and Law no. 176 of 18 December 2020 (art. 22 *ter*, the "Ristori Bis Decree"), as partial compensation for the lower traffic revenues recorded in relation to the restrictive measures adopted to limit the spread of the COVID-19 virus, amounting to EUR 3,703 thousand, in addition to the portion disbursed by Regione Lombardia, amounting to EUR 408 thousand.
Net of this effect, other contributions to third parties remain substantially unchanged.

Grants for current expenses - related parties
This item refers to grants from Regione Lombardia 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 2020.

Other grants, Lombardy Region
This item mainly refers to grants received for the purchase of high frequency trains (EUR 950 thousand), buses (EUR 560 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).

Information provided for in Article 1, paragraphs 125 and following, of Law 124/2017
With regard to the information required by Article 1, paragraphs 125 and following, of Law 124/2017, the following table shows the sums received by public administrations during the year 2020 and the credits to the income statement of the shares pertaining to grants with the methods set out in the accounting standard public grants:

Company	Lender	Purpose	Amount cashed in	Accrual amount for 2020
FNM	Regione Lombardia	PROGETTO MUSEALE- LA CIVILTA' DI GOLASECCA		68.964
FNM	Regione Lombardia	TERMINAL CADORNA L. 31/96 - 2000		145.641
FNM	Regione Lombardia	Materiale Rotabile (N. 5 T A F)		950.281
FNM	Ministero Lavori Pubblici	Contributo L.270/1997-Uffici Cadorna per Roma Capitale e Grandi Eventi		39.251
FERROVIENORD	REGIONE LOMBARDIA	L.R. 12/88 CONTRIBUTO PARCHEGGI	0	121.066
FERROVIENORD	REGIONE LOMBARDIA	CONTRIBUTI COPERTURA RINNOVI CCNL	434.113	434.113
FERROVIENORD	REGIONE LOMBARDIA	CONTRATTO DI SERVIZIO	91.761.625	91.455.827
FERROVIENORD	REGIONE LOMBARDIA	CONTRATTO DI PROGRAMMA	185.996.707	138.055.672
FERROVIENORD	COMUNE ROVELLO PORRO	LAVORI FINANZIATI - OPERE SOSTITUTIVE PASSAGGI A LIVELLO	90.000	0
FERROVIENORD	COMUNE DI CASTANO PRIMO	LAVORI FINANZIATI - INTERSCAMBIO DI CASTANO PRIMO	250.768	0
FERROVIENORD	MINISTERO SVILUPPO ECONOMICO	CREDITI RICERCA E SVILUPPO		10.000
FERROVIENORD	UNIONE EUROPEA	LAVORI FINANZIATI - COLLEGAMENTO FERROVIARIO T2 GALLARATE LINEA SEMPIONE	2.322.750	0
FNM Autoservizi	MINISTERO SVILUPPO ECONOMICO	CONTRIBUTI DECRETO RILANCIO	431.920	689.117
Malpensa Intermodale	MINISTERO SVILUPPO ECONOMICO	INVESTIMENTI INDUSTRIA 4.0		175.959
ATV	Provincia di Verona	Contrib.c/investim.DGR 510/2017 (saldo)	40.629	
ATV	Provincia di Verona	Contrib.c/investim.DGR 586/2018	690.000	
ATV	Provincia di Verona	Contrib. c/investim DGR 462/2018	1.179.180	
ATV	INVITALIA	Contrib.costi DPI covid 19 DL 18/2020	49.996	49.996
ATV	ULSS 9 VERONA	Contributo "Verona Azienda sicura" – Autisti in Movimento	15.000	15.000
ATV	Provincia di Verona	Contributo minori Ric.tariffari emergenza covid art. 200, comma 1 DL 34/2020	3.422.271	3.422.271
Martini Bus	Ministero dell'Economia	Contributi a fondo perduto	69.600	69.600

NOTE 34 GRANTS FOR FUNDED INVESTMENTS

The adoption of IFRIC 12 meant that investments made in infrastructure and rolling stock, entirely financed by Regione Lombardia, 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 2020, was EUR 38,023 thousand, versus EUR 40,986 thousand of the previous year, and refers to infrastructure modernisation and enhancement work, as represented below:

Description	2020	2019
Offsetting measures due to loss of traffic revenues	3.703	
Capital grants	508	534
Grants for the renewal of the National Collective Bargaining Agreement, other Regions	264	398
Other grants	2.079	1.849
Grants	**6.554**	**2.781**
Capital grants Lombardy Region	4.603	4.603
Grants for the renewal of the National Collective Bargaining Agreement, Lombardy Region	1.612	1.644
Offsetting measures due to loss of traffic revenues	408	
Other grants, Lombardy Region	1.846	1.822
Grants to related parties (Note 47)	**8.469**	**8.069**
Total	**15.023**	**10.850**

"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	2020	2019
Lease payments	1.914	2.347
Performance of services	1.623	1.707
Insurance pay-outs	1.537	381
Recovery of gasoil excise	1.384	937
Recovery of costs	1.296	1.476
Sale of warehouse materials	1.183	804
Release of provisions for risks and charges	614	
Fines and penalties	439	565
Capital gain on property, plant and equipment	263	84
Release of the provision for bad debts		149
Lease-back capital gains		57
Non-recurring income		2.569
Contingencies	1.726	2.297
Other income	252	1.164
Other income	**12.231**	**14.537**
Sundry income with related parties	7.642	7.601
Other income from related parties (Note 47)	**7.642**	**7.601**
Total	**19.873**	**22.138**

Other income decreased by EUR 2,265 thousand; the main changes are reported below.

Non-recurring income
In the year 2019, non-recurring income of EUR 2,569 thousand was recognised following the closing of a dispute with third parties

Release of provisions for risks and charges
With the risk of losing lawsuits pending in the previous year no longer applicable, provisions for EUR 614 thousand were released (Note 27).

Insurance pay-outs
In the course of the financial year, higher insurance indemnities were recorded for EUR 1,156 thousand; in particular, EUR 1,100 thousand is attributable to the indemnity for damaged rolling stock that is no longer usable.

Sundry income with related parties
The item includes services provided by the Group to companies in joint ventures, inclusive of recovered costs, in line with the previous year, besides the amount recovered for railway infrastructure Planning and Project Management, carried out through funding from Regione Lombardia for general expenses incurred for railway infrastructure modernisation works and the renewal of rolling stock.

NOTE 36 RAW MATERIALS, CONSUMABLES AND GOODS USED

The next table shows the breakdown of this item, by company:

Description		2020	2019
Fuel, of which:			
	ATV S.p.A.	*5.172*	*8.105*
	FNM Autoservizi S.p.A.	*1.710*	*2.535*
	La Linea S.p.A.	*1.021*	*1.875*
	Malpensa Intermodale	*118*	*8*
Total Fuel		**8.021**	**12.523**
Other Costs for materials, of which:			
	FERROVIENORD S.p.A.	*7.286*	*5.130*
	ATV S.p.A.	*2.868*	*3.366*
	FNM Autoservizi S.p.A.	*655*	*746*
	La Linea S.p.A.	*42*	*29*
	Malpensa Intermodale	*7*	
Total Other costs for materials		**10.858**	**9.271**
Total		**18.879**	**21.794**

The item decreased with respect to the year 2019, in particular for automotive fuel consumption for the companies operating in the road transport segment, due to the reduction in services performed in relation to the restrictive measures adopted to limit the COVID-19 pandemic.

In particular, as regards the costs of ATV, automotive diesel costs, amounting to EUR 5,172 thousand, decreased by EUR 2,933 thousand with respect to those for the year 2019 (EUR 8,105 thousand) by effect of the decreased production volumes and of the decrease of the average cost (amounting to 0.979 EUR/litre versus 1.111 EUR/litre in 2019).
As regards the costs of FNM Autoservizi, automotive diesel costs, amounting to EUR 1,710 thousand, decreased by EUR 825 thousand with respect to those for the year 2019 (EUR 2,535 thousand) due to the decreased production volumes (from 5.565 bus Km to 4.271) and the decrease in the average cost (amounting to 0.998 EUR/litre versus 1.120 EUR/litre of 2019) partially offset by the average consumption (2.49 km/litre versus 2.47 km/litre in 2019).

The change in the year attributable to FERROVIENORD, equal to EUR 2,156 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	2020	2019
Third-party services - Maintenance	16.018	16.512
Utilities	5.227	5.780
Cleaning expenses	4.176	4.017
Expenses for employees	3.853	5.079
Cost to rent rolling stock and buses	3.597	4.554
Insurance	3.159	3.142
Consulting	2.908	2.339
Sundry third-party services	4.144	3.073
Supervision expenses	2.169	2.185
Third-party services - Bus maintenance	2.081	3.075
Commercial expenses	1.343	1.978
Motor vehicles management	964	1.406
Costs for non-ordinary consulting services	1.908	1.145
Legal and notary fees	934	1.185
IT costs	781	743
Real estate management	597	657
Coordinated and continuative services	473	693
Provisions for risks and charges	441	3.434
Third-party services - Maintenance of rolling stock	431	949
Other charges	2.236	2.349
Service costs	**57.440**	**64.295**
Service costs - related parties	8.159	8.173
Service costs - related parties (Note 47)	**8.159**	**8.173**
Total	**65.599**	**72.468**

Service costs - third parties

"Service costs with third parties" show a net decrease of EUR 6,855 thousand compared to the year 2019, mainly due to what is described below mostly resulting from the actions taken by Group companies in order to limit costs and offset the reduction in traffic revenues in relation to the restrictive measures adopted to limit the COVID-19 pandemic. In particular, we highlight:

- decrease in expenses for the maintenance of buses and rolling stock for EUR 1,512 thousand;
- reduction in expenses for employees, in particular travel and lodging and preventive medical examinations, by EUR 1,226 thousand;

- decrease by EUR 957 thousand for subcontracting of automotive services to third parties;
- decrease in commercial expenses and commissions to third parties by EUR 635 thousand, in relation to the lower sales of tickets carried out in the period;
- increase in cleaning and sanitisation expenses by EUR 159 thousand.

In the year also:
- accruals to the provision for risks and charges in relation to litigation with third parties amounted to EUR 441 thousand, a decrease of EUR 2,993 thousand compared to the previous year;
- lower costs for maintenance carried out by third parties on railway infrastructure for EUR 494 thousand.

Finally, the non-recurring charge of EUR 1,908 thousand (EUR 1,145 thousand in 2019), is attributable, as in the previous year, to charges related to consultancy for development projects.

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	2020	2019
Wages and salaries	80.076	88.192
Social security contributions	22.342	25.416
Allocation to supplementary pension fund	5.424	5.684
Allocation to National Collective Labour Agreement provision	2.577	2.120
Pension liabilities	1.267	1.523
Allocation to provision for risks		600
Allocation for post-employment benefit payable	215	310
Other cost	1.562	1.622
Total	**113.463**	**125.467**

Personnel costs showed an overall net decrease of EUR 12,004 thousand (9.6%), mainly as a result of the use of residual leave, of income supporting schemes (General Lay-off Fund and Public Transport Fund) and of the lesser employment of temporary workers, in relation to the reduction of working activities as a consequence of the COVID-19 emergency. Labour costs also benefited from the lower costs amounting to EUR 1 million in relation to the decreased average workforce.
The item includes the provision for EUR 2,577 thousand as an estimate of costs for renew the National Collective Bargaining Agreement for the Railway/Tram sector, expired on 31 December 2017.
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, 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	2020	2019
Executives	40	41
Middle managers	127	117
Office workers	401	418
Blue collar workers	1.662	1.692
Total	**2.230**	**2.268**

NOTE 39 AMORTIZATION, DEPRECIATION AND IMPAIRMENT

The next table shows the breakdown of this item:

Description	2020	2019
Depreciation	31.870	34.890
Amortisation	3.622	3.733
Amortisation of right of use	3.808	2.116
Impairment of property, plant and equipment	452	
Impairment of Goodwill	2.000	
Depreciation, amortisation and write-downs	**41.752**	**40.739**

Reference is made to Note 4 for the type of estimate processes connected with this item.

Depreciation
This item, down by EUR 3,020 thousand, derives from the reduction in the depreciation of rolling stock, both due to the useful life of some fleets and to the change in the consolidation area, which in the previous financial year included the company Locoitalia, which contributed EUR 1,336 thousand to this item.

Amortization
The item remained substantially unchanged from the previous year.

Amortization of right of use
This item relates to the amortization of the right of use recorded in the accounts and increased in relation to the rentals signed. Of particular note is the contract for the E474 TRAXX DC fleet, which will gradually enter into operation from December 2019.

Write-down of Property, plant and equipment
The amount is entirely attributable to the write-down of 2 wrecked TAF bodies that are no longer usable.

Impairment of Goodwill
Comments are provided in Note 8.

NOTE 40 OTHER OPERATING COSTS

The next table shows the breakdown of this item:

Description	2020	2019
Allocations to the provision for risks and charges	10.804	8.113
Taxes and duties	1.559	1.625
Non-recurring expenses	968	489
Impairment of receivables	126	403
Capital losses on property, plant and equipment	67	33
Losses on receivables	143	9
Other charges	1.382	1.644
Other operating costs	**15.049**	**12.316**
Other operating costs	101	113
Other operating costs to related parties (Note 47)	**101**	**113**
Total	**15.150**	**12.429**

The change in other operating costs over 2019 is analysed below:

Allocations to the provision for risks and charges
This item mainly relates to provisions made to the provision for cyclical maintenance of rolling stock (EUR 9.280 thousand compared to EUR 8,113 thousand at 31 December 2019) (Note 27), an increase compared to the previous year in relation to rolling stock financed by Regione Lombardia progressively put into service in 2020. As of 31 December 2020, the following have been delivered:

- 4 high-capacity (EMU), short configuration, “Caravaggio” type trains, progressively put into operation from September 2019;
- 5 high-capacity, long configuration, “Rock” type trains, with deliveries completed in October 2020;
- 10 medium-capacity “Pop” type trains, with deliveries completed in October 2020.

Impairment of receivables
Provisions were allocated to the provision for bad debts for a total of EUR 143 thousand.

Other charges
This item includes membership fees for EUR 901 thousand (EUR 988 thousand at 31 December 2020).

NOTE 41 FINANCIAL INCOME

Financial income accrued as shown in the following table:

Description	2020	2019
Capital gains from sale of equity investments	1.014	
Adjustment Put Option La Linea	465	
Current bank accounts and deposits	172	104
Other financial income	199	587
Financial income	**1.850**	**691**
Financial income from the special treasury management contract	695	719
Finance lease agreements as lessor	51	341
Other financial income	10	41
Financial income from related parties (Note 47)	**756**	**1.101**
Total	**2.606**	**1.792**

Capital gain from sale of equity investments
The capital gain relates to the sale of the equity investment in Locoitalia, which took place on 10 March 2020.

La Linea put option adjustment
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 compensation 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. The payable recorded was adjusted to the current value of EUR 2,021 thousand, with the income recognised in the income statement.

Current bank accounts and deposits
The FNM Group, with the exception of the subsidiaries ATV and La Linea, and of their subsidiaries, 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. In the first half of 2021, the subsidiaries La Linea and Martini Bus will also adopt cash pooling.

Financial income on current bank accounts and deposits increased by EUR 59 thousand in relation to the higher quantity of cash and they were partially offset by the average remuneration rate, which declined from 0.040% to 0.012% in 2020.

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 11). Provisions were interest bearing at a rate of 1.32%, equal to the rate actually accrued for sums deposited in sight and restricted deposits.
On closure of the contract, which expired on 21 July 2020, capital gains were also recognised for EUR 379 thousand.

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 agreement	2020	2019
Financial/ DB Cargo	4 DE 520 Locomotives	YES	01/01/2018 - 31/12/2020	23	61
Financial/ DB Cargo	2 DE 520 Locomotives	NO	01/01/2018 - 31/12/2020	10	28
Financial/ DB Cargo	2 DE 520 Locomotives	YES	01/01/2018 - 31/12/2020	18	49
Financial/ Trenord	1 DE 520 Locomotives	NO	01/01/2005 - 31/12/2019		32
Financial/ Trenord	2 DE 520 Locomotives	YES	01/10/2007 - 31/12/2019		65
Financial/ Trenord	3 DE 520 Locomotives	NO	01/01/2005 - 31/12/2019		96
Financial/ Trenord	Fitting out of 6 DE 520 Locomotives	NO	01/01/2012 - 31/12/2019		7
Financial/ Trenord	Fitting out of 8 DE 520 Locomotives	YES	01/09/2015 - 31/12/2019		3
				51	**341**

NOTE 42 FINANCIAL EXPENSES

Financial expenses are accrued on:

Description	2020	2019
Financial expenses on loans	1.503	1750
Fees and charges for not using loans	347	794
Lease agreement as lessee	239	604
Post-employment benefit (Note 28)	118	362
Others	79	46
Financial expenses	**2.286**	**3.556**
Financial expenses on the corporate bond	381	711
Financial expenses on giro account	3	1
Lease agreement as lessee		1
Financial expenses to related parties (Note 47)	**384**	**713**
Total	**2.670**	**4.269**

Financial expenses on loans
The item includes financial expenses for the:

- loan taken out by the Parent on 7 August 2018 and used only for the Term Loan Facility on 14 September 2018, and calculated at the contract interest rate equal to 6-month Euribor + 1.3% spread, adjusted to the internal rate of return of the loan equal to 1.47%, for adoption of the amortised cost criterion, the loan was totally extinguished on 29 January 2021; in relation to this, capitalised charges of EUR 378 thousand were also expensed on the unused and extinguished Revolving Credit Facility;
- loan stipulated on 21 December 2017 between the Parent Company and the European Investment Bank, for a total maximum amount of EUR 50.000 thousand, for which the first tranche, amounting to EUR 10,000 thousand, was used on 20 March 2020, and calculated at the fixed contractual interest rate of 0.377% as well as the second tranche of EUR 40,000 thousand, on 12 October 2020, calculated at the fixed contractual interest rate of 0.446%.

Fees and charges for not using loans
During the year, commitment fees were recognised on the two “Capex Facilities”, until 7 February 2020, when the availability period concluded, and “Revolving Credit Facility”, for EUR 279 thousand (EUR 694 thousand in 2019), calculated by 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 68 thousand, calculated by applying a fixed rate of 0.2% per annum until the date of disbursement of the first tranche and the second tranche (EUR 100 thousand in 2019).

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 23). The floating rate of the period was 1.168%, calculated as the sum of the spread of 150 b.p. and of the six-month Euribor with a 360 base, which in the reference period was negative by 0.332%.

NOTE 43 INCOME TAXES

The next table shows the breakdown of this item.

Description	2020			2019		
	Total	IRES (CORPORATE INCOME TAX)	IRAP (REGIONAL BUSINESS TAX)	Total	IRES (CORPORATE INCOME TAX)	IRAP (REGIONAL BUSINESS TAX)
Current	(7.648)	(6.619)	(1.029)	(10.652)	(8.533)	(2.119)
Robin Tax	(272)	(272)		(555)	(555)	
Taxes for previous years	974	974		192	192	
Prepaid/Deferred	3.273	2.883	390	6.040	5.232	808
Total	**(3.673)**	**(3.034)**	**(639)**	**(4.975)**	**(3.664)**	**(1.311)**

Current taxes decreased by EUR 4,069 thousand in relation to the lower taxable income achieved in the period, as well as the benefit arising from the fact that the 2019 IRAP balance and the first 2020

IRAP advance were not due, as provided for by Article 24 of the Relaunch Decree (Decree Law 34/2020).

Reconciliation between the IRES ordinary rate and effective rate:

Description	2020	2019
Applicable IRES rate	24,00%	24,00%
Untaxed capital grants	-3,41%	-2,64%
Robin Tax	0,98%	1,55%
Other changes	2,40%	3,73%
ACE Deduction	-2,53%	-1,70%
Deductible IRAP	-0,09%	-0,13%
Deferred tax liabilities	-10,40%	-14,59%
Effective rate	10,94%	10,22%

NOTE 44 RESULT FROM DISCONTINUED OPERATIONS

No discontinued operations were recognised, as in 2019.

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 2020 and 31 December 2019 is broken down as follows:

Description	2020	2019	Change
Trenord Srl *	(3.796)	1.598	(5.394)
NORD ENERGIA SpA **	2.568	3.377	(809)
DB Cargo Italia Srl	1.813	1.722	91
Omnibus Partecipazioni Srl ***	1.052	1.192	(140)
NordCom SpA	282	460	(178)
Conam S.r.l.	44	55	(11)
SeMS Srl in liquidation	81	34	47
Fuorimuro Srl****		(391)	391
Result of companies valued at equity	**2.044**	**8.047**	**(6.003)**

* includes the result of TILO SA

** includes the result of CMC MeSta SA

*** includes the result of ASF Autolinee Srl

**** The result of the equity investment in Fuorimuro is down to zero as a result of the sale completed on 10 March 2020, adjusted to fair value as at 31 December 2019.

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.	2020
Revenues from sales and services	305.893	10.217	-	6.717	-	23.011	-	338	346.176
Grants	-	-	-	-	-	1.844	-	-	1.844
Other income	45.656	480	107	38	53	1.529	-	22	47.885
TOTAL REVENUES AND OTHER INCOME	**351.549**	**10.697**	**107**	**6.755**	**53**	**26.384**	**-**	**360**	**395.905**
Raw materials, consumables and goods used	(12.560)	(121)	-	-	-	(311)	-	(35)	(13.027)
Service costs	(136.055)	(5.045)	(11)	(3.556)	(8)	(10.676)	-	(143)	(155.494)
Personnel costs	(125.057)	(2.749)	-	(87)	(48)	(10.751)	-	(96)	(138.788)
Depreciation, amortisation and write-downs	(93.150)	(2.089)	-	(316)	-	(2.208)	-	(28)	(97.791)
Other operating costs	(1.244)	(324)	(2)	(40)	-	(68)	-	(2)	(1.680)
TOTAL COSTS	**(368.066)**	**(10.328)**	**(13)**	**(3.999)**	**(56)**	**(24.014)**	**-**	**(304)**	**(406.780)**
EBIT	**(16.517)**	**369**	**94**	**2.756**	**(3)**	**2.370**	**-**	**56**	**(10.875)**
Financial income	8	1	4	1	-	35	-	-	49
Financial expenses	(836)	(52)	-	(26)	-	(44)	-	(2)	(960)
NET FINANCIAL INCOME	**(828)**	**(51)**	**4**	**(25)**	**-**	**(9)**	**-**	**(2)**	**(911)**
Net profit of companies measured with the equity method	(9)	-	-	566	1.070	-	-	-	1.627
EARNINGS BEFORE TAX	**(17.354)**	**318**	**98**	**3.297**	**1.067**	**2.361**	**-**	**54**	**(10.159)**
Income tax	13.558	(36)	(17)	(729)	(15)	(548)	-	(10)	12.203
PROFIT/(LOSS) FOR THE YEAR	**(3.796)**	**282**	**81**	**2.568**	**1.052**	**1.813**	**-**	**44**	**2.044**

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 7.3).

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, as there are no stock option plans in place.

Description	2020	2019
Profit attributable to parent company shareholders in Euro	24.185.000	30.281.000
Weighted average number of shares	434.902.568	434.902.568
Basic earnings per share in Euro cents	0,06	0,07

Diluted earnings per share coincide with basic earnings per share.

NOTE 47 RELATED-PARTY TRANSACTIONS

FNM is controlled by Regione Lombardia, 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 Regione Lombardia 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 article 2427, subparagraph 1 n. 22-*quinquies and sexies* of the Italian Civil Code, it is pointed out that Regione Lombardia, 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.
Regione Lombardia, with registered office in Piazza Città di Lombardia 1, therefore draws up the Consolidated Financial Statements of the largest Group to which the Company belongs, and which is available on the website of Regione Lombardia.

Transactions with Related Parties are presented below:

Description	Notes	31/12/2020			31/12/2019		
		Total	Related parties		Total	Related parties	
			Absolute value	Proportion %		Absolute value	Proportion %
BALANCE SHEET							
Non-current financial receivables	11	2	-	0,0%	2		0,0%
Trade receivables	16	82.640	65.052	78,7%	64.619	45.227	70,0%
Other current receivables	17	95.834	14.686	15,3%	60.612	11.275	18,6%
Current financial receivables	11	115	115	100,0%	40.997	997	2,4%
Current financial receivables measured at FV	11			0,0%	48.352	48.352	100,0%
Receivables for funded investments	13	41.511	39.514	95,2%	59.096	57.099	96,6%
Non-current financial payables	23	13.706	2	0,0%	9.184	2	0,0%
Payables for funded investments	24	12.581	6.079	48,3%	12.581	6.079	48,3%
Other non-current liabilities	26	24.357	10.156	41,7%	27.550	12.253	44,5%
Current financial payables	23	42.542	32.278	75,9%	94.053	86.573	92,0%
Payables for funded investments	24	165.208	165.208	100,0%	103.818	103.818	100,0%
Trade payables	29	177.538	3.948	2,2%	175.746	3.930	2,2%
Other current liabilities	31	46.049	12.740	27,7%	65.180	35.762	54,9%

Description	Notes	2020			2019		
		Total	Related parties		Total	Related parties	
			Absolute value	Proportion %		Absolute value	Proportion %
INCOME STATEMENT							
Revenues from sales and services	32	243.748	176.622	72,5%	268.359	177.053	66,0%
Grants	33	15.023	8.469	56,4%	10.850	8.069	74,4%
Grants for funded investments	34	38.023	38.023	100,0%	40.986	40.986	100,0%
Other income	35	19.873	7.642	38,5%	22.138	7.601	34,3%
Service costs	37	(65.599)	(8.159)	12,4%	(72.468)	(8.173)	11,3%
Depreciation, amortisation and write-downs	39	(41.752)		0,0%	(40.739)		0,0%
Other operating costs	40	(15.150)	(101)	0,7%	(12.429)	(113)	0,9%
Financial income	41	2.607	756	29,0%	1.792	1.101	61,4%
Financial expenses	42	(2.670)	(384)	14,4%	(4.269)	(713)	16,7%

Description	Notes	2020			2019		
		Total	Related parties		Total	Related parties	
			Absolute value	Proportion %		Absolute value	Proportion %
CASH FLOWS							
Cash flows from operations		7.444	194.258	2609,6%	79.849	231.829	290,3%
Cash flow from investments		25.471	130.483	512,3%	26.576	88.974	334,8%
Cash flow from financing		(8.294)			(13.713)	(10.971)	80,0%

The increase in “Trade receivables from related parties” was mainly determined by the higher receivables from Trenord in relation to the different payment timelines (Note 16).

The “Other current receivables from related parties” refer to receivables from Regione Lombardia for investment grants and to cover personnel costs for the renewal of the National Collective Bargaining Agreement for the Railway/Tram sector, to receivables for services rendered to joint venture investees and to receivables deriving from the Group VAT (Note 17).

“Receivables for funded investments” recognise, in accordance with IFRIC 12, the portions of grants not yet collected and intended to finance investments in the modernisation of infrastructure (Note 13).

The change in “Financial receivables measured at fair value” derives from the full collection of the receivable from Finlombarda for the special Treasury Management Contract, which expired on the 21st related to the cash surpluses recognised following the issue of the corporate bond (Note 11).

“Current financial payables to related parties” decreased as a result of the repayment of the debt to bondholders, Finlombarda, which fell due on 21 July 2020. This item also includes the balance of the giro account held with subsidiaries in joint ventures and the Pension Fund (Note 23).

“Payables for funded investments to related parties” includes payables to Regione Lombardia 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 offset (Note 24).

The item “Other current liabilities” refers to payables for services provided to the Group and to corporate income tax advances paid to the Parent by joint venture investees, as well as to capital grants obtained from Lombardy Region for the purchase of rolling stock and buses.

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 2020:

Amounts in thousands of euros	2020	2019
Directors	680	680
Auditors	105	105
Other Key Personnel	1.196	2.140
Total	**1.981**	**2.925**

NOTE 48 RESULT FROM TRANSACTIONS WITH NON-SHAREHOLDERS

Details of related items recorded in shareholders' equity at 31 December 2020 and 31 December 2019 are reported below:

Description	2020			2019		
	Gross value	Tax (Charge)/Benefit	Net Value	Gross value	Tax (Charge)/Benefit	Net Value
Post-employment benefit actuarial gain/(loss)	153	(43)	110	(1.275)	357	(918)
Post-employment benefit actuarial gain/(loss) of companies measured with the equity method	(318)	89	(229)	(534)	154	(380)
Gains/(losses) arising from the translation of financial statements of foreign companies	9		9	32		32
Total	**(156)**	**46**	**(110)**	**(1.777)**	**511**	**(1.266)**

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	31/12/2020	31/12/2019
Receivables from banks (note 19)	253.983	229.358
Trade receivables from third parties (note 16)	17.587	19.392
Other receivables from third parties (note 17)	72.310	40.419
Financial receivables from third parties (note 11)	2	40.002
Total	**343.882**	**329.171**

“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	2020			2019		
	Gross	Impairment	Net	Gross	Impairment	Net
Not yet due	15.570		15.570	13.224	(45)	13.179
Due from 31-60 days	758		758	3.772	(160)	3.612
Due from 61-90 days	249		249	956	(28)	928
Due from 91-120 days	213		213	1.010	(8)	1.002
Due from 121-360 days	1.011	(321)	690	815	(285)	530
Over 361 days	2.592	(2.484)	108	2.559	(2.418)	141
Total	**20.393**	**(2.805)**	**17.588**	**22.336**	**(2.944)**	**19.392**

Changes in the provision for bad debts (trade) during the year are presented below:

Description	31/12/2020	31/12/2019
Balance at 1 January	2.944	2.915
ATV consolidation		
Allocation of the period	126	193
Allocation to IFRS 9 impairment provision		
Releases of the period		(142)
Uses of the period	(265)	(22)
Balance at 31 December	**2.805**	**2.944**

Liquidity risk

The liquidity risk to which the Group is exposed can arise from difficulties in obtaining financing to support operating activities in the right time frame, or from the ability to refinance existing debt or to refinance it under favourable conductions, or from the failure to comply with the financial ratios (so-called covenants) and other commitments set forth in the various loan agreements, with the resulting application of the acceleration clause and the right of the counterparties to obtain early repayment of the loans provided.
In particular, with reference to the risk of refinancing existing debt, it should be noted that on 28 January 2021 FNM signed a short-term loan agreement for a maximum of EUR 650,000,000.00 (six hundred and fifty million/00) with a pool of leading banks.
In addition, the aforementioned liquidity risks are mitigated by obtaining (i) on 10 November 2020, an investment grade rating of BBB- with a stable outlook from the leading rating agency Fitch Ratings and (ii) on 25 January 2021, an investment grade rating of Baa3 with a stable outlook from the leading rating agency Moody's.
Group and Company cash flows, financing needs and liquidity are monitored and managed centrally under the control of 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,including the acquisition of the further stake in MISE, which brought the overall stake to 96% for an amount of 519.2 million euros, which took place on February 26, 2021, 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	ween 1 and 2 y	ween 2 and 5 y	> 5 years	Total
2020					
Financial income for finance lease agreements	90	2			92
Payables to the Lombardy Region	165.208		6.079		171.287
Current account	32.188				32.188
Total related parties	**197.486**	**2**	**6.079**		**203.567**
Finance lease payables	4.875	4.875	6.631	137	16.518
Other financial payables	331		8.563		8.894
Current account	5.058				5.058
Total third parties	**10.264**	**4.875**	**15.194**	**137**	**30.470**
Total	**207.750**	**4.877**	**21.273**	**137**	**234.037**

Description	< 1 year	ween 1 and 2 y	ween 2 and 5 y	> 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	**190.391**		**6.081**		**196.472**
Finance lease payables	2.198	2.198	4.301	189	8.886
Other financial payables	267		8.996		9.263
Current account	5.015				5.015
Total third parties	**7.480**	**2.198**	**13.297**	**189**	**23.164**
Total	**197.871**	**2.198**	**19.378**	**189**	**219.636**

The following average rate was applied for finance lease agreements:

Description	31/12/2020	31/12/2019
Average rate applied	1,47%	1,47%

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 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.

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 the 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.
In order to mitigate the risk, the Group obtained (i) on 10 November 2020, an investment grade rating of BBB- with a stable outlook from the leading rating agency Fitch Ratings and (ii) on 25 January 2021, an investment grade rating of Baa3 with a stable outlook from the leading rating agency Moody's.

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 31/12/2020**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value through OCI		0			
Financial assets measured at fair value through profit or loss	10 - 12	91.313			91.313

Amounts in thousands of euros	**Notes**	**Book value at 31/12/2019**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value through OCI		0			
Financial assets measured at fair value through profit or loss	10 - 12	53.824		48.352	5.472

During 2020, 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 2020 and 31 December 2019, restated according to IFRS 9 information.

Amounts in thousands of euros	Notes	Book value at 31/12/2020	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						
Investments in other companies	10	91.313		91.313		
Financial receivables	11	2	2			
Financial Receivables measured at Fair Valu	12	0				
Other Receivables	17	213				
CURRENT ASSETS						
Trade Receivables	16	82.640	82.640			
Other Receivables	17	95.834	95.834			
Financial receivables	11	115	115			
Financial Receivables measured at Fair Valu	12	0		0		
Receivables for funded investments	13	41.511	41.511			
Cash and cash equivalents	19	253.344	253.344			
NON-CURRENT LIABILITIES						
Payables to banks	22	42.441				42.441
Financial Payables	23	13.706				13.706
Payables for funded investments	24	12.581				12.581
Other liabilities	26	24.357				24.357
CURRENT LIABILITIES						
Payables to banks	22	58.619				58.619
Financial Payables	23	42.542				42.542
Payables for funded investments	24	165.208				165.208
Trade payables	29	177.538				177.538
Other liabilities	31	46.049				46.049

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						
Investments in other companies	10	5.472		5.472		
Financial receivables	11	2	2			
Financial Receivables measured at Fair Valu	12	0		0		
Other Receivables	17	82	82			
CURRENT ASSETS						
Trade Receivables	16	64.619	64.619			
Other Receivables	17	60.612	60.612			
Financial receivables	11	40.997	40.997			
Financial Receivables measured at Fair Valu	12	48.352		48.352		
Receivables for funded investments	13	57.099	57.099			
Cash and cash equivalents	19	228.723	228.723			
NON-CURRENT LIABILITIES						
Payables to banks	22	49.780				49.780
Financial Payables	23	9.184				9.184
Payables for funded investments	24	12.581				12.581
Other liabilities	26	27.550				27.550
CURRENT LIABILITIES						
Payables to banks	22	304				304
Financial Payables	23	94.053				94.053
Payables for funded investments	24	103.818				103.818
Trade payables	29	175.746				175.746
Other liabilities	31	65.180				65.180

NOTE 51 SIGNIFICANT NON-RECURRENT EVENTS AND TRANSACTIONS

In relation to the development projects, relating to the transaction described in Note 3 a non-recurring expense of EUR 1,904 thousand was recognised, EUR 1,145 thousand in 2019.
During the previous financial year, a non-recurring income of EUR 2,569 thousand was recorded, deriving from the settlement of a dispute with third parties.

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 DESCRIPTION OF THE IMPACTS OF THE COVID-19 EPIDEMIC ON THE INCOME STATEMENT

As required by CONSOB Warning notice no. 8/2020 of 16 July 2020, the quantitative impacts of the COVID-19 epidemic on the income statement for the period are set out below, determined as actual impacts compared to the budget:

Amounts in thousand of euros	**2020**
Revenues from sales and services	(26.884)
Grants	5.216
of which grants from Relaunch Decree	4.114
Other income	(2.892)
TOTAL REVENUES AND OTHER INCOME	**(24.560)**
Service costs	9.047
Personnel costs	10.700
Depreciation, amortisation and write-downs	628
TOTAL COSTS	**20.375**
EBIT	**(4.185)**
Net loss of companies measured with the equity method	(8.164)
EARNINGS BEFORE TAX	**(12.349)**

The change in “Revenues from sales and services” is mainly due to reduction of the revenues of the companies in the road transport segment, in particular traffic revenues, equal to EUR 23,504 thousand, and revenues for reduced transport services performed for EUR 2,539 thousand.

The reduction of revenues from sales and services was mitigated as a result of the Law of 24 April 2020, no. 27 (art. 92, paragraph 4-*bis*), “Cure Italy”, that provided for the recognition of the fees of the road transport segment on the basis of contractual programming, despite the remodulation of the offer implemented following the epidemiological emergency.

The item “Grants” includes the positive effect of the recognition of the offsetting measures introduced by Law no. 77 of 17 July 2020 (art 200 paragraph 1, the “Relaunch Decree”), Law no.

126 of 13 October 2020 (art. 44, the “August Decree”) and Law no. 176 of 18 December 2020 (art 22 *ter*, the “Ristori Bis Decree”).

The decrease in costs derives from the actions carried out by all Group companies to contain the negative impacts of the emergency.

The change in “Net profit of companies measured with the equity method” is mainly due to the year result of the investee Trenord which was significantly affected by the contagion containment measures and hence by the revision of the offer implemented starting from 24 February 2020 as a result of the start of the COVID-19 emergency. The result of the investee in the period, already commented in the management report, considers the offsetting effects introduced by the “Cure Italy”, “Relaunch”, “August” and “Ristori Bis” decrees of approximately EUR 80.1 million.

NOTE 54 SUBSEQUENT EVENTS

- On 25 January 2021, FNM obtained a Baa3 long term issuer rating from Moody's, which takes into account the company's business prospects following the Milano Serravalle – Milano Tangenziali (MISE) acquisition and its balanced financial policy.
  FNM's Baa3 rating incorporates the increase of one notch to reflect the strong ties with Regione Lombardia, its majority shareholder.

  FNM has obtained investment grade ratings from Fitch Ratings (BBB- with stable outlook) and Moody's (Baa3 with stable outlook), which offers the company the possibility of defining its medium/long-term financial structure in the most efficient way to support future strategic development, also through access to the capital market.

- On 1 February 2021, the memorandum of understanding signed by FNM and Enel Green Power was signed with the aim of studying, identifying and proposing the best solutions for the supply of green hydrogen - produced using renewable energy only - for rail mobility in Lombardy, as part of the H2IseO project.

- On 26 February 2021 FNM completed the acquisition of 82.4% of the share capital of Milano Serravalle - Milano Tangenziali S.p.A. (MISE)[2] by Regione Lombardia in execution of the sale and purchase contract signed and disclosed to the market on 3 November 2020. In consideration of the 13.6% shareholding of the share capital already acquired by FNM on 29 July 2020[3], as a result of the transaction completed on 26 February 2021, FNM has a shareholding representing 96% of the MISE share capital.
  The acquisition was completed following the fulfilment of the conditions precedent set out in the sale and purchase contract, including the obtaining of authorisation from the Ministry of Infrastructure and Transport pursuant to the concession agreement to which MISE is a party.
  At the same time as the acquisition was completed, Autostrada Pedemontana Lombarda S.p.A. (APL) – the concessionaire company for the design, construction and management of the motorway between Dalmine, Como, Varese, Valico di Gaggiolo and related works – exited the MISE scope of consolidation as a result of the subscription and release on the same date by Regione Lombardia of a share capital increase of APL for a total of EUR 350 million and the consequent dilution to 36.5% of the share capital of the shareholding held by MISE in APL[4].
  The amount for the acquisition of the shareholding in MISE, amounting to EUR 519.2 million (or EUR 3.5 per share), was fully settled in cash, using a short-term credit line signed on 28 January 2021 with a pool of banks comprising Intesa Sanpaolo S.p.A., JPMorgan Chase Bank, N.A., Milan Branch and BNP Paribas Italian Branch, as lenders. The loan, for a maximum amount of EUR 650 million and used for EUR 620 million, is unsecured and must be repaid in a single instalment by no later than January 2022. The interest rate is equal to EURIBOR plus a margin, in line with current market conditions.
  At the same time as the signing of the aforementioned short-term credit line, on 29 January 2020, FNM fully settled the loan signed on 7 August 2018, as it was no longer consistent with the Group's financial structure, repaying in advance the entire amount used of EUR 50 million.

[2] Concessionaire for the design, construction and management of the A7 Serravalle-Milan Motorway and the North, East and West Milan Ring Roads pursuant to the concession agreement signed on 7 November 2007 (as amended by the additional deed of 15 June 2016) between MISE, as concessionaire, and ANAS S.p.A. (subsequently replaced by the Ministry of Infrastructure and Transport), as the awarding body.
[3] This shareholding was sold to FNM by ASTM S.p.A. and other companies controlled by it.
[4] Previously 79.3% owned by MISE.

MISE will be fully consolidated in the FNM financial statements starting 26 February 2021.

- On 12 March 2021 an information document was issued relating to the transaction drafted pursuant to article 71, paragraph 1 of Consob Regulation no. 11971 of 14 May 1999 (as subsequently supplemented and amended).

Milan, 18 March 2021

The Board of Directors

ATTACHMENT 1
to the NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS at 31.12.2020

Name	Registered Office	Nature of Control	Consolidation method	Percentage of ownership	Type of Control
FERROVIENORD S.p.A.	Milan - P.le Cadorna 14	Subsidiary	Line-by-line Consolidation	100,0%	Direct
NORD_ING S.r.l.	Milan - P.le Cadorna 14	Subsidiary	Line-by-line Consolidation	100,0%	Direct
FNM Autoservizi S.p.A.	Milan - P.le Cadorna 14	Subsidiary	Line-by-line Consolidation	100,0%	Direct
E-Vai S.r.l.	Milan - P.le Cadorna 14	Subsidiary	Line-by-line Consolidation	100,0%	Direct
Nuovo Trasporto Triveneto S.r.l.	Milan - P.le Cadorna 14	Subsidiary	Line-by-line Consolidation	100,0%	Direct
Malpensa Intermodale S.r.l.	Milan - P.le Cadorna 14	Subsidiary	Line-by-line Consolidation	100,0%	Direct
Malpensa Distripark S.r.l.	Milan - P.le Cadorna 14	Subsidiary	Line-by-line Consolidation	100,0%	Direct
FNMPAY S.p.A.	Milan - P.le Cadorna 14	Subsidiary	Line-by-line Consolidation	100,0%	Direct
Azienda Trasporti Verona S.r.l.	Verona - Lungadige Galtarossa 5	Subsidiary	Line-by-line Consolidation	50,0%	Direct
La Linea 80 Scarl	Belluno - via Garibaldi 77	Subsidiary	Line-by-line Consolidation	50,30%	Indirect
La Linea S.p.A.	Venice - Via della Fisica 30	Subsidiary	Line-by-line Consolidation	51,0%	Direct
Martini Bus S.r.l.	Venice - Via Mutinelli 11	Subsidiary	Line-by-line Consolidation	51,0%	Direct
Conam S.r.l.	Schio VI - Via Enrico Fermi 13	Subsidiary	Consolidation of Shareholders' Equity	25,5%	Indirect
Trenord S.r.l.	Milan - P.le Cadorna 14	Joint Venture	Consolidation of Shareholders' Equity	50,0%	Direct
NordCom S.p.A.	Milan - P.le Cadorna 14	Joint Venture	Consolidation of Shareholders' Equity	58,0%	Direct
NORD ENERGIA S.p.A.	Milan - P.le Cadorna 14	Joint Venture	Consolidation of Shareholders' Equity	60,0%	Direct
CMC MeSta SA	Bellinzona CH - Viale Officina 10	Joint Venture	Consolidation of Shareholders' Equity	60,0%	Indirect
Omnibus Partecipazioni S.r.l.	Milan - P.le Cadorna 14	Joint Venture	Consolidation of Shareholders' Equity	50,0%	Direct
TILO SA	Bellinzona CH - Via Portaccia 1a	Joint Venture	Consolidation of Shareholders' Equity	25,0%	Indirect
ASF Autolinee S.r.l.	Como - via Asiago 16/18	Joint Venture	Consolidation of Shareholders' Equity	24,5%	Indirect
DB Cargo Italia S.r.l.	Milan - P.le Cadorna 14	Associate	Consolidation of Shareholders' Equity	40,0%	Direct
Busforfun.com S.r.l.	Venice - Via Botteghino 217	Associate	Consolidation of Shareholders' Equity	24,7%	Direct

Attachment 2
To the notes to the Consolidated Financial Statements
Information pursuant to article 149-*duodecies* of the Consob Issuer Regulation

The following statement, prepared pursuant to article 149-duodecies of the Consob Issuer Regulation, indicates fees for 2020 for auditing services and non-auditing services provided by the same independent auditors and by entities belonging to its network.

To the Parent Company:	
a) from the auditing firm, for the provision of auditing services	109
b) from the auditing firm:	
1 for audit services for the issue of a certification	-
2 for the provision of other services	111
c) from entities belonging to the auditing firm's network:	
- for audit services for the issue of a certification	-
- for the provision of other services	-
To subsidiaries:	
a) from the auditing firm, for the provision of auditing services	190
b) from the auditing firm:	
- for audit services for the issue of a certification	-
- for the provision of other services	-
c) from entities belonging to the auditing firm's network:	
- for audit services for the issue of a certification	-
- for the provision of other services	-

idee in movimento

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 2020.

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, 18 March 2021

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 2020, 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 2020, 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.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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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*
Assessment of the recoverability of the carrying amounts of property, plant and equipment, intangible assets, goodwill and right of use relating to the CGUs included in the business segment 'Passenger road transport' *Sections "Property, plant and equipment", "Intangible assets", "Right of use" and "Impairment losses of property, plant and equipment, intangible assets and investments"* *Note 6 "Property, plant and equipment"* *Note 8 "Goodwill"* *Note 39 "Amortization, depreciation and impairment"*	
The balances as of 31 December 2020 of the lines 'Property, plant and equipment', 'Intangible assets', 'Goodwill' and 'Right of use' in the consolidated financial statements of FNM SpA are Euro 443,340 thousand, Euro 5,139 thousand, Euro 4,353 thousand and Euro 15,489 thousand, respectively. Those lines, referred to the CGUs included in the business segment 'Passenger road transport', account for about 5% of total assets in the consolidated financial statements of FNM SpA. The above-mentioned assets are carried at cost. When events indicate that the assets may have become impaired, and in any case at least annually with regard to goodwill, 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 CGUs is the value in use, determinedwith the support of an independent expert on the basis of the cash flows projections included in the business plans. When the value in use of a CGU is lower than its	We have carried out specific analyses to understand, evaluate and validate the relevant controls implemented by the Company to verify the recoverability of the lines 'Property, plant and equipment', 'Goodwill' and 'Right of use', including the identification of impairment indicators. 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 CGUs showing indicators of impairment as of 31 December 2020 we have selected those corresponding to ATV, La Linea and FNM Autoservizi based on the materiality of their carrying amounts. For each CGU: - We have verified the correct allocation of the book values to the CGUs tested for impairment; - We have understood the process adopted in the preparation of the business plans approved by the respective boards of directors. In

carrying amount, management estimates the fair value of the CGU. The analyses carried out by management did not identify any impairment loss of the assets, including goodwill, referred to the CGUs ATV, FNM Autoservizi and E-Vai, whereas the impairment test of the CGU La Linea identified an impairment loss of goodwill equal to Euro 2,000 thousand. We identified the assessment of the recoverability of the above mentioned assets as a key audit matter for the following reasons: i) the materiality of the balances; ii) the complexity of the process to estimate the recoverable amounts of the CGUs based on valuation assumptions affected by economic and market conditions that are subject to uncertainties, including in connection with the health emergency caused by Covid-19; and iii) the high degree of judgement applied by management in estimating the future cash flows and the discount rate.	particular, for ATV, in the 2021-2030 business plan approved on 5 March 2021; for La Linea, in the 2021-2025 business plan approved on 2 March 2021; for FNM Autoservizi, in the 2021-2024 business plan approved on 26 February 2021; - To assess the reasonableness of the business plans used in the impairment test we have analysed the performance of each CGU in previous years and compared the actual results reported for FY 2020 with the budgets for the same year revised following the spread of the pandemic, and also, with the support of experts from the PwC network, we have analysed the significant assumptions underlying those business plans; - 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 and performed additional sensitivity analyses with regard to both the financial assumptions used by management and the assumptions underlying the business plans of the CGUs. Finally, we have verified the adequacy and completeness of disclosures in the notes to the consolidated financial statements.

Assessment of the recoverability of the carrying amounts of investments carried at equity

Sections "Equity investments" and "Impairment losses of property, plant and equipment, intangible assets and investments"

Note 10 "Equity investments"

The balance as of 31 December 2020 of the line 'Equity investments measured with the equity method' in the consolidated financial statements of FNM SpA is Euro 76,733 thousand and comprises investments in joint ventures and affiliated companies. This line accounts for 7% of total assets in the consolidated financial statements of FNM SpA.

Those investments are measured with the equity method. When events indicate that the investments may have become impaired, management tests the recoverability of their carrying amounts by comparing the carrying amounts with their recoverable amounts.

The valuation technique used by the Company to determine the recoverable amounts of the investees isthe value in use, determined with the support of an independent expert on the basis of the cash flows projections included in the business plans. When the value in use of an investment is lower than its carrying amount, management estimates the fair value of the investment.

The analyses carried out by management did not identify an impairment loss of the investments in Trenord Srl subjected to the impairment test.

We identified the assessment of the recoverability of the equity investment in the above-mentioned entity 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 investee based on valuation assumptions affected by economic and market conditions that are subject to uncertainties, including in connection with the health emergency caused by Covid-19; 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 to verify the recoverability of the line 'Equity investments measured with the equity method', including the identification of impairment indicators.

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.

With reference to the investment in joint venture Trenord Srl, the directors identified indicators of impairment as of 31 December 2020. Therefore, we have performed the following procedures:

- We have understood the process adopted in the preparation of the entity's business plans, specifically, the 2021-31 business plan approved by the entity's board on 15 February 2021;
- To assess the reasonableness of the business plans used in the impairment test we have analysed the entity's performance in previous years and compared the actual results reported for FY 2020 with the budgets for the same year revised following the spread of the pandemic, and also, with the support of experts from the PwC network, we have analysed the significant assumptions underlying the business plan;
- We have verified the consistency of the cash flows used with those included in the business plan used in the impairment test;

Key audit matters	Auditing procedures performed in response to key audit matters
	- 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 and performed additional sensitivity analyses with regard to both the financial assumptions used by management and the assumptions underlying the investee's business plan. Finally, we have verified the adequacy and completeness of disclosures in the notes to the consolidated financial statements.
Recognition of grants on funded investments *Section "Grants for funded investments"* *Note 34 "Grants for funded investments"* The line 'Grants for funded investments', amounting to Euro 38,023 thousand in the consolidated income statement for the year ended 31 December 2020, 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 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 'Grants for funded investments'. We selected a sample of investments projects and carried out the following key audit procedures: - We verified that the costs resulting from the management accounts matched the general ledger amounts; - We recalculated the percentage of completion of projects using the cost-to-cost method; - We verified that claims for refund of costs submitted to the Region Lombardia matched the costs incurred and actual receipts. To verify whether the investments made were in compliance with the resolutions approved

	by the Region Lombardia, we selected a sample of costs incurred and analysed their nature obtaining documentary evidence. Finally, we 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 appointedus to perform the statutory audit of the Company's separate and the 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. 58/1998

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 2020, 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 2020 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 the FNM Group as of 31 December 2020 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, 8 April 2021

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.

FNM S.p.A.

Financial Statements

for the year ended 31 December 2020

- *Statement of Financial Position*
- *Income Statement*
- *Other Comprehensive Income*
- *Shareholders' Equity*
- *Cash Flow Statement*
- *Notes to the separate financial statements*

STATEMENT OF FINANCIAL POSITION AT 31.12.2020

Amounts in Euro	Notes	31/12/2020	31/12/2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	375.509.994	335.961.215
Intangible assets	2	4.092.635	3.506.631
Right of use	3	8.549.107	5.439.850
Equity investments	4	181.351.297	96.995.604
Financial receivables	5	933.333	1.166.667
of which: Related Parties	5	933.333	1.166.667
Deferred Tax Assets	6	6.696.012	6.059.737
Other Receivables	8	132.793	1.780
TOTAL NON-CURRENT ASSETS		**577.265.171**	**449.131.484**
CURRENT ASSETS			
Trade Receivables	7	41.353.169	21.433.693
of which: Related Parties	7	39.749.267	19.485.392
Financial Receivables	5	501.260	29.054.821
of which: Related Parties	5	501.260	29.054.821
Financial Receivables measured at fair value	5		48.352.105
of which: Related Parties	5		48.352.105
Other Receivables	8	18.775.700	18.933.290
of which: Related Parties	8	2.487.800	5.288.137
Tax receivables	8	2.187.143	-
Other securities		13	13
Cash and cash equivalents	9	101.270.053	135.944.490
TOTAL CURRENT ASSETS		**164.087.338**	**253.718.412**
Assets held for sale	10	-	2.674.040
TOTAL ASSETS		**741.352.509**	**705.523.936**
LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		230.000.000	230.000.000
Other reserves		7.788.521	7.788.521
Reserve for indivisible profit		138.113.566	114.200.602
Reserve for actuarial gains/(losses)		(168.718)	(186.438)
Profit for the year		23.891.824	23.912.965
SHAREHOLDERS' EQUITY	11	**399.625.193**	**375.715.650**
NON-CURRENT LIABILITIES			
Payables to banks	12	41.688.387	49.610.981
Financial Payables	13	6.570.647	3.761.855
of which: Related Parties	13	925.559	3.529.963
Other liabilities	15	8.346.959	10.038.506
of which: Related Parties	15	5.622.934	7.081.221
Provisions for risks and charges	19	233.464	233.464
Post-employment benefits	16	1.430.165	1.656.026
TOTAL NON-CURRENT LIABILITIES		**58.269.622**	**65.300.832**
CURRENT LIABILITIES			
Payables to banks	12	58.243.747	-
Financial Payables	13	127.567.635	226.618.138
of which: Related Parties	13	120.643.654	221.219.623
Trade payables	17	71.588.676	18.559.703
of which: Related Parties	17	4.355.985	4.116.367
Tax payables	18	684.433	687.412
Payables for taxes	18	109.561	2.446.907
Other liabilities	15	24.048.569	14.718.969
of which: Related Parties	15	12.911.870	10.924.922
Provisions for risks and charges	19	1.215.073	1.476.325
TOTAL CURRENT LIABILITIES		**283.457.694**	**264.507.454**
Liabilities related to assets held for sale		-	-
TOT. LIABILITIES AND SHAREHOLDERS' EQUITY		**741.352.509**	**705.523.936**

2020 INCOME STATEMENT

Amounts in Euro	Notes	2020	2019
Revenues from sales and services	20	78.009.185	76.521.329
of which: Related Parties	20	77.544.159	74.677.145
Grants	21	1.204.136	1.204.136
of which: Related Parties	21	1.164.886	1.164.886
Other income	22	4.284.459	2.501.056
of which: Related Parties	22	2.258.003	1.930.747
PRODUCTION VALUE		**83.497.780**	**80.226.521**
Service costs	23	(13.214.403)	(13.265.732)
of which: Related Parties	23	(7.653.674)	(7.893.881)
Personnel costs	24	(14.577.198)	(14.850.378)
Depreciation, amortisation and write-downs	25	(26.105.085)	(26.204.280)
Other operating costs	26	(1.126.348)	(954.944)
of which: Related Parties	26	(1.623)	(9.894)
TOTAL COSTS		**(55.023.034)**	**(55.275.334)**
EBIT		**28.474.746**	**24.951.187**
Dividends	27	4.695.887	6.590.062
of which: Related Parties	27	4.695.887	6.590.062
Impairment of equity investments	4	(2.253.512)	(399.120)
Financial income	28	1.824.173	2.163.214
of which: Related Parties	28	842.829	1.870.571
Financial expenses	29	(2.383.053)	(3.641.617)
of which: Related Parties	29	(429.629)	(749.923)
NET FINANCIAL INCOME		**1.883.495**	**4.712.539**
EARNINGS BEFORE TAX		**30.358.241**	**29.663.726**
Income tax	30	(6.466.417)	(5.750.761)
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**23.891.824**	**23.912.965**
NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	31	-	-
PROFIT FOR THE YEAR		**23.891.824**	**23.912.965**

OTHER CONSOLIDATED COMPREHENSIVE INCOME FOR 2020

Amounts in Euro	Notes	31/12/2020	31/12/2019	Change
PROFIT FOR THE YEAR		**23.891.824**	**23.912.965**	**(21.141)**
Components that will not be reclassified in the operating result				
Actuarial gain		24.577	(82.702)	107.279
Income tax		(6.857)	23.074	(29.931)
Total other consolidated comprehensive income that will not be reclassified in the operating result	**32**	**17.720**	**(59.628)**	**77.348**
TOTAL COMPREHENSIVE INCOME		**23.909.544**	**23.853.337**	**56.207**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2020

Amounts in Euro	Share capital	Other reserves	Reserve for indivisible profit	Reserve for actuarial Gains/(Losses)	Profit for the year	TOTAL
Balance at 01.01.2019	**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**
Allocation of 2019 profit			23.912.965		(23.912.965)	-
Distribution of dividends						-
Total other consolidated comprehensive income that will not be reclassified in the operating result				17.720		17.720
Profit for the year					23.891.824	23.891.824
Balance at 31.12.2020	**230.000.000**	**7.788.521**	**138.113.566**	**(168.718)**	**23.891.824**	**399.625.193**

STATEMENT OF CASH FLOWS AT 31 DECEMBER 2020

Amounts in Euro	Notes	31/12/2020	31/12/2019
Cash flow from/(for) operating activities		**Total**	**Total**
Operating result		23.891.824	23.912.965
Income tax	30	6.466.417	5.750.761
Depreciation of property, plant and equipment for per period	25	22.875.378	24.604.877
Amortisation of intangible assets for the period	25	812.996	834.368
Amortisation of right of use	25	1.966.462	765.035
Impairment for the year of property, plant and equipment	25	450.249	
Gain from disposal of property, plant and equipment	22	19.830	(4.284)
Capital gain on the disposal of assets held for sale	22	(890.635)	-
Impairment of equity investments	4	2.253.512	399.120
Allocation to the provision for risks	19	386.748	643.316
Dividends cash-in	27	(4.695.887)	(6.590.062)
Capital grants for the year	21	(1.204.136)	(1.204.136)
Interest income	28	(933.538)	(2.163.214)
Interest expense	29	2.383.053	3.641.617
Other non-monetary income	21	-	(56.815)
Cash flow from income activities		**53.782.273**	**50.533.548**
Net change in the provision for post-employment benefit	16	(209.428)	(192.357)
Net change in provision for risks and charges	19	(648.000)	-
(Increase)/Decrease in trade receivables	7	(19.919.476)	5.700.935
(Increase)/Decrease in other receivables	7	(2.217.237)	(8.007.650)
Increase/(Decrease) in trade payables	17	1.648.407	(12.914)
Increase/(Decrease) in other liabilities	15	(1.806.890)	315.772
Payment of taxes	18	(6.538.078)	(5.005.771)
Total cash flow from operating activities		**24.091.571**	**43.331.563**
Cash flow from/(for) investing activities			
Investments in property, plant and equipment	1	(63.162.236)	(9.770.023)
Investments in intangible assets	2	(1.399.000)	(1.255.089)
Increase in trade payables for property, plant and equipment	17	51.380.566	8.604.574
Disposal value of property, plant and equipment	1	272.626	4.284
Investments in Equity investments	4	(79.267.838)	(536.558)
Dividends cash-in	27	4.695.887	6.590.062
Decrease in financial receivables	5	52.821	1.337.199
Collection of loan to subsidiary companies	5	27.738.216	(23.255.888)
Decrease in financial receivables for liquidity management from Finlombarda	4	48.000.000	-
Interest income collected		1.285.643	1.502.213
Decrease in finance lease receivables	5	995.858	1.933.198
Total cash flow for investing activities		**(9.407.457)**	**(14.846.028)**
Cash flow from/(for) assets held for sale			
Change in assets held for sale	10	3.564.675	-
Total cash flow from assets held for sale		**3.564.675**	**-**
Cash flow from/(for) financing activities			
Increase in trade payables	13	(41.162.352)	25.358.164
Repayments of finance lease payables	13	(1.923.100)	(1.591.959)
Payment of interest expense		(1.837.774)	(2.445.689)
Increase in Current Payables to banks	12	50.000.000	-
Repayment of debenture loan	12	(58.000.000)	-
Dividends cash-out	11	-	(9.785.307)
Total cash flow from/(for) financing activities		**(52.923.226)**	**11.535.209**
Liquidity generated (+) / absorbed (-)		**(34.674.437)**	**40.020.744**
Cash and cash equivalents at the start of the year	9	135.944.490	95.923.746
Cash and cash equivalents at the end of the year	9	101.270.053	135.944.490
Liquidity generated (+) / absorbed (-)		**(34.674.437)**	**40.020.744**

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 31.12.2020

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 Regione Lombardia. 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 2020 prepared in compliance with IFRS.

Regione Lombardia, with registered office in Piazza Città di Lombardia 1, draws up the Consolidated Financial Statements of the largest Group to which the Company belongs, and which is available on the website of Regione Lombardia.

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 2020 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 18 March 2021.

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 2019 were used, supplemented as described in the section "IFRS accounting standards, amendments and interpretations adopted from 1 January 2020".

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 2020

The following IFRS accounting standards, amendments and interpretations were adopted for the first time by the Company, starting from 1 January 2020:

- 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 amended two standards. The amendment clarifies that information is "obscured" if described in such a way as to have - for primary users of general-purpose financial statements - an effect similar to that produced if such information had been omitted or misstated.
  The adoption of this amendment did not have any effects 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.
  The adoption of this amendment did not have any effects on the separate financial statements of the Company.
- 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 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 adoption of this amendment did not have any effects on the separate financial statements of the Company.

- 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 integrated 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 an output. 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 adoption of this amendment did not have any effects on the separate financial statements of the Company.

- On 28 May 2020 the IASB published an amendment entitled "***Covid-19 Related Rent Concessions (Amendment to IFRS 16***)". The document allows lessees to account for Covid-19 related rent concessions without having to assess, through contract analysis, whether the definition of lease modification of IFRS 16 is met. Therefore, the lessees who opt to do so may account for the effects of the rent concessions directly in the income statement as at the effective date of the concession. This amendment applies to financial statements starting on or after 1 June 2020, but it is possible to take advantage of the possibility to apply this amendment early, at 1 January 2020. 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 2020

- On 28 May 2020 the IASB published an amendment entitled "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments make it possible to extend the temporary exemption of the application of IFRS 9 to 1 January 2023 for insurance companies. These amendments will enter into force on 1 January 2021. The Directors do not expect the adoption of this amendment to have a significant effect on the separate financial statements of the Company.

- On 27 August 2020, the IASB published, in light of the reform on interbank interest rates such as the IBOR, the document "Interest Rate Benchmark Reform-Phase 2" which contains amendments to the following standards:
    - IFRS 9 Financial Instruments;
    - IAS 39 Financial Instruments:Recognition and Measurement;
    - IFRS 7 Financial Instruments: Disclosures;
    - IFRS 4 Insurance Contracts; and
    - IFRS 16 Leases.

  All amendments will enter into force on 1 January 2021. The Directors do not expect the adoption of this amendment to have a significant effect 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 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 the 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 the 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 2023 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 23 January 2020, the IASB published an amendment entitled “Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”. The purpose of the document is to clarify how to classify payables and other short-term or long-term liabilities. The amendments apply from 1 January 2023, but early application is permitted. The Directors do not expect the adoption of this amendment to have a significant effect on the separate financial statements of the Company.

- On 14 May 2020, the IASB published the following amendments:
    - Amendments to IFRS 3 Business Combinations: the purpose of the amendments is to revise the reference present in IFRS 3 to the Conceptual Framework in the revised version, without this entailing amendments to the provisions of IFRS 3.
    - Amendments to IAS 16 Property, Plant and Equipment: the purpose of the amendments is to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while testing that asset. These sale revenues and the related costs will therefore be recognised in the income statement.
    - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that in assessing whether a contract is onerous, all costs directly relating to the contract should be considered. Consequently, the assessment of whether a contract is onerous includes not only incremental costs (for example, the cost of the direct material employed in the work processes), but also all costs which the enterprise cannot avoid because it has stipulated the contract (for example, the portion of the labour cost and of the depreciation of the machinery used for the performance of the contract).
    - Annual Improvements 2018-2020: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, to IFRS 9 Financial Instruments, to IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.

  All amendments will enter into force on 1 January 2022. The Directors do not expect the adoption of these amendments to have a significant effect on the separate financial statements of the Company.

- On February 12, 2021, the International Accounting Standards Board (IASB) published some amendments to the IFRS standards: Disclosure of Accounting Policies-Amendments to IAS 1 and IFRS Practice Statement 2, Definition of Accounting Estimates-Amendments to IAS 8. The amendments are aimed at improving disclosure on accounting policies in order to provide more useful information to investors and other primary users of the financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting policies. All changes will come into effect on January 1, 2022. The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of these amendments.

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: 15-25 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".

RIGHT OF USE
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 amortization 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 accrues on said liability and decreased by the payments due for the leases carried out and it is revalued in case of a change in the future payments due for the lease deriving from a change in the index or rate, in case of a 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 previous 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. Amortization 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 amortization/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 benefits.
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 istherefore 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 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)”.

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.

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 interests 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 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. financial income relating to financial leasing contracts with Group companies relating to leasing of 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 Regione Lombardia 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 LOSSES OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND EQUITY 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 amortization/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 (article 117, Paragraph 1 of the Consolidated Income Tax Act), which subsidiaries of FNM S.p.A. are also party to, pursuant to article 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 article 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 article 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.

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 and provisions for risks

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 2019, property, plant and equipment, net of relative accumulated depreciation, comprised the following:

Description	01.01.2019		
	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**
Depreciation 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**

Changes for 2020 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 01.01.2020	**15.508.751**	**285.521**	**3.282**	**310.192.591**	**462.550**	**9.508.520**	**335.961.215**
Investments financed with own funds				42.996.196	1.103	20.164.937	**63.162.236**
Transfers gross value				4.226.009		(4.226.009)	
Revaluations/Write-downs				(450.249)			**(450.249)**
Divestments: Gross Disposals	(287.831)						**(287.831)**
Depreciation rates	(384.362)	(64.134)	(484)	(22.308.017)	(118.380)		**(22.875.377)**
Net Value as at 31.12.2020	**14.836.558**	**221.387**	**2.798**	**334.656.530**	**345.273**	**25.447.448**	**375.509.994**

Therefore, at 31 December 2020, property, plant and equipment, net of relative accumulated depreciation, comprised the following:

Description	31.12.2020		
	Cost	Accumulated depreciation	Book value
Land and buildings	23.546.699	(8.710.141)	14.836.558
Plant and machinery	722.063	(500.676)	221.387
Industrial and commercial equipment	70.970	(68.172)	2.798
Other assets:			
Rolling stock	579.658.155	(245.001.625)	334.656.530
Furniture and furnishings, office machines, improvements to third party assets	2.212.036	(1.866.763)	345.273
Total other assets	581.870.191	(246.868.388)	335.001.803
Assets in the course of construction and advances	25.447.448		25.447.448
Total	**631.657.371**	**(256.147.377)**	**375.509.994**

Land and buildings

The item “Land and buildings” mainly refers to net values outstanding at 31 December 2020 relative to the building in Piazzale Cadorna for EUR 8,577 thousand, land in the municipality of Saronno for EUR 3,329 thousand and in the municipality of Garbagnate Milanese for EUR 1,076 thousand, garages in the municipality of Milan for EUR 871 thousand and property in the municipality of Iseo for EUR 673 thousand.

Other assets

The investment for the year, equal to EUR 42,996 thousand, concerns:

- 4 FLIRT TILO rolling stocks for EUR 38,034 thousand; following commissioning, investments incurred in the previous year, amounting to EUR 4,226 thousand, were transferred from “Assets in the course of construction and advances” to the category in question; the four rolling stocks are leased to Trenord;
- for EUR 3,788 thousand, 2 E744 EffiShunter locomotives; the locomotives are leased to DB Cargo Italia;
- EUR 1,174 thousand for the redemption of 8 DE520 locomotives leased to DB Cargo Italia and Trenord.

The category “rolling stock” is composed as follows:

Type	Net value
Train Sets	
n.26 TAF	12.865.311
n.2 TSR	7.010.334
n.7 TSR a 6 casse	73.769.482
n.10 TSR a 4 casse	90.694.062
n.8 CSA	27.508.720
n.10 CORADIA a 6 casse	59.104.063
n.4 FLIRT TILO	42.114.000
Locomotives	
n.8 Loc. E 483	14.673.558
n.14 Loc. DE520	998.190
n.1 Loc. ES64 F4	2.150.880
n.2 Loc. EFFISHUNTER EFF1000	3.767.930
TOTAL	**334.656.530**

Investments in furniture, furnishings and office equipment refer to office furnishings for the offices of the Company, situated in Milan – Piazzale Cadorna.

Assets in the course of construction and advances

Investments in assets in the course of construction and advances, amounting to EUR 20,165 thousand, relate to advances paid for the purchase of 6 hydrogen-powered electric trains (EUR 14,160 thousand), 5FLIRT TILO rolling stocks (EUR 1,057 thousand) and 2 E744 EffiShunter locomotives (EUR 842 thousand), as well as advances paid for the revamping of TAF (EUR 3,770 thousand) and DE520 rolling stock (EUR 307 thousand).

If property, plant and equipment had been recognised net of relative capital grants (Note 14), the effect on the financial statements at 31 December 2020 would have been the following:

2020	Book value	Grant	Net value less the grant
Land and buildings	14.836.558	(5.361.856)	9.474.702
Plant and machinery	221.387		221.387
Industrial and commercial equipment	2.798		2.798
Other assets	335.001.803	(2.328.947)	332.672.856
Assets in the course of construction and advances	25.447.448		25.447.448
Total property, plant and equipment	**375.509.994**	**(7.690.803)**	**367.819.191**

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 since these are assets mainly intended for the performance of local public transport through leasing contracts in force.

NOTE 2 INTANGIBLE ASSETS

At 1 January 2019, intangible assets comprised the following:

Description	01.01.2019		
	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**

Changes for 2020 are shown below:

Description	Assets in the course of construction and advances	Other	Total
Net Value as at 01.01.2020	**838.189**	**2.668.442**	**3.506.631**
Investments financed with own funds	713.819	685.181	**1.399.000**
Transfers gross value	(492.468)	492.468	
Amortisation rates		(812.996)	**(812.996)**
Net Value as at 31.12.2020	**1.059.540**	**3.033.095**	**4.092.635**

Therefore at 31 December 2020, intangible assets comprised the following:

Description	31.12.2020		
	Historical cost	Accumulated amortisation	Net Value
Assets in the course of construction and advances	1.059.540		1.059.540
Other	5.627.098	(2.594.003)	3.033.095
Total intangible assets	**6.686.638**	**(2.594.003)**	**4.092.635**

Assets in the course of construction and advances

The increases in the item “Assets in the course of construction and advances”, amounting to EUR 714 thousand, mainly refer to the upgrade of the BW SAP module, managed by FNM and used by Trenord, for EUR 286 thousand, the activation of additional modules of the SAP HR management software, for EUR 116 thousand, the implementation of additional SAP modules that FNM uses as part of its administrative service for EUR 162 thousand and, finally, the extension of the SAP application system to three Group companies for EUR 85 thousand.

It should be noted that during the year, as the project activities were completed, with the provision of the implemented modules, the costs incurred in 2019 in relation to the following were transferred from the category in question to the item “Other”: additional SAP modules that FNM uses as part of the administrative service, for EUR 124 thousand, the creation of the new intranet platform, for EUR 96 thousand, the SAP management software managed by FNM and used by Trenord, for EUR 68 thousand, the activation of additional modules of the SAP HR management software, for EUR 63 thousand, and the modules for the reconciliation of intercompany balances and consolidation, for EUR 62 thousand, as well as project activities relating to cyber security tools for EUR 56 thousand.

Overall, assets in the course of construction and advances at 31 December 2020 mainly refer to the upgrade of the BW SAP module, managed by FNM and used by Trenord, for EUR 435 thousand, to additional SAP modules which FNM uses for its administration service for EUR 140 thousand, to additional modules of the SAP HR management software for EUR 128 thousand, to migration to the G-Suite platform for EUR 88 thousand, to the extension of the SAP application to three Group companies for EUR 85 thousand, to the activities relative to identity assessment instruments for EUR 73 thousand, to the development of the software used by FNM for the management of the corporate entities for EUR 45 thousand and to the SAP management software managed by FNM and used by Trenord for EUR 28 thousand.

Other
The increases for the year (EUR 685 thousand) are mainly attributable to additional modules of the SAP management software, managed by FNM and used by Trenord S.r.l., for EUR 201 thousand, the activation of SAP modules for the reconciliation of intercompany balances and consolidation, for EUR 181 thousand, additional SAP modules used by FNM for administrative services, for EUR 130 thousand, and the development of management software for railway traffic management, for EUR 79 thousand, as well as the implementation of the application Servicenow for EUR 77 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 accounting standard IFRS 16, is 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**
Amortisation 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 item “Right of use” therefore was broken down as follows:

Description	31.12.2019		
	Historical cost	Accumulated amortisation	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**

Changes for 2020 are shown below:

Description	Right of use - software	Right of use - buildings	Right of use - rolling stock	Right of use - other assets	Total
Net Value as at 01.01.2020	**30.299**	**2.059.772**	**3.081.353**	**268.426**	**5.439.850**
Acquisitions	95.254		4.907.500	77.592	**5.080.346**
Divestments Historical Cost	(51.449)			(39.479)	**(90.928)**
Divestments Accumulated depreciation	51.449			34.852	**86.301**
Depreciation rates	(32.978)	(535.638)	(1.278.139)	(119.707)	**(1.966.462)**
Net Value as at 31.12.2020	**92.575**	**1.524.134**	**6.710.714**	**221.684**	**8.549.107**

Therefore at 31 December 2020, "Right of use" comprised the following:

Description	31.12.2020		
	Historical cost	Accumulated amortisation	Net Value
Right of use - software	111.667	(19.092)	92.575
Right of use - buildings	2.595.410	(1.071.276)	1.524.134
Right of use - rolling stock	8.074.446	(1.363.732)	6.710.714
Right of use - other assets	409.757	(188.073)	221.684
Total	**11.191.280**	**(2.642.173)**	**8.549.107**

The item "Right to use rolling stock" includes the lease of 4 Bombardier E494 TRAXX DC locomotives, the increase in the year derives from the extension of the contractual duration of 3 years, in addition to the placing in service of one locomotive.

The rents relating to assets of modest value or that are referable to contracts expiring within 12 months, that have been recognized in the income statement are shown below:

Leasing fees for *low value* assets and *short term* contracts	*low value assets*	*short term contracts*
Leasing fees for workstations and other devices	397	-
Leasing fees for cars	-	17
Other leasing fees	10	-
Total	**407**	**17**

The proceeds from the sub-leasing of assets consisting of the right of use are entirely attributable to the lease to DB Cargo of 4 Bombardier E494 TRAXX DC locomotives for an amount equal to EUR 1,543 thousand.

NOTE 4 EQUITY INVESTMENTS

At 31 December 2020, equity investments amounted to EUR 181,351 thousand with an increase by EUR 84,355 thousand as a result of movements that took place during the year and commented on below.

Investments are shown in the next tables:

Description	31.12.2019			Changes in 2020				31.12.2020		
	Cost	(Impairment)	Book value	Increases	(Decreases)	Reclassification	(Impairment)/ Reversal of impairment losses	Cost	(Impairment)	Book value
Equity investments in subsidiaries	50.718.413	(5.650.189)	45.068.224	515.377	(10.329)		(2.230.000)	51.223.461	(7.880.189)	43.343.272
Equity investments in joint ventures	49.701.794	(841.120)	48.860.674		(229.488)		(23.512)	49.472.306	(864.632)	48.607.674
Equity investments in associates	3.066.706	0	3.066.706	492.031				3.558.737		3.558.737
Investments in other companies				85.841.614				85.841.614		85.841.614
Total equity investments	**103.486.913**	**(6.491.309)**	**96.995.604**	**86.849.022**	**(239.817)**		**(2.253.512)**	**190.096.118**	**(8.744.821)**	**181.351.297**

<u>Equity investments in subsidiaries</u>
Investments in subsidiaries are shown in the following table:

Description	31.12.2019			Changes in 2020				31.12.2020		
	Cost	(Impairment)	Book value	Increases	(Decreases)	Reclassification	(Impairment)/ Reversal of impairment losses	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)					
Nuovo Trasporto Triveneto S.r.l.	248.000	(148.000)	100.000					248.000	(148.000)	100.000
La Linea S.p.A.	5.576.152	(94.000)	5.482.152				(1.860.000)	5.576.152	(1.954.000)	3.622.152
Azienda Trasporti Verona S.r.l.	21.001.000	(549.000)	20.452.000				(220.000)	21.001.000	(769.000)	20.232.000
E-Vai S.r.l.	2.036.559		2.036.559				(150.000)	2.036.559	(150.000)	1.886.559
Malpensa Intermodale S.r.l.	500.000		500.000	365.377				865.377		865.377
Malpensa Distripark S.r.l.	500.000		500.000					500.000		500.000
FNMPAY S.p.A.				150.000				150.000		150.000
Total equity investments in subsidiaries	**50.718.413**	**(5.650.189)**	**45.068.224**	**515.377**	**(10.329)**		**(2.230.000)**	**51.223.461**	**(7.880.189)**	**43.343.272**

Impairment Test
The impact of COVID-19 on operations and on the business performance of some investees operating in the passenger transport sector by road and rail was a trigger event, which in accordance with IAS 36, has required a test of the recoverability of the carrying amount of the equity investments.
In fact, the bans on mobility and traffic, as well as the closure of school activities, envisaged by the provisions issued, generated a significant reduction in the demand for transport and consequently in traffic revenues. The economic effects on the current year were mitigated by the Laws issued in order to support the public transport sector. Furthermore, all Group companies have taken actions to limit the negative impacts of the emergency, by reducing the main cost items.
In this context, Directors, with the support of an independent expert, performed the impairment test on all investments in subsidiaries operating in the business of road transport and on the joint subsidiary investment in Trenord S.r.l. operating in rail passenger transport.

La Linea S.p.A.
La Linea S.p.A currently operates as subcontractor of PLT service in the Verona, Padua and Venice basins, and operates through its subsidiary Martinibus, a tourist transport service in the Venice area. The recoverable value of the investee, considered as the value in use, was determined through two alternative scenarios, with the same probabilities of occurrence.

Expected future cash flows used in this analysis are taken from the long-term plan approved on 2 March 2021 by the directors of the investee for the 2021-2030 period. The plan provides for several contracts for the award or modification of services in the basins of current competence, namely in the basins of Belluno, Padua, Venice and Verona.

The recovery of pre- pandemic production volumes in 2022, with the exception of tourist transport services operated by the subsidiary Martinibus, for which a gradual return to these levels is expected in 2024.

For the purpose of the impairtment test, given the uncertainty connected with the outcome of the tender for the public transport service in Venice (in which La Linea and another competing operator participated), a second scenario was considered which did not provide for the award of the tender, resulting in a reduction both in operating flows related to in the lower scope of activities and in the investment flow foreseen in the award scenario of the above-mentioned tender.

Finally, for the estimation of the value in use a forecast period of five years (2021-2025) was considered for both scenarios, with terminal value estimate in 2026.

The rate used to discount cash flows determined as above is equal to 6.32% (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 comparable sector companies.

The impairment test, carried out based on the above methodology through the configuration of the value of use, point out a recoverable amount equal to 3.625 thousand Euro and consequently brought to light an impairment loss of in the value of the equity investment of EUR 1,860 thousand.

The Directors consider that the fair value of this equity investment does not differ significantly from the value of use commented above.

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.

Below are the writedowns in millions of Euros that would occur when these parameters were changed:

Sensitivity Analysis at WACC and at g rate of the impairment of						
		WACC				
		5,32%	**5,82%**	**6,32%**	**6,82%**	**7,32%**
g rate	**-1,0%**	-1,49	-1,89	-2,22	-2,52	-2,78
	-0,5%	-1,23	-1,68	-2,05	-2,38	-2,66
	0,0%	-0,93	-1,43	-1,86	-2,21	-2,62
	0,5%	-0,56	-1,14	-1,62	-2,03	-2,37
	1,0%	-0,10	-0,79	-1,35	-1,80	-2,19

In order to avoid an impairment loss, a not superior WACC of 4.59% and a g-rate at least of +2.57% should be considered.

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.
The expiry of the current service contract, originally planned for 30 June 2019, was extended to 31 December 2021. On 6 December 2017 the Provincial Council of Verona approved the restricted

procedure for the choice of the operator and by the deadline set in May 2018, ATV submitted the proposal for an expression of interest to take part in the public tender for the award of the local public transport service (LPT) for a contract duration of 7 years, with the possibility of renewal for a further two years.However, on December 2020, by resolution 131 of the President of the Province of Verona, the direction was given to continue the procedure to suspend the tender, which had begun in September 2020, with resolutions to that effect by the Municipality of Verona and the Municipality of Legnago. Article 92 c.ter of Decree Law 18/2020 has in fact provided for the possibility that all ongoing award procedures may be suspended for a maximum of 12 months from the end of the emergency. The reasons cited in the resolution are the uncertainties related to the future scenarios of the Verona LPT post-COVID-19 and those related to the evolution of the project for the construction of the urban trolleybus in the Municipality of Verona.

In this context, the recoverable amount of the equity investment, considered as the value in use, was determined by applying a multi-scenario analysis with different probabilities of occurrence, based on assumptions relating to the renewal of the service contract and the cost-effectiveness of the call for tenders.

Expected future cash flows used in the analysis are taken from the long-term plan for the 2021-2030 period (corresponding to ten years in case of awarding of the service contract tender), approved on 5 March 2021 by the Directors of the investee. This plan includes assumptions of evolution of revenues and costs on the basis of historical trends.

The economic-financial forecasts contained in the plan prepared by ATV management and taken as references for impairment testing include the case of the award of the service via a tender to ATV as of 2025 on the basis of a narrower perimeter of services than that currently provided by ATV, as a result of the envisaged activation of the trolleybus service managed by another operator.

It is assumed that both lots of the tender will be awarded, by virtue of the appeal with the TAR (Regional Administrative Court), filed by ATV, on 11 January 2018, 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.

Among the assumptions used in the plan, in addition to the above, the Directors of ATV had considered:

i) an average fee increase of 10% in 2022 applied to all traffic revenues,
ii) return to pre-pandemic traffic revenue volumes in 2023;
iii) increase in demand equal to 1% average per year;
iv) from 2025 production and base fee consistent with what is provided today by the tender procedure.

As anticipated, the *impairment* test was determined by applying a multi-scenario analysis with different probabilities of occurrence.

Particularly, in the first scenario, given the orientation of the new targets of the calls for tender, which favour operators making investments in environmentally sustainable buses (currently less cost effective with the public contribution remaining the same), the conditions of the call might not be economically viable, as the service contract would not allow for the adequate remuneration of such high investments. In this case ATV, in the absence of a review of the economic conditions of the tender notice or of a higher public contribution to investments in low-emission buses, would not participate in the Tender and would operate until the start of the service by the new contractor scheduled for 1 January 2025; this hypothesis would consequently foresee that the company would be liquidated in 2025.

In the second scenario it is expected that, given the actually unfavourable tender conditions, the tender will be deserted and, until the contracting authority has launched a new tender, ATV would continue its LTP activity until the end of the plan (2030) and then would subsequently be liquidated. This scenario envisaged the preparation of an investment plan that excludes investments in eco-sustainable buses that ATVs would have had to support to participate in the tender and that restores operating conditions that do not include the activation of the trolleybus.

In consideration of the inexpensiveness of the tender, the Directors of FNM, in carrying out the impairment test, attributed a significantly higher probability of realization to the first scenario.

The rate used to discount cash flows determined as above is equal to 6.32% (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 comparable sector companies.
The impairment test developed according to the above methodology point out a recoverable amount, through the configuration of the value of use, equal to Euro 20,342 thousand, and consequently brought to light an impairment loss of in the value of the equity investment of EUR 220 thousand.

The Directors consider that the fair value of this equity investment does not differ significantly from the value of use commented above.

A sensitivity analysis was carried out considering a change in the WACC discount rate.

Below is the change in impairment loss in millions of Euros that would occur when this parameter changes:

Sensitivity Analysis at WACC				
WACC				
5,32%	5,82%	6,32%	6,82%	7,32%
0,30	0,04	- 0,21	-0,45	-0,68

In order to avoid an impairment loss, a not superior WACC of 5.80% should be considered.

FNM Autoservizi S.p.A.
The subsidiary currently operates as a concessionaire of shares of road public transport services in the provinces of Varese and Brescia, and as owner in A.T.I. (Temporary Association of Enterprises) with ASF Autolinee of the Service Contract in the province of Como, as well as as support operator for Trenord for "train replacement" services.
The recoverable value of the investment, considered as the value in use, was determined by applying two alternative scenarios with different probability of occurrence.
The expected future cash flows used in this analysis are taken from the 2021-2024 multi-year plan approved by the company's BoD on 26 February 2021.
This plan provides that the local public transport service currently operated in the Varese, Como and Brescia basins will be awarded through a tender to be published soon; it is assumed that the service can be entrusted to new operators in all basins starting from January 1, 2025.
It is assumed that the FNM Group, should the new contractor of the service starting from 2025, operate these services through a new company (NewCo.) and not through FNM Autoservizi, which will cease operations on 31 December 2024 and will subsequently be liquidated.

On the basis of these flows, a multi-scenario analysis was developed considering the manifestation of two events, starting from the tender for the award of LPT services in the Varese, Como and Brescia basins. The events therefore concern the award or not of the tender and respectively configure two scenarios:

- FNMA wins the tender; the establishment of a NewCo is therefore envisaged, which will operate as the successful tenderer for the termination of the FNMA activity at the end of 2024, with the subsequent liquidation of the capital invested in 2025;
- the tender is not announced and, therefore, FNMA continues its activity until the end of the plan (2030); in this case, FNMA will replace the existing fleet with natural gas buses.

The explicit forecast time horizon of the first scenario is from 2021 to 2024, with cessation of operations at the end of 2024 and subsequent liquidation of the invested capital in 2025. For the second scenario, the explicit forecast horizon reaches 2030 with liquidation of the invested capital in 2031.
In consideration of the future call for competition, the Directors of the Company, in carrying out the impairment test, attributed a significantly higher probability of realization to the first scenario.

The rate used to discount cash flows determined as above is equal to 6.32% (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 test, carried out based on the above methodology, did not reveal any situations of impairment.
A sensitivity analysis was carried out considering both a change in the WACC discount rate.
Below is the change in impairment loss in millions of Euros that would occur when this parameter changes:

Sensitivity Analysis at WACC				
WACC				
5,32%	5,82%	6,32%	6,82%	7,32%
0,54	-5,18	-4,91	-4,65	-4,40

The break-even WACC that leads to a cover value of zero is 20.75%.

E-Vai S.r.l.
The recoverable amount of the equity investment, through the configuration of the value of use, was determined using expected future cash flows taken from the long-term plan approved on 25 February 2021 by Directors of the investee for the 2021-2030 period, 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).

The assessment was not determined on a multi-scenario analysis, as the subsidiary does not operate through service contracts, which involve participation or not in local public transport service tenders.
The estimated terminal value was calculated by projecting an average EBITDA flow for the period 2023-2025, to contain the effects of the growth forecast over the plan period.

The rate used to discount cash flows determined as above is equal to 6.70% (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 point out a recoverable amount, through the configuration of the value of use, equal to Euro 1,886 thousand, and consequently brought to light an impairment loss of in the value of the equity investment of EUR 150 thousand.

The Directors consider that the fair value of this equity investment does not differ significantly from the value of use commented above.

A sensitivity analysis was carried out considering a change in the WACC discount rate and the g-rate growth rate in the terminal value calculation.
Below is the change in impairment loss in millions of Euros that would occur when this parameter changes:

Sensitivity Analysis at WACC and at g rate of the impairment of						
		WACC				
		5,70%	6,20%	6,70%	7,20%	7,70%
g rate	-1,0%	0,00	- 0,21	- 0,40	- 0,56	- 0,71
	-0,5%	0,16	- 0,08	- 0,28	- 0,47	- 0,63
	0,0%	0,35	0,08	- 0,15	- 0,35	- 0,53
	0,5%	0,57	0,26	0,00	- 0,23	- 0,42
	1,0%	0,84	0,48	0,18	- 0,08	- 0,30

In order to avoid an impairment loss, a WACC not above of 6.37% and a g-rate not lower of +0.49% should be considered.

Other changes in investee
NORD_ING S.r.l
On 10 June 2020, FNM S.p.A. divested its shares, amounting to 20% of the share capital to FERROVIENORD S.p.A., NORD_ING S.r.l. is directly owned by FERROVIENORD S.p.A.

Malpensa Intermodale S.r.l.
On 21 May 2020, in relation to the losses incurred by the subsidiary in the year 2019 resulting in the circumstances governed by Article 2482 *bis*, the Company, as Sole Shareholder, made a payment to cover losses.

FNMPAY S.p.A.
On 7 October 2020, the company FNMPAY *S.p.A.*– wholly owned by FNM – was established which, upon obtaining the necessary authorisation from the Bank of Italy, will provide the service of agreement of payment transactions pursuant to art. 1, paragraph 2, lett. h)-septies.1), number 5) of Legislative Decree 385/1993. The subsidiary will play an active role in managing the acceptance of payments via POS (physical and virtual) by the companies of the FNM Group, which currently entrust this activity to third-party companies, as well as certain companies outside the Group operating in the transport sector, with predominant focus in the regions of Northern Italy and shared mobility at national level. It is expected that the company, subject to obtaining the aforementioned authorisation from the Bank of Italy, will be able to start up its business during 2021.

Equity investments in joint ventures
Investments in joint ventures are shown in the following table:

Description	31.12.2019			Changes in 2020				31.12.2020		
	Cost	(Impairment)	Book value	Increases	(Decreases)	Reclassification	(Impairment)/ Reversal of impairment losses	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		(229.488)		(23.512)	23.512	(23.512)	
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
Equity investments in joint ventures	**48.860.674**		**48.860.674**		**(229.488)**		**(23.512)**	**48.631.186**	**(23.512)**	**48.607.674**

Sems S.r.l. in liquidation
The decrease in the investment, amounting to EUR 229 thousand, is due to the distribution of the residual share capital resulting from the final distribution plan drawn up by the liquidators for the final liquidation financial statements as at 30 June 2020. On 18 November 2020 the company stopped doing business.

Trenord S.r.l.
The impact of COVID-19 on operations and on the business performance of the investee was a trigger event, which in accordance with IAS 36, required a test of the recoverability of the carrying amount of the equity investment.

The impairment test was developed using the economic and financial projections for the period 2021-2031 approved by the Board of Directors of Trenord on 15 February 2021.

Since the current situation of continuous variability and uncertainty regarding the overall general conditions as well as those specific to Trenord's business sector following the COVID-19 pandemic make it very difficult to develop medium/long-term forecasts, which are strongly conditioned by the effects of the post-pandemic recovery, Trenord's management has developed three different scenarios for the 2021-2031 projections, which are based on two contextual elements, namely the (i) extension of the Service Contract to 31 December 2021 and (ii) the assignment to Trenord of the new Service Contract as of 1 January 2022 or until 31 December 2031.
These assumptions underlying the plan are consistent with the provisions of Regional Law no. 26 of 28 December 2020, which ordered the extension of the current Service Contract for the year 2021 and which amended the pre-information notice of direct assignment to Trenord of the new service contract for 10 years, communicating that the 10-year term will take effect from 1 January 2022.
The following assumptions are at the basis of the economic projections approved by Trenord Directors:

1. Traveller demand and traffic revenues: estimates for the years 2022-2023 are developed from the model used for the 2020 monitoring and 2021 Budget forecasts based on classifying customers by different clusters of behaviour. A recovery curve for travellers carried was assumed for subsequent years with the assumption of a return to 2019 levels
2. Service Contract consideration: for the year 2021 the Service Contract compensation was valued according to the contract in force for the years 2015-2021 with and without compensation measures, the latter assumed in a manner similar to what happened for the year 2020. For the following years 2022-2031, the New Service Contract will foresee revenues from consideration through the definition and calculation based on the model of the Regulatory Economic - Financial Plan provided for by the reference legislation and ART Resolution no. 154/2019;

3. Other elements (Operating Plan, operating costs, investments, etc.) were assumed to be stable over time, indexed to inflation and contractual adjustments, without further incremental and/or innovative effects, according to IAS 36.

Due to the pre-information notice relating to the assignment to Trenord, as also confirmed by Regional Law no. 26 of 28 December 2020, an alternative scenario of non-awarding of the tender was not considered, but a single scenario of awarding the tender consistently with the projections approved by Trenord Directors was assumed.

With reference instead to the period beyond the plan horizon, a single going concern scenario was considered with an estimate of the terminal value on the basis of an EBITDA flow equal to the average of the years 2021-2031 and an EBIT obtained by subtracting from the average EBITDA depreciation, assumed equal to investments. Only one scenario was considered for the purposes of the impairment exercise in view of the current market positioning of the investee in the reference economic context and in light of the complexity of the managed service, which makes the eventuality of a termination of service remote to 2031.

The rate used to discount cash flows determined as above is equal to 7.30% (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 reveal any situations of impairment.

A 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.

Below are the writedowns in millions of Euros (with a negative sign) that would occur when these parameters were changed:

Sensitivity Analysis al WACC e al g rate dell'impairment di TRENORD						
		WACC				
		7,30%	7,80%	8,30%	8,80%	9,30%
g rate	-1,0%	11,00	5,30	-	- 4,80	- 9,20
	-0,5%	13,00	6,90	1,40	- 3,60	- 8,20
	0,0%	15,20	8,80	3,00	- 2,30	- 7,10
	0,5%	17,70	10,90	4,70	- 0,80	- 5,80
	1,0%	20,70	13,30	6,70	0,90	- 4,40

The break-even WACC that leads to a cover value of zero is 8.58% and a g-rate of -5.76%.

Furthermore, as a mere additional sensitivity exercise, the Directors prepared an impairment exercise assuming, when determining the terminal value, two different scenarios to which a fair probability was attributed: i) a first scenario of continuation of the service in perpetuity consistent with the basic hypothesis described above; ii) the failure to reassign the service contract at the end of 2031 and the consequent liquidation of the operating invested capital at the end of the plan at book value as required by current legislation.

Even in the presence of this sensitivity scenario, there are no impairment losses.

It should also be noted that the Shareholder has undertaken to support the investee in equity and financial terms.

Equity investments in associates
Investments in associates are shown in the following table:

Description	31.12.2019			Changes in 2020				31.12.2020		
	Cost	(Impairment)	Book value	Increases	(Decreases)	Reclassification	(Impairment)/ Reversal of impairment losses	Cost	(Impairment)	Book value
DB Cargo Italia S.r.l.	3.066.706		3.066.706					3.066.706		3.066.706
Busforfun.com Srl				492.031				492.031		492.031
Total equity investments in associates	**3.066.706**		**3.066.706**	**492.031**				**3.558.737**		**3.558.737**

BusForFun.Com
On 26 November 2020, FNM acquired 24.7% of the share capital of Busforfun.com (“Busforfun”), an innovative start-up active in the sector of tourism and commuting technologies, with an investment of EUR 492 thousand, to support development in the Italian and international markets.

Equity investments in other companies
Investments in other companies are shown in the following table:

Description	31.12.2019			Changes in 2020				31.12.2020		
	Cost	(Impairment)	Book value	Increases	(Decreases)	Reclassification	(Impairment)/ Reversal of impairment losses	Cost	(Impairment)	Book value
Milano Serravalle - Milano Tangenziali S.p.A.				85.841.614				85.841.614		85.841.614
Total equity investments in associates				**85.841.614**				**85.841.614**		**85.841.614**

Milano Serravalle - Milano Tangenziali S.p.A.
On 29 July 2020, the agreement was signed and performed for the purchase of the stake held in Milano Serravalle – Milano Tangenziali S.p.A. (hereinafter “MISE”), directly and indirectly, by ASTM, equal to 13.6% of the share capital, for EUR 85.6 million (equal to EUR 3.5 per share), of which EUR 78.3 million (equal to EUR 3.2 per share) paid on 29 July 2020, and EUR 7.3 million (equal to EUR 0.3 per share) paid on 28 January 2021.
MISE is the concessionaire for the design, construction and management of the A7 Serravalle-Milan Motorway and the North, East and West Milan Ring Roads pursuant to the concession agreement signed on 7 November 2007 (as amended by the additional deed of 15 June 2016) between MISE, as concessionaire, and ANAS S.p.A. (subsequently replaced by the Ministry of Infrastructure and Transport), as the grantor.
In addition, on 3 November 2020, FNM signed a purchase and sale agreement with Regione Lombardia for the purchase of the entire investment held by Regione Lombardia in MISE, equal to 82.4% of the share capital, for a total of EUR 519.2 million (equal to EUR 3.5 per share).
On 26 February 2021, in execution of the sale and purchase agreement, the acquisition of 82.4% of MISE's share capital from Regione Lombardia was finalised.
The acquisition was finalised after the conditions precedent set forth in the purchase and sale agreement were met, including obtaining the authorisation from the competent Antitrust Authority and authorisation from the Ministry of Infrastructure and Transport, in accordance with the concession issued on 7 November 2007 between MISE and ANAS S.p.A. (now Ministry of Infrastructure and Transport).
At the same time as the acquisition of 82,4% of MISE was completed, Autostrada Pedemontana Lombarda S.p.A. (APL) – the concessionaire company for the design, construction and

management of the motorway between Dalmine, Como, Varese, Valico di Gaggiolo and related works – exited the MISE scope of consolidation as a result of the subscription and release on the same date by Regione Lombardia of a share capital increase of APL for a total of EUR 350 million and the consequent dilution to 36.66% of the share capital of the shareholding held by MISE in APL, previously 79.29% owned.
In consideration of the 13.6% shareholding already acquired by FNM on 29 July 2020, and recognised under equity investments in other companies at 31 December 2020, as a result of the transaction completed on 26 February 2021, FNM therefore has a shareholding representing 96% of the MISE share capital. Therefore, as of 26 February 2021 MISE will be consolidated line-by-line in the consolidated financial statements of the FNM Group, on which there will be significant effects.

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	37.070.594	2.320.105	100%	37.070.594	4.337.184
FNM Autoservizi S.p.A. Milan - P.le Cadorna 14	Subsidiary	Cost	3.000.000	17.777.358	1.193.091	100%	17.777.358	11.650.000
Nuovo Trasporto Triveneto S.r.l. Milan - P.le Cadorna 14	Subsidiary	Cost	10.000	79.249	(5.651)	100%	79.249	100.000
E-Vai S.r.l. Milan - P.le Cadorna 14	Subsidiary	Cost	2.000.000	1.123.108	12.922	100%	1.123.108	1.886.559
Malpensa Intermodale S.r.l. Milan - P.le Cadorna 14	Subsidiary	Cost	500.000	495.587	(4.413)	100%	495.587	865.377
Malpensa Distripark S.r.l. Milan - P.le Cadorna 14	Subsidiary	Cost	500.000	248.475	(213.178)	100%	248.475	500.000
Azienda Trasporti Verona S.r.l. Verona - Lungadige Galtarossa 5	Subsidiary	Cost	15.000.000	33.012.312	2.324.173	50%	16.506.156	20.232.000
La Linea S.p.A. Venice - Via della Fisica 30	Subsidiary	Cost	3.160.000	7.163.498	337.252	51%	3.653.384	3.622.152
FNMPAY S.p.A. Milan - P.le Cadorna 14	Subsidiary	Cost	150.000	102.585	(47.415)	100%	102.585	150.000
Trenord S.r.l. Milan - P.le Cadorna 14	Joint Venture	Cost	76.120.000	86.929.112	(7.045.185)	50%	43.464.556	38.060.000
NORD ENERGIA S.p.A. Milan - P.le Cadorna 14	Joint Venture	Cost	10.200.000	17.338.280	4.688.423	60%	10.402.968	6.194.267
NordCom S.p.A. Milan - P.le Cadorna 14	Joint Venture	Cost	5.000.000	13.947.544	534.557	58%	8.089.575	743.407
Omnibus Partecipazioni S.r.l. Milan - P.le Cadorna 14	Joint Venture	Cost	20.000	9.759.138	2.413.552	50%	4.879.569	3.610.000
Busforfun.com Srl Venice - Via Bottenigo 217	Joint Venture	Cost	13.280	395.194	(186.147)	24,7%	97.613	492.031
DB Cargo Italia S.r.l. Milan - P.le Cadorna 14	Associate	Cost	3.000.100	25.426.567	4.571.937	40%	10.170.627	3.066.706
Milano Serravalle - Milano Tangenziali S.p.A. Assago - Via del Bosco Rinnovato 4/b	Other compani	Cost	93.600.000	606.996.408	5.041.215	13,6%	82.551.511	85.841.614

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 2020 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
Other financial receivables			
(LESS) IFRS 9 Impairment Provision		(5.989)	(5.989)
Provision for financial bad debts and current accounts from subsidiaries			
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	5.000.000	43.335.216	48.335.216
Financial Receivables measured at fair value	**5.000.000**	**43.335.216**	**48.335.216**

This item at 31 December 2019 is broken down in the following table:

Description	31.12.2020		
	Non Current	Current	Total
Other financial receivables		38.323	38.323
Provision for financial bad debts		(38.323)	(38.323)
Financial receivables	-	-	-
La Linea Loan	933.333	233.333	1.166.666
Receivables current accounts from subsidiaries		273.916	273.916
(LESS) IFRS 9 Impairment Provision		(5.989)	(5.989)
Financial receivables from related parties (Note 34)	**933.333**	**501.260**	**1.434.593**
Total	**933.333**	**501.260**	**1.434.593**
Financial receivable from Finlombarda - Special treasury management agreement			
Financial Receivables measured at fair value			

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.

At 31 December 2020, finance lease, which related to locomotives leased to investee companies belonging to the FNM Group, were terminated.

The financial receivable recorded at 31 December from Locoitalia was entirely repaid on 10 March 2020 as set forth in the contract for the sale of the equity investment.

Current account receivables from subsidiaries include EUR 62 thousand (EUR 304 thousand at 31 December 2019) relative to the current account receivable from Malpensa Intermodale S.r.l. and EUR 98 thousand (EUR 22 thousand at 31 December 2019) of the current account receivable from Malpensa Distripark S.r.l.

The balance also includes the receivable from Locoitalia, prior to the sale, amounting to EUR 113 thousand.

The "Financial receivable from Finlombarda - Special treasury management contract" was fully repaid on 29 July 2020 (EUR 48,352 thousand at 31 December 2019), as the contractual maturity date was reached on 21 July 2020.
The item referred to the credit facility for Finlombarda S.p.A. of cash surpluses identified following the issue of the corporate bond, in 2015 for EUR 58,000 thousand. The receivable also included the interest income accrued of EUR 352 thousand.

The receivable was classified among financial assets at fair value through profit or loss because the cash flows were not represented solely by payments of principal and interest on the amount of the principal to be repaid.

Effective rates of the return on receivables are indicated below:

Description	2020	2019
Receivable for - Special Treasury Management Agreement	1,49%	1,490%
Finance lease receivables	2.27% - 13.1%	2.27% - 13.1%
Locoitalia - La Linea Loan	1.65% - 3%	3%
Receivables current accounts from subsidiaries	0,02%	0,02%

NOTE 6 DEFERRED TAX ASSETS AND LIABILITIES

(Amounts in thousands of Euro)

Description	31.12.2020	31.12.2019	Change
Deferred tax assets	6.908	6.466	442
Deferred tax liabilities	212	406	(194)
Net deferred tax assets	**6.696**	**6.060**	**636**

Changes in net deferred tax assets for the year are shown below:

(Amounts in thousands of Euro)

Description	31.12.2020	31.12.2019	Change
Balance at the start of the year	**6.060**	**4.940**	**1.120**
Allocated to income statement	645	1.097	(452)
Allocated to shareholders' equity	(9)	23	(32)
Balance at the end of the year	**6.696**	**6.060**	**636**

Deferred tax assets and liabilities are mainly generated from temporary differences 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 31.12.2019	Balance 01.01.2019	Allocated to income statement	Allocated to shareholders' equity	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
Owned locomotives leased to third parties			-		-
TAF Rolling stock					-
Plant, property and equipment write-backs, impairments and depreciation	4.661	630			5.291
Impairment of Receivables	222	-			222
Total	**5.834**	**609**	**23**	**-**	**6.466**

Deferred tax assets 31.12.2020	Balance 01.01.2020	Allocated to income statement	Allocated to shareholders' equity	Reclassification	Balance 31.12.2020
Capital gains	65				65
Allocation	639	(60)			579
Post-employment benefit valuation	77	(27)	(9)		41
Intangible assets	172	(97)			75
Plant, property and equipment write-backs, impairments and depreciation	5.291	633			5.924
Impairment of Receivables	222	-			222
Total	**6.466**	**449**	**(9)**	**-**	**6.906**

Deferred tax liabilities

(Amounts in thousands of Euro)

Deferred tax liabilities 31.12.2019	Balance 01.01.2019	Allocated to income statement	Allocated to shareholders' equity	Reclassification	Balance 31.12.2019
Capital gains	76	(30)			46
Property, plant and equipment	818	(458)			360
Total	**894**	**(488)**	**-**	**-**	**406**

Deferred tax liabilities 31.12.2020	Balance 01.01.2020	Allocated to income statement	Allocated to shareholders' equity	Reclassification	Balance 31.12.2020
Capital gains	46	(25)			21
Property, plant and equipment	360	(171)			189
Total	**406**	**(196)**	**-**	**-**	**210**

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	31.12.2020	31.12.2019
Receivables from third parties	1.746.714	2.091.113
(LESS) Provision for bad debts	(99.586)	(99.586)
(LESS) IFRS 9 Impairment Provision	(43.226)	(43.226)
Trade receivables	**1.603.902**	**1.948.301**
Trenord S.r.l.	35.095.396	16.230.592
FERROVIENORD S.p.A.	2.496.505	1.852.538
FNM Autoservizi S.p.A.	1.030.183	116.886
ATV S.p.A.	368.475	373.453
DB Cargo Italia S.r.l.	258.558	457.495
La Linea Spa	143.582	91.911
Fuorimuro Servizi Portuali e Ferroviari S.r.l.	137.411	169.419
NordCom S.p.A.	71.536	27.467
E-Vai S.r.l.	71.054	46.576
Locoitalia	36.443	4.148
Nord_Ing S.r.l.	34.613	53.427
Malpensa Distripark S.r.l.	18.953	27.863
ASF Autolinee S.r.l.	17.752	9.222
FNM PAY	12.496	
NORD ENERGIA S.p.A.	7.343	11.022
Malpensa Intermodale S.r.l.	6.438	70.006
NTT Srl	310	310
SeMS S.r.l. in liquidation		838
(LESS) IFRS 9 Impairment Provision	(57.781)	(57.781)
Trade receivables from related parties (Note 34)	**39.749.267**	**19.485.392**
Total	**41.353.169**	**21.433.693**

"Receivables from third party customers" decreased in relation to the different timing of collection from the trade counterparty.

Trade receivables from related parties increased mainly in relation to the investee in joint venture company due to a lengthening of the collection period compared to the previous year.

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 2020 and 31 December 2019.

NOTE 8 OTHER CURRENT AND NON-CURRENT RECEIVABLES AND TAXES

The next tables show items relative to "Other receivables" for 2020 and 2019:

Description	31.12.2020		
	Non Current	Current	Total
Tax receivables		7.717.848	7.717.848
Receivable for contractual advance		69.600	69.600
Receivables in insolvency proceedings		1.511.346	1.511.346
Prepayments		457.852	457.852
Receivables from others	132.793	8.065.273	8.198.066
(Less) Provision for bad debts		(1.511.346)	(1.511.346)
(LESS) IFRS 9 Impairment Provision		(22.673)	(22.673)
Other receivables	**132.793**	**16.287.900**	**16.420.693**
Other receivables from related parties (Note 34)		**2.487.800**	**2.487.800**
Total	**132.793**	**18.775.700**	**18.908.493**
Tax receivables		2.187.143	2.187.143

Description	31.12.2019		
	Non Current	Current	Total
Tax receivables		7.240.149	7.240.149
Receivable for contractual advance		3.405.261	
Receivables in insolvency proceedings		1.511.346	1.511.346
Prepayments		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**	**10.241.672**
Other receivables from related parties (Note 34)		**5.288.137**	**5.288.137**
Total	**1.780**	**18.933.290**	**15.529.809**
Tax receivables			

Other receivables

Tax receivables
Current tax receivables refer to VAT receivables for which a refund has already been requested, amounting to EUR 7,223 thousand (EUR 7,223 thousand at 31 December 2019), as well as to the Group VAT receivable of EUR 185 thousand (EUR 17 thousand at 31 December2019)
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 in insolvency proceedings
"Receivables in insolvency proceedings" were written down entirely in the specific "provision for bad debts".

Prepayments
Current deferred charges refer to deferrals for insurance policies for EUR 89 thousand (EUR 64 thousand at 31 December 2019), 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 150 thousand (EUR 235 thousand at 31 December 2019), as well as credit notes to be received for EUR 74 thousand (EUR 74 thousand at 31 December 2019).
The item also includes the costs incurred for development projects pertaining to future years for EUR 4,745 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 2020 and 31 December 2019.

Other receivables - related parties
Other receivables from related parties include:

Description	31.12.2020	31.12.2019
NORD ENERGIA SpA	1.802.426	2.154.561
Locoitalia S.r.l.	309.994	279.879
NordCom SpA	184.030	179.446
E-Vai S.r.l.	144.258	152.491
Malpensa Intermodale S.r.l.	37.961	
NORD_ING S.r.l.	11.879	18.524
FERROVIENORD SpA	7.357	2.495.421
SeMS S.r.l. in liquidation		15.020
Total subsidiary companies (Note 34)	**2.497.905**	**5.295.342**
Lombardy Region		2.900
Total related parties	**2.497.905**	**5.298.242**
(LESS) IFRS 9 Impairment Provision	(10.105)	(10.105)
Total related parties (Note 34)	**2.487.800**	**5.288.137**

Receivables from subsidiaries refer to tax receivables: they include the items arising from Tax Consolidation for EUR 27 thousand (EUR 3,030 thousand at 31 December 2019) and Group VAT for EUR 2,461 thousand (EUR 2,255 thousand at 31 December 2019).
The change in the receivable for tax consolidation is due to the different exposure of the subsidiary FERROVIENORD - payable (EUR 2,487 thousand at 31 December 2019) and Nord Energia - payable (EUR 404 thousand at 31 December 2019).
The balance of the Group's VAT receivable varies mainly due to the receivable from Nord Energia amounting to EUR 1,802 thousand (EUR 1,636 thousand at 31 December 2019).

NOTE 9 CASH AND CASH EQUIVALENTS

The next table shows how this item is broken down:

Description	31.12.2020	31.12.2019
Bank and postal deposits	101.917.716	136.592.002
Cash and cash equivalents	9.775	9.926
(LESS) Impairment IFRS 9	(657.438)	(657.438)
Total	**101.270.053**	**135.944.490**

The Company manages the liquidity of the other Group companies in cash pooling; therefore, in view of cash on bank deposits of EUR 101,918 thousand, FNM has giro accounts receivable of EUR 160 thousand (EUR 327 thousand at 31 December 2019) and giro accounts payable of EUR 125,056 thousand (EUR 166,335 thousand at 31 December 2019), including interest, represented below:

Amounts in thousands of Euro

Description	31.12.2020	31.12.2019
Malpensa Intermodale	62	304
Malpensa Distripark	98	23
Total receivables	**160**	**327**
FERROVIENORD	78.525	123.825
Nord Energia	20.185	18.009
NordCom	10.231	9.552
Corporate bodies	6.814	5.287
Fnm Autoservizi	7.720	4.975
Locoitalia	0	2.473
E-Vai	1.148	1.427
Nord_Ing	420	377
Sems		362
Trenord	13	48
Total payables	**125.056**	**166.335**

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

In consideration of the sales of the equity investments held in Locoitalia and Fuorimuro, completed on 10 March 2020, at 31 December 2019 the equity investments were reclassified to the items "Assets held for sale".

Description	31.12.2020	31.12.2019
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 31.12.2020		**2.674.040**

The sale of Locoitalia S.r.l. of the shares held by FNM to Tenor S.r.l. was closed after the completion of the partial and proportional demerger of the company in Locoelettriche S.r.l.
The sale of Locoitalia was completed at a price equal to EUR 1,468 thousand generating a capital gain of EUR 257 thousand. The sale of Locoelettriche S.r.l. a Railpool GmbH was completed at a price of EUR 1,567 thousand. The transaction allowed to record a net capital gain of EUR 860 thousand.
The equity investment in Fuorimuro Servizi Portuali e Ferroviari S.r.l. (49%), company valued at equity, was sold to Tenor S.r.l. for a price of EUR 530 thousand, corresponding to the carrying amount as at 31 December 2019.

NOTE 11 SHAREHOLDERS' EQUITY

The table breaks down shareholders' equity at 31 December 2020 and 31 December 2019, indicating possible uses of reserves.

Amounts in thousands of Euro

Description		31.12.2020	31.12.2019	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	15.712	14.516	1.196	A, B
	- Demerger surplus reserve	2.832	2.832		A, B, C
	- Extraordinary reserve	110.576	97.427	13.149	A, B, C
	- FTA IFRS 9	(575)	(575)		
	- Retained earnings	9.568			A, B, C
Total Reserve for indivisible profit:		*138.114*	*114.201*	*23.913*	
Reserve for actuarial Gains/(Losses)		(169)	(186)	17	
Profit for the year		23.892	23.913	(21)	
Total		**399.625**	**375.716**	**23.909**	

Key: A = to increase capital - B = to cover losses - C = to distribute to shareholders

The movements during the three previous years and related uses are shown below:

(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	Retained earnings/losses carried forward	Reserve for actuarial gains/losses	Operating result	Total
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**	**0**	**(186)**	**23.914**	**375.716**
Allocation of 2019 profit					1.196		13.150	9.568		(23.914)	
Distribution of dividends											
Reserve for actuarial gains/losses									17		17
Profit for the year										23.892	23.892
Balance at 31.12.2020	**230.000**	**6.546**	**1.078**	**165**	**15.713**	**2.832**	**110.000**	**9.568**	**(169)**	**23.892**	**399.625**

Share capital
At 31 December 2020 and 31 December 2019, 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 article 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
The voiceis increased due to the allocation of the result for 2019. In this regard, it is worth mentioning that on 27 May 2020, the Shareholders' Meeting approved the proposal of the separate financial statements of the Company and the consolidated results for the year 2019, and approved the proposal of the separate financial statements of the Parent and the consolidated results of the Group for the year 2019, and resolved to allocate profit for the year as follows:
- EUR 1,196 thousand to legal reserve;
- EUR 9,568 thousand to retained earnings;
- EUR 13,149 thousand to extraordinary reserve.

Demerger surplus reserve
During 2010, FERROVIENORD is 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 2019, as already indicated in the note on the "Legal reserve".

Retained earnings (losses)
This reserve increased due to the allocation of the result for 2019, 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 2020, from the measurement of post-employment benefit, net of the related tax effect, in accordance with IAS 19.

NOTE 12 PAYABLES TO BANKS CURRENT AND NOT CURRENT

Payables to banks at 31 December 2020 and 31 December 2019 are broken down as follows:

Description	31.12.2020		
	Non Current	Current	Total
Term Loan Facility		50.000.000	50.000.000
BEI Funding	41.688.387	8.243.747	49.932.134
Payables to banks	**41.688.387**	**58.243.747**	**99.932.134**

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**

The item "Term Loan Facility" pertains to the facility 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 recorded as at 31 December 2020 refers to the amount of EUR 50.000 thousand disbursed on 14 September 2018 and recognised according to the amortised cost criterion.
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.

At the same time as the signing of the aforementioned short-term credit line taken out on 28 January 2021 from a pool of banks consisting of Intesa Sanpaolo S.p.A., JPMorgan Chase Bank, N.A., Milan Branch and BNP Paribas Italian Branch, as the financing entities of the MISE acquisition transaction, on 29 January 2021 FNM extinguished in full the loan taken out on 7 August 2018, as it was no longer consistent with the Group's financial structure, repaying in advance the entire amount used of EUR 50 million and waiving the additional "Revolving Credit Facility" line, for a maximum of EUR 50 million , which had not yet been used. The item "Term Loan Facility" was therefore reclassified under current payables to banks.
At the end of 31 December 2021, those covenants are fulfilled.

The item "EIB funding" is entirely attributable to the disbursement of the loan entered into between the Parent Company and the European Investment Bank on 21 December 2017, for a total maximum amount of EUR 50 million. The purpose of the loan is to guarantee the financial coverage of the investment totalling EUR 95.1 million, pertaining to the purchase of nine 6-body electric trains to be used for the development and enhancement of the cross-border services connected with the opening of the Monte Ceneri base tunnel.

The loan was fully utilised in 2020. Specifically, the first tranche of EUR 10 million was used on 20 March 2020, and the second tranche of EUR 40 million was used on 12 October 2020. The first tranche of the loan has a fixed rate of 0.377%, with six-year maturity and repayment plan in equal annual instalments with the first due date on 1 February 2021. The second tranche of the loan has a fixed rate of 0.446%, with six-year maturity and repayment plan in equal annual instalments with the first due date on 12 October 2021.
In relation to FNM's commitments under the loan agreement, on 15 January 2021 a request was sent to the EIB for consent to complete the MISE acquisition transaction and to amend the materiality thresholds for permitted extraordinary transactions and financial covenants.
The EIB granted its approval to the acquisition transaction and thus amended the financial covenants, calculated on the Group's consolidated financial statements, with effect from 3 March 2021:

o NFP/Shareholders' equity ≤ 2.25
o NFP/EBITDA ≤ 5.85
o EBITDA/Financial expenses ≥ 5.77

At the closing date of 31 December 2020 these covenants had been complied with.
Reference is made to section 6.2 of the management report for detailed information about the Company's financial structure.

NOTE 13 CURRENT AND NON-CURRENT FINANCIAL PAYABLES

The next tables show items relative to "Financial payables" at 31 December 2020 and 31 December 2019:

Description	31.12.2020		
	Non Current	Current	Total
Payables current accounts to third parties	-	5.057.891	5.057.891
Payables for finance lease agreements	5.645.087	1.534.814	7.179.901
Accruals for interest on financial payables	-	331.276	331.276
Financial Payables	**5.645.087**	**6.923.981**	**12.569.068**
Payables current accounts to subsidiaries	-	120.011.073	120.011.073
Payables for finance lease agreements	925.560	632.581	1.558.141
Financial payables to related parties (Note 34)	**925.560**	**120.643.654**	**121.569.214**
Total	**6.570.647**	**127.567.635**	**134.138.282**

Description	31.12.2019		
	Non Current	Current	Total
Payables current accounts to third parties	-	5.015.317	5.015.317
Payables for financial 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
Payables 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**

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

Description	31.12.2020	31.12.2019
Between 1 and 2 years	1.875.737	3.529.963
Between 2 and 5 years	4.621.776	231.892
Over 5 years	73.134	
Total	**6.570.647**	**3.761.855**

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 4,895 thousand and the FNM Company Recreational Group for EUR 163 thousand). The item "Current account payables to subsidiaries" mainly refers to the cash pooling giro account with investees, of which EUR 78,525 thousand to FERROVIENORD, EUR 20,185 thousand to NORD ENERGIA, EUR 10,231 thousand to NordCom, EUR 1,148 thousand to E-Vai and EUR 7,720 thousand to FNMA.

All payables for lease agreements relate to the application of IFRS 16.

During the year financial leasing payables were paid for EUR 1,923 thousand.

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	31.12.2020		31.12.2019	
	Minimum future payments	Present value of minimum payments	Minimum future payments	Present value of minimum payments
Less than 1 year	2.289.593	8.738.042	1.749.577	5.477.197
1 - 5 years	6.831.616		3.756.647	
Over 5 years	92.398		94.805	
Total	**9.213.607**	**8.738.042**	**5.601.029**	**5.477.197**
Future interest expense	(475.565)		(123.832)	
Present value of payables related to finance leases	**8.738.042**		**5.477.197**	

Rates relative to payables from related parties for leases, exposed to interest rate risk, are revised over a period of less than 12 months.

On 21 July 2020, the full repayment took place of the bond by the name of "FNM S.p.A. 2015 – 2020", issued on 21 July 2015 and subscribed in full by Finlombarda S.p.A. With the same value date, the tenth and last half-yearly coupon was paid, amounting to EUR 342 thousand and relating to the 21 January 2020 - 21 July 2020 lending period.

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

Description	2020	2019
Payables for finance lease agreements	1,47000%	1.8% - 8.86%
Payables for cash pooling	0,002%	0,002%
Payables to bondholders	1.147% - 1.168%	1.147% - 1.168%

NOTE 14 NET FINANCIAL POSITION

The net financial position at 31 December 2020 and 2019 is broken down as follows, based on CONSOB notice no. 6064293 of July 2006 and relative notes which refer to data on the Statement of Financial Position and comment on the nature of individual items:

(Amounts in thousands of Euro)

Description	31.12.2020		31.12.2019		Notes
	Total	Of which: related parties	Total	Of which: related parties	
A. Cash	10		10		9
B. Bank and postal deposits	101.260		135.935		9
D. Liquidity (A+B)	**101.270**		**135.945**		
E. Current financial receivables	**501**	**501**	**77.407**	**77.407**	**5**
F. Current bank payables	(58.244)	-	-	-	12
G. Current portion of non-current debt	58.301	-		-	13
H. Other current financial payables	(127.568)	(120.644)	(226.618)	(221.220)	13
I. Current financial debt (F+G+H)	**(127.511)**	**(120.644)**	**(226.618)**	**(221.220)**	
J. Net current financial debt (D+E+I)	**(25.740)**	**(120.143)**	**(13.266)**	**(143.813)**	
K. Non-current bank borrowings	(41.688)	-	(49.611)	-	12
M. Other non-current financial payables	(6.571)	(926)	(3.762)	(3.530)	13
N. Non-current financial debt (K+L+M)	**(48.259)**	**(926)**	**(53.373)**	**(3.530)**	
O. Net financial debt (J+N)	**(73.998)**	**(121.068)**	**(66.639)**	**(147.343)**	

The item “E. Current financial receivables” (Note 5) decreased following the repayment on 29 July 2020 of the financial receivable from Finlombarda for the “Special treasury management contract” (EUR 48,352 thousand at 31 December 2019), as the contractual maturity date was reached on 21 July 2020. The balance at 31 December 2019 also included the loan provided to the subsidiary Locoitalia, which was fully collected on 10 March 2020.

Other current financial payables (Note 13) mainly included EUR 58,000 thousand for the bond issue maturing on 21 July 2020, which was paid off at maturity. The item includes the balance of giro accounts in cash pooling towards the joint ventures and towards the corporate entities for a total of EUR 125,055 thousand (EUR 166,335 thousand at 31 December 2019).

NOTE 15 OTHER NON-CURRENT LIABILITIES

The next tables show the item at 31 December 2020 and 31 December 2019:

Description	31.12.2020		
	Non Current	Current	Total
Personnel		2.438.938	2.438.938
Capital grants	1.099.021	39.251	1.138.272
Social security agencies		288.259	288.259
Security deposits	36.963		36.963
Corporate Bodies		11.905	11.905
Payables for investment purchase		7.341.367	7.341.367
Others	1.588.041	1.016.979	2.605.020
Other liabilities	**2.724.025**	**11.136.699**	**13.860.724**
FERROVIENORD S.p.A.	199.186	8.513.232	8.712.418
FNM Autoservizi S.p.A.	17.429	2.304.830	2.322.259
NordCom SpA	9.959	33.369	43.328
DB Cargo Italia S.r.l.		6.086	6.086
E-Vai S.r.l. (formerly FN Mobilità Sostenibile S.r.l.)	1.245	2.183	3.428
Corporate Bodies		79.234	79.234
Nord_Ing S.r.l.	3.735	12.491	16.226
NORD ENERGIA SpA	3.735	246.654	250.389
Trenord S.r.l.		48.790	48.790
Malpensa Intermodale		151.286	151.286
Malpensa Distripark		69.152	69.152
Locoitalia Srl		145.179	145.179
Capital grants Region of Lombardy	5.387.645	1.299.384	6.687.029
Other liabilities to related parties (Note 34)	**5.622.934**	**12.911.870**	**18.534.804**
Total	**8.346.959**	**24.048.569**	**32.395.528**

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 Region of Lombardy	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**

Other liabilities - Personnel and social security institutes

Payables to personnel refer to December 2020 amounts paid in January 2021 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 2019.

Payable for investment purchase

The item “Payables for investment purchase” is entirely attributable to the second tranche to be paid to the ASTM Group for the purchase of the equity investment of 13.6% of the share capital held in Milano Serravalle - Milano Tangenziali S.p.A., which took place on 29 July 2020, for a total amount of EUR 85,649 thousand. The first tranche, amounting to EUR 78,308 thousand, was paid at the date of purchase. The amount was paid in full on 28 January 2021.

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 1,564 thousand in other non-current liabilities, and EUR 314 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 7,577 thousand (EUR 7,566 thousand at 31 December 2019), in particular to FERROVIENORD, for EUR 6,937 thousand (EUR 7,134 thousand at 31 December 2019), and FNM Autoservizi, for EUR 630 thousand (EUR 411 thousand at 31 December 2019).

The item includes items arising from Tax Consolidation for EUR 3,784 thousand (EUR 1,580 thousand at 31 December 2019), mainly to FNM Autoservizi for EUR 1,666 thousand (EUR 1,277 thousand at 31 December 2019), to Locoitalia for EUR 145 thousand, to Malpensa Intermodale for EUR 151 thousand (EUR 128 thousand at 31 December 2019) and to Malpensa Distripark for EUR 69 thousand (not present at 31 December 2019), 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. Also included are payables arising from higher advances paid with respect to the tax charge for the year to FERROVIENORD for EUR 1,477 thousand (a credit of

EUR 2,487 thousand at 31 December 2019) and payables to Nord Energia for EUR 245 thousand (a credit of EUR 2,487 thousand at 31 December 2019).

The balance of grants received at 31 December 2020 in relation to investments made in previous years amounted to EUR 7,690,803 (Note 1). This amount consists of:

Lombardy Region capital grants
Capital grants were disbursed by Regione Lombardia 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	31.12.2020	31.12.2019
Present value of the post-employment benefit liability, calculated on the basis of demographic and financial assumptions	1.430.165	1.656.026
Total	**1.430.165**	**1.656.026**

The amount of the cost recognised in the income statement relative to post-employment benefit is broken down as follows:

Description	2020	2019
Cost of services and interest	8.697	23.716
Total	**8.697**	**23.716**

The change in the liability relative to post-employment benefit is shown below:

Description	31.12.2020	31.12.2019
Debt at the start of the year	**1.656.026**	**1.740.201**
Actuarial gains	(24.577)	82.702
Cost of services and interest	8.144	25.480
Uses/Transfers	(209.428)	(192.357)
Debt at the end of the year	**1.430.165**	**1.656.026**

The following main actuarial assumptions were used:

Description	2020	2019
Discount rate	0,35	0,70
Annual rate of compensation increase	1,50	1,50
Annual rate of inflation	1,00	1,50
Annual rate of post-employment benefit increase	2,25	2,64

The annual discounting rate, used to determine the present value of the obligation, was inferred from the Iboxx Eurozone Corporate AA index (0.35% at 31 December 2020) 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:

Annual discount rate	**0,50%**	**-0,50%**
Post-employment benefits	1.377.513	1.486.039

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 2020 and 2019 comprise the following:

Description	**31.12.2020**	**31.12.2019**
Third party suppliers	67.232.691	14.443.336
Trade payables	**67.232.691**	**14.443.336**
Trenord S.r.l.	2.687.627	2.693.083
NordCom SpA	1.081.874	843.757
FERROVIENORD SpA	350.288	453.348
Locoitalia	155.473	64.960
E-Vai S.r.l. (formerly FN Mobilità Sostenibile S.r.l.)	54.934	18.625
Finlombarda S.p.A.		16.858
Malpensa Intermodale SRL	7.839	
FNM Autoservizi SpA	7.499	8.344
Malpensa Distripark Srl	6.176	
NORD_ING S.r.l.	4.275	17.392
Trade payables to related parties (Note 34)	**4.355.985**	**4.116.367**
Total	**71.588.676**	**18.559.703**

“Third-party trade payables” increased in relation to the greater investments made during the year. Trade payables for rolling stock at 31 December 2020 amounted to EUR 62,266 thousand (EUR 10,886 thousand at 31 December 2019).

The item “Trade payables to related parties” remained substantially unchanged from the previous year.

NOTE 18 PAYABLES FOR TAXES AND DUTIES

Tax payables refer to amounts owing to the financial administration for:

Description	31.12.2020	31.12.2019
Income tax employees and contractors	601.701	641.921
Withholdings to be paid	81.646	44.235
Post-employment benefit substitute tax	1.086	1.256
Total tax payables	**684.433**	**687.412**
IRAP (REGIONAL BUSINESS TAX)	109.561	72.527
IRES (CORPORATE INCOME TAX)		2.374.380
Total Payables for taxes	**109.561**	**2.446.907**

The decrease in "Tax payables" is due to the fact that at 31 December 2020 the Group recorded a receivable from the Revenue Agency for IRES in relation to the higher taxable income for the year 2019, which required higher payments in 2020.

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 at 01.01.2019	**233.464**	**32.972**	**146.037**	**654.000**	**1.066.473**
Increases			319.316	324.000	643.316
Releases					
Uses					
Balance at 31.12.2019	**233.464**	**32.972**	**465.353**	**978.000**	**1.709.789**
Increases			386.748		386.748
Releases					
Uses				(648.000)	(648.000)
Balance at 31.12.2020	**233.464**	**32.972**	**852.101**	**330.000**	**1.448.537**

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 387 thousand.

Provisions for risks and charges - other risks
In the previous years, EUR 648 thousand had been allocated to this item, as an estimate of the risk of losing in litigation with third parties. In relation to the closure of the dispute, the provision has been fully utilised.

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	2020	2019
Sale of advertising space		650.833
Property income	460.277	649.776
Others services	4.749	543.575
Revenues from sales and services	**465.026**	**1.844.184**
Operating leases	56.386.667	53.436.813
Central services for the Group	20.328.307	20.169.974
Property income	829.185	840.775
Sale of advertising space		229.583
Revenues from sales and services to related parties (Note 34)	**77.544.159**	**74.677.145**
Total	**78.009.185**	**76.521.329**

Sale of advertising space - third parties
This item referred to revenues realised for the sale of advertising space on the Digital Signage network, as well as through traditional channels (displays at stations). As of 1 December 2019, the Digital Signage network is 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
In 2019 the item related entirely to the transfer to the EAV Consortium of the contract for the purchase of 5 Stadler trains. This revenue is not present in the current year.

Leases - related parties
Revenues for operating leases recorded a net increase of EUR 2,950 thousand, mainly due to the changes indicated below:

- higher revenues for the rental of 6 DE520 locomotives to Trenord, for EUR 1,039 thousand;
- higher revenues for the sub-lease to DB Cargo of 4, E494 trains, for EUR 1,496 thousand, following the execution of the new agreement and gradual delivery of the locomotives starting in December 2019;
- higher revenues for the rental to Trenord of 3 FLIRT TILO trains, which will enter into service in December 2020, for EUR 348 thousand;
- higher revenues for the rental to Trenord of 2 EffiShunter locomotives, which will be put into service in December 2020, for EUR 53 thousand.

The details of the revenues deriving from operating leases by fleet are shown below:

Revenues by Fleet (In thousands of Euro)	2020	2019
26 TAF	13.603	13.603
8 4-body TSR	10.796	10.796
7 6-body TSR	9.765	9.765
10 6-body CORADIA	9.427	9.419
8 CSA	5.710	5.704
8 Loc. E 483	2.479	2.479
4 Loc. E494 TRAXX F140 DC3	1.543	47
2 TSR	1.270	1.270
6 Loc. DE520	1.039	
1 Loc. ES64 F4	354	354
3 FLIRT TILO	348	
2 Loc. EFFISHUNTER EFF1000	53	
Total	**56.387**	**53.437**

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.	25 TAF	01/01/2006	31/12/2021
Trenord S.r.l.	4 Loc. DE 520	01/01/2020	01/01/2021
DB Cargo Italia S.r.l.	4 Loc. DE 520	01/01/2021	31/12/2025
DB Cargo Italia S.r.l.	6 Loc. DE 520	01/01/2021	31/12/2021
DB Cargo Italia S.r.l.	1 Loc. ES64 F4	01/05/2008	30/04/2023
DB Cargo Italia S.r.l.	3 Loc. E 483	01/12/2009	01/12/2024
DB Cargo Italia S.r.l.	3 Loc. E 483	01/04/2009	31/03/2024
DB Cargo Italia S.r.l.	1 Loc. E 483	01/05/2009	30/04/2024
DB Cargo Italia S.r.l.	1 Loc. E 483	01/05/2009	31/01/2024
DB Cargo Italia S.r.l.	4 Loc. E494 TRAXX F	13/12/2019	31/12/2022
Trenord S.r.l.	4 Loc. DE 744 Effishunt	20/11/2020	30/06/2030
Trenord S.r.l.	9 FLIRT TILO	20/11/2020	30/06/2032
Trenord S.r.l.	2 TSR	01/01/2009	31/12/2021
Trenord S.r.l.	8 CSA	25/01/2012	31/12/2021
Trenord S.r.l.	10 CORADIA	31/08/2014	31/12/2021
Trenord S.r.l.	10 CORADIA IV carria	05/02/2016	31/12/2021
Trenord S.r.l.	7 6-body TSR	01/05/2016	31/12/2021
Trenord S.r.l.	10 4-body TSR	08/11/2017	31/12/2021

Details are given of future minimum payments of operating leases by due date:

Description	2020	2019
Within 1 year	52.427.774	55.513.535
Between 2 and 5 years	52.468.454	15.607.385
Over 5 years	75.616.000	
Total	**180.512.228**	**71.120.920**

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.

NOTE 21 GRANTS

Grants comprise the following:

Description	2020	2019
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 article 1, paragraphs 125 and subsequent of Law 124/2017
As regards information required by article 1, paragraphs 125 and subsequent of Law 124/2017, it is pointed out that no amounts were received from the public administration in 2020.

Company	Lender	Purpose	Amount cashed in	Accrual amount for 2020
FNM	Regione Lombardia	PROGETTO MUSEALE- LA CIVILTA' DI GOLASECCA		68.964
FNM	Regione Lombardia	TERMINAL CADORNA L. 31/96 - 2000		145.641
FNM	Regione Lombardia	Materiale Rotabile (N. 5 T A F)		950.281
FNM	Ministero Lavori Pubblici	Contributo L.270/1997-Uffici Cadorna per Roma Capitale e Grandi Eventi		39.251

NOTE 22 OTHER INCOME

Other income comprises the following:

Description	2020	2019
Insurance pay-outs	1.300.000	46.495
Non-recurring income	337.533	276.941
Capital gains - property, plant and equipment	41.777	61.099
Release of the provision for risks		7.699
Other income	347.146	178.075
Other income	**2.026.456**	**570.309**
Sundry income with related parties	2.258.003	1.930.747
Other income from related parties (Note 34)	**2.258.003**	**1.930.747**
Total	**4.284.459**	**2.501.056**

Capital gains - property, plant and equipment
In 2020, capital gains were also realised, for the sale of 3 garages located in Milan.

Insurance pay-outs
This item mainly refers to insurance pay-outs for claims concerning locomotives.

Sundry income with related parties
This item includes costs mainly recharged for personnel seconded to Group companies, which increased by EUR 300 thousand compared to the previous year.

NOTE 23 SERVICE COSTS

The next table shows the breakdown of this item:

Description	2020	2019
Consulting	2.173.907	1.156.491
Expenses for employees	523.237	689.163
Marketing and advertising	467.990	363.008
Insurance	371.808	285.515
Coordinated and continuative services	289.772	479.432
Cleaning expenses	212.370	203.829
Legal and notary fees	181.605	354.052
Motor vehicles management	163.521	225.776
Utilities	84.169	87.045
Corporate bodies	84.161	84.892
Third-party services - Maintenance	55.458	88.154
Real estate management	38.576	37.391
Allocations to provisions for disputes	0	324.000
Other charges	914.155	993.103
Service costs	**5.560.729**	**5.371.851**
Costs for IT services	5.558.131	5.329.373
Corporate bodies	825.635	835.396
Real estate lease fees	7.587	178.792
Marketing and advertising	0	366.666
Miscellaneous services	1.262.321	1.183.654
Service costs - related parties (Note 34)	**7.653.674**	**7.893.881**
Total	**13.214.403**	**13.265.732**

Service costs - third parties
Service costs with third parties recorded a net increase of EUR 189 thousand compared to 2019, mainly due to the changes analysed below:

Consultations and Collaborations
The increase in consulting and collaboration expenses, equal to EUR 828 thousand (EUR 1,636 thousand as at 31 December 2019), is mainly due to higher costs for development projects, not present in 2019.

Legal and notary fees
In the previous year, higher legal expenses had been incurred, by EUR 172 thousand, in relation to the activities connected with the tenders for the purchase of new rolling stock.

Allocations to provisions for disputes
In the previous financial year, charges of EUR 324 thousand was set aside for litigation initiated by third parties.

Expenses for employees
This item decreased by EUR 166 thousand due to lower travel expenses.

Service costs - related parties
Costs for related-party services recorded a net decrease of EUR 240 thousand. Specifically, they relate to the termination, on 30 November 2019, of the concession agreement for advertising space at stations by FERROVIENORD. This decrease is partially offset by expenses for the IT services invoiced by NordCom (EUR 5,558 thousand) and increased by EUR 229 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.

Miscellaneous services
This item includes disaggregate amounts of a various nature and not individually significant, mainly for costs recharged for seconded personnel (EUR 666 thousand) and service fees (EUR 251 thousand).

NOTE 24 PERSONNEL COSTS

This item is broken down as follows:

Description	2020	2019
Wages and salaries	10.503.610	10.564.064
Social security contributions	2.925.556	2.993.272
Pension liabilities	435.000	579.000
Other cost	713.032	714.042
Total	**14.577.198**	**14.850.378**

Personnel costs decreased by EUR 273 thousand, mainly due to the decrease in the average number of employees by 7. The average number of employees changed from 193 in 2019 to 186 in 2020.

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	2020	2019
Executives	18	18
Middle managers	48	46
Office workers	120	129
Total	**186**	**193**

NOTE 25 AMORTIZATION, DEPRECIATION AND IMPAIRMENT

The next table shows the breakdown of this item:

Description	2020	2019
Amortisation	812.996	834.368
Depreciation	22.875.378	24.604.877
Amortisation of right of use	1.966.462	765.035
Impairment of fixed assets	450.249	
Total	**26.105.085**	**26.204.280**

Amortization
This item mainly refers to the amortization of SAP modules used in administration service activities.

Depreciation
The item decreased by EUR 1,729 thousand mainly due to lower depreciation on TAF rolling stock (EUR 1,849 thousand), partially offset by higher depreciation related to the 4 FLIRT TILO trains put into service in December 2020.

Amortization of right of use
Amortization of right-of-use increased by EUR 1,201 thousand in connection with the placement of the 4 E494 TRAXX DC locomotives into service from December 2019.

Write-down of fixed assets
The amount is entirely attributable to the write-down of 2 wrecked TAF bodies that are no longer usable.

NOTE 26 OTHER OPERATING COSTS

Other operating costs are analysed in the following table:

Description	2020	2019
Membership fees	411.595	452.085
Taxes and duties	316.438	321.792
Non-recurring expenses	138.898	106.309
Capital losses	61.607	
Newspapers and magazines	54.780	51.838
Other charges	141.407	13.026
Other operating costs	**1.124.725**	**945.050**
Other charges	1.623	9.894
Other operating costs to related parties (Note 34)	**1.623**	**9.894**
Total	**1.126.348**	**954.944**

The item “Other charges” includes the payment for support for the COVID-19 emergency of EUR 50 thousand.

The item “Taxes and duties” includes costs incurred by the Company for IMU (Municipal Property Tax), equal to EUR 284 thousand (EUR 266 thousand in 2019).

NOTE 27 DIVIDENDS

This item is broken down as follows:

Description	2020	2019
NORD ENERGIA S.p.A.	3.795.887	4.723.062
Omnibus Partecipazioni S.r.l.	900.000	980.000
ATV S.p.A.		750.000
SEMS S.r.l. in liquidation		137.000
Dividends	**4.695.887**	**6.590.062**

On 20 April 2020, the Shareholders' Meeting of NORD ENERGIA S.p.A. resolved on the distribution of a total dividend of EUR 6,326,479; the amount due to the Company totals EUR 3,795,887.

On 27 April 2020, the Shareholders' Meeting of Omnibus Partecipazioni S.r.l. resolved on the distribution of a total dividend of EUR 1,800,000; the amount due to the Company totals EUR 980,000.

NOTE 28 FINANCIAL INCOME

Financial income concerns:

Description	2020	2019
Capital gain from sale of equity investments	890.635	
Interest on credit reimbursement for taxes	74.835	242.584
Current bank accounts and deposits	15.533	21.429
Others	341	28.630
Financial income	**981.344**	**292.643**
Financial income from the special treasury management contract	695.284	719.169
Finance lease agreements as lessor	50.543	340.954
Intergroup current accounts	29	1
Other financial income - related parties	96.973	810.447
Financial income from related parties (Note 34)	**842.829**	**1.870.571**
Total	**1.824.173**	**2.163.214**

Capital gain from sale of equity investments
The capital gain relates to the sale of the equity investment in Locoitalia, which took place on 10 March 2020.

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	2020	2019
Financial income - bank current accounts and deposits	15.533	21.429
Financial income - intercompany current accounts	29	1
Financial expenses - intercompany current accounts	(13.521)	(3.029)
Financial expenses - bank current accounts and deposits	(12.674)	
Total	**(10.633)**	**18.401**

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 a rate of 1.32%, equal to the rate actually accrued for sums deposited in sight and restricted deposits.
On closure of the contract, which expired on 21 July 2020, capital gains were also recognised for EUR 379 thousand.

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	2020	2019
DB Cargo Italia	4 DE 520 Locomotives	YES	01/01/2018	31/12/2020	22.259	61.124
DB Cargo Italia	2 DE 520 Locomotives	NO	01/01/2018	31/12/2020	18.119	28.001
DB Cargo Italia	2 DE 520 Locomotives	YES	01/01/2018	31/12/2020	10.165	48.628
Trenord	1 DE 520 Locomotive	NO	01/01/2005	31/12/2019		32.187
Trenord	2 DE 520 Locomotives	YES	01/10/2007	31/12/2019		65.250
Trenord	3 DE 520 Locomotives	NO	01/01/2005	31/12/2019		95.671
Trenord	Fitting out 2 DE 520	NO	01/01/2012	31/12/2019		7.246
Trenord	Fitting out 4 DE 520	YES	01/09/2015	31/12/2019		2.847
TOTAL					**50.543**	**340.954**

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 until the date of collection of the loan, on 10 March 2020. The overall loan of EUR 27,500 thousand bore interest at the fixed rate of 3%. The change from the prior year results from the interest application period being 12 months in 2019.

On 20 December 2019, the Company also 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.

Effective rates of the return are indicated below:

Descrizione	2020	2019
Credito Contratto di Gestione Speciale Tesoreria	1,49%	1,490%
Crediti leasing finanziari	2,27% - 13,1%	2,27% - 13,1%
Finanziamento Locoitalia - La Linea	1,65% - 3%	3%
Crediti conti correnti vs controllate	0,02%	0,02%

NOTE 29 FINANCIAL EXPENSES

Financial expenses are accrued in relation to:

Description	2020	2019
Costs for Loans payable	1.502.548	1.750.445
Fees and charges for not using loans received	347.008	793.368
Lease agreement as lessee	82.919	322.177
Post-employment benefit	8.144	25.480
Bank current accounts	12.674	
Others	131	224
Financial Expenses	**1.953.424**	**2.891.694**
Financial expenses on the corporate bond	381.291	711.458
Lease agreement as lessee	34.817	35.436
Intergroup current accounts	13.521	3.029
Financial expenses to related parties (Note 34)	**429.629**	**749.923**
Total	**2.383.053**	**3.641.617**

Costs for Loans payable
The item includes financial expenses for the:
- loan taken out by the Company on 7 August 2018 and used only for the Term Loan Facility on 14 September 2018, and calculated at the contract interest rate equal to 6-month Euribor + 1.3% spread, adjusted to the internal rate of return of the loan equal to 1.47%, for adoption of the amortised cost criterion, the loan was totally extinguished on 29 January 2021; in relation to this, capitalised charges of EUR 378 thousand were also expensed on the unused and extinguished Revolving Credit Facility;
- loan stipulated on 21 December 2017 between the Parent Company and the European Investment Bank, for a total maximum amount of EUR 50,000 thousand, for which the first tranche, amounting to EUR 10,000 thousand, was used on 20 March 2020, and calculated at the fixed contractual interest rate of 0.377% as well as the second tranche of EUR 40,000 thousand, on 12 October 2020, calculated at the fixed contractual interest rate of 0.446%.

Commitment fees on loans
During the year, commitment fees were recognised on the two “Capex Facilities”, until 7 February 2020, when the availability period concluded, and “Revolving Credit Facility”, for EUR 279 thousand (EUR 694 thousand in 2019), calculated by applying a rate equal to 35% of the margin, i.e. 0.455% (Note 12).

In addition, commitment fees were recognised on the EUR 50,000 thousand loan, stipulated with the EIB, for EUR 68 thousand, calculated by applying a fixed rate of 0.2% per annum until the date of disbursement of the first tranche and the second tranche (EUR 100 thousand in 2019).

Lease agreement as lessee
Lease liabilities are attributable to the application of 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 13). The floating rate of the period was 1.168%, calculated as the sum of the spread of 150 b.p. and of the six-month Euribor with a 360 base, which in the reference period was negative by 0.332%.

Intergroup current accounts
The decrease in financial expenses with related parties is mainly due to the different receivable exposure of the subsidiaries with the average rate of return on capital remaining the same (0.002%, 0.002% in 2019).

NOTE 30 INCOME TAXES

Amounts relative to current and deferred taxes are shown below:

(Amounts in thousands of Euro)

Description	2020			2019		
	Total	ATE INCOME TAX)	AL BUSINESS TAX)	Total	ATE INCOME TAX)	AL BUSINESS TAX)
Current	(7.182)	(6.390)	(792)	(6.841)	(5.704)	(1.137)
Taxes for previous years	72		72	(7)	(7)	
Net Deferred Tax Assets	644	557	87	1.097	930	167
Total	**(6.466)**	**(5.833)**	**(633)**	**(5.751)**	**(4.781)**	**(970)**

Current taxes increased by EUR 341 thousand due to the higher taxable income for the period. This change includes the benefit, equal to EUR 455 thousand, related to the first 2020 IRAP advance not being due as provided by art. 24 of the Relaunch Decree (Law Decree 34/2020).

The item taxes for previous years is entirely related to the 2019 IRAP balance not being due as provided by art. 24 of the Relaunch Decree (Law Decree 34/2020).

<u>Corporate income tax - Reconciliation between the ordinary rate and effective rate</u>

Description	2020	2019
Applicable IRES rate	24,00%	24,00%
Non-deductible impairment	2,11%	1,41%
Non-deductible taxes	0,22%	0,22%
Capital gains	0,08%	0,10%
Other non-deductible costs	1,45%	1,41%
Expenses not deducted previously	-1,07%	-0,77%
Non-taxable portion of dividends	-3,53%	-5,07%
ACE Deduction	-2,15%	-1,95%
Deductible IRAP	-0,07%	-0,14%
Deferred tax liabilities	-1,83%	-3,11%
Effective rate	19,21%	16,12%

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	2020	2019
Actuarial gain/(loss)	24.577	(82.702)
Tax effect	(6.857)	23.074
Total	**17.720**	**(59.628)**

NOTE 33 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 2020 and 31 December 2019.

Amounts in thousands of euros	Notes	Book value at 31/12/2020	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	933.333	933.333			
CURRENT ASSETS						
Trade Receivables	7	41.353.169	41.353.169			
Financial Receivables	5	501.260	501.260			
Other Receivables	8	18.775.700	18.775.700			
Cash and cash equivalents	9	101.270.053	101.270.053			
NON-CURRENT LIABILITIES						
Payables to banks	12	41.688.387				41.688.387
Financial Payables	13	6.570.647				6.570.647
Other liabilities	15	8.346.959				8.346.959
CURRENT LIABILITIES						
Financial Payables	13	127.567.635				127.567.635
Trade payables	17	71.588.676				71.588.676
Other liabilities	15	24.048.569				24.048.569

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	1.166.667	1.166.667			
Crediti Finanziari valutati al fair value	5	0		0		
CURRENT ASSETS						
Trade Receivables	7	21.433.693	21.433.693			
Financial Receivables	5	29.054.821	29.054.821			
Financial Receivables measured at fair valu	5	48.352.105		48.352.105		
Other Receivables	8	18.933.290	18.933.290			
Cash and cash equivalents	9	135.944.490	135.944.490			
NON-CURRENT LIABILITIES						
Payables to banks	12	49.610.981				49.610.981
Financial Payables	13	3.761.855				3.761.855
Other liabilities	15	10.038.506				10.038.506
CURRENT LIABILITIES						
Financial Payables	13	226.618.138				226.618.138
Trade payables	17	18.559.703				18.559.703
Other liabilities	15	14.718.969				14.718.969

NOTE 34 RELATED-PARTY TRANSACTIONS

FNM S.p.A. is controlled by Regione Lombardia, 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 Regione Lombardia 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:

2020	**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	**933.333**	933.333		933.333				100,0%
Trade receivables	7	**41.353.169**	39.749.267		3.706.686	35.938.719	103.862		96,1%
Current financial receivables	5	**501.260**	501.260		233.333	267.927			100,0%
Other current receivables	8	**18.775.700**	2.487.800		153.389	2.334.411			13,3%
Non-current financial payables	13	**6.570.647**	925.559		925.559				14,1%
Other non-current liabilities	15	**8.346.959**	5.622.934	5.387.645	221.595	13.694			67,4%
Current financial payables	13	**127.567.635**	120.643.654		88.366.109	30.521.611	1.755.934		94,6%
Trade payables	17	**71.588.676**	4.355.985		416.996	3.938.989			6,1%
Other current liabilities	15	**24.048.569**	12.911.870	1.299.384	10.832.736	700.516	79.234		53,7%
INCOME STATEMENT									
Revenues from sales and services	20	**78.009.185**	77.544.159		11.129.600	61.894.158	4.520.401		99,4%
Grants	21	**1.204.136**	1.164.886	1.164.886					96,7%
Other income	22	**4.284.459**	2.258.003		1.022.323	905.643	330.037		52,7%
Service costs	23	**(13.214.403)**	(7.653.674)	(175.000)	(1.046.991)	(5.606.048)		(825.635)	57,9%
Other operating costs	26	**(1.126.348)**	(1.623)		(1.623)				0,1%
Dividends	27	**4.695.887**	4.695.887			4.695.887			100,0%
Financial income	28	**1.824.173**	842.829		96.992	50.543	695.294		46,2%
Financial expenses	29	**(2.383.053)**	(429.629)		(45.401)	(2.937)	(381.291)		18,0%

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	4	**1.166.667**	1.166.667		1.166.667				100,0%
Financial Receivables measured at fair value	4								
Trade receivables	6	**21.433.693**	19.485.392		2.637.118	16.381.557	466.717		90,9%
Current financial receivables	4	**29.054.821**	29.054.821		28.058.963	995.858			100,0%
Financial Receivables measured at fair value	4	**48.352.105**	48.352.105				48.352.105		100,0%
Other current receivables	7	**18.933.290**	5.288.137	2.900	2.656.331	2.628.906			27,9%
Non-current financial payables	11	**3.761.855**	3.529.963		3.529.963				93,8%
Other non-current liabilities	14	**10.038.506**	7.081.221	6.552.531	332.391	20.541	175.758		70,5%
Current financial payables	11	**226.618.138**	221.219.623		130.603.563	32.043.192	58.572.868		97,6%
Trade payables	16	**18.559.703**	4.116.367		497.709	3.601.800	16.858		22,2%
Other current liabilities	14	**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	19	**76.521.329**	74.677.145		11.452.620	59.110.815	4.113.710		97,6%
Grants	20	**1.204.136**	1.164.886	1.164.886					96,7%
Other income	21	**2.501.056**	1.930.747		720.365	860.862	349.520		77,2%
Service costs	22	**(13.265.732)**	(7.893.881)	(120.867)	(881.769)	(6.023.255)	(32.593)	(835.397)	59,5%
Other operating costs	25	**(954.944)**	(9.894)		(9.894)				1,0%
Dividends	26	**6.590.062**	6.590.062		750.000	5.840.062			100,0%
Financial income	27	**2.163.214**	1.870.571		810.447	340.954	719.170		86,5%
Financial expenses	28	**(3.641.617)**	(749.923)		(2.620)	(35.846)	(711.457)		20,6%

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	

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	31.12.2020	31.12.2019
Receivables from banks (note 9)	101.918	136.592
Trade receivables from third parties (note 7)	1.604	1.948
Other receivables from third parties (note 8)	8.726	6.527
Total	**112.248**	**145.067**

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 8).

Trade receivables from third parties at the end of the reporting period present the following due dates:

(Amounts in thousands of Euro)

Description	31.12.2020			31.12.2019		
	Gross	Impairment	Net	Gross	Impairment	Net
Not yet due	1.378	(10)	1.368	1.423	(10)	1.413
Due from 31-60 days						
Due from 61-90 days	83		83	4		4
Due from 91-120 days	8		8	1		1
Due from 121-360 days	163	(37)	126	567	(37)	530
Over 361 days	115	(96)	19	96	(96)	
Total	**1.747**	**(143)**	**1.604**	**2.091**	**(143)**	**1.948**

Changes in the provision for bad debts (trade) for the years ended 31 December 2020 and 2019 are shown below:

(Amounts in thousands of Euro)

Description	31.12.2020	31.12.2019
Balance at 1 January	**143**	**143**
Allocation of the period		
IFRS 9 Impairment		
Uses of the period		
Balance at 31 December	**143**	**143**

Liquidity risk

The liquidity risk to which the Company is exposed can arise from difficulties in obtaining financing to support operating activities in the right time frame, or from the ability to refinance existing debt or to refinance it under favourable conductions, or from the failure to comply with the financial ratios (so-called covenants) and other commitments set forth in the various loan agreements, with the resulting application of the acceleration clause and the right of the counterparties to obtain early repayment of the loans provided.

In particular, with reference to the risk of refinancing existing debt, it should be noted that on 28 January 2021 FNM signed a short-term loan agreement for a maximum of EUR 650,000,000.00 (six hundred and fifty million/00) with a pool of leading banks.

In addition, the aforementioned liquidity risks are mitigated by obtaining (i) on 10 November 2020, an investment grade rating of BBB- with a stable outlook from the leading rating agency Fitch Ratings and (ii) on 25 January 2021, an investment grade rating of Baa3 with a stable outlook from the leading rating agency Moody's.

Company cash flows, financing needs and liquidity are monitored and managed centrally under the control of the Group's 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, including the acquisition of the further stake in

MISE, which brought the overall stake to 96% for an amount of 519.2 million euros, which took place on February 26, 2021, 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
2020					
Other payables to subsidiaries for giro accounts	120.011				120.011
Finance lease payables	535	470	453		1.458
Total related parties	**120.546**	**470**	**453**		**121.469**
Finance lease payables	1.528	1.406	4.169	73	7.176
Other financial payables	5.389				5.389
Total third parties	**6.917**	**1.406**	**4.169**	**73**	**12.565**
Total	**127.463**	**1.876**	**4.622**	**73**	**134.034**

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**	**1.907**	**2.043**		**230.381**

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
2020					
Other financial receivables	501				501
Total related parties	**501**				**501**
Receivables from banks	101.918				101.918
Total third parties	**101.918**				**101.918**
Total	**102.419**				**102.419**

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	**47.235**				**49.725**
Receivables from banks	136.592				136.592
Total third parties	**136.592**				**136.592**
Total	**183.827**				**186.317**

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 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.

In order to mitigate the risk, the Company obtained (i) on 10 November 2020, an investment grade rating of BBB- with a stable outlook from the leading rating agency Fitch Ratings and (ii) on 25 January 2021, an investment grade rating of Baa3 with a stable outlook from the leading rating agency Moody's.

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 31/12/2020	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss	5	85.841.614	0	0	85.841.614

During 2020, 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 SIGNIFICANT NON-RECURRENT EVENTS AND TRANSACTIONS

During the year, no significant, non-current events and transactions were reported.

NOTE 37 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 38 OTHER INFORMATION

Information about fees for Directors, Statutory Auditors and Key Personnel is provided below, with reference to the year 2020:

Amounts in thousands of euros	2020
Directors	680
Auditors	105
Other Key Personnel	1.196
Total	**1.981**

It is noted that no credits have been granted and there are no credits towards Directors, Statutory Auditors and executives with strategic responsibilities. It is also noted that the Company has not undertaken any commitments on their behalf.

It should be noted that as at 31 December 2020 there are no commitments, guarantees and potential liabilities not shown in the balance sheet on the same date.

NOTE 39 DESCRIPTION OF THE IMPACTS OF THE COVID-19 EPIDEMIC ON THE INCOME STATEMENT

As required by CONSOB Warning notice no. 8/2020 of 16 July 2020, the quantitative impacts of the COVID-19 epidemic on the income statement for the period are set out below, determined as actual impacts compared to the budget:

Amounts in thousands of euros	2020
Revenues from sales and services	(179)
TOTAL REVENUES AND OTHER INCOME	**(179)**
Service costs	534
TOTAL COSTS	**534**
EBIT	**355**

The change in “Revenues from sales and services” is mainly due to reduction of revenues for rentals.

The reduction in costs is attributable for EUR 348 thousand to lower costs for institutional communication and office building management expenses and for EUR 186 thousand to lower costs for travel expenses, training courses and preventive medicine.

It should also be noted that the Company benefited from the fact that the 2019 IRAP balance, amounting to EUR 72 thousand, and the first 2020 IRAP advance, amounting to EUR 455 thousand, were not due, as provided for by Article 24 of the Relaunch Decree (Decree Law 34/2020).

NOTE 40 SUBSEQUENT EVENTS

- On 25 January 2021, FNM obtained a Baa3 long term issuer rating from Moody’s, which takes into account the company’s business prospects following the Milano Serravalle – Milano Tangenziali (MISE) acquisition and its balanced financial policy.
  FNM’s Baa3 rating incorporates the increase of one notch to reflect the strong ties with Regione Lombardia, its majority shareholder.

FNM has obtained investment grade ratings from Fitch Ratings (BBB- with stable outlook) and Moody's (Baa3 with stable outlook), which offers the company the possibility of defining its medium/long-term financial structure in the most efficient way to support future strategic development, also through access to the capital market.

- On 1 February 2021 a memorandum of understanding was signed by FNM and Enel Green Power with the aim of studying, identifying and proposing the best solutions for the supply of green hydrogen - produced using renewable energy only - for rail mobility in Lombardy, as part of the H2IseO project.

- On 26 February 2021 FNM completed the acquisition of 82.4% of the share capital of Milano Serravalle - Milano Tangenziali S.p.A. (MISE)[1] by Regione Lombardia in execution of the sale and purchase contract signed and disclosed to the market on 3 November 2020. In consideration of the 13.6% shareholding of the share capital already acquired by FNM on 29 July 2020[2], as a result of the transaction completed on 26 February 2021, FNM has a shareholding representing 96% of the MISE share capital.
  The acquisition was completed following the fulfilment of the conditions precedent set out in the sale and purchase contract, including the obtaining of authorisation from the Ministry of Infrastructure and Transport pursuant to the concession agreement to which MISE is a party.
  At the same time as the acquisition was completed, Autostrada Pedemontana Lombarda S.p.A. (APL) – the concessionaire company for the design, construction and management of the motorway between Dalmine, Como, Varese, Valico di Gaggiolo and related works – exited the MISE scope of consolidation as a result of the subscription and release on the same date by Regione Lombardia of a share capital increase of APL for a total of EUR 350 million and the consequent dilution to 36.5% of the share capital of the shareholding held by MISE in APL[3].
  The amount for the acquisition of the shareholding in MISE, amounting to EUR 519.2 million (or EUR 3.5 per share), was fully settled in cash, using a short-term credit line signed on 28 January 2021 with a pool of banks comprising Intesa Sanpaolo S.p.A., JPMorgan Chase Bank, N.A., Milan Branch and BNP Paribas Italian Branch, as lenders. The loan, for a maximum amount of EUR 650 million and used for EUR 620 million, is unsecured and must be repaid in a single instalment by no later than January 2022. The interest rate is equal to EURIBOR plus a margin, in line with current market conditions.
  At the same time as the signing of the aforementioned short-term credit line, on 29 January 2020, FNM fully settled the loan signed on 7 August 2018, as it was no longer consistent with the Group's financial structure, repaying in advance the entire amount used of EUR 50 million.
  MISE will be fully consolidated in the FNM financial statements starting 26 February 2021.

- On 12 March 2021 an information document was issued relating to the transaction drafted pursuant to article 71, paragraph 1 of Consob Regulation no. 11971 of 14 May 1999 (as subsequently supplemented and amended).

[1] Concessionaire for the design, construction and management of the A7 Serravalle-Milan Motorway and the North, East and West Milan Ring Roads pursuant to the concession agreement signed on 7 November 2007 (as amended by the additional deed of 15 June 2016) between MISE, as concessionaire, and ANAS S.p.A. (subsequently replaced by the Ministry of Infrastructure and Transport), as the awarding body.
[2] This shareholding was sold to FNM by ASTM S.p.A. and other companies controlled by it.
[3] Previously 79.3% owned by MISE.

NOTE 41 PROPOSAL TO APPROVE THE FINANCIAL STATEMENTS AND ALLOCATE PROFIT FOR 2020

Dear Shareholders,
In line with the target pay-out ratio of roughly 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 2020, which recorded a profit of EUR 23,891,824.38, for your approval, the Board of Directors proposes allocating profit for the year as follows:

- EUR 1,194,591.22 to the legal reserve;
- EUR 9,567,856.50 as an ordinary dividend to Shareholders, to ensure a remuneration of EUR 0.0220 for each ordinary share outstanding;
- EUR 13,129,376.66 to the extraordinary reserve.

The dividend shall be released for payment following the Shareholders' Meeting for approval of the Financial Statements, scheduled for 30 April 2021.

Milan, 18 March 2021

The Board of Directors

FNM
idee in movimento

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 2020.

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, 18 March 2021

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 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 2020, 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 2020 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. 38/2005.

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 2020 of the line 'Equity investments' in the separate financial statements of FNM SpA is Euro 181,351 thousand, whereof Euro 95,510 thousand relates to investments in subsidiaries, joint ventures and affiliated companies. Such investments, accounting for 13% of total assets in the financial statements of FNM SpA, 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 identified impairment losses of the investments in ATV Srl, La Linea SpA and E-Vai Srl for a total of Euro 2,230 thousand. We 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, including in connection with the health emergency caused by Covid-19; 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 to verify the recoverability of the line 'Equity investments', including the identification of impairment indicators. 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 2020 we have selected ATV Srl, La Linea SpA, FNM Autoservizi SpA and Trenord Srl based on the materiality of their carrying amounts. For each entity: - We have understood the process adopted in the preparation of the business plan approved by the entity's board. In particular, for ATV, in the 2021-2030 business plan approved on 5 March 2021; for La Linea SpA, in the 2021-2025 business plan approved on 2 March 2021; for FNM Autoservizi SpA, in the 2021-2024 business plan approved on 26 February 2021; for Trenord Srl, in the 2021-31 business plan approved on 15 February 2021; - 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 2020 with the budgets for the same year revised following the spread of the pandemic, and also, with the support of experts from the PwC network, we have analysed the significant assumptions applied; - 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 and performed additional sensitivity analyses with regard to both the financial assumptions used by management and the assumptions underlying the investees' business plans.

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 Regulation

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. 58/1998

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 2020, 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 2020 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 2020 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, 8 April 2021

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.