*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 at 31 December 2021*

## CORPORATE BODIES

| | |
|---|---|
| ***Board of Directors*** | |
| **Chairman** | Andrea Gibelli |
| **Deputy Chairman** | Gianantonio Battista Arnoldi |
| **Directors** | Tiziana Bortot |
| | Barbara Lilla Boschetti |
| | Marcella Caradonna |
| | Ivo Roberto Cassetta |
| | Mauro Miccio |

| | |
|---|---|
| ***Board of Statutory Auditors*** | |
| **Chairman** | Eugenio Pinto |
| **Statutory Auditors** | Roberta Eldangela Benedetti |
| | Massimo Codari |

| | |
|---|---|
| **General Manager** | Marco Piuri |

| | |
|---|---|
| **Executive in charge of financial reporting** | Valentina Montanari |

| | |
|---|---|
| **Independent Auditor** | PricewaterhouseCoopers S.p.A. |

## CONTENTS

# MANAGEMENT REPORT

# of the year 2021

## 1 VISION

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

## 2 MISSION

Developing an integrated platform of mobility services, built according to criteria of environmental and economic sustainability, which incorporates in a system and connects, both physically and digitally, destinations, urban hubs and transport networks, to **create social value** and **promote the productivity** of the territory.

## 3 GROUP STRUCTURE AND BUSINESS SEGMENTS AS AT 31 DECEMBER 2021

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 listed on the Italian Stock Exchange since 1926. The majority shareholder is the Lombardy Region, which holds a 57.57% stake.


1. Companies managing complementary digital platforms, allowing the implementation of Mobility as a Community (MaaC) paradigm. Sportit is active under the brad Snowit.
2. Companies operating in the freight mobility and logistics sector, at present included respectively in the Railway infrastructure and in Ro.S.Co. & Services segments. Malpensa Intermodale and Malpensa Distripark are in a start-up phase
3. Company operating in the Road passenger mobility segment, but considered in the Ro.S.Co. segment for the purposes of preparing the financial statements
4. Companies fully integrated since February 26, 2021

The FNM Group is present, through controlling shareholdings and/or shareholdings in companies subject to joint control or associates, in the following four segments:

## 3.1 RAILWAY INFRASTRUCTURE

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 and the Programme agreement signed with the Lombardy Region expiring in 2027;
- 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);
- MALPENSA DISTRIPARK S.r.l. - entrusted with the real-estate development of the areas adjacent to the Sacconago terminal, which is key to the management of intermodal connections in the cargo sector handled by MALPENSA INTERMODALE.

## 3.2 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 Italia, acting as a Rolling Stock Company (Ro.S.Co.).

Trenord (50% jointly owned with Trenitalia S.p.A.), is the main manager of suburban and regional rail passenger 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 period 2015-2020, extended to the end of 2022.

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 valued using the equity method in the consolidated financial statements of the FNM Group.

FNM S.p.A. also provides administrative services to its subsidiaries and manages its real estate assets. Consistent with the 2021-2025 Strategic Plan, within the People/Community pillar, FNM S.p.A. is also active in the development of complementary digital platforms which, together with the transport services offered by the Group, enable the implementation of the Mobility as a Community (MaaC) strategic paradigm as an enabling tool of the new digital mobility focused on the mobility needs of communities. From this perspective, with the establishment of FNMPAY in October 2020, the Group entered the digital payment services sector. Subsequently, in November 2020 FNM S.p.A. acquired a 24.7% stake in Busforfun.Com S.r.l. (Busforfun), an innovative startup in tourism and commuting technologies; in December 2021, FNM S.p.A. increased its stake to 40% of Busforfun's share capital, following the subscription of a EUR 1 million capital increase. Finally, in December 2021 FNM S.p.A. acquired a 33.3% stake in Sportit S.r.l., a company active under the Snowit brand and the main marketplace for the integrated online sale of ski passes, ski-related services and experiences relating to the mountain world.

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 electricity transmission sector via the Mendrisio-

Cagno powerline, with the jointly controlled company NORD ENERGIA and its subsidiary CMC MeSta S.A.

### 3.3 ROAD PASSENGER MOBILITY

FNM operates in the road mobility sector with:

a. FNM Autoservizi S.p.A. - concessionaire of portions of public transport services by road in the provinces of Varese and Brescia, owner in A.T.I. (temporary association of companies) with ASF Autolinee S.r.l. (49% owned by Omnibus Partecipazioni[1] - 50% owned by FNM S.p.A.) of a Service Agreement for those in the Province of Como and support operator for Trenord for “train replacement” activities;
b. Azienda Trasporti Verona S.r.l. - that provides urban public transport services in the municipalities of Verona and Legnago and extra-urban services throughout the province of Verona;
c. 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 its subsidiary Martini Bus;
d. E-VAI S.r.l. - a car sharing company operating in Lombardy with electric and bimodal vehicles.

### 3.4 MOTORWAYS

The FNM Group is also present in the motorway infrastructure management sector thanks to its 96% interest in Milano Serravalle – Milano Tangenziali S.p.A. (“MISE”), fully consolidated in the FNM Group’s financial statements starting on 26 February 2021.

The investment in MISE derives from the acquisition, at the end of July 2020, of the 13.6% stake in MISE's share capital held directly and indirectly by ASTM, and the acquisition of a further 82.4% stake in the share capital held by the Lombardy Region, completed on 26 February 2021. The total consideration paid for the 96% stake in MISE was EUR 604.8 million (or EUR 3.5 per share), of which EUR 526.5 million was paid in the first quarter of 2021.

[1] Company operating in road passenger road mobility but considered in the Ro.S.CO. segment for the purposes of drafting of the financial statements. It is accounted for using the equity method in the consolidated financial statements of the FNM Group.

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 (for a total of 179 km in length) 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 grantor. The concession expires on 31 October 2028.

Thanks to the acquisition of MISE, FNM created a strategic group in the infrastructure sector in Lombardy for the management of the mobility system that integrates rail transport, local public road transport and motorway infrastructure. On the one hand, the transaction will allow FNM to strengthen its presence in Lombardy and in the areas of highest demand for transport, on the other hand it will allow the FNM Group to diversify its revenues, with an improvement in its income profile and a simultaneous diversification of its regulatory risk.

MISE is also active in the design, as well as technical and administrative support for infrastructure investments on the motorway network through Milano Serravalle Engineering, of which it holds 100% of the share capital.

Among its subsidiaries , the Company also includes a 36.7% equity investment in Autostrada Pedemontana Lombarda (hereinafter “APL”), the concessionaire for the design, construction and management of the motorway between Dalmine, Como, Varese and Valico di Gaggiolo and related works. APL has been consolidated using the equity method since 26 February 2021, by virtue of the subscription and release by the Lombardy Region of an increase in APL's share capital of EUR 350 million. More details are provided in the section “Significant events during the period”.

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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 associated company TILO), NORD ENERGIA (and its subsidiary CMC Mesta), NordCom, Omnibus Partecipazioni and the associated companies DB Cargo, Busforfun, SportIT, APL, Tangenziali Esterne di Milano and Tangenziale Esterna 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 “Investments” and “Net profit of companies measured with the equity method”, respectively.

# 4 SUMMARY INDICATORS OF RESULT

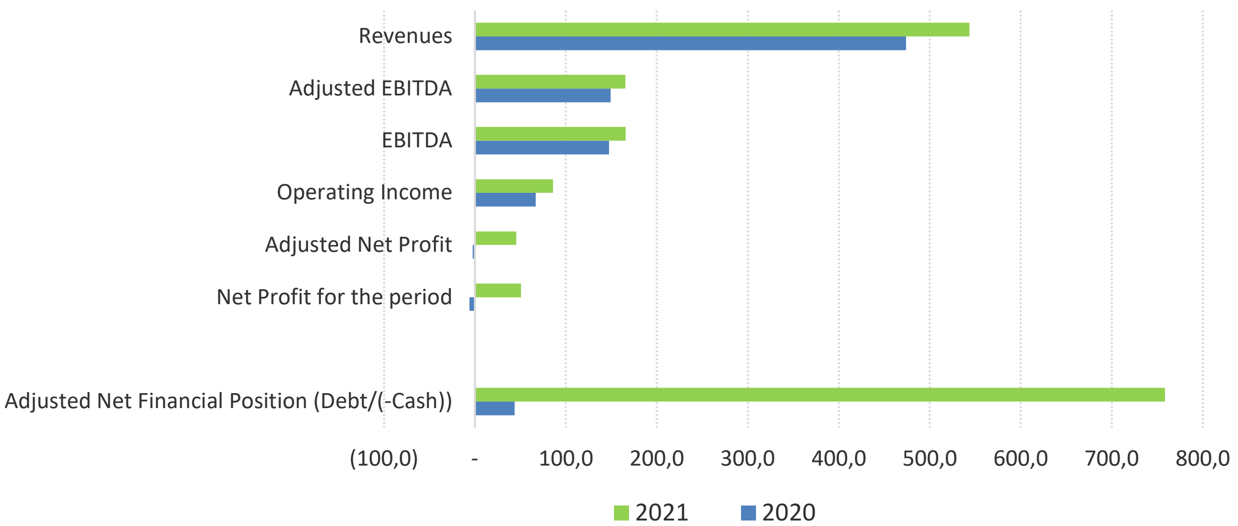
## 4.1 SUMMARY INDICATORS OF THE FNM GROUP CONSOLIDATED RESULTS

| Amounts in millions of euros | 2021 | 2020 | *Change* | *Change %* |
|---|---|---|---|---|
| Revenues* | 543.7 | 474.1 | *69.6* | *14.7 %* |
| Adjusted EBITDA* | 165.3 | 149.3 | *16.0* | *10.7 %* |
| EBITDA* | 165.7 | 147.4 | *18.3* | *12.4 %* |
| Operating income* | 86.0 | 66.8 | *19.2* | *28.7 %* |
| Earnings Before Tax* | 64.7 | 12.3 | *52.4* | *426.0 %* |
| Adjusted net profit* | 45.6 | (2.3) | *47.9* | *-2082.6 %* |
| Operating result* | 50.7 | (5.9) | *56.6* | *N/A* |
| Shareholders' equity (A) | 228.3 | 477.1 | *(248.8)* | *-52.1 %* |
| Net Financial Position (Cash) (B) | 697.2 | 81.8 | *615.4* | *752.3 %* |
| Adjusted net financial position (Debt / (-Cash)) | 758.7 | 43.8 | *714.9* | *1632.2 %* |
| Net invested capital (A+B) | 925.5 | 558.9 | *366.6* | *65.6 %* |
| Market capitalisation at 31.12 | 267.0 | 247.9 | *19.1* | *7.7 %* |
| Investments* | 417.9 | 225.0 | *192.9* | *85.7 %* |

* The values for 2021 and 2020 consider the consolidation of MISE from 1 January 2021 and 1 January 2020, respectively.

**Market capitalisation as at 31.12.2021: EUR 267.0 million**

**As at 31.12.2020: EUR 247.9 million**

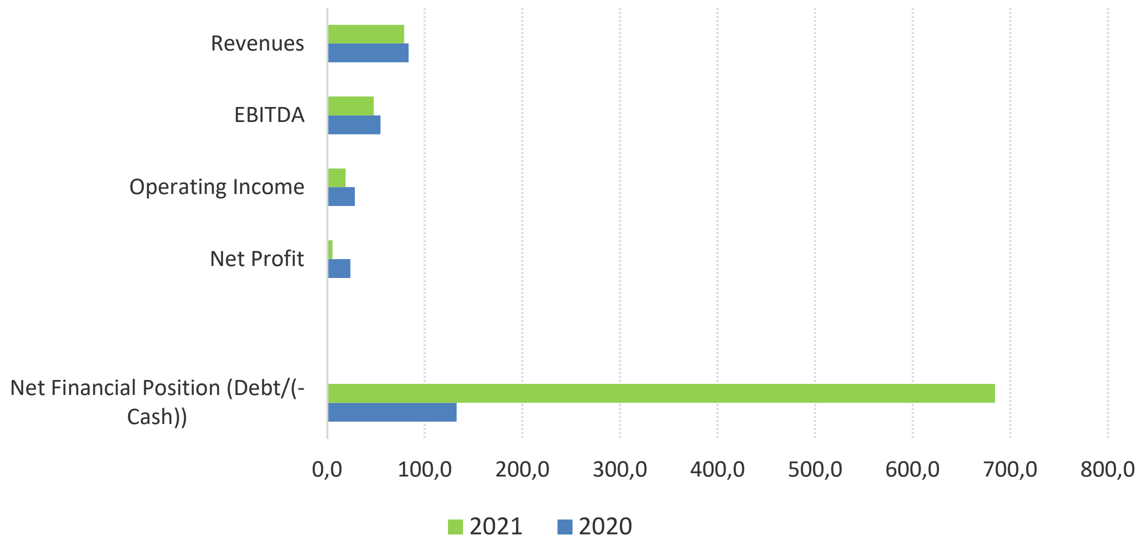



**Credit Ratings**

| **Moody's** | |
|---|---|
| Long term | Baa3 |
| Outlook | stable |
| Assignment date | 25 January 2021 |
| **Fitch** | |
| Long term | BBB |
| Outlook | stable |
| Assignment date | 20 December 2021 |

## 4.2 FNM S.p.A. SUMMARY INDICATORS OF RESULT

| Amounts in thousands of euros | 2021 | 2020 | Change | Change % |
|---|---|---|---|---|
| Revenues | 79.0 | 83.5 | (4.5) | -5.4 % |
| EBITDA | 47.9 | 54.6 | (6.7) | -12.3 % |
| EBIT | 18.8 | 28.5 | (9.7) | -34.0 % |
| Net profit | 5.40 | 23.90 | (18.50) | -77.4 % |
| Shareholders' equity (A) | 405.0 | 399.6 | 5.4 | 1.4 % |
| (Net financial position)/Net financial debt (B) | 684.3 | 132.8 | 551.5 | 415.3 % |
| Net invested capital (A+B) | 1,089.3 | 532.4 | 556.9 | 104.6 % |
| Investments | 29.8 | 64.6 | (34.8) | -53.9 % |




# 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 2021**[2]

The year 2021 saw a rapid recovery of the global economy (global GDP in 2021 +5.6%) that was more intense than expected, driven by the progress of vaccination campaigns in advanced countries and supportive economic policies adopted by governments, which mitigated the negative effects of the resurgence of the pandemic, due to the spread of new variants of the Covid-19 virus. In general, the recovery has been mixed: more sustained in the United States and other advanced countries, against prolonged weakness in emerging economies.

For the coming months, the pace of the economic recovery will be influenced by the increase in inflation, linked above all to rising energy prices and the recovery in demand, as well as persistent tensions in the supply of raw materials and intermediate goods, also exacerbated by the effects of the conflict that broke out on 24 February 2022 between Russia and Ukraine and the economic sanctions that have been applied.

The Eurozone also saw a robust economic recovery (GDP up 5.1%[3]), which was curbed by the rise in the number of infections in the first and last quarters of the year and continuing supply chain tensions that are hampering manufacturing. Inflation started rising again in 2021 (+2.6% compared with +0.3% in 2020), reaching its highest value since the monetary union began in December (+5%), due to exceptional increases in the energy component, especially gas, which is also affected in Europe by growing geopolitical instability. However, the increase in inflation was not transferred to wage trends. During the year the European Central Bank maintained an expansionary monetary policy stance. In view of the progress made on the economic recovery and the achievement of the inflation target in the medium term, the ECB's Governing Council announced a gradual reduction in the pace of financial asset purchases, while reiterating the need to maintain a flexible monetary policy depending on developments in the macroeconomic framework. Expectations of a less expansionary monetary policy in the United States than in the Eurozone caused the euro to lose value against the dollar during the year.

[2] Sources: Italian Stock Exchange, Economic Bulletin 2,3 and 4/2021, 1/2022, Bank of Italy, Factset

[3] Source: estimate based on Eurosystem data

GDP in Italy increased by 6.3% in 2021, with fluctuating performance that followed the trend in infections, which were particularly high in the first and last quarters of the year. In the second and third quarters, with the acceleration of the vaccination campaign and the gradual easing of restrictions, economic growth gradually strengthened thanks to the recovery of industrial output, consumption of services by households and investments supported by measures launched by the government to support households and businesses. By year-end, however, the spread of the Omicron variant and persistent business procurement difficulties slowed GDP growth and weakened investment growth. Throughout 2021, however, the propensity of Italian households to save for precautionary reasons remained high.

On the foreign trade front, Italian exports of goods grew in line with the improvement in the global context, increasing further in the second and third quarters, thanks to the recovery of international tourism, although spending by foreign travellers remained below 2019 levels. During 2021, purchases of Italian securities by foreign investors continued and the net external creditor position expanded. The current account surplus also remained at high levels, despite the deterioration in the energy balance.

The economic recovery was reflected in an increase in demand for labour and an increase in hours worked, a reduction in the use of wage subsidies and a recovery in the number of people hired on permanent contracts. The removal of the freeze on dismissals across all sectors did not have a significant impact. The labour supply has also recovered, approaching pre-pandemic values. The dynamics of contract renewals do not point to any significant acceleration in wages in 2022.

In this context, in line with the global trend, inflation rose gradually throughout the year, reaching 4.2% in December, driven mainly by increases in energy prices. Overall, the annual change in prices in 2021 was +1.9%, which was transmitted only partially to retail prices.

Credit supply conditions remained relaxed throughout the year. Corporate lending expanded at a robust pace in the first half of the year, reflecting high demand for secured loans, before weakening starting in the summer in light of the abundant liquidity accumulated over the past two years and the recovery in cash flows resulting from the economic recovery. In contrast, household lending continued to expand at a healthy pace. Impairment rates on bank assets remained at low levels and the profitability of financial intermediaries improved, mainly as a result of reduced write-downs on loans.

Financial market trends were affected by fears surrounding infection rates and the possible repercussions on the economic recovery, as well as expectations regarding the direction of monetary policy. Market volatility and investor risk aversion have increased, leading to an expansion of the sovereign spread against German government bonds in Italy, which in the first part of the year had remained below the levels observed prior to the pandemic.

The Italian financial market rose by +23.2% overall since the start of 2021 (FTSE Italia All Share).

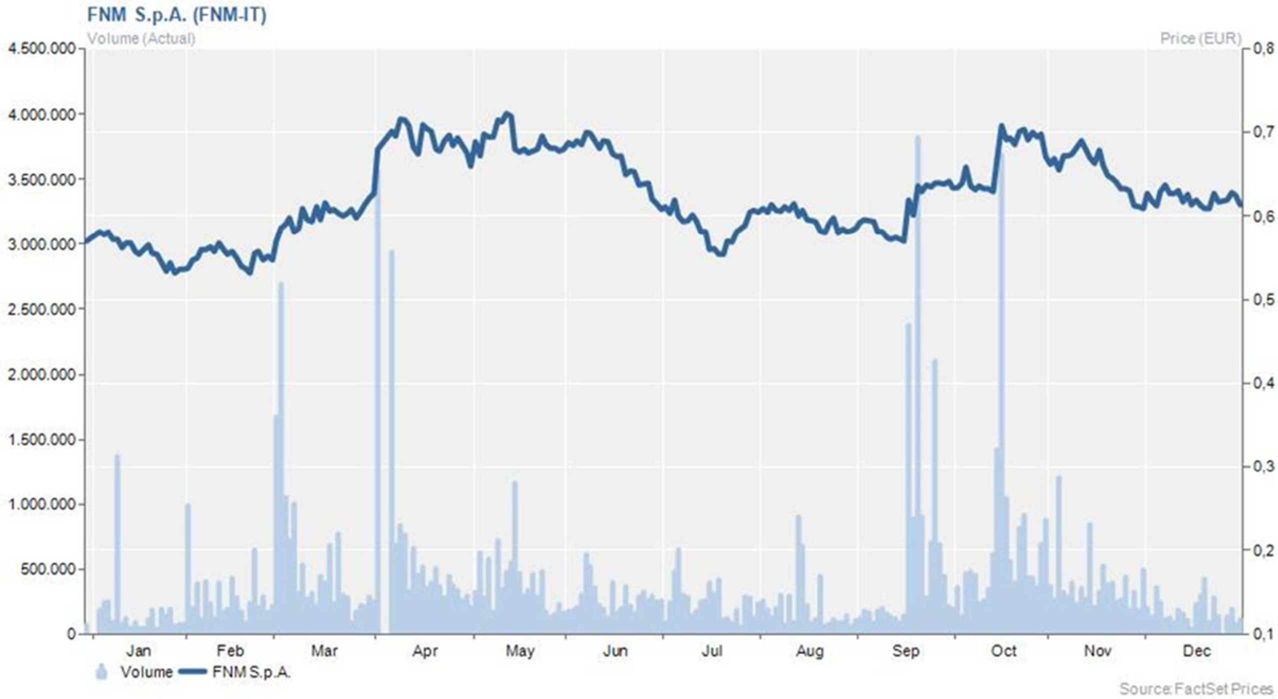
**FNM stock performance in 2021**[4]

In 2021, the FNM stock increased by +7.7% compared to the end of 2020, with an average price of EUR 0.62 (average stock market capitalisation of EUR 271.7 million).

The price was affected by infection trends and major corporate events, specifically:

a. in the first two months of the year the price stood at an average value of EUR 0.55, due to the third wave of the pandemic;
b. the easing of restrictions following the reduction in contagion and the gradual implementation of the vaccination campaign, accompanied by the completion of the acquisition of MISE and the publication of the results for the 2020 financial year led to an increase in the share price, which in the 1 March - 30 June 2021 period marked an average value of EUR 0.66 (+20% compared to the first two months of the year), with a peak of EUR 0.72 on 12 May;
c. the summer months were characterised by a reduction in the share price, driven by a market correction (average price EUR 0.59 in the 1 July - 15 September 2021 period);
d. the publication of the 2021-2025 Strategic Plan on 16 September and the placement of the bond on 13 October 2021, together with a recovery in market momentum, supported the FNM share price, which peaked at EUR 0.71 on 15 October;
e. in the final two months of the year, the resurgence of the pandemic at global level and the uncertainty arising from the effects of the spread of the Omicron variant led to a gradual reduction in the share price, in line with the market. FNM share closed 2021 at EUR 0.61.

[4] Source: Factset




The average daily value of **FNM shares** traded on the MTA market managed by Borsa Italiana was EUR 258 thousand (the maximum value recorded on 15 October 2021 was over EUR 2.6 million). Average daily trading of the shares amounted to approximately 402.6 thousand shares.

In the period under analysis, a total of 103.1 million shares were traded, equal to about 24.0% of the share capital.

| Share and stock market data | Year 2021 |
|---|---|
| Closing price of 31/12/2021 in Euro | 0.61 |
| Average price in Euro | 0.62 |
| Highest price in Euro (12/05/2021) | 0.72 |
| Lowest price in Euro (27/01/2021 and 19/02/2021) | 0.53 |
| | |
| Average volume (thousands) | 402.6 |
| Maximum volume (thousands, 20/09/2021) | 3,818.9 |
| Minimum volume (thousands, 21/01/2021) | 40.8 |
| | |
| Number of ordinary shares (million) | 434.9 |
| Average Stock Market capitalisation in Euro million | 271.7 |
| Stock Market capitalisation at 30/12/2020 in Euro million | 267.0 |

Source: FactSet

**FNM stock performance compared to the main reference indexes in 2021**


(Price=100 as at 30 December 2020)

**Shareholding structure**

At 31 December 2021 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 31/12/2021 |
|---|---|
| LOMBARDY REGION | 57.57% |
| FERROVIE DELLO STATO | 14.74% |

**Outlook 2022**[5]

According to forecasts released by the OECD in December, global GDP is expected to continue to grow, albeit at a slower rate than in 2021 (+4.5% in 2022 compared with +5.6% in 2021). The outlook remains mixed across different countries: the GDP of advanced economies is expected to return to pre-pandemic levels in 2023, while the recovery is expected to remain more fragile in emerging economies, especially in less developed ones.

According to Bank of Italy forecasts, in our Country the rise in contagion between the end of 2021 and the beginning of 2022 will have negative repercussions in the short term on mobility and consumption habits but is not expected to require a severe tightening of restrictive measures. Beginning in the spring, the spread of the epidemic should slow down.

GDP is therefore expected to recover to pre-pandemic levels around mid-2022, after which growth should continue at a robust pace, albeit less intense than that observed following the re-openings in mid-2021. The expansion of economic activity will also be supported by the continued recovery of global trade and by support from the stimulus measures financed by the national budget and European funds, particularly those outlined in the National Recovery and Resilience Plan (NRRP), as part of the Next Generation EU financial instrument for recovery, approved by the EU Council in mid-July 2021. The number of jobs is expected to grow more gradually and return to pre-crisis levels by the end of 2022.

As for inflation, in 2022 consumer prices are expected to confirm the upward trend recorded in the last months of 2021, with higher values in the first part of the year and a reduction in the second part, before stabilising below 2% in the following two years.

However, in addition to the development of health conditions, growth outlooks remain conditioned by the escalation of the conflict between Russia and Ukraine in the final weeks of February 2022. Indeed, in the short term the uncertainty linked to the evolution of geopolitical tensions in Eastern Europe and the imposition of further sanctions could drive supply side tensions and slow down the recovery of global trade, with negative repercussions on the real economy.

5 Source: data from Economic Bulletin 1/2022, Bank of Italy, Fitch, Moody's, Standard & Poor's

In the medium term, projections are affected by the degree of implementation of the spending programmes included in the budget manoeuvre and by the complete and timely implementation of the interventions established in the NRRP.

On the basis of the above considerations, the main rating agencies have assigned Italy an investment grade rating with a stable outlook; Standard & Poor’s BBB, Moody's Baa3 and Fitch BBB, increased in December 2021 from BBB-.

# 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 2020. For the sake of a complete disclosure, in the following reclassified income statement the items “Costs for construction services - IFRIC 12” and “Revenues from construction services - IFRIC 12”, relating exclusively to the concessionaire companies FERROVIENORD and MISE in which, in application of IFRIC 12, the amounts of the funded investments made during the year and the corresponding contributions are recognised, are stated net in “Other income and revenue.”

The item “Adjusted EBITDA” was determined by excluding non-recurring items from the previous items in the income statement, which were reclassified under “non-ordinary income and expenses”.

As indicated in paragraph 3.4 below, the twelve-month period of 2021 includes the economic effects arising from the line-by-line consolidation of MISE and its subsidiary Milano Serravalle Engineering from 26 February 2021. The period of comparison represents the scope of consolidation prior to the acquisition.

| *Amounts in millions of euros* | **12 months 2021** | **12 months 2020** | **Change** | ***Change %*** |
|---|---|---|---|---|
| Revenues from sales and services | 483.3 | 258.8 | 224.5 | *86.7 %* |
| Other revenues and income | 30.7 | 20.7 | 10.0 | *48.3 %* |
| ***TOTAL REVENUES AND OTHER INCOME*** | ***514.0*** | ***279.5*** | ***234.5*** | ***83.9 %*** |
| Operating costs | (207.0) | (97.7) | (109.3) | *111.9 %* |
| Personnel costs | (153.5) | (111.7) | (41.8) | *37.4 %* |
| ***ADJUSTED EBITDA*** | ***153.5*** | ***70.1*** | ***83.4*** | ***119.0 %*** |
| Non-ordinary Income and Expenses | 0.4 | (1.9) | 2.3 | *-121.1 %* |
| ***EBITDA*** | ***153.9*** | ***68.2*** | ***85.7*** | ***125.7 %*** |
| Depreciation, amortisation and write-downs | (78.0) | (41.8) | (36.2) | *86.6 %* |
| ***EBIT*** | ***75.9*** | ***26.4*** | ***49.5*** | ***187.5 %*** |
| Net financial income | (21.4) | (0.1) | (21.3) | *N/A* |
| *of which gains on divestments* | | *1.0* | *(1.0)* | *N/A* |
| *EARNINGS BEFORE TAX* | *54.5* | *26.3* | *28.2* | *N/A* |
| Income tax | (17.1) | (3.6) | (13.5) | *N/A* |
| **ADJUSTED COMPREHENSIVE INCOME** | **37.4** | **22.7** | **14.7** | ***N/A*** |
| Profit of companies measured with the Equity method | 5.7 | 2.0 | 3.7 | *N/A* |
| **COMPREHENSIVE INCOME** | **43.1** | **24.7** | **18.4** | ***N/A*** |
| **PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTEREST** | **2.3** | **0.5** | **1.8** | ***N/A*** |
| **COMPREHENSIVE GROUP INCOME** | **40.8** | **24.2** | **16.6** | ***N/A*** |

In order to better represent the changes in the year, the pro-forma reclassified income statement is shown below, considering the consolidation of MISE from 1 January 2021. The 2020 comparison year was similarly pro-rated as if MISE's consolidation had occurred on 1 January 2020.

| *Amounts in millions of euros* | 12 MONTHS 2021 FNM GROUP | 01 January 2021 - 26 February 2021 MISE | 12 MONTHS 2021 PRO-FORMA | 12 MONTHS 2020 FNM GROUP | 12 MONTHS 2020 MISE | 12 MONTHS 2020 PRO-FORMA | Difference PRO-FORMA 2021 vs 2020 | Difference PRO-FORMA 2021 vs 2020 % |
|---|---|---|---|---|---|---|---|---|
| | A | B | C= A+B | D | E | F= D+E | G = C - F | *G/F* |
| Revenues from sales and services | 483,3 | 28,4 | 511,7 | 258,8 | 187,4 | 446,2 | 65,5 | *14,7%* |
| Other revenues and income | 30,7 | 1,3 | 32,0 | 20,7 | 7,2 | 27,9 | 4,1 | *14,7%* |
| ***TOTAL REVENUES AND OTHER INCOME*** | ***514,0*** | ***29,7*** | ***543,7*** | ***279,5*** | ***194,6*** | ***474,1*** | ***69,6*** | ***14,7%*** |
| Operating costs | (207,0) | (10,4) | (217,4) | (97,7) | (75,1) | (172,8) | (44,6) | *25,8%* |
| Personnel costs | (153,5) | (7,5) | (161,0) | (111,7) | (40,3) | (152,0) | (9,0) | *5,9%* |
| ***ADJUSTED EBITDA*** | ***153,5*** | ***11,8*** | ***165,3*** | ***70,1*** | ***79,2*** | ***149,3*** | ***16,0*** | ***10,7%*** |
| Non-ordinary Income and Expenses | 0,4 | - | 0,4 | (1,9) | - | (1,9) | 2,3 | *N/A* |
| ***EBITDA*** | *153,9* | *11,8* | *165,7* | *68,2* | *79,2* | *147,4* | *18,3* | *12,4%* |
| Depreciation, amortisation and write-downs | (78,0) | (1,7) | (79,7) | (41,8) | (38,8) | (80,6) | 0,9 | *-1,1%* |
| ***EBIT*** | ***75,9*** | ***10,1*** | ***86,0*** | ***26,4*** | ***40,4*** | ***66,8*** | ***19,2*** | ***28,7%*** |
| Financial income | 2,9 | 1,1 | 4,0 | 2,6 | 6,9 | 9,5 | (5,5) | *N/A* |
| *of which gains on divestments* | - | - | - | *1,1* | - | *1,1* | *(1,1)* | *N/A* |
| *of which financial charges deriving from FTA IAS MISE* | - | - | - | - | *(52,0)* | *(52,0)* | *52,0* | *N/A* |
| Financial expenses | (24,3) | (1,0) | (25,3) | (2,7) | (61,3) | (64,0) | 38,7 | *N/A* |
| *NET FINANCIAL INCOME* | *(21,4)* | *0,1* | *(21,3)* | *(0,1)* | *(54,4)* | *(54,5)* | *33,2* | *N/A* |
| *EARNINGS BEFORE TAX* | *54,5* | *10,2* | *64,7* | *26,3* | *(14,0)* | *12,3* | *52,4* | *N/A* |
| Income tax | (17,1) | (2,0) | (19,1) | (3,6) | (11,0) | (14,6) | (4,5) | *N/A* |
| **ADJUSTED COMPREHENSIVE RESULT** | **37,4** | **8,2** | **45,6** | **22,7** | **(25,0)** | **(2,3)** | **47,9** | *N/A* |
| Profit of companies measured with the Equity method | 5,7 | (0,6) | 5,1 | 2,0 | (5,6) | (3,6) | 8,7 | *N/A* |
| **COMPREHENSIVE RESULT** | **43,1** | **7,6** | **50,7** | **24,7** | **(30,6)** | **(5,9)** | **56,6** | *N/A* |
| **RESULT ATTRIBUTABLE TO NCIs** | **2,3** | - | **2,3** | **0,5** | - | **0,5** | **1,8** | *N/A* |
| **COMPREHENSIVE GROUP RESULT** | **40,8** | **7,6** | **48,4** | **24,2** | **(30,6)** | **(6,4)** | **54,8** | *N/A* |

The income statement is shown below with only the pro-forma balances for 2021 and the comparison year 2020.

| *Amounts in millions of euros* | **12 MONTHS 2021 PRO-FORMA** | **12 MONTHS 2020 PRO-FORMA** | **Change** | ***Change %*** |
|---|---|---|---|---|
| Revenues from sales and services | 511.7 | 446.2 | 65.5 | *14.7 %* |
| Other revenues and income | 32.0 | 27.9 | 4.1 | *14.7 %* |
| ***TOTAL REVENUES AND OTHER INCOME*** | ***543.7*** | ***474.1*** | ***69.6*** | ***14.7 %*** |
| Operating costs | (217.4) | (172.8) | (44.6) | *25.8 %* |
| Personnel costs | (161.0) | (152.0) | (9.0) | *5.9 %* |
| ***ADJUSTED EBITDA*** | ***165.3*** | ***149.3*** | ***16.0*** | ***10.7 %*** |
| Non-ordinary Income and Expenses | 0.4 | (1.9) | 2.3 | *-121.1 %* |
| ***EBITDA*** | ***165.7*** | ***147.4*** | ***18.3*** | ***12.4 %*** |
| Depreciation, amortisation and write-downs | (79.7) | (80.6) | 0.9 | *-1.1 %* |
| ***EBIT*** | ***86.0*** | ***66.8*** | ***19.2*** | ***28.7 %*** |
| Net financial income | (21.3) | (54.5) | 33.2 | *N/A* |
| *of which gains on divestments* | | *1.1* | *(1.1)* | *N/A* |
| *of which financial charges deriving from FTA IAS MISE* | | *(52.0)* | *52.0* | *N/A* |
| *EARNINGS BEFORE TAX* | *64.7* | *12.3* | *52.4* | *N/A* |
| Income tax | (19.1) | (14.6) | (4.5) | *N/A* |
| **ADJUSTED COMPREHENSIVE INCOME** | **45.6** | **(2.3)** | **47.9** | ***N/A*** |
| Profit of companies measured with the Equity method | 5.1 | (3.6) | 8.7 | *N/A* |
| **COMPREHENSIVE INCOME** | **50.7** | **(5.9)** | **56.6** | ***N/A*** |
| **PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTEREST** | **2.3** | **0.5** | **1.8** | ***N/A*** |
| **COMPREHENSIVE GROUP INCOME** | **48.4** | **(6.4)** | **54.8** | ***N/A*** |

The comments below refer to the pro-forma income statement, which considers both periods on a like-for-like basis.

The **revenues from sales and services**, inclusive of public grants, recorded a net increase of EUR 65.5 million, i.e. approximately 14.7%, for the following reasons:

– motorway toll revenues, equal to EUR 225.7 million (EUR 184.3 million in 2020), show an increase of EUR 41.4 million, equal to 22.5% compared to those of 2020, due to traffic performance and its composition, since no toll rate adjustment was made in 2021;

– income from service area concessions, amounting to EUR 4.6 million, benefited not only from the positive traffic trend but also from the renewal of several contracts, with more favourable economic conditions, resulting in an increase of EUR 1.5 million, equal to a 46.99% increase compared to the comparative year 2020;

– revenues from ticketing on public road transport, which came to EUR 31.9 million, increased by EUR 9.0 million due to higher sales, consistent with the recovery in demand as a result of the gradual easing of the measures taken to deal with the COVID-19 emergency, going from EUR 22.9 million in 2020 to EUR 31.9 million in the current year;

– revenues from public contracts and grants related to the public road transport service (amounting to EUR 60.7 million) increased by EUR 9.0 million compared to the comparative period, mainly as a result of compensatory measures (equal to approximately EUR 13.5 million, to compensate for the loss of ticketing revenues), introduced by Law no. 77 of 17 July 2020 (art. 200 paragraph 1, so-called "Rilancio Decree")[6], by Law no. 126 of 13 October 2020 (art. 44, so-called

[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 fee revenues from passengers in the period from 23 February 2020 to 31 December 2020 compared to the average fee revenues recorded in the same period of the previous two years…"

"Agosto Decree")[7], by Law no. 176 of 18 December 2020 (art. 22-*ter*, so-called "Ristori Bis Decree")[8] and by Decree Law no. 41 of 22 March 2021 (art. 29, so-called "Sostegni Decree")[9];

– the consideration deriving from the Service Agreement for the management of railway infrastructure, including network access revenues, fell from EUR 91.0 million to EUR 87.3 million, due to the decrease of EUR 3.0 million, due to both the efficiency-boosting mechanism provided for by the contract and the rescheduling of programming of the railway offer as a result of the reduced mobility caused by the COVID-19 pandemic, as well as the reduction relating to the management of historical assets of EUR 1.8 million. This decline was offset, for EUR 1.1 million, by the income recognised by the Awarding Body for the year 2020 to cover the impacts of the measures implemented in response to the COVID-19 emergency;

– revenues from leasing of rolling stock, amounting to EUR 64.4 million, decreased by EUR 1.7 million mainly due to the reduction of the consideration following the renewal of the operating

[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 no. 19 of 25 March 2020, converted, with amendments, by law no. 35 of 22 May 2020, and the decree-law no. 33 of 16 May 2020, converted, with amendments, by law no. 74 of 14 July 2020, the endowment of the fund referred to in paragraph 1 of article 200 of the decree-law no. 34 of 19 May 2020, converted, with amendments, by law no. 77 of 17 July 2020, 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 no. 34 of 19 May 2020*, converted, with amendments, by *Law no. 77 of 17 July 2020*, the words: "during the period from 23 February 2020 to 31 December 2020" are 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 no. 34 of 19 May 2020*, converted, with amendments, by *law no. 77 of 17 July 2020*, shall be increased by EUR 390 million for the year 2021. These resources may 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 the COVID-19 had a higher capacity than that provided for by the decree of the President of the Council of Ministers in force at the time of the issuance of the decree referred to in paragraph 3..."

[9] "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 article 2 of decree-law no. 19 of 25 March 2020, converted, with amendments, by law no. 35 of 22 May 2020, the endowment of the fund referred to in paragraph 1 of article 200 of decree-law no. 34 of 19 May 2020, converted, with amendments, by law no. 77 of 17 July 2020, increased by EUR 800 million for the year 2021. These resources are set aside to offset the reduction in fee revenues relating to passengers suffered by the entities referred to in art. 200, paragraph 2 of decree-law no. 34 of 19 May 2020, converted, with amendments, by law no. 77 of 17 July 2020 in the period from 23 February 2020 until the end of the application of the limitations on the maximum capacity of the vehicles used for public transport services identified, with the measures referred to in article 2 of decree-law no. 19 of 25 March 2020, converted, with amendments, by Law no. 35 of 22 May 2020, compared to the average fee revenues relating to passengers recorded in the same period of the two-year period 2018-2019."

lease with Trenord of TAF trains, partially offset by higher revenues on DE 520 locomotives, TILO, ROCK, POP and Caravaggio trains leased to Trenord and E494 ETRAXX DC locomotives to DB Cargo Italia.

**Other revenues and income** show a net increase of EUR 4.1 million compared with 2020 due to the higher charge-backs of general expenses on investments financed by the Ferrovienord Planning Agreement, amounting to EUR 4.6 million, in relation to the higher financed investments made to upgrade infrastructure compared with the previous year.

**Total revenues and other income** thus rose by 14.7% and can be broken down into the four business areas as follows:

| *Amounts in millions of euros* | **12 MONTHS 2021 PRO-FORMA** | **12 MONTHS 2020 PRO-FORMA** | ***Change*** | ***Chg %*** |
|---|---|---|---|---|
| Railway infrastructure | 131.8 | 125.7 | *6.1* | *4.9 %* |
| Rosco & Services | 77.1 | 81.8 | *(4.7)* | *-5.7 %* |
| Road passenger mobility | 124.0 | 94.7 | *29.3* | *30.9 %* |
| Motorways | 242.6 | 194.6 | *48.0* | *24.7 %* |
| Intercompany eliminations | (31.8) | (22.7) | *(9.1)* | *40.1 %* |
| **Total** | **543.7** | **474.1** | ***69.6*** | ***14.7 %*** |

**Operating costs** recorded a net increase of EUR 44.6 million (25.8%) for the following main reasons:

– sub-contracts to third parties, totalling EUR 12.7 million, rose by EUR 9.3 million;

– the net increase in amounts recognised in the renewal provision for adjustment to the value of the scheduled maintenance and restoration of motorway infrastructure is equal to EUR 8.0 million, taking into account the lower use of the renewal provision compared to 2020, due to the decrease in work to restore the motorway wearing course compared to last year;

– traffic-related costs (collection costs, concession fees and utilities), amounting to EUR 36.3 million, rose by EUR 7.3 million;

– provisions made for cyclical maintenance of rolling stock, amounting to EUR 12.3 million, were up on the previous year by EUR 3 million in relation to the rolling stock financed by the

Lombardy Region which will gradually be brought into service in 2021; during the year 2021 20 high-capacity (EMU), short configuration "Caravaggio" type trains were delivered;

– diesel and methane costs, amounting to EUR 12.0 million, rose by EUR 3.1 million, and bus maintenance costs, amounting to EUR 2.9 million, rose by EUR 0.9 million, due to the higher number of kilometres travelled as a result of the increased additional services provided. The increase in the cost of fuel is also related to the increase in the purchase price recorded in the period;

– sundry third-party services, relating to security, commissions to third parties and cleaning, amounting to EUR 14.3 million, rose by EUR 2.5 million.

**Personnel costs** increased by EUR 9.0 million (5.9%), mainly as a result of the reduced use of residual leave and the fact that the income supporting schemes (General Lay-off Fund and Public Transport Fund) used in the comparative year in relation to the reduction of working activities as a consequence of the COVID-19 emergency were not used, as well as the increase in the average number of personnel (+30). Personnel costs also benefit from the release of a portion of the provision for risks relating to the renewal of the national collective labour agreement for road and rail workers for EUR 2.4 million following the agreement signed on 17 June 2021.

**Adjusted EBITDA** (excluding non-ordinary items), amounting to EUR 165.3 million, increased by 10.7%, demonstrating performance in line with revenue trends, and is broken down into the four business segments as follows:

| *Amounts in millions of euros* | **12 MONTHS 2021 PRO-FORMA** | **12 MONTHS 2020 PRO-FORMA** | ***Change*** | ***Chg %*** |
|---|---|---|---|---|
| Railway infrastructure | 5.1 | 5.8 | *(0.7)* | *-12.1 %* |
| Rosco & Services | 46.2 | 54.3 | *(8.1)* | *-14.9 %* |
| Road passenger mobility | 12.7 | 10.0 | *2.7* | *27.0 %* |
| Motorways | 101.3 | 79.2 | *22.1* | *27.9 %* |
| **Total adjusted EBITDA** | **165.3** | **149.3** | ***16.0*** | ***10.7 %*** |

**Non-ordinary operating income/expenses** for the year amount to EUR 0.4 million and are attributable to income from the release of a provision for risks following the partial closure of a dispute. This income of EUR 2.2 million was partially offset by development project costs of EUR

1.8 million, mainly attributable to costs incurred for the MISE acquisition. In the comparative period, this item, entirely attributable to development project costs, amounted to EUR 1.9 million.

The item **amortisation, depreciation and write-downs** is substantially in line with that of the previous year, falling from EUR 80.6 million to EUR 79.7 million due to the lower amortisation recorded on the road passenger mobility segment by EUR 2.8 million, mainly in relation to the completion of the amortisation of the intangible asset relating to the ATV service contract, partially offset by higher depreciation due to the entry into service of the new TILO trains and EFFISHUNTER locomotives, which took place from December 2020, for EUR 1.5 million, and investments in motorway infrastructure, for EUR 1.0 million; the item also includes the EUR 0.9 million write-down on ATV goodwill.

**Comprehensive EBIT** amounted to EUR 86.0 million, compared with EUR 66.8 million in 2020, a net increase of EUR 19.2 million compared to the previous year.

The **overall result of financial operations** was a loss of EUR 21.3 million compared to a loss of EUR 54.5 million in 2020; in particular, interest expense on loans amounted to EUR 21.6 million (EUR 8.4 million in 2020), up due to higher financial expenses relating to the Bridge loan, amounting to EUR 14.8 million, including the share for the year of the upfront fee, the extension fee and ancillary charges, amounting to EUR 8.6 million. On the other hand, the figure for 2020 includes financial charges of EUR 52.0 million deriving from the rescheduling of the expected repayment flows from the financial asset relating to the shareholder loan granted by MISE to the associated company APL, in accordance with IFRS 9.

**Earnings before taxes** amounted to EUR 64.7 million, up compared to EUR 12.3 million in 2020.

**Income tax** of EUR 19.1 million increased by EUR 4.5 million compared to 2020, due to higher taxable income.

The **profit/(loss) of companies valued by the equity method** recorded a profit of EUR 5.1 million, compared with a loss of EUR 3.6 million in 2020, mainly due to the trend in the result of the investees Trenord, APL and Omnibus Partecipazioni. This item is broken down as follows:

| **Amounts in thousands of euros** | **2021** | **2020** | ***Change*** |
|---|---|---|---|
| Trenord Srl * | 57 | (3,796) | *3,853* |
| Autostrada Pedemontana Lombarda | 626 | (3,493) | *4,119* |
| Tangenziali Esterne di Milano S.p.A. | (1,866) | (2,200) | *334* |
| NORD ENERGIA S.p.A. ** | 2,068 | 2,568 | *(500)* |
| DB Cargo Italia S.r.l. | 2,356 | 1,813 | *543* |
| Omnibus Partecipazioni S.r.l. *** | 1,937 | 1,052 | *885* |
| NordCom S.p.A. | 453 | 282 | *171* |
| Busforfun.Com S.r.l. | (550) | — | *(550)* |
| SportIT | (9) | — | *(9)* |
| Conam S.r.l. | — | 44 | *(44)* |
| Sems | — | 81 | *(81)* |
| **Result of companies valued at equity** | **5,072** | **(3,649)** | ***8,721*** |

* includes the result of TILO SA
** includes the result of CMC MeSta SA
*** includes the result of ASF Autolinee S.r.l.

For more information on the results of the investees Trenord and APL, please refer to what is set forth in paragraph 7, “Operating performance of business segments”, in the sections dedicated to Ro.S.Co. & *Services* and Motorways, respectively.

The consolidated **comprehensive income** of the year 2021 is a profit of EUR 50.7 million, versus a loss of EUR 5.9 million in 2020, due to the effects described above essentially deriving from the regression of the epidemic emergency.

## 6.2 RECLASSIFIED STATEMENT OF FINANCIAL POSITION

Below is the reclassified statement of financial position as at 31 December 2021, compared with that as at 31 December 2020.

| Amounts in millions of euros | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Inventories | 9.5 | 8.7 | 0.8 |
| Trade receivables | 133.1 | 82.6 | 50.5 |
| Other current receivables | 130.7 | 99.0 | 31.7 |
| Current financial receivables | 145.9 | 41.6 | 104.3 |
| Trade payables | (372.3) | (177.5) | (194.8) |
| Other current payables and current provisions | (125.6) | (70.7) | (54.9) |
| ***Net Working Capital*** | ***(78.7)*** | ***(16.3)*** | ***(62.4)*** |
| Fixed assets | 748.4 | 468.3 | 280.1 |
| Equity investments | 158.7 | 168.0 | (9.3) |
| Non-current receivables | 241.3 | 24.2 | 217.1 |
| Non-current payables | (20.4) | (24.4) | 4.0 |
| Provisions | (123.8) | (60.9) | (62.9) |
| ***NET INVESTED CAPITAL*** | ***925.5*** | ***558.9*** | ***366.6*** |
| | | | |
| *Equity* | *228.3* | *477.1* | *(248.8)* |
| **Adjusted Net Financial Position (Debt / -Cash)** | **758.7** | **43.8** | **714.9** |
| Net Financial Position for funded investments (cash) | (61.5) | 38.0 | (99.5) |
| *Total net financial position (Debt / -Cash)* | *697.2* | *81.8* | *615.4* |
| ***TOTAL SOURCES*** | ***925.5*** | ***558.9*** | ***366.6*** |

The **net working capital** decreased by EUR 62.4 million as a result of the following changes:

- **trade receivables** increased by EUR 50.5 million, mainly due to the contribution of EUR 52.9 million to the consolidation of MISE;
- **other current receivables** increased as a result of the change in the advances recognised, amounting to EUR 16.6 million, in relation to the progress status of orders for the renewal of rolling stock and the upgrade of infrastructure with borrowed funds, as well as the contribution to the consolidation of MISE, amounting to EUR 9.6 million;
- **current financial receivables** include receivables for financed investments in the railway infrastructure and the renewal of rolling stock, amounting to EUR 38.8 million and EUR 99.3 million, respectively, an increase of EUR 96.6 million due to the fact that the progress on orders for the renewal of rolling stock was greater than the advances granted by the Lombardy Region;

- **trade payables**, net of the MISE contribution of EUR 50.8 million, increased by EUR 144.0 million mainly due to the progress of rolling stock renewal projects. During the period, payments were made to suppliers for investments with financed and own funds, for EUR 163.8 million and EUR 115.1 million, respectively. In particular, the investments paid with borrowed funds pertain, for EUR 112.2 million, to the renewal of rolling stock and hence paid with the funds 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** increased due to the higher payables deriving from MISE's contribution to the consolidation, amounting to EUR 51.8 million.

The item **fixed assets** comprises mainly tangible assets of EUR 447.5 million, of which EUR 334.7 million pertain to rolling stock, intangible assets for EUR 269.6 million, of which EUR 263.3 million relating to the motorway infrastructure freely revertible to the awarding body (Ministry of Infrastructure and Transport), goodwill of EUR 3.4 million and EUR 27.8 million for rights of use.

The value of **equity investments** decreased by EUR 9.3 million, primarily due to the change in the scope of consolidation.

In fact, following the acquisition of 96% of MISE's share capital and the related line-by-line consolidation of the investment, the item decreased by EUR 85.8 million, equal to the carrying amount as at 31 December 2020, and increased due to the contribution to the consolidation of MISE's investee companies, amounting to EUR 70.9 million; these include the associated companies Autostrada Pedemontana Lombarda S.p.A. (EUR 39.3 million) and Tangenziali Esterne di Milano S.p.A. (EUR 26.0 million) and the investment in other companies S.A.Bro.M. S.p.A. (EUR 3.2 million) and Tangenziale Esterna S.p.A. (EUR 1.7 million).

**Non-current receivables** include contractual assets arising from investments made in the motorway network up to 31 December 2021, but not yet recognised, as well as loans from MISE to investees for EUR 51.3 million.

**Provisions** include primarily non-current provisions related to cyclical maintenance, the Motorway Infrastructure Renewal Fund and severance pay.

**Shareholders' equity** decreased as a result of accounting for the MISE acquisition. The Acquisition is an "*under common control*" transaction, i.e. a business combination in which the companies participating in the combination (FNM and MISE) are controlled by the same entity (Lombardy Region) both before and after the combination, and this control is not temporary. These transactions are accounted for by taking into account the provisions of IAS 8, i.e. the concept of reliable and faithful representation of the transaction, and the provisions of OPI 1 (Assirevi preliminary guidelines on IFRS), relating to the "accounting treatment of *business combinations of entities under common control* in the separate and consolidated financial statements". The selection of the accounting standard for the transactions under consideration must be based on the elements described above, which lead to the application of the criterion of continuity of values of the net assets transferred. The net assets must therefore be recognised at the book values resulting from MISE's financial statements prior to the transaction or, if available, at the values resulting from the consolidated financial statements of the common parent company and the difference of EUR 294.9 million between the price paid by FNM to acquire the investment in MISE, equal to EUR 604.8 million, and the corresponding value of MISE's shareholders' equity, equal to EUR 309.9 million, in accordance with the accounting method reported above, is recognised as a reduction in the item "Group equity".

Below is the breakdown of the Group's net financial position at 31 December 2021, compared with 31 December 2020.

In order to better represent the ability to generate cash as well as the Group NFP, an adjusted NFP was also calculated, which excludes the effects deriving from adoption of IFRIC 12:

| Amounts in millions of euros | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Liquidity | (253.3) | (126.1) | (127.2) |
| Current financial debt | 164.1 | 101.2 | 62.9 |
| ***Current Net Financial Position (Debt / -Cash)*** | ***(89.2)*** | ***(24.9)*** | ***(64.3)*** |
| Non-current financial debt | 847.9 | 68.7 | 779.2 |
| ***Adjusted Net Financial Position (Debt / -Cash)*** | ***758.7*** | ***43.8*** | ***714.9*** |
| Net Financial Position for funded investments (Debt / -Cash) | (61.5) | 38.0 | (99.5) |
| ***Net Financial Position (Debt / -Cash)*** | ***697.2*** | ***81.8*** | ***615.4*** |

At 31 December 2021, the total net financial position was EUR 697.2 million, compared to a balance of EUR 81.8 million at 31 December 2020.

It should be noted that the total net financial position at 31 December 2021 has been calculated, also for the balance at 31 December 2020, excluding current financial receivables in order to implement the indications of CONSOB Information Notice 5/21 of 29 April 2021, which replaced CONSOB Communication 6064293 of July 2006.

Isolating the amount relating to financed investments (EUR 61.5 million), the Adjusted Net Financial Position is equal to EUR 758.7 million compared to a balance of EUR 43.8 million as at 31 December 2020, worsening by EUR 714.9 million, mainly due to the financial debt incurred for the acquisition of MISE and consisting mainly of the senior unsecured non-convertible bond for EUR 650 million, issued on 13 October 2021.

The securities were placed at an issue price of 99.824% and have a fixed rate with an annual coupon of 0.75% and an annual yield of 0.786%, corresponding to a spread of 88 basis points with respect to the mid-swap reference rate. The securities representing the Bond have been assigned a Baa3 rating by Moody’s and a BBB rating by Fitch, in line with those of the issuer and the EMTN Programme against which they were issued.

The proceeds of the Bond were used for the early repayment of the debt assumed in connection with the acquisition of Milano Serravalle - Milano Tangenziali S.p.A., and for the remaining part to maintain adequate levels of liquidity to meet operating and investment needs. The Issue is consistent with FNM’s financial strategy, aimed at optimising the composition of existing financial debt by lengthening maturities, in line with the composition of assets, diversifying financing sources and seizing opportunities offered by favourable market conditions.

The **adjusted net financial position** is represented by the cash flow changes in the reference year:

| Amounts in millions of euros | 31/12/2021 | 31/12/2020 |
|---|---|---|
| EBITDA | 153.9 | 68.2 |
| NET WORKING CAPITAL | (38.0) | (34.4) |
| Tax paid | (14.8) | (14.0) |
| Financial expenses/income | (19.9) | (0.9) |
| ***Free cash flow from operations*** | ***81.2*** | ***18.9*** |
| Net investments paid | (106.0) | (64.9) |
| ***Cash flow generation*** | ***(24.8)*** | ***(46.0)*** |
| Dividends cash-in | 3.9 | 4.7 |
| Investment purchase | (363.6) | (78.7) |
| Financial investments | (9.0) | — |
| Divestments | — | 32.1 |
| **Free cash flow** | **(393.5)** | **(87.9)** |
| **Cash flow** | **(393.5)** | **(87.9)** |
| | | |
| **Adjusted NFP (Debt/-Cash) INITIAL 01.01** | **43.8** | **(39.9)** |
| Cash flow generation | 393.5 | 87.9 |
| Change in scope of consolidation | — | 3.1 |
| Change in financial receivables | — | 0.1 |
| IFRS 16 Effect | 3.2 | (7.4) |
| MISE contribution Payables to banks and financial liabilities | 318.2 | — |
| ***Total change in NFP*** | ***714.9*** | ***83.7*** |
| **Adjusted NFP (Debt/-Cash) FINAL 31.12** | **758.7** | **43.8** |

***Cash flow generation*** in the year was negative for EUR 24.8 million and derives from operations net of investments paid. The **operating cash flow** deriving from income management is a positive EUR 81.2 million, due to EBITDA of EUR 153.9 million, in part negatively affected by the change in net working capital, mainly due to the recognition of advances to suppliers for the progress of orders for trains financed by the Lombardy Region.

Net investments of approximately EUR 106.0 million were paid in the year, compared to EUR 64.9 million paid in the comparative year 2020.

The cash flow was greatly influenced in the year by the cash outflow for the purchase of the stake held in MISE by the Lombardy Region, amounting to EUR 519.2 million, as well as the second tranche for the purchase of the stake held in MISE by the ASTM Group, amounting to EUR 7.3 million, which, net of the cash held by MISE, led to a net outlay of EUR 363.6 million.

The adjusted net financial position also reflects the amounts deriving from the change in the scope of consolidation due to the recognition of bank borrowings and financial liabilities relating to MISE, amounting to EUR 318.2 million.

*Existing loans at the date of approval of the financial statements:*

- **FNM Loan - European Investment Bank ("EIB")**

  On 21 December 2017, 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, the FNM Board of Directors approved a loan to be taken out from 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 funding was fully utilised in the course of 2020. In particular, on 20 March 2020, the first tranche of EUR 10 million was used, and on 12 October 2020 the second tranche of EUR 40 million. The first tranche of the loan has a fixed rate of 0.377%, with six-year maturity and repayment plan in constant 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 constant 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 the completion of the MISE acquisition transaction and for the amendment of the materiality thresholds of permitted extraordinary transactions and financial covenants.

  The EIB gave its approval for the acquisition transaction and thus as of 3 March 2021 amended the financial covenants, calculated on the Group's consolidated financial statements:

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

  As a result of the consolidation of MISE, as described in Note 22, a reduction of EUR 295.0 million was recorded in the Group's shareholders' equity, resulting in failure to comply with the NFP/Shareholders' equity covenant. Consequently, the "EIB loan" was classified under current payables to banks in compliance with international accounting standards. It is not believed that this aspect generates liquidity problems in view of the fact that the Parent Company has taken steps with the EIB to agree on a change in the definition of the covenant that takes into account this specific consequence of the accounting treatment described above. On 9 March 2022 the Parent Company received notice from EIB that the internal assessment process had been passed and, therefore, that the legal documentation for the letter of waiver and contract amendment had been prepared.

- **MISE Funding**

As at the date of this report, the Group, through its subsidiary MISE, has the following outstanding bank loans:

1) Loan from a pool of financial institutions (UBI Banca and Banco BPM) taken out on 13 December 2010 for a total of EUR 90 million with a duration of 15 years.

The loan has been fully drawn down and its interest rate is equal to the 6-month Euribor (without floor) plus a margin of 2%.

The financial covenants are as follows:

o NFP/Shareholders' equity ≤ 2

o NFP/EBITDA ≤ 5.

As at 31 December 2021, the remaining amount to be repaid is EUR 30 million.

2) Loan from a pool of financial institutions (BNL and MPS) taken out on 13 December 2010 for a total of EUR 150 million with a duration of 15 years.

The loan has been fully drawn down and its interest rate is equal to the 6-month Euribor (without floor) plus a margin of 2.25%.

The financial covenants are as follows:

o NFP/Shareholders' equity ≤ 2

o NFP/EBITDA ≤ 5.

As at 31 December 2021, the remaining amount to be repaid is EUR 50 million.

3) Loan from Banca Carige (brokered by the European Investment Bank) taken out on 2 March 2012 for a total of EUR 20 million with a duration of 13 years. The loan has been fully drawn down and has a fixed interest rate of 3.617%. It has no financial covenants.

As at 31 December 2021, the remaining amount to be repaid is EUR 8 million.

4) Loan from Finlombarda taken out on 19 December 2017 for a total of EUR 40 million with a duration of 5 years.

The loan has been fully drawn down and its interest rate is equal to the 6-month Euribor (zero floor) plus a margin of 2.50%.

The financial covenants are as follows:

o NFP/Shareholders' equity ≤ 2

o NFP/EBITDA ≤ 5.

As at 31 December 2021, the remaining amount to be repaid is EUR 8 million.

5) Loan from a pool of financial institutions (Intesa Sanpaolo, UBI Banca, Banco BPM, Unicredit and BNL) taken out on 18 December 2019 for a total of EUR 150 million with a duration of 7 years.

The loan has been fully drawn down and its interest rate is equal to the 6-month Euribor (without floor) plus a margin of 1.80%.

The financial covenants are as follows:

o NFP/Shareholders' equity ≤ 2

o NFP/EBITDA ≤ 4.

As at 31 December 2021, the remaining amount to be repaid is EUR 125 million.

- **Bond**

On 13 October 2021, FNM successfully completed the placement of a non-convertible senior unsecured bond for EUR 650 million, with a duration of 5 years. The bond represents the inaugural issue under the Euro Medium Term Non-Convertible Note Programme (the “EMTN Programme”) of up to EUR 1 billion, the establishment of which was approved by FNM's Board of Directors on 16 September 2021. The Bond was offered for subscription to Italian and foreign institutional investors in accordance with current regulations (except for limitations relating to certain countries, including the United States of America) and intended for listing on the regulated market of the Irish Stock Exchange – Euronext Dublin. The settlement of the issue took place on 20 October 2021. The securities were placed at an issue price of 99.824% and have a fixed rate with an annual coupon of 0.75% and an annual yield of 0.786%, corresponding to a spread of 88 basis points with respect to the mid-swap reference rate. The securities representing the bond have been assigned a Baa3 rating by Moody's and a BBB- rating by Fitch, which was upgraded to BBB at year-end, in line with those of the issuer.

The proceeds of the bond were used for the early repayment of the outstanding debt assumed in connection with the acquisition of MISE, maturing in early 2022, and to maintain adequate levels of liquidity to meet operating and investment needs.

***

Lastly, please note that 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, arranging for the advance repayment of the entire amount used of EUR 50 million.

Finally, on 21 October 2021, following the placement of the bond described above, FNM repaid in advance the unsecured short-term loan ("Bridge loan") used for EUR 620 million and 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.

## 6.3 INVESTMENTS

Investments in the year amounted to a total of EUR 417.9 million compared to the EUR 225.0 million of the previous year.

In particular:

- **investments with public funds** were made for a total of EUR 318.8 million (EUR 105.2 million in the comparative year), including EUR 260.9 million in the renewal of rolling stock as part of the Lombardy Region's EUR 2 billion renewal programme and EUR 57.9 million for the modernisation and upgrading of infrastructure. In detail, these interventions mainly relate to the renewal of equipment on the Saronno - Como, Bovisa - Seveso - Mariano Comense and Saronno Malnate sections, as well as the upgrading of the Milan Affori - Varedo railway line;

- **investments financed with own funds** attributable to the year 2020 were made for EUR 38.3 million (EUR 68.2 million in 2020), mainly referring to the entry into service of 4 TILO trains (EUR 9.2 million), advances paid for the purchase of 6 hydrogen-powered electric trains (EUR 7.1 million), the cyclical maintenance and modernisation of CORADIA rolling stock (EUR 8.0 million), the purchase of 2 E744 Effishunter locomotives (EUR 2.9 million), the construction of the car park near Affori station (EUR 1.4 million), advances paid for the purchase of 23 new buses (EUR 1.2 million) and 7 used diesel-powered suburban buses (EUR 0.8 million).
- **investments were made in reversible assets in the motorway infrastructure** for EUR 60.8 million (EUR 51.6 million at 31 December 2020), of which EUR 54.8 million between March and December 2021.

# 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:

| | 12 MONTHS 2021 PRO-FORMA | | | | | | 12 MONTHS 2020 PRO-FORMA | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Amounts in millions of euros* | **Railway infrastructure** | **Rosco & Services** | **Road passenger mobility** | **Motorways** | ***Eliminations*** | **Total** | **Railway infrastructure** | **Rosco & Services** | **Road passenger mobility** | **Motorways** | ***Eliminations*** | **Total** |
| Revenues from third parties | 122,0 | 65,1 | 111,5 | 240,5 | | **539,1** | 118,1 | 70,3 | 88,5 | 194,6 | | **471,5** |
| Intercompany revenues | 5,2 | 12,0 | 12,5 | 2,1 | *(31,8)* | **0,0** | 5,0 | 11,5 | 6,2 | | *(22,7)* | **0,0** |
| Grants for funded investments net of costs | 4,6 | 0,0 | 0,0 | | | **4,6** | 2,6 | | | | | **2,6** |
| **Segment revenues** | **131,8** | **77,1** | **124,0** | **242,6** | ***(31,8)*** | **543,7** | **125,7** | **81,8** | **94,7** | **194,6** | **(22,7)** | **474,1** |
| | | | | | | | | | | | | |
| **Adjusted EBITDA** | **5,1** | **46,2** | **12,7** | **101,3** | | **165,3** | **5,8** | **54,3** | **10,0** | **79,2** | | **149,3** |
| ***Adjusted EBITDA %*** | ***3%*** | ***28%*** | ***8%*** | ***61%*** | | | ***4%*** | ***36%*** | ***7%*** | ***53%*** | | |
| | | | | | | | | | | | | |
| **EBITDA** | **7,3** | **44,4** | **12,7** | **101,3** | | **165,7** | **5,8** | **52,4** | **10,0** | **79,2** | | **147,4** |
| ***EBITDA %*** | ***4%*** | ***27%*** | ***8%*** | ***61%*** | | | ***4%*** | ***36%*** | ***7%*** | ***54%*** | | |
| | | | | | | | | | | | | |
| **EBIT** | **4,9** | **15,0** | **3,8** | **62,3** | | **86,0** | **3,6** | **24,5** | **(1,7)** | **40,4** | | **66,8** |

## 7.1 RAILWAY INFRASTRUCTURE

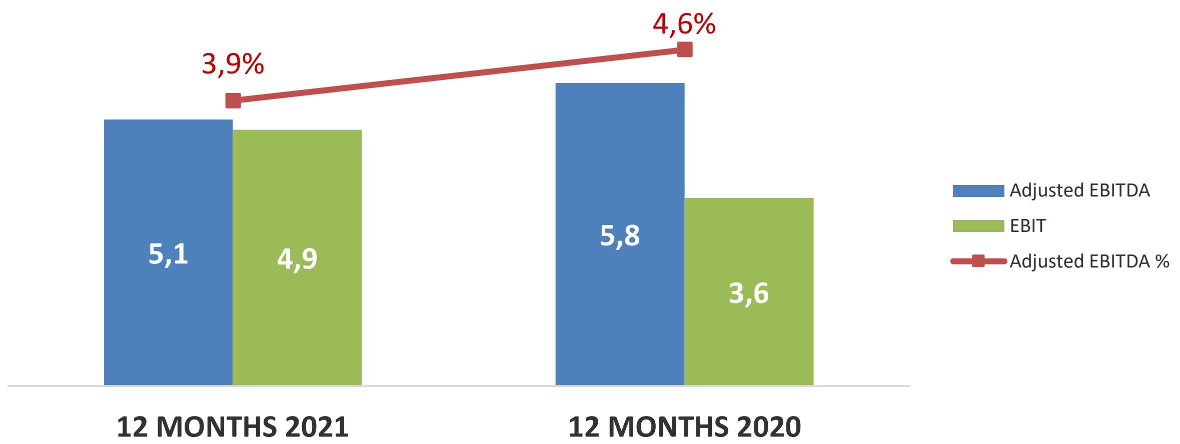
The “Railway infrastructure” segment includes the management of railway infrastructure of the Milan and Iseo lines, which cover 330 km of network and include 124 stations and passenger service stops -, under concession, as well as terminal design and management activities. With Regional Council Resolution no. X/4823 of 15 February 2016, the Lombardy Region ordered the Concession to FERROVIENORD S.p.A. for the construction, operation and management of the Regional Railway Network be renewed from 18 March 2016 to 31 October 2060.

The concession agreement includes the construction, management and maintenance of the railway infrastructure, the upgrading and modernisation of the network, traffic management and the allocation of capacity. The concessionaire also has the role of acquiring and managing, on a non-exclusive basis, the fleet necessary to provide railway services and the enhancement of railway assets including those of historical value. The concessionaire is also assigned the tasks regulated by the Investment Programme Agreement, Service Agreement or other administrative provision, as discussed below.

The activity 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 Sacconago terminal, in the municipality of Busto Arsizio (VA), as well as by the subsidiary Malpensa Distripark, which deals with the real estate development of terminal areas.

| *Amounts in millions of euros* | *12 MONTHS 2021* | *12 MONTHS 2020* | *Chg* | *Chg %* |
|---|---|---|---|---|
| Public contracts and grants | 99,3 | 100,7 | *(1,4)* | *-1,4%* |
| Leasing rolling stock | 12,3 | 9,3 | *3,0* | *32,3%* |
| Other revenues | 20,2 | 15,7 | *4,5* | *28,7%* |
| **Total revenues** | **131,8** | **125,7** | ***6,1*** | ***4,9%*** |
| **Adj. EBITDA** | **5,1** | **5,8** | ***(0,7)*** | ***-12,1%*** |
| **Adj. EBITDA %** | **3,9%** | **4,6%** | | |
| **EBIT** | **4,9** | **3,6** | ***1,3*** | ***36,1%*** |




Segment revenues amounted to EUR 131.8 million, up EUR 6.1 million (+4.9%) compared to EUR 125.7 million in 2020.

In particular, revenues relating to public contracts and grants, which include the consideration deriving from the Service Agreement for infrastructure management, amounted to EUR 101.1 million and were slightly down on the same period in 2020. The lower revenues deriving from the rescheduling of the railway offer following the reduced mobility caused by the COVID-19 pandemic, the efficiency-boosting mechanism of the Contract, the different method of charging the network access fee, as well as the adjustment on the management of historical assets, were partially offset by higher recoveries for planning activities and higher cost recoveries relating to interventions on the network and the financed rolling stock, in relation to the progress of the orders. The income recognised by the Awarding Body for the year 2021 to cover the impacts of the measures implemented in response to the COVID-19 emergency also contributed to revenues relating to public contracts and grants.

The increase in revenues from the rental of rolling stock, which refer to fees for the management and maintenance of rolling stock leased by the Lombardy Region to Trenord and managed by FERROVIENORD, takes into account the expansion of the fleet made available to Trenord.

Other revenues rose by EUR 4.5 million, primarily as a result of income recognised by the Awarding Body, in 2020, to cover the impact of the measures taken for the COVID-19 emergency, the sale of some inventory residues, higher income from commercial activities and the sale of some land. The increase in other revenues was also due to the different method of charging the network access fee which, as a result of Regional Government Decree no. X/56356 of 30 November 2021, means that the access fee will be collected directly from the railway companies and no longer as consideration for the Service Agreement.

Segment Adjusted EBITDA of EUR 5.7 million is down slightly from 2020. The change, in a context of rising revenues, takes into account the higher provisions for cyclical maintenance of the fleet made available to Trenord, in line with the higher revenues from the rental of rolling stock, the higher costs for infrastructure and maintenance planning activities, as well as higher charges for building management (including sanitisation and extraordinary cleaning), for the improvement of IT systems and for the management of the vehicle fleet, an increase in provisions for bad debts on financed contracts, as well as higher provisions for risks and charges for disputes with contractors. These effects were partially offset by lower infrastructure and facility costs due to the rescheduling of certain maintenance activities and lower personnel costs driven by the release of a portion of the provision for the renewal of the National Collective Labour Agreement, as well as a reduction in average staffing levels compared to 2020.

As regards terminal operations, the results for the period basically remained aligned with the previous year with revenues of EUR 1.6 million (EUR 1.5 million in 2020) and negative EBITDA of EUR 0.5 million (EUR 0.6 million in 2020).

**Service Agreement for infrastructure management**

On 16 March 2016, FERROVIENORD signed the Service Agreement for the Management of the Railway Infrastructure with the Lombardy Region for the period 18 March 2016 - 31 December 2022.

In the Service Agreement the characteristics of the offered services are identified, for the purposes of defining the fee, through the Catalogue tool, which divides the Concession Holder performance obligations based on the following areas:

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

Therefore, FERROVIENORD committed to guarantee:

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

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

(iii) safety management;

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

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

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

(vii) management and enhancement of historical assets;

(viii) management and enhancement of station spaces and buildings not directly used by rail traffic and travellers;

(ix) travellers' personal and financial security and security of the environments accessible to them;

(x) activities concerning the purchase, financing and management of rolling stock, destined for the regional rail service; and

(xi) management and development of sustainable mobility services (car sharing).

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

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

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

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

During 2021, a working group was set up with the Region in order to bring the Service Agreement, limited to the interconnected regional network (Milan Branch), into line with the resolutions of the Transport Regulatory Authority (ART) regarding the access fee (“toll”) for trains running on the Milan Branch (Resolution no. 96/2015, no. 139/2019, no. 193/2020 and no. 31/2021). With Regional Government Decree no. X/56356 of 30 November 2021 the Lombardy Region approved the amendments and additions to the Service Agreement in order to bring the content of the Agreement into line with the provisions of the above-mentioned regulatory framework. It was signed on 22 December 2021. The economic conditions were redefined with the preparation of a new Catalogue of services, which takes into account the income received by FERROVIENORD for the access fee directly from the railway companies rather than from the Awarding Body.

During 2022 a new Service Agreement will be finalised, which will come into force in 2023.

**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 December 2017, transposed on 14 February 2018 by the Board of Directors of FERROVIENORD, which provides:

- activities for the safety of the Milan Branch and for infrastructure upgrading thanks 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 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.

In addition, with **Regional Government Decree no. XI-4010 of 14 December 2020** the Lombardy Region approved the fourth update, which incorporates in particular the *"MARSHALL PLAN" - PROGRAMME OF ACTIVITIES FOR ECONOMIC RECOVERY*, approved by the Lombardy Region with DGR 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 (SSE, TE, Tracks, Signalling (ACCM - Computerised Multistation Central Apparatus), CCTV and Flap displays, 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 for in the Planning Agreement regarding approval procedures and the methods for the disbursement of resources will therefore be extended to the "MARSHALL PLAN" infrastructure projects.

The expiry of the Agreement has been extended to 31 December 2027.

Full funding is also provided for the project to connect Malpensa Terminal 2 with the RFI Simplon line (for EUR 211 million to be borne by the Region, the State and the European Union).

Finally, with **Regional Government Decree no. XI/5589 of 23 November 2021**, the Lombardy Region approved the fifth update of the Planning Agreement, which overall confirms the financial resources planned and present in the update of the Planning Agreement as at 14 December 2020, to which EUR 311.4 million of regional and state resources are added for upgrading plants, improving safety levels and infrastructural enhancement connected with the activation of hydrogen trains for the Brescia-Iseo-Edolo line, the completion of the replacement of ACEI equipment and centralisation with ACC-M - MILAN NETWORK installations and selective doubling and crossing arrangements along the Varese - Laveno route.

**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 amount of the train supply contracts.

To implement the mandate from the Lombardy Region, FERROVIENORD has entrusted FNM with the mandate to carry out - on behalf of FERROVIENORD - the necessary tender procedures using the “QUALIFICATION SYSTEM FOR THE SUPPLY AND MAINTENANCE OF RAILWAY ROLLING STOCK”, adopted by FNM itself. To this end the notice was published in the Official

Journal of the European Union no. S149 of 5 August 2017 with which - pursuant to Art. 134, paragraph 3 of Legislative Decree no. 50/2016 - FERROVIENORD S.p.A. announced the use of the qualification system for companies for the maintenance of rolling stock, established by FNM S.p.A.
The state of implementation of the plan at 31 December 2021 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. ("Hitachi") 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 for the supply of 30 short configuration trains (4 train bodies) for a total 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 led to delays in train deliveries by Hitachi and in the issue of the AISM (Authorisation to Enter the Market) by ANSF (the National Agency for Railway Safety).
As at 31 December 2021, 26 of the 30 planned trains have been delivered. Delivery of the additional 4 trains was completed in January and February 2022.
On 23 November 2020, FERROVIENORD S.p.A. signed the 2nd Executive Contract with Hitachi for the supply of 20 long configuration trains (5 train bodies) for a total of EUR 186.3 million. Deliveries are scheduled to begin in December 2021, continuing from the completion of deliveries under the first executive contract, with completion in September 2022. The delay in completing the deliveries of the first executive contract affected the start of deliveries scheduled to begin in February 2022.
On 30 September 2021, FERROVIENORD signed the 3rd Executive Contract with Hitachi STS for the additional 50 trains (10 short configuration and 40 long configuration) for an amount of EUR 451.8 million; deliveries are scheduled to begin in October 2022 - with two trains/month - with completion of deliveries expected by October 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 Trains for a total of EUR 191.9 million.

The COVID-19 emergency delayed 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 the 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. ("Alstom") as a result of the filing on 8 November 2019, by the Regional Administrative Court of Lombardy, of the decision on R.G. appeal no. 1032/2018, initiated by CAF S.A., whereby, definitively passing judgement on the appeal and on its additional reasons, rejected them in each of their requests, ordering the appellant to pay all expenses. On 20 November 2019, the following took place:

- the execution - by FNM S.p.A. - of the Framework Agreement with Alstom 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 for the supply of 31 Trains for a total 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-19 emergency delayed the start of production activities by the supplier, which has proposed an updated plan for making the trains available that includes a two-month delay (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 programming.

Following the further appeal, lodged by CAF S.A., against sentence no. 2439/19 of the Milan Regional Administrative Court, the Council of State with sentence 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 legal costs. The additional lawsuit brought by CAF before the Milan Regional Administrative Court (RG no. 02626/2019) for the annulment of the awarding measure in favour of Alstom of the tender in question and suspended pending the definition of the lawsuit pending before the Council of State, was declared extinct by Decree of the Chief Judge of the Milan Regional Administrative Court no. 11/2021, published on 8 January 2021.

On 12 November 2021, Alstom filed the documentation relating to the request for AISM (Initial Authorisation with Type Approval) with the National Agency for the Safety of Railways and Road and Motorway Infrastructures (ANSFISA). Considering ANSFISA's technical timeframe (5 months) for issue of the authorisation, it is expected that the delivery schedule will be maintained starting in May 2022.

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

a) 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) authorise 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 of EUR 60.4 million. The COVID-19 emergency resulted in a delay in planned deliveries (July 2020), which were nevertheless 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 of EUR 45.7 million. The COVID-19 emergency resulted in a delay in planned deliveries, which were nevertheless completed in October 2020.

In relation to the financial strategy, necessary to couple the need to acquire the 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 not less than EUR 30 million (or for the least amount of funding available). Each payment will be subject to FERROVIENORD's satisfaction of some condition precedents, including, *inter alia*, submitting the time schedule relating to the progress status of the purchase programme;
- repayment procedure: 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 amortisation schedule, on 31 July of each year starting from the first day between (i) 31 July 2026 and (ii) 31 July of the

year in which the payment is due, on the part of the Lombardy Region to FERROVIENORD, of the first receivable based on the purchase programme implementation agreement;

- interest rate: to be determined in relation to each loan disbursed under the loan agreement, based on the interest rate applied by the EIB on the amounts made available to CDP, increased by a margin;
- FERROVIENORD financial commitments: commitment not to take on or maintain financial debt, except in the case of permitted financial debt;
- other commitments: standard for this type of transaction, including the negative pledge clauses and the limitations placed on the amount of distributable profit, without prejudice to the possibility of cash transfers in favour of FNM under the so-called group cash pooling;
- early repayment provisions: included in the Loan Agreement on the basis of that usually provided by the market for this type of transaction, connected, inter alia, to non-compliance with the commitments by FERROVIENORD and to the assumptions of the so-called change of control relating to FERROVIENORD and FNM.

To guarantee the obligations deriving from the loan and up to a maximum of 150% of the latter's maximum principal amount (EUR 975 million), FERROVIENORD has provided the following guarantees in the implementation of the financing forecasts: (a) a pledge on receivables in favour of CDP and EIB, set up on the contributions from the Lombardy Region to FERROVIENORD to finance up to an amount of EUR 1,607 million for the acquisition of rolling stock programme pursuant to resolutions no. X/6932 of 24 July 2017 and Regional Government Decree no. X/7643 of 28 December 2017; and (b) a further pledge in favour of the same lending institutions for the current accounts opened by the Company in implementation of the loan agreement.

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

A line of credit with the Cassa Depositi e Prestiti is expected to be activated in 2022 to cover supplier payments.

With Regional Council Resolution no. XI/3531 of 5 August 2020 "PROGRAM OF ACTIVITIES FOR ECONOMIC RECOVERY" ("Marshall Plan"), in Annex 3, the Lombardy Region provided 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 were identified for purchase:

1) 10 Hitachi Caravaggio to be used for the "Malpensa Express" service;
2) 20 Donizetti Alstom to be coupled, to be used for the "Valtellina" service;
3) 16 Hitachi Caravaggio to be used for the "Orio al Serio" service;

with a view to putting the trains into service in time for the 2026 Winter Olympics in Milan - Cortina.

Following Regional Government Decree no. XI/4421 of 17/03/2021, on 17 March 2021 FERROVIENORD's Board of Directors resolved to implement the rolling stock purchase program described above in the following terms:

- purchase of 10 long configuration high-capacity electric trains (ETR 522) for service on the Milan - Malpensa Airport route by signing the Executive Contract on Framework Agreement no. 4600007808 of 12 September 2018, subject to the signing of Executive Contract no. 3 for the supply of the remaining 50 trains established by Regional Government Decree no. X/6932 of 24 July 2017, which took place on 30 September 2021. The estimated value of the Contract is EUR 93.7 million. Deliveries are scheduled to begin in November 2024 following the completion of the deliveries of the third executive contract with completion expected in March 2025;
- purchase of 20 Medium Capacity Electric Trains (ETR 204) for the Milan-Sondrio-Tirano (VALTELLINA) Route by signing the Second Executive Contract on Framework Agreement number 4600007998 dated 20 November 2019. On 31 March 2021 the EUR 125.0 million contract was signed with Alstom. Deliveries are scheduled to begin in June 2023, in parallel with deliveries of the first executive contract;
- purchase of 16 short configuration high capacity electric trains (ETR 421) for service on the Milan - Bergamo Airport route by signing the Executive Contract on Framework Agreement no. 4600007808 dated 12 September 2018, subject to the following conditions: 1) signing of

executive contract no. 3 for the supply of the remaining 50 trains established by Regional Government Decree no. X/6932 of 24 July 2017, which took place on 30 September 2021; 2) increase by FNM of the nominal capacity of Framework Agreement no. 4600007808 by an additional 8 short configuration trains. The value of the Contract is EUR 126.7 million. Deliveries are scheduled to begin in May 2025 following the completion of the deliveries of the fourth executive contract, with completion expected in December 2025.

It should be noted that on 1 December 2021, a boulder that fell from the mountain near a tunnel before Cedegolo station caused a train derailment. Some of the passengers on board suffered minor bruises and were made to get off the train safely and evacuated towards Cedegolo and Malonno stations. Work is still underway to clear the line and assess damage to the infrastructure as well as the conditions of the rock slope. Circulation is currently suspended between the stations of Edolo and Cedegolo. Replacement buses have been activated on the route.

## 7.2 RO.S.CO & SERVICES

The segment refers to business sectors in which FNM operates directly and comprises the leasing of rolling stock (68 trains and 27 locomotives) to investees operating in the local public transport and freight transport sectors[10], in addition to the offer of digital payment services with the newly established FNMPAY. In particular, the latter company is active in the development of a payment institute to carry out primarily acquiring services (acceptance of payments via physical/virtual POS) focusing initially on the captive companies of the FNM Group, as part of the Mobility as a Service (Maas) strategies that the FNM Group intends to develop. On 21 December 2021, FNMPAY obtained authorisation under art. 114-novies of the Consolidated Banking Law for the provision of the acquiring service from the Bank of Italy.

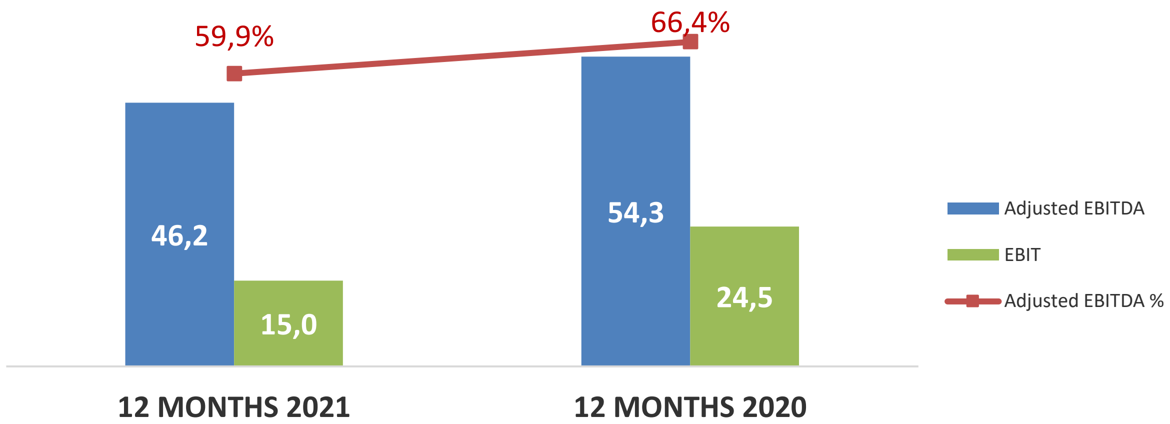
It should be noted that in collaboration with Trenord, FNM is engaged in the promotion of the H2iseO project, which aims to develop a Hydrogen Valley in Valcamonica, starting from the use of hydrogen in local public transport. The project involves the purchase of 14 hydrogen-powered trains for the

[10] It should be noted that the 2020 results include the subsidiary Locoitalia, sold on 10 March 2020, and until that date included in the scope of consolidation on a line-by-line basis, as well as FNMPAY incorporated in October 2020.

Brescia-Edolo railway line, with commercial service starting in 2024, to replace the current diesel-powered trains, and the construction of hydrogen production plants, initially intended for the new trains. By 2025, the hydrogen solution is also expected to be extended to road transport, starting with the roughly 40 vehicles operated in Valcamonica by FNM Autoservizi. The total investment is estimated at around EUR 300 million, of which more than EUR 160 million is for the trains.

In December 2020 FNM entered into a Framework Agreement with Alstom for 30 bi-directional hydrogen-powered trains and signed the first Executive Contract for the supply of 6 trains with delivery of the first train by December 2023.

| *Amounts in millions of euros* | *12 MONTHS 2021* | *12 MONTHS 2020* | *Chg* | *Chg %* |
|---|---|---|---|---|
| Leasing rolling stock | 52,1 | 56,8 | *(4,7)* | *-8,3%* |
| Other revenues | 25,0 | 25,0 | *0,0* | *0,0%* |
| **Total revenues** | **77,1** | **81,8** | ***(4,7)*** | ***-5,7%*** |
| **Adj. EBITDA** | **46,2** | **54,3** | ***(8,1)*** | ***-14,9%*** |
| **Adj. EBITDA %** | **59,9%** | **66,4%** | | |
| **EBIT** | **15,0** | **24,5** | ***(9,5)*** | ***-38,8%*** |




Segment revenues, amounting to EUR 77.1 million (EUR -4.7 million compared to 2020), mainly relate to the leasing of rolling stock, primarily to Trenord, with fees of EUR 52.1 million, down by EUR 4.7 million (-8.3%) compared to EUR 56.8 million in 2020. The change is mainly due to the reduction in the fee following the renewal of the operating lease contract with Trenord for TAF trains, partially offset by higher revenues generated by the locomotives (Effishunter, De520 and E494) and TILO trains leased to Trenord and DB Cargo Italia.

Other revenues, which include administrative services, i.e. the management of centralised corporate activities through service contracts with investee companies, and property management of owned properties (such as the building in Piazzale Cadorna, commercial premises of the lobby of Milan Cadorna Station, the buildings in Iseo, the parking area in Novate and the Solbiate Comasco depot), were stable compared to the previous year. Higher revenues from administrative services to Group companies, gains on the sale of a property and proceeds from the assignment of a framework agreement with a train supplier to third parties offset the EUR 1.3 million insurance compensation recorded in 2020.

The EUR 8.2 million reduction in Adjusted EBITDA to EUR 46.1 from EUR 54.3 million in 2020 reflects, in addition to the decline in revenue, higher expenses for communications, IT services, insurance and personnel costs, driven primarily by the different composition of the company's average workforce, as well as an average increase of 3 employees (189 average employees in 2021).

Adjusted EBITDA is also impacted by FNMPAY start-up costs and the development costs of the H2iseO and Fili projects.

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 2021 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 train service is managed by virtue of a Service Agreement with the Lombardy Region relating to the 2015-2020 period, initially extended under the same conditions for the whole of 2021 as established by Regional Law no. 26/2020 and subsequently until 31 December 2022 with Regional Law no. 15 of 6 August 2021 on the basis of the COVID-19 epidemiological emergency situation and in compliance with EU Regulation no. 1370/2007 art. 5 paragraph 5, which allows the Awarding Body to take emergency measures aimed at extending public service contracts for a period not to exceed two years. The renewal of the Service Agreement for the duration of 120 months starting from 1 January 2023 is currently being negotiated, consistent with the pre-information notice regarding the assignment to Trenord of the public rail transport service pursuant to Regulation (EC) no. 1370/2007 published in the Official Journal of the European Union on 27 December 2019, as amended on 20 December 2021. The company also operates international rail services on the Brenner and Tarvisio routes in cooperation with Deutsche Bahn and Österreische Bundes Bahn.

Trenord operates on a network of about 2,000 km distributed on 40 routes and 61 lines under the responsibility of two managers (FERROVIENORD of the FNM Group and RFI of the FS Group) and manages a fleet of more than 400 trains leased by FNM and TRENITALIA, or made available, through FERROVIENORD, by the Lombardy Region.

During 2021, 24 new ETR 421 "Caravaggio" trains, deriving from the investments made by the Lombardy Region, were put into service and, consequently, according to the plan redefined in 2020, the retirement of the oldest trains continued. The lines on which the new trains were primarily deployed showed performance improvements in terms of both punctuality and reliability.

*Service performance*

Despite the recovery in the final months of 2020, the initial months of 2021 were again characterised by severe mobility restrictions due to the resurgence of the virus, which strongly affected the number of commutes monitored on Trenord's routes. Only starting in May, when Lombardy transitioned into the yellow zone and schools reopened, did demand for mobility see an increase of about 25% in trips compared to the previous month.

Since September, on the other hand, demand has returned to more consistent levels, on some days reaching up to 70% of the demand recorded prior to the pandemic and bringing daily travellers to peaks of nearly 550 thousand. However, the value reached in the last four months of 2021 remained constant, despite the absence of particular restrictions on mobility and the rapid progress of the vaccination campaign.

Overall, there was an increase of about 26% in the number of travellers, but this figure remained 46% lower than in 2019.

The supply of transportation services has also been affected by the COVID-19 pandemic.

Given the reduced travel restrictions, compared to 2020, the offer was reduced only temporarily and for a limited period. However, continuous rescheduling has been necessary to simultaneously ensure an adequate service level, the availability of as many seats as possible on each line and social distancing. In particular, in the first few months of the year, coinciding with the “third wave” of the pandemic, a slightly reduced service was provided (roughly -15% compared with the pre-Covid schedule), limiting or streamlining routes on some lines and lowering the frequency of services such as the Malpensa Express, which were severely weakened by the drop in demand. Subsequently, starting in April, the services subject to restrictions were gradually reintroduced until September, with the operating schedule settling at approximately 95% of the trips made in 2019. In December, the outbreak of the highly contagious “fourth wave” led to a very high number of absences, including among the company's operating staff (drivers, train conductors, maintenance staff, etc.), and forced another service rescheduling, with cancellations, or route limitation, for more than 10% of the runs.

Production in 2021 was 38.8 million train-Km compared to 34.6 million train-Km in 2020, up 12.1% from the previous year, but slightly lower than in 2019 (-7.4%).

In terms of operating performance, 5-minute punctuality perceived by customers (no cause excluded) stands at 83.3% (-1.3% compared to 2020 and +3.8% compared to 2019), with higher levels in the early months of the year due to the lower number of trains running, not only of Trenord but also of other rail companies. In the summer and autumn months, on the other hand, punctuality levels were lower due to the resumption of traffic at full capacity, work on the railway infrastructure, with resulting slowdowns and traffic restrictions, and reliability issues with older rolling stock, especially during the hottest periods of the year. The average number of cancellations (excluding those caused by force majeure events) is just over 50 per day.

*Economic and financial data summary*

| *Amounts in millions of euros* | **2021** | **2020** | **Change** | ***Change %*** |
|---|---|---|---|---|
| Revenues from sales and services | 649.7 | 611.7 | 38.0 | *6.2 %* |
| Other revenues and income | 110.5 | 91.3 | 19.2 | *21.0 %* |
| ***TOTAL REVENUES AND OTHER INCOME*** | ***760.2*** | ***703.0*** | ***57.2*** | ***8.1 %*** |
| Operating costs | (343.7) | (299.7) | (44.0) | *14.7 %* |
| Personnel costs | (270.7) | (250.1) | (20.6) | *8.2 %* |
| ***EBITDA*** | ***145.8*** | ***153.2*** | ***(7.4)*** | ***-4.8 %*** |
| Depreciation, amortisation and write-downs | (171.8) | (186.2) | ***14.4*** | *-7.7 %* |
| ***EBIT*** | ***(26.0)*** | ***(33.0)*** | ***7.0*** | ***-21.2 %*** |
| Net financial income | (0.8) | (1.7) | 0.9 | *-95.8 %* |
| *EARNINGS BEFORE TAX* | *(26.8)* | *(34.7)* | *7.9* | *-22.8 %* |
| Income tax | 26.9 | 27.7 | (0.8) | *-2.9 %* |
| **COMPREHENSIVE INCOME** | **0.1** | **(7.0)** | **7.1** | ***-101.4 %*** |

Overall, in 2021 **revenues** amounted to EUR **760.2** million, up by 8.1% relative to the previous year (net of approximately EUR **2.4** million in Service Agreement penalties; in 2020, penalties to the Lombardy Region amounted to approximately EUR **4.0** million):

- Revenues from **rail traffic** amounted to EUR 193.1 million, up by EUR 38.3 million compared to the EUR 154.8 million of the previous year. The increase is substantially related to the reduced effects of the pandemic, which allowed for a recovery in demand and travel beginning in May, and in a sustained manner in the final quarter of the year. Nevertheless, compared to 2019, the reduction in traffic revenues was approximately EUR 160 million (slightly lower than the EUR 200 million differential in 2020).
- Revenues from **Service Agreement** amounted to EUR 433.4 million, down by EUR 6 million compared to 2020. The main changes relate to lower consideration due to lower costs incurred for the rental of rolling stock, partially offset by higher network access fees, relating to the higher production and the increase in the cost of energy.
- The value of **other revenues** (mainly revenues from medium/long-distance lines and from services provided to Trenitalia) amounted to EUR 23.2 million, up EUR 5.6 million on 2020.
- **Other income** amounts to EUR 110.4 million, an increase of EUR 19.1 million compared to 2020, and mainly refers to the additional resources made available by the State to the Local

Public Transport Authorities with the Ristori bis, Sostegni and Sostegni bis decrees for a total of EUR 98.3 million (EUR 80.4 million in 2020), of which EUR 44 million refers to 2020.

Personnel costs increased to EUR 271.0 million from EUR 250.1 million in 2020 (EUR +20.8 million), due to the increase in services during the year and the increase in the number of resources employed (+65 FTEs, 4,393 resources as at 31 December 2021), largely related to the shunting internalisation process (with a reduction in operating costs of EUR 2.4 million compared to 2020) and the strengthening of ground support and control activities.

Other operating costs amounted to EUR 343.7 million, an increase of EUR 44.0 million compared to 2020, mainly due to higher costs for rolling stock maintenance (+EUR 7.8 million), traction energy (+EUR 15.8 million), materials consumption (+EUR 7.7 million) and tolls (+EUR 6.6 million).

**EBITDA** amounted to EUR **145.8** million, down from EUR 153.2 million in 2020 (EUR -7.4 million), due to the increase in labour and operating costs, only partly mitigated by the increase in revenues and contributions.

Depreciation of fixed assets amounted to EUR 170.8 million (EUR 186.9 million as at 31 December 2020) and mainly related to the depreciation of leased rolling stock as well as depreciation on cyclical maintenance on supplied and rented materials.

Provisions amounted to EUR 1 million, a decrease of EUR 1.6 million compared to 2020, primarily due to the impairment of fixed assets, against the release of provision for bad debts recognised previously.

The value of **EBIT** was negative by EUR **26.0** million, up from the value of the previous year (EUR 7.0 million).

**Net finance income** amounts to EUR -0.8 million, compared to EUR -1.7 million in 2020, due to higher interest income on the refund request for higher IRES paid in previous years.

**Earnings before taxes** amounted to a negative EUR 26.8 million, an improvement compared to a negative value of EUR 34.7 million in 2020.

The item **income taxes** is a positive for EUR 26.9 million, substantially in line with 2020 (EUR +27.7 million) due to the recognition in the item "Deferred tax assets" of IRES tax losses for the year 2021, which the Company assesses with reasonable certainty that it will be able to recover in future years.

Fiscal year 2021 closes at a break-even point, with a **Net Profit of EUR 0.1 million**, an improvement over the loss of EUR 7.0 million reported in 2020.

The following table shows the reclassified **Balance Sheet** as at 31 December 2021 compared to 31 December 2020:

| Amounts in millions of euros | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Inventories | 113.3 | 112.1 | 1.2 |
| Trade receivables | 207.9 | 92.0 | 115.9 |
| Trade payables | (227.7) | (238.3) | 10.6 |
| Other net current assets | (68.0) | (53.2) | (14.8) |
| ***Net Working Capital*** | ***25.5*** | ***(87.4)*** | ***112.9*** |
| Net non-current assets | 349.8 | 344.6 | 5.2 |
| Other net non-current assets | 77.0 | 54.4 | 22.6 |
| Provisions for risks and charges | (44.4) | (58.1) | 13.7 |
| ***NET INVESTED CAPITAL*** | ***407.9*** | ***253.5*** | ***154.4*** |
| | | | |
| *Equity* | *(87.6)* | *(86.9)* | *(0.7)* |
| *Total net financial position (Debt / -Cash)* | *(320.3)* | *(166.6)* | *(153.7)* |
| ***TOTAL SOURCES*** | ***(407.9)*** | ***(253.5)*** | ***(154.4)*** |

*Net Invested Capital*

Net Operating Working Capital was positive by EUR 25.5 million, recording an increase of EUR 112.9 million compared to 31 December 2019 essentially resulting from the growth in trade receivables, especially from related parties, composed as follows: EUR 70.7 million increase in receivables due from the Lombardy Region, primarily due to the allocation of grants to cover reduced traffic revenues due to COVID-19 and, EUR 30.8 million increase in receivables due from Trenitalia.

Net non-current assets amount to EUR 349.8 million, an increase of EUR 5.2 million due to the higher value of investments for the period, net of amortisation and depreciation. This item includes:

- the value of third-party assets in use, amounting to EUR 173.6 million, of which EUR 154.8 million referring to rolling stock and EUR 15.6 million to buildings.
- property, plant and equipment, amounting to EUR 166.8 million that include mainly the residual value of rolling stock in use (EUR 130.5 million);
- intangible assets, amounting to EUR 7.0;
- equity investments amounting to EUR 2.2 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.

Net investments for the year amounted to EUR 93.8 million and refer to investments in property, plant and equipment (EUR 70.8 million, primarily related to cyclical maintenance on rolling stock), increases in rights of use of third party assets (EUR 19.9 million) and investments in intangible fixed assets (EUR 2.9 million).

Other non-current net assets increased by EUR 22.5 million as a result of higher deferred tax assets.

The value of other provisions decreased by EUR 13.7 million, in particular due to a reduction in provisions for employee benefits, following the payment of severance indemnities to employees who left the company, and a decrease in provisions for risks and charges.

*Net Financial Position*

Net financial debt amounted to EUR 320.3 million, an increase of EUR 153.7 million compared to 2020, essentially due to the decrease in liquidity to meet financial requirements for the year. Net of the adoption of IFRS 16, the net financial position for 2021 would amount to a payable of EUR 97.0 million (receivable of EUR 46.9 million as at 31 December 2020).

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

| **Amounts in millions of euros** | **31/12/2021** | **31/12/2020** | **Change** |
|---|---|---|---|
| Liquidity | (53.0) | (211.5) | 158.5 |
| Current financial debt | 310.8 | 319.7 | (8.9) |
| ***Current Net Financial Position (Debt / -Cash)*** | ***257.8*** | ***108.2*** | ***149.6*** |
| Non-current financial debt | 62.5 | 58.4 | 4.1 |
| ***Net Financial Position (Debt / -Cash)*** | ***320.3*** | ***166.6*** | ***153.7*** |

FNM S.P.A. also holds a 40.0% stake in Busforfun, an innovative startup in tourism and commuting technologies, and a 33.3% stake in the share capital of Sportit S.r.l., a company operating under the Snowit brand and the main marketplace for the integrated online sale of ski passes, ski-related services and mountain-related experiences. These initiatives, supported by the payment services offered by FNMPAY and in conjunction with the transport services offered by the Group, enable the development of complementary digital platforms for the implementation of the Mobility as a

Community (MaaC) strategic paradigm as an enabling tool for the new digital mobility focusing on the needs of communities, in line with the 2021-2025 Strategic Plan.

### 7.3 PASSENGER ROAD TRANSPORT

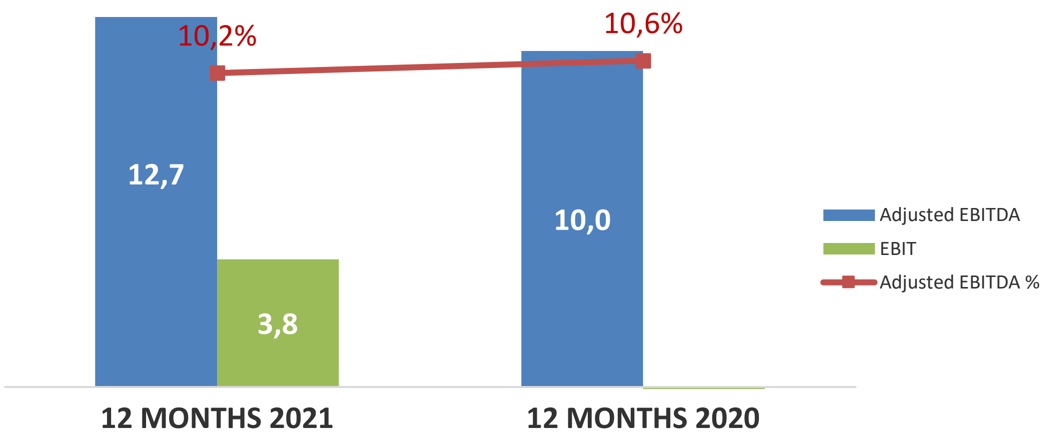
Again in 2021, the “Road passenger mobility” segment was heavily impacted by the epidemiological emergency: the first six months of the year were characterised by the alternation of more or less severe restrictions to limit the spread of the COVID-19 pandemic, resulting in the prolonged interruption of school activities and the continuation of high rates of remote working and learning. As the vaccination campaign progressed and the summer season continued, restrictions were gradually lifted, which had a positive effect on the recovery of mobility also for school purposes. The last few months of the year, however, were affected, particularly in the final weeks of the year, by the resurgence of the pandemic with the spread of the Omicron variant, which slowed the recovery of traffic. The data for the period compares with the first nine months of 2020, which benefited from regular traffic conditions until 22 February, compared to the month of March characterised by a lockdown that instead imposed particularly stringent conditions on movements, with significant repercussions on both transport demand and production. Subsequently, travel had picked up from June through the end of September, only to decline again as the infection curve rose in the last quarter of the year.

Overall, travellers carried in 2021 totalled 48.2 million, up 5.9% from 45.5 million in 2020, and in any event 37.8% lower than in 2019.

As for production, it should be noted that, in order to ensure the level of services offered and adequate social distancing that would allow for the reopening of schools and the resumption of activities, including tourism, 2021 required a very different management of transportation service than 2020, which required the increased use of subcontracted services. In fact, in the last financial year, the production of local public transport services (which also includes additional services) returned to higher levels than in the same period of 2020 (25.3 million bus-km, +33.2% compared to 19.0 million bus-km in 2020), although still marginally lower than pre-pandemic standards (-4.9%), and a series of customer services (including anti-overcrowding checks, protective devices and green passes) were implemented that required the use of external staff.

| *mounts in millions of euros* | *2021* | *2020* | *Chg* | *Chg %* |
|---|---|---|---|---|
| Public contracts and grants | 60.7 | 51.7 | *9.0* | *17.4 %* |
| Transport services | 56.8 | 35.3 | *21.5* | *60.9 %* |
| Other revenues | 6.5 | 7.7 | *(1.2)* | *-15.6 %* |
| **Total revenues** | **124.0** | **94.7** | ***29.3*** | ***30.9 %*** |

| | | | | |
|---|---|---|---|---|
| **Adj. EBITDA** | **12.7** | **10.0** | ***2.7*** | ***27.0 %*** |
| **% Adj EBITDA** | **10.2 %** | **10.6 %** | | |
| **EBIT** | **3.8** | **(1.7)** | ***5.5*** | ***ns*** |




Revenues in the period amounted to EUR 124.0 million, up EUR 29.3 million (+30.9 %) compared to EUR 94.7 million in 2020.

In particular:

- revenues from government contracts and grants increased by EUR 9.0 million (+17.4%) to EUR 60.7 million compared to the previous year, mainly due to the economic effect of the government measures still in force[11] to compensate for the loss of revenue from ticketing and additional services (a total of approximately EUR 13.6 million in 2021, compared to EUR 4.1 million in the previous year). It should also be noted that Law no. 126 of 16 September 2021 (which converted decree no. 105 of 2021 to law) extended to 31 December 2021 the provision introduced by the - Decree Law no. 18 of 2020 - ("Cura Italia" Decree), which makes provision for the recognition of fees on the basis of contractual planning, despite the reshaping of the offer implemented following the epidemiological emergency;

[11] The government measures are summarised in paragraph 9 LPT Regulatory Framework

- revenues from transport services and therefore relating to ticketing, replacement services provided by FNM Autoservizi on behalf of Trenord, sub-contracted activities and car-sharing by E-VAI, increased by EUR 21.5 million to EUR 56.8 million in the period, thanks to the considerable increase in sub-contracted activities to enhance school service and the recovery in passenger transport following the relaxation of social distancing requirements. Revenues from regional car sharing services also picked up.

Adjusted EBITDA for the period was EUR 12.6 million, up EUR 2.6 million compared to 2020. The variation is attributable to the increase in revenues, offset by higher costs incurred for the management of the bus fleets (fuel, maintenance and cleaning services) and by the greater use of subcontracted services, which are necessary to guarantee service levels, in particular with reference to school services, with adequate health safety and social distancing conditions. Personnel costs also increased due to the increase in production activities compared to 2020, despite the contingency arising from the release of a portion of the provision for risks relating to the renewal of the national collective labour agreement for road and rail workers described above.

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, LPT activities in the provinces of Varese and Brescia are carried out under concession (extended to 31 December 2023 and 31 December 2022, respectively), while those in the province of Como are governed by a service contract, which has been extended to 31 December 2023. It should be noted that the Lombardy Region approved on 25 May 2021, no. 8 art. 30, the amendment of art. 60 of Law 6 of 2012, postponing the deadline for carrying out tenders for the renewal of concessions/service contracts by 2 years, after the end of the emergency period.

  At 31 December 2021, the fleet consists of 152 buses with an average age of 13 years.

  In the year under analysis, the production of local public transport services (which also includes additional services) increased by 23.6% compared to 2020 (to 4.4 from 3.6 million bus-km in the previous year, essentially in line with 2019), against growth in the number of travellers of 44.0% (to 1.9 from 1.4 million) compared to the previous year (-51.2% compared to 2019).

Total revenues, amounting to EUR 20.9 million, increased by EUR 2.8 million (+15.5% compared with 2020), thanks to an increase in the number of supplementary train services, ticketing revenues and higher contributions to offset lost revenue and for additional services of approximately EUR 2.2 million (EUR 0.7 million in 2020).

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** (in which FNM and Azienda Mobilità Trasporti S.p.A. hold equal stakes) essentially operates in the road passenger transport sector in the municipality and province of Verona on the basis of three Service Agreements (with the Municipality of Verona, the Municipality of Legnago and the Province of Verona), which are also being extended until 31 December 2022, as set forth in Resolution no. 136 of 9 December 2021 of the President of the Province of Verona. By resolution of the President of the Province of Verona no. 24 dated 25 February 2021, the community tender for the identification of the concessionaires of Verona's public transport services was suspended, pursuant to art. 2 of Decree Law 18/2020 (converted with amendments by Law no. 27/2020), until 12 months after the provision that will formalise the conclusion of the Covid emergency.

  In 2021, local public transportation service production (which includes additional services) showed a 35.4% recovery to 20.9 million bus-km compared to 15.4 million bus-km in 2020 and a 5.8% recovery compared to 2019. The number of passengers carried also rose by 4.8% to 46.2 million from 44.1 million in 2020, with a more marked recovery in the segment of ticket and carnet sales to occasional customers compared to season tickets and on suburban routes. Compared to 2019, the number of passengers carried remains 37.0% lower. It should

be noted in particular that in 2021 demand for local public transport by tourists on Lake Garda, in Verona and in Lessinia was also weak and did not make up for the lack of sales during the school period. At 31 December 2021, the ATV fleet consists of 555 buses with an average age of around 14 years.
Total revenues increased to EUR 73.4 million from EUR 61.0 million in 2020 (up 20.3%) thanks to the partial recovery of traffic revenues (ticket and season ticket sales) to EUR 20.2 million from EUR 16.1 million in 2020 (up 25.1%), as a result of the recovery in mobility, mainly from non-loyal customers, and contributions to compensate for lost revenues (EUR 5.8 million in 2021 compared to EUR 3.4 million in 2020) and for additional services (EUR 5.6 million in 2021).

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). In 2018, the company filed an appeal with the Veneto Regional Administrative Court challenging both the type of tender planned and the division in lots. The date of the first hearing still has to be set. In December 2020, with resolution 131 of the President of the Province of Verona, the direction was given to continue the process of suspending the tender, which began in September 2020 with resolutions to this effect by the Municipality of Verona and the Municipality of Legnago. Indeed, art. 92-*ter* of Decree Law 18/2020 established the possibility that all the awarding procedures in progress may be suspended for a maximum of 12 months from the end of the emergency. The reasons cited in the resolution were the uncertainties linked to the future scenarios of the Verona LPT post-COVID and those relating to the evolution of the project for the construction of the urban trolleybus in the Municipality of Verona. The procedure was officially suspended on 25 February 2021 by resolution no. 24 of the President of the Province of Verona for up to 12 months after the measure formalising the conclusion of the Covid emergency.

- **La Linea**, a company that operates in the Veneto area in local public road transport sector and hires out buses with driver, also through the subsidiary (Martinibus) and the investee (Linea 80 Scarl). At 31 December 2021, the La Linea fleet consists of 7 buses with an average age of around 8 years and that of Martinibus consists of 27 buses with an average age of approximately 9 years.

  In 2021, total revenues more than doubled to EUR 20.6 million, due to the significant increase in subcontracted services (to EUR 19.2 million, which also more than doubled with respect to 2020), as a result of the enhancement of school LPT services requested by the Veneto Region. MartiniBus, whose business has been temporarily redefined to offer supplementary local public transport services on a sub-contracted basis, also performed well in the period with revenues increasing to EUR 6.7 million compared to EUR 1.8 million recorded in 2020. Tourism services were essentially null.

  Overall, 5.8 million kilometres were managed under a subcontracting agreement during the year, compared to 3.7 million kilometres in 2020 (+9.4% from 2020).

  Lastly, please note that during the period under review, La Linea (which already owned 50% of the company's share capital) acquired the remaining 50% of the share capital of CONAM, a company operating local public transport services in Schio, subsequently merged by incorporation into La Linea effective as of 1 January 2021. Furthermore, in June La Linea, following the tender announced in 2016 by the Municipality of Venice, was awarded the management for 9 years of 10% of the local urban public transport by road in Mestre. The new service, scheduled to begin during 2022, will involve the purchase of approximately 20 electric and 4 diesel-powered environmentally friendly buses.

  Overall, the fleet operating in the Veneto Region at 31 December 2021 consisted of 589 buses.

- The sharing mobility service carried out by E-VAI with electric vehicles complements the Group's traditional offer of public mobility by rail and road, also on a regional scale.

  Revenues, amounting to EUR 5.2 million, are up 14.6% on the previous year, thanks in particular to increased business volumes in both the consumer and B2B segments. Please recall that the Lombardy ecological car sharing service is entrusted to FERROVIENORD as part 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 per year, unchanged from the previous year.

During the year, activities continued in connection with the four existing service models, which are aimed at private users (the Easy Station and Regional Electric services), municipal administrations (Public service) and private companies (Corporate service), which, despite the difficulties during the period, developed on the whole with the activation of new contracts. It should also be noted that in the last quarter of 2021 E-Vai was awarded a tender promoted by the Municipality of Milan which provides for the assignment for exclusive use of 153 parking spaces in the city for the 2022-23 two-year period for the provision of the Regional Electric service and a tender promoted by Brescia Mobility for the provision of the service in the city of Brescia with 33 parking spaces dedicated to a fleet of 20 shared electric cars for a period of 6 years. Lastly, in 2021, after three years of activity, the two European projects, I-SharE LIFE and CarE-Service Horizon 2020, for which grants of EUR 0.6 million were recognised in the period, were completed.

At 31 December 2021, the fleet consisted of a total of 272 vehicles (242 in December 2020), 250 of which electric. There are 185 E-Vai Points, distributed over 96 municipalities and equipped with 117 charging stations. The geographic presence increased compared to 31 December 2020, when 142 E-Vai Points were distributed over 79 municipalities and equipped with 94 charging stations.

## 7.4 MOTORWAYS

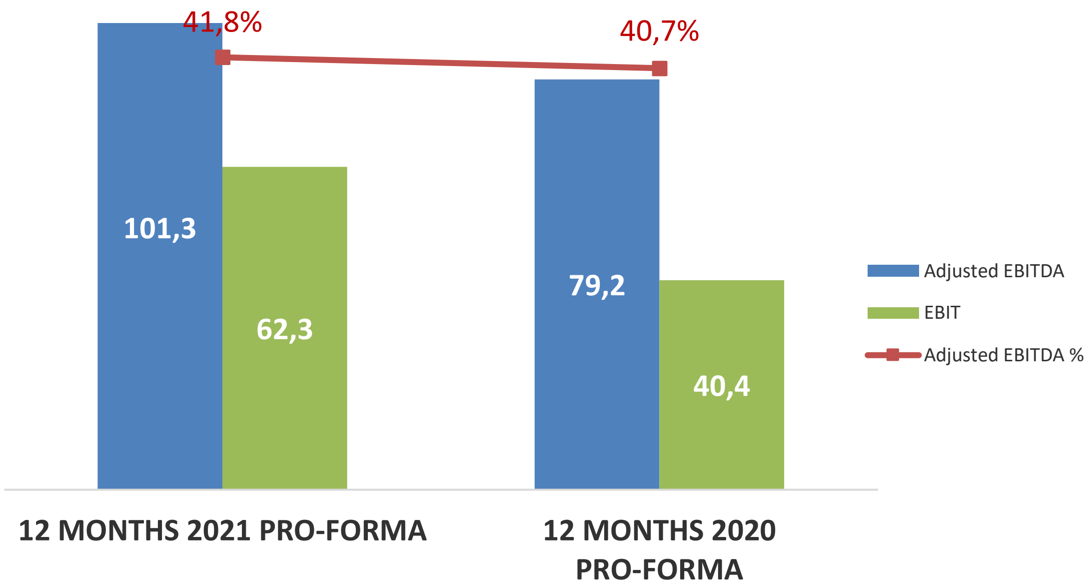
The FNM Group operates in the motorway infrastructure management sector through MISE, which has been fully consolidated from 26 February 2021.

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 and subsequent amendments and additions between MISE, as concessionaire, and ANAS S.p.A. (subsequently replaced by the Ministry of Infrastructure and Transport now the Ministry of Infrastructure and Sustainable Mobility), as Grantor. The concession expires on 31 October 2028.

The network, with a total length of 179 km, of which 124 km with three lanes, is interconnected with the main motorway sections in northern Italy.

| *Amounts in millions of euros* | **2021** | **2020** | **Chg** | **Chg %** |
|---|---|---|---|---|
| Toll revenues | 226.1 | 187.4 | *38.7* | *20.7 %* |
| Other revenues | 16.5 | 7.2 | *9.3* | *129.2 %* |
| **Total revenues** | **242.6** | **194.6** | ***48.0*** | ***24.7 %*** |

| | | | | |
|---|---|---|---|---|
| **Adj. EBITDA** | **101.3** | **79.2** | ***22.1*** | ***27.9 %*** |
| **% Adj EBITDA** | **41.8 %** | **40.7 %** | | |
| **EBIT** | **62.3** | **40.4** | ***21.9*** | ***54.2 %*** |




As with local public transport by rail and road, the restrictions imposed on people's movements to counteract the COVID-19 pandemic also had significant repercussions in 2021. In particular, in January and February, traffic slowed significantly due to the third wave, compared to the first two months of 2020 during the pre-pandemic period. On the other hand, from March 2021, traffic began to gradually increase again thanks to the launch of the vaccination campaign and the relaxation of travel restrictions based on epidemiological risk zones. With the classification of all Italian regions as “white zone” from June 2021 and the entry into the middle of the summer holidays, the upswing in traffic further strengthened, also taking into account the fact that many people chose Italy as a tourism destination. This trend was also confirmed in the last part of the year, with the exception of the month of December when the pandemic event became more acute. The year 2020, on the other

hand, was characterised by a lockdown period with particularly stringent restrictions on mobility in the March-May period, which were then relaxed in June, and a rapid recovery in traffic in the summer months. During the last quarter of the year, traffic slowed down again due to the increase in infections relating to the “second wave” of the pandemic.
In general, in 2021, paying traffic recorded a total of 2,649.0 million vehicle-km, an increase of 25.1% compared to the same period in 2020 (2,117.4 million vehicle-km) and a decrease of 15.0% compared to the same period in 2019.
Regarding the breakdown of traffic between light and heavy vehicles, as at 31 December 2021, it is noted that heavy traffic has fully recovered from pre-pandemic levels, standing at 610.2 million vehicle-km, up 14.5% compared to 2020 and 1.2% compared to 2019. Light vehicle traffic, while recovering with 2,038.8 million vehicle-km in 2021, increased by 28.7% compared to the same period in 2020, but remains 18.8% lower than in 2019.

With respect to tariffs, with a note dated 31 December 2020, the Ministry informed the subsidiary that in consideration of the provisions of art. 13 of the “Milleproroghe” Decree Law of 31 December 2020, the tariff adjustment to be applied with effect from 1 January 2021 was 0.00%.
In connection with the tariff adjustment of 2.62%, applicable as of 1 January 2019 and authorised by Decree no. 579 of 31 December 2018, the Company provided for a further suspension through 2021.
In October 2021 MISE prepared the preliminary investigation, in accordance with the provisions of the agreement, of the tariff adjustment for the year 2022 on the basis of both the criteria of the economic and financial plan still in force and the proposal of the new economic and financial plan developed in accordance with the new regulations introduced by the ART concerning tariffs, MISE - in relation to the aforementioned preliminary investigation - did not receive any response.
At the Board meeting of 23 December 2021, the subsidiary deemed it appropriate to reconsider the decision regarding the further suspension of the 2019 tariff adjustment by resolving to activate the tariff update - previously suspended - authorised by Decree no. 579 of 31 December 2018. Therefore, as of 1 January 2022, the unit mileage tariffs attributable to the Company changed by 2.62%.

MISE has full control over Milano Serravalle Engineering, which provides design, technical and administrative support for infrastructure investments on the motorway network.

In consideration of traffic developments in 2021, the Motorway segment closed (pro-forma figure for 12 months) with revenues of EUR 242.7 million, up compared to EUR 194.6 million as at 31 December 2020 (EUR +48.1 million), mainly due to the increase in toll revenues (to EUR 226.1 million in 2021 from EUR 187.4 million, EUR +38.7 million) due to the higher traffic recorded in the period, in the absence of tariff increases. It should be noted that the increase in toll revenues in percentage terms (+20.7%) is lower than the increase in traffic (+25.1%) due to the different percentage increase between heavy and light vehicles. Other revenues also grew (up EUR +9.4 million on 2020), mainly due to higher income from service area concessions, which benefited from the recovery in mobility and the renewal of some contracts at more favourable economic conditions for MISE.

EBITDA for the period was EUR 101.3 million, an increase of EUR 22.0 million from EUR 79.3 million in 2020, mainly due to the increase in revenues.

EBITDA was affected by the increase in amounts recognised in the renewal provision in order to bring it into line with the scheduled maintenance and restoration of the motorway network, and by the lower use of the renewal provision compared to 2020, due to the increased work to restore the motorway wearing course made possible last year by the reduction in traffic. Cost items related to the recovery of traffic (including collection costs, concession fees, electric utilities) and labour costs also increased, the latter due to the lower use of social shock absorbers and the greater use of holidays in 2020 compared to 2021, while there was a reduction in the workforce (-8.8 FTE compared to 2020).

***Autostrada Pedemontana Lombarda***

MISE's investees also include a 36.7% interest in APL, valued at equity. The latter is the concessionaire for the construction and management of the motorway between Dalmine (BG), Como, Varese and Valico di Gaggiolo for a total of roughly 200 km (including junctions and associated works), 85 km of which have been in operation since 2015 (Section A and B1, A59 and A60).

With regard to the assignment to the General Contractor of the executive planning and the performance of construction works for Sections B2 and C, together with associated works, on 1 March 2021 the Commission appointed for the assessment of the offers submitted by economic operators concluded its work, drawing up the relative ranking that saw as first classified the

Temporary Association of Companies (RTI), formed by the joint-stock companies Webuild - Pizzarotti and Astaldi.

However, the awarding of the tender is currently subject to the ongoing judicial procedure, in view of the appeal filed on 2 October 2021 by the second-ranked consortium, Consorzio Stabile SIS, which challenged the awarding of the tender before the Milan Regional Administrative Court, requesting its cancellation, after suspension of its effectiveness. At present, a hearing pursuant to art. 116 of the Administrative Procedure Act, has been set for 23 March 2022.

Also to support the construction of Sections B2 and C and the relative associated works, on 31 August 2021 APL took out a loan for EUR 1,741 million (Senior Loan 1) from a pool of banks together with Cassa Depositi e Prestiti and the EIB, with the support of the Lombardy Region as the reference partner. Having met the deadline of 31 August 2021, APL will also be able to benefit from the tax exemption as per Supplementary Act no. 2 to the Single Convention approved by the CIPESS for EUR 800 million.

It should also be noted that in 2021, again in order to support the financeability of the construction of sections B2 and C of the piedmont infrastructure, the Lombardy Region made available a shareholder loan totalling EUR 900 million, disbursed and/or set aside from 2025 to 2044.

*Traffic trends*

The first few months of 2021 were particularly affected by the lockdown, with traffic declining during January and February 2021 by 39% and 19%, respectively, compared to 2020; however, with signs of steady recovery during the following months. Overall, traffic rose 30% to 251.9 million vehicle-km in 2021, compared to 193.6 million vehicle-km in 2020, but still remains 12% below pre-pandemic levels (287.2 million vehicle-km in 2019). It should be noted that in the fourth quarter of 2021, traffic figures were nearly in line with those of 2019, to date the best year in terms of economic results for APL, and that heavy vehicle traffic, as in the case of MISE, exceeded 2019 levels in 2021, reaching 55.3 million vehicle-km (+24% compared to 2020 and +1% compared to 2019).

*Economic and financial data summary*[12]

| *Amounts in millions of euros* | **2021** | **2020** | **Change** | **% Change** |
|---|---|---|---|---|
| Toll revenues | 34.1 | 26.3 | 7.8 | 29.7 % |
| Other revenues and income | 2.4 | 2.5 | -0.1 | (4.0) % |
| ***TOTAL REVENUES AND OTHER INCOME*** | ***36.5*** | ***28.8*** | ***7.7*** | ***26.7 %*** |
| Operating costs | -12.6 | -11.9 | -0.7 | 5.9 % |
| Personnel costs | -6.3 | -6 | -0.3 | 5.0 % |
| ***EBITDA*** | ***17.6*** | ***10.9*** | ***6.7*** | ***61.5 %*** |
| Depreciation, amortisation and provisions | -6.2 | -5.9 | -0.3 | 5.1 % |
| ***EBIT*** | ***11.4*** | ***5.0*** | ***6.4*** | ***128.0 %*** |
| Net financial income | -12.8 | -9.3 | -3.5 | 37.6 % |
| *EARNINGS BEFORE TAX* | *-1.4* | *-4.3* | *2.9* | *n.s.* |
| Income tax | -0.6 | -0.4 | -0.2 | 50.0 % |
| **OPERATING RESULT** | **-2.0** | **-4.7** | **2.7** | **(57.4) %** |

The increase in **revenues** to EUR 36.5 million (+EUR 7.7 million compared to 2020) is almost entirely attributable to toll revenues, thanks to traffic growth compared to 2020, which was impacted to a greater extent by the COVID-19 emergency. No increases in motorway tolls were granted to APL during the year.

**EBITDA** rose in 2021 to EUR 17.6 million (EUR +6.7 million compared to 2020), due to higher revenues, partially offset by higher operating costs (mainly concession fees, infrastructure maintenance and IT costs) and higher personnel costs. The latter increased due to the combined effect of staff reductions (-4.5 FTEs) against contractual increases and staff costs for unused holidays and leave.

**EBIT** also increased by EUR 6.4 million compared to 2020, to EUR 11.4 million, thanks to the trends described above, while depreciation and amortisation were substantially stable.

The **Loss before tax** was EUR 1.4 million (an improvement on the loss of EUR 4.3 million), and was affected by the increase in financial expenses linked to charges on the Senior Loan 1 of EUR 2.8 million, as well as the increase in interest margins on the Ponte Bis Loan from 3% to 3.5%.

2021 closed with a **Net loss** of EUR 2 million, an improvement compared to a loss of EUR 4.8 million in 2020.

[12] The figures shown are taken from the statutory financial statements of the associated company, drawn up in accordance with the OIC accounting standards.

Net fixed assets decreased by EUR 30.9 million during the year, primarily due to the recognition of public grants of EUR 34.3 million received in March and December 2021 in relation to the motorway infrastructure.

The increase in Net Working Capital of EUR 35.4 million is due to the increase in trade receivables, in line with the increase in revenues, and the increase in other receivables, accrued income and prepaid expenses attributable to the charges incurred for the Senior Loan 1, but pertaining to future years, on the basis of the “amortised cost”. These changes are partially offset by the decrease in other payables, accrued expenses and deferred income, primarily due to the payment of amounts due under expropriation agreements and intercompany items, partially offset by the net effects of tax relief measures.

In relation to the above, Net Invested Capital stood at EUR 566.1 million, up EUR 3 million on the previous year.

Shareholders' equity increased by EUR 348.0 million as the net effect of the capital increase of EUR 350 million subscribed and paid in by the Lombardy Region on 26 February 2021 and the loss for the year.

At 31 December 2021, the net financial position is positive with cash of EUR 5.0 million, compared to net debt of EUR 340.2 million at 31 December in the previous year.

The change is primarily due to the capital increase by the Lombardy Region mentioned above, the public grant of EUR 34.3 million provided by the Awarding Body, net of charges, including one-off charges, incurred in connection with the signing of the Senior Loan 1 Agreements.

Amounts due to shareholders for loans include the loan granted by MISE in previous years, which increased as a result of interest during the year, which was not paid as it was subordinated to bank debt.

Payables to banks rose by EUR 2.0 million due to the combined effect of charges relating to the Senior Loan 1 (EUR 7.6 million), the initial disbursement of EUR 1 million on the Senior Loan 1, partially offset by the repayment of EUR 6.6 million of the Ponte Bis Loan. The latter was signed in February 2016 with a pool of Italian banks and integrated with the addendum signed in November 2017, which rescheduled the repayment terms, providing for repayment in six-monthly instalments until 30 June 2034.

# 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 2020, with an indication of the differences in absolute and percentage terms.

| *Amounts in millions of euros* | **2021** | **2020** | ***Change*** | ***Change %*** |
|---|---|---|---|---|
| Revenues from sales and services | 74.6 | 78.0 | *(3.4)* | *(4.4) %* |
| Other revenues and income | 4.4 | 5.5 | *(1.1)* | *(20.0) %* |
| *TOTAL REVENUES* | *79.0* | *83.5* | *(4.5)* | *(5.4) %* |
| *EBITDA* | *47.9* | *54.6* | *(6.7)* | *(12.3) %* |
| *EBIT* | *18.8* | *28.5* | *(9.7)* | *(34.0) %* |
| *Net financial income* | *(12.6)* | *1.9* | *(14.5)* | *(763.2) %* |
| **COMPREHENSIVE INCOME** | **5.4** | **23.9** | ***-18.5*** | ***-77.4 %*** |

**Revenues from sales and services** decreased compared to 2020 by EUR 3.4 million mainly due to lower revenues, by EUR 9.9 million, for the lease of 25 TAFs to Trenord, in connection with the contract renewal, partially offset by higher leases of new TILO trains and 4 Effishunter locomotives to Trenord, for EUR 4.8 million and EUR 0.8 million respectively, and higher revenues for centralised services provided to Group companies by EUR 0.7 million.

**Other income and revenues** amounted to EUR 4.4 million compared to EUR 5.5 million in 2020; in 2020 insurance compensation of EUR 1.3 million was recognised.

**External operating costs** rose by EUR 1.7 million, from EUR 14.3 million to EUR 16.1 million, primarily due to higher service costs of EUR 0.5 million, institutional communication expenses of EUR 0.4 million, higher IT service costs of EUR 0.3 million, and finally higher insurance costs of EUR 0.2 million.

**Personnel costs** amounted to EUR 15.1 million, up by EUR 0.5 million compared to EUR 14.6 million in 2020 mainly in relation to the different composition of the average number and the increase in resources (+3).

**EBITDA**, which fell from EUR 54.6 million to EUR 47.9 million, decreased by 6.7% due to the combined effect of a decrease in revenues and an increase in operating costs.

**Depreciation and amortisation** increased by EUR 3 million compared to 2020 in connection with the commissioning of the new TILO rolling stock and Effishunter locomotives in December 2020.

**Operating income**, determined by the combined effect of the performance of the previously discussed revenue and cost categories, amounted to EUR 18.8 million compared to EUR 28.5 million in 2020, declining by EUR 9.7 million, or 34%.

The **result of financial operations** was a loss of EUR 12.6 million, down by EUR 14.5 million compared to EUR 1.9 million in 2020; in particular, interest expense on loans amounted to EUR 16.3 million (EUR 1.5 million in the 2020 comparative period), up due to higher financial expenses relating to the Bridge loan taken out to finance the acquisition of MISE, amounting to a total of EUR 14.8 million, including the share for the period of the upfront fee, the extension fee and ancillary charges, amounting to EUR 8.6 million. It should also be noted that dividends decreased from EUR 4.7 million in 2020 to EUR 3.9 million this year. Finally, in the previous year the write-downs of the equity investments La Linea, E-Vai and ATV were recorded, following the impairment test carried out, amounting to EUR 2.3 million, and the capital gain of EUR 1.0 million deriving from the sale of the equity investment held in Locoitalia.

**Earnings before taxes** amounted to EUR 6.2 million versus EUR 30.4 million in 2020.

**Income tax** of EUR 0.8 million decreased due to lower taxable income.

The **profit for the year** amounted to EUR 5.4 million, a reduction on the result of EUR 23.9 million recorded for FY 2020.

## 8.2 RECLASSIFIED FINANCIAL POSITION AND SUMMARY INDICATORS OF RESULT

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

| Amounts in millions of euros | 31/12/2021 | 31/12/2020 | *Change* |
|---|---|---|---|
| Current receivables | 40.8 | 62.6 | *(21.8)* |
| Current payables | (53.6) | (97.6) | *44.0* |
| *Net Working Capital* | *(12.8)* | *(35.0)* | *22.2* |
| Fixed assets | 389.0 | 388.2 | *0.8* |
| Equity investments | 710.6 | 181.4 | *529.2* |
| Non-current receivables | 10.3 | 7.8 | *2.5* |
| Non-current provisions and payables | (7.8) | (10.0) | *2.2* |
| ***NET INVESTED CAPITAL*** | ***1,089.3*** | ***532.4*** | ***556.9*** |

| | | | |
|---|---|---|---|
| *Equity* | *405.0* | *399.6* | *5.4* |
| *Net financial position (Debt/ -Cash)* | *684.3* | *132.8* | *551.5* |
| ***TOTAL SOURCES*** | ***1,089.3*** | ***532.4*** | ***556.9*** |

Equity investments increased by EUR 529.2 million in connection with the acquisition of 82.4% of the share capital of MISE.

The net financial position rose from EUR 132.8 million to EUR 684.3 million, primarily due to the issue on 20 October 2021 of the senior unsecured non-convertible bond of EUR 650 million with a duration of 5 years. The bond, issued with the aim of refinancing the bridge financing taken out to cover the acquisition of MISE, represents the inaugural issue under the Euro Medium Term Non-Convertible Note Programme (the “EMTN Programme”) of up to EUR 1 billion.

The Company manages the liquidity of the other Group companies in cash pooling; therefore, in view of cash on bank deposits of EUR 96.4 million, FNM has giro accounts receivables of EUR 0.8 thousand (EUR 0.2 million at 31 December 2020) and giro accounts payable of EUR 88.0 million (EUR 125.1 million at 31 December 2020).

As shown in the statement of cash flows, to which reference is made, operating activities generated liquidity of EUR 62.2 million, investment activities absorbed financial resources of EUR 600.4 million, while financing activities generated liquidity of EUR 533.3 million.

# 9 REGULATORY FRAMEWORK

## 9.1 Railway Infrastructure Concession

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 Journal 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 2 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.

In June 2021 FERROVIENORD obtained the **Certificate of Approval** (reference no. GI2021001 of 28/06/2021), valid until April 2023.

## 9.2 Local Public Transport

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

To address the COVID-19 epidemiological emergency, several national and regional measures containing restrictive measures were issued in both 2020 and 2021 and 2022, as summarised below:

- article 92, paragraph 4-*bis* of Decree Law no. 18 of 17 March 2020, which provided for the recognition of fees on the basis of contractual programming, despite the remodulation of the offer implemented following the epidemiological emergency;
- to partially offset loss of ticketing revenues, article 200, paragraph 1, of Decree Law no. 34 of 19 May 2020 (Relaunch Decree) converted, with amendments, by Law no. 77 of 17 July 2020 established a fund with the Ministry for Infrastructure and Transport with an initial amount of EUR 500 million for the year 2020, to offset the reduction of tariff revenues from passengers in the period from 23 February 2020 to 31 December 2020 compared to the average tariff revenues recorded in the same period of the previous two years;
- the endowment of the fund was then increased by EUR 400 million for 2020 by art. 44, paragraph 1 of Decree Law no. 104/2020 (August Decree). This provision also provided the possibility to use the greater resources allocated, up to a limit of EUR 300 million, to finance additional local and regional public transport services for students as well;
- with the subsequent art. 27 of Decree Law 149/2020 (Ristori bis decree) 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 make use of the Fund for local public transport companies due to the lower tariff revenues realised during the COVID-19 emergency period, in addition, the Fund's endowment was increased by a further EUR 390 million, of which a portion of up to EUR 190 million to finance additional local and regional public transport services, including for students. Therefore, of the additional EUR 390 million allocated for 2021, EUR 200 million is earmarked to compensate for the lower revenues of the LPT companies already identified by art. 200, paragraph 1 of the aforementioned Decree Law no. 34/2020 and EUR 190 million for additional local and regional public transport services;
- Decree Law no. 41 of 22 March 2021 (“Support Decree” - converted with amendments by Law no. 69/2021), which allocated an additional EUR 800 million to compensate for the reduction in tariff revenues deriving from the decrease in passengers. This appropriation is allocated on a priority basis for lost revenues for 2020 and, for the remainder, from January

2021 until the expiry of regulatory measures aimed at establishing limitations on vehicle capacity;

- Decree Law no. 73 of 25 May 2021 ("Support bis Decree" - converted with amendments by Law no. 106/2021), allocated funds of EUR 450 million to be allocated to additional LPT services;
- Decree Law no. 105 of 23 July 2021 (converted with amendments by Law no. 126/2021), which extended to 31 December 2021 the term - provided for by art. 92, paragraph 4-*bis*, of the "Cure Italy Decree" - until which the Entities awarding LPT services may not apply to the operators of the aforesaid services either fee reductions, or penalties or sanctions due to the reduced number of runs made or distances covered as a result of the pandemic. The fee guarantee was then extended to 31 March 2022 by means of a provision introduced during the conversion of Decree Law no. 221 of 24 December 2021;
- article 1, paragraph 186 of Law no. 178 of 30 December 2020, regarding the law on the State budget for financial year 2021 and the multi-year budget for the 2021-2023 three-year period provided for an increase by a further EUR 450 million in the endowment of the fund to be intended for additional LPT services allocated by Decree Law no. 73 of 25 May 2021 ("Support bis Decree" - converted with amendments by Law no. 106/2021). The endowment of the latter Fund was further increased by EUR 80 million for 2022 by article 24, paragraph 1 of Decree Law no. 4 of 27 January 2022. These resources, until 31 March 2022, the end of the state of emergency, are allocated to fund additional services planned in order to handle the effects arising from the limitations placed on the vehicle filling coefficient, and subject to the detection of actual use by users in the year 2021.

During 2021, the reference regulatory framework will also include measures related to COVID-19 Green Pass and the use of personal protective equipment, in particular:

- Decree Law no. 127 of 21 September 2021 (converted with amendments by Law no. 165/2021), which established the obligation for workers to possess a Green Pass in order to access the workplace;

- Decree Law no. 172 of 26 November 2021 (converted with amendments by Law no. 3/2022), which introduced the obligation as of 6 December 2021 of possession of the Green Pass for access to public transport;
- Decree Law no. 221 of 24 December, which made the use of Ffp2 masks mandatory on public transport;
- Decree Law no. 229 of 30 December 2021, which established a requirement effective 10 January 2022 for possession of an enhanced Green Pass (from vaccine or recovery from COVID-19) for access to public transport.

It is also worth mentioning a significant regulatory measure, issued in the first ten days of 2022, namely Decree Law no. 1 of 7 January 2022, which introduced from the outset the vaccination requirement for those over 50 and the requirement for those over 50 - as of 15 February 2022 - to possess an enhanced Green Pass (from vaccine or recovery from COVID-19) to access the workplace.

To complete the regulatory framework related to the COVID-19 epidemiological emergency concerning Local Public Transport, it should be noted that art. 4-*bis* of the already mentioned Decree Law no. 18 of 17 March 2020 establishes that "Until the end of the measures for the containment of the COVID-19 virus, all the procedures in progress, relating to the awarding of local public transport services, may be suspended, with the option of extending the contracts in place on 23 February 2020 for up to twelve months after the declaration of the end of the emergency; the public procedures relating to local public transport services already defined by awarding on 23 February 2020 remain excluded".

It should be noted that the Lombardy Region approved on 25 May 2021, no. 8 art. 30, the amendment of art. 60 of Law 6 of 2012, postponing the deadline for carrying out tenders for the renewal of concessions/service contracts by 2 years, after the end of the emergency period.

Finally, again in order to contain the negative effects of the epidemiological emergency, it should be noted that art. 5 of Regional Law no. 4 of 2-4-2021 "Interventions in support of the economic fabric of Lombardy" guarantees that "in order to contain the negative effects of the COVID-19 epidemiological emergency, starting on 23 February 2020 and until the end of the state of epidemiological emergency and, in any case, not beyond 30 April 2021, the Region, as client, does not apply to the operator of regional railway infrastructure, even where provided for by contract, measures to increase the efficiency of costs and reductions in fees due to the lower number of trips made on the network under its responsibility, for reasons not attributable to the operator itself, compared to what was budgeted at the beginning of each year."

### 9.3 Motorway Infrastructure Concession

On 29 October 2020, at the request of the Awarding Body, MISE resubmitted to the Awarding Body a new proposal for an updated economic and financial plan developed in accordance with the instructions of the Awarding Body and replacing the version submitted on 18 June 2020.

On 12 March 2021 the Awarding Body notified MISE of the results of the checks carried out by the ART on the proposed economic and financial plan submitted by MISE on 29 October 2020, inviting the concessionaire to reformulate the proposed update to the Plan in compliance with the instructions provided by the Authority in order to continue the relative approval procedure. The subsidiary acknowledged the Authority's technical observations by developing a new proposal that was not formalised pending the receipt of instructions regarding how relief would be provided as a result of the economic, financial and capital effects deriving from the Covid-19 health emergency.

On 17 May 2021, the Awarding Body sent a memo to the Trade Association regarding how to "Quantify the economic effects in the motorway industry resulting from the Covid-19 emergency." The memorandum reports the pronouncement of the Transport Regulatory Authority regarding the identification of the methodology to be adopted for the quantification of the effect of Covid-19, specifying the extraordinary nature of the event within the regulatory framework.

On 25 May 2021 the Association, after consulting with the concessionaires, contacted the Awarding Body, pointing out that the Authority's pronouncement included some critical issues and required clarification.

Having regard to the above, in consideration of the fact that, according to the indications of the Transport Regulatory Authority, the negative effects recorded following the reduction in traffic volumes will be identified at the end of the state of emergency declared by the competent authority, in order to reach the conclusion of the process of approving the economic and financial plan, in July MISE submitted to the Awarding Body a new proposal to update the Economic and Financial Plan that incorporates the observations made by the Transport Regulatory Authority and postpones the economic and financial effects deriving from Covid-19 until the end of the state of emergency.

The new proposed update to the economic and financial plan does not entail the relinquishment of the subsidiary's outstanding rights and claims or appeals that the subsidiary has made against ART rulings. MISE will ask the Awarding Body to restore initial balance conditions as soon as conditions so allow.

As noted above, on 15 October 2021, MISE filed a petition with the Awarding Body in connection with the tariff adjustment to be applied as of 1 January 2022. The request was developed, pending the effectiveness of the update of the agreement relating to the 2018-2022 regulatory period, through the adoption of the agreement provisions still in force. In addition, although the approval process for the update of the economic and financial plan relating to the 2018-2022 regulatory period has not yet been completed, the subsidiary has proceeded to arrange the tariff adjustment using the elements indicated in ART Resolution 69/2019. This development was carried out without waiving the rights and claims of the shareholders with appeals pending against both the resolutions issued on tariffs by the Transport Regulatory Authority and the tariff updating measures for previous years.

At the reporting date, the process of approving the updated economic and financial plan has not yet concluded.

With regard to concession relationship management activities, it is noted that

- in response to the request submitted by MISE, on 25 February 2021 the Awarding Body, in consideration of the higher expenditure for maintenance incurred in 2020 compared to the contractual forecasts, expressed its authorisation to release part of the “Provision for delayed maintenance”. This is without prejudice to MISE's obligation to carry out all the maintenance operations necessary to ensure the full functioning of the infrastructure under its management in compliance with the contractual commitments and the obligations arising from current legislation;
- on 16 March 2021 the Company, when responding to the Awarding Body with information related to the allocation of the financial benefit for delayed investments, reiterated its request for the release of the capital reserve called “Restricted reserve for delayed investments”, which as at 31 December 2020 amounted to EUR 15.2 million, taking into account that the

amount of the investments planned in the 1999 Agreement was also reached in the reprogramming pursuant to the Additional Agreement in force.

# 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, which are parameterised and proportionate to the activity and size of the Group’s individual subsidiaries, the surpassing of which is not deemed compatible with the Issuer's risk appetite. The risk scenarios thus identified qualify as “top-risk”, against which FNM's management has mitigation plans in place to bring risk values within limits consistent with the identified threshold values.

In addition, during 2021, the annual business risk assessment was updated and the 2020 Risk Assessment plan was approved on 27 April 2021. The activity is currently being finalised and has been conducted in continuity and integration with previous analyses, following approval by 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 on 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 EN ISO 9001:2015.

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 51).

## 10.1 MAIN RISKS

**Uncertainty of the legislative and regulatory framework**

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

In relation to railway transport specifically, on 13 April 2015, the Lombardy Region and Trenord signed the new Service Agreement for regional and local public rail transport for the period from 1 January 2015 to 31 December 2020. The expiry date - initially extended to 31 December 2021, as a result of Regional Law no. 26, art. 2 of 28 December 2020 - was extended to 31 December 2022 by Regional Law no. 15 of 6 August 2021 on the basis of the COVID-19 epidemiological emergency situation and in compliance with the provisions of art. 5, paragraph 5, of European Regulation no.

1370/2007, which allows the Awarding Body to take emergency measures aimed - among other things - at extending public service contracts for a period not to exceed two years.

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

In relation to road transport and, consequently, 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 31 December 2022 and 31 December 2023, respectively, or to the date when the new operator will take over the service (only relating to FNM Autoservizi S.p.A.) and of the Service Agreement for the province of Como extended to 31 December 2023 or 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 Group's costs 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 2022.

**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 technologically advanced rolling stock than that currently in use 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 taken into account the perception of the safety of passengers and employees.

As part of its plans for the technological evolution of its security, safety and passenger assistance systems, in 2021 FERROVIENORD launched:

- the executive phase of the "*Renewal of video surveillance systems*" in the station areas and associated sensitive areas;
- the implementation phase of the "*Integrated Supervision Software Platform (PIS) for controlling FERROVIENORD stations*";
- the development of the "*FERROVIENORD Single Operations Room*" project - in implementation of the specific "Process Digitalisation" pillar of the Business Plan - with the aim of improving the operational management processes of the railway network, making the maintenance process more efficient and the management of railway traffic more effective, also thanks to the use of innovative technologies.

**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 four main operating segments. The need to maintain service levels consistent with the Awarding Body and Customer's expectations and the complexity of labour law regulations lead to limited flexibility in the management of labour resources; therefore, significant increases in staff unit costs could significantly affect the Group's profitability, since the possibility downsizing the workforce and ensuring the same level of quality and efficiency of operations is limited.

From this point of view, as described in paragraph 13 below "Employees: Numbers, 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 associated with the COVID-19 pandemic**

The national or regional spread of epidemiological or pandemic emergencies affecting the population (i.e. COVID-19) may lead to a deterioration in the macroeconomic environment, in addition to slowdowns in business activities, deriving from measures issued by national and regional authorities, staff shortages, difficulties encountered by customers in using collective mobility services and supply chain discontinuities, with negative impacts on the results of Group companies.

Group companies have processes and procedures in place that support the identification, management and monitoring of events with potential significant impacts 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, especially in the automotive and rail passenger transport operating segment, have committed themselves to ensuring a prompt response to the COVID-19 pandemic threat with the aim of addressing certain aspects during the pandemic situation and, in the following months, defining how service will resume.

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

**Inflation risk**

The recovery in demand, in the presence of raw material and intermediate good supply chain tensions that hinder manufacturing production, and the rise in energy prices, led to an increase in inflation already in 2021. In view of the serious uncertainties linked to the conflict between Russia and Ukraine that broke out on 24 February 2022 and the economic sanctions imposed, there is a risk of a significant further increase in inflation, especially with reference to energy and raw material prices.

The Group is also exposed to these risks.

With reference to the risk of an increase in energy costs, in particular for the fuels (diesel and methane) used for local public transport by road and for utilities (which include headquarters and infrastructure lighting), as well as for the costs incurred by Trenord for railway traction, purchase contracts are assigned on the basis of auctions with a maximum duration of one year. MISE's fuel and power purchase contracts are variable price, while the contract to purchase power for utilities and railway traction is fixed price with an expiry date at the end of October 2022. The award criterion for conducting the new supply tender for the next period (from 1 November 2022 to 31 October 2023) is currently being evaluated.

At present, fuel and electricity costs as a percentage of the Group's total consolidated operating costs are relatively low.

In the case of the Rail Infrastructure segment, any price increases are partially mitigated by the annual adjustment to inflation of the service contract between Ferrovienord and the Lombardy Region.

In the Road passenger mobility segment, partial protection is provided by the annual adjustment, in some of the areas served, of the service contract and tariffs following the increase in the inflation rate.

RoSCo's rolling stock lease revenues are not adjusted for inflation.

As for the Motorways segment, the rate increase applied in 2022 recovers the increase voluntarily suspended by MISE that was authorised as of 1 January 2019. In relation to the rate adjustment established with the new EFP, which is currently being approved, it could offer partial protection against the increase in inflation as it is calculated on the basis of parameters that take account of the programmed increase in inflation set at 0.80%. The updating of the effects of the inflationary parameter is postponed to the renewal of the Economic and Financial Plan when the regulatory period expires.

With regard to Trenord, the service contract currently in place until 31 December 2022 provides for the direct recognition of the costs of electrical traction on the RFI network by the Lombardy Region. As part of the negotiations for the new 10-year service contract beginning on 1 January 2023, which will be based on the principles defined by the ART, the allocation of the risk of fluctuations in energy prices to the awarding entity is under discussion.

Regarding maintenance costs, which are exposed to increases in the prices of raw materials, as well as other production cost items, it should be noted that, in line with market trends, in all segments, suppliers are requesting a review of contract prices. The same phenomenon also occurs for energy and fuel supplies.

It should be noted that in order to deal with the exceptional increases in the prices of certain construction materials that occurred in the first half of 2021 due to the COVID-19 emergency, mitigation is introduced by Decree Law no. 73/2021 (converted with amendments by Law no. 106 of 23 July 2021), in art.1 *septies* “Urgent provisions regarding the revision of material prices in public contracts”. For contracts in progress as of the date on which the measure comes into force, the Decree Law provides for compensation for percentage variations, either up or down, of more than 8% in the individual prices of the most significant construction materials, as identified by a dedicated Ministerial Decree. The Group has taken steps to obtain recognition of the higher charges as required by the regulations. A decree similar to the previous one is awaited to govern the treatment of raw material price increases applicable to contracts entered into in the second half of 2021; at the moment, however, no further measures are envisaged to deal with the additional increases identified in 2022, following the outbreak of the military conflict between Russia and Ukraine.

In view of the above, operators may request extraordinary support from the authorities in order to guarantee the provision of the public service, also taking into account the principle laid out in art. 4 of EU Regulation no. 1370/2007, which establishes that public service operators must maintain economic and financial balance.

Lastly, as already noted in 2021, in addition to price increases, production chains were negatively impacted by delays in the supply of raw materials and semi-finished goods, which could continue or even worsen in 2022. The Group could therefore be adversely affected by this situation, which could lead to delays in the delivery of materials, rolling stock and vehicles.

The Group remains flexible in the effective management of variable and discretionary costs and carefully monitors developments in order to understand whether and to what extent price increases could have an impact on traffic and on the Group's expected results.

**Risk of rising interest rates**

In order to pursue price stability and safeguard financial stability, the ECB decided to gradually reduce the pace of its financial asset purchases. While maintaining an expansionary monetary policy stance, it is possible that a gradual rise in interest rates will be decided upon in the course of 2022, when the financial asset purchase programme comes to an end.

The FNM Group has limited exposure to the risk of rising interest rates. Thanks to the issue of the EUR 650 million fixed-rate bond maturing in October 2026, which enabled the repayment of the floating-rate bridge loan taken out to finance the acquisition of MISE, 81% of the Group's gross debt at 31 December 2021 is represented by fixed-rate loans. The remaining 19% of debt is represented by loans held by MISE taken out at variable rates. As highlighted in chapter 51, a 50 bps increase or decrease in interest rates represents a net increase or decrease in the incidence of financial expense on the net profit of EUR 0.7 million, net of the tax effect.

The fixed coupon of 0.75% on the bond reduced the average cost of debt for the Group for 2021 from 2.08% to 1.94%; at current rates, the average cost of debt for 2022 is expected to be 1.5%, increasing to 1.63% if rates increase by 50 bps.

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

## 10.2 TYPICAL RISKS OF THE RAILWAY INFRASTRUCTURE OPERATING SEGMENT

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

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

## 10.3 TYPICAL RISKS FOR THE ROAD PASSENGER MOBILITY OPERATING SEGMENT

**Risk of increased fuel costs**

The variable “diesel and methane 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 fuel 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 and methane costs.

## 10.4 TYPICAL RISKS OF THE MOTORWAY OPERATING SEGMENT

**Operational risk**

With regard to operational and management risks, the subsidiary has set up preventive procedures and controls that can be traced back to plans for monitoring maintenance operations, as well as an insurance coverage plan to limit the economic impact that may arise as a result of motorway accidents.

**Regulatory risk**

By offering a public utility service, the subsidiary operates under a concession regime and is subject to specific regulations issued by the Regulatory Body, therefore it is exposed to regulatory provisions that may affect the determination of the motorway toll and turnover in general with consequences on economic and financial balance as well as the implementation of the investment program, without prejudice to the conventional provisions relating to the updating of the Economic and Financial Plan in the presence of extraordinary events or at the end of the regulatory period.

## 10.5 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 with respect to international rates.

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

A significant portion of revenues in the operational segment of Passenger Transport by rail is from tickets and season tickets, even in the context of a segment strongly influenced by social needs and therefore supported by public grants. Revenues deriving from fares only cover a part of the service management costs. The national legislator defined at least 35% of traffic revenue as an adequate level a coverage of transport management costs. For 2019, Trenord guaranteed coverage of more than 46% of operating costs with revenues from tickets and season tickets. Restrictions imposed on the movement of people reduced that percentage to about 23% in 2020 and 26% in 2021. However, the investee continues to pursue the continuous improvement of the efficiency of its production processes.

**Risk of fare evasion**

Fare evasion represents a significant risk for Trenord, given the size of the company's business and the number of travellers who use the Trenord fleet every day to get around.

In 2021 Trenord pursued its objectives of combating fare evasion through the implementation of actions that provide for the adoption of greater supervision and controls in the stations considered most critical and the adoption of ticket issuing methods capable of combating this phenomenon (e.g. implementation of STIBM and SBME, introduction of new automatic ticketing machines). The “Assistance and Control” project was also launched, involving an increase in personnel, also dedicated to ground and on-board controls.

**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 and any changes in traveller habits connected, for example, to the effects of the spread of the Covid-19 pandemic.

During 2021, Trenord further strengthened its continuous monitoring process, in terms of traffic flow and performance, with a level of detail by route, event, seasonality and time slot, and is planning a complex and detailed monitoring system, not only of rail transport demand, but of all overall mobility flows. Specifically, this includes initiatives such as Automatic People Counting - which makes it possible to check presence on board trains in real time, providing useful information for both the company and its passengers - and the provision of data lake tools for the effective and efficient collection and analysis of data from a variety of different sources. This was done not only to respond to the effects of the pandemic but, from a strategic perspective, to have an instrument capable of providing concrete indications of demand dynamics, in order to provide adequate service that meets the needs of actual demand. It is evident that the risks connected to the continuation of the pandemic are certainly still factors of utmost importance with respect to the evolution of railway 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 2021, 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 performed on decommissioned trains to increase their availability. To date, production planning is such as to use the available and maintained rolling stock with the consequent mitigation of the risk in question.

## 10.6 TYPICAL RISKS FOR THE RAIL FREIGHT TRANSPORT OPERATING SEGMENT

**Reduced traffic flow**

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

## 10.7 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.

# 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, additional charges are not expected with respect to those already reflected in the separate and consolidated financial statements as at 31 December 2021.

## 11.1 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 2020, it should be noted that actions to protect the subsidiary's interest continue, with the monitoring of the liquidation situation of the counterparties. The litigation is currently in the third instance.

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 resolutions of the contracts agreed with Cogel (also ordering the contractor to pay the Affori contract penalty equal to EUR 887,239 and make the insurance payment in the Busto contract equal to EUR 63,194). At the same time, though, it rejected the FERROVIENORD’s damage claims and ordered the railway company (in relation to the Affori contract) to repay to Cogel - by way of *Restitutio ad integrum* - the value of the contract works already carried out, i.e. EUR 7,468,694.96. The decision was appealed by FERROVIENORD and on 1 February 2018 decision no. 534/2018 of the Court of Appeal was published: it confirmed Cogel's right to the value of the works, as already decided in the Court of first instance, but unlike the Court, the Court of Appeal quantified the sum due, resulting from the work progress report, as EUR 8,398,737.40 (and not EUR 7,468,694.96 as claimed by Cogel). The Court of Appeal amended the Court's judgement to the extent that it had not taken into account the fact that most of the value of the works 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. On 17 June 2021, judgement no. 17453/2021 was issued in which the Court of Cassation: *i)* rejected the demand of Generali Italia S.p.A. seeking an order requiring FERROVIENORD to pay EUR 680,406.91; *ii*) rejected the cross-appeal of Cogel seeking an order requiring Ferrovienord to pay EUR 963,638.99; *iii*) upheld the second grounds of FERROVIENORD's cross-appeal (relating to the damages suffered due to the higher amount paid to the new contractor for the Saronno-Seregno works); *iv*) referred the case back to the Milan Court of Appeals for the continuation of the proceedings between FERROVIENORD and Cogel for the damages referred to in the previous point and for legal costs; *v*) ordered Generali Italia S.p.A. to pay the legal fees in favour of FERROVIENORD, amounting to EUR 11,200.00 plus additional sums as required by law. With regard to the quantification of the damages suffered by FERROVIENORD for the higher amount paid to the new contractor for the Saronno-Seregno works (*iii* above), the case was resumed by FERROVIENORD before the Milan Court of Appeal. The first hearing has been scheduled for September 2022.

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. Following the filing of the expert's report on 29 June 2021, with which the court-appointed expert acknowledged the contractor's reserves in the amount of EUR 2,015,902.73 plus revaluation and interest, the parties reached an agreement whereby FERROVIENORD paid ATI Salcef S.p.A. and Acmar S.p.A. the all-inclusive sum of EUR 2,000,000.00 to settle all claims.

In two separate appeals, 41 contractor workers filed an application for the order for Ferrovienord (acting jointly and severally) to make a contribution to INPS, respectively of EUR 99,363 and EUR 88,001 for social security contributions accrued under the procurement contract. Subsequently, five other workers also lodged appeals with two further appeals with which an additional EUR 18,294 was requested.

Having declared their lack of jurisdictional competence due to the applicants' residence, the cases were sent to the various courts of the workers’ places of residence. There are currently three cases pending in first instance, while twelve cases were adjudicated against FERROVIENORD jointly and severally with Lucentissima, subject to the benefit of prior enforcement against Lucentissima. FERROVIENORD has appealed to amend the ten first instance rulings. The appeals have already been concluded with rulings which, while upholding the joint and several liability of FERROVIENORD and La Lucentissima, partially reduced the amounts awarded to workers. La Lucentissima was declared bankrupt by a judgment dated 28.04.2021 and, consequently, as the declaration of bankruptcy is brought to the attention of the Judge in accordance with procedural formalities, the proceedings still pending will be discontinued. They will therefore need to be resumed by the applicants against the bankruptcy.

**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; the case was first adjourned to 12 December 2019 and, at that time, 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 the various attempts to reach a settlement of the matter, to date it has not been possible to reach an out-of-court solution, so the dispute pending before the Regional Tax Commission of Milan will continue, which was concluded with ruling no. 1815/7/2021 handed down on 15 April 2021 and filed on 13 May 2021.

With the above ruling the Lombardy Regional Tax Commission rejected the appeal lodged by the Office limited to the recovery of the tax, declaring, on the other hand, that the fine claimed by the Agency was legitimate, although it was recalculated to EUR 1,333,076.44 in application of art. 13 of Legislative Decree no. 471/1997.

Lastly, the Customs Agency appealed this decision before the court of cassation, to which FERROVIENORD S.p.A. responded by lodging a counter-appeal on 4 October 2021, together with a cross-appeal in which it contested the aspects and points of the ruling against it.

Finally, in January 2022 discussions were resumed with the State Attorney in charge of the case, who expressed willingness to consider a proposal for an out-of-court settlement of the dispute, to be submitted to the Agency for examination.

## 12 PROPERTY ASSETS

At 31 December 2021, 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 are committed to “**FILI**”, an innovative project for the redevelopment of FERROVIENORD's main connection centres. On the Milan-Malpensa axis, the largest urban and suburban regeneration project in Europe is planned: a corridor for the Milan-Cortina 2026 Olympics, with new green, modern and high visibility urban scenarios, connecting Milan Cadorna, Milan Bovisa, Saronno, Busto Arsizio and Malpensa with an unprecedented technological and environmental journey.

For the urban part, the creation of a “synthetic forest” of around 72,000 square metres from Milano Cadorna station to Domodossola station, which will produce oxygen for Milan thanks to the use of advanced biotechnologies, 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 extra-urban part, reforestation is planned with the planting of 800,000 trees in the Lombardy industrial triangle between Milan, Varese and Como, which includes an area of about 41 thousand hectares crossing 24 municipalities in two provinces of Lombardy.

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

Furthermore, FERROVIENORD's project to upgrade the main connection centres includes a 72.7 km super cycle track that will connect Cadorna station to Malpensa airport.

Finally, as described in detail, the project includes interventions by FERROVIENORD for upgrading at the Bovisa Hub and in Saronno. The former concerns the construction, with innovative and sustainable criteria, of the new FNM Group headquarters near one of the most important transport hubs (as part of the Reinventing Cities project), at the heart of a district undergoing urban renewal. The latter project instead relates to the reorganisation of the Saronno Centro technological and maintenance infrastructure hub with the aim of achieving high standards of functionality and safety and improving accessibility and viability.

**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 and 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 2018, in view of the updated PGT documents publication, FNM and 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 involved the Lombardy Region in relation to transport matters linked in particular to railway infrastructure. The Zoning Plan (PGT), approved with Municipal Council resolution no. 34 of 14 October 2019, placed a portion of areas of FERROVIENORD inside the perimeter of one of the “*Interchange nodes*”, for which the Plan identified a specific set of rules because of the specific role attributed to the interchange function and of the need to promote interventions for the requalification of the system of public spaces and, in the specific case of the Bovisa Node, of the transformation areas present near the station and the railway embankment. The areas under FERROVIENORD’s competence obtained a building ratio index of 0.35/sqm.
Following the meetings of the Boards of Directors of FNM (of 28 November 2019) and of FERROVIENORD (of 2 December 2019), on 2 December 2019 the agreements regulating the partnership between FERROVIENORD and the Municipality were formalised for participation in the tender entitled “Reinventing Cities”, relating to the Bovisa Interchange Node, an initiative of the C40

group cities to pursue carbon emission limitation policies. Bovisa is a strategic hub characterised by high accessibility and will, in fact, be the subject of 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 working groups with the Municipality of Milan to formulate answers to the questions and prepare documentation for the second phase of the call for tenders. Applications were received on 5 June 2020, and the FERROVIENORD/Municipality of Milan Joint Bid Selection Committee was instated.

In September 2020, the Rules for the second phase were published; the submission of the final proposals by the four selected bidders took place on 8 February 2021 and the announcement of the winners at the end of April 2021.

By decision no. DD 3964 of 18.05.2021, the Municipality of Milan appointed as winner and definitively awarded the "*Nodo d'Interscambio Bovisa*" Site to the Mo.Le.Co.La. Team, represented by the lead company Hines Italy RE S.r.l., (hereinafter "Mo.Le.Co.La.") whose proposal also includes the construction of the HQ. FERROVIENORD announced the positive outcome of the verification of the fairness of Mo.Le.Co.La.'s economic offer, particularly with reference to the economic balance between the offer for the concession of surface rights and the costs for the construction of the HQ.

After this step, discussions were initiated on the one hand with the Municipality and the "Mo.Le.Co.La" team for the technical analysis in preparation for the definition of future contracts and implementation tools for the project, and on the other hand with the Lombardy Region to coordinate the railway project with the urban redevelopment of the Bovisa Node.

**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 provided no official response. On 18 February 2021 the new Municipal Administration issued Resolution no. 3 of 18 February 2021 of the Municipal Council containing the "Guideline for the upgrading of Saronno Centro railway station and reorganisation of the technological - 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 Museum of Industry and Labour in Saronno, the restyling of the station passenger building and its underpass, and the creation of cycle and pedestrian paths.

In 2021, FERROVIENORD sent the Lombardy Region the documents constituting the technical and economic feasibility project, while also requesting that the Conference of Services be convened.
On 26 January 2022, the Lombardy Region transmitted the final minutes of the Conference of Services.

**MILAN AFFORI**

Approximately 54,000 square metres 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 implementation of the Integrated Programme resulted in the irrevocable purchase proposal of 7 October 2010 from GDF Group S.p.A. - Della Frera Group, with which a preliminary agreement was signed on 25 November 2010 for the sale of real estate for a total of EUR 14 million. On 18 April 2011, the sale and purchase contract was agreed with the GDF SYSTEM S.r.l. company. Based on the originally scheduled payment terms, extended up to 18 April 2017 (later postponed to 18 April 2018), the sale was carried out with a retention of title agreement in favour of FNM and FERROVIENORD.
On 26 October 2016, with private agreement no. 16276/6A, FNM, FERROVIENORD and GDF SYSTEM signed a definitive settlement agreement to avoid any litigation and clarify the reciprocal rights and duties in relation to some issues regarding the interpretation of the obligations arising from the sale deed and subsequent amending deeds. In particular, this related to the payment of the costs deriving from reclamation of the area, cancellation of the lien agreement on the Subsidised Housing Lot B, payment methods following this release, construction of the underground interchange car park, de-electrifying the temporary lines in underground stations and, finally, the CTE headquarters relocation and the related agreed obligations.
In particular, with the signing of the above settlement, FNM, FERROVIENORD and GDF agreed to bring an action against the Municipality of Milan for the amendment of Art. 6 of the recognition act, in order to provide for the assignment, by FERROVIENORD to GDF, as general contractor, pursuant

to Art. 20 of the new Procurement Code, of the interchange car park construction, with the full replacement of FERROVIENORD with GDF in relation to the relative agreed obligations towards the Municipality itself.

However, with a subsequent note dated 6 July 2017, GDF expressed some substantial reservations about the possibility of being able to apply the aforementioned Art. 20 for the assignment of the works to the same GDF as general contractor. Therefore, having obtained the Building Permit from the Municipality of Milan on 25 May 2017, FERROVIENORD proceeded with the call for tenders for joint assignment of the executive design and execution of the building works for the underground parking lot as envisaged in Art. 6 of the Recognition and Specification Act of 26 June 2014.

The tender procedure for the joint award of the executive design and execution of the works ended with the tender being awarded to the company Paolo Beltrami Costruzioni S.p.A., and the relative contract was signed on 18 July 2018.

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

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

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

Construction of the underground parking garage continued during 2021.

Noting that the economic framework used as a reference when the Agreement was signed has changed radically, FERROVIENORD commissioned the Polytechnic University of Milan to carry out a study to assess the economic sustainability of the investment in light of all the relevant elements. The Polytechnic study showed that parking occupancy rate is a decisive variable and is currently considered highly volatile and uncertain. In the case of parking with rotating parking spaces at municipal rates, it is not possible to reach an economic balance and in case of the exclusive application of municipal rates, it is destined to be managed at a loss.

After the summer break, with the intention of initiating discussions with the Municipality of Milan on the aforementioned issues in order to supersede the original agreement, which is no longer current in light of the changed market conditions, the Municipality was sent the Polytechnic study and amendments were requested to art. 6 of the Recognition Act in order to give FERROVIENORD maximum flexibility in managing the car park. The Municipality did not provide any feedback. On the other hand, on 21 September 2021, the Municipality signed with the other implementing entity, GDF SYSTEM, a deed updating the Agreement and the Recognition Act, without involving FERROVIENORD and FNM, by virtue of which GDF SYSTEM was granted a change in the functional mix, or the transformation of 5,000 square metres of floor space from hotel accommodation to residential. This deed adversely affects FERROVIENORD's position in that *(i)* it makes it jointly and severally liable for the obligations assumed by GDF SYSTEM and *(ii)* it significantly reduces the occupancy capacity of the car park, since the construction of a 5,000 sqm hotel has been eliminated.

In view of this, on 26 November FERROVIENORD, together with FNM, notified the Municipality and GDF SYSTEM of an appeal before the Milan Regional Administrative Court to annul the executive decision approving the above-mentioned deed.

The objective is that the proposed appeal will induce the Municipality to take into consideration the requests of FERROVIENORD, initiating a review of art. 6 of the Recognition Act, which governs precisely the interchange car park.

**GARBAGNATE MILANESE**

The project area is around 26,000 square metres 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 metres (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, Parrocchia dei Santi Eusebio e Maccabei, are also motivated to identify a common strategy aimed at selling the areas they own. Since late 2020, however, the Operator has not resumed contact.

# 13 EMPLOYEES: NUMBERS, COSTS AND TRAINING

## 13.1 NUMBERS AND COSTS

The average number of employees of the FNM Group, including MISE and its subsidiary MISE Engineering, increased by 1.1% from 2,812 in 2020 to 2,842 in 2021.

In particular, the Parent Company FNM had an average number of employees of 189 compared to 186 for the previous year (+1.6%).

## 13.2 INDUSTRIAL RELATIONS

Significant discussions took place within the FNM Group with the trade unions in 2021.

The health situation inherent in the spread of the COVID-19 virus, and the ensuing related legislative measures, have required continuous monitoring of organisational measures to protect worker health and safety, in compliance with regulations in force over time. During the year activities were monitored in relation to shifts, space occupancy and the provision of protective and sanitising equipment. On the other hand, white-collar staff took advantage of additional days of agile work, compared with the two weekly off-site services contractually agreed.

With regard to the company FNMA, a one-off contribution was made based on the company's performance in 2020. On this occasion, a number of welfare mechanisms were revised, including the contribution to the FNM Pension Fund and the value of meal vouchers.

Finally, the value of meal vouchers was also increased for employees of E-Vai on the basis of the provisions of a specific agreement.

In addition, on 17 June 2021 an agreement was signed for the renewal of the national collective labour agreement for road, rail and tram workers, which expired on 31 December 2017, signed by the heads of Asstra, Anav and Agens with Filt-Cgil, Fit-Cisl, Uiltrasporti, Faisa Cisal and Ugl Fna, aimed at defining the economic coverage of the 2018-2020 three-year period through the disbursement of a one-off sum and at the same time the start of a methodical procedure contemplating the priority definition of two contractual issues that are considered appendices to the last contract renewal agreement. The agreement establishes for permanent personnel on staff on the date on which the agreement is signed, that the 2018-2020 three-year period will be covered with the payment of a gross one-off sum of EUR 680 at parameter 175, to be revalued according to the current parametric scale. The disbursement was divided into two tranches, the first of EUR 300 paid with the salary of July 2021 and the second of EUR 380 paid with the salary of December 2021.

Then, in August 2021, a significant agreement was signed between FERROVIENORD and the most representative trade unions. The agreement governed a new work organisation for FERROVIENORD's Maintenance division. This agreement adapts the company's contractual rules governing work performance to updated technological requirements, guaranteeing reduced intervention times in the event of a breakdown on the railway network. The possibility of carrying out work during night hours is extended, distributing the work in different shifts throughout the entire day. It also encourages the professional growth of employees through greater dissemination of the qualifications necessary to perform work in the Maintenance department.

Significant discussions were also held with trade union representatives in 2021 with a view to launching an ambitious project for the development of company welfare provided to employees, developing measures aimed at responding more effectively to people's needs and promoting overall wellbeing.

With regard to the National Collective Labour Agreement for Motorway and Tunnel Companies and Consortia, on 21 September 2021 a framework agreement was signed with the Territorial Secretariats of the trade unions that signed the sector National Collective Labour Agreement, which will govern certain priority organisational and management processes for the next two years.

In particular, the parties reached agreements aimed at carrying out constant joint monitoring of the trend regarding the average age of the entire workforce, identifying all useful and necessary solutions to guarantee a gradual rebalancing of the population, accompanying natural staff turnover with the most suitable measures for the transition, renewal and integration of professional skills. Above all, the parties undertook to seek out organisational and management solutions, using every available regulatory tool (e.g. the expansion contract, further provided for by legislation for the year 2022, a redundancy incentive program, etc.), accompanied, where necessary, by specific company financial resources, useful for planning and managing a path that allows for the gradual management of the exit process of resources nearing retirement, assuming at the same time - without prejudice to the possible need to re-employ workers currently engaged in service activities in favour of third party companies - where necessary for some specific sectors, an appropriate path for the introduction of new resources in application of both regulations in force and the contractual provisions that already provide for appropriate forms and methods of engagement for the hiring of young resources.

Moreover, again with reference to the National Collective Labour Agreement for Motorway and Tunnel Companies and Consortia, it should be noted that the second-level agreement for the 2018-2020 three-year period expired on 31 December 2020.

With the resolution of March 2021, MISE's Board of Directors directed the Human Resources Department to negotiate with the trade unions, taking into account the Group's contractual approach and parameters on the performance bonus, negotiating, taking into account the assumed reduction in profits, a reduction in the maximum amount of the performance bonus in proportion with the reduction in profits. In this regard, in view of the economic situation deriving from the continuation of the pandemic, a 30% reduction has been established for the Performance Bonus. With this in mind, the Company has reached a specific agreement with the trade unions regarding exclusively the year 2021 and has entered into a bridge agreement. At the same time, it was agreed with the company union representatives to postpone the renewal of the three-year second-level contract and to sign the new agreement in 2022, valid for the 2022-2024 three-year period, based on criteria that more incisively value the contribution of the individual, as well as the achievement of specific objectives for the operating and administrative areas; following the examination conducted with the Parent Company FNM, pursuing the objective of bringing the second-level contract more into line with the model developed within the Group.

## 13.3 TRAINING

The training activities carried out in 2021, in addition to complying with what was established in the training plan, had to comply with the provisions adopted by the company for the prevention and containment of the spread of Covid 19. This inevitably reduced the number of face-to-face training initiatives and resulted in a preference for remote activities, both synchronous and asynchronous.

Training activities involved the employees of the Group companies identified below, for a total of 4,074 days.

Furthermore, during the year the Group continued to participate in the MaaM, "Maternity as a Master" project, 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 2021 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;
- the Framework Agreement for scientific collaboration and support for innovation processes between FNM and the Milan Polytechnic Foundation is still in place; 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 18 March 2022 the Board of Directors approved the consolidated non-financial statement ("NFS") prepared pursuant to the Legislative Decree no. 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 FNM Group's NFS reports its sustainability performance in accordance with the "GRI Sustainability Reporting Standards"; in 2021 the NFS was structured according to the principles of the Integrated Report.

A 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 we operate. The second part is focussed on presenting the different types of capital, the material and immaterial resources that have been increased, decreased or transformed as a result of the organisation's activities and outputs and that determine the creation of value. The main capitals (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 capitals have contributed to the path to achieving 10 SDGs under the 2030 Agenda.

In addition, in continuity with the path undertaken in 2020, 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 "true value" that the Group returns to the general public.

During 2021, the value generated by the FNM Group, including the business carried out by Trenord, amounted to roughly EUR 2.8 billion, considering both the direct and indirect impacts generated; approximately 53% is attributable to direct and indirect economic impacts. Excluding the business carried out by Trenord, the value generated is approximately EUR 0.9 billion, considering both direct and indirect impacts; around 67% is attributable to direct and indirect economic impacts.

The 2021 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. IMPACT OF CLIMATE CHANGE

The assessment of the impact of the Company's businesses on climate change is currently of priority importance, as also shown by the 2021 materiality matrix set forth in the Non-Financial Statement, updated following the performance of shareholder engagement activities. FNM attaches great importance to this issue and has put actions into place to guard against the risks and opportunities involved.

Aware of the importance of safeguarding the environment, the FNM Group strives to play a proactive role in the energy transition, which it believes is a fundamental objective to be pursued and an opportunity for future development. From this perspective, on 16 September 2021 FNM's Board of Directors approved the 2021-2025 Strategic Plan which establishes the Group as an integrated operator of sustainable mobility, guided by environmental, social and governance (ESG) sustainability principles. For the first time, the plan integrates and quantifies ESG objectives in the definition of the Group's business strategy in order to develop new forms of multimodal, integrated and sustainable mobility, leveraging the synergistic management and development of the Group's complementary infrastructure portfolio, acting as a mobility partner for the communities served. In this sense, the development of new mobility services, implemented through the development of digital technologies and adapted to meet user requirements, is accompanied by the maintenance and improvement of conditions of safety and resilience to extreme natural events. Therefore, concrete support to local development is also an integral part of the plan, through environmental and urban requalification projects along the railway route.

To enable the achievement of sustainability goals and active participation in the energy transition process, for the first time the Plan identifies key indicators with precise targets for 2025, including fleet development and decarbonisation. Thanks mainly to the replacement of rolling stock and buses with new electric and hydrogen-powered trains and buses, the objective is to reduce current CO2 emissions by 35% by 2025 and there is a further target of using 100% energy from renewable sources for railway traction, again by the end of the plan period.

All of this translates into an investment plan of about EUR 850 million in the 2021-2025 period, of which more than one-third in activities eligible for definition as “green” by the European Taxonomy. The FNM Group’s 2021-2025 Strategic Plan contributes to the achievement of 10 of the 17 Sustainable Development Goals of the UN 2030 Agenda (SDGs) on which it has an impact.

## 17 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 they have carried out, 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 16 September 2021, 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 16 September 2021. The Model is aimed at preventing the commission of specific offences provided for by current legislation and considered relevant to the Company; it is constantly monitored and, where deemed necessary, updated to ensure a continuous improvement in internal control. The Model, based on the Confindustria and ASSTRA Guidelines, was prepared taking into account the structure and activity currently carried out by the Company and the nature and size of its organisation. The Company carried out a preliminary analysis of its own business context and subsequently an analysis of the areas of activity that present potential risk profiles in relation to the commission of the offences indicated in the Decree.

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

The Supervisory Body has the task of constantly monitoring:

- compliance with the Model by the company boards, employees and consultants of the Company;
- effectiveness of the Model in preventing the commission of the offences referred to in the Decree;
- implementation of the provisions of the Model in the performance of Company activities;
- updating of the Model, in the event that it is necessary to adapt it following changes in the structure and/or the corporate organisation or in relation to the evolution of the reference regulatory framework.

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

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

## 18 TRANSACTIONS OF THE PARENT COMPANY FNM S.p.A. WITH RELATED PARTIES

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 49 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).

## 19 FINANCIAL INSTRUMENTS

It should be noted that during the year and as at 31 December 2021 the Company did not use any derivative financial instruments.

Amongst the subsidiaries and investees, at 31 December 2021 MISE has outstanding derivatives referring to interest rate swap contracts entered into in order to prevent the risk of changes in interest rates, the fair value of which is negative.

## 20 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 13 May 2019, 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.

## 21 SIGNIFICANT EVENTS DURING THE YEAR

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

**25 January 2021:** FNM obtains a Baa3 long term issuer rating from Moody’s, which takes into account the company’s business prospects following the acquisition of Milano Serravalle – Milano Tangenziali (MISE) 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 - November 2020) 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.

**Hydrogen trains and H2IseO Project**

**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, which aims to decarbonise local public transport services in Valcamonica (Brescia).

**6 April 2021:** FNM and ENI signed a letter of intent to define possible collaborations and initiatives regarding the introduction of fuels and energy carriers capable of reducing CO2 emissions for the thermal engines of means of transport, models for capturing, storing or using CO2 generated in hydrogen production processes for use in means of transport and hydrogen distribution points for private road mobility.

**22 April 2021:** FNM and SAPIO signed a Memorandum of Understanding that provides for the creation of a joint working party that will be responsible for developing one or more operational hypotheses related to the supply of green hydrogen.

It should be noted that in July 2021 FNM, A2A and SNAM (companies with which FNM entered into collaboration agreements in 2020 for the development of the H2iseO project) jointly received EUR 4 million in funding from the European Innovation Fund Small Scale Program for the construction of a hydrogen production factory as part of this 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. today 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, 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 completion of the acquisition, 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 today 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% (from 79.3%) of the share capital of the shareholding held by MISE in APL.

The consideration 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, taken out for a maximum amount of EUR 650 million of which EUR 620 million used, was unsecured and repaid in a single instalment after the issue of the bond in October 2021.

**FERROVIENORD and Alstom sign a contract for 20 medium-capacity trains**

**15 April 2021:** FERROVIENORD and Alstom signed the second application contract for the supply of a further 20 medium-capacity "Donizetti" trains for regional rail services, for an amount of EUR

125 million. The delivery of the first trains is scheduled from June 2023; the coaches are intended for the Milan - Sondrio - Tirano route.

This contract is part of a Framework Agreement entered into in November 2019, which was signed at the same time as the first application contract providing for the supply of a further 31 coaches.

The agreement follows what was established by the Lombardy Region which, with a resolution of 17 March 2021, expanded its programme for the purchase of new trains, adding 46 coaches - 26 high-capacity "Caravaggio" and 20 medium-capacity "Donizetti" - to the 176 already planned and thus bringing the total to 222, for a total allocation of EUR 1.958 billion (EUR 1.607 billion of the programme approved in 2017 and updated in 2019, plus EUR 351 million added with the resolution of 17 March 2021).

**The Shareholders' Meeting approves the 2020 financial statements.**

**30 April 2021:** the Shareholders' Meeting approved the proposal of the separate financial statements of the Parent Company, examined the consolidated financial statements of the FNM Group as at 31 December 2020 and resolved not to distribute a dividend and therefore to allocate the profit for FY 2020 as follows:

- EUR 1,194,591.22 to the legal reserve;
- EUR 22,697,233.16 to retained earnings;

The Shareholders' Meeting also:

- approved the Report on the remuneration policy and on the compensation paid
- appointed the Board of Directors for the three-year period 2021-2023, after having set the number of members of the new Board as seven;
- appointed the Board of Statutory Auditors for the three-year period 2021-2023;
- and renewed the authorisation for the purchase and disposal of treasury shares, subject to revocation of the authorisation granted by the Meeting on 27 May 2020.

**Resignation of Statutory Auditors taken from the list submitted by the Shareholder Ferrovie dello Stato Italiane S.p.A.**

**21 May 2021:** the Chairman of the Board of Statutory Auditors, Attorney Umberto La Commara, and the Alternate Auditor, Ms. Valentina Lupi, taken from the list submitted by the Shareholder Ferrovie dello Stato Italiane S.p.A., resigned for personal reasons.

Given the impossibility of re-establishing the Control Body with candidates taken from the same list from which they were elected, the resigning Statutory Auditors remained in office until the Shareholders' Meeting held on 19 July.

**Agreement between FNM and SEA for the development of railway intermodality**

**21 May 2021:** FNM and SEA have signed a Memorandum of Understanding to develop synergistic initiatives dedicated to the development of railway intermodality and sustainable mobility within logistics processes. The study aims to strengthen the position of Malpensa Intermodale S.r.l. and Malpensa Distripark S.r.l. as well as Malpensa Cargo City, where today more than 60% of the total air cargo transported in Italy transits, and expand the range of services offered to customers.

**FILI project: new anthropisation of the Milan-Malpensa route**

**2 July 2021:** FILI, an innovative urban and suburban regeneration project in Europe has been officially presented, aimed at upgrading FERROVIENORD's main connection centres along the Milan-Malpensa route, a key corridor for the 2026 Milan-Cortina Olympics, thanks to urban reconnection interventions with the adoption of cutting-edge solutions in architectural design and environmental sustainability.

The project involves the modernisation, refurbishment and renovation of the stations of Milano Cadorna, Milano Bovisa, Saronno and Busto Arsizio and the areas adjacent to them, with an intervention of over 188,000 square metres, which will involve projects totalling 2 million square metres within Lombardy. FILI also includes the planting of 800,000 trees in approximately 41,000 hectares across 24 municipalities, the creation of a 72.7 km cycle-superhighway between the Milano Cadorna and Malpensa stations and the creation of a Synthetic Hanging Forest at Milano Cadorna station that will produce oxygen for the city of Milan. FILI is promoted by FNM, FERROVIENORD and Trenord together with the Lombardy Region.

**Integration of the Board of Statutory Auditors**

**19 July 2021:** The Ordinary Shareholders' Meeting of FNM S.p.A. convened to resolve on the integration of the Board of Statutory Auditors appointed Prof. Eugenio Pinto as Chairman of the Board of Statutory Auditors and Ms. Marianna Tognoni as Alternate Auditor, both proposed by the Shareholder Ferrovie dello Stato Italiane S.p.A.

**Approval of the Group Strategic Plan for the period 2021-2025**

**16 September 2021:** FNM's Board of Directors has approved the Strategic Plan for the 2021-2025 period, based on the Guidelines approved in November 2020, which establishes the Group as an integrated operator of sustainable mobility, guided by environmental, social and governance (ESG) sustainability principles. The FNM Plan contributes to the achievement of 10 of the 17 Sustainable Development Goals of the UN 2030 Agenda (SDGs) on which it has an impact.

For the first time, the Plan identifies key indicators with precise targets for 2025; in particular, also in order to demonstrate the Company's commitment to encouraging and promoting the energy transition process, by 2025 the Group aims to reduce current CO2 emissions by 35% and to use 100% energy from renewable sources for railway traction.

In order to enable the achievement of the above-mentioned objectives, in the period 2021-2025, FNM envisages an investment plan amounting to approximately EUR 850 million, of which more than one-third will be green, included in the European taxonomy regulations, which will make it possible to increase the value created for all relevant stakeholders in the long term. The direct and indirect impact ("True Value") generated by the FNM Group in the period, calculated according to the model of representing the "true value" returned to the community by quantifying the external economic, social and environmental effects, is in fact expected to double, reaching EUR 1.3 billion in 2025.

With regard to the main economic and financial indicators, the Plan provides for:

- an increase in revenues to approximately EUR 680 million in 2025 from EUR 481 million in 2020 Pro-Forma, with a 2020-2025 CAGR of 7%;

- an increase in EBITDA to approximately EUR 250 million in 2025 from EUR 151 million in 2020 Pro-Forma, with a 2020-2025 CAGR of 11%;
- a growth in adjusted net income to approximately EUR 50 million in 2025 from EUR 35 million in 2020 Pro-Forma, with a 2020-2025 CAGR of 7%.

The capital structure will also be strengthened over the period thanks to cash generation, which will allow the investment plan to be supported, while also achieving progressive deleveraging, with Adjusted NFP expected to decrease slightly to EUR 740-780 million at the end of 2025 and the Adjusted NFP/EBITDA ratio improving to 3x at 2025 from 5x at the end of 2021.

In light of the economic and financial dynamics illustrated, the Plan envisages the remuneration of shareholders with a dividend per share expected to grow at a 2021-2025 CAGR of 16%, sustainable and compatible with the leverage targets, with the maintenance of the investment grade rating.

In addition to the provisions of the Plan, FNM will continue to monitor further investment opportunities that may arise, leveraging the flexibility of its financial structure, without prejudice to its objectives of maintaining a solid investment grade rating and consistency with its objectives and ESG strategy.

**EUR 650 million bond issue**

**13 October 2021:** FNM successfully completed the placement of a non-convertible senior unsecured bond for EUR 650 million, with a duration of five years. The Bond represents the inaugural issue under the Euro Medium Term Non-Convertible Note Programme (the “EMTN Programme”) of up to EUR 1 billion, the establishment of which was approved by FNM's Board of Directors on 16 September 2021.

The Bond, offered for subscription to Italian and foreign institutional investors in accordance with current regulations (except for limitations relating to certain countries, including the United States of America) and intended for listing on the regulated market of the Irish Stock Exchange – Euronext Dublin, attracted great interest, receiving orders for EUR 2.3 billion (3.5 times the amount offered) from a diversified group of national and international institutional investors. The issue was settled on 20 October 2021.

The securities were placed at an issue price of 99.824% and will have a fixed rate with an annual coupon of 0.75% and an annual yield of 0.786%, corresponding to a spread of 88 basis points with respect to the mid-swap reference rate. The securities representing the bond have been assigned a Baa3 rating by Moody's and a BBB- rating by Fitch, which was upgraded to BBB at year-end, in line with those of the issuer.

The proceeds of the Bond were used to prepay in full the debt assumed in connection with the acquisition of Milano Serravalle - Milano Tangenziali S.p.A. (Bridge loan), and for the remaining part, to maintain adequate levels of liquidity to meet operating and investment needs. The Issue is consistent with FNM's financial strategy, aimed at optimising the composition of existing financial debt by lengthening maturities, in line with the composition of assets, diversifying financing sources and seizing opportunities offered by favourable market conditions.

**Acquisition of a 33% equity investment in Sportit S.r.l.**

**3 December 2021:** FNM S.p.A. acquired a 33% stake in Sportit S.r.l. (Sportit), a company active under the Snowit brand and the main marketplace for the integrated online sale of ski passes, ski-related services and experiences relating to the mountain world in the main European skiing destinations. The investment, for a total of EUR 2.5 million, is consistent with the 2021-2025 Strategic Plan and is part of the People/Community pillar, based on the paradigm Mobility as a Community as an enabling tool of the new digital mobility, focusing on the management of the mobility needs of communities. Its complementarity with other FNM Group platforms and with the transport services it already offers indeed makes it possible to propose an integrated service to people who share an interest in winter sports.

**Fitch increases FNM's rating to BBB from BBB-, stable outlook**

**20 December 2021:** Fitch Ratings ("Fitch") increased FNM's long-term rating to BBB from BBB-. The rating upgrade reflects improved counterparty risk and mirrors Italy's rating increase to BBB from BBB- on 3 December 2021. The sovereign rating, coupled with Fitch's internal assessment of the Lombardy Region, limits FNM's rating, as Fitch's rating criteria consider the Company to be a government-related entity.

The stable outlook reflects the sovereign credit outlook and Fitch's internal assessment of the Lombardy Region.

The increase in FNM's long-term rating as an issuer is automatically reflected in the rating of the EMTN Programme and the Bond.

## 22 SIGNIFICANT EVENTS AFTER THE CLOSING OF THE YEAR

With regard to significant subsequent events, reference should be made to Note 56 to the consolidated financial statements and Note 40 to the separate financial statements.

## 23 MANAGEMENT OUTLOOK

In 2022, mobility demand is expected to gradually recover, despite the effects of the resurgence of the Covid-19 pandemic on transportation demand and service supply in the first two months of the year.

For motorways, total traffic is expected to reach levels that are broadly aligned with 2019, with heavy traffic fully aligned with pre-pandemic levels and light traffic making a marked recovery from 2021. With regard to road passenger mobility, on the other hand, given the still cautious forecasts of local mobility demand, significant growth is expected in 2022, but with levels still lower than in 2019.

The current estimates for 2022 do not include refreshments either to support the revenue shortfall resulting from lower demand for local public road transportation recorded compared to the pre-COVID-19 period, or to compensate for additional services.

In light of said considerations, forecasts for the Group on a like-for-like basis (i.e. considering MISE consolidated for all of 2021), show revenues and adjusted EBITDA for 2022 up about 10%-15% compared to 2021. The Adjusted EBITDA/Revenues ratio is expected to rise slightly with respect to 2021.

Comparing reported figures instead, i.e. taking into account the consolidation of MISE as of 26 February 2021, revenues are expected to increase by approximately 10%-15% and Adjusted EBITDA is expected to increase by more than 20% compared to 2021. In this case too, the Adjusted EBITDA/Revenues ratio is expected to remain constant with respect to 2021.

From a financial point of view, by year-end 2022, the Group expects a level of debt (“Adjusted NFP”) substantially in line with that recorded at 31 December 2021, i.e. in the range of EUR 750-800 million, with an Adjusted NFP/EBITDA ratio of approximately 4x, showing improvement on the 4.5x recorded at end 2021.

Also for Trenord - valued according to the equity method - the demand for transport is expected to show a clear recovery compared to 2021. However, the persistence of the uncertainty as regards health conditions and the possible permanent changes in the travel habits of travellers, lead us to presume that there will be a gradual recovery of volumes to pre-pandemic levels over the space 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.

Current estimates for the entire FNM Group take into account the increase in fuel and energy prices recorded in the final months of 2021. An escalation of the conflict in Ukraine and the sanctions implemented against Russia by the European Union and the United States could lead to further price increases, which are currently difficult to estimate in terms of extent and duration. The Company remains flexible in the effective management of variable and discretionary costs relating to all the Group's activities, and carefully monitors developments in order to understand whether and to what extent price increases could have an impact on traffic and, consequently, on the Group's expected results.

Milan, 18 March 2022

The Board of Directors

## GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE INDICATORS USED

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

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

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

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

**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 combination;

(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 significant non-ordinary events and transactions as defined by Consob communication DEM6064293 of 28/07/2006.

With reference to the adjusted EBITDA of 2021, the following components were excluded from EBITDA:

a) release of a provision for risks following the partial closure of the dispute with the Customs Agency for EUR 2.2 million;
b) non-ordinary expenses deriving from development projects, amounting to EUR 1.8 million.

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.

**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 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 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 2021*

- *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 AS AT 31.12.2021

| *Amounts in thousands of euros* | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 6 | 447,543 | 443,340 |
| Intangible assets | 7 | 269,573 | 5,139 |
| Goodwill | 8 | 3,440 | 4,353 |
| Right of use | 9 | 27,810 | 15,489 |
| Investments measured with the equity method | 10 | 147,577 | 76,733 |
| Investments in other companies | 10 | 11,074 | 91,313 |
| Financial Receivables | 11 | 58,539 | 2 |
| of which: Related Parties | 11 | 52,119 | 0 |
| Contractual assets | 14 | 145,088 | 0 |
| of which: Related Parties | 14 | 0 | 0 |
| Deferred tax assets | 15 | 35,773 | 24,015 |
| Tax receivables | 19 | 17 | 0 |
| Other Receivables | 18 | 1,918 | 213 |
| of which: Related Parties | 18 | 7 | 0 |
| **TOTAL NON-CURRENT ASSETS** | | **1,148,352** | **660,597** |
| **CURRENT ASSETS** | | | |
| Inventories | 16 | 9,504 | 8,702 |
| Trade Receivables | 17 | 133,067 | 82,640 |
| of which: Related Parties | 17 | 62,917 | 65,052 |
| Other Receivables | 18 | 123,012 | 95,834 |
| of which: Related Parties | 18 | 17,968 | 14,686 |
| Tax receivables | 19 | 1,501 | 2,968 |
| Financial Receivables | 11 | 862 | 115 |
| of which: Related Parties | 11 | 329 | 115 |
| Financial Receivables measured at Fair Value in profit or loss | 12 | 7,000 | 0 |
| Investments in other companies | 21 | 6,313 | 0 |
| Receivables for funded investments | 13 | 138,061 | 41,511 |
| of which: Related Parties | 13 | 136,064 | 39,514 |
| Cash and cash equivalents | 20 | 351,832 | 253,344 |
| **TOTAL CURRENT ASSETS** | | **771,152** | **485,114** |
| Assets held for sale | | — | — |
| **TOTAL ASSETS** | | **1,919,504** | **1,145,711** |

| *Amounts in thousands of euros* | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **LIABILITIES** | | | |
| Share capital | | 230,000 | 230,000 |
| Other reserves | | 6,873 | 7,788 |
| Reserve for indivisible profit | | (63,596) | 203,387 |
| Reserve for actuarial gains/(losses) | | (7,478) | (7,661) |
| Translation reserve | | 147 | 105 |
| Profit/(loss) for the year | | 40,875 | 24,185 |
| **SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP** | | **206,821** | **457,804** |
| **SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTEREST** | | **21,512** | **19,304** |
| **TOTAL SHAREHOLDERS' EQUITY** | **22** | **228,333** | **477,108** |
| **NON-CURRENT LIABILITIES** | | | |
| Payables to banks | 23 | 165,683 | 42,441 |
| Financial Payables | 24 | 646,881 | 2,061 |
| of which: Related Parties | 24 | 0 | 0 |
| Lease liabilities | 24 | 22,793 | 11,645 |
| of which: Related Parties | 24 | 106 | 2 |
| Payables for funded investments | 25 | 12,581 | 12,581 |
| of which: Related Parties | 25 | 6,759 | 6,079 |
| Other liabilities | 27 | 20,395 | 24,357 |
| of which: Related Parties | 27 | 8,433 | 10,156 |
| Deferred tax liabilities | 15 | 0 | 0 |
| Provisions for risks and charges | 28 | 95,773 | 39,722 |
| Post-employment benefits | 29 | 28,011 | 21,201 |
| **TOTAL NON-CURRENT LIABILITIES** | | **992,117** | **154,008** |
| **CURRENT LIABILITIES** | | | |
| Payables to banks | 23 | 88,774 | 58,619 |
| Financial Payables | 24 | 68,403 | 37,577 |
| of which: Related Parties | 24 | 39,148 | 32,188 |
| Lease liabilities | 24 | 6,947 | 4,965 |
| of which: Related Parties | 24 | 21 | 90 |
| Payables for funded investments | 25 | 36,978 | 165,208 |
| of which: Related Parties | 25 | 36,978 | 165,208 |
| Trade payables | 30 | 372,327 | 177,538 |
| of which: Related Parties | 30 | 10,855 | 3,948 |
| Payables for taxes | 31 | 1,551 | 87 |
| Tax payables | 31 | 6,189 | 3,315 |
| Other liabilities | 32 | 67,726 | 46,049 |
| of which: Related Parties | 32 | 18,416 | 12,740 |

| | | | |
|---|---|---|---|
| Provisions for risks and charges | 28 | 50,159 | 21,237 |
| **TOTAL CURRENT LIABILITIES** | | **699,054** | **514,595** |
| Liabilities related to assets held for sale | 21 | — | — |
| **TOT. LIABILITIES AND SHAREHOLDERS' EQUITY** | | **1,919,504** | **1,145,711** |

# CONSOLIDATED INCOME STATEMENT FOR THE YEAR 2021

| *Amounts in thousands of euros* | Notes | 2021 | 2020 |
|---|---|---|---|
| Revenues from sales and services | 33 | 458,134 | 243,748 |
| of which: Related Parties | 33 | 174,599 | 176,622 |
| Revenues from construction services - IFRIC 12 | 35 | 105,997 | 38,023 |
| of which: Related Parties | 35 | 63,001 | 38,023 |
| Grants | 34 | 25,118 | 15,023 |
| of which: Related Parties | 34 | 9,627 | 8,469 |
| Other income | 36 | 26,132 | 18,077 |
| of which: Related Parties | 36 | 8,720 | 6,603 |
| **TOTAL REVENUES AND OTHER INCOME** | | **615,381** | **314,871** |
| Raw materials, consumables and goods used | 37 | (23,888) | (18,881) |
| Service costs | 38 | (139,629) | (65,599) |
| of which: Related Parties | 38 | (9,113) | (8,159) |
| of which: Non Recurring | 38 | (1,808) | (1,908) |
| Personnel costs | 39 | (153,456) | (111,667) |
| Depreciation, amortisation and write-downs | 40 | (77,993) | (41,752) |
| Write-down of financial assets | 41 | (3,158) | (125) |
| Other operating costs | 42 | (39,930) | (15,025) |
| of which: Related Parties | 42 | (190) | (101) |
| of which: Non Recurring | 42 | 2,237 | — |
| Costs for funded investments | 35 | (101,380) | (35,445) |
| **TOTAL COSTS** | | **(539,434)** | **(288,494)** |
| **EBIT** | | **75,947** | **26,377** |
| Financial income | 43 | 2,918 | 2,607 |
| of which: Related Parties | 43 | 2,412 | 756 |
| Financial expenses | 44 | (24,303) | (2,670) |
| of which: Related Parties | 44 | (2,414) | (384) |
| of which: Non Recurring | 44 | (10,614) | — |
| **NET FINANCIAL INCOME** | | **(21,385)** | **(63)** |
| Net profit of companies measured with the equity method | 45 | 5,718 | 2,044 |
| **EARNINGS BEFORE TAX** | | **60,280** | **28,358** |
| Income tax | 46 | (17,144) | (3,673) |
| **NET PROFIT / (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS** | | **43,136** | **24,685** |
| **NET PROFIT FROM DISCONTINUED OPERATIONS** | 47 | — | — |
| **PROFIT (LOSS) FOR THE FINANCIAL YEAR** | | **43,136** | **24,685** |

| | | | |
|---|---|---|---|
| **Profit/(loss) attributable to NCIs** | | **2,261** | **500** |
| **Profit/(loss) attributable to Parent Company shareholders** | | **40,875** | **24,185** |
| | | | |
| **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) | 48 | 0.09 | 0.06 |
| Diluted earnings per share (euro) | 48 | 0.09 | 0.06 |
| **Earnings per share attributable to Group shareholders for discontinued operations** | | | |
| Basic earnings per share (euro) | 48 | — | — |
| Diluted earnings per share (euro) | 48 | — | — |

# OTHER CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR 2021

| *Amounts in thousands of euros* | Notes | 2021 | 2020 |
|---|---|---|---|
| | | | |
| **PROFIT (LOSS) FOR THE FINANCIAL YEAR** | | **43,136** | **24,685** |
| | | | |
| **Other components of companies consolidated on a line-by-line basis** | | | |
| Post-employment benefit actuarial gain/(loss) | 29 | (184) | 152 |
| Tax effect | 15 | 51 | (43) |
| **Total components that will not be reclassified in the operating result** | | **(133)** | **109** |
| Fair value measurement of derivatives | 24 | 2,305 | — |
| Tax effect | 15 | (551) | — |
| **Total components that will be reclassified in the operating result** | | **1,754** | **—** |
| **Total companies consolidated on a line-by-line basis** | | **1,621** | **109** |
| | | | |
| **Other components of companies measured with the equity method** | | | |
| Post-employment benefit actuarial gain/(loss) of companies measured with the equity method | | 313 | (229) |
| **Total components that will not be reclassified in the operating result** | **10** | **313** | **(229)** |
| Fair value measurement of derivatives | | 1,552 | — |
| Gains/(losses) arising from the translation of financial statements of foreign companies | | 42 | 9 |
| **Total components that will be reclassified in the operating result** | **10** | **1,594** | **9** |
| **Total companies measured with the equity method** | | **1,907** | **(220)** |
| **Total Other Comprehensive Income** | **50** | **3,528** | **(111)** |
| **TOTAL COMPREHENSIVE PROFIT/(LOSS)** | | **46,664** | **24,574** |
| **Comprehensive Profit/(Loss) attributable to non-controlling interest** | | **2,269** | **496** |
| **Comprehensive Profit/(Loss) attributable to Parent Company shareholders** | | **44,395** | **24,078** |

# STATEMENT OF CHANGES IN 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 interests** | **Total Shareholders' Equity** |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |
| **Balance at 01.01.2020** | **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** |
| | | | | | | | | | |
| **Total Comprehensive Income** | | **3,306** | | **172** | **42** | **40,875** | **44,395** | **2,269** | **46,664** |
| Allocation of 2020 profit | | | 24,185 | | | (24,185) | — | | — |
| Change in the scope of consolidation | | (4,221) | (291,168) | 11 | | | (295,378) | (61) | (295,439) |
| **Balance at 31.12.2021** | **230,000** | **6,873** | **(63,596)** | **(7,478)** | **147** | **40,875** | **206,821** | **21,512** | **228,333** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Notes | 22 | 22 | 22 | 50 | 50 | 22 | 22 | 22 | 22 |

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR 2021

| *Amounts in thousands of euros* | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **Cash flow from operating activities** | | **Total** | **Total** |
| Operating result | | 43,136 | 24,685 |
| Income tax | 46 | 17,144 | 3,673 |
| Net profit of companies measured with the equity method | 45 | (5,718) | (2,044) |
| Amortisation for the period of intangible assets | 7 | 35,634 | 3,622 |
| Depreciation for the period of property, plant and equipment | 6 | 33,935 | 31,870 |
| Amortisation of right of use | 9 | 6,632 | 3,808 |
| Impairment of intangible assets and property, plant and equipment | 8 | 1,793 | 2,452 |
| Provisions for risks and charges | 28 | 46,283 | 15,777 |
| Releases of provisions for risks and charges | 28 | (9,059) | (613) |
| Provision for bad debts | 17 | 1,701 | 126 |
| Allocation to the provision for inventory obsolescence | 16 | — | 464 |
| Gains from disposal of property, plant and equipment | 36 | (364) | (243) |
| Gains from disposal of assets held for sale | 43 | — | (1,014) |
| Capital grants for the period | 34 | (3,578) | (3,597) |
| Interest income | 43 | (2,918) | (1,593) |
| Interest expense | 44 | 24,303 | 2,670 |
| Other non-monetary income | 36 | (210) | — |
| **Cash flow from income activities** | | **188,714** | **80,043** |
| Net change in the provision for post-employment benefit | 29 | (2,298) | (2,695) |
| Net change in provision for risks and charges | 28 | (26,602) | (1,903) |
| (Increase)/Decrease in trade receivables | 17 | (9,747) | (18,147) |
| (Increase)/Decrease in inventories | 16 | 1,689 | (256) |
| (Increase)/Decrease in other receivables | 18 | (4,779) | (2,102) |
| (Increase)/Decrease in trade payables | 30 | (414) | 685 |
| Increase/(Decrease) in other liabilities | 32 | 8,665 | (36,051) |
| Payment of taxes | | (14,810) | (12,130) |
| **Total cash flow from operating activities** | | **140,418** | **7,444** |
| **Cash flow from/(for) investing activities** | | | |
| Investments in intangible assets with own funds | 7 | (2,163) | (1,605) |
| Investments in property, plant and equipment with own funds | 6 | (36,100) | (66,268) |
| Decrease in trade payables for investments with own funds | | (28,641) | 15,517 |
| Investments in funded rolling stock net of grants collected | | (71,359) | 15,269 |
| Financed investments in railway infrastructure net of grants collected | | 2,070 | 16,574 |
| Investments in non-compensated assets for motorway infrastructure | | (40,222) | — |
| Disposal value of property, plant and equipment | | 1,323 | 945 |
| MISE (Ministry of Economic Development) acquisition net of cash received | 10 | (363,552) | (78,501) |
| Other changes in equity investments | 10 | (3,010) | (177) |

| | | | |
|---|---|---|---|
| Dividends distributed by investees measured with the equity method | 10 | 3,861 | 4,696 |
| Other changes in financial receivables | 11 | 642 | (114) |
| Interest income collected | | — | 1,479 |
| Repayment of finance lease receivables | 11 | — | 996 |
| Investment in financial instruments | 11 | (8,000) | — |
| Loan disbursement to investee companies | | (1,050) | — |
| Change in financial receivables from assets sold | | — | (3,464) |
| Collection from the disposal of assets held for sale | 20 | — | 32,124 |
| Conam acquisition net of cash held | | (251) | — |
| Collection of financial receivable for Liquidity Management | 11 | — | 48,000 |
| Time deposit collection | 11 | — | 40,000 |
| | | | |
| **Total cash flow from investing activities** | | **(546,452)** | **25,471** |
| | | | |
| **Cash flow from/(for) financing activities** | | | |
| Repayment of finance lease payables | 24 | (6,518) | (2,964) |
| Loan repayment | 24 | (725,244) | — |
| New loans | | 620,000 | 50,802 |
| Bond issue | 24 | 644,631 | — |
| Interest paid | | (11,460) | (1,533) |
| Interest paid on bond | | — | (682) |
| Reimbursement of bond | 24 | — | (58,000) |
| Increase/(Decrease) in other financial liabilities | 24 | (16,887) | 4,083 |
| | | | |
| **Total cash flow from financing activities** | | **504,522** | **(8,294)** |
| | | | |
| **Liquidity generated (+)/absorbed (-)** | | **98,488** | **24,621** |
| Cash and cash equivalents at start of period | 20 | 253,344 | 228,723 |
| Cash and cash equivalents at end of period | 20 | 351,832 | 253,344 |
| **Liquidity generated (+)/absorbed (-)** | | **98,488** | **24,621** |

**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 31.12.2021**

## NOTE 1 GENERAL INFORMATION

### GROUP OPERATIONS

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.
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.S.Co 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 of business segments" analyses the activities carried out by the Group. Reference is made to Note 5 "Segment reporting" 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 Company FNM S.p.A., domiciled in P.le Cadorna, 14 – MILAN (Italy), is listed on the Standard Class 1 market, Milan (ISIN IT0000060886).

### FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

These Consolidated Financial Statements, prepared in compliance with CONSOB provisions in Resolution no. 11971/1999 as amended, including in particular provisions introduced by 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 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 2022.

This version of consolidated financial statements constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This consolidated financial statements has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

## 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 “Railway infrastructure”, “Ro.S.Co. & Services”, “Road passenger mobility” (including Sustainable Mobility) and “Motorways” (Note 5 “Segment reporting”).

## NOTE 2 ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

In preparing these Consolidated Financial Statements, the same accounting standards and measurement criteria used to prepare the Consolidated Financial Statements at 31 December 2020 were used, supplemented as described in the section “IFRS accounting standards, amendments and interpretations adopted from 1 January 2021”.

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 2021

The following IFRS accounting standards, amendments and interpretations were adopted for the first time by the Group, starting from 1 January 2021:

- On 31 March 2021, the IASB issued an amendment entitled “Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)”, extending by one year the period of application of the amendment issued in 2020, which allowed 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 that applied this option in 2020 accounted for the effects of the rent concessions directly in the income statement as at the effective date of the concession. The 2021 amendment, which is only available to entities that have already adopted the 2020 amendment, applies beginning 1

April 2021, and early adoption is permitted. The adoption of these amendments did not therefore have any effects 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 entered into force on 1 January 2021. 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 2021**

- On 28 June 2021, 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 thereby entailing amendments to the provisions of the standard.
  - **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 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 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:

i. estimates and assumptions of future cash flows are always current;
ii. the measurement reflects the time value of money;
iii. estimates are based on an extensive use of observable market information;
iv. a current and explicit measurement of risk exists;
v. expected profit is deferred and aggregated in groups of insurance contracts on initial recognition; and,
vi. expected profit is recognised in the contract coverage period, considering adjustments arising from changes in assumptions concerning cash flows relative to each group of contracts.

The PAA requires the measurement of the liability for the remaining coverage of a group of insurance contracts on condition that, at the time of initial recognition, the entity expects the liability to reasonably represent an approximation of the General Model. Contracts with a coverage of one year or less are automatically suitable for the PAA. The simplifications arising from the adoption of PPA do not apply to the measurement of liabilities for claims, which are measured using the General Model. However, it is not necessary to discount those cash flows if the balance to pay or receive is expected within one year from the date when the claim was made.
The entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF).
The standard applies starting from 1 January 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 consolidated financial statements of the Group.

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

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

- On 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 adoption is permitted. The Directors do not expect the adoption of this amendment to have a significant effect on the consolidated financial statements of the Group.

- On 12 February 2021, the IASB issued two amendments entitled "Disclosure of Accounting Policies-Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates-Amendments to IAS 8". The amendments are intended to improve the disclosure of accounting policies so as to provide more useful information to investors and other primary users of financial statements and to help companies distinguish between changes in accounting estimates and changes in accounting policies. The amendments apply from 1 January 2023, but early adoption 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 7 May 2021, the IASB published an amendment entitled "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The paper clarifies how deferred taxes should be accounted for on certain transactions that can generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments apply from 1 January 2023, but early adoption is permitted. The Directors do not expect the adoption of this amendment to have a significant effect on the consolidated financial statements of the Group.

- On 9 December 2021, the IASB published an amendment entitled "Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information". The amendment is a transition option relating to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment is intended to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and thus improve the usefulness of comparative information for financial statement readers. The amendments will apply from 1 January 2023, together with the application of IFRS 17. The Directors do not expect the adoption of this amendment to have a significant effect on the consolidated financial statements of the Group.

## NOTE 3 SCOPE AND PRINCIPLES OF CONSOLIDATION

**Principles of consolidation**

The scope of consolidation includes the financial statements of FNM S.p.A. and its subsidiaries at 31 December 2021.

As stated in paragraph 3 of the Management Report, the Group scope changed compared to 31 December 2020, as described below:

- on 26 February 2021 the acquisition of 96% of the share capital of Milano Serravalle - Milano Tangenziali S.p.A. was completed.
  The investment in MISE derives from the acquisition, at the end of July 2020, of the 13.6% stake in MISE's share capital held directly and indirectly by ASTM, and the acquisition of a further 82.6% stake in the share capital held by the Lombardy Region, completed on 26 February 2021.
  The Acquisition is an "under common control" transaction, i.e. a business combination in which the companies participating in the combination (FNM and MISE) are controlled by the same entity (Lombardy Region) both before and after the combination, and this control is not temporary. These transactions are accounted for by taking into account the provisions of IAS 8, i.e. the concept of reliable and faithful representation of the transaction, and the provisions of OPI 1 (Assirevi preliminary guidelines on IFRS), relating to the "accounting treatment of *business combinations of entities under common control* in the separate and consolidated financial statements". The selection of the accounting standard for the transactions under consideration must be based on the elements described above, which lead to the application of the criterion of continuity of values of the net assets transferred.

  The net assets acquired were therefore recognised at the book values, specifically adjusted to IAS/IFRS, that appeared in MISE's financial statements at the date of the transaction and amounting to EUR 309.9 million, while the difference of EUR 294.9 million with the price paid to acquire the equity investment in MISE, amounting to EUR 604.8 million, was recognised as a reduction in the item "Shareholders' equity attributable to the Group".

  The total consideration paid for the 96% stake in MISE was EUR 604.8 million (or EUR 3.5 per share), of which EUR 526.5 million was paid in the first quarter of 2021 and EUR 78.3 million in the second half of 2020.

- on 29 November 2021, the Board of Directors approved the acquisition, completed on 3 December 2021, of a 33% equity investment in Sportit S.r.l. (Sportit), a company active under the Snowit brand and the main marketplace for the integrated online sale of ski passes, ski-related services and experiences relating to the mountain world in the main European skiing destinations, for a total of EUR 2.5 million;
- on 23 December 2021, the Board of Directors approved the subscription and payment of the second tranche of the overall paid and divisible share capital increase approved by the investee Busforfun.com S.r.l. on 26 November 2020, thus increasing the Company's stake to 40% of the share capital.

Subsidiaries are considered to be those where the Group simultaneously has the following three factors: (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”.
The associated companies DB Cargo Italia S.r.l., Autostrada Pedemontana Lombarda S.p.A. (hereinafter “APL”), Tangenziali Esterne di Milano S.p.A., Tangenziale Esterna S.p.A., ASF Autolinee S.r.l., BusForFun.com S.r.l. and Sportit were also measured by applying 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 generally recognised in the income statement when they are incurred.
At the acquisition date, identifiable acquired assets and liabilities undertaken are measured at the fair value at the acquisition date; the following items are an exception, which instead are measured according to their reference standard:

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

Goodwill is determined as the excess between the sum of amounts transferred in a business combination, the value of equity attributable to non-controlling interest and the *fair value* of any investment previously held in the acquired entity compared to the *fair value* of net assets acquired and liabilities undertaken at the acquisition date. If the value of net assets acquired and liabilities undertaken at the acquisition date exceeds the sum of amounts transferred, the value of shareholders' equity attributable to non-controlling interest and the fair value of any investment previously held in the acquired entity, this excess is immediately recognised in the income statement as income arising from the completed transaction.
Shareholders' equity attributable to non-controlling interest, may be measured at fair value or at the pro-quota of the value of net assets recognised for the acquired company. The measurement method is selected for each transaction.
In the case of the acquisition of a subsidiary in stages, IFRS 3 (2008) establishes that a business combination occurs only when control is acquired and, at this stage, all identifiable net assets of the acquired company must be measured at fair value. Non-controlling interest must be measured based on the fair value or the proportional amount of the fair value of identifiable net assets of the acquired company (method already permitted by the previous version of IFRS 3).
In the acquisition of a subsidiary where control is acquired in stages, the investment previously held, recognised up until that time according to IAS 39 – Financial instruments: Recognition and measurement, or according to IAS 28 – Investments in associates or according to IFRS 11 – Joint arrangements, must be treated as if it had been sold and re-purchased at the date when control is acquired. This investment must therefore be measured at its fair value at the date of “disposal” and losses and gains resulting from this measurement must be recognised in the income statement.

**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment mainly consist of:

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

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

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

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

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

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

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

**IFRS 16 LEASES**

The new accounting standard introduced a new definition of *leases* based on control of the underlying asset, i.e. the right to use an identified asset and to obtain substantially all of its economic benefits through the management of the use of the asset itself, for a period of time in exchange for consideration.
IFRS 16 provides a single accounting model for *lease* agreements, based on which the lessee must recognise, as an asset, the right to use the leased asset (“Right of use”) as a contra entry to a liability representing the financial obligation (“Financial liabilities for leased assets”) determined by discounting the payments for the minimum guaranteed future lease payment, thus eliminating, for the lessee (*leases* as lessee) the accounting distinction between operating and finance leases, as was instead previously required by IAS 17.

The new IFRS 16 is effective for the 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 amortisation and impairment losses, cumulated, and adjusted to reflect the write-backs of the lease liability.

The Group measures the financial liability for leased assets at the present value of the payment due for the leases not paid as at the effective date, discounting them using the implied interest rate of the lease. Whenever it is not possible to determine this rate easily, the Group uses the marginal lending rate. Generally, the Group uses the marginal lending rate as the discounting rate. The financial liability for leased assets is subsequently increased by the interest that accrue on said liability and decreased by the payments due for the leases carried out and it is revalued in case of change in the future payments due for the lease deriving from a change in the index or rate, in case of change of the amount the Group expects to have to pay by way of guarantee on the residual value or when the Group changes its valuation with reference to whether or not a buy, extension or termination option is exercised. *Accounting model for the lessor*

The Group sub-leases to third parties the right of use of some leased assets for a duration prevalently coinciding with that of the main agreement. The accounting principles applicable to the Group as lessor do not deviate from those prescribed by IAS 17. However, when the Group acts as intermediate lessor, sub-leases are classified referring to the asset for a right of use deriving from the main lease, rather than to the underlying asset.

**INTANGIBLE ASSETS**

Intangible assets refer to costs, including related charges, incurred to purchase resources without physical substance on condition that their amount can be reliably quantified, and the asset is clearly identifiable and controlled by the Group.

Intangible assets are recognised at purchase or production cost including related costs and are amortised based on their future use.

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

On the basis of the contractual agreements (concessions) that fall within the scope of application of IFRIC 12, the concessionaire operates as a provider of services relating to (i) the construction and/or

improvement of the infrastructure used to provide the public service and (ii) the management and maintenance of the same, for a specific period of time. It follows that the activity of constructing and improving infrastructure is similar to that of a construction company; therefore, during the period in which these services are provided, revenues and costs from construction are recognised in the income statement in accordance with IFRS 15. As established by IFRIC 12, in exchange for construction and/or improvement services rendered by the concessionaire, the awarding body pays the concessionaire a fee, to be recognised at fair value, which may consist of rights to: *a)* a financial asset, the so-called financial asset model (adopted by the Group for FERROVIENORD's assets); or b) an intangible asset, the so-called intangible asset model (adopted by the Group for MISE's assets).
In the intangible asset model, the concessionaire, in return for the infrastructure construction and improvement services rendered, acquires the right to charge users for the use of the infrastructure. Therefore, the concessionaire's cash flows are not guaranteed by the awarding body, but are related to the actual use of the infrastructure by users, thus entailing demand risk for the concessionaire. This is the risk that revenues from the exploitation of the right to charge users for the use of the infrastructure will not be sufficient to ensure a reasonable return on the investments made.

“Non-compensated assets” represent the Concessionaire's right to use the asset under concession in consideration of the costs incurred to design and construct the asset. The value corresponds to the fair value of planning and construction activities and is posted to the income statement as a contra-entry to the item “Revenues from construction services - IFRIC 12”. Moreover, the amount posted under “non-compensated assets” is increased by the capitalised financial expenses - in compliance with the requirements set out in IAS 23 - during the construction phase and net of the grants received.

Furthermore, the item includes the rights accrued against specific obligations to carry out infrastructure expansion and upgrading construction services, for which no additional economic benefits are expected. These rights are initially calculated and recognised at the fair value of the construction services to be rendered in the future (equal to their present value, net of the portion covered by grants, and excluding any financial charges to be incurred in the construction period) and have as their contra-entry the “provision for commitments from agreements”, in the same amount, recognised in the liabilities section of the statement of financial position; the initial value of these rights changes over time, as a result not only of amortisation but also of the periodic recalculation of the fair value of the portion of construction services not yet rendered at year-end close.

Non-compensated assets are depreciated throughout the duration of the relative concession, with an approach reflecting the estimated methods of consumption of the economic benefits incorporated into the right. To this end, taking into account that the concessions owned by MISE concern mature motorway infrastructures that have been in operation for many years and for which traffic variations are substantially contained within a long-term horizon, amortisation is calculated on a straight-line basis.
Amortisation starts from the moment when the non-compensated assets start producing the relative economic benefits, whether related to motorway transit or to the recognition in the tariff by the Awarding Body of the investments made by the company.

With regard to assets reversible free of charge, the amortisation provision and the provision for restoration or replacement expenses, considered as a whole, ensure adequate coverage of the following charges:

- free transfer to the Awarding Body at the expiry of the concession of reversible assets with a useful life exceeding the duration of the concession;
- restoration and replacement of components subject to wear and tear of reversible assets;
- recovery of the investment also in relation to the new works forecast in financial plans.

Costs for the purchase of software licences, together with related costs, are capitalised and amortised based on the expected useful lives represented by the licence duration (5 years). Amortisation starts when the asset becomes available for use according to Management's intentions.
Other intangible assets are amortised based on their remaining useful life. Useful lives are mainly estimated in five years.

**EQUITY INVESTMENTS**

Joint ventures are investments in companies in which the Group exercises joint control with another investor. In joint ventures (identified in Attachment 1 to these notes), activities are developed with a specialist partner, with whom financial decisions about significant operations are shared, also backed up by partner agreements in which joint control of the investees is established, even when FNM holds the majority of voting rights. Section 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; however, in the absence of an active market, they are recognised at purchase cost.

Economic results and assets and liabilities of associates and joint ventures are recognised in the Consolidated Financial Statements using the equity method.

## CURRENT AND NON-CURRENT FINANCIAL RECEIVABLES

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

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

## DEFERRED TAX ASSETS AND LIABILITIES

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

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

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

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

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

## TRADE RECEIVABLES

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

## INVENTORIES

Inventories mainly refer to spare parts and are measured at the lower of purchase/production cost and net realisable value inferred from market trends. The cost is determined adopting the average weighted cost method.

Inventories are written down when the realisable value inferred from market trends is lower than the relative carrying amount. Obsolete and slow-moving socks are written down in relation to their possible use or realisable value.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and sight deposits and are recognised at nominal value. For an investment to qualify as cash or a cash equivalent it must be readily convertible to a known amount of cash and have an insignificant risk of change in value.

In relation to the adoption of IFRS 9, based on the expected losses model, the Group considers the expected losses along the life of the financial asset at each reference date of the financial statements.

**ASSETS HELD FOR SALE**

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

**LOANS AND CORPORATE BONDS**

Loans and corporate bonds are initially recognised at cost represented by the fair value of the value received net of additional acquisition costs.

After initial recognition, loans and corporate bonds are measured according to the amortised cost method calculated by adopting the effective interest rate.

Amortised cost is calculated taking into account issue costs and any discount or premium at the time of settlement.

**DERIVATIVE FINANCIAL INSTRUMENTS**

All derivative financial instruments are shown in the financial statements at their fair value, determined at year-end close. Derivatives are classified as hedging instruments, in accordance with IFRS 9, when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, verified initially and periodically, is high.

For cash flow hedge instruments that hedge the risk of changes in cash flows of the hedged assets and liabilities (including prospective and highly probable ones), changes in fair value are recognised in other comprehensive income and any ineffective portion of the hedge is recognised in profit or loss.

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

Where an instrument is entered into for the purpose of hedging the risk of changes in the fair value of an asset whose changes in fair value are recognised in other comprehensive income, changes in the fair value of the hedging instrument are also recognised in other comprehensive income. Changes in the fair value of derivatives that do not qualify for hedge accounting under IFRS 9 are recognised in the income statement.

It should be noted that the preparation of the consolidated condensed interim financial statements requires Directors to use estimates and assumptions that have an effect on the values of revenues, costs, assets and liabilities and on the disclosure of potential assets and liabilities at the date of the consolidated condensed interim financial statements. If in the future such estimates and assumptions, which are based on the best assessment on the part of the Directors, should differ from actual circumstances, they would be modified appropriately in the period in which circumstances change.

Moreover, some measuring processes, in particular the most complex ones such as the determination of any impairment losses on non-current assets, are generally carried out comprehensively only when preparing the annual financial statements, when all information that may be necessary is available, barring cases in which there are impairment indicators requiring an immediate assessment of any impairment.

In the reference half year there were no transfers between the various levels of the hierarchical fair value scale used to measure the fair value of financial instruments, nor were any changes made in the classifications of the financial assets with respect to those as at 31 December 2020.

**EMPLOYEE BENEFITS**

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

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

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

a) Post-employment benefit accruing as from 1 January 2007: this is a defined contribution plan, both in the case of the employee opting for a supplementary pension and in the case of the employee opting to pay the post-employment benefit into the Treasury Fund held with Italy's state social security institute (INPS). The accounting treatment will therefore be the same as that adopted for various social security/pension payments.
b) Post-employment benefit accrued at 31 December 2006: this item remains a defined benefits plan, with the consequent need for actuarial calculations to be carried out by independent actuaries, who shall exclude the component related to future salary increases. The difference resulting from the new calculation compared to the previous one was treated as a curtailment, as defined in paragraph 109 of IAS 19 and consequently recognised in the income statement in the first half of 2007. The liability is entered in the financial statements at the present value of the Group's obligation based on actuarial assumptions made using the projected unit credit method. Actuarial gains and losses arising from changes in assumptions and changes in final and hypothesized data are recognised in the statement of comprehensive income in a specific reserve of shareholders' equity called “Reserve for actuarial gains/(losses)”. The present value of the obligation is determined by discounting future cash flows at an interest rate based on the Euro swap benchmark rate (AA rating with reference to 2014 and the comparative year) with an average financial duration for the item in question.

## PROVISIONS FOR RISKS AND CHARGES

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

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

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

The “Renewal provision” includes the present value of the estimated charges to be incurred for the contractual obligation to restore and replace the infrastructure under concession, as established in the agreement signed by the Company with the Awarding Body and aimed at ensuring its due functionality and safety. Indeed, as these charges cannot be recognised as an increase in the value of the assets at the time they are actually incurred, in the absence of the necessary accounting requirement (intangible assets) for the assets for which they are intended, they are allocated to a provision in accordance with IAS 37, depending on the degree of use of the infrastructure, as they represent the probable charge that the company will need to incur in order to guarantee, over time, the correct fulfilment of its obligation to maintain the functional and safety requirements of the assets under concession. Allocations to this provision are determined on the basis of the wear and tear and age of the motorway infrastructure at the end of the financial year and, therefore, of the planned interventions, taking into account, if significant, the financial component linked to the passage of time. The provision is discounted on the basis of the criteria already described above. Ordinary maintenance costs, on the other hand, are recognised in the Income Statement at the time they are incurred and, therefore, are not included in the provision. The provision, which refers to cyclical maintenance operations, includes an estimate of the charges that will arise from a single maintenance cycle and is determined separately for each category of infrastructure work (viaducts, overpasses, tunnels, safety barriers, motorway paving). For each category, based on specific technical evaluations, available knowledge, current motorway traffic conditions, and existing materials and technology:

- the duration of the repair or replacement cycle is estimated;
- the state of conservation of the works is assessed, grouping the interventions into uniform classes in relation to the degree of wear of the infrastructure and the number of years remaining until the planned intervention;
- costs are determined for each class on the basis of documented verifiable evidence at the date and comparable interventions;
- the total value of the interventions is determined with reference to the relative cycle;
- the provision at the reporting date is calculated, allocating the charges in the Income Statement in relation to the remaining years until the expected date of the intervention, consistent with the uniform infrastructure wear class, discounting the value thus obtained at the valuation date on the basis of an interest rate with a duration consistent with that of the expected cash flows.

The effects, as determined above, are posted to the following Income Statement items:

- "Allocation to renewal provision", related to the effects of the updated estimates deriving from the technical assessments (amount of the works to be carried out and their expected timing) and the change in the discount rate used compared to the previous year;
- "Financial expense from discounting", referring to the effect of the passage of time, calculated on the basis of the value of the provision and the interest rate used to discount the provision at the previous year's reporting date.

When the intervention expenses are incurred, the costs are recorded by nature in the individual items of the Income Statement for the year and the item "Use of renewal provision" includes the use of the provision previously set aside.

**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. motorway traffic revenue: this refers to revenues from motorway tolls and income from service area concessions;
b. 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;
c. Infrastructure Management Service contract: consideration referring to the "Infrastructure Management Contract" paid by the Lombardy Region to operate lines under concession, are recognised in the Consolidated Income Statement on an accrual basis;
d. operating lease payments relative to rolling stock;
e. 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;
f. lease payments: these refer to the rental of civil and commercial property of the Group.

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

**GOVERNMENT GRANTS**

Government grants are recorded in accordance with IAS 20 when there is a reasonable certainty that they can be received and when there is a reasonable certainty that the Group has complied with the conditions for receiving them.

Government grants are recognised in accordance with the “income approach” whereby a grant is recognised in the consolidated income statement in one or more years in which the Group recognises as costs the relative expenses that the grants are intended to offset.
Government grants that are collectible as compensation for costs or losses already incurred are recognised in the consolidated income statement for the year in which they become receivable.
Grants relative to the purchase of property, plant and equipment, disbursed by the Lombardy Region or third parties (other public bodies) are presented according to the “indirect method”, with the deferred revenue component recognised in “Other liabilities” and the applicable share determined on the basis of the expected useful life of the assets they refer to credited to the income statement on a straight-line basis.

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

The public grants provided at national level to mitigate the loss of revenues and the increase in costs deriving from the spread of the Covid 19 virus were recorded on the basis of the resources specifically allocated and the methodology of the results of the LPT Observatory, as described in Note 4 below “Items subject to significant estimates and assumptions”.

**REVENUES FROM CONSTRUCTION SERVICES**
In accordance with IFRIC 12, the railway infrastructure management contract of the subsidiary FERROVIENORD S.p.A. was recognised in the consolidated financial statements according to the financial asset model, starting from the financial year ended 31 December 2010.
In particular, as provided for in IFRIC 12, the financial asset model may be applied as the operator FERROVIENORD S.p.A. has the unconditional right to receive contractually guaranteed cash flows from the investment guarantor - i.e. the Lombardy Region - regardless of the actual use of the railway infrastructure. These cash flows correspond to costs incurred for contract management. Consequently, the operator must not recognise the infrastructure in its assets, or more generally, the funded asset. Instead it must recognise costs relative to the investment in the income statement for the year, as contemplated by IFRS 15, and must recognise the amount corresponding to the investments as revenues, according to the investment completion percentage. The amount of these revenues not yet received at the reporting date is recognised as a short-term financial receivable.
Consequently, the items “Revenues from construction services - IFRIC 12” and “Costs for construction services - IFRIC 12” were recognised, for corresponding amounts, determined as contemplated by IFRS 15.
As of 26 February 2021, in connection with the change in the Group's scope, IFRIC 12 is also applied in the intangible asset model for the subsidiary MISE.
In the intangible asset model, the concessionaire, in return for the infrastructure construction and improvement services rendered, acquires the right to charge users for the use of the infrastructure. Therefore, the concessionaire's cash flows are not guaranteed by the awarding body, but are related to the actual use of the infrastructure by users, thus entailing demand risk for the concessionaire. This

is the risk that revenues from the exploitation of the right to charge users for the use of the infrastructure will not be sufficient to ensure a reasonable return on the investments made.
“Assets reversible free of charge” represent the Concessionaire's right to use the asset under concession in consideration of the costs incurred to design and construct the asset. The value corresponds to the fair value of planning and construction activities and is posted to the income statement as a contra-entry to the item “Revenues from construction services - IFRIC 12”, while the costs related to the investment made are posted to the item “Costs for construction services - IFRIC 12” and are measured according to their percentage of completion.
For information about the aspects of the agreement for concession services, please refer to paragraphs 7.1 “Railway infrastructure” and 7.4 “Motorways” of the Management Report.

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

Non-current assets include - among others - property, rolling stock, intangible assets, investments and financial receivables. Management periodically revises the carrying amount of non-current assets held and used and assets that must be disposed of, when required by facts and circumstances.
This revision is carried out comparing the carrying amount of the asset and the greater of the fair value, net of costs to sell, and the value in use of the asset. In the absence of market values considered representative of the actual value of the investment, estimate methods and valuation models are used based on data and assumptions which are sustainable and reasonable, based on historical experience and future expectations of the market and foreseeable changes in the specific legal framework. The value in use is determined based on estimates of cash flows expected from the use or sale of the asset, approved by competent bodies and based on projections that do not exceed five years and discount rates to calculate the present value, referred to market conditions.
When the carrying amount of a non-current asset is impaired, the Group records a write-down for the excess between the carrying amount of the asset and its recoverable value through use or sale, determined with reference to the Group's most recent plans, and recognised under “Amortisation, depreciation and write-downs”.
For assets not subject to amortisation/depreciation and intangible assets not yet available for use, impairment testing is carried out annually, regardless of whether or not specific indicators are present.
If the conditions for a previous write-down no longer apply, the carrying amount, with the exception of goodwill, is restored to the new estimated value, which will not exceed the net carrying amount the asset would have had, if it had not been written down. Reversals are recorded in the Income Statement.

**INCOME AND CHARGES FROM THE SALE OF INVESTMENTS**

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

## DIVIDENDS

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

## FINANCIAL INCOME AND 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.

Financial expenses that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalised.

## 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 money of account used in individual countries. The functional currency of the Parent is the Euro, which is the presentation currency of the Consolidated Financial Statements.

### Transactions and accounting records

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

## NOTE 4 ITEMS SUBJECT TO SIGNIFICANT ASSUMPTIONS AND ESTIMATES

The preparation of the Consolidated Financial Statements and notes requires Management to use estimates and assumptions that have an effect on financial statement assets and liabilities and on the disclosure of potential assets and liabilities at the reporting date. The estimates and assumptions used are based on experience and other factors considered material. Final results could differ from these estimates. Estimates and assumptions are revised periodically and the effects of all changes are reflected in the Consolidated Income Statement in the year when the estimate is revised if the revision only impacts that year, or also in subsequent years, if the revision has effects on the current year as well as on future years.
There were no changes in estimates during the current year.
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.

<u>*Compensatory measures for loss of traffic revenues*</u>

To partially offset loss of ticketing revenues, article 200, paragraph 1, of Decree Law no. 34 of 19 May 2020 converted, with amendments, by Law no. 77 of 17 July 2020 established a fund with the Ministry for Infrastructure and Transport with an initial amount of EUR 500 million for the year 2020, to offset the reduction of tariff revenues from passengers in the period from 23 February 2020 to 31 December 2020 compared to the average tariff revenues recorded in the same period of the previous two years.

The endowment of the fund was then increased by EUR 400 million for 2020 by art. 44, paragraph 1 of Decree Law no. 104/2020. This provision also provided the possibility to use the greater resources allocated, up to a limit of EUR 300 million, to finance additional local and regional public transport services 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 make use of the Fund for local public transport companies due to the lower tariff revenues realised during the COVID-19 emergency period, in addition, the Fund's endowment was increased by a further EUR 390 million, of which a portion of up to EUR 190 million to finance additional local and regional public transport services, including for students. Therefore, of the additional EUR 390 million allocated for 2021, EUR 200 million is earmarked to compensate for the lower revenues of the local public transport companies already identified by art. 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 no. 178 of 30 December 2020 (2021 Budget Law), an additional EUR 200 million was set aside for the year 2021 to enable the provision of additional local and regional public transport services.

Against these allocations, at 31 December 2021, to compensate for lower traffic revenues, nationwide relief totalling EUR 1,837,173,181 was provided, of which EUR 1,607,429,738 attributable to 2020 and EUR 229,743,444 attributable to 2021. The allocation of resources was based on the compilation of the LPT Observatory in September 2021.

## NOTE 5 SEGMENT REPORTING

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

- 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 Agreement" 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;
- lease of rolling stock and management of the centralised services (Ro.S.Co & Services): the Parent Company FNM is active in *(i)* the hire of rolling stock with an owned fleet of 68 trains and 27 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 Agreement stipulated with the Lombardy Region for provision of the transport service, and revenues from the sale of tickets.
- passenger road mobility: 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;
- motorways: refers to the activity carried out by the subsidiary MISE, which is the concessionaire for the design, construction and management of the A7 Serravalle-Milan Motorway and the North, East and West Milan Ring Roads (for a total of 179 km in length) 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. MISE is also active in the design, as well as technical and administrative support for infrastructure investments on the motorway network through Milano Serravalle Engineering, of which it holds 100% of the share capital. Among its investee companies, the subsidiary also includes a 36.7% equity investment in its associate Autostrada Pedemontana Lombarda, the concessionaire for the design, construction and management of the motorway between Dalmine, Como, Varese, Valico di Gaggiolo and related works. APL is measured with the equity method.

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

| 2021 | Railway infrastructure | Ro.S.Co & Services | Road passenger mobility | Motorways | Eliminations | Total from continuing operations |
|---|---|---|---|---|---|---|
| Revenues from third parties | 121,951 | 65,026 | 111,519 | 210,889 | | **509,385** |
| Intersegment sales | 5,220 | 11,863 | 12,539 | 2,118 | (31,740) | **—** |
| Revenues from construction services - IFRIC 12 | 63,000 | | | 42,996 | | **105,996** |
| **Segment revenues** | 190,171 | 76,889 | 124,058 | 256,003 | (31,740) | **615,381** |
| Costs to third parties | (110,416) | (61,427) | (107,713) | (158,498) | | **(438,054)** |
| Intersegment purchases | (16,375) | (726) | (12,479) | (2,160) | 31,740 | |
| Costs of construction services - IFRIC 12 | (58,384) | | | (42,996) | | **(101,380)** |
| **Segment costs** | (185,175) | (62,153) | (120,192) | (203,654) | 31,740 | **(539,434)** |
| **EBIT** | **4,996** | **14,736** | **3,866** | **52,349** | | **75,947** |
| **Net financial income** | 35 | (16,487) | (125) | (4,808) | | **(21,385)** |
| **Net profit of companies measured with the equity method** | | 6,313 | | (595) | | **5,718** |
| **Earnings before tax** | 5,031 | 4,562 | 3,741 | 46,946 | | **60,280** |
| **Taxes** | | | | | | **(17,144)** |
| **Result for the year from continuing operations** | | | | | | **43,136** |
| **Result from discontinued operations** | | | | | | |
| **Operating result** | | | | | | **43,136** |

| **31/12/2021** | **Railway infrastructure** | **Ro.S.Co & Services** | **Road passenger mobility** | **Motorways** | **Others** | **Total** |
|---|---|---|---|---|---|---|
| Segment assets | 399,262 | 522,470 | 49,723 | 763,180 | | 1,734,635 |
| Investments measured with the equity method | | 82,002 | 65,575 | | | 147,577 |
| Income tax assets | | | | | 37,292 | 37,292 |
| Total unallocated group assets | | | | | **37,292** | **37,292** |
| **Total assets** | **399,262** | **604,472** | **115,298** | **763,180** | **37,292** | **1,919,504** |
| Segment liabilities | 417,824 | 782,584 | 60,995 | 428,217 | — | 1,689,620 |
| Deferred tax liabilities | | | | | 1,551 | 1,551 |
| Other unallocated liabilities | | | | | 228,333 | 228,333 |
| Total unallocated group liabilities | | | | | **229,884** | **229,884** |
| **Total liabilities** | **417,824** | **782,584** | **60,995** | **428,217** | **229,884** | **1,919,504** |

| 2020 | Railway infrastructure | Ro.S.Co & Services | Road passenger mobility | Eliminations | Total from continuing operations |
|---|---|---|---|---|---|
| Revenues from third parties | 118,527 | 70,329 | 87,992 | | **276,848** |
| Intersegment sales | 5,037 | 11,408 | 5,880 | (22,325) | |
| Revenues from construction services - IFRIC 12 | 38,023 | | | | **38,023** |
| **Segment revenues** | 161,587 | 81,737 | 93,872 | (22,325) | **314,871** |
| Costs to third parties | (106,903) | (56,474) | (89,672) | | **(253,049)** |
| Intersegment purchases | (15,555) | (842) | (5,928) | 22,325 | |
| Costs of construction services - IFRIC 12 | (35,445) | | | | **(35,445)** |
| **Segment costs** | (157,903) | (57,316) | (95,600) | 22,325 | **(288,494)** |
| **EBIT** | **3,684** | **24,421** | **(1,728)** | | **26,377** |
| **Net financial income** | 80 | (79) | (64) | | **(63)** |
| **Net profit of companies measured with the equity method** | 0 | 2,000 | 44 | | **2,044** |
| **Earnings before tax** | 3,764 | 26,342 | (1,748) | — | **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** | **Ro.S.Co & Services** | **Road passenger mobility** | **Others** | **Total** |
|---|---|---|---|---|---|
| Segment assets | 299,177 | 621,420 | 124,366 | | 1,044,963 |
| Investments measured with the equity method | | 76,733 | | | 76,733 |
| Income tax assets | | | | 24,015 | 24,015 |
| Total unallocated group assets | | | | **24,015** | **24,015** |
| **Total assets** | **299,177** | **698,153** | **124,366** | **24,015** | **1,145,711** |
| Segment liabilities | 362,423 | 242,691 | 63,402 | | 668,516 |
| Income tax liabilities | | | | 87 | 87 |
| Other unallocated liabilities | | | | 477,108 | 477,108 |
| Total unallocated group liabilities | | | | **477,195** | **477,195** |
| **Total liabilities** | **362,423** | **242,691** | **63,402** | **477,195** | **1,145,711** |

Revenues from the Lombardy Region and Trenord account for 27% and 12%, respectively, and thus exceed 10% of the Group's consolidated revenues.

In particular, revenues from the Lombardy Region, amounting to EUR 165,334 thousand, are broken down by sector as follows:

- Railway infrastructure for EUR 155,814 thousand;
- Ro.S.Co & Services for EUR 1,165 thousand;
- Road passenger mobility for EUR 8,356 thousand.

Revenues from Trenord, amounting to EUR 75,220 thousand, are broken down into the various sectors as follows:

- Railway infrastructure for EUR 18,644 thousand;
- Ro.S.Co & Services for EUR 56,211 thousand;
- Road passenger mobility for EUR 365 thousand.

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 47, 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 2020, property, plant and equipment, net of relative accumulated depreciation and provisions for loans, comprised the following:

| | 01.01.2020 | | |
|---|---|---|---|
| **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)** |
| Write-down 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** |

Changes for 2021 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 01.01.2021** | **34,256** | **38,722** | **1,323** | **337,269** | **31,770** | **443,340** |
| Investments financed with own funds | 455 | 1,879 | 843 | 19,375 | 13,548 | **36,100** |
| Transfers gross value | | 384 | | 3,262 | (3,646) | |
| Divestments: Gross disposals | (311) | (2,156) | (10) | (417) | (316) | **(3,210)** |
| Divestments: Use of Accumulated Depreciation | | 1,947 | 9 | 415 | | **2,371** |
| Depreciation Rates | (971) | (10,607) | (410) | (21,946) | | **(33,934)** |
| Change in the scope of consolidation: historical cost | | 8,951 | 1,207 | 7,466 | | **17,624** |
| Change in the scope of consolidation: provision | | (7,267) | (1,161) | (5,439) | | **(13,867)** |
| Write-down of property, plant and equipment | | | | (881) | | **(881)** |
| **Net Value as at 31.12.2021** | **33,429** | **31,853** | **1,801** | **339,104** | **41,356** | **447,543** |

At 31 December 2021, property, plant and equipment, net of relative accumulated depreciation and provisions for loans, comprised the following:

| | 31.12.2021 | | |
|---|---|---|---|
| **Description** | **Historical cost** | **Accumulated depreciation** | **Book value** |
| Land and buildings | 52,651 | (19,222) | 33,429 |
| Plant and machinery | 194,591 | (162,738) | 31,853 |
| Industrial and commercial equipment | 13,617 | (11,816) | 1,801 |
| Other assets | 648,205 | (309,101) | 339,104 |
| Assets in the course of construction and advances | 41,356 | | 41,356 |
| **Total property, plant and equipment** | **950,420** | **(502,877)** | **447,543** |

## Land and buildings

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

- EUR 8,318 thousand for property related to the Cadorna station in Milan;
- EUR 6,642 thousand for land situated in the municipality of Saronno;
- EUR 4,756 thousand for Sacconago Terminal;
- EUR 4,537 thousand for land and property situated in the municipality of Mestre;
- EUR 2,402 thousand for property situated in the municipality of Saronno;
- EUR 1,581 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 721 thousand for garages situated in the municipality of Milan;
- EUR 674 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 31,843 thousand for buses;
- EUR 3,779 thousand for plant and machinery used for railway and motorway infrastructure maintenance.

Main increases in the item “Plant and machinery” (EUR 1,879 thousand) chiefly concern:

- the purchase of 7 used diesel buses for extra-urban transport, for EUR 816 thousand;
- the purchase of machinery (salt spreaders and snow ploughs) for the maintenance of the motorway infrastructure for EUR 448 thousand;
- extraordinary maintenance of urban buses for EUR 306 thousand;
- the renovation of air conditioning systems at the offices located in Cadorna (Milan) for EUR 182 thousand;
- the purchase of 1 diesel bus for urban transport, for EUR 76 thousand.

Following the registration of 2 bus in May 2021, the advance payments for 2 buses paid the previous year, amounting to EUR 322 thousand, were transferred to this item from “Assets in the course of construction and advances”.

Disposals during the period are attributable to buses and maintenance equipment for railway infrastructure that are no longer usable and have been fully depreciated, as well as the sale of vehicles used for the car sharing service.

The change in the scope of consolidation, amounting to a net value of EUR 1,684 thousand, is due to the consolidation of the subsidiary MISE (EUR 883 thousand) and the merger of the joint venture Conam into La Linea (EUR 801 thousand).

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 729 thousand.

The change in the scope of consolidation, amounting to a net value of EUR 46 thousand, is entirely due to the consolidation of the subsidiary MISE.

**Other assets**

Other assets mainly refer to rolling stock (for EUR 331,479 thousand), vehicles, furnishings and leased assets (operating leases).

As regards rolling stock, the investment for the year, equal to EUR 18,910 thousand, concerns:

- 1 FLIRT TILO train for EUR 8,452 thousand; following commissioning, investments incurred in the previous year, amounting to EUR 2,113 thousand, were transferred from "Assets in the course of construction and advances" to the category in question; the train is leased to Trenord;
- 2 E744 EffiShunter locomotives for EUR 2,946 thousand; following commissioning, investments incurred in the previous year, amounting to EUR 842 thousand, were transferred from "Assets in the course of construction and advances" to the category in question; the locomotives are leased to DB Cargo Italia;
- cyclical maintenance on 7 CSA trains for EUR 3,453 thousand;
- cyclical maintenance on 5 CORADIA trains for EUR 2,533 thousand;
- the modernisation of 5 DE520 locomotives leased to DB Cargo Italia and to Trenord, for EUR 1,526 thousand; following the completion of modernisation activities on a locomotive, investments incurred in the previous year, amounting to EUR 307 thousand, were transferred from "Assets in the course of construction and advances" to the category in question;

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

The impairment is entirely attributable to cyclical maintenance of CORADIA and CSA rolling stock.

**Assets in the course of construction and advances**

The increase in the item, amounting to EUR 13,548 thousand, is attributable to advances paid for the purchase of 6 hydrogen-powered electric trains (EUR 7,080 thousand) and 5 FLIRT TILO rolling stock units (EUR 734 thousand), for the construction of the car park near Affori station (Milan) (EUR

1,430 thousand), for the development of the SBE system in the Lombardy Region (EUR 840 thousand), for revamping of DE520s (EUR 605 thousand), for the purchase of new vehicles for the maintenance of the railway infrastructure (EUR 529 thousand), for the purchase of 7 used Crossway LE extra-urban buses (EUR 652 thousand) and for the purchase of 10 Crossway CNG extra-urban buses (EUR 479 thousand), as well as the purchase of 6 used rental buses (EUR 60 thousand) delivered in January 2022.

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 27) and "Other current liabilities" (Note 32) respectively, the effect on the financial statements at 31 December 2021 would have been the following:

| **31/12/2021** | **Book value** | **Grant** | **Net value less the grant** |
|---|---|---|---|
| Land and buildings | 33,429 | (5,598) | 27,831 |
| Plant and machinery | 31,853 | (14,647) | 17,206 |
| Industrial and commercial equipment | 1,801 | | 1,801 |
| Other assets | 339,104 | (1,310) | 337,794 |
| Assets in the course of construction and advances | 41,356 | | 41,356 |
| **Total property, plant and equipment** | **447,543** | **(21,555)** | **425,988** |

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, as these are assets mainly intended for use in local public transport services provided by Trenord S.r.l. through leasing contracts in force (rolling stock) or directly used by the Group as part of local public transport services by road (buses).

As at the date of preparation of these financial statements, there are no restrictions on the title and ownership of property, plant and equipment pledged as security for liabilities.

**Costs of construction services**

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

## NOTE 7 INTANGIBLE ASSETS

At 1 January 2020, intangible assets comprised the following:

| | 01.01.2020 | | |
|---|---|---|---|
| **Description** | **Historical cost** | **Accumulated amortisation** | **Net Value** |
| Assets in the course of construction and advances | 930 | | 930 |
| Other | 30,788 | (24,679) | 6,109 |
| Non-compensated assets | 46,140 | (46,023) | 117 |
| **Total intangible assets** | **77,858** | **(70,702)** | **7,156** |

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** |

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

| | 31.12.2020 | | |
|---|---|---|---|
| **Description** | **Historical cost** | **Accumulated amortisation** | **Book 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** |

Changes for 2021 are shown below:

| Description | Assets in the course of construction and advances | Other | Assets freely revertible - Railway infrastructure | Assets freely revertible - Motorway infrastructure | Total |
|---|---|---|---|---|---|
| | | | | | |
| **Net Value as at 01.01.2021** | **1,136** | **3,888** | **115** | | **5,139** |
| Acquisitions | 1,617 | 635 | | 409 | **2,661** |
| Transfers | (974) | 974 | | | **—** |
| Transfers from contractual assets | | | | 26,455 | **26,455** |
| Amortisation Rates | | (1,764) | (2) | (33,868) | **(35,634)** |
| Change in the scope of consolidation | 97 | 503 | | 270,449 | **271,049** |
| Divestments | | | | (97) | **(97)** |
| **Net Value as at 31.12.2021** | **1,876** | **4,236** | **113** | **263,348** | **269,573** |

As at 31 December 2021, intangible assets therefore comprised the following:

| | 31.12.2021 | | |
|---|---|---|---|
| **Description** | **Historical cost** | **Accumulated amortisation** | **Net Value** |
| Assets in the course of construction and advances | 1,876 | | 1,876 |
| Other | 34,299 | (30,063) | 4,236 |
| Assets freely revertible - Railway infrastructure | 46,140 | (46,027) | 113 |
| Assets freely revertible - Motorway infrastructure | 297,313 | (33,965) | 263,348 |
| **Total intangible assets** | **379,628** | **(110,055)** | **269,573** |

## Assets in the course of construction and advances

Increases in the item “Assets in the course of construction and advances”, equal to EUR 1,617 thousand, refer mainly to the upgrade of the SAP PM modules, managed by FNM and used by FERROVIENORD, for EUR 350 thousand, the implementation of additional SAP modules which FNM uses for its administration service, for EUR 301 thousand, the upgrade of SAP modules, managed by FNM and used by Trenord, for EUR 287 thousand, the development of the hydrogen production system, for EUR 198 thousand, the initiation of upgrade activities on the SAP 4/HANA platform, for EUR 186 thousand, the extension of the SAP application system to three Group companies, for EUR 65 thousand and, lastly, the activation of additional modules of the SAP HR operating software, for EUR 13 thousand.

It should be noted that during the year, as the project activities were completed, when the modules implemented were made available, the costs incurred in 2020 in relation to the upgrade of the BW SAP module, managed by FNM and used by Trenord (EUR 430 thousand), the additional SAP modules that FNM uses in the administrative service (EUR 161 thousand), the activation of additional modules of the SAP HR management software (EUR 120 thousand), the migration to the G-Suite platform (EUR 88 thousand), activities relating to identity assessment tools (EUR 58 thousand) and the development of the software used by FNM for the management of corporate bodies (EUR 45 thousand) were transferred from this category to the item “Other”.

Overall, assets in the course of construction and advances at 31 December 2021 refer mainly to the upgrade of the SAP PM modules, managed by FNM and used by FERROVIENORD, for EUR 350 thousand, the upgrade of SAP modules, managed by FNM and used by Trenord, for EUR 366 thousand, the implementation of additional SAP modules which FNM uses for its administration service, for EUR 249 thousand, the development of the hydrogen production system, for EUR 223 thousand, the initiation of upgrade activities on the SAP 4/HANA platform, for EUR 186 thousand, the extension of the SAP application system to three Group companies, for EUR 65 thousand and, lastly, the activation of additional modules of the SAP HR operating software, for EUR 34 thousand.

**Other fixed assets**

The increases for the year (EUR 635 thousand) are mainly attributable to additional SAP modules that FNM uses as part of its administrative service, for EUR 107 thousand, the extension of the SAP application system to four Group companies, for EUR 101 thousand, and additional modules of the SAP management software, managed by FNM and used by Trenord S.r.l., for EUR 81 thousand.
Transfers concern items referred to in “Assets in the course of construction and advances”.
Other intangible assets are assigned a useful life of 3 years.

As at the date of preparation of these financial statements, there are no intangible assets with restricted title.

**Assets freely revertible - Railway infrastructure**

The adoption of IFRIC 12 requires assets freely revertible (comprising railway lines to hand over at the end of the concession for which the transport service is provided) to be classified as “Intangible assets”.

Amortisation charge, equal to EUR 2 thousand, is calculated based on the duration of the concession, renewed in 2016 up to 31 October 2060.

**Assets freely revertible - Motorway infrastructure**

The motorway infrastructure of the subsidiary MISE, as an asset freely revertible, is also classified under “Intangible assets”.
In application of IFRIC 12, this item also includes investments to be made, based on the new proposed Additional Agreement, for which the form of remuneration is currently suspended and consequently considered investments for which no additional economic benefits are expected. These values will be amortised on a straight-line basis until the end of the concession currently scheduled for 31 October 2028.

Reclassifications from contractual assets (Note 14) primarily related to:

– the completion of "lighting and adaptation works of triple-wave guardrails on the West bypass";
– the completion of noise barriers on the North Bypass.

Amortisation charge, equal to EUR 13,058 thousand, is calculated based on the duration of the Infrastructure concession, expiring on 31 October 2028.

There are no internally constructed intangible assets.
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 during the year changed as follows:

| Description | Gross Value 01.01.21 | Impairment 01.01.2021 | Net Value 01.01.2021 | Changes in 2021 | | Gross Value 31.12.21 | Impairment 31.12.2021 | Net Value 31.12.2021 |
|---|---|---|---|---|---|---|---|---|
| | | | | Increases | (Impairment) | | | |
| Azienda Trasporti Verona S.r.l. | 3,627 | | 3,627 | | (913) | 3,627 | (913) | 2,714 |
| La Linea S.p.A. | 2,726 | (2,000) | 726 | | | 2,726 | (2,000) | 726 |
| **Total Goodwill** | **6,353** | **(2,000)** | **4,353** | **—** | **(913)** | **6,353** | **(2,913)** | **3,440** |

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 recorded for the subsidiary La Linea resulted from purchase price allocation activities at the investment acquisition date (1 January 2018).
For 2021 the Directors again had an independent expert carry out impairment testing in order to verify the recoverability of net invested capital allocated to the reference CGU, including intangible assets identified during PPA and residual goodwill as described below.

***Impairment Test***

Goodwill of ATV

A.T.V. S.r.l., in its 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 agreement, originally scheduled for 30 June 2019, has been extended to 31 December 2022. Previously, on 6 December 2017, the provincial council of Verona approved the restricted call for tenders for the selection of the operator and by the established deadline of May 2018, ATV submitted a proposal for the expression of interest to participate in the public tender for the assignment of the local public transport (LPT) service for a contract duration of 7 years, with the

possibility of renewal for an additional two years. However, by resolution 131 of the President of the Province of Verona, in December 2020 the direction was given to continue the process of suspending the tender, which began in September 2020 with resolutions to this effect by the Municipality of Verona and the Municipality of Legnago. Indeed, art. 92-*ter* of Decree Law 18/2020 established the possibility that all the awarding procedures in progress may be suspended for a maximum of 12 months from the end of the emergency (scheduled for 31 March 2022). The reasons cited in the resolution are the uncertainties linked to the future scenarios of the Verona LPT post-COVID-19 and those relating 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 to be the value in use, was determined by applying a single scenario represented by the hypothetical cessation of operations in 2025 (the last year of the plan) and the subsequent liquidation of the operating invested capital at the end of 2026 with a time lag of one year, assuming that the new concessionaire will take over during the year subsequent to the expiry of the service agreement. The liquidation of the invested capital was assumed at book values, also in consideration of the provisions of the Transport Regulatory Authority ("ART"), which through Regulatory Act of 28 November 2019 established that the "takeover value" for a new concessionaire is determined by the Awarding Body as the greater of the Net Book Value ("NBV") and the Market Value ("MV") within a maximum limit of deviation of 5% in the case of NBV>MV.

The expected future cash flows used in this analysis derive from the 2022-2025 long-term plan, approved by ATV's Directors on 7 March 2022, ("Base Scenario") adjusted for certain uncertainties listed below:
a) <u>reduction of investments</u>: only investments based (pro-rata) on capital grants are made and not entirely self-financed investments, such so as to allow for the progressive renewal of the existing fleet;
b) <u>increase in inflation</u>: the inflation rate is set at 1.5% from 2023 to 2025, instead of the 1% set forth in the Base Case scenario;
c) non-application of the <u>tariff manoeuvre</u> provided for in the Base Scenario (+10% to 2023), thus keeping tariff levels unchanged.

The economic and financial forecasts contained in the plan prepared by ATV's management and taken as a reference for the impairment test, adjusted by the above adjustments, do not take into account the renewal of the tender for the Verona and Legnago LPT, as despite the launch in 2016 by the Government Body of the activities necessary for the publication of the call for tenders for the assignment pursuant to Regulation 1370 2007 of the service currently managed by ATV, since the end of 2019 there have been no acts or actions by the Government Body relating to the procedure for the assignment of the service.
The assumptions (production and fees) underlying the procedure initiated in 2016 are in fact no longer representative of the specific service to be assigned, as there has been a considerable change in market conditions, which to date do not allow for adequate forecasting and, therefore, no assumptions have been considered in this regard.
The plan forecasts are therefore developed on the basis of the profile of the current service agreement and also do not consider the start-up of the trolleybus service in the absence of up-to-date information

regarding the activation date, the assignment methods, the fees and the methods for clearing its expected revenues.
With respect to demand trends, the plan forecasts a gradual recovery in traveller demand, with a return to pre-pandemic levels beginning in 2026. The plan also already takes into account fuel and energy cost increases for 2022, with realignment to pre-Covid values from 2023 for diesel and electricity and 2026 for natural gas.

The rate used to discount cash flows determined as above is equal to 6.00% (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.

Impairment testing, carried out based on the above methodology, showed a recoverable amount, based on the value in use, of EUR 16,200 thousand, and therefore a write-down on goodwill of EUR 913 thousand.

The Directors believe that the fair value less costs of disposal of this CGU does not differ significantly from the value in use mentioned above.
A sensitivity analysis was carried out considering a change in the WACC discount rate. The following table shows the change in the value in use in millions of euros that would occur if this parameter were to vary:

| **WACC Sensitivity Analysis** | | | | |
|---|---|---|---|---|
| **WACC** | | | | |
| 5.00 % | 5.50 % | 6.00 % | 6.50 % | 7.00 % |
| 17.290 | 16.740 | 16.200 | 15.680 | 15.170 |

A WACC of no more than 4.36% should be considered in order to avoid an impairment loss.

<u>Goodwill of La Linea</u>
La Linea S.p.A. currently operates as a subcontractor of LPT services in the Verona, Padua and Venice areas, and provides tourist transport services in the Venice area through its subsidiary Martinibus. In June 2021, La Linea was awarded the management of 10% of the urban LPT by road for 9 years in the tender launched by the Municipality of Venice in 2016.

The recoverable amount of the CGU, considered to be the value in use, was determined as the sum of three value determinants:

1. The value of La Linea up to 2025 inclusive of the value of assets attributable to the sub-concessionaire activity of La Linea and its subsidiary Martinibus and the Venice LPT;
2. La Linea's value beyond 2025 in perpetuity, equal to a terminal value without Venice LPT;
3. The residual value of the Venice LPT until 2030 without considering any renewal of the service agreement.

Expected future cash flows used in the analysis are taken from the long-term plan approved on 8 March 2022 by the directors of the investee for the 2022-2025 period, consistent with the horizon of the FNM Group plan presented to the financial community in September 2021.
To estimate the residual value of the Venice LPT, forecasts for the Venice LPT alone were extended by the management to 2030.

The rate used to discount cash flows determined as above is equal to 6% (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, while the g rate was assumed to be 0.

Impairment testing, carried out based on the above methodology, showed a recoverable amount, based on the value in use, of EUR 5,208 thousand and therefore a goodwill cover of EUR 201 thousand.

The Directors believe that the fair value of this CGU does not differ significantly from the value in use mentioned above.

Sensitivity analysis was carried out considering both a change in the WACC discount rate and in the g-rate. The following table shows the value in use in millions of euros that would occur if these parameters were to vary:

**WACC and g-rate Sensitivity Analysis**

| | | WACC | | | | |
|---|---|---|---|---|---|---|
| | | **5.00 %** | **5.50 %** | **6.00 %** | **6.50 %** | **7.00 %** |
| g rate | **-1.00 %** | 6.19 | 5.65 | 5.16 | 4.71 | 4.31 |
| | **0.50 %** | 6.27 | 5.69 | 5.18 | 4.72 | 4.31 |
| | **0.00 %** | 6.35 | 5.74 | 5.21 | 4.73 | 4.30 |
| | **0.50 %** | 6.46 | 5.80 | 5.24 | 4.74 | 4.30 |
| | **1.00 %** | 6.59 | 5.88 | 5.28 | 4.76 | 4.30 |

The break-even WACC that leads to a cover value of zero is 6.20%.

## NOTE 9 RIGHT OF USE

At 1 January 2020, the item "Right of use", recognised upon adoption of IFRS 16, was broken down as follows:

| Description | 01.01.2020 Historical cost | Accumulated depreciation | 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 as at 31 December 2020, "Right of use" comprised the following:

| Description | 31.12.2020 Historical cost | Accumulated depreciation | 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** |

Changes for 2021 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 01.01.2021** | **93** | **5,051** | **3,215** | **7,130** | **15,489** |
| Acquisitions | 188 | 2 | 1,305 | 1,680 | 3,175 |
| Amortisation Rates | (87) | (3,195) | (1,252) | (2,098) | (6,632) |
| Closing of contracts Historical Cost | (16) | | (219) | (107) | (342) |
| Closing of contracts Fund | 16 | | 181 | 107 | 304 |
| Change in the scope of consolidation Historical Cost | | 17,527 | | 1,174 | 18,701 |
| Change in the scope of consolidation Accumulated Depreciation | | (2,660) | | (225) | (2,885) |
| **Net Value as at 31.12.2021** | **194** | **16,725** | **3,230** | **7,661** | **27,810** |

Therefore as at 31 December 2021, "Right of use" comprised the following:

| | 31.12.2021 | | |
|---|---|---|---|
| **Description** | **Historical cost** | **Accumulated depreciation** | **Net Value** |
| Right of use - software | 285 | (91) | 194 |
| Right of use - buildings | 25,122 | (8,397) | 16,725 |
| Right of use - plant and machinery | 5,467 | (2,237) | 3,230 |
| Right of use - other assets | 11,625 | (3,964) | 7,661 |
| **Total right of use** | **42,499** | **(14,689)** | **27,810** |

The item "Right of use - Buildings" is mainly attributable to the premises leased by the subsidiaries MISE and ATV to carry out their operations.
The item "Right of use - Plant and machinery" is mainly attributable to the vehicles rented by the subsidiary E-Vai to carry out car sharing activities; the increase for the year is attributable to the delivery of such vehicles.
The item "Right to use - other assets" includes the lease of 4 Bombardier E494 TRAXX DC locomotives, leased to DB Cargo, which is due to expire on 31 December 2025, as well as company vehicles.
The increase in the year is entirely attributable to new contracts signed for vehicles used by the Group as operating vehicles or for fringe benefits.
The change in the basis of consolidation, amounting to a net value of EUR 15,816 thousand, is entirely due to the consolidation of the subsidiary undertaking, MISE.

No factors were identified that would indicate the need for impairment testing, to verify the recoverability of the carrying amount of rights of use.

## NOTE 10 EQUITY INVESTMENTS

Changes in 2021 relative to investments are presented below:

| Description | 01.01.2021 Book Value | Changes | | | | | 31.12.2021 Book Value |
|---|---|---|---|---|---|---|---|
| | | Increases Decreases | Operating result | Translation reserve | Other changes in Comprehensive Income | Reclassification | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Equity investments in joint ventures:** | | | | | | | |
| Trenord Srl | 39,275 | | 57 | 42 | 230 | | 39,604 |
| NordCom SpA | 12,015 | | 453 | | | | 12,468 |
| Nord Energia SpA | 7,795 | (2,861) | 2,068 | | (5) | | 6,997 |
| Omnibus Partecipazioni Srl | 6,394 | (1,000) | 1,938 | | | | 7,332 |
| Conam S.r.l. | 219 | (219) | | | | | — |
| **Total equity investments in joint ventures** | **65,698** | **(4,080)** | **4,516** | **42** | **225** | | **66,401** |
| **Equity investments in associates:** | | | | | | | |
| Tangenziali Esterne Milano | | 25,928 | (1,496) | | 1,550 | | 25,982 |
| Autostrada Pedemontana Lombarda | | 38,424 | 901 | | | | 39,325 |
| DB Cargo Italia S.r.l. | 10,277 | | 2,356 | | 27 | | 12,660 |
| Busforfun.com S.r.l. | 492 | 510 | (550) | | | | 452 |
| Sportit S.r.l. | | 2,500 | (9) | | | | 2,491 |
| Autotrasporti Pasqualini S.r.l. | 181 | | | | | | 181 |
| Servizi Trasporti Interregionali S.p.A. | 85 | | | | | | 85 |
| **Total equity investments in associates** | **11,035** | **67,362** | **1,202** | **—** | **1,577** | **—** | **81,176** |
| | | | | | | | |
| **Total investments measured with the equity method** | **76,733** | **63,282** | **5,718** | **42** | **1,802** | **—** | **147,577** |
| **Other equity investments:** | | | | | | | |
| Milano Serravalle - Milano Tangenziale S.p.A. | 85,841 | (85,841) | | | | | — |
| Autostrade Lombarde S.p.A. | | 5,802 | | | | (5,802) | — |
| Azienda Trasporti Veneto Orientale S.p.A. | 5,272 | | | | | | 5,272 |
| S.A.Bro.M. S.p.A. | | 3,198 | | | | | 3,198 |
| Tangenziale Esterna S.p.A. | | 1,706 | | | | | 1,706 |
| CIV S.p.A. | | 673 | | | | | 673 |
| Società progetto Brebemi SpA | | 301 | | | | (301) | — |
| Fondazione ATV | 99 | | | | | | 99 |
| Aeroporto Valerio Catullo di Verona Villafranca | 40 | 10 | | | | | 50 |
| Fap SpA | 39 | | | | | | 39 |
| Confed.Autostrade Ital.Energia | | 13 | | | | | 13 |
| Cosmo Scarl | 7 | | | | | | 7 |
| Consorzio ELIO | 4 | | | | | | 4 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Trasporti Brescia Nord | 3 | | | | | | 3 |
| Cons.Autostr.Italiane Energia | | 2 | | | | | 2 |
| Consorzio Tangenziale Engineering | | 2 | | | | | 2 |
| ATAP | 2 | | | | | | 2 |
| STECAV | 2 | | | | | | 2 |
| Sviluppo Artigiano | 2 | (2) | | | | | — |
| Imprese Artigiane Soc. Coop. | 2 | | | | | | 2 |
| **Total equity investments in other companies** | **91,313** | **(74,136)** | **—** | **—** | **—** | **(6,103)** | **11,074** |
| **Total equity investments** | **168,046** | **(10,854)** | **5,718** | **42** | **1,802** | **(6,103)** | **158,651** |

Changes in the year relative to the "Other changes in Comprehensive Income" 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 and IFRS 9 (Note 45).

Comments are provided below on the principal assessments made on the recoverability of the amounts and the principal changes during the year, other than recognition of the contribution to the Consolidated Financial Statements determined by the realisation of the net profit for the year and "Other changes in Comprehensive Income":

*Trenord S.r.l.*

The item "Translation reserve", positive for EUR 42 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 2021 (equal to 1.08141) to income statement items, and the spot exchange rate at 31 December 2021 (1.03310) to 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 2022-2033 period approved by the Trenord Board of Directors on 9 March 2022.

The 2021 - 2032 projections are based on two contextual elements, namely:

i. the extension of the current Service Agreement until 31 December 2022; and
ii. the assignment to Trenord with the new Service Agreement as of 1 January 2023 and until 31 December 2032.

These assumptions are consistent with a) the provisions of Regional Law no. 15 of 6 August 2021, which provided for the extension of the current Service Agreement until 31 December

2022, and b) the pre-information notice of direct assignment to Trenord of the new Service Agreement for 10 years (from 1 January 2023 to 31 December 2032).

The assumptions underlying the economic projections approved by Trenord's directors are also shown below:

1. Traveller demand and traffic revenues. Estimates for the years 2022 - 2023 are developed from the model used for demand monitoring captured in 2020 and based on the customer classification by different behaviour clusters. A traveller recovery curve was assumed for subsequent years with assumptions of a return to 2019 levels beginning in 2026/27. The tariff update was assumed to be consistent with the current Service Agreement rules;
2. Service Agreement Fees. For the year 2022, the Service Agreement fee was estimated based on the provisions of the current 2015-2022 contract, with offsetting measures assumed in a manner similar to what occurred for the year 2020 and 2021. For the 2023-2032 period, the new Service Agreement will provide for fee revenues through the definition and calculation of the Regulatory Economic and Financial Plan model required by reference legislation and ART Resolution no. 154/2019.
3. Investments. They were estimated on the basis of what was set forth in the pre-information notice regarding the assignment to Trenord, as also confirmed by Regional Law no. 15 of 6 August 2021, appropriately updated in order to consider the most recent information shared with the Lombardy Region with reference to the 2023-2032 Service Agreement;
4. Other items. The service operating plan and operating costs were developed on the basis of production trends in line with the commissioning of new trains and the decommissioning of older trains over time, indexed to inflation and contractual adjustments.

Due to the pre-information notice regarding the assignment to Trenord, as also confirmed by Regional Law no. 15 of 6 August 2021, no alternative scenario of the tender not being awarded was considered, but rather a single scenario of the tender being awarded was considered, in line with the projections approved by the Trenord directors.

With reference to the period beyond the horizon of the economic and financial projections, two weighted scenarios were considered:

– in the first case Trenord continues the service, on the strength of its position as incumbent and the complexity of the service it manages, and therefore a terminal value was estimated;
– in the second, in view of the possibility that the Lombardy Region might start a competitive bid on part of the future offer, on a prudential basis and in light of the purposes of this test, the liquidation of the operating invested capital forecast at 31 December 2032 was evaluated at book value.

EBITDAs throughout the plan period for both scenarios were reduced by 5% to make up for the assumed volume effect during the plan period and express any higher costs due to inflation.

The rate used to discount cash flows determined as described above was calculated as 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. The g rate was estimated to be 0.

Impairment testing, carried out according to the above methodology, did not identify any need to write down the equity investment.
A sensitivity analysis was also carried out considering both a change in the WACC discount rate and g-rate growth rate in the calculation of the terminal value.
The write-downs in millions of euros (with a negative sign) that would occur if these parameters were to change are shown below:

| **Sensitivity Analysis on WACC and g rate in the impairment test of TRENORD** | | | | | | |
|---|---|---|---|---|---|---|
| | | **WACC** | | | | |
| | | **6.70 %** | **7.20 %** | **7.70 %** | **8.20 %** | **8.70 %** |
| **g rate** | **-1.0 %** | 9.10 | 3.30 | -2.10 | -7.00 | -11.60 |
| | **-0.5 %** | 10.60 | 4.50 | -1.00 | -6.10 | -10.90 |
| | **0.0 %** | 12.30 | 6.00 | 0.20 | -5.10 | -10.00 |
| | **0.5 %** | 14.40 | 7.60 | 1.60 | -4.00 | -9.10 |
| | **1.0 %** | 16.70 | 9.60 | 3.10 | -2.70 | -8.00 |

Moreover, the shareholders have undertaken to support the investee's capital and finances.

*NORD ENERGIA S.p.A.*
The decrease in the investment, equal to EUR 2,861 thousand, is determined by the distribution of the dividend, carried out in 2021, as approved by the Shareholders' Meeting of the investee, based on the result of 2020.

*Omnibus Partecipazioni S.r.l.*
The Group holds 50% of Omnibus Partecipazioni, which in turn holds approximately 49% of ASF Autolinee. The decrease in the investment, equal to EUR 1,000 thousand, is determined by the distribution of the dividend, carried out in 2021, as approved by the Shareholders' Meeting of the investee, based on the result of 2020.

*BusForFun.com S.r.l.*
In December 2021, FNM carried out a second capital increase, with an investment of EUR 510 thousand, increasing its stake from 24.7% to 40% of the share capital of BusForFun.com ("BusForFun"), an innovative start-up active in the tourism and commuting technology sector.

*Sportit S.r.l.*

On 29 November 2021, the Board of Directors approved the acquisition, completed on 3 December 2021, of a 33% equity investment in Sportit S.r.l. (Sportit), a company active under the Snowit brand and the main marketplace for the integrated online sale of ski passes, ski-related services and experiences relating to the mountain world in the main European skiing destinations, for a total of EUR 2.5 million.

*Milano Serravalle - Milano Tangenziali S.p.A.*

On 26 February 2021, in execution of the purchase and sale agreement, the acquisition of 82.4% of MISE's share capital from the Lombardy Region 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, after the finalisation of the transaction, FNM therefore has a shareholding representing 96% of the MISE share capital.
Therefore, MISE changed from being classified as “equity investments in other companies” to “subsidiary”. As of 26 February 2021, MISE is therefore fully consolidated in the Consolidated Financial Statements of the FNM Group.

In fact, following the acquisition of 96% of MISE's share capital and the related line-by-line consolidation of the investment, the item decreased by EUR 85.8 million, equal to the carrying amount as at 31 December 2020, and increased due to the contribution to the consolidation of MISE's investee companies, shown below:

| Equity investments held through Milano Serravalle - Milano Tangenziali S.p.A. | % of ownership | Carrying amount at the consolidation date | Carrying amount at 31.12.2021 |
|---|---|---|---|
| **Equity investments in associates:** | | **64,352** | **65,308** |
| Tangenziali Esterne Milano | 18.8006% | 25,928 | 25,983 |
| Autostrada Pedemontana Lombarda | 36.66% | 38,424 | 39,325 |
| **Equity investments in other companies:** | | **11,697** | **5,594** |
| Autostrade Lombarde S.p.A. | 2.7794% | 5,802 | |
| S.A.Bro.M. S.p.A. | 12.9746% | 3,198 | 3,198 |
| CIV S.p.A. | 5% | 673 | 673 |
| Tangenziale Esterna S.p.A. | 0.3864% | 1,706 | 1,706 |
| Società progetto Brebemi SpA | 0.4129% | 301 | |
| Confederazione Autostrade S.p.A. | 16.6670% | 13 | 13 |
| Consorzio Autostrade Italiane Energia | 1.45% | 2 | 2 |
| Consorzio Tangenziale Engineering | 10% | 2 | 2 |

On 9 December 2021, following the receipt of a non-binding offer for the acquisition of the shares held by Milano Serravalle-Milano Tangenziali S.p.A. and Milano Serravalle Engineering S.r.l. in the investee companies Autostrade Lombarde S.p.A. and Società di Progetto Brebemi S.p.A. for a total price of EUR 6,313,362.00, the equity investments were reclassified to equity investments in other companies under current assets (Note 21).

## NOTE 11 CURRENT AND NON-CURRENT FINANCIAL ASSETS MEASURED AT FAIR VALUE

This item is broken down as follows:

| Description | 31.12.2021 | | |
|---|---|---|---|
| | Non Current | Current | Total |
| Severance indemnities provision policies | 5,419 | | 5,419 |
| Bonds | 1,000 | | 1,000 |
| Collection of tolls in transit | | 533 | 533 |
| Others | 1 | | 1 |
| **Financial receivables** | **6,420** | **533** | **6,953** |
| APL interest-bearing loan | 47,820 | | 47,820 |
| Sabrom interest-bearing loan | 2,673 | | 2,673 |
| TE interest-bearing loan | 786 | | 786 |
| Busforfun interest-bearing loan | 840 | 214 | 1,054 |
| Financial receivables for interest to related parties | | 161 | 161 |
| (LESS) IFRS 9 Impairment Provision | | (46) | (46) |
| **Financial receivables from related parties (Note 49)** | **52,119** | **329** | **52,448** |
| | | | |
| **Total** | **58,539** | **862** | **59,401** |

| Description | 31.12.2020 | | |
|---|---|---|---|
| | Non Current | Current | Total |
| 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 49)** | **—** | **115** | **115** |
| | | | |
| **Total** | **2** | **115** | **117** |

The item "Severance indemnities provision policies" concerns the policies taken out by the subsidiary MISE for the "Employee severance indemnities". The carrying amount represents the total receivable at 31 December 2021 from the insurance companies Allianz (formerly Ras) and Assicurazioni Generali (formerly Ina Assitalia).

The item “Bonds” refers to the subscription of the Unicredit EMTN programme (ISIN XS2305029196 2021/2026) by the subsidiary ATV on 19 March 2021. The bonds mature on 19 July 2026 and carry interest at a rate of 0.60%.

The item “Collection of tolls in transit” is attributable to the receivable from electronic card operators for the collection of motorway tolls.

The item “APL interest-bearing loan” refers to the two interest-bearing loans granted to the associated company Autostrada Pedemontana Lombarda S.p.A. for a total nominal amount of EUR 150 million; a first loan of EUR 100 million granted in 2014 and a second loan of EUR 50 million granted in February 2016.
Following the signing of the addendum of the loan agreement by Autostrada Pedemontana Lombarda S.p.A., with the same Lenders of the bridge 2 loan, the repayment terms of which were rescheduled, on 2 December 2017 MISE signed a “subordination and subordination agreement” with the associate, by which it undertook, in its capacity as Controlling Shareholder, with respect to the Associate, not to ask for repayment - for any reason whatsoever of interest or subordinated debt - until the complete extinction of the Bridge 2 loan and not to withdraw from the existing Shareholders' loan contracts in favour of the associate. This subordination provision is still in place, also in light of the fact that the project financing was taken out.
This loan, measured at amortised cost in accordance with IFRS 9, has been recorded in continuity of values with respect to MISE's separate financial statements in accordance with the provisions of IFRS 1, i.e. at its present value determined on the basis of a discount rate, equal to 6.89%, which reflects the characteristics of the loan and which differs from the contractual interest rate (equal to the 3-month Euribor plus a spread of 357 bps stating from 1 January 2021).

The Interest-bearing loan to S.A.Bro.M. S.p.A. refers to two interest-bearing loans: a first for EUR 2,336 thousand maturing on 31 October 2019 with an extension option in favour of S.A.Bro.M. S.p.A. for a maximum of four annual renewals, currently renewed until 31 October 2021; a second for EUR 156 thousand, under the same conditions as the previous one. The total amount of EUR 2,673 thousand also includes the interest accrued as at 31 December 2021, calculated at an interest rate of 2.75%, as provided for in the agreement.

The Interest-bearing loan to Tangenziale Esterna S.p.A. refers to the interest-bearing loan, as provided for in the contribution agreement to the project loan - Equity Contribution and Subordination Agreement - renewed by MISE on 2 August 2018, under the same economic conditions as the previous one, following the signing of the new loan agreement of the investee. The total amount of EUR 786 thousand also includes the interest accrued from the date on which the quotas were called up to 31 December 2021, calculated at an interest rate of 12.06%, as provided for in the agreement.

On 30 July 2021, the Parent Company signed a loan agreement with the associate Busforfun in order to provide it with the necessary funding to strengthen its positioning as a Mobility Partner for large projects, businesses, communities and events.
The loan, totalling EUR 2,000 thousand, matures 6 years after the stipulation date. The credit facility, bearing interest at a floating rate equal to the 6-month Euribor + 165 bps per annum, will be repaid in 5 yearly instalments with the first instalment falling due on 31 December 2022.

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

This item is entirely attributable to investments subscribed by the subsidiary ATV:

- in a treasury asset management portfolio, for EUR 5,000 thousand, on 14 December 2021 with Fideuram Asset Management SGR;
- in a treasury asset management portfolio, for EUR 2,000 thousand, on 23 December 2021 with Fideuram Asset Management SGR, repaid in full on 31 January 2022.

The investments were classified among financial assets at fair value through profit or loss because the cash flows were not represented only by payments of principal and interest on the amount of the principal to be repaid.

## NOTE 13 RECEIVABLES FOR INVESTMENTS IN SERVICES UNDER CONCESSION

In accordance with IFRIC 12, this item includes the portion of accrued revenues recognised, corresponding to investments made according to the completion percentage, not yet collected at the end of the reporting period.

At 31 December 2020 and 2021, the item is broken down as follows:

| Description | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Credit for costs incurred in the period and not collected - Funded investments | 38,789 | 41,511 |
| Credit for costs incurred in the period and not collected - Rolling Stock “2017 - 2032 Programme” | 99,272 | |
| **Receivables for funded investments** | **138,061** | **41,511** |

The next table shows the change in this item, in the year under review:

| Description | Funded investments | Rolling stock | Total |
|---|---|---|---|
| **Receivables for funded investments 01.01.2021** | **41,511** | | **41,511** |
| Receivables collected during the year | (37,216) | (54,193) | (91,409) |
| Use of advances | (24,142) | (108,925) | (133,067) |
| Write-downs carried out | (1,113) | | (1,113) |
| Receivables for costs incurred in the period and not collected - Infrastructure (Note 35) | 57,902 | 260,882 | 318,784 |
| Receivable for general expenses | 1,847 | 1,508 | 3,355 |
| **Receivables for funded investments 31.12.2021** | **38,789** | **99,272** | **138,061** |

The line item “Credit for costs incurred in the period and not collected - Rolling Stock “2017 - 2032 Programme” is entirely attributable to costs relating to orders under the “Programme for the purchase of rolling stock for the regional railway service for the years 2017 - 2032”.

The item “Credit for costs incurred in the period and not collected - Funded investments” relates to orders for the maintenance of Railway Infrastructure under Concession, as well as the procurement of TILO rolling stock, not included in the “2017-2032 Purchase Programme”.

## NOTE 14 CONTRACTUAL ASSETS

This item, amounting to EUR 145,088 thousand, includes the balance of the investments made until 31 December 2021 by the subsidiary MISE within the scope of the existing concession agreement with ANAS S.p.A. These amounts will be reclassified to “Intangible assets - Motorway infrastructure” when the Group is entitled to recognise the investment when determining the tariff to be applied to end users.

| Description | 01/01/2021 | Changes in 2021 | | | | 31.12.2021 |
|---|---|---|---|---|---|---|
| | | Increases | Reclassification | Decreases | Change in scope of consolidation | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Historical cost | — | 53,136 | (146) | (25,437) | 127,839 | 155,392 |
| Financial expenses | — | 1,269 | | (1,018) | 4,854 | 5,105 |
| Contributions received | — | (10,197) | | | (5,212) | (15,409) |
| **Total Contractual assets** | **—** | **44,208** | **(146)** | **(26,455)** | **127,481** | **145,088** |

The increase in the year for investments made since the date of consolidation of MISE amounted to EUR 53,136 thousand (EUR 58,956 as of 1 January 2021).
The most significant changes relate to:

- redevelopment work on SP 46 Rho-Monza for approximately EUR 41.2 million, with this production reaching 80% of the economic framework of the work;
- Completion of the access road to the intermodal centre of Segrate for EUR 9.5 million;
- Extraordinary maintenance on the Rho viaduct for works amounting to EUR 3.2 million.

Grants received, amounting to EUR 10,197 thousand, refer to:

- EUR 9,833 thousand for the contribution provided by the Ministry of Infrastructure and Sustainable Mobility for redevelopment works with motorway characteristics of the S.P. 46 Rho-Monza;
- for EUR 364 thousand to the agreement in place with Westfield Milan S.p.A. for works to complete the access roads to the Segrate intermodal centre.

Financial expenses of EUR 1,269 thousand (EUR 1,473 thousand as of 1 January 2021) refer to interest expense accrued on loans for motorway infrastructure.

## NOTE 15 DEFERRED TAX ASSETS AND LIABILITIES

| Description | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Deferred tax assets | 45,092 | 25,499 | 19,593 |
| Deferred tax liabilities | (9,319) | (1,484) | (7,835) |
| **Balance** | **35,773** | **24,015** | **11,758** |

Changes in net deferred tax assets are shown below:

| Description | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| **Balance at the start of the year** | **24,015** | **21,543** | **2,472** |
| Allocated to income statement | 1,650 | 2,548 | (898) |
| Allocated to capital | (500) | (43) | (457) |
| Change in the scope of consolidation MISE | 10,608 | | 10,608 |
| IFRS 5 Locoitalia | | (33) | 33 |
| **Balance at the end of the year** | **35,773** | **24,015** | **11,758** |

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

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

| 2020 Deferred tax assets | Balance at 01.01.2020 | Allocated to income statement | Allocated to capital | IFRS 5 Change | Balance at 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 depr. tangible assets | 5,348 | 603 | | | 5,951 |
| Leases | 9 | 33 | | (33) | 9 |
| Tax losses | — | 540 | | | 540 |
| **Total** | **23,320** | **2,255** | **(43)** | **(33)** | **25,499** |

| 2021 Deferred tax assets | Balance at 01.01.2021 | Allocated to income statement | Allocated to capital | Change in the scope of consolidation | Balance at 31.12.2021 |
|---|---|---|---|---|---|
| Capital gains | 597 | (277) | | | 320 |
| Non-deductible amortisation and depreciation | 16,587 | 1,795 | | 14,139 | 32,521 |
| Intangible assets | 154 | (63) | | 307 | 398 |
| Post-employment benefit | 775 | (202) | 54 | 228 | 855 |
| Impairment of receivables | 886 | (59) | | | 827 |
| Writebacks and depr. tangible assets | 5,951 | 1,054 | | | 7,005 |
| Leases | 9 | 206 | | 297 | 512 |
| Tax losses | 540 | 1,594 | | 156 | 2,290 |
| IFRIC 12 - Renewal provision | — | (615) | | 164 | (451) |
| Derivative financial instruments | — | — | (554) | 1,369 | 815 |
| **Total** | **25,499** | **3,433** | **(500)** | **16,660** | **45,092** |

| 2020 Deferred tax liabilities | Balance at 01.01.2020 | Allocated to income statement | Allocated to capital | IFRS 5 Change | Balance at 31.12.2020 |
|---|---|---|---|---|---|
| Capital gains | 156 | (79) | | | 77 |
| Fixed assets | 1,621 | (214) | | | 1,407 |
| **Total** | **1,777** | **(293)** | **—** | **—** | **1,484** |

| 2021 Deferred tax liabilities | Balance at 01.01.2021 | Allocated to income statement | Allocated to capital | Change in the scope of consolidation | Balance at 31.12.2021 |
|---|---|---|---|---|---|
| Capital gains | 77 | (75) | | | 2 |
| Fixed assets | 1,407 | (108) | | | 1,299 |
| Assets under concession | | 1,966 | | 6,052 | 8,018 |
| **Total** | **1,484** | **1,783** | **—** | **6,052** | **9,319** |

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.

Considerations on estimates 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 2021.

## NOTE 16 INVENTORIES

The next table shows how this item is broken down:

| Description | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Permanent way material | 5,171 | 5,890 |
| Bus Spare Parts | 3,001 | 3,120 |
| Motorway infrastructure maintenance material | 1,870 | |
| Spare parts for contact lines, apparatuses, control units and telephones | 1,697 | 2,059 |
| Gasoil and lubricants | 359 | 456 |
| Other auxiliary materials | 515 | 506 |
| (LESS: Provision for stock obsolescence) | (3,109) | (3,329) |
| **Total** | **9,504** | **8,702** |

The item in question increased by EUR 802 thousand over the previous year due to the contribution of MISE, amounting to EUR 1,870 thousand, partially offset by uses made for maintenance operations carried out on the railway infrastructure.

Following specific analysis of the rotation indexes of materials, it was not deemed necessary to add to the provision for inventory write-down relating to obsolete material.

## NOTE 17 TRADE RECEIVABLES

| Description | Current | |
|---|---|---|
| | 31.12.2021 | 31.12.2020 |

| | | |
|---|---|---|
| Receivables from others - gross | 74,612 | 20,393 |
| (LESS) Provision for bad debts | (4,462) | (2,805) |
| **Trade receivables from third parties** | **70,150** | **17,588** |
| Receivables from related parties - gross | 62,986 | 65,121 |
| (LESS) IFRS 9 Impairment Provision | (69) | (69) |
| **Trade receivables from related parties (Note 49)** | **62,917** | **65,052** |
| | | |
| **Total** | **133,067** | **82,640** |

**Trade receivables from third parties**

The change in the item "Trade receivables from third parties", amounting to EUR 52,562 thousand, primarily relates to the contribution of MISE, amounting to EUR 51,802 thousand.

Receivables due from customers of the subsidiary MISE include:

1. "Receivables for interconnection relationships" of EUR 45,622 thousand, mainly consisting of receivables from interconnected motorway companies, the main one being Autostrade per l'Italia S.p.A., and represent the receivable from users for deferred tolls;
2. receivables due from oil companies for royalties, amounting to EUR 4,453 thousand;
3. receivables for the recovery of operating costs from Autostrade per l'Italia S.p.A. concerning the Agrate and Terrazzano tollgates, equal to EUR 1,644 thousand;
4. "Receivables for toll non-payment reports" (RMPP), for EUR 1,436 thousand, represent MISE's share of tolls not yet collected from users in relation to the issue by MISE of RMPP at the tollgates of the network under concession. Provisions have been recognised for these receivables in view of the possibility of recovering them, amounting to EUR 1,311 thousand.

The fair value of receivables approximates the carrying amount at 31 December 2021 and 31 December 2020.

With reference to IFRS 9, it is pointed out that the risk of default on the receivables was estimated, as in previous years, taking into account the generic risk of non-collectibility of the receivables not due at the reference date, which can be derived from historical experience.

**Trade receivables from related parties**

The decrease in gross trade receivables from related parties of EUR 2,135 thousand compared to 31 December 2020 is partially offset by MISE's contribution of EUR 1,073 thousand.

The item mainly includes receivables due from the Lombardy Region for the Service Agreement for railway infrastructure, as well as from the investee Trenord.

## NOTE 18 OTHER CURRENT AND NON-CURRENT RECEIVABLES

This item is broken down as follows:

| Description | 31.12.2021 | | |
|---|---|---|---|
| | Non Current | Current | Total |
| Receivables for advances to suppliers on work in progress on financed Trains | | 47,534 | 47,534 |
| Receivables for advances to suppliers on work in progress on railway infrastructure | | 29,826 | 29,826 |
| Tax receivables | | 7,519 | 7,519 |
| Receivables for grants | | 5,720 | 5,720 |
| Receivables for advances to suppliers on work in progress on motorway infrastructure | | 5,016 | 5,016 |
| Receivables from INPS illness costs | | 1,490 | 1,490 |
| Receivables for Government grants | | 102 | 102 |
| Receivable for contractual advance | | 70 | 70 |
| Sundry receivables | 1,911 | 7,976 | 9,887 |
| (LESS) Provision for bad debts | | (209) | (209) |
| **Other receivables from third parties** | **1,911** | **105,044** | **106,955** |
| Receivables from related parties | 7 | 18,005 | 18,012 |
| (LESS) IFRS 9 Impairment Provision | | (37) | (37) |
| **Other receivables from related parties (Note 49)** | **7** | **17,968** | **17,975** |
| | | | |
| **Total** | **1,918** | **123,012** | **124,930** |

| 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 Funded investments | | 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 | | (669) | (669) |
| **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 49)** | | **14,686** | **14,686** |
| | | | |
| **Total** | **213** | **95,834** | **96,047** |

## Other receivables - third parties

The item "Receivables for advances to suppliers on work in progress on financed Trains", amounting to EUR 47,534 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 decrease in the year, amounting to EUR 4,192 thousand, relates to progress on contracts for EUR 22,826 thousand, partially offset by the start of a new project and the achievement of a contractual milestone, amounting to EUR 18,634 thousand. The percentage of progress on work orders accrued in relation to the percentage of completion during the year was EUR 260,882 thousand (compared to the total value of EUR 1,637 million).

"Receivables for advances to suppliers on work in progress on Funded investments", amounting to EUR 29,826 thousand, are entirely due to the advance portion on the progress (SAL) of the orders relating to the maintenance of the Railway infrastructure under Concession, as well as the procurement of TILO rolling stock, not included in the "2017-2032 Purchase Programme". This item increased by EUR 20,775 thousand, due to the start-up of new contracts, as well as the increased demands of contractors.

Current tax receivables refer primarily to VAT receivables for which a refund has already been requested for EUR 6,013 thousand (EUR 7,223 thousand at 31 December 2020), VAT receivables to use in offsetting for EUR 582 thousand (EUR 272 thousand at 31 December 2020), as well as receivables from the financial administration for the refund of excise duty on diesel fuels for EUR 817 thousand (EUR 1,282 thousand at 31 December 2020).
The VAT receivable for which a refund has already been requested refers to:

- for EUR 5,500 thousand, to the request for reimbursement submitted by the Parent Company on 24 April 2018 with the VAT return for the 2017 tax period. The change in the period relates to the collection on 11 October 2021 of the refund application submitted by the Parent Company on 27 April 2017 for the first quarter of 2017, for EUR 1,723 thousand;
- for EUR 513 thousand, to receivables recognised by the subsidiary MISE for VAT refund applications for the years 2003, 2004, 2005 and 2006 following notification by the Supreme Court of Cassation of the orders sentencing the Italian Revenue Agency to make payments on those applications.

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.

The item “Receivables for advances to suppliers on work in progress on motorway infrastructure” mainly refers to contractual advances granted to contractors pursuant to Law 11/2015 converting Decree Law 210, art. 7 of 30/12/2015. The change is justified both by the activation of new contracts and by the increase in the number of firms that decide to make use of this option.

Receivables from INPS, amounting to EUR 1,490 thousand (EUR 2,485 thousand at 31 December 2020), are attributable to receivables from social security institutions for the recovery of costs incurred for the provision of sickness benefits to employees and decreased in relation to the compensation, authorised in February 2021 and relating to the year 2014, for the reimbursement of higher sickness costs for the year 2014.

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

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

*Sundry receivables*

The item "Current sundry receivables" includes EUR 2,085 thousand (EUR 1,218 thousand as at 31 December 2020) in advances to suppliers and EUR 4,239 thousand (EUR 1,064 thousand as at 31 December 2020) in prepayments for insurance premiums.

Specifically, deferrals include:

- prepayments for Warranty & Indemnity (W&I) insurance policies taken out to cover the Representations & Warranties contained in the sale and purchase agreement signed with the Lombardy Region for the acquisition of MISE, amounting to EUR 1,005 thousand (not present at 31 December 2020);
- "Green maintenance agreements", or the contribution paid to the municipalities of Corana (PV) and Silvano Pietra (PV) for the maintenance of areas intended for environmental mitigation. Costs are allocated pro rata to each reporting period until 31 October 2028;
- "Multihole duct agreement", referring to the agreement renewed during the year with Telecom Italia S.p.A. for the use of optical fibres, expiring on 31 October 2028, charged to the Income Statement on an accrual basis.

**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 2,232 thousand (EUR 1,986 thousand at 31 December 2020) and for the tax consolidation for EUR 628 thousand (EUR 27 thousand at 31 December 2020).

The fair value of receivables approximates the carrying amount at 31 December 2021 and 31 December 2020.

## NOTE 19 CURRENT AND NON-CURRENT TAX RECEIVABLES

| Description | 31.12.2021 | | |
|---|---|---|---|
| | Non Current | Current | Total |
| IRES (CORPORATE INCOME TAX) | 17 | 1,144 | 1,161 |
| IRAP (REGIONAL BUSINESS TAX) | | 357 | 357 |
| **Tax receivables** | **17** | **1,501** | **2,968** |

| Description | 31.12.2020 | | |
|---|---|---|---|
| | Non Current | Current | Total |
| IRES (CORPORATE INCOME TAX) | | 2,571 | 2,571 |
| IRAP (REGIONAL BUSINESS TAX) | | 397 | 397 |
| **Tax receivables** | **—** | **2,968** | **2,968** |

This item includes amounts due from the tax authorities for IRES and IRAP, which decreased with respect to the previous year due to lower advances paid by the Parent Company under the Group's tax consolidation scheme.

## NOTE 20 CASH AND CASH EQUIVALENTS

The next table shows how this item is broken down.

| Description | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Bank and postal deposits | 351,047 | 253,983 |
| (LESS) Impairment IFRS 9 | (693) | (693) |
| Cash on hand | 1,478 | 54 |
| **Total** | **351,832** | **253,344** |

The breakdown of bank and postal deposits is shown below:

| Bank and postal deposits | 31.12.2021 | 31.12.2020 | Changes |
|---|---|---|---|
| Bank and postal deposits in cash pooling | 99,979 | 102,674 | (2,695) |
| ATV (and its subsidiary La Linea 80) | 15,732 | 24,091 | (8,359) |
| MISE (and its subsidiary Milano Serravalle Engineering) | 136,807 | | 136,807 |
| Ferrovienord (accounts dedicated to RL investments) | 98,529 | 127,218 | (28,689) |
| **Total** | **351,047** | **253,983** | **97,064** |

The FNM Group 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 Company, that concurrently credits/debits the giro account of individual subsidiaries. As at 31 December 2021, the Group companies that did not participate in cash pooling were ATV, its subsidiary La Linea 80, MISE and its subsidiary Milano Serravalle Engineering. On 20 December 2021, MISE's Board of Directors resolved to adhere to the Group's centralised treasury management agreement for the cash pooling portion only and limited to the two bank accounts used for treasury purposes.

The first transfer of MISE's balances to the Parent Company's current accounts took place on 15 February 2022.
On that basis, in view of cash on bank deposits of EUR 351,047 thousand, of short-term payables to banks of EUR 88,774 thousand and non-current payables to banks of EUR 165,683 thousand (Note 23), the Group has payables in giro accounts - inclusive of interest - of EUR 35,986 thousand (EUR 37,246 thousand at 31 December 2020), as represented below:

| Payables in giro account | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Nord Energia | 19,651 | 20,188 | (537) |
| NordCom | 9,291 | 10,231 | (940) |
| Trenord | | 13 | (13) |
| Corporate bodies | 7,044 | 6,814 | 230 |
| **Total (Note 24)** | **35,986** | **37,246** | **(1,260)** |

On these giro accounts, interest income and expenses are paid at market rates (Note 24).

On 31 May 2018, the subsidiary FERROVIENORD stipulated with Cassa Depositi e Prestiti a loan agreement to support the regional train purchasing programme; this agreement provides that the grants paid by the Lombardy Region after the execution, are credited on a specific current account, pledged in favour of DCP and European Investment Bank. The balance of this current account as at 31 December 2021 amounts to EUR 58,410 thousand (EUR 87,099 thousand as at 31 December 2020).
As at the date of preparation of these financial statements, the lines of credit have not yet been used.

In addition, the item “Bank and postal deposits” includes an amount of EUR 40,119 thousand related to the reimbursement obtained from the “CONFEMI” consortium. These sums may be used by the Group, subject to authorisation by the Lombardy Region, to make specific investments to modernise the railway infrastructure.

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 21 CURRENT INVESTMENTS IN OTHER COMPANIES

| Current investments in other companies | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Equity investment in Autostrade Lombarde S.p.A. | 5,802 | — |
| Equity investment in Società di Progetto Brebemi S.p.A. | 511 | — |
| **Total** | **6,313** | **0** |

On 9 December 2021, the operator Aleàtica S.A.U., controlling shareholder of Autostrade Lombarde S.p.A. and indirectly of Società di Progetto Brebemi S.p.A., formally transmitted a binding offer for the acquisition of the shares held by Milano Serravalle-Milano Tangenziali S.p.A. and Milano Serravalle Engineering S.r.l. in the investee companies Autostrade Lombarde S.p.A. and Società di Progetto Brebemi S.p.A. for a total price of EUR 6,313,362.

The Board of Directors of the subsidiary MISE, held on 20 December 2021, and the Shareholders' Meeting held on 10 March 2022, authorised the signing for acceptance of the binding offer received from the operator Aleàtica S.A.U.

Following the binding offer received on 9 December 2021, the equity investments held in Autostrade Lombarde S.p.A. and Società di Progetto Bre.Be.Mi. S.p.A. were reclassified to current assets, adjusting the corresponding value to the price of the offer received, which was considered representative of the fair value of these shares, and thus recording a gain of EUR 184 thousand (Note 43).

## NOTE 22 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 | Reserve for fair value changes in derivatives | Indivisible Profits/Losses | Reserve for actuarial gain/loss | Translation reserve | Profit/Loss for the year | | | |
| **Balance at 01.01.2020** | **230.000** | **7.788** | **0** | **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** | **0** | **203.387** | **(7.661)** | **105** | **24.185** | **457.804** | **19.304** | **477.108** |
| **Total Comprehensive Income** | | | **3.306** | | **172** | **42** | **40.875** | **44.395** | **2.269** | **46.664** |
| Allocation of 2020 profit | | | | 24.185 | | | (24.185) | - | | - |
| Change in the scope of consolidation | | | (4.221) | (291.168) | 11 | | | (295.378) | (61) | (295.439) |
| **Balance at 31.12.2021** | **230.000** | **7.788** | **(915)** | **(63.596)** | **(7.478)** | **147** | **40.875** | **206.821** | **21.512** | **228.333** |

At 31 December 2021 and 31 December 2020, fully paid-up share capital amounted to EUR 230,000 thousand, comprising 434,902,568 ordinary shares, with no par value.

On 30 April 2021, the Shareholders' Meeting approved the proposal of the separate financial statements of the Parent Company for the year 2020, and resolved to allocate profit for the year of the Parent Company as follows:

- EUR 1,195 thousand to legal reserve;
- EUR 22,697 thousand to retained earnings.

The item included in change in scope of consolidation is attributable to the acquisition of MISE on 26 February 2021.

As already commented in Note 3, the acquisition is an "under common control" transaction, i.e. a business combination in which the companies participating in the combination (FNM and MISE) are controlled by the same entity (Lombardy Region) both before and after the combination, and this control is not temporary. These transactions are accounted for by taking into account the provisions of IAS 8, i.e. the concept of reliable and faithful representation of the transaction, and the provisions of OPI 1 (Assirevi preliminary guidelines on IFRS), relating to the "accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements". The selection of the accounting standard for the transactions under consideration must be based on the elements described above, which lead to the application of the criterion of continuity of values of the net assets transferred.

The net assets acquired were therefore recognised at the book values, specifically adjusted to IAS/IFRS, that appeared in MISE's financial statements at the date of the transaction and amounting to EUR 309.9 million, while the difference of EUR 294.9 million with the price paid to acquire the shareholding in MISE, amounting to EUR 604.8 million, was recognised as a reduction in the item "Shareholders' equity attributable to the Group".

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

| | La Linea | ATV | Total |
|---|---|---|---|
| Share held by non-controlling shareholders | *49 %* | *50.00 %* | |
| **Balance at 01.01.2021** | **3,200** | **16,104** | **19,304** |
| Change in the scope of consolidation | (61) | | (61) |
| Operating result | 767 | 1,494 | 2,261 |
| Reserve for Actuarial Gains/(Losses) | 11 | (3) | 8 |
| **Balance at 31.12.2021** | **3,917** | **17,595** | **21,512** |

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

| *Amounts in thousands of euros* | **Shareholders' equity 01.01.21** | **2021 Profit** | **Other result components transited directly to Shareholders' Equity** | **MISE consolidation** | **Other changes** | **Shareholders' equity 31.12.21** |
|---|---|---|---|---|---|---|
| Financial Statements of FNM S.p.A. | 399,626 | 5,408 | (9) | | | 405,025 |
| Derecognition of equity investments | (43,343) | | | (609,493) | (2,590) | (655,426) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Shareholders' Equity contributed by the consolidated companies | 107,003 | 37,107 | 3,529 | 309,891 | 2,122 | 459,652 |
| Put option recognition | (2,430) | | | | | (2,430) |
| Consolidation adjustments | (3,052) | (1,640) | | 4,692 | | — |
| **FNM Group shareholders' equity** | **457,804** | **40,875** | **3,520** | **(294,910)** | **(468)** | **206,821** |

## NOTE 23 CURRENT AND NON-CURRENT PAYABLES TO BANKS

Payables to banks at 31 December 2021 and 31 December 2020 are broken down as follows:

| **Description** | **31.12.2021** | | |
|---|---|---|---|
| | **Non Current** | **Current** | **Total** |
| EIB Funding | | 41,709 | 41,709 |
| Intesa-BancoBPM-BNL-Ubibanca-Unicredit 2019 | 99,485 | 24,733 | 124,218 |
| Banca Nazionale del Lavoro/Monte Paschi di Siena 2010 | 37,196 | 12,583 | 49,779 |
| UBI Banca-Banco BPM 2010 | 22,500 | 7,500 | 30,000 |
| Banca Carige (BEI intermediation) 2012 | 6,000 | 2,000 | 8,000 |
| Other payables to banks for loans | 502 | 249 | 751 |
| **Payables to banks** | **165,683** | **88,774** | **254,457** |

| **Description** | **31.12.2020** | | |
|---|---|---|---|
| | **Non Current** | **Current** | **Total** |
| *Term Loan Facility* | | 50,000 | 50,000 |
| EIB Funding | 41,688 | 8,244 | |
| Other payables to banks for loans | 752 | 375 | 1,127 |
| **Payables to banks** | **42,440** | **58,619** | **51,127** |

The item "EIB Funding" is entirely attributable to the disbursement of the loan taken out by the Parent Company from 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 fully disbursed in the course of 2020. In particular, on 20 March 2020, the first tranche of EUR 10 million was disbursed, and on 12 October 2020 the second tranche of EUR 40 million. The first tranche of the loan has a fixed rate of 0.377%, with six-year maturity and repayment plan in constant 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 constant annual

instalments with the first due date on 12 October 2021. Both instalments falling due during the year were repaid.
In relation to FNM's commitments under the loan agreement, on 15 January 2021 a request was sent to the EIB for consent to the completion of the MISE acquisition transaction and for the amendment of the materiality thresholds of permitted extraordinary transactions and financial covenants.
The EIB gave its approval for the acquisition transaction and thus as of 3 March 2021 amended the financial covenants, calculated on the Group's consolidated financial statements:

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

As a result of the consolidation of MISE, as described in Note 22, a reduction of EUR 295.0 million was recorded in the Group's shareholders' equity, resulting in failure to comply with the NFP/Shareholders' equity covenant. Consequently, the "EIB loan" was classified under current payables to banks in compliance with international accounting standards. It is not believed that this aspect generates liquidity problems in view of the fact that the Parent Company has taken steps with the EIB to agree on a change in the definition of the covenant that takes into account this specific consequence of the accounting treatment described above.
On 9 March 2022 the Parent Company received notice from EIB that the internal assessment process had been passed and, therefore, that the legal documentation for the letter of waiver and contract amendment had been prepared.

Other payables represented consist of MISE's bank debt recorded at amortised cost.
The following table summarises MISE's bank loans with an indication of the respective interest rates and covenants set forth in each contract:

| Funding | Residual Nominal Amount | Expiration | Interest rate | Covenants |
|---|---|---|---|---|
| INTESA (formerly UBI) - BANCO BPM | 30,000 | 31/12/2025 | 6-month Euribor (no floor) + margin 2% | NFP/EBITDA ≤ 5<br>NFP/SE< 2 |
| MPS - BNL | 50,000 | 31/12/2025 | 6-month Euribor (no floor) + margin 2.25% | NFP/EBITDA ≤ 5<br>NFP/SE< 2 |
| CARIGE | 8,000 | 31/12/2025 | Fixed rate 3.617% | N/A |
| INTESA - BANCO BPM-UNICREDIT-BNL-INTESA (formerly UBI) | 125,000 | 31/12/2026 | 6-month Euribor (no floor) + margin 1.80% | NFP/EBITDA ≤ 4<br>NFP/SE< 2 |

As at the closing date of 31 December 2021, based on available data, these covenants have been met.

The item "Term Loan Facility" pertained 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 referred to the amount of EUR 50,000 thousand disbursed on 14 September 2018 and recognised according to the amortised cost criterion.

When the short-term credit line was 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 fully extinguished the loan taken out on 7 August 2018, as it was no longer consistent with the Group's financial structure.

Reference is made to section 6.2 of the management report for detailed information about the Company's financial structure.

Please also note that, aside from the above-mentioned refinancing, the Group has liquidity headroom of EUR 131 million in uncommitted lines, thereby offering sufficient financial flexibility.

## NOTE 24 CURRENT AND NON-CURRENT FINANCIAL PAYABLES

Financial liabilities are described below:

| Description | 31.12.2021 | | |
|---|---|---|---|
| | Non Current | Current | Total |
| Payables to bondholders | 642,958 | 962 | 643,920 |
| Lease liabilities | 22,687 | 6,926 | 29,613 |
| Payables to other non-controlling shareholders | | 21,858 | 21,858 |
| Giro account | | 4,811 | 4,811 |
| Derivative instruments payable | 1,837 | 1,562 | 3,399 |
| Financial Payable Put Option La Linea | 2,086 | | 2,086 |
| Other financial payables | | 62 | 62 |
| **Financial Payables** | **669,568** | **36,181** | **705,749** |
| Giro account | | 31,175 | 31,175 |
| FINLOMBARDA financing | | 7,973 | 7,973 |
| Lease liabilities | 106 | 21 | 127 |
| **Financial payables to related parties (Note 49)** | **106** | **39,169** | **39,275** |
| | | | |
| **Total** | **669,674** | **75,350** | **745,024** |

| Description | 31.12.2020 | | |
|---|---|---|---|
| | Non Current | Current | Total |
| Lease liabilities | 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 |
| Lease liabilities | 2 | 90 | 92 |
| **Financial payables to related parties (Note 49)** | **2** | **32,278** | **32,280** |
| | | | |
| **Total** | **13,706** | **42,542** | **56,248** |

On 13 October 2021, the Parent Company completed the placement of a non-convertible senior unsecured bond for EUR 650 million, with a duration of five years. The bond represents the inaugural issue under the Euro Medium Term Non-Convertible Note Programme (the "EMTN Programme") of up to EUR 1 billion, the establishment of which was approved by FNM's Board of Directors on 16 September 2021.

The bond is listed on the regulated market of the Irish Stock Exchange - Euronext Dublin. The issue was settled on 20 October 2021.

The securities were placed at an issue price of 99.824% with a fixed rate with an annual coupon of 0.75% and an annual yield of 0.786%, corresponding to a spread of 88 basis points with respect to the mid-swap reference rate. The securities representing the bond have been assigned a Baa3 rating by Moody's and a BBB rating by Fitch, in line with those of the issuer. There are no financial covenants on the bond.

The proceeds of the bond were used to prepay in full the debt assumed in connection with the acquisition of Milano Serravalle - Milano Tangenziali S.p.A. (Note 10), and for the remaining part, to maintain adequate levels of liquidity to meet operating and investment needs.

On 21 October 2021, following the placement of the bond described above, FNM repaid in advance the unsecured short-term loan ("Bridge loan") used for EUR 620 million and 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.

"Payables to other non-controlling interests" are the estimate of the payable relating to the liquidation of the shareholding held by the non-controlling shareholder of the subsidiary MISE, which pursuant to Article 24 paragraph 5 of Legislative Decree 175/2016, requested the liquidation on 19 November 2018. The payable recognised includes legal interest accrued as of the date of the settlement request.

The item “Giro current account payables” to third parties refers to the cash pooling with various company entities (Supplementary FNM scheme for EUR 4,721 thousand and the FNM Company Recreational Group for EUR 89 thousand).

The item “Derivative instruments payable” represents the derivatives in place as at 31 December 2021 relating to interest rate swap hedging contracts entered into by the subsidiary MISE during 2011 with Banco BPM, Banca Intesa (formerly UBI Banca), Banca Nazionale del Lavoro and Monte dei Paschi di Siena in order to prevent the risk of changes in interest rates, the fair value of which is negative. The total notional value amounts to EUR 120,000 thousand. The qualitative analysis has shown an exact correspondence between the supporting elements of the loan and those of the IRS and furthermore, no particular problems are identified regarding the creditworthiness of the counterparty of the hedging instrument.
The measurement of derivative financial instruments was obtained with the assistance of an expert, as well as on the basis of communications from credit institutions, applying discount cash flow analysis (DCF) techniques, which are based on the calculation of the present value of expected cash flows. This method is internationally recognised as the best financial practice for the valuation of cash flows that have a time lag with respect to the valuation date.

With reference to the “Put Option financial payable”, it is highlighted that 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 payable was recorded at the current value of the outlay expected at the time when the put option could be exercised by the seller and it was therefore recognised with a contra-entry reduction of Group shareholders’ equity.

The item “Giro accounts with related parties” refers to the balance payable of the cash pooling between FNM and the joint venture; specifically, with NORD ENERGIA, for EUR 19,650 thousand, with NordCom, for EUR 9,291 thousand; and with the pension fund for EUR 2,232 thousand.

The “Finlombarda financing” payable refers to the loan taken out in December 2017 by the subsidiary MISE from Finlombarda S.p.A. of EUR 40 million with a duration of five years and with a residual value of EUR 8,000 thousand.
The loan provides for an interest rate equal to the 6-month Euribor (zero floor) plus a margin of 2.50% and includes the following financial covenants:

- NFP/Shareholders’ equity: not above 2
- NFP/EBITDA: not above 5

Lease liabilities all relate to the application of IFRS 16.
The increase in lease payables is due to the consolidation of MISE, amounting to EUR 14,918 thousand, primarily due to the lease of the subsidiary's registered office.

The value of fees recorded in the income statement for low value and short term contracts amounts to EUR 920 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:

| **Minimum future lease payments** | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Less than 1 year | 7,272 | 5,764 |
| 2 - 5 years | 18,213 | 11,631 |
| Over 5 years | 4,633 | 157 |
| **Total** | **30,118** | **17,552** |
| Future interest expense | (378) | (942) |
| **Present value of payables related to finance leases** | **29,740** | **16,610** |

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

| **Present value of payables related to finance leases** | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Less than 1 year | 6,947 | 4,957 |
| 2 - 5 years | 18,067 | 11,516 |
| Over 5 years | 4,726 | 137 |
| **Total** | **29,740** | **16,610** |

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

| **Description** | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Between 1 and 2 years | 6,947 | 3,225 |
| Between 2 and 5 years | 658,001 | 10,344 |
| Over 5 years | 4,726 | 137 |
| **Total** | **669,674** | **13,706** |

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

| **Description** | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Payables to Bondholders | 0.982 % | 1.170 % |
| Payables for leases IFRS 16 | 1.47% - 2.18% | 1.470 % |
| Payables for cash pooling | 0.004 % | 0.012 % |
| Payable to Finlombarda | 2.500 % | 0.000 % |

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

## NOTE 25 CURRENT AND NON-CURRENT PAYABLES FOR FUNDED INVESTMENTS

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

| Payables for funded investments | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Payables to Lombardy Region - Planning Agreement | 36,978 | 55,583 |
| Payables to Lombardy Region - Purchase of rolling stock | 0 | 109,625 |
| **Payables for funded investments to related parties (Note 49)** | **36,978** | **165,208** |
| | | |
| **Total payables for funded investments** | **36,978** | **165,208** |

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 decrease compared to 31 December 2020 is mainly related to the utilisations made during the year due to the progress made on the relative contracts:

- the "Programme for the purchase of rolling stock for the regional railway service for the years 2017 - 2032", in the amount of EUR 109,625 thousand;
- the Planning Agreement, for EUR 18,605 thousand.

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

| Payables for funded investments | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Payables to the Ministry of Transport | 5,822 | 5,821 |
| Other financial payables | — | 681 |
| **Payables for funded investments** | **5,822** | **6,502** |
| Payables to the Lombardy Region | 6,759 | 6,079 |
| **Payables for funded investments to related parties (Note 49)** | **6,759** | **6,079** |
| | | |
| **Total payables for funded investments** | **12,581** | **12,581** |

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

## NOTE 26 NET FINANCIAL POSITION

The item net financial position is broken down below, according to CONSOB information notice 5/21 of 29 April 2021, which replaces CONSOB notice no. 6064293 of July 2006 and related notices which refer data in the table to data in the Statement of Financial Position:

| Description | 31.12.2021 | of which related parties | 31.12.2020 | of which related parties | Notes |
|---|---|---|---|---|---|
| A. Cash and cash equivalents | 351,832 | | 253,344 | | 20 |
| B. Cash equivalents | — | | — | | |
| C. Other current financial assets | — | | — | | |
| **D. Liquidity (A+B+C)** | **351,832** | **—** | **253,344** | **—** | |
| E. Current financial payables | (144,566) | (76,126) | (252,785) | (197,396) | 23 - 24 - 25 |
| F. Current portion of non-current financial payables | (56,536) | (21) | (13,584) | (90) | 23 - 24 - 25 |
| **G. Current financial debt (E+F)** | **(201,102)** | **(76,147)** | **(266,369)** | **(197,486)** | |
| | | | | | |
| **H. Net current financial debt (G -D)** | **150,730** | **(76,147)** | **(13,025)** | **(197,486)** | |
| I. Non-current financial payables | (847,938) | (6,865) | (68,728) | (6,081) | 23 - 24 - 25 |
| **L. Non-current financial debt (I+J+K)** | **(847,938)** | **(6,865)** | **(68,728)** | **(6,081)** | |
| | | | | | |
| **M. Total financial debt (H+L)** | **(697,208)** | **(83,012)** | **(81,753)** | **(203,567)** | |

Current financial payables include current payables to banks and other lenders and therefore in detail the payables arising from advances paid by the Lombardy Region for financed investments relating to the modernisation of railway infrastructure, amounting to EUR 36,978 thousand (EUR 165,208 thousand at 31 December 2020) (Note 23), the balance of the cash pooling giro accounts with joint ventures and corporate bodies for a total of EUR 35,986 thousand (EUR 37,246 thousand at 31 December 2020), the payable to non-controlling shareholders of the subsidiary MISE, amounting to EUR 21,858 thousand and the payable to Finlombarda of the subsidiary MISE, of EUR 7,973 thousand, as well as lease liabilities of EUR 6,947 thousand (Note 23).

Non-current financial payables include the payable for the bond issued on 20 October 2021, amounting to EUR 642,958 thousand, and lease liabilities of EUR 22,793 thousand (Note 23).

Amounts due to banks rose by EUR 153,397 thousand, including non-current payables of EUR 123,242 thousand and current payables of EUR 30,155 thousand, due to the consolidation of MISE.

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 | 31.12.2021 | of which related parties | 31.12.2020 | of which related parties | Notes |
|---|---|---|---|---|---|
| A. Cash and cash equivalents | 253,303 | — | 126,126 | — | 20 |
| B. Cash equivalents | — | — | — | — | 20 |
| C. Other current financial assets | — | — | — | — | 20 |
| **D. Liquidity (A+B)** | **253,303** | **—** | **126,126** | **—** | |
| E. Current financial payables | (107,588) | (39,148) | (87,577) | (32,188) | 23 - 24 - 25 |
| F. Current portion of non-current financial payables | (56,536) | (21) | (13,584) | (90) | 23 - 24 - 25 |
| **G. Current financial debt (E+F)** | **(164,124)** | **(39,169)** | **(101,161)** | **(32,278)** | |
| | | | | | |
| **H. Net current financial debt (G -D)** | **89,179** | **(39,169)** | **24,965** | **(32,278)** | |
| I. Non-current financial payables | (847,938) | (6,865) | (68,728) | (6,081) | 23 - 24 - 25 |
| **L. Non-current financial debt (I+J+K)** | **(847,938)** | **(6,865)** | **(68,728)** | **(6,081)** | |
| **M. Total financial debt (H+L) adjusted** | **(758,759)** | **(46,034)** | **(43,763)** | **(38,359)** | |

| **IFRIC 12 Impacts** | | | | | |
|---|---|---|---|---|---|
| of which - D. Liquidity | 58,410 | | 87,099 | | 20 |
| of which - D. Liquidity | 40,119 | | 40,119 | | 20 |
| of which - E. Current financial payables - Payables for funded investments | (36,978) | (36,978) | (165,208) | (165,208) | 25 |
| **N. Total IFRIC 12 financial debt** | **61,551** | **(36,978)** | **(37,990)** | **(165,208)** | |
| | | | | | |
| **Net financial debt (M+N)** | **(697,208)** | **(83,012)** | **(81,753)** | **(203,567)** | |

To determine the adjusted NFP, the effects of the application of IFRIC 12 were excluded: cash at bank deriving from the crediting of the Lombardy Region grants for the regional programme for the purchase of trains (Note 20), cash at bank deriving from the release of the time deposit established with the CONFEMI funds (Note 20) and the payables deriving from the advances paid by the Lombardy Region for financed investments related to the modernisation of the railway infrastructure (Note 25).

In addition to the financial debt, please refer to Note 25 for the provisions recognised in the financial statements.

Again with reference to indirect financial debt, the final commitments as at 31 December 2021 that oblige the Group to acquire or build an asset in the next 12 months are shown below:

| **Description** | **Amount** |
|---|---|
| Investments in funded rolling stock | 89,905 |
| Funded railway infrastructure investments | 114,759 |
| Motorway infrastructure investments | 115,393 |
| Investments in rolling stock with own funds | 59,339 |
| Investments in buses | 3,110 |
| Other investments | 2,390 |
| | 384,896 |

## NOTE 27 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities are broken down as follows:

| **Description** | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Capital grants | 9,999 | 11,533 |
| Other liabilities | 1,963 | 2,668 |
| **Non-current liabilities** | **11,962** | **14,201** |
| Capital grants from the Lombardy Region | 8,230 | 10,016 |
| Other liabilities | 203 | 140 |
| **Other non-current liabilities to related parties (Note 49)** | **8,433** | **10,156** |
| | | |
| **Total** | **20,395** | **24,357** |

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 8,770 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 1,060 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 770 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 the Lombardy Region for the renovation of the property in piazza Cadorna in Milan for EUR 4,233 thousand, for the purchase of buses for EUR 3,707 thousand, for the purchase of rolling stock for EUR 227 thousand and for the construction of the “La civiltà di Golasecca” (The Golasecca Civilisation) museum equal to EUR 63 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 28 CURRENT AND NON-CURRENT PROVISIONS FOR RISKS AND CHARGES

This item is broken down as follows:

| Description | Cyclical maintenance | Motorway Infrastructure Renewal provisions | Provision for Commitments relating to non-compensated assets | Personnel | Ancillary charges for the Affori Redevelopment Programme | Other risks | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| **Balance at 01.01.2021** | **40,297** | | | **8,811** | **1,940** | **9,911** | **60,959** |
| Change in scope of consolidation | | 43,224 | 9,490 | | | 24,072 | **76,786** |
| Increases | 12,292 | 24,466 | 98 | 3,883 | | 5,544 | **46,283** |
| Uses | (3,560) | (14,498) | (116) | (2,147) | | (8,716) | **(29,037)** |
| Releases | | | | (4,058) | (797) | (4,204) | **(9,059)** |
| **Balance at 31.12.2021** | **49,029** | **53,192** | **9,472** | **6,489** | **1,143** | **26,607** | **145,932** |

Provisions for risks and charges have the following dates:

| Description | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Current | 50,159 | 21,237 |
| Non current | 95,773 | 39,722 |
| **Total** | **145,932** | **60,959** |

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

*Cyclical maintenance*

With reference to rolling stock, owned by the Lombardy Region, the subsidiary FERROVIENORD is the operator of the job order for the purchase of rolling stock, and is also responsible for maintenance of equipment in order to guarantee the effective operation of the service, with particular reference to cyclical maintenance. As regards this maintenance, which is scheduled based on years of use and kilometres travelled, the Group allocated provisions to cyclical maintenance of EUR 12,292 thousand, with use in the year amounting to EUR 3,560 thousand.

*Motorway infrastructure renewal provision*

The value of the renewal provision, equal to EUR 53,192 thousand (provision for restoration or replacement of assets freely revertible) refers to the coverage of costs for future restoration of the motorway infrastructure and has the function of maintaining and/or restoring the original productive capacity of the "assets freely revertible to the awarding body" both to maintain unchanged the production capacity and to transfer them, on expiry of the concession, to the Awarding Body in good working order, in view of the contractual obligations set out in the Consolidated Agreement signed by MISE with ANAS S.p.A. (subsequently replaced by the Ministry of Infrastructure and Sustainable Mobility).

*Provision for Commitments relating to non-compensated assets*

The item includes the provision equal to the present value of planned investments for which no tariff increases are expected. The amount of EUR 9,472 thousand was estimated on the basis of information from the business plan available at the date on which these consolidated financial statements were drafted. The provision for risks and charges is used to offset the cash outlays that the Group will incur to finance these investments.

*Personnel*

With reference to the renewal of the National Collective Bargaining Agreement for the Railway/Tram sector, expired on 31 December 2017, the Group, based on an assessment of ongoing negotiations and the economic terms of contract renewals, recognised EUR 3,883 thousand in a dedicated provision for the year 2021.

On 17 June 2021 an agreement was signed for the renewal of the national collective labour agreement for road, rail and tram workers, which expired on 31 December 2017, signed by the heads of Asstra, Anav and Agens with Filt-Cgil, Fit-Cisl, Uiltrasporti, Faisa Cisal and Ugl Fna, aimed at defining the economic coverage of the 2018-2020 three-year period through the disbursement of a one-off sum. At the same time, a methodical procedure was started contemplating the priority definition of two contractual issues that are considered appendices to the last contract renewal agreement The agreement establishes for permanent personnel on staff on the date on which the agreement is signed, that the 2018-2020 three-year period will be covered with the payment of a gross one-off sum of EUR 680 at parameter 175, to be revalued according to the current parametric scale. The disbursement was divided into two tranches, the first of EUR 300 paid with the salary of July 2021 and the second of EUR 380 paid with the salary of December 2021. As a result of this agreement, the provision was utilised for EUR 2,147 thousand and the excess amount of EUR 4,058 thousand was released.

*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. During the current year, following the restatement of assets to be carried out, part of the provision was released for EUR 797 thousand; the residual provision therefore amounts to EUR 1,143 thousand.

*Other risks*

The provision for other risks as at 31 December 2021 included:

- EUR 18,525 thousand relating to the difference between expenses for maintenance carried out with respect to the corresponding provisions of the current MISE Economic and Financial Plan;
- EUR 142 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”. During the year the provision, which had been allocated in previous years in the amount of EUR 3,694 thousand, was released in the amount of EUR 2,237 thousand and utilised in the amount of EUR 1,316 thousand following appeal sentence no. 1815/2021 of the Milan Regional Administrative Court;
- EUR 8,324 thousand, of which EUR 5,544 thousand allocated in the year, as a risk estimate of losing litigation ongoing with third parties; EUR 8,315 thousand of the fund was used in the year, and EUR 4,204 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 29 POST-EMPLOYMENT BENEFITS

| Description | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Present value of the post-employment benefit liability, calculated on the basis of demographic and financial assumptions | 28,011 | 21,201 |
| **Total** | **28,011** | **21,201** |

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

| Description | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Service costs | 379 | 215 |
| Interest (Note 44) | 93 | 118 |
| **Total** | **472** | **333** |

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 | 31.12.2021 | 31.12.2020 |
|---|---|---|
| | | |
| **Debt at the start of the year** | **21,201** | **23,931** |
| Service costs | 379 | 215 |
| Actuarial loss/(gain) | 194 | (153) |
| Interest cost | 93 | 118 |
| Uses | (2,641) | (2,913) |
| Transfers | — | 3 |
| Change in scope of consolidation | 8,785 | — |
| **Debt at the end of the year** | **28,011** | **21,201** |

The following main actuarial assumptions were used:

| Description | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Discount rate | 1.00 | 0.35 |
| Annual rate of compensation increase | 1.50 | 1.50 |
| Annual rate of inflation | 1.75 | 1.00 |
| Annual rate of post-employment benefit increase | 2.81 | 2.25 |

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 | 26,745 | 28,819 |

## NOTE 30 TRADE PAYABLES

Trade payables are broken down as follows:

| Description | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Payables for invoices received | 145,794 | 63,268 |
| Payables for invoices to be received | 215,678 | 110,322 |
| **Trade payables** | **361,472** | **173,590** |
| Trade payables to related parties | 10,855 | 3,948 |
| **Trade payables to related parties (Note 49)** | **10,855** | **3,948** |
| | | |
| **Total** | **372,327** | **177,538** |

Trade payables, net of the MISE contribution of EUR 55,768 thousand, increased by EUR 139,021 thousand mainly due to the progress of rolling stock renewal and railway infrastructure modernisation projects.

In particular, concerning the renewal of financed rolling stock, the balance includes payables for invoices received for EUR 56,310 thousand (EUR 30,404 thousand at 31 December 2020) and payables for invoices to be received for EUR 147,668 thousand (EUR 28,429 thousand as at 31 December 2020). As concerns the railway infrastructure modernisation projects, the balance includes payables for invoices received for EUR 42,296 thousand (EUR 10,495 thousand at 31 December 2020) and payables for invoices to be received for EUR 5,328 thousand (EUR 8,310 thousand as at 31 December 2020).

These increases are partially offset by payables to suppliers of rolling stock with own funds, which decreased from EUR 62,266 thousand at 31 December 2020 to EUR 23,306 thousand at the end of 2021.

Payables to suppliers include the payable to Cogel S.p.A. (equal to EUR 1,697 thousand), in relation to which there is a pending dispute, from whose outcome no additional liabilities from those already allocated are expected.

## NOTE 31 PAYABLES FOR TAXES AND DUTIES

Payables are broken down as follows:

| Description | 31.12.2021 | 31.12.2020 |
|---|---|---|
| IRES (CORPORATE INCOME TAX) | 938 | |
| IRAP (REGIONAL BUSINESS TAX) | 613 | 87 |
| **Payables for taxes** | **1,551** | **87** |
| IRPEF and withholdings | 4,327 | 3,298 |
| VAT | 1,849 | |
| Other | 13 | 17 |
| **Tax payables** | **6,189** | **3,315** |

The payable includes the IRES and IRAP charge for the year (Note 46).
The increase during the year mainly relates to the contribution of MISE of EUR 1,183 thousand to the item “IRPEF and withholdings”, of EUR 1,707 thousand to the item “VAT” and of EUR 184 thousand to the item “Payables for taxes”.

## NOTE 32 OTHER CURRENT LIABILITIES

Other current liabilities are broken down as follows:

| Description | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Payables to personnel | 17,686 | 13,906 |
| Deferred income | 10,796 | 3,872 |
| Payables to social security agencies | 9,330 | 3,164 |
| Concession fee payable | 4,936 | — |
| Capital grants | 1,543 | 1,754 |
| Advances from customers | 175 | 797 |
| Agencies | 91 | 84 |
| Payables to the Ministry of Infrastructures and Transport | 85 | 85 |
| Payables for the purchase of equity investment | | 7,341 |
| Other liabilities | 4,668 | 2,306 |
| **Current liabilities** | **49,310** | **33,309** |
| Payables to Joint Ventures/Associates | 13,969 | 10,337 |
| Capital grants from the Lombardy Region | 1,783 | 1,827 |
| Payable to the Pension Fund | 678 | 442 |
| Payables to the Lombardy Region | 1,986 | 134 |
| **Current liabilities to related parties (Note 49)** | **18,416** | **12,740** |
| | | |
| **Total** | **67,726** | **46,049** |

The item “Payables to personnel” refers to amounts at December 2021 paid in January 2022 and to holidays accrued but not taken.

The item “Payables to personnel” increased due to the contribution of MISE, amounting to EUR 3,662 thousand. For the same reason, the item “Payables to social security agencies” increased; the contribution of MISE is equal to EUR 3,812 thousand.

The item “Deferred income” increased in relation to the contribution of MISE, amounting to EUR 6,540 thousand, and refers to:

- “Junction maintenance agreements”, referring to three agreements signed respectively with the Municipality of Corsico, the Municipality of Milan and Fiordaliso S.p.A., expiring on 31 October 2028, to cover the costs that will be incurred for the maintenance of the works covered by the agreements;
- “crossing fees” relating to contracts entered into up to the end of the concession and charged pro rata to the income statement;

- fibre optic fees mainly referring to the agreement renewed with Telecom Italia S.p.A., expiring on 31 October 2028, recorded on an accruals basis in the Income Statement.

Deferred income also includes 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 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 (NordCom, Nord Energia and Omnibus).

The item “Capital grants from the Lombardy Region” mainly refers to grants from the Lombardy Region for the purchase of rolling stock (EUR 950 thousand) and for the purchase of buses (EUR 497 thousand).

There are no commitments to purchase property, plant and machinery.

The item “Payables for the purchase of equity investment” was 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. The amount was paid in full on 28 January 2021.

## INCOME STATEMENT

For a better understanding of the changes in the period, reference should be made to the pro-forma statements included in the Management Report prepared following the acquisition of MISE described in the previous paragraphs.

## NOTE 33 REVENUES FROM SALES AND SERVICES

The next table shows the breakdown of this item:

| Description | 2021 | 2020 |
|---|---|---|
| Income from motorway tolls | 197,703 | |
| Revenues from service agreement for automotive sector | 39,067 | 39,966 |
| Products of automotive traffic | 31,878 | 22,876 |
| Income from Service Areas concessions | 4,164 | |
| Terminal movements revenues | 1,527 | 1,449 |
| Car sharing revenues | 1,104 | 635 |
| Property income | 469 | 460 |
| Services invoiced | 7,623 | 1,454 |
| Hire of rolling stock | | 286 |
| **Revenues from sales and services** | **283,535** | **67,126** |
| Infrastructure management service agreement | 84,870 | 89,656 |
| Hire of rolling stock | 64,407 | 66,088 |
| Services invoiced | 10,431 | 9,454 |
| Train replacements | 5,841 | 5,099 |
| Design services and railway infrastructure project management | 4,088 | 2,805 |
| Revenues from network access | 2,363 | 1,263 |
| Car sharing contribution | 1,800 | 1,800 |
| Property income | 458 | 457 |
| Car sharing revenues | 341 | |
| **Revenues from sales and services to related parties (Note 49)** | **174,599** | **176,622** |
| | | |
| **Total** | **458,134** | **243,748** |

### Revenues from sales and services - third parties

Revenues from sales and services to third parties increased by EUR 215,247 thousand compared to the comparative year 2020, primarily due to the contribution of MISE, equal to EUR 203,232 thousand, as well as the following changes:

*Revenues from service agreement for automotive sector*
Revenues showed a decrease of around EUR 899 thousand (-2.2%) compared to the previous year as in the previous year the Veneto Region, with Regional Government Decree 1320 of 8 September 2020, had allocated additional contributions to be used to enhance the offer in anticipation of the reopening of schools in order to maintain safety levels among travellers in line with the measures dictated by the Health Authorities.
It should also be remembered that Law no. 27 of 24 April 2020 (art. 92 paragraph 4-*bis*) established the recognition of fees on the basis of contractual planning, despite the reshaping of the offer implemented following the epidemiological emergency until 31 December 2021. The same Law also defined the non-applicability by clients of fee reductions, penalties or sanctions due to the lower mileage made by operators of local public transport services from 23 February to 31 December 2020.

*Products of automotive traffic*
Revenues from public road transport services increased by EUR 9,002 million due to higher sales, consistent with the recovery in demand as a result of the gradual easing of the measures to deal with the COVID-19 emergency, going from EUR 22,876 thousand in 2020 to EUR 31,878 thousand in the current year.

*Terminal movements revenues*
Terminal movements revenues, unchanged from the previous year, relate to the subsidiary Malpensa Intermodale which started operations in 2019.

*Car sharing revenues*
Mobility sharing service revenues registered an increase of EUR 469 thousand (+73.9%), reflecting a rise in turnover in both the consumer and B2B segments.

*Services invoiced*
Invoiced services increased in relation to the increase in passenger road transport services; the revenues of subcontracted services during the period recovered by EUR 4,397 thousand due to the lower traffic limitations imposed by the competent authorities in all areas of competence (Venice, Padua, Verona and Belluno).

*Hire of rolling stock*
This item decreased by EUR 286 thousand due to the sale of the subsidiary Locoitalia on 10 February 2020.

**Revenues from sales and services - related parties**
Revenues from sales to related parties decreased by EUR 2,023 thousand over the previous year; the most significant changes are reported below.

*Infrastructure management service agreement*

The fee for the Service Agreement for infrastructure management with the Lombardy Region fell by EUR 4,786 thousand due to the efficiency boosting mechanism provided for in the Agreement, the rescheduling of railway programming following the reduced mobility caused by the COVID-19 pandemic, the different method of charging the network access fee, as shown below under the item "Revenues from network access", as well as the adjustment on the management of historical assets; this decrease was offset by the income recognised by the Concessionaire, for the year 2020, to cover the rescheduling of railway programming due to the measures taken for the COVID-19 emergency.

*Hire of rolling stock*

Revenues from leasing of rolling stock decreased by EUR 1,681 thousand mainly due to the reduction of the consideration following the renewal of the operating lease with Trenord of TAF trains, partially offset by higher revenues on DE 520 locomotives, TILO, ROCK, POP and Caravaggio trains leased to Trenord and E494 ETRAXX DC locomotives to DB Cargo Italia.

*Services invoiced*

The item includes revenues for the performance of services rendered to investees of the Parent Company, which increased due to higher SAP fees.

*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 5,841 thousand compared to EUR 5,099 thousand in 2020, due to the increase in extraordinary transit thanks to the evolution of the pandemic, which made it possible to ease the measures adopted by the Authorities to handle the Covid-19 epidemic.

*Design services and railway infrastructure project management*

This item increased from EUR 2,805 thousand to EUR 4,088 thousand and includes chargebacks to the Lombardy Region for planning and project management relating to railway infrastructure maintenance.

*Revenues from network access*

The amount refers to the contract with Trenord for access to the railway network managed by FERROVIENORD. It should be noted that with Regional Government Decree no. X/56356 of 30 November 2021 the Lombardy Region approved the amendments and additions to the Service Agreement to bring the content of the contract into line with the provisions of ART regarding the "toll" access fee for trains running on the Milan Branch. These changes mean that the access fee will be collected directly from the Railway companies and no longer as consideration for the Service Agreement from the Infrastructure Manager. This change was implemented with a transitory rule already in the period from 12 December to 31 December 2021 and led to an increase in revenues from network access from EUR 1,263 thousand to EUR 2,363 thousand, with a parallel reduction in the item Service Agreement.

*Car sharing*

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

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 34 GRANTS

The next table shows the breakdown of this item:

| Description | 2021 | 2020 |
|---|---|---|
| Compensatory measures for loss of traffic revenues | 11,887 | 3,703 |
| Capital grants | 1,280 | 508 |
| Grants for the renewal of the National Collective Bargaining Agreement, other Regions | 583 | 264 |
| Other grants | 1,741 | 2,079 |
| **Grants** | **15,491** | **6,554** |
| Capital grants Lombardy Region | 4,604 | 4,603 |
| Grants for the renewal of the National Collective Bargaining Agreement, Lombardy Region | 1,613 | 1,612 |
| Compensatory measures for loss of traffic revenues | 1,613 | 408 |
| Other grants, Lombardy Region | 1,797 | 1,846 |
| **Grants to related parties (Note 49)** | **9,627** | **8,469** |
| | | |
| **Total** | **25,118** | **15,023** |

*Compensatory measures for loss of traffic revenues*

The item grants increased by EUR 9,389 thousand mainly in relation to 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. 22ter, the “Ristori Bis Decree”), to partially offset the lower traffic revenues recorded in relation to the restrictive measures adopted to limit the spread of the COVID-19 virus, amounting to EUR 11,887 thousand, in addition to the portion paid by the Lombardy Region, amounting to EUR 1,613 thousand.

Net of this effect, other grants from third parties remained substantially unchanged.

*Grants for current expenses - related parties*

This item refers to grants from the Lombardy Region for current expenses concerning car transport, including benefits from the Local Public Transport Agreement.

*Grants for the renewal of the National Collective Bargaining Agreement, Lombardy Region*

This item includes grants to cover greater costs from renewals of the National Collective Bargaining Agreement for the Railway/Tram sector for the 2002-2003, 2004-2005 and 2006-2007 periods, accrued in 2021.

*Other grants, Lombardy Region*

This item mainly refers to grants received for the purchase of high frequency trains (EUR 950 thousand), buses (EUR 512 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 required by article 1, paragraphs 125 and subsequent of Law 124/2017**

As regards the information required by article 1, paragraphs 125 et seq. of Law 124/2017, the table below shows the amounts that were received from public administrations during fiscal year 2021 and the credits to the income statement of the accrued portions of the contributions in the manner set forth in the government grants accounting standard:

| Company | Provider | Subject matter | Amount Collected | Amount for 2021 |
|---|---|---|---|---|
| FNM | Lombardy Region | Museum Project - Golasecca Civilisation | | 68,964 |
| FERROVIENORD | Lombardy Region | R.L. 12/88 Car Parks Grant | — | 121,066 |
| FERROVIENORD | Lombardy Region | Grants for Coverage of National Collective Bargaining Agreement Renewal | 397,937 | 434,113 |
| FERROVIENORD | Lombardy Region | Service Agreement | 86,181,085 | 87,359,321 |
| FERROVIENORD | Lombardy Region | Programme Contract | 98,083,185 | 72,757,572 |
| FERROVIENORD | Others | Programme Contract | 2,621,623 | 1,011,713 |
| FERROVIENORD | Others | Financed Works | 570,949 | 70,949 |
| FNM Autoservizi | Ministry of Economic Development | Relaunch Decree revenue supplement grants | 460,376 | 1,394,673 |
| FNM Autoservizi | Ministry of Economic Development | Relaunch Decree additional run grants | 477,795 | 765,029 |
| ATV | Ministry of Economic Development | Relaunch Decree revenue supplement grants | 4,364,328 | 11,340,729 |
| Malpensa Intermodale | Ministry of Economic Development | INDUSTRY 4.0 investments | 35,192 | 35,192 |
| La Linea | Veneto Region | Regional Government Decree 588 of 15/05/2019 | 2,727 | |
| La Linea | Ministry of Economic Development | Art. 32 LD25 MAY 2021, no. 73 | 1,982 | |
| La Linea | Ministry of Economic Development | Relaunch Decree revenue supplement grants | 15,039 | |
| MISE | Anas S.p.A. | Access road to the New Rho-Pero Exhibition Centre Section A Junction - 1st and 2nd stage interventions | 33,753,439 | 33,753,439 |
| MISE | Lombardy Region | Redevelopment of the Lambrate junction of the East bypass and completion of the access roads to Segrate Intermodal Centre | 38,638,396 | 38,638,396 |
| MISE | MIMS - SVCA | Redevelopment, with motorway characteristics, of SP 46 Rho-Monza - lot 2: Underground railway crossing variant of the Milan-Saronno line | 29,832,821 | 29,832,821 |

## NOTE 35 REVENUES FROM CONSTRUCTION SERVICES - IFRIC 12

The adoption of IFRIC 12 meant that investments made in railway and motorway infrastructure and rolling stock, entirely financed by the Lombardy Region, are not shown among tangible assets, but, as required by IAS 15, are charged to costs for the year.
The amount of these investments, in 2021, was EUR 105,997 thousand, versus EUR 38,023 thousand of the previous year, and refers to railway infrastructure modernisation and enhancement work for EUR 63,000 thousand (EUR 38,026 thousand in 2020) and motorway infrastructure work for EUR 42,997 thousand.

The item also includes income deriving from the recovery of overhead costs for work orders for both the modernisation of the railway infrastructure and the renewal of rolling stock, respectively for EUR 2,503 thousand and EUR 2,606 thousand (EUR 1,549 thousand and EUR 1,029 thousand in 2020).

The share of the consideration accrued in relation to the percent of completion of the contracts related to the renewal of the rolling stock is recognised net of the costs incurred, in accordance with IFRS 15 (B36), equal to EUR 260,882 thousand.

## NOTE 36 OTHER INCOME

The next table shows the breakdown of this item:

| **Description** | **2021** | **2020** |
|---|---|---|
| Motorway infrastructure management income | 3,798 | — |
| Performance of services | 3,312 | 1,623 |
| Lease payments | 2,563 | 1,914 |
| Sale of warehouse materials | 1,718 | 1,183 |
| Non-recurring income | 1,185 | 1,726 |
| Recovery of gasoil excise | 1,153 | 1,384 |
| Recovery of costs | 978 | 539 |
| Capital gain on property, plant and equipment | 616 | 263 |
| Fines and penalties | 558 | 439 |
| Insurance pay-outs | 492 | 1,537 |
| Release of provisions for risks and charges | 951 | 614 |
| Other income | 88 | 252 |
| **Other income** | **17,412** | **11,474** |
| Sundry income with related parties | 8,720 | 6,603 |
| **Other income from related parties (Note 49)** | **8,720** | **6,603** |
| | | |
| **Total** | **26,132** | **18,077** |

Other income increased by EUR 8,055 thousand compared to the comparative year 2020, mainly due to MISE's contribution of EUR 7,284 thousand, as well as the following changes:

*Sale of warehouse materials*
"Sale of inventory materials" relates to sales of obsolete material no longer usable for maintenance and increased by EUR 535 thousand;

*Insurance pay-outs*
During the previous year, insurance compensation of EUR 1,300 thousand was recorded for damaged rolling stock that is no longer usable.

*Release of provisions for risks and charges*
With the risk of losing lawsuits pending in the previous year no longer applicable, provisions for EUR 3,840 thousand were released (Note 28).

*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 of costs recovered for railway infrastructure Planning and Project Management, carried out through funding from the Lombardy Region incurred for railway infrastructure modernisation works and the renewal of rolling stock.

## NOTE 37 RAW MATERIALS, CONSUMABLES AND GOODS USED

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

| Description | | 2021 | 2020 |
|---|---|---|---|
| Fuel, of which: | | | |
| | *ATV S.r.l.* | *7,692* | *5,172* |
| | *FNM Autoservizi S.p.A.* | *2,071* | *1,710* |
| | *La Linea S.p.A.* | *2,053* | *1,021* |
| | *Malpensa Intermodale* | *148* | *118* |
| **Total Fuel** | | **11,964** | **8,021** |
| Other Costs for materials, of which: | | | |
| | *FERROVIENORD S.p.A.* | *5,564* | *7,286* |
| | *ATV S.r.l.* | *3,735* | *2,868* |
| | *Milano Serravalle - Milano Tangenziali* | *1,451* | *—* |
| | *FNM Autoservizi S.p.A.* | *1,113* | *655* |
| | *La Linea S.p.A.* | *61* | *42* |
| | *Malpensa Intermodale* | | *7* |
| **Total Other costs for materials** | | **11,924** | **10,858** |
| | | | |
| **Total** | | **23,888** | **18,879** |

The item increased with respect to 2020, in particular for automotive fuel consumption for the companies operating in the road transport segment, by effect of the increase in services performed.
In particular, as regards the costs of ATV, automotive diesel costs, amounting to EUR 7,692 thousand, rose by EUR 2,520 thousand with respect to those of 2020 (EUR 5,172 thousand) by effect of the increased production volumes and the increase in the average cost (amounting to 1.093 EUR/litre versus 1.038 EUR/litre in 2020).
As regards the costs of FNM Autoservizi, automotive diesel costs, amounting to EUR 2,071 thousand, rose by EUR 361 thousand with respect to those of 2020 (EUR 1,710 thousand) by effect of the

increased production volumes (from 4.271 million bus km to 5.066 million bus km), partially offset by the decrease in average consumption (2.45 km/litre compared to 2.49 km/litre in 2020).

The change in the year attributable to FERROVIENORD, equal to EUR 1,722 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 38 SERVICE COSTS

The next table shows the breakdown of this item:

| Description | 2021 | 2020 |
|---|---|---|
| Motorway infrastructure maintenance | 36,754 | — |
| Third-party services - Maintenance | 14,326 | 16,018 |
| Costs for subcontracting of LPT road services | 13,044 | 3,597 |
| Utilities | 8,609 | 5,227 |
| Sundry third-party services | 7,746 | 4,144 |
| Motorway infrastructure management | 6,489 | — |
| Expenses for employees | 6,424 | 3,853 |
| Consulting | 3,644 | 2,908 |
| Insurance | 4,687 | 3,159 |
| Cleaning expenses | 4,310 | 4,176 |
| Provisions for risks and charges | 3,311 | 441 |
| Supervision expenses | 3,289 | 2,169 |
| Third-party services - Bus maintenance | 2,918 | 2,081 |
| Commercial expenses | 2,253 | 1,343 |
| IT costs | 1,613 | 781 |
| Motor vehicles management | 1,513 | 964 |
| Real estate management | 1,077 | 597 |
| Legal and notary fees | 1,003 | 934 |
| Third-party services - Maintenance of rolling stock | 451 | 431 |
| Coordinated and continuative services | 435 | 473 |
| Costs for non-ordinary consulting services | 1,808 | 1,908 |
| Other charges | 4,812 | 2,236 |
| **Service costs** | **130,516** | **57,440** |
| Service costs - related parties | 9,113 | 8,159 |
| **Service costs - related parties (Note 49)** | **9,113** | **8,159** |
| | | |
| **Total** | **139,629** | **65,599** |

### Service costs - third parties

"Service costs with third parties" show a net increase of EUR 73,076 thousand compared to 2020, mainly due to the contribution of MISE, amounting to EUR 57,489 thousand, as well as what is described below:

- an increase of EUR 9,331 thousand for subcontracting of automotive services to third parties and bus maintenance, amounting to EUR 837 thousand;
- increase in expenses for employees, in particular travel and lodging and preventive medical examinations, by EUR 826 thousand;

- increase in commercial expenses and commissions to third parties by EUR 894 thousand in relation to the increased sales of tickets carried out in the period;
- increase in provisions for risks and charges of EUR 2,870 thousand.

Finally, the non-recurring charge of EUR 1,808 thousand (EUR 1,908 thousand in 2020), is attributable, as in the previous year, to consulting fees 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 and rose by EUR 604 thousand due to the consolidation of MISE and by EUR 350 thousand for increased IT services.

## NOTE 39 PERSONNEL COSTS

The item personnel costs is broken down as follows:

| Description | 2021 | 2020 |
|---|---|---|
| Wages and salaries | 109,302 | 80,076 |
| Social security contributions | 32,203 | 22,342 |
| Allocation to supplementary pension fund | 7,329 | 5,424 |
| Allocation to National Collective Labour Agreement provision | 2,073 | 2,577 |
| Pension liabilities | 943 | 1,267 |
| Allocation for post-employment benefit payable | 379 | 215 |
| Other costs | 2,401 | 1,562 |
| Recovery of personnel costs | (1,174) | (1,796) |
| **Total** | **153,456** | **111,667** |

Personnel costs show an overall net increase of EUR 41,789 thousand, mainly due to the contribution of MISE, amounting to EUR 37,200 thousand, as well as the effect of the lower use of residual holidays and the fact that no recourse was made to income support instruments (General Lay-off Fund and Public Transport Fund).

The item includes the provision for EUR 2,073 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 MISE employees, for whom the National Collective Bargaining Agreement for Motorway and Tunnels Companies and Consortia applies, 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 | 2021 | 2020 |
|---|---|---|
| Executives | 47 | 40 |
| Middle managers | 170 | 127 |
| Office workers | 600 | 401 |
| Blue collar workers | 2,025 | 1,662 |
| **Total** | **2,842** | **2,230** |

## NOTE 40 DEPRECIATION, AMORTISATION AND WRITE-DOWNS

The next table shows the breakdown of this item:

| Description | 2021 | 2020 |
|---|---|---|
| Depreciation | 33,934 | 31,870 |
| Amortisation | 35,634 | 3,622 |
| Amortisation of right of use | 6,632 | 3,808 |
| Write-downs on Property, plant and equipment | 880 | 452 |
| Impairment Goodwill | 913 | 2,000 |
| **Depreciation, amortisation and write-downs** | **77,993** | **41,752** |

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

*Depreciation*

This item, up by EUR 1,797 thousand, derives from the increase in depreciation of rolling stock following the entry into service of new fleets.

*Amortisation*

Amortisation of intangible assets increased as a result of the initial consolidation of MISE, the contribution of which in terms of increased amortisation for fiscal year 2021 is 33,868.

*Amortisation of right of use*

The amortisation of the right of use increased as a result of the recognition of the building of the subsidiary MISE's operating headquarters.

*Write-down of property, plant and equipment*

The amount is entirely attributable to the write-down of capitalised maintenance on trains.

*Impairment Goodwill*

Comments are provided in Note 8.

## NOTE 41 WRITE-DOWNS OF FINANCIAL ASSETS

This item is entirely attributable to the provisions made following the assessment of the recoverability of some receivables related to the planning of some financed job orders, for which construction work did not start.

## NOTE 42 OTHER OPERATING COSTS

The next table shows the breakdown of this item:

| Description | 2021 | 2020 |
|---|---|---|
| Concession fee | 22,155 | |
| Allocations to the provision for risks and charges | 13,682 | 10,804 |
| Releases of non-recurring provisions for risks and charges | (2,237) | |
| Non-recurring expenses | 757 | 968 |
| Taxes and duties | 1,762 | 1,559 |
| Fines, penalties and settlements | 464 | |
| Capital losses on property, plant and equipment | 262 | 67 |
| Losses on receivables | 70 | 143 |
| Other charges | 2,825 | 1,383 |
| **Other operating costs** | **39,740** | **14,924** |
| Other operating costs | 190 | 101 |
| **Other operating costs to related parties (Note 49)** | **190** | **101** |
| | | |
| **Total** | **39,930** | **15,025** |

The change in other operating costs shows a net increase of EUR 24,906 thousand compared to 2021, mainly due to the contribution of MISE, amounting to EUR 24,898 thousand, and is analysed below.

This item "Concession fees" refers to motorway concession fees, the amount of which is influenced by toll revenues and traffic trends.

*Allocations to the provision for risks and charges*

This item refers to provisions made for the cyclical maintenance of rolling stock (EUR 12,292 thousand compared to EUR 9,281 thousand at 31 December 2020) (Note 28), up on the previous year in relation to rolling stock financed by the Lombardy Region that will gradually enter service in 2021. During 2021, 20 high-capacity (EMU), short configuration, "Caravaggio" type trains were delivered.

The release of the provision for non-recurring risks and charges is entirely attributable to the release of the provision set aside in previous years for the dispute with the Customs Agency described in paragraph 11 of the Management Report, to which reference should be made.

*Other charges*
This item includes membership fees for EUR 1,312 thousand (EUR 988 thousand at 31 December 2020).

## NOTE 43 FINANCIAL INCOME

Financial income accrued as shown in the following table:

| Description | 2021 | 2020 |
|---|---|---|
| Capital gains from sale of equity investments | — | 1,014 |
| Put Option La Linea Adjustment | — | 465 |
| Current bank accounts and deposits | 76 | 172 |
| Other financial income | 430 | 200 |
| **Financial income** | **506** | **1,851** |
| Financial income from the special treasury management contract | — | 695 |
| Valuation of equity investments in other companies | 199 | — |
| Finance lease agreements as lessor | — | 51 |
| Other financial income | 2,213 | 10 |
| **Financial income from related parties (Note 49)** | **2,412** | **756** |
| | | |
| **Total** | **2,918** | **2,607** |

*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.

*Current bank accounts and deposits*
The FNM Group 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 individual subsidiaries. As at 31 December 2021, the Group companies that did not participate in cash pooling were ATV, its

subsidiary La Linea 80, MISE and its subsidiary Milano Serravalle Engineering. On 20 December 2021, MISE's Board of Directors resolved to adhere to the Group's centralised treasury management agreement for the cash pooling portion only and limited to the two bank accounts used for treasury purposes. The first transfer of MISE's balances to the Parent Company's current accounts took place on 15 February 2021.

Financial income on current bank accounts and deposits decreased by EUR 96 thousand in relation to the lower quantity of cash and the lower average remuneration rate, which declined from 0.036% to 0.0019% in 2021.

*Valuation of equity investments in other companies*

The income derives from the valuation of the investment in Società di Progetto Brebemi to adjust it to the purchase offer received (Note 21).

*Other financial income*

This item relates to the financial income resulting from the loan agreements between FNM and the investee Busforfun and between MISE and the investees APL, S.A.Bro.M. and Tangenziale Esterna (Note 11).

*Financial income from the special treasury management contract*

Financial income referred to interest income on financial resources granted to Finlombarda S.p.A. and regulated in the “Special treasury management contract” which expired on 21 July 2020.

## NOTE 44 FINANCIAL EXPENSES

Financial expenses are accrued on:

| Description | 2021 | 2020 |
|---|---|---|
| Financial expenses on loans | 10,856 | 1,503 |
| Bridge Loan up front fees, extension fees and accessory expenses | 8,602 | — |
| Financial expenses on the corporate bond | 1,245 | — |
| Fees and charges for not using loans | 18 | 347 |
| Lease agreement as lessee | 322 | 239 |
| Post-employment benefit (Note 29) | 93 | 118 |
| Discounting of renewal provision | 634 | — |
| Others | 119 | 79 |
| **Financial expenses** | **21,889** | **2,286** |
| Financial expenses on the corporate bond | | 381 |
| Financial expenses to related parties | 399 | |
| Financial expenses for financial receivable adjustment | 2,012 | |
| Financial expenses on giro account | 2 | 3 |
| Lease agreement as lessee | 1 | — |
| **Financial expenses to related parties (Note 49)** | **2,414** | **384** |
| | | |
| **Total** | **24,303** | **2,670** |

*Financial expenses on loans*

The item includes financial expenses relating to:

- the short-term bridge loan of EUR 620 million taken out on 28 January 2021 and repaid on 20 October 2021 to a pool of banks including Intesa Sanpaolo S.p.A., JPMorgan Chase Bank, N.A., Milan Branch and BNP Paribas Italian Branch, calculated at an interest rate equal to EURIBOR plus a margin of 1.25% for the 26 February - 28 April period, 1.50% for the 29 April - 30 June period and 1.75% for the 1 July - 20 October period, equal to EUR 6,217 thousand;
- loan taken out by the Parent Company from the European Investment Bank on 21 December 2017 for EUR 50 million, and calculated at the contractual interest rate equal to a fixed rate of 0.377% on the first tranche of EUR 10 million and 0.446% on the second tranche of EUR 40 million, for a total of EUR 224 thousand;
- loan taken out by the Parent on 7 August 2018 and disbursed only for the Term Loan Facility, calculated at the contractual interest rate equal to 6-month Euribor + 1.3% spread, equal to a total of EUR 53 thousand. When the bridge loan was taken out, on 29 January 2021 FNM paid off that loan in full, as it was no longer consistent with the Group's financial structure, repaying in advance the entire amount used of EUR 50 million.

- loans taken out by the subsidiary MISE, totalling EUR 4,362 thousand; recorded net of the portion capitalised under intangible assets relating to assets under concession, amounting to EUR 1,473 thousand.

*Up front fees, extension fees and non-recurring accessory expenses*

This item includes financial expenses relating to the upfront fees (EUR 6,729 thousand), extension fees (EUR 930 thousand) and accessory expenses (EUR 943 thousand) relating to the short-term bridge loan of EUR 620 million taken out by the Parent Company on 28 January 2021 from a pool of banks comprising Intesa Sanpaolo S.p.A., JPMorgan Chase Bank, N.A., Milan Branch and BNP Paribas Italian Branch.

*Financial expenses on the corporate bond*

This item includes the financial expenses relating to the bond (Note 24) issued on 20 October 2021, calculated by applying the amortised cost method at an effective interest rate of 0.982% (nominal rate of 0.75%).

*Lease agreement as lessee*

Lease agreements as lessee are attributable to the application of IFRS 16.

*Financial expenses for non-recurring financial receivable adjustment*

In application of the provisions of IFRS 9, following the postponement of the expected date of repayment from 2044 to 2053 of the loan to APL for a nominal amount of EUR 150 million, the calculation of the amortised cost was updated, taking account of the interest rate (6.89%) and the different duration, which resulted in an adjustment to the financial receivable recognised by EUR 2,012 thousand.

*Financial expenses on the corporate bond with related parties*

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 24), fully repaid at maturity on 20 July 2020.

## 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 2021 and 31 December 2020 is broken down as follows:

| Description | 2021 | 2020 | Change |
|---|---|---|---|
| Trenord Srl * | 57 | (3,796) | 3,853 |
| Autostrada Pedemontana Lombarda | 901 | — | 901 |
| Tangenziali Esterne di Milano S.p.A. ** | (1,496) | — | (1,496) |
| NORD ENERGIA SpA *** | 2,068 | 2,568 | (500) |
| DB Cargo Italia Srl | 2,356 | 1,813 | 543 |
| Omnibus Partecipazioni Srl **** | 1,938 | 1,052 | 886 |
| NordCom SpA | 453 | 282 | 171 |
| Busforfun.Com S.r.l. | (550) | — | (550) |
| Sportit S.r.l. | (9) | — | (9) |
| Conam S.r.l. | — | 44 | (44) |
| SeMS Srl in liquidation | — | 81 | (81) |
| **Result of companies valued at equity** | **5,718** | **2,044** | **3,674** |

* includes the result of TILO SA
** includes the result of Tangenziale Esterna S.p.A.
*** includes the result of CMC MeSta SA
**** includes the result of ASF Autolinee Srl

The details of the 2021 income statement for joint ventures and associates are provided below:

| Amounts in thousands of euros | Trenord Srl | NordCom SpA | Busforfun.com Srl | Nord Energia SpA | Omnibus Partecip. Srl | DB Cargo Italia S.r.l. | Sportit S.r.l. | Autostrada Pedemontana Lombarda | Tangenziali esterne di Milano SpA | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues from sales and services | 649,707 | 18,746 | 1,140 | 9,974 | — | 65,870 | 255 | 25,857 | | 771,549 |
| Grants | — | — | — | — | — | 4,701 | — | — | | 4,701 |
| Other income | 116,093 | 357 | | — | 73 | 3,361 | — | 2,018 | 101 | 122,003 |
| **TOTAL REVENUES AND OTHER INCOME** | **765,800** | **19,103** | **1,140** | **9,974** | **73** | **73,932** | **255** | **27,875** | **101** | **898,253** |
| Raw materials, consumables and goods used | (32,782) | (194) | — | — | — | (876) | — | (108) | | (33,960) |
| Service costs | (309,816) | (9,212) | (1,389) | (5,691) | (178) | (31,430) | (229) | (3,589) | (398) | (361,932) |
| Personnel costs | (270,656) | (5,227) | (287) | (105) | (183) | (27,293) | (22) | (6,564) | (100) | (310,437) |
| Depreciation, amortisation and write-downs | (177,468) | (3,488) | 587 | (593) | — | (5,880) | (10) | (10,880) | | (197,732) |
| Other operating costs | (1,080) | (75) | | (4) | (2) | (299) | (20) | (3,767) | (14) | (5,261) |
| **TOTAL COSTS** | **(791,802)** | **(18,196)** | **(1,089)** | **(6,393)** | **(363)** | **(65,778)** | **(281)** | **(24,908)** | **(512)** | **(909,322)** |
| **EBIT** | **(26,002)** | **907** | **51** | **3,581** | **(290)** | **8,154** | **(26)** | **2,967** | **(411)** | **(11,069)** |
| Financial income | 782 | | | 1 | | 106 | — | 12 | — | 901 |
| Financial expenses | (1,782) | (75) | — | (41) | — | (90) | (1) | (10,377) | | (12,366) |
| **NET FINANCIAL INCOME** | **(1,000)** | **(75)** | **—** | **(40)** | **—** | **16** | **(1)** | **(10,365)** | **—** | **(11,465)** |
| Net profit of companies measured with the equity method | 237 | — | — | 912 | 4,249 | — | — | — | — | 5,398 |
| **EARNINGS BEFORE TAX** | **(26,765)** | **832** | **51** | **4,453** | **3,959** | **8,170** | **(27)** | **(7,398)** | **(411)** | **(17,136)** |
| Income tax | 26,878 | (119) | | (1,006) | — | (2,279) | — | 1,311 | | 24,785 |
| **PROFIT/(LOSS) FOR THE YEAR** | **113** | **713** | **51** | **3,447** | **3,959** | **5,891** | **(27)** | **(6,087)** | **(411)** | **7,649** |

| Amounts in thousands of euros | Trenord Srl | NordCom SpA | SeMS Srl | Nord Energia SpA | Omnibus Partecip. Srl | DB Cargo Italia S.r.l. | Conam S.r.l. | 2020 |
|---|---|---|---|---|---|---|---|---|
| Revenues from sales and services | 611,786 | 17,615 | | 11,195 | — | 57,528 | 675 | 698,799 |
| Grants | — | — | — | — | — | 4,610 | — | 4,610 |
| Other income | 91,310 | 827 | 107 | 63 | 105 | 3,822 | 43 | 96,277 |
| **TOTAL REVENUES AND OTHER INCOME** | **703,096** | **18,442** | **107** | **11,258** | **105** | **65,960** | **718** | **799,686** |
| Raw materials, consumables and goods used | (25,120) | (209) | — | — | — | (778) | (70) | (26,177) |
| Service costs | (272,109) | (8,699) | (16) | (5,927) | (13) | (26,691) | (286) | (313,741) |
| Personnel costs | (250,114) | (4,739) | — | (145) | (96) | (26,878) | (192) | (282,164) |
| Depreciation, amortisation and write-downs | (186,299) | (3,601) | — | (526) | — | (5,520) | (55) | (196,001) |
| Other operating costs | (2,487) | (559) | (3) | (67) | (3) | (169) | (3) | (3,291) |
| **TOTAL COSTS** | **(736,129)** | **(17,807)** | **(19)** | **(6,665)** | **(112)** | **(60,036)** | **(606)** | **(821,374)** |
| **EBIT** | **(33,033)** | **635** | **88** | **4,593** | **(7)** | **5,924** | **112** | **(21,688)** |
| Financial income | 16 | 1 | 6 | 1 | | 88 | — | 112 |
| Financial expenses | (1,672) | (89) | — | (43) | — | (111) | (4) | (1,919) |
| **NET FINANCIAL INCOME** | **(1,656)** | **(88)** | **6** | **(42)** | **—** | **(23)** | **(4)** | **(1,807)** |
| Net profit of companies measured with the equity method | (17) | — | — | 944 | 2,140 | — | — | 3,067 |
| **EARNINGS BEFORE TAX** | **(34,706)** | **547** | **94** | **5,495** | **2,133** | **5,901** | **108** | **(20,428)** |
| Income tax | 27,115 | (35) | (25) | (1,215) | (29) | (1,369) | (19) | 24,423 |
| **NET PROFIT FOR THE YEAR** | **(7,591)** | **512** | **69** | **4,280** | **2,104** | **4,532** | **89** | **3,995** |

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 7.2) and APL (section 7.4).

## NOTE 46 INCOME TAXES

The next table shows the breakdown of this item.

| Description | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Total | IRES (CORPORATE INCOME TAX) | IRAP (REGIONAL BUSINESS TAX) | Total | IRES (CORPORATE INCOME TAX) | IRAP (REGIONAL BUSINESS TAX) |
| Current | (18,592) | (14,582) | (4,010) | (7,648) | (6,619) | (1,029) |
| Robin Tax | (496) | (496) | | (272) | (272) | |
| Taxes for previous years | 293 | 293 | | 974 | 974 | |
| Prepaid/Deferred | 1,651 | 1,651 | | 3,273 | 2,883 | 390 |
| **Total** | **(17,144)** | **(13,134)** | **(4,010)** | **(3,673)** | **(3,034)** | **(639)** |

Current taxes rose by EUR 11,849 thousand due to the higher net profit for the year.

This change is primarily due to the inclusion of MISE in the scope of consolidation (EUR +16,395 thousand), partially offset by the reduction in taxes of FNM (EUR -4,300 thousand) due to the lower pre-tax profit for the year.

Reconciliation between the IRES ordinary rate and effective rate:

| Description | 2021 | 2020 |
|---|---|---|
| Applicable IRES rate | 24.00 % | 24.00 % |
| Untaxed capital grants | -1.57 % | -3.41 % |
| Robin Tax | 0.82 % | 0.98 % |
| Other changes | 3.79 % | 2.40 % |
| ACE Deduction | -1.85 % | -2.53 % |
| Deductible IRAP | -0.08 % | -0.09 % |
| Deferred tax liabilities | -2.74 % | -10.40 % |
| Effective rate | 22.38 % | 10.94 % |

## NOTE 47 RESULT FROM DISCONTINUED OPERATIONS

No discontinued operations were recognised, as in 2020.

## NOTE 48 EARNINGS PER SHARE

Earnings per share are calculated dividing the result attributable to Group shareholders by the average weighted number of ordinary shares issued, excluding any treasury shares purchased from this calculation, no stock option plans being in place.

| Description | 2021 | 2020 |
|---|---|---|
| Profit attributable to parent company shareholders in Euro | 40,875,000 | 24,185,000 |
| Weighted average number of shares | 434,902,568 | 434,902,568 |
| Basic earnings per share in Euro cents | 0.09 | 0.06 |

Diluted earnings per share coincide with basic earnings per share.

## NOTE 49 OPERATIONS WITH RELATED PARTIES

FNM is controlled by the Lombardy Region, which holds 57.57%. 14.74% is held by Ferrovie dello Stato S.p.A. and the remaining interest is listed on the Standard Class 1 market of the Milan Stock Exchange.

Therefore all transactions with the Lombardy Region are reported under Related-Party transactions, which include also the transactions with entities for which the Group has joint control and with associates.

Pursuant to article 2427, subparagraph 1 n. 22-*quinquies* and *sexies* of the Italian Civil Code, it is pointed out that the Lombardy Region, in application of the addendum 4/4 to Italian Legislative Decree 118/2011, introducing the applied accounting standard concerning the Consolidated Financial Statements, included from the 2018 Consolidated Financial Statements its own instrumental agencies, units and bodies and the subsidiary and investee companies, thus also including the FNM Group.

Transactions with Related Parties are presented below:

| Description | Notes | 31/12/2021 | | | 31/12/2020 | | |
|---|---|---|---|---|---|---|---|
| | | Total | Related parties | | Total | Related parties | |
| | | | Absolute value | Proportion % | | Absolute value | Proportion % |
| **BALANCE SHEET** | | | | | | | |
| Non-current financial receivables | 11 | 58,539 | 52,119 | 89.0 % | 2 | — | 0.0 % |
| Trade receivables | 17 | 133,067 | 62,917 | 47.3 % | 82,640 | 65,052 | 78.7 % |
| Other current receivables | 18 | 123,012 | 17,968 | 14.6 % | 95,834 | 14,726 | 15.4 % |
| Other non-current receivables | 18 | 1,918 | 7 | 0.4 % | 213 | | 0.0 % |
| Current financial receivables | 11 | 862 | 329 | 38.2 % | 115 | 115 | 100.0 % |
| Receivables for funded investments | 13 | 138,061 | 136,064 | 98.6 % | 41,511 | 39,514 | 95.2 % |
| Non-current financial payables | 24 | 669,674 | 106 | 0.0 % | 13,706 | 2 | 0.0 % |
| Payables for funded investments | 25 | 12,581 | 6,759 | 53.7 % | 12,581 | 6,079 | 48.3 % |
| Other non-current liabilities | 27 | 20,395 | 8,433 | 41.3 % | 24,357 | 10,156 | 41.7 % |
| Current financial payables | 24 | 75,350 | 39,169 | 52.0 % | 42,542 | 32,278 | 75.9 % |
| Payables for funded investments | 25 | 36,978 | 36,978 | 100.0 % | 165,208 | 165,208 | 100.0 % |
| Trade payables | 30 | 372,327 | 10,855 | 2.9 % | 177,538 | 3,948 | 2.2 % |
| Other current liabilities | 32 | 67,726 | 18,416 | 27.2 % | 46,049 | 12,740 | 27.7 % |

| Description | Notes | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|---|
| | | Total | Related parties | | Total | Related parties | |
| | | | Absolute value | Proportion % | | Absolute value | Proportion % |
| **INCOME STATEMENT** | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Revenues from sales and services | 33 | 458,134 | 174,599 | 38.1 % | 243,748 | 176,622 | 72.5 % |
| Grants | 34 | 25,118 | 9,627 | 38.3 % | 15,023 | 8,469 | 56.4 % |
| Grants for funded investments | 35 | 105,997 | 63,001 | 59.4 % | 38,023 | 38,023 | 100.0 % |
| Other income | 36 | 26,132 | 8,720 | 33.4 % | 18,077 | 6,603 | 36.5 % |
| Service costs | 38 | (139,629) | (9,113) | 6.5 % | (65,599) | (8,159) | 12.4 % |
| Other operating costs | 38 | (9,113) | (190) | 2.1 % | (15,150) | (101) | 0.7 % |
| Financial income | 43 | 2,918 | 2,412 | 82.7 % | 2,607 | 756 | 29.0 % |
| Financial expenses | 44 | (24,303) | (2,414) | 9.9 % | (2,670) | (384) | 14.4 % |

| **Description** | **2021** | | | **2020** | | |
|---|---|---|---|---|---|---|
| | **Total** | **Related parties** | | **Total** | **Related parties** | |
| | | **Absolute value** | **Proportion %** | | **Absolute value** | **Proportion %** |
| **CASH FLOWS** | | | | | | |
| Cash flows from operations | 140,418 | 250,929 | 178.7 % | 7,444 | 129,408 | 1738.4 % |
| Cash flow from investments | (546,452) | (739,152) | 135.3 % | 25,471 | 54,518 | 214.0 % |
| Cash flow from financing | 504,522 | (15,184) | -3.0 % | (8,294) | (54,214) | 653.7 % |

The "Other current receivables from related parties" refer to receivables from the Lombardy Region 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 18).

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

"Current financial payables to related parties" include the residual share of the loan taken out by MISE from Finlombarda, in addition to the balance of the giro account held with joint venture investees and the Pension Fund (Note 24).

"Payables for funded investments to related parties" include payables to the Lombardy Region relative to the excess of grants paid by the Region for investments made by the Group, for the portion already allocated to investments and not yet offset (Note 25).

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 stocks 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 2021:

| *Amounts in thousands of euros* | **2020** |
|---|---|
| Directors | 680 |
| Other Key Personnel | 1,224 |
| **Total** | **1,904** |

## NOTE 50 OTHER COMPREHENSIVE INCOME

Details of related items recorded in shareholders' equity at 31 December 2021 and 31 December 2020 are reported below:

| Description | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Gross value | Tax (Charge)/Benefit | Net Value | Gross value | Tax (Charge)/Benefit | Net Value |
| Post-employment benefit actuarial gain/(loss) | (184) | 51 | (133) | 152 | (43) | 109 |
| Revaluation of Fair value of derivatives | 2,432 | (678) | 1,754 | | | |
| Post-employment benefit actuarial gain/(loss) of companies measured with the equity method | 313 | | 313 | (229) | | (229) |
| Revaluation of fair value of derivatives of companies measured with the equity method | 1,552 | | 1,552 | | | |
| Gains/(losses) arising from the translation of financial statements of foreign companies | 42 | | 42 | 9 | | 9 |
| **Total** | **4,155** | **(627)** | **3,528** | **(68)** | **(43)** | **(111)** |

*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 29).

*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.

*Reserve for changes in fair value of derivatives*
Reference is made to Note 24.

## NOTE 51 RISK MANAGEMENT

### Credit risk
Credit risk represents the Group'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.

As regards motorway tolls, credit risk is particularly limited given the procedure in place for collecting tolls, and the subsidiary MISE constantly monitors these receivables and writes down positions for which there may be a risk of partial or total failure to collect the receivable.
Receivables due from third parties for which credit risk is assessed, are summarised below:

| **Description** | **31/12/2021** | **31/12/2020** |
|---|---|---|
| Receivables from banks (note 20) | 351,047 | 253,983 |
| Trade receivables from third parties (note 17) | 70,150 | 17,587 |
| Other receivables from third parties (note 18) | 99,436 | 72,310 |
| Financial receivables from third parties (note 12) | 13,953 | 2 |
| **Total** | **534,586** | **343,882** |

“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 | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Gross | Impairment | Net | Gross | Impairment | Net |
| Not yet due | 64,718 | (185) | 64,533 | 15,570 | | 15,570 |
| Due from 31-60 days | 758 | (75) | 683 | 758 | | 758 |
| Due from 61-90 days | 2,382 | (45) | 2,337 | 249 | | 249 |
| Due from 91-120 days | 160 | (38) | 122 | 213 | | 213 |
| Due from 121-360 days | 2,590 | (540) | 2,050 | 1,011 | (321) | 690 |
| Over 361 days | 4,004 | (3,579) | 425 | 2,592 | (2,484) | 108 |
| **Total** | **74,612** | **(4,462)** | **70,150** | **20,393** | **(2,805)** | **17,588** |

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

| Description | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Balance at 1 January | 2,805 | 2,944 |
| MISE consolidation | 1,432 | |
| Allocation of the period | 581 | 126 |
| Allocation to IFRS 9 impairment provision | | |
| Releases of the period | | |
| Uses of the period | (356) | (265) |
| **Balance at 31 December** | **4,462** | **2,805** |

## Liquidity risk

The Group's liquidity risk may arise from the difficulty of obtaining loans for its operations in appropriate times, or from the ability to refinance existing debt or to refinance it at favourable conditions, or from failure to comply with financial ratios (“covenants”) and other commitments provided for 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 disbursed.

The above 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.

On 20 December 2021, Fitch increased the Company's rating to BBB, partly as a result of the increase of Italy's rating to BBB from BBB-.

Company and Group cash flows, financing needs and liquidity are monitored and managed centrally controlled by the Group Treasury department managed by FNM, with the aim of guaranteeing the effective and efficient management of financial resources.

As regards the motorway segment, the Group believes that the financial requirements linked to the investments made in the motorway infrastructure, according to the contents of the Economic and Financial Plan, are essentially covered by the operating cash flows.
The possibility of accessing additional debt capital to be allocated to the motorway infrastructure investment programme is supported by the cash flows generated by operations, also in relation to the application of the provisions issued by the Transport Regulatory Authority on tariffs. The above-mentioned flows guarantee repayment of the debt within the period of the concession, in compliance with current contractual and conventional commitments. In the absence of tariff recognition as investments progress, the mechanism for recognising the annual toll tariff adjustment provides for the possible creation of "notional items" to be settled at the end of the expiry of the concession.

Management considers that currently available funds and credit lines, as well as funds and credit lines that will be generated from operations and loans, will enable the Group to meet its requirements arising from investing activities, the management of working capital and repayment of loans on their natural expiry.
Contract due dates for financial liabilities are shown below:

| **Description** | **< 1 year** | **between 1 and 2 years** | **between 2 and 5 years** | **> 5 years** | **Total** |
|---|---|---|---|---|---|
| **2021** | | | | | |
| Lease liabilities | 21 | 21 | 64 | | 106 |
| Payables to the Lombardy Region | 39,169 | | 6,759 | | 45,928 |
| FINLOMBARDA financing | 8,000 | | | | 8,000 |
| Current account | 31,175 | | | | 31,175 |
| **Total related parties** | **78,365** | **21** | **6,823** | | **85,209** |
| Payables to banks | 96,816 | 46,766 | 118,414 | | 261,996 |
| Bond | | | 650,000 | | 650,000 |
| Lease liabilities | 7,251 | 7,121 | 11,028 | 4,633 | 30,033 |
| Payables to other non-controlling shareholders | 21,858 | | | | 21,858 |
| Current account | 4,811 | | | | 4,811 |
| Other financial payables | 61 | | | | 61 |
| **Total third parties** | **130,797** | **53,887** | **779,442** | **4,633** | **968,759** |
| | | | | | |
| **Total** | **209,162** | **53,908** | **786,265** | **4,633** | **1,053,968** |

| Description | < 1 year | between 1 and 2 years | between 2 and 5 years | > 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** |
| Payables to banks | 58,244 | 8,279 | 25,054 | 8,423 | 100,000 |
| Finance lease payables | 5,764 | 4,834 | 6,797 | 157 | 17,552 |
| Other financial payables | 331 | | 8,563 | | 8,894 |
| Current account | 5,058 | | | | 5,058 |
| **Total third parties** | **58,255** | **8,284** | **25,069** | **8,423** | **100,032** |
| | | | | | |
| **Total** | **58,452** | **8,284** | **25,075** | **8,423** | **100,236** |

The following average rate was applied for finance lease agreements:

| Description | 31/12/2021 | 31/12/2020 |
|---|---|---|
| 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 primarily consist of the bond, loans taken out by MISE from major credit institutions, the EIB loan and finance leases. 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.

In particular, the bond issued by FNM and the EIB loans are not subject to volatility as they are subject to a fixed rate.

As regards the loans taken out by MISE in order to limit their effects, hedging contracts have been entered into connected with the variability of interest rates (Interest Rate Swap - IRS). At 31 December 2021, floating rate debt of MISE amounted to 78.28% of the long-term portfolio.

At 31 December 2021, Group's floating rate debt amounted to 81% of the long-term portfolio.

More specifically, at the end of 2021, the subsidiary has IRS derivative contracts in place with a total notional amount of EUR 40 million, referring to hedges on bilateral floating rate loans for a total amount of EUR 80 million maturing on 31 December 2025. With regard to the remaining portion of

debt, which is primarily linked to the Euribor rate, in view of *i*) forecasts of any significant increases in short-term rates and *ii*) the weighted residual useful life of the loans of approximately three years, there is currently no need to adjust the existing loan agreements and/or implement additional hedges to convert floating-rate loans into fixed-rate loans.
The following table shows the impact on shareholders' equity and the net profit for the year ended 31 December 2021 of a hypothetical positive and negative change of 50 basis points (bps) in interest rates actually applied during the year:

| (Amounts in thousand of euros) Loss/ (Profit) | 31/12/2021 | | | |
|---|---|---|---|---|
| | Income statement result | | Other Comprehensive Income | |
| | Interest +50 bps | Interest -50 bps | Interest +50 bps | Interest -50 bps |
| Non-hedged floating rate loans | | | | |
| Effect of change in interest rate | 965 | -965 | | |
| Floating-rate loans converted through IRS into fixed-rate loans | | | | |
| Effect of change in interest rate on the fair value of hedging derivatives - effective portion of hedge (*) | | | 372 | -378 |
| Impacts before tax effect | 965 | -965 | 372 | -378 |
| Tax effect | -265 | 265 | -89 | 91 |
| Impact after tax effect | 700 | -700 | 283 | -287 |

(*) The change in the interest rate affects the change in fair value of hedging derivatives, which is recognised in other comprehensive income and therefore does not impact the income statement.

## Capital management

The main objectives pursued by the Group in its capital risk management policy are to create value for shareholders and safeguard the business as a going concern. The Group also aims to maintain an optimal capital structure in order to reduce the cost of debt and meet requirements (covenants) of debt agreements (Note 23 - 24). 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 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
On 20 December 2021, Fitch increased the Company's rating to BBB, partly as a result of the increase of Italy's rating to BBB from BBB-.

## 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 31/12/2021** | **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 | 24,387 | | 13,276 | 11,111 |
| *Financial derivative liabilities* | 24 | 3,399 | | 3,399 | |

During 2021, there were no transfers between different hierarchical levels. The accounting value already approximates fair value, where the related hierarchical level is not expressed.

## NOTE 52 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 2021 and 31 December 2020, restated according to IFRS 9 information.

| *Amounts in thousands of euros* | **Notes** | **Book value at 31/12/2021** | **Financial assets at amortised cost** | **Financial assets at FV through profit or loss** | **Financial assets at FV through OCI** | **Financial liabilities at FV** | **Financial liabilities at amortised cost** |
|---|---|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | | | | |
| Investments in other companies | 10 | 11,074 | | 11,074 | | | |
| Financial Receivables | 11 | 58,539 | 58,539 | | | | |
| Contractual assets | 14 | 145,088 | 145,088 | | | | |
| Other Receivables | 18 | 1,918 | 1,918 | | | | |
| **CURRENT ASSETS** | | | | | | | |
| Trade Receivables | 17 | 133,067 | 133,067 | | | | |
| Other Receivables | 18 | 123,012 | 123,012 | | | | |
| Financial Receivables | 11 | 862 | 862 | | | | |
| Financial Receivables measured at Fair Value in profit or loss | 12 | 7,000 | | 7,000 | | | |
| Investments in other companies | 21 | 6,313 | | 6,313 | | | |
| Receivables for funded investments | 13 | 138,061 | 138,061 | | | | |
| Cash and cash equivalents | 20 | 351,832 | 351,832 | | | | |
| **NON-CURRENT LIABILITIES** | | | | | | | |
| Payables to banks | 23 | 165,683 | | | | | 165,683 |
| Financial Payables | 24 | 669,674 | | | | 1,837 | 667,837 |
| Payables for funded investments | 25 | 12,581 | | | | | 12,581 |
| Other liabilities | 27 | 20,395 | | | | | 20,395 |
| **CURRENT LIABILITIES** | | | | | | | |
| Payables to banks | 23 | 88,774 | | | | | 88,774 |
| Financial Payables | 24 | 75,350 | | | | 1,562 | 73,788 |
| Payables for funded investments | 25 | 36,978 | | | | | 36,978 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Trade payables | 30 | 372,327 | | | | | 372,327 |
| Other liabilities | 32 | 67,726 | | | | | 67,726 |

| *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 | | | |
| Other Receivables | 18 | 213 | 213 | | | |
| **CURRENT ASSETS** | | | | | | |
| Trade Receivables | 17 | 82,640 | 82,640 | | | |
| Other Receivables | 18 | 95,834 | 95,834 | | | |
| Financial Receivables | 11 | 115 | 115 | | | |
| Receivables for funded investments | 13 | 41,511 | 41,511 | | | |
| Cash and cash equivalents | 20 | 253,344 | 253,344 | | | |
| **NON-CURRENT LIABILITIES** | | | | | | |
| Payables to banks | 23 | 42,441 | | | | 42,441 |
| Financial Payables | 24 | 13,706 | | | | 13,706 |
| Payables for funded investments | 25 | 12,581 | | | | 12,581 |
| Other liabilities | 27 | 24,357 | | | | 24,357 |
| **CURRENT LIABILITIES** | | | | | | |
| Payables to banks | 23 | 58,619 | | | | 58,619 |
| Financial Payables | 24 | 42,542 | | | | 42,542 |
| Payables for funded investments | 25 | 165,208 | | | | 165,208 |
| Trade payables | 30 | 177,538 | | | | 177,538 |
| Other liabilities | 32 | 46,049 | | | | 46,049 |

## NOTE 53 SIGNIFICANT NON-RECURRENT EVENTS AND TRANSACTIONS

In relation to the development projects, primarily relating to the MISE acquisition, a non-recurring expense of EUR 1,808 thousand was recognised. Furthermore, non-recurring income was recognised

deriving from the release of a provision for risks following the partial closure of the dispute with the Customs Agency for EUR 2,237 thousand.
Furthermore, during the year non-recurring financial expenses were recognised for EUR 8,602 thousand, relating to upfront fees (EUR 6,729 thousand), extension fees (EUR 930 thousand) and accessory expenses (EUR 943 thousand) relating to the short-term bridge loan of EUR 620 million taken out on 28 January 2021 from a pool of banks comprising Intesa Sanpaolo S.p.A., JPMorgan Chase Bank, N.A., Milan Branch and BNP Paribas Italian Branch.
Non-recurring financial expenses also include a EUR 2,010 thousand adjustment to the loan to APL of EUR 150 million. In application of the provisions of IFRS 9, following the postponement of the expected date of repayment of the loan from 2044 to 2053, the calculation of the amortised cost was updated, taking account of the rate (6.89%) and the different duration.
A non-recurring expense of EUR 1,908 thousand was recorded in the previous year.

## NOTE 54 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 2021.

## NOTE 55 DESCRIPTION OF THE IMPACTS OF THE COVID-19 EPIDEMIC ON THE INCOME STATEMENT

As required by CONSOB Warning notice no. 8/2020 of 16/07/2020, the significant impacts of the COVID-19 epidemic on the income statement of the year are set out below.

The implementation of the vaccination campaign to combat the COVID-19 pandemic and the consequent easing of travel restrictions, despite the resurgence of the pandemic in the final weeks of the year, in 2021 led to a gradual recovery in demand for local public transport by road and motorway traffic, after a weak first quarter due to the restrictions imposed to limit the third wave of the pandemic.

Specifically, during 2021, motorway toll revenue related to paying traffic increased by 25.10% compared to the same figure recorded at 31 December 2020. The A7 motorway achieved a significant recovery in traffic, equal to +26.44%, compared to 2020, mainly in the summer period, thanks to the increase in holiday traffic.
For all bypasses, the average increase of 24% also shows a net improvement over volumes in 2020, with a marked recovery in traffic even compared to the pre-pandemic period.

In terms of LPT by road, overall in 2021 demand for local public transport by road improved by +6% over 2020, but remains lower than pre-pandemic levels. As for production, it should be noted that, in order to ensure the level of services offered and adequate social distancing that would allow for the reopening of schools and the resumption of activities, including tourism, 2021 required the increased use of subcontracted services compared to 2020, as well as the offer of greater services to protect the health of employees and passengers.

The Group accounted for “Grants” in relation to the recognition of the offsetting measures regarding loss of revenues from road LPT traffic, 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, termed the “August Decree”), Law no. 176 of 18 December 2020 (Art. 22 ter, termed the “Ristori bis Decree”) and Decree Law no. 41 of 22 March 2021 (Art. 29, termed the “Support Decree”), equal to EUR 13,500 thousand.

These grants made it possible to reduce the impacts of the pandemic on local public transport and, therefore, also on the subsidiary Trenord, which was significantly affected by measures to limit contagion and, therefore, the revision of the offer following the COVID-19 emergency. The “Net profit of companies measured with the equity method” considers the offsetting effects introduced by the above-mentioned decrees of EUR 98.3 million.

## NOTE 56 SIGNIFICANT EVENTS AFTER THE CLOSING OF THE YEAR

Subsequent to year-end close, the military action taken by Russia in Ukraine, which began on the night of 23-24 February 2022, led to significant turbulence in financial markets around the world, in addition to the dramatic consequences related to the suffering of the civilian population and the loss of human lives. On the one hand, stock markets globally recorded significant losses, and on the other hand, bond markets experienced, almost everywhere, a slight improvement and a reduction in spreads in the hope that monetary authorities will delay the monetary tightening announced at the end of 2021.

Furthermore, in response to Russian military action, the European Union, the United States and various NATO countries have enacted extensive economic sanctions against Russia. Nearly 50 percent of the Russian Central Bank's reserves (those held abroad) were frozen and the financial assets of some Russian oligarchs were frozen. Seven large Russian banks have been excluded from the Swift international payments system, making it extremely difficult for them to operate. In addition, embargoes on various strategic trade sectors are planned against Moscow's ally Belarus. As a result of the Ukrainian crisis, the price of energy and gas rose considerably in the main reference markets, partly due to the possibility floated by Western countries of stopping imports of Russian oil and gas in response to the invasion of Ukraine.

Current estimates for the entire FNM Group take into account the increase in fuel and energy prices recorded in the final months of 2021. An escalation of the conflict in Ukraine and the sanctions implemented against Russia by the European Union and the United States could lead to further price increases, which are currently difficult to estimate in terms of extent and duration.

With regard to the assessment of the effects of this contingent situation on the assumption that the Company and its subsidiaries will continue to operate as a going concern and the recoverability of the value of the assets, the Directors have not identified any potential impact with reference to these aspects.

The Company remains flexible in the effective management of variable and discretionary costs relating to all the Group's activities, and carefully monitors developments in order to understand whether and to what extent price increases could have an impact on traffic and, consequently, on the Group's expected results.

Milan, 18 March 2022

The Board of Directors

# ANNEX 1
# to the NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS at 31.12.21

| Name | Registered Office | Nature of Control | Consolidation method | % |
|---|---|---|---|---|
| FERROVIENORD S.p.A. | Milan - P.le Cadorna 14 | Subsidiary | Line-by-line Consolidation | 100 % |
| NORD_ING S.r.l. | Milan - P.le Cadorna 14 | Subsidiary | Line-by-line Consolidation | 100 % |
| FNM Autoservizi S.p.A. | Milan - P.le Cadorna 14 | Subsidiary | Line-by-line Consolidation | 100 % |
| E-Vai S.r.l. | Milan - P.le Cadorna 14 | Subsidiary | Line-by-line Consolidation | 100 % |
| Nuovo Trasporto Triveneto S.r.l. | Milan - P.le Cadorna 14 | Subsidiary | Line-by-line Consolidation | 100 % |
| Malpensa Intermodale S.r.l. | Milan - P.le Cadorna 14 | Subsidiary | Line-by-line Consolidation | 100 % |
| Malpensa Distripark S.r.l. | Milan - P.le Cadorna 14 | Subsidiary | Line-by-line Consolidation | 100 % |
| FNMPAY S.p.A. | Milan - P.le Cadorna 14 | Subsidiary | Line-by-line Consolidation | 100 % |
| Milano Serravalle - Milano Tangenziali S.p.A. | Assago - Via del Bosco Rinnovato 4/b | Subsidiary | Line-by-line Consolidation | 100 % |
| Milano Serravalle Engineering S.r.l. | Assago - Via del Bosco Rinnovato 4/b | Subsidiary | Line-by-line Consolidation | 100 % |
| Azienda Trasporti Verona S.r.l. | Verona - Lungadige Galtarossa 5 | Subsidiary | Line-by-line Consolidation | 50 % |
| La Linea 80 Scarl | Belluno - via Garibaldi 77 | Subsidiary | Line-by-line Consolidation | 50.3 % |
| La Linea S.p.A. | Venice - Via della Fisica 30 | Subsidiary | Line-by-line Consolidation | 51 % |
| Martini Bus S.r.l. | Venice - Via Mutinelli 11 | Subsidiary | Line-by-line Consolidation | 51 % |
| Trenord S.r.l. | Milan - P.le Cadorna 14 | Joint Venture | Measured with the Equity method | 50 % |
| TILO SA | Bellinzona CH - Via Portaccia 1a | Joint Venture | Measured with the Equity method | 25 % |
| NordCom S.p.A. | Milan - P.le Cadorna 14 | Joint Venture | Measured with the Equity method | 58 % |
| NORD ENERGIA S.p.A. | Milan - P.le Cadorna 14 | Joint Venture | Measured with the Equity method | 60 % |
| CMC MeSta SA | Bellinzona CH - Viale Officina 10 | Joint Venture | Measured with the Equity method | 60 % |
| Omnibus Partecipazioni S.r.l. | Milan - P.le Cadorna 14 | Joint Venture | Measured with the Equity method | 50 % |
| ASF Autolinee S.r.l. | Como - via Asiago 16/18 | Joint Venture | Measured with the Equity method | 24.5 % |
| Autostrada Pedemontana Lombarda S.p.A. | Assago - Via del Bosco Rinnovato 4/b | Associate | Measured with the Equity method | 36.7 % |
| DB Cargo Italia S.r.l. | Milan - P.le Cadorna 14 | Associate | Measured with the Equity method | 40 % |
| Busforfun.com S.r.l. | Venice - via Botteghino 217 | Associate | Measured with the Equity method | 40 % |
| Sportit S.r.l. | Milan - Viale Abruzzi 41 | Associate | Measured with the Equity method | 33 % |

## Annex 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 2021 for auditing services and non-auditing services provided by the same independent auditors and by entities belonging to its network.

| | |
|---|---|
| ***With respect to the Parent Company:*** | |
| a) by the auditing firm, for the provision of audit services | 28 |
| b) by the auditing firm: | |
| – for verification services for the issue of an attestation | 0 |
| – for the provision of other services* | 183 |
| c) by entities belonging to the auditing firm's network: | |
| – for verification services for the issue of an attestation | 0 |
| – for the provision of other services | 0 |
| ***With respect to subsidiaries:*** | |
| a) by the auditing firm, for the provision of audit services | 264 |
| b) by the auditing firm: | |
| – for verification services for the issue of an attestation | 39 |
| – for the provision of other services** | 0 |
| c) by entities belonging to the auditing firm's network: | |
| – for verification services for the issue of an attestation | 0 |
| – for the provision of other services | 0 |

* of which EUR 133 thousand relating to verification activities aimed at issuing reports on pro-forma data and comfort letters and EUR 47 thousand relating to the limited assurance engagement on the consolidated DNF of the FNM Group

** of which EUR 32 thousand relating to reasonable assurance services on the data sent by certain subsidiaries to the LPT Observatory and EUR 7 thousand relating to the signing of tax returns for Group companies

# 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 2021.

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 2022

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 2021, the consolidated income statement, statement of other consolidated comprehensive income, consolidated statement of changes in shareholders' 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 2021, 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*

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### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, 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, goodwill and right of use relating to the CGUs included in the business segment 'Passenger road transport'**<br><br>*Sections "Property, plant and equipment", "Intangible assets", "Right of use" and "Impairment losses of property, plant and equipment, intangible assets and investments in other companies"*<br><br>*Note 6 "Property, plant and equipment"*<br>*Note 8 "Goodwill"*<br>*Note 9 "Right of use"*<br>*Note 40 "Amortization, depreciation and impairment"* | |
| The balances as of 31 December 2021 of the lines 'Property, plant and equipment', 'Goodwill' and 'Right of use' in the consolidated financial statements of FNM SpA are Euro 447,543 thousand, Euro 3,440 thousand and Euro 27,810 thousand, respectively. Such amounts refer to the CGUs included in the business segment 'Passenger road transport', is equal to Euro 53,872 thousand and account for about 3% of the total assets in the consolidated financial statements of FNM SpA.<br>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, an impairment test is carried out by comparing the carrying amounts of the assets with their recoverable amounts in accordance with IAS 36 "Impairment of Assets". | We have carried out specific analyses to understand, evaluate and validate the relevant controls implemented by the Company to assess the recoverability of its Property, plant and equipment', 'Goodwill' and 'Right of use', including the identification of impairment indicators.<br>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.<br>Among the CGUs showing indicators of impairment as of 31 December 2021 we have selected those related to ATV Srl and La Linea SpA based on the materiality of their carrying amounts. For each of them:<br>- we have verified the correct allocation of the book values to the CGUs tested for impairment; |

The valuation technique used by the Company to determine the recoverable amounts of the CGUs is the value in use, determined with the support of an independent expert, on the basis of the cash flow projections included in the business plans. When the value in use of a CGU is lower than its carrying amount, management estimates the fair value less costs of disposal of the CGU.
The analyses carried out by management have not identified any impairment loss of the assets, including goodwill, referred to the CGUs La Linea and E-Vai, whereas the impairment test of the CGU ATV identified an impairment loss attributable to goodwill equal to Euro 913 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 which are subject to uncertainties, also including 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 understood the process adopted for the preparation of the business plans approved by the respective boards of directors. In particular, for ATV, the process adopted for the preparation of the 2022-2025 business plan approved on 7 March 2022 and for La Linea, for the 2022-2025 business plan approved on 8 March 2022;
- to assess the reasonableness of the business plans used in the impairment test we have compared the actual results reported for fiscal year 2021 and for previous years, with their budgets and with the support of *Transportation* experts from the PwC network, we have analysed the significant assumptions underlying those business plans;
- we have checked the consistency of the cash flows used with those included in the business plans used in the impairment tests;
- with the support of valuation experts belonging to the PwC network, we have checked the reasonableness of the assumptions adopted by management to determine the discount rates used, the method of the discounted cash flow model and the mathematical accuracy of calculations;
- 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 checked the adequacy and completeness of the disclosures in the notes to the consolidated financial statements.

**Assessment of the recoverability of the carrying amounts of investments accounted for under the equity method**

*Sections "Equity investments" and "Impairment losses of property, plant and equipment, intangible assets and investments in other companies"*

*Note 10 "Equity investments"*

The balance as of 31 December 2021 of the line 'Equity investments measured with the equity method' in the consolidated financial statements of FNM SpA is Euro 147,577 thousand and comprises investments in joint ventures and associates. This line accounts for 8% of total assets in the consolidated financial statements of FNM SpA.
When events indicate that the investments may have become impaired, the recoverability of their carrying amounts is verified by comparing the carrying amounts with the related recoverable amounts in accordance with IAS 36 "Impairment of Assets".
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. When the value in use of an investment is lower than its carrying amount, management estimates the fair value less cost of disposals of the investment.
The analyses carried out by management has led it to perform an impairment test on the investment in Trenord Srl from which no impairment loss to be recognized in the financial statements has arisen.
We have identified the assessment of the recoverability of the equity investments in the above-mentioned entities 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 which are subject to uncertainties, also considering the

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 impairment indicators as of 31 December 2021. Therefore, we have performed the following procedures:

- we have understood the process adopted for the preparation of the entity's business plans, specifically, the 2022-32 economic-financial projections approved by the investee's board on 9 March 2022;
- to assess the reasonableness of the economic-financial projections used in the impairment test we have compared the actual results reported for fiscal year 2021 and for previous years, with their budgets and with the support of *Transportation* experts from the PwC network, we have analysed the significant assumptions underlying the economic-financial projections;
- we have checked the consistency of the cash flows used with those included in the economic-financial

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.

projections used in the impairment test;

- with the support of valuation experts belonging to the PwC network, we have checked the reasonableness of the assumptions adopted by management to determine the discount rates used, the method of application of the discounted cash flow model and the mathematical accuracy of calculations;
- 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 economic-financial projections.

Finally, we have checked the adequacy and completeness of the disclosures in the notes to the consolidated financial statements.

**Initial recognition of Milano Serravalle – Milano Tangenziali SpA in the consolidated financial statements of the FNM Group**

*Note 3 "Scope and principles of consolidation"*

*Note 22 "Shareholders' equity"*

The balance as of 31 December 2021 of the line 'Shareholders' equity' includes Euro 294.9 thousand relating to the change of the consolidation perimeter due to the initial recognition of Milano Serravalle – Milano Tangenziali SpA (hereinafter, "MISE") in the consolidated financial statements of the FNM Group.

As reported in Note 22 "Shareholders' equity" to the consolidated financial statements of the FNM Group as of 31 December 2021, following the acquisition, at the end of July 2020, of the 13.6% stake in MISE's share capital directly and indirectly held by ASTM SpA and, the acquisition executed on 26 February 2021 of a further 82.4% stake in the share capital, held by the Lombardy Region, FNM SpA obtained the control of MISE under IFRS 10.

The acquisition qualifies as a business combination 'under common control', i.e. a business combination in which the combining entities (FNM and MISE) are ultimately controlled by the same party (in the circumstances, the Lombardy Region) both before and after the business combination, and that control is not transitory.

These types of transactions are outside the scope of application of IFRS 3, accordingly, the transaction was recognised in accordance with the provisions of IAS 8, i.e. the concept of reliable and faithful representation of the transaction, and the provision of OPI 1 (Assirevi preliminary guidelines on IFRS) "Trattamento contabile delle "*business combinations under common* control" nel bilancio d'esercizio e consolidato".
The net assets acquired were therefore recognised at the book values resulting from the financial

We have obtained the purchase and sale agreement for the acquisition of MISE and analysed its essential terms to verify whether the transaction had been recognised correctly.
We have reviewed the working papers of the predecessor statutory auditor of MISE, who issued unmodified opinions on 30 March 2021 on the separate and consolidated financial statements of MISE as of 31 December 2020, prepared in accordance with Italian accounting standards.
We have obtained the balance sheet of MISE at the acquisition date and, as part of our engagement for a full-scope audit of the consolidation package of MISE as of 31 December 2021, we have performed specific audit procedures on the account balances at the date of initial recognition in the consolidated financial statements of FNM Group, also with particular reference to the process of alignment to the IAS/IFRS applied by the Group.
As part of our procedures on the consolidation process, we have verified the correct recognition of the difference between the net assets acquired and the consideration paid by FNM as a reduction of shareholders' equity attributable to shareholders to the Group.

Finally, we have checked the adequacy and accuracy of the disclosures provided in the notes to the consolidated financial statements.

| | |
|---|---|
| statements of MISE, appropriately adjusted to conform to IAS/IFRS. The main impacts on the account balances are illustrated in the comments to each financial statements line items.<br><br>The presentation of the transaction in the consolidated financial statements was a key audit matter in our audit for the following reasons: i) the materiality of the balances of MISE recognised for the first time in the consolidated financial statements of FNM SpA; ii) the complexity of the process of adjustment to IAS/IFRS applied by FNM Group. | |
| **Measurement of the provision for the renewal of the motorway infrastructure**<br><br>*Section "Provisions for risks and charges"*<br><br>*Note 28 "Current and Non-Current provisions for risks and charges"*<br><br>The balance of the line 'Provisions for risks and charges' as of 31 December 2021 includes Euro 53,192 thousand relating to a provision for renewal of motorway infrastructure.<br>The balance accounts for 3% of total equity and liabilities in the consolidated financial statements of FNM SpA.<br><br>The provision reflects the estimate of the present value of the costs that the subsidiary Milano Serravalle – Milano Tangenziali SpA (the "Entity") shall incur to fulfil the contractual obligation laid down in the agreement entered into with the Grantor (the "Concession Agreement"), to ensure that the infrastructure under concession is kept in good condition.<br><br>The process of estimation of the above-mentioned provision is based on several assumptions including technical hypotheses about the planning of renovation work and, specifically, the duration of maintenance cycles, the state of conservation of the structures and the estimated costs for each item. | We have performed specific analyses to understand the process adopted by the Entity to determine the provision in question.<br>We have obtained and analysed the report prepared by the Entity's technical management on the planning of renewal works of the motorway infrastructure.<br>With the support of experts from PwC network, we have analysed the main assumptions underlying the calculation models used by the Entity's technical management, with particular reference to: i) the duration of maintenance cycles for each homogeneous category of work; ii) the analysis of the state of conservation of the infrastructure; iii) the estimated costs to be incurred for each item; and iv) we verified that those assumptions matched the obligations laid down in the Concession Agreement.<br>We have verified the mathematical accuracy of the calculations made to determine the provision.<br>We have analysed the reasonableness of the interest rates used to discount the provision to present value. |

| | |
|---|---|
| The measurement of the provision was a key audit matter for the following reasons: i) the materiality of the balance; ii) the complexity of the estimation process; and iii) the high degree of judgement applied by management to determine the assumptions underlying the calculation of the provision. | Finally, we have checked the adequacy and completeness of the 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 of FNM SpA in general meeting engaged us to perform the statutory audit of the Company's 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 on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815*

The directors of FNM SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements, to be included in the annual report.
We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.
In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated 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. 58/98*

The directors of FNM SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the FNM Group as of 31 December 2021, 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 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of FNM Group as of 31 December 2021 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, 4 April 2022

PricewaterhouseCoopers SpA

*Signed by*

Alessandro Turris
(Partner)

*As disclosed by the Directors in paragraph "FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS", the accompanying consolidated financial statements of FNM S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.*

# Separate financial statements

# for the year ended 31 December 2021

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

# STATEMENT OF FINANCIAL POSITION AT 31.12.2021

| *Amounts in Euro* | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 1 | 377,447,102 | 375,509,994 |
| Intangible assets | 2 | 4,808,397 | 4,092,635 |
| Right of use | 3 | 6,785,456 | 8,549,107 |
| Equity investments | 4 | 710,600,544 | 181,351,297 |
| Financial Receivables | 5 | 1,540,000 | 933,333 |
| of which: Related Parties | 5 | 1,540,000 | 933,333 |
| Deferred Tax Assets | 6 | 7,956,777 | 6,696,012 |
| Other Receivables | 8 | 890,808 | 132,793 |
| **TOTAL NON-CURRENT ASSETS** | | **1,110,029,084** | **577,265,171** |
| **CURRENT ASSETS** | | | |
| Trade Receivables | 7 | 25,903,244 | 41,353,169 |
| of which: Related Parties | 7 | 23,911,053 | 39,749,267 |
| Financial Receivables | 5 | 1,303,639 | 501,260 |
| of which: Related Parties | 5 | 1,303,639 | 501,260 |
| Other Receivables | 8 | 13,137,906 | 18,775,700 |
| of which: Related Parties | 8 | 5,969,840 | 2,487,800 |
| Tax receivables | 9 | 448,059 | 2,187,143 |
| Other securities | | 13 | 13 |
| Cash and cash equivalents | 10 | 96,410,699 | 101,270,053 |
| **TOTAL CURRENT ASSETS** | | **137,203,560** | **164,087,338** |
| Assets held for sale | | — | — |
| **TOTAL ASSETS** | | **1,247,232,644** | **741,352,509** |

| *Amounts in Euro* | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | | 230,000,000 | 230,000,000 |
| Other reserves | | 7,788,521 | 7,788,521 |
| Reserve for indivisible profit | | 162,005,390 | 138,113,566 |
| Reserve for actuarial gains/(losses) | | (176,967) | (168,718) |
| Profit for the year | | 5,407,746 | 23,891,824 |
| **SHAREHOLDERS' EQUITY** | **11** | **405,024,690** | **399,625,193** |
| **NON-CURRENT LIABILITIES** | | | |
| Payables to banks | 12 | — | 41,688,387 |
| Financial Payables | 13 | 642,957,974 | — |
| of which: Related Parties | 13 | — | — |
| Lease liabilities | 13 | 4,915,673 | 6,570,647 |
| of which: Related Parties | 13 | 514,779 | 925,559 |
| Other liabilities | 15 | 6,279,293 | 8,346,959 |
| of which: Related Parties | 15 | 4,353,904 | 5,622,934 |
| Provisions for risks and charges | 19 | 233,464 | 233,464 |
| Post-employment benefits | 16 | 1,315,626 | 1,430,165 |
| **TOTAL NON-CURRENT LIABILITIES** | | **655,702,030** | **58,269,622** |
| **CURRENT LIABILITIES** | | | |
| Payables to banks | 12 | 41,708,565 | 58,243,747 |
| Financial Payables | 13 | 89,183,408 | 125,503,841 |
| of which: Related Parties | 13 | 83,227,359 | 120,011,074 |
| Lease liabilities | 13 | 1,985,190 | 2,063,794 |
| of which: Related Parties | 13 | 543,373 | 632,580 |
| Trade payables | 17 | 36,214,828 | 71,588,676 |
| of which: Related Parties | 17 | 10,945,767 | 4,355,985 |
| Tax payables | 18 | 712,254 | 684,433 |
| Payables for taxes | 18 | 121,508 | 109,561 |
| Other liabilities | 15 | 15,365,383 | 24,048,569 |
| of which: Related Parties | 15 | 10,487,020 | 12,911,870 |
| Provisions for risks and charges | 19 | 1,214,788 | 1,215,073 |
| **TOTAL CURRENT LIABILITIES** | | **186,505,924** | **283,457,694** |
| Liabilities related to assets held for sale | | — | — |
| **TOT. LIABILITIES AND SHAREHOLDERS' EQUITY** | | **1,247,232,644** | **741,352,509** |

# INCOME STATEMENT FOR THE YEAR 2021

| *Amounts in Euro* | Notes | 2021 | 2020 |
|---|---|---|---|
| Revenues from sales and services | 20 | 74,623,029 | 78,009,185 |
| of which: Related Parties | 20 | 73,954,877 | 77,544,159 |
| Grants | 21 | 1,242,991 | 1,204,136 |
| of which: Related Parties | 21 | 1,164,886 | 1,164,886 |
| Other income | 22 | 3,181,553 | 4,284,459 |
| of which: Related Parties | 22 | 2,370,140 | 2,258,003 |
| **PRODUCTION VALUE** | | **79,047,573** | **83,497,780** |
| Service costs | 23 | (14,744,409) | (13,214,403) |
| of which: Related Parties | 23 | (8,049,071) | (7,653,674) |
| Personnel costs | 24 | (15,102,402) | (14,577,198) |
| Depreciation, amortisation and write-downs | 25 | (29,068,901) | (26,105,085) |
| Other operating costs | 26 | (1,305,641) | (1,126,348) |
| of which: Related Parties | 26 | (91,667) | (1,623) |
| **TOTAL COSTS** | | **(60,221,353)** | **(55,023,034)** |
| | | | |
| **EBIT** | | **18,826,220** | **28,474,746** |
| Dividends | 27 | 3,861,252 | 4,695,887 |
| of which: Related Parties | 27 | 3,861,252 | 4,695,887 |
| Impairment of equity investments | 4 | — | (2,253,512) |
| Financial income | 28 | 37,074 | 1,824,173 |
| of which: Related Parties | 28 | 22,720 | 842,829 |
| Financial expenses | 29 | (16,530,811) | (2,383,053) |
| of which: Related Parties | 29 | (19,410) | (429,629) |
| of which: Non Recurring | 29 | (8,602,340) | — |
| **NET FINANCIAL INCOME** | | **(12,632,485)** | **1,883,495** |
| | | | |
| **EARNINGS BEFORE TAX** | | **6,193,735** | **30,358,241** |
| Income tax | 30 | (785,989) | (6,466,417) |
| **NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS** | | **5,407,746** | **23,891,824** |
| **NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS** | 31 | — | — |
| **PROFIT FOR THE YEAR** | | **5,407,746** | **23,891,824** |

# OTHER COMPREHENSIVE INCOME FOR THE YEAR 2021

| *Amounts in Euro* | Notes | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|---|
| | | | | |
| **PROFIT FOR THE YEAR** | | **5,407,746** | **23,891,824** | **(18,484,078)** |
| **Components that will not be reclassified in the operating result** | | | | |
| Actuarial gain | | (11,441) | 24,577 | (36,018) |
| Income tax | | 3,192 | (6,857) | 10,049 |
| **Total other consolidated comprehensive income that will not be reclassified in the operating result** | **32** | **(8,249)** | **17,720** | **(25,969)** |
| | | | | |
| **TOTAL COMPREHENSIVE INCOME** | | **5,399,497** | **23,909,544** | **(18,510,047)** |

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2021

| *Amounts in Euro* | Share capital | Other reserves | Reserve for indivisible profit | Reserve for actuarial Gains/(Losses) | Profit for the year | TOTAL |
|---|---|---|---|---|---|---|
| | | | | | | |
| **Balance at 01.01.2020** | **230,000,000** | **7,788,521** | **114,200,601** | **(186,438)** | **23,912,965** | **375,715,649** |
| Allocation of 2019 profit | | | 23,912,965 | | (23,912,965) | — |
| 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** |
| Allocation of 2020 profit | | | 23,891,824 | | (23,891,824) | — |
| Total other consolidated comprehensive income that will not be reclassified in the operating result | | | | (8,249) | | (8,249) |
| Profit for the year | | | | | 5,407,746 | 5,407,746 |
| **Balance at 31.12.2021** | **230,000,000** | **7,788,521** | **162,005,390** | **(176,967)** | **5,407,746** | **405,024,690** |
| | | | | | | |
| **Notes** | **11** | **11** | **11** | **32** | **11** | **11** |

# STATEMENT OF CASH FLOWS FOR THE YEAR 2021

| *Amounts in Euro* | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **Cash flow from operating/(for) activities** | | **Total** | **Total** |
| Operating result | | 5,407,746 | 23,891,824 |
| Income tax | 30 | 785,989 | 6,466,417 |
| Depreciation for the year | 25 | 25,008,142 | 22,875,378 |
| Amortisation of intangible assets for the period | 25 | 1,099,829 | 812,996 |
| Amortisation of right of use | 25 | 2,080,275 | 1,966,462 |
| Write-downs for the year on property, plant and equipment | 25 | 880,655 | 450,249 |
| Gain from disposal of property, plant and equipment | 22 | (248,120) | 19,830 |
| Capital gain on the disposal of assets held for sale | 22 | — | (890,635) |
| Impairment of equity investments | 4 | — | 2,253,512 |
| Provision for bad debts | 21 | 22,000 | — |
| Allocation to the provision for risks | 19 | 663,715 | 386,748 |
| Release of the provision for risks | 19 | (490,000) | — |
| Dividends cash-in | 27 | (3,861,252) | (4,695,887) |
| Capital grants for the year | 21 | (1,204,136) | (1,204,136) |
| Interest income | 28 | (37,074) | (933,538) |
| Interest expense | 29 | 16,530,811 | 2,383,053 |
| **Cash flow from income activities** | | **46,638,580** | **53,782,273** |
| Net change in the provision for post-employment benefit | 16 | (121,230) | (209,428) |
| Net change in provision for risks and charges | 19 | (174,000) | (648,000) |
| (Increase)/Decrease in trade receivables | 7 | 15,427,925 | (19,919,476) |
| (Increase)/Decrease in other receivables | 7 | 2,958,131 | (2,217,237) |
| (Increase)/Decrease in trade payables | 17 | (1,946,972) | 1,648,407 |
| Increase/(Decrease) in other liabilities | 15 | (2,177,528) | (1,806,890) |
| Payment of taxes | 18 | (4,937,888) | (6,538,078) |
| **Total cash flow from operating activities** | | **55,667,018** | **24,091,571** |
| **Cash flow from/(for) investing activities** | | | |
| Investments in property, plant and equipment | 1 | (27,975,495) | (63,162,236) |
| Investments in intangible assets | 2 | (1,815,591) | (1,399,000) |
| Increase/(Decrease) in trade payables for property, plant and equipment | 17 | (33,426,876) | 51,380,566 |
| Disposal value of property, plant and equipment | 1 | 397,710 | 272,626 |
| Investments in Equity investments | 4 | (533,537,895) | (79,267,838) |
| Dividends cash-in | 27 | 3,861,252 | 4,695,887 |
| (Increase)/Decrease in financial receivables | 5 | (587,963) | 52,821 |
| Collection of loan to subsidiary companies | 5 | 233,333 | 27,738,216 |
| Disbursement of loans to subsidiary companies | 5 | (1,050,000) | — |
| Decrease of financial receivables for liquidity management from Finlombarda | 4 | — | 48,000,000 |
| Interest income collected | | 32,658 | 1,285,643 |

| | | | |
|---|---|---|---|
| Decrease in finance lease receivables | 5 | — | 995,858 |
| **Total cash flow from investing activities** | | **(593,868,867)** | **(9,407,457)** |
| **Cash flow from/(for) assets held for sale** | | | |
| Change in assets held for sale | | **—** | **3,564,675** |
| **Total cash flow from assets held for sale** | | **—** | **3,564,675** |
| **Cash flow from/(for) financing activities** | | | |
| Decrease in financial payables | 13 | (35,338,281) | (41,162,352) |
| Repayments of finance lease payables | 13 | (2,031,246) | (1,923,100) |
| Payment of interest expense | | (15,675,231) | (1,837,774) |
| Bank loan repayment | 12 | (678,243,747) | — |
| New bank loans | 12 | 620,000,000 | 50,000,000 |
| Reimbursement of bond | 12 | — | (58,000,000) |
| Bond issue | 12 | 644,631,000 | — |
| **Total cash flow from/(for) financing activities** | | **533,342,495** | **(52,923,226)** |
| | | | |
| **Liquidity generated (+) / absorbed (-)** | | **(4,859,354)** | **(34,674,437)** |
| Cash and cash equivalents at the start of the year | 10 | 101,270,053 | 135,944,490 |
| Cash and cash equivalents at the end of the year | 10 | 96,410,699 | 101,270,053 |
| **Liquidity generated (+) / absorbed (-)** | | **(4,859,354)** | **(34,674,437)** |

# 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 SEPARATE FINANCIAL STATEMENTS for the year ended 31.12.2021

## 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 mobility, as well as motorway infrastructure, sectors. These activities take place under concessions and/or service agreements stipulated with the Lombardy Region. The FNM Group also carries out important operations in the sectors of sustainable mobility, goods' transport, IT and energy. The management report and consolidated financial statements provide further details on the FNM Group's operating segments and the activity carried out by each investee.

The centralised services carried out by FNM S.p.A. can be defined, overall, as:

a) rolling stock lease services, in particular to Trenord and to DB Cargo Italia;
b) administrative services: concerning the management through specific service agreements with investees of the following centralised activities: the organisation and provision of accounting services; personnel administration; general services; support for project development and extraordinary initiatives; coordination of company secretarial departments; legal advice and related activities; treasury; planning and control; ICT (Information & Communication Technology); purchasing, tenders and contracts; management of human resources and organisation, communication;
c) property management services.

The Company, domiciled in P.le Cadorna, 14 – MILAN, is listed on the Standard Class 1 market of the Milan Stock Exchange.

## FORM AND CONTENT OF THE SEPARATE FINANCIAL STATEMENTS

These financial statements, prepared in compliance with CONSOB provisions in resolution no. 11971/1999 as amended, including in particular provisions introduced by resolutions no. 14990 of 14 April 2005 and no. 15519 of 27 July 2006, contain the financial statements and notes relative to the Company, produced on the basis of international accounting standards (IFRS) issued by the IASB (*International Accounting Standards Boards*) and adopted by the European Union. IFRS mean all "International Financial Reporting Standards", all "International Accounting Standards" (IAS) and

all interpretations of the "International Financial Reporting Standards Interpretations Committee" (IFRS IC, formerly IFRIC), previously called the "Standard Interpretations Committee" (SIC). In particular, IFRS were adopted in a manner consistent with all periods presented in this document.
These separate Financial Statements are presented together with the Consolidated financial statements at 31 December 2021 prepared in compliance with IFRS.

The Lombardy Region, with registered office at Piazza Città di Lombardia 1, prepares the Consolidated Financial Statements for the larger Group of which the Company is part, which are available on the Lombardy Region website.

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 2021 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 2022.

This version of financial statements constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This financial statements has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

**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 2020 were used, supplemented as described in the section "IFRS accounting standards, amendments and interpretations adopted from 1 January 2021".

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 2021

The following IFRS accounting standards, amendments and interpretations were adopted for the first time by the Company, starting from 1 January 2021:

- On 31 March 2021, the IASB issued an amendment entitled "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)", extending by one year the period of application of the amendment issued in 2020, which allowed 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 that applied this option in 2020 accounted for the effects of the rent concessions directly in the

income statement as at the effective date of the concession. The 2021 amendment, which is only available to entities that have already adopted the 2020 amendment, applies beginning 1 April 2021, and early adoption is permitted.
The adoption of this amendment did not have any effects 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 entered into force on 1 January 2021.
  The adoption of this amendment did not have any effects on the separate financial statements of the Company.

**IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, NOT APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE COMPANY AT 31 DECEMBER 2021**

- On 28 June 2021, 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 thereby entailing amendments to the provisions of the standard.
  - **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 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 this amendment to have a significant effect on the separate financial statements of the Company.

- On 18 May 2017, the IASB published IFRS 17 – Insurance Contracts which is to replace IFRS 4 – Insurance Contracts.
  The purpose of the new standard is to guarantee that an entity provides relative information which faithfully represents the rights and obligations arising from insurance contracts issued. The IASB has developed 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:
    i. estimates and assumptions of future cash flows are always current;
    ii. the measurement reflects the time value of money;
    iii. estimates are based on an extensive use of observable market information;
    iv. a current and explicit measurement of risk exists;
    v. expected profit is deferred and aggregated in groups of insurance contracts on initial recognition; and,
    vi. expected profit is recognised in the contract coverage period, considering adjustments arising from changes in assumptions concerning cash flows relative to each group of contracts.

  The PAA requires the measurement of the liability for the remaining coverage of a group of insurance contracts on condition that, at the time of initial recognition, the entity expects the liability to reasonably represent an approximation of the General Model. Contracts with a coverage of one year or less are automatically suitable for the PAA. The simplifications arising from the adoption of PPA do not apply to the measurement of liabilities for claims, which are measured using the General Model. However, it is not necessary to discount those cash flows if the balance to pay or receive is expected within one year from the date when the claim was made.
  The entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF).
  The standard applies starting from 1 January 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.

**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 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 adoption 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 12 February 2021, the IASB issued two amendments entitled "Disclosure of Accounting Policies-Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates-Amendments to IAS 8". The amendments are intended to improve the disclosure of accounting policies so as to provide more useful information to investors and other primary users of financial statements and to help companies distinguish between changes in accounting estimates and changes in accounting policies. The amendments apply from 1 January 2023, but early adoption is permitted. The Directors do not expect the adoption of these amendments to have a significant effect on the separate financial statements of the Company.

- On 7 May 2021, the IASB published an amendment entitled "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The paper clarifies how deferred taxes should be accounted for on certain transactions that can generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments apply from 1 January 2023, but early adoption 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 9 December 2021, the IASB published an amendment entitled "Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information". The amendment is a transition option relating to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment is intended to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and thus improve the usefulness of comparative information for financial statement readers. The amendments will apply from 1 January 2023, together with the application of IFRS 17. The Directors do not expect the adoption of this amendment to have a significant effect on the separate financial statements of the Company.

**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment mainly consist of:

a) land;
b) buildings;
c) plant and machinery;
d) rolling stock (hired rolling stock and locomotives).

Property, plant and equipment are recognised at purchase or production cost including directly related costs. The cost is reduced by depreciation and impairment. Land is not depreciated. If financed by government grants, property, plant and equipment are recognised including the grant, which is entered in the item “Other liabilities” according to criteria indicated in the accounting standard “Government grants”.
Depreciation is calculated on a straight-line basis using percentages that reflect the economic and technical deterioration of the asset. Depreciation is calculated when the asset becomes available for use according to Management's intentions.
Significant parts of tangible assets that have different useful lives are recognised separately and depreciated based on their separate useful life.
The useful lives and residual values are revised annually at the end of the reporting period.
Useful lives are as follows:
Buildings: 50 years;
Plant and machinery: 5-16 years;
Rolling stock: 15-22 years.
If an impairment loss is recorded, the property, plant or equipment is written down according to criteria indicated below in the section “Impairment loss of intangible assets, property, plant and equipment and investments”.

**PROPERTY ASSETS**

Property assets, i.e. assets held for rent income or to appreciate their value, mainly refer to stores located near Cadorna station in Milan.
In compliance with IAS 40, the Company opted to measure these assets at cost, net of depreciation and impairment, using the same treatment adopted for property, plant, and equipment and, given their limited significance, these items are not recorded in a separate line of assets in relation to “Property, plant and equipment”.

**IFRS 16 LEASES**

The 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 IFRS 16 is effective for the Company starting from 1 January 2019. The Company took the option of adopting IFRS 16 with the modified retrospective approach; therefore, upon first time adoption, the Company recognised the cumulative effect deriving from adoption of the standard in

the shareholders' equity as at 1 January 2019, without redetermining the comparative data of the previous year.

*Accounting model for the lessee*

The Company recognises in the statement of financial position the assets for the right of use and the financial liabilities for leased assets for most *leases*, with the exception of low value assets under *lease*, i.e. having a new value of less than Euro 5,000. Therefore, the Company recognises the payments due for the leases relating to the aforesaid leases as cost with a straight line criterion throughout the duration of the lease.

On the effective date of the lease, the Company recognises the asset for the right of use and the financial liability for leased assets.

The asset for the right of use is initially measured at cost, and subsequently at cost less amortisation and impairment losses, cumulated, and adjusted to reflect the write-backs of the lease liability.

The Company measures the financial liability for leased assets at the present value of the payment due for the leases not paid as at the effective date, discounting them using the implied interest rate of the lease. Whenever it is not possible to determine this rate easily, the Company uses the marginal lending rate. Generally, the Company uses the marginal lending rate as the discounting rate. The financial liability for leased assets is subsequently increased by the interest that accrue on said liability and decreased by the payments due for the leases carried out and it is revalued in case of change in the future payments due for the lease deriving from a change in the index or rate, in case of change of the amount the Company expects to have to pay by way of guarantee on the residual value or when the Company changes its valuation with reference to whether or not a buy, extension or termination option is exercised.

*Accounting model for the lessor*

The Company sub-leases to third parties the right of use of some *leased* assets for a duration prevalently coinciding with that of the main agreement. The accounting principles applicable to the Company as lessor do not deviate from those prescribed by IAS 17 previously in force. However, when the Company acts as intermediate lessor, sub-leases are classified referring to the asset for a right of use deriving from the main *lease*, rather than to the underlying asset.

**INTANGIBLE ASSETS**

Intangible assets refer to costs, including related charges, incurred to purchase resources without physical substance on condition that their amount can be reliably quantified, and the asset is clearly identifiable and controlled by the Company. Intangible assets are recognised at purchase or production cost including related costs and are amortised based on their future use.

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

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

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

**EQUITY INVESTMENTS**

Subsidiaries are entities over which the Company: (a) has power; (b) is exposed to, or has the rights to, variable returns arising from its involvement with said entity; (c) has the capacity to use power to influence the amount of such variable returns; while joint ventures are investees in which the Company exercises joint control with another investor. Joint ventures operate in different sectors from the operating segments of the Company and their activities are developed with a specialist partner, with whom decisions about significant operations are shared, also backed up by partner agreements in which joint control of the investees is established.

All investments are recognised at purchase cost on initial recognition. Subsequently, if there is evidence of an impairment loss, the recoverable value of the investment is estimated. If an impairment loss is recorded, the investment is written down according to criteria indicated below in the section "Impairment loss of intangible assets, property, plant and equipment and investments".

**CURRENT AND NON-CURRENT FINANCIAL RECEIVABLES**

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

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

**DEFERRED TAX ASSETS AND LIABILITIES**

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

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

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

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

Current and deferred taxes are recognised in the Income Statement, apart from taxes relative to items directly recognised in Other comprehensive income, or other items of Shareholders' equity, in which case the tax effect is directly recognised in Other comprehensive income or in Shareholders' equity.

## TRADE RECEIVABLES

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

## CASH AND CASH EQUIVALENTS

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

## ASSETS HELD FOR SALE

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

## LOANS

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

## EMPLOYEE BENEFITS

Employee benefits provided at the end of employment or afterwards mainly refer to post-employment benefit.
Law no. 296 of 27 December 2006 (2007 Budget Law) and subsequent decrees and regulations issued in the first few months of 2007 introduced significant changes to legislation on post-employment benefit, including the possibility for employees to choose the allocation of the post-employment benefit they accrue.
This means, for IFRS purposes, a different accounting treatment which is explained below:

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

**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.

**BUSINESS COMBINATIONS UNDER COMMON CONTROL**

A business combination involving businesses or companies under common control is a combination in which all businesses or companies are ultimately controlled by the same entity or entities both before and after the business combination and the control is not of a temporary nature.

If a significant influence on future cash flows after the transfer of all parties involved, can be demonstrated, these operations are treated as described in the section “business combinations”. If, instead, this significant influence cannot be demonstrated, these operations are recognised on a going concern basis.

In particular, the criteria for recognition, applying the going concern principle, in line with IAS 8.10 and with international practices and guidelines from the Italian accounting profession on business combinations under common control, require the purchaser to recognise the assets acquired based on their historical carrying amounts determined according to the cost base. Where the transfer values are greater than the historical values, the excess is reversed, decreasing the shareholders' equity of the purchasing company, with a reserve debited.

Similarly, the accounting standard adopted to prepare the financial statements of the transferring company requires any difference between the transaction price and pre-existing carrying amount of the assets being transferred to not be recognised in the income statement, but instead to be recognised in shareholders' equity.

**BUSINESS COMBINATIONS**

Business combinations are recognised according to the acquisition method. According to this method, the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair values of the transferred assets and liabilities undertaken by the Company at the acquisition date and the equity instruments issued in exchange for control of the purchased entity.

At the acquisition date, identifiable acquired assets and liabilities undertaken are measured at the fair value at the acquisition date; the following items are an exception, which instead are measured according to their reference standard:

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

Goodwill is determined as the excess between the sum of amounts transferred in a business combination, the value of equity attributable to non-controlling interest and the fair value of any investment previously held in the acquired entity compared to the fair value of net assets acquired and liabilities undertaken at the acquisition date. If the value of net assets acquired and liabilities undertaken at the acquisition date exceeds the sum of amounts transferred, the value of shareholders' equity attributable to non-controlling interest and the fair value of any investment previously held in the acquired entity, this excess is immediately recognised in the income statement as income arising from the completed transaction.

**REVENUES**

Revenues for the provision of services are recognised at the time the service is provided.

Financial income is recognised in the Income Statement during the year when it is accrued, 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 regarding leases of locomotives.

**GOVERNMENT GRANTS**

Government grants are recorded in accordance with IAS 20 when there is a reasonable certainty that they can be received and when there is a reasonable certainty that the Company has complied with the conditions for receiving them.

Government grants are recognised in accordance with the "income approach" whereby a grant is recognised in the income statement in one or more years in which the Company recognises as costs the relative expenses that the grants are intended to offset.

Government grants that are collectible as compensation for costs or losses already incurred are recognised in the income statement for the year in which they become receivable. Grants relative to the purchase of property, plant and equipment, disbursed by the Lombardy Region or third parties (other public bodies) are presented according to the "indirect method", with the deferred revenue component recognised in "Other liabilities" and the applicable share determined on the basis of the expected useful life of the assets they refer to credited to the income statement on a straight-line basis.

**IMPAIRMENT LOSS OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INVESTMENTS**

Non-current assets include - among others - property, rolling stock, intangible assets and investments. Management periodically revises the carrying amount of non-current assets held and used and assets that must be disposed of, when required by facts and circumstances. This revision is carried out comparing the carrying amount of the asset and the greater of the fair value, net of costs to sell, and the value in use of the asset. In the absence of market values considered representative of the actual value of the investment, estimate methods and valuation models are used based on data and assumptions which are sustainable and reasonable, based on historical experience and future expectations of the market and foreseeable changes in the specific legal framework. The value in use is determined based on estimates of cash flows expected from the use or sale of the asset, approved by competent bodies and based on projections that do not exceed five years and discount rates to calculate the present value, referred to market conditions.

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

For assets not subject to amortisation/depreciation and intangible assets not yet available for use, impairment testing is carried out annually, regardless of whether or not specific indicators are present. If the conditions for a previous write-down no longer apply, the carrying amount is restored to the new estimated value, which will not exceed the net carrying amount the asset would have had, if it had not been written down. Reversals are recorded in the Income Statement.

**DIVIDENDS**

Income for dividends is recognised when the right to collection arises, which normally coincides with the resolution of the Shareholders' Meeting to distribute dividends.

Resolved dividends are recognised as a payable to Shareholders at the time of the resolution on distribution.

**FINANCIAL INCOME AND FINANCIAL EXPENSES**

Financial income and expenses are recognised on an accrual basis.

**CURRENT TAXES**

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

**TAX CONSOLIDATION**

The Company renewed the option for the National Tax Consolidation Scheme for the 2019 - 2021 three-year time interval (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 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.
There were no changes in estimates during the current year.
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 2020, property, plant and equipment, net of relative accumulated depreciation, comprised the following:

| Description | 01.01.2020 | | |
|---|---|---|---|
| | 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/Writedowns | | | | (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** |

Changes for 2021 are shown below:

| Description | Land and buildings | Plant and Machinery | Industrial and commercial equipment | Other assets: Rolling stock | Other assets: Furniture and furnishings, office machines, improv. to third party assets | Assets in the course of construction and advances | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| **Net Value as at 01.01.2021** | **14,836,558** | **221,387** | **2,798** | **334,656,530** | **345,273** | **25,447,448** | **375,509,994** |
| Investments financed with own funds | | 104,336 | 3,830 | 18,909,617 | 9,354 | 8,948,357 | **27,975,494** |
| Transfers gross value | | 29,112 | | 3,262,327 | | (3,291,439) | |
| Revaluations/Writedowns | | | | (880,654) | | | **(880,654)** |
| Divestments: Gross Disposals | (149,590) | | | | | | **(149,590)** |
| Depreciation Rates | (384,362) | (57,579) | (791) | (24,468,488) | (96,922) | | **(25,008,142)** |
| **Net Value as at 31.12.2021** | **14,302,606** | **297,256** | **5,837** | **331,479,332** | **257,705** | **31,104,366** | **377,447,102** |

Therefore, at 31 December 2021, property, plant and equipment, net of relative accumulated depreciation, comprised the following:

| Description | 31.12.2021 Cost | 31.12.2021 Accumulated depreciation | 31.12.2021 Book value |
|---|---|---|---|
| Land and buildings | 23,397,109 | (9,094,503) | 14,302,606 |
| Plant and machinery | 855,511 | (558,255) | 297,256 |
| Industrial and commercial equipment | 74,800 | (68,963) | 5,837 |
| Other assets: | | | |
| Rolling stock | 600,949,445 | (269,470,113) | 331,479,332 |
| Furniture and furnishings, office machines, improvements to third party assets | 2,221,390 | (1,963,685) | 257,705 |
| **Total other assets** | 603,170,835 | (271,433,798) | 331,737,037 |
| Assets in the course of construction and advances | 31,104,366 | | 31,104,366 |
| **Total** | **658,602,621** | **(281,155,519)** | **377,447,102** |

## Land and buildings

The item “Land and buildings” mainly refers to net values outstanding at 31 December 2021 relative to the building in Piazzale Cadorna (MI) for EUR 8,317 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 721 thousand and property in the municipality of Iseo for EUR 648 thousand.

## Plant and machinery

The increases during the year are entirely determined by the cost of modernising the air conditioning and heating systems at the Piazzale Cadorna (MI) property.

**Other assets**

The investment for the year, equal to EUR 18,910 thousand, concerns:

- 1 FLIRT TILO train for EUR 8,452 thousand; following commissioning, investments incurred in the previous year, amounting to EUR 2,113 thousand, were transferred from "Assets in the course of construction and advances" to the category in question; the train is leased to Trenord;
- 2 E744 EffiShunter locomotives for EUR 2,946 thousand; following commissioning, investments incurred in the previous year, amounting to EUR 842 thousand, were transferred from "Assets in the course of construction and advances" to the category in question; the locomotives are leased to DB Cargo Italia;
- cyclical maintenance on 7 CSA trains for EUR 3,453 thousand;
- cyclical maintenance on 5 CORADIA trains for EUR 2,533 thousand;
- the modernisation of 5 DE520 locomotives leased to DB Cargo Italia and to Trenord, for EUR 1,526 thousand; following the completion of modernisation activities on a locomotive, investments incurred in the previous year, amounting to EUR 307 thousand, were transferred from "Assets in the course of construction and advances" to the category in question;

The "rolling stock" category consists of the following:

| Type | Net Value |
|---|---|
| **Trains** | |
| 26 TAF | 9,982,141 |
| 2 TSR | 6,416,664 |
| 7 6-body TSR | 69,300,798 |
| 10 4-body TSR | 85,623,373 |
| 8 CSA | 27,604,874 |
| 10 6-body CORADIA | 57,895,487 |
| 5 FLIRT TILO | 49,809,840 |
| | **306,633,177** |
| **Locomotives** | |
| 8 Loc. E 483 | 13,314,024 |
| 14 Loc. DE520 | 2,436,551 |
| 1 Loc. ES64 F4 | 1,976,485 |
| 4 Loc. EFFISHUNTER EFF1000 | 7,119,096 |
| | **24,846,156** |
| **TOTAL** | **331,479,333** |

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 8,948 thousand, are attributable to advances paid for the purchase of 6 hydrogen-powered electric trains (EUR 7,080 thousand), 5 FLIRT TILO rolling stock (EUR 734 thousand), as well as advances paid for DE520 revamping (EUR 605 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 2021 would have been the following:

| 2021 | Book value | Grant | Net value less the grant |
|---|---|---|---|
| Land and buildings | 14,302,606 | (5,176,964) | 9,125.642 |
| Plant and machinery | 297,256 | | 297.256 |
| Industrial and commercial equipment | 5,837 | | 5.837 |
| Other assets | 331,737,037 | (1,309,702) | 330,427.335 |
| Assets in the course of construction and advances | 31,104,366 | | 31,104.366 |
| **Total property, plant and equipment** | **377,447,102** | **(6,486,666)** | **370,960,436** |

The Company did not identify any factors indicating the need for impairment testing, to verify the recoverability of the carrying amount of property, plant and equipment, given that these are assets primarily intended for use in the provision of local public transport services under current lease contracts.

There are no restrictions on the title and ownership of property, plant and equipment pledged as security for liabilities.

## NOTE 2 INTANGIBLE ASSETS

At 1 January 2020, intangible assets comprised the following:

| Description | 01.01.2020 | | |
|---|---|---|---|
| | 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** |

Changes for 2021 are shown below:

| Description | Assets in the course of construction and advances | Other | Total |
|---|---|---|---|
| | | | |
| **Net Value as at 01.01.2021** | **1,059,540** | **3,033,095** | **4,092,635** |
| Investments financed with own funds | 1,412,087 | 403,504 | **1,815,591** |
| Transfers gross value | (902,871) | 902,871 | |
| Amortisation Rates | | (1,099,829) | **(1,099,829)** |
| **Net Value as at 31.12.2021** | **1,568,756** | **3,239,641** | **4,808,397** |

Therefore at 31 December 2021, intangible assets comprised the following:

| Description | 31.12.2021 | | |
|---|---|---|---|
| | Historical cost | Accumulated amortisation | Net Value |
| Assets in the course of construction and advances | 1,568,756 | | 1,568,756 |
| Other | 6,933,473 | (3,693,832) | 3,239,641 |
| **Total intangible assets** | **8,502,229** | **(3,693,832)** | **4,808,397** |

**Assets in the course of construction and advances**

Increases in the item "Assets in the course of construction and advances", equal to EUR 1,412 thousand, refer mainly to the upgrade of the SAP PM modules, managed by FNM and used by FERROVIENORD, for EUR 350 thousand, the implementation of additional SAP modules which FNM uses for its administration service, for EUR 301 thousand, the upgrade of SAP modules, managed by FNM and used by Trenord, for EUR 287 thousand, the development of the hydrogen production system, for EUR 198 thousand, the initiation of upgrade activities on the SAP 4/HANA platform, for EUR 186 thousand, the extension of the SAP application system to three Group companies, for EUR 65 thousand and, lastly, the activation of additional modules of the SAP HR operating software, for EUR 13 thousand.

It should be noted that during the year, as the project activities were completed, when the modules implemented were made available, the costs incurred in 2020 in relation to the upgrade of the BW SAP module, managed by FNM and used by Trenord (EUR 430 thousand), the additional SAP modules that FNM uses in the administrative service (EUR 161 thousand), the activation of additional modules of the SAP HR management software (EUR 120 thousand), the migration to the G-Suite platform (EUR 88 thousand), activities relating to identity assessment tools (EUR 58 thousand) and the development of the software used by FNM for the management of corporate bodies (EUR 45 thousand) were transferred from this category to the item “Other”.

Overall, assets in the course of construction and advances at 31 December 2021 refer mainly to the upgrade of the SAP PM modules, managed by FNM and used by FERROVIENORD, for EUR 350 thousand, the upgrade of SAP modules, managed by FNM and used by Trenord, for EUR 366 thousand, the implementation of additional SAP modules which FNM uses for its administration service, for EUR 249 thousand, the development of the hydrogen production system, for EUR 223 thousand, the initiation of upgrade activities on the SAP 4/HANA platform, for EUR 186 thousand, the extension of the SAP application system to three Group companies, for EUR 65 thousand and, lastly, the activation of additional modules of the SAP HR operating software, for EUR 34 thousand.

**Other**

The increases for the year (EUR 404 thousand) are mainly attributable to additional SAP modules that FNM uses as part of its administrative service, for EUR 107 thousand, the extension of the SAP application system to four Group companies, for EUR 101 thousand, and additional modules of the SAP management software, managed by FNM and used by Trenord S.r.l., for EUR 81 thousand.

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

Other assets are assigned a useful life of 3 years.
There are no intangible assets with restricted title or which are pledged as security for liabilities.
There are no internally constructed intangible assets.

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

At 1 January 2020, the item “Right of use”, recognised upon adoption of IFRS 16, was broken down as follows:

| Description | 01.01.2020 | | |
|---|---|---|---|
| | 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 amortisation | 51,449 | | | 34,852 | **86,301** |
| Amortisation 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 as 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** |

Changes for 2021 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 01.01.2021** | **92,575** | **1,524,134** | **6,710,714** | **221,684** | **8,549,107** |
| Acquisitions | 188,354 | | | 128,270 | **316,624** |
| Divestments Historical Cost | (16,413) | | | (37,372) | **(53,785)** |
| Divestments Accumulated amortisation | 16,413 | | | 37,372 | **53,785** |
| Amortisation Rates | (87,322) | (535,637) | (1,342,143) | (115,173) | **(2,080,275)** |
| **Net Value as at 31.12.2021** | **193,607** | **988,497** | **5,368,571** | **234,781** | **6,785,456** |

Therefore as at 31 December 2021, “Right of use” comprised the following:

| Description | 31.12.2021 | | |
|---|---|---|---|
| | Historical cost | Accumulated amortisation | Net Value |
| Right of use - software | 283,608 | (90,001) | 193,607 |
| Right of use - buildings | 2,595,410 | (1,606,913) | 988,497 |
| Right of use - rolling stock | 8,074,446 | (2,705,875) | 5,368,571 |
| Right of use - other assets | 500,655 | (265,874) | 234,781 |
| **Total** | **11,454,119** | **(4,668,663)** | **6,785,456** |

The item “Right to use rolling stock” includes the lease of 4 Bombardier E494 TRAXX DC locomotives leased to DB Cargo.

## NOTE 4 EQUITY INVESTMENTS

At 31 December 2021, equity investments amounted to EUR 710,601 thousand with an increase by EUR 529,249 thousand as a result of the changes that took place during the year and commented below.

Investments are shown in the next tables:

| Description | 31.12.2020 | | | Changes in 2021 | | | | 31.12.2021 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost | (Impairment) | Book value | Increases | (Decreases) | Reclassification | (Impairment)/ Reversal of impairment | Cost | (Impairment) | Book value |
| Equity investments in subsidiaries | 51.223.461 | (7.880.189) | 43.343.272 | 526.241.278 | | 85.841.614 | | 663.306.353 | (7.880.189) | 655.426.164 |
| Equity investments in joint ventures | 48.607.674 | | 48.607.674 | | | | | 48.607.674 | | 48.607.674 |
| Equity investments in associates | 3.558.737 | 0 | 3.558.737 | 3.007.969 | | | | 6.566.706 | | 6.566.706 |
| Investments in other companies | 85.841.614 | 0 | 85.841.614 | | | (85.841.614) | | | | |
| **Total equity investments** | **189.231.486** | **(7.880.189)** | **181.351.297** | **529.249.247** | | | | **718.480.733** | **(7.880.189)** | **710.600.544** |

## *Equity investments in subsidiaries*

Investments in subsidiaries are shown in the following table:

| Description | 31.12.2020 | | | Changes in 2021 | | | | 31.12.2021 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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. | | | | | | | | | | |
| 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 | (1.954.000) | 3.622.152 | 289.960 | | | | 5.866.112 | (1.954.000) | 3.912.112 |
| Azienda Trasporti Verona S.r.l. | 21.001.000 | (769.000) | 20.232.000 | | | | | 21.001.000 | (769.000) | 20.232.000 |
| E-Vai S.r.l. | 2.036.559 | (150.000) | 1.886.559 | | | | | 2.036.559 | (150.000) | 1.886.559 |
| Malpensa Intermodale S.r.l. | 865.377 | | 865.377 | | | | | 865.377 | | 865.377 |
| Malpensa Distripark S.r.l. | 500.000 | | 500.000 | | | | | 500.000 | | 500.000 |
| Milano Serravalle - Milano Tangenziali S.p.A. | | | | 523.651.318 | | 85.841.614 | | 609.492.932 | | 609.492.932 |
| FNMPAY S.p.A. | 150.000 | | 150.000 | 2.300.000 | | | | 2.450.000 | | 2.450.000 |
| **Total equity investments in subsidiaries** | **51.223.461** | **(7.880.189)** | **43.343.272** | **526.241.278** | | **85.841.614** | | **663.306.353** | **(7.880.189)** | **655.426.164** |

*La Linea S.p.A.*

During 2021, FNM S.p.A. paid the adjustment for events subsequent to the acquisition of the investment in La Linea S.p.A.

*FNMPAY S.p.A.*

On 15 July 2021, in relation to the losses incurred by the subsidiary in 2020 and expected in 2021, meeting the conditions governed by art. 2482-*bis*, the Company, in its capacity as sole shareholder, resolved to pay EUR 2,300 thousand to cover losses.

In December 2021, the investee obtained authorisation from the Bank of Italy and the company will therefore be able to start operations during the second quarter of 2022.

*Milano Serravalle - Milano Tangenziali S.p.A.*

Milano Serravalle - Milano Tangenziali S.p.A. (“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.

The investment, recognised at a value of EUR 609,493 thousand, inclusive of accessory expenses, derives from the acquisition, at the end of July 2020, of the 13.6% stake in MISE's share capital held directly and indirectly by ASTM, for EUR 85,842 thousand, and the acquisition of a further 82.6%

stake in the share capital held by the Lombardy Region, for EUR 519,151 thousand, completed on 26 February 2021.
In detail, on 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, for consideration of EUR 85,649 thousand (i.e. EUR 3.5 per share), of which EUR 78,307 thousand (i.e. EUR 3.2 per share) paid on 29 July 2020 and EUR 7,341 thousand (i.e. EUR 0.3 per share) paid on 28 January 2021.

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 the Lombardy Region in MISE, equal to 82.4% of the share capital, for a total of EUR 519,151 thousand (equal to EUR 3.5 per share). On 26 February 2021, in execution of the purchase and sale agreement, the acquisition of 82.4% of MISE's share capital from the Lombardy Region was finalised.

The acquisition took place following the fulfilment of the conditions precedent set forth in the sale and purchase agreement, including obtaining the authorisation from the competent Antitrust Authority and the 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).
When 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 the Lombardy Region 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, in which it previously held a 79.29% stake.

Following the completion of the transaction, the value posted in 2020 was transferred from the item "equity investments in other companies" to the item "equity investments in subsidiaries", following the acquisition of the 13.6% stake, equal to EUR 85,842 thousand.

**Impairment Test**

For the year 2021, the Directors tested for impairment the investments described below for which trigger events were identified.

*A.T.V. S.r.l.*

A.T.V. S.r.l., in its 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 agreement, originally scheduled for 30 June 2019, has been extended to 31 December 2022. Previously, on 6 December 2017, the provincial council of Verona approved the restricted call for tenders for the selection of the operator and by the established deadline of May 2018, ATV submitted a proposal for the expression of interest to participate in the public tender for the assignment of the local public transport (LPT) service for a contract duration of 7 years, with the

possibility of renewal for an additional two years. However, by resolution 131 of the President of the Province of Verona, in December 2020 the direction was given to continue the process of suspending the tender, which began in September 2020 with resolutions to this effect by the Municipality of Verona and the Municipality of Legnago. Indeed, art. 92-*ter* of Decree Law 18/2020 established the possibility that all the awarding procedures in progress may be suspended for a maximum of 12 months from the end of the emergency (scheduled for 31 March 2022). The reasons cited in the resolution are the uncertainties linked to the future scenarios of the Verona LPT post-COVID-19 and those relating 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 to be the value in use, was determined by applying a single scenario represented by the hypothetical cessation of operations in 2025 (the last year of the plan) and the subsequent liquidation of the operating invested capital at the end of 2026 with a time lag of one year, assuming that the new concessionaire will take over during the year subsequent to the expiry of the service agreement. The liquidation of the invested capital was assumed at book values, also in consideration of the provisions of the Transport Regulatory Authority (“ART”), which through Regulatory Act of 28 November 2019 established that the “takeover value” for a new concessionaire is determined by the Awarding Body as the greater of the Net Book Value (“NBV”) and the Market Value (“MV”) within a maximum limit of deviation of 5% in the case of NBV>MV.

The expected future cash flows used in this analysis derive from the 2022-2025 long-term plan, approved by ATV's Directors on 7 March 2022, (“Base Scenario”) adjusted for certain uncertainties listed below:
a) reduction of investments: only investments based (pro-rata) on capital grants are made and not entirely self-financed investments, such so as to allow for the progressive renewal of the existing fleet;
b) increase in inflation: the inflation rate is set at 1.5% from 2023 to 2025, instead of the 1% set forth in the Base Case scenario;
c) non-application of the tariff manoeuvre provided for in the Base Scenario (+10% as of 2023), thus keeping tariff levels unchanged.

The economic and financial forecasts contained in the plan prepared by ATV's management and taken as a reference for the impairment test, adjusted by the above adjustments, do not take into account the renewal of the tender for the Verona and Legnago LPT, as despite the launch in 2016 by the Government Body of the activities necessary for the publication of the call for tenders for the assignment pursuant to Regulation 1370 2007 of the service currently managed by ATV, since the end of 2019 there have been no acts or actions by the Government Body relating to the procedure for the assignment of the service.
The assumptions (production and fees) underlying the procedure initiated in 2016 are in fact no longer representative of the specific service to be assigned, as there has been a considerable change in market conditions, which to date do not allow for adequate forecasting and, therefore, no assumptions have been considered in this regard.

The plan forecasts are therefore developed on the basis of the profile of the current service agreement and also do not consider the start-up of the trolleybus service in the absence of up-to-date information regarding the activation date, the assignment methods, the fees and the methods for clearing its expected revenues.
With respect to demand trends, the plan forecasts a gradual recovery in traveller demand, with a return to pre-pandemic levels beginning in 2026. The plan also already takes into account fuel and energy cost increases for 2022, with realignment to pre-Covid values from 2023 for diesel and electricity and 2026 for natural gas.

The rate used to discount cash flows determined as above is equal to 6.00% (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.

Impairment testing, carried out based on the above methodology, showed a recoverable amount, based on the value in use, of EUR 20,262 thousand, and therefore a cover of the value of the equity investment of EUR 30 thousand.

The Directors believe that the fair value of this equity investment does not differ significantly from the value in use mentioned above.

A sensitivity analysis was carried out considering a change in the WACC discount rate. The following table shows the change in the value in use in millions of euros that would occur if this parameter were to vary:

| WACC Sensitivity Analysis | | | | |
|---|---|---|---|---|
| WACC | | | | |
| 5.00 % | 5.50 % | 6.00 % | 6.50 % | 7.00 % |
| 20.81 | 20.53 | 20.26 | 20.00 | 19.75 |

The break-even WACC that leads to a cover value of zero is 6.06%.

*La Linea S.p.A.*
La Linea S.p.A. currently operates as a subcontractor of LPT services in the Verona, Padua and Venice areas, and provides tourist transport services in the Venice area through its subsidiary Martinibus. In June 2021, La Linea was awarded the management of 10% of the urban LPT by road for 9 years in the tender launched by the Municipality of Venice in 2016.

The recoverable amount of the CGU, considered to be the value in use, was determined as the sum of three value determinants:

1. The value of La Linea up to 2025 inclusive of the value of assets attributable to the sub-concessionaire activity of La Linea and its subsidiary Martinibus and the Venice LPT;
2. La Linea's value beyond 2025 in perpetuity, equal to a terminal value without Venice LPT;
3. The residual value of the Venice LPT until 2030 without considering any renewal of the service agreement.

Expected future cash flows used in the analysis are taken from the long-term plan approved on 8 March 2022 by the directors of the investee for the 2022-2025 period, consistent with the horizon of the FNM Group plan presented to the financial community in September 2021.
To estimate the residual value of the Venice LPT, forecasts for the Venice LPT alone were extended by the management to 2030.

The rate used to discount cash flows determined as above is equal to 6% (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. A g rate of 0 was assumed.

Impairment testing, carried out based on the above methodology, showed a recoverable amount, based on the value in use, of EUR 4,842 thousand and therefore a cover of the value of the equity investment of EUR 930 thousand.

The Directors believe that the fair value of this CGU does not differ significantly from the value in use mentioned above.

Sensitivity analysis was carried out considering both a change in the WACC discount rate and in the g-rate. The following table shows the value in use in millions of euros that would occur if these parameters were to vary:

| Sensitivity Analysis on WACC and g rate in the impairment test of LA LINEA | | | | | | |
|---|---|---|---|---|---|---|
| | | WACC | | | | |
| | | 5.00 % | 5.50 % | 6.00 % | 6.50 % | 7.00 % |
| g rate | -1.0 % | 5.35 | 5.07 | 4.82 | 4.59 | 4.38 |
| | -0.5 % | 5.38 | 5.09 | 4.83 | 4.59 | 4.38 |
| | 0.0 % | 5.43 | 5.11 | 4.84 | 4.60 | 4.38 |
| | 0.5 % | 5.48 | 5.15 | 4.86 | 4.61 | 4.38 |
| | 1.0 % | 5.55 | 5.18 | 4.88 | 4.61 | 4.38 |

The break-even WACC that leads to a cover value of zero is 8.26%.

*E-Vai S.r.l.*

The recoverable amount of the investment considered to be the value in use was determined using the expected future cash flows taken from the long-term plan approved on 28 February 2021 by directors of the investee for the 2022-2025 period, which include possibilities for the development of current services:

- traditional car sharing (model 1.0);
- community hire services (model 2.0);
- commuters and business hire services (model 3.0);
- corporate hire services (model 4.0).

In particular, the plan expects growth in volumes, with the fleet increasing to 1,077 vehicles by the end of 2025; investments are not planned, and all production factors are hired; costs and revenues are not indexed.

The valuation was not determined on a multi-scenario analysis, as the subsidiary does not operate through Service Agreements, which require participation or otherwise in Local Public Transport service tenders.

The estimated terminal value was calculated by projecting the EBITDA flow in the last year of the plan, as E-Vai reaches a sustainable fleet in the long term in 2025.

The rate used to discount cash flows determined as above is equal to 8.50% (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. However, to consider the higher risk profile of the plan, an Execution Risk Premium of +2% was added to the WACC.

Impairment testing, carried out based on the above methodology, showed a recoverable amount, based on the value in use, of EUR 3,747 thousand and therefore a cover of the value of the equity investment of EUR 1,355 thousand.

The sensitivity analysis was carried out considering both a change in the WACC discount rate and the g-rate growth rate in the calculation of the terminal value. The following table shows the change in impairment, in millions of euros, that would occur if these parameters were changed:

| Sensitivity Analysis on WACC and g rate in the impairment test of E-VAI | | | | | | |
|---|---|---|---|---|---|---|
| | | WACC | | | | |
| | | 7.50 % | 8.00 % | 8.50 % | 9.00 % | 9.50 % |
| g rate | -1.0 % | 3.96 | 3.64 | 3.35 | 3.09 | 2.86 |
| | -0.5 % | 4.21 | 3.85 | 3.54 | 3.25 | 3.00 |
| | 0.0 % | 4.50 | 4.10 | 3.75 | 3.44 | 3.16 |
| | 0.5 % | 4.82 | 4.37 | 3.98 | 3.64 | 3.34 |
| | 1.0 % | 5.19 | 4.69 | 4.25 | 3.87 | 3.54 |

*Equity investments in joint ventures*

Investments in joint ventures are shown in the following table:

| Description | 31.12.2020 | | | Changes in 2021 | | | | 31.12.2021 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| 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 |
| **Total equity investments in joint ventu** | **48.607.674** | | **48.607.674** | | | | | **48.607.674** | | **48.607.674** |

*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 2022-2033 period approved by the Trenord Board of Directors on 9 March 2022.

The 2021 - 2032 projections are based on two contextual elements, namely:

i. the extension of the current Service Agreement until 31 December 2022; and
ii. the assignment to Trenord with the new Service Agreement as of 1 January 2023 and until 31 December 2032.
    These assumptions are consistent with a) the provisions of Regional Law no. 15 of 6 August 2021, which provided for the extension of the current Service Agreement until 31 December 2022, and b) the pre-information notice of direct assignment to Trenord of the new Service Agreement for 10 years (from 1 January 2023 to 31 December 2032).

The assumptions underlying the economic projections approved by Trenord's directors are also shown below:

1. Traveller demand and traffic revenues. Estimates for the years 2022 - 2023 are developed from the model used for demand monitoring captured in 2020 and based on the customer classification by different behaviour clusters. A traveller recovery curve was assumed for subsequent years with assumptions of a return to 2019 levels beginning in 2026/27. The tariff update was assumed to be consistent with the current Service Agreement rules;
2. Service Agreement Fees. For the year 2022, the Service Agreement fee was estimated based on the provisions of the current 2015-2022 contract, with offsetting measures assumed in a manner similar to what occurred for the year 2020 and 2021. For the 2023-2032 period, the new Service Agreement will provide for fee revenues through the definition and calculation of the Regulatory Economic and Financial Plan model required by reference legislation and ART Resolution no. 154/2019.
3. Investments. They were estimated on the basis of what was set forth in the pre-information notice regarding the assignment to Trenord, as also confirmed by Regional Law no. 15 of 6 August 2021, appropriately updated in order to consider the most recent information shared with the Lombardy Region with reference to the 2023-2032 Service Agreement;
4. Other items. The service operating plan and operating costs were developed on the basis of production trends in line with the commissioning of new trains and the decommissioning of older trains over time, indexed to inflation and contractual adjustments.

Due to the pre-information notice regarding the assignment to Trenord, as also confirmed by Regional Law no. 15 of 6 August 2021, no alternative scenario of the tender not being awarded was considered. A single scenario of the tender being awarded was considered, in line with the projections approved by the Trenord directors.

With reference to the period beyond the horizon of the economic and financial projections, two weighted scenarios were considered:

- in the first case Trenord continues the service, on the strength of its position as incumbent and the complexity of the service it manages, and therefore a terminal value was estimated;

- in the second, in view of the possibility that the Lombardy Region might start a competitive bid on part of the future offer, on a prudential basis and in light of the purposes of this test, the liquidation of the operating invested capital forecast at 31 December 2032 was evaluated at book value.

EBITDAs throughout the plan period for both scenarios were reduced by 5% to make up for the assumed volume effect during the plan period and express any higher costs due to inflation.
The rate used to discount cash flows determined as described above was calculated as 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. The g rate was estimated to be 0.

Impairment testing, carried out according to the above methodology, did not identify any need to write down the equity investment.
A sensitivity analysis was also carried out considering both a change in the WACC discount rate and g-rate growth rate in the calculation of the terminal value.
The write-downs in millions of euros (with a negative sign) that would occur if these parameters were to change are shown below:

| Sensitivity Analysis on WACC and g rate in the impairment test of TRENORD | | | | | | |
|---|---|---|---|---|---|---|
| | | WACC | | | | |
| | | 6.70% | 7.20% | 7.70% | 8.20% | 8.70% |
| g rate | -1.0% | 10.60 | 4.80 | -0.60 | -5.50 | -10.10 |
| | -0.5% | 12.10 | 6.00 | 0.50 | -4.60 | -9.40 |
| | 0.0% | 13.80 | 7.50 | 1.70 | -3.60 | -8.50 |
| | 0.5% | 15.90 | 9.10 | 3.10 | -2.50 | -7.60 |
| | 1.0% | 18.20 | 11.10 | 4.60 | -1.20 | -6.50 |

*Equity investments in associates*

Investments in associates are shown in the following table:

| Description | 31.12.2020 | | | Changes in 2021 | | | | 31.12.2021 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 S.r.l. | 492.031 | | 492.031 | 507.969 | | | | 1.000.000 | | 1.000.000 |
| SportIT S.r.l. | | | | 2.500.000 | | | | 2.500.000 | | 2.500.000 |
| **Total equity investments in associates** | **3.558.737** | | **3.558.737** | **3.007.969** | | | | **6.566.706** | | **6.566.706** |

*BusForFun.Com*

On 27 December 2021, FNM paid EUR 508 thousand, as planned, to acquire an additional 15.3% of the share capital of Busforfun.com ("Busforfun"), an innovative startup operating in the tourism and commuting technology sector, to support its development in the Italian and international markets.

*Sportit S.r.l.*

On 3 December 2021 FNM S.p.A. acquired a 33% equity investment for EUR 2,500 thousand in Sportit S.r.l. (Sportit), a company active under the Snowit brand and the main marketplace for the integrated online sale of ski passes, ski-related services and experiences relating to the mountain world in the main European skiing destinations.

*Investments in other companies*

Investments in other companies are shown in the following table:

| Description | 31.12.2020 | | | Changes in 2021 | | | | 31.12.2021 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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.*

As indicated in the section “Equity investments in subsidiaries”, which should be referred to for the details, following the completion of the acquisition transaction, the value recognised in 2020, equal to the 13.6% stake, was transferred from the item “equity investments in other companies” to the item “equity investments in subsidiaries”.

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 | 40.422.445 | 3.222.868 | 100% | 40.422.445 | 4.337.184 |
| FNM Autoservizi S.p.A. Milan - P.le Cadorna 14 | Subsidiary | Cost | 3.000.000 | 19.344.001 | 1.566.642 | 100% | 19.344.001 | 11.650.000 |
| Nuovo Trasporto Triveneto S.r.l. Milan - P.le Cadorna 14 | Subsidiary | Cost | 10.000 | 73.469 | (5.780) | 100% | 73.469 | 100.000 |
| E-Vai S.r.l. Milan - P.le Cadorna 14 | Subsidiary | Cost | 2.000.000 | 1.152.576 | 89.111 | 100% | 1.152.576 | 1.886.559 |
| Malpensa Intermodale S.r.l. Milan - P.le Cadorna 14 | Subsidiary | Cost | 500.000 | 249.141 | (90.531) | 100% | 249.141 | 865.377 |
| Malpensa Distripark S.r.l. Milan - P.le Cadorna 14 | Subsidiary | Cost | 500.000 | 16.549 | (231.926) | 100% | 16.549 | 500.000 |
| Azienda Trasporti Verona S.r.l. Verona - Lungadige Galtarossa 5 | Subsidiary | Cost | 15.000.000 | 35.805.252 | 2.792.940 | 50% | 17.902.626 | 20.232.000 |
| La Linea S.p.A. Venice - Via della Fisica 30 | Subsidiary | Cost | 3.160.000 | 7.943.583 | 706.699 | 51% | 4.051.227 | 3.912.112 |
| FNMPAY S.p.A. Milan - P.le Cadorna 14 | Subsidiary | Cost | 150.000 | 1.645.645 | (776.075) | 100% | 1.645.645 | 2.450.000 |
| Milano Serravalle - Milano Tangenziali S.p.A. Assago - Via del Bosco Rinnovato 4/b | Subsidiary | Cost | 93.600.000 | 342.064.674 | 38.239.870 | 13,6% | 46.520.796 | 609.492.932 |
| Trenord S.r.l. Milan - P.le Cadorna 14 | Joint Venture | Cost | 76.120.000 | 88.485.441 | 1.014.423 | 50% | 44.242.721 | 38.060.000 |
| NORD ENERGIA S.p.A. Milan - P.le Cadorna 14 | Joint Venture | Cost | 10.200.000 | 16.063.753 | 3.416.739 | 60% | 9.638.252 | 6.194.267 |
| NordCom S.p.A. Milan - P.le Cadorna 14 | Joint Venture | Cost | 5.000.000 | 14.084.850 | 671.863 | 58% | 8.169.213 | 743.407 |
| Omnibus Partecipazioni S.r.l. Milan - P.le Cadorna 14 | Joint Venture | Cost | 20.000 | 9.751.932 | 1.914.695 | 50% | 4.875.966 | 3.610.000 |
| DB Cargo Italia S.r.l. Milan - P.le Cadorna 14 | Associate | Cost | 3.000.100 | 31.396.244 | 5.933.295 | 40% | 12.558.498 | 3.066.706 |
| SportIT S.r.l. Milan - Viale Abruzzi 41 | Associate | Cost | 13.280 | 2.009.015 | (319.793) | 33,3% | 669.002 | 2.500.000 |
| Busforfun.com S.r.l. Venice - Via Botteghino 217 | Associate | Cost | 13.280 | 354.309 | (536.591) | 40,0% | 141.724 | 1.000.000 |

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 2021 is broken down in the following table:

| Description | 31.12.2021 | | |
|---|---|---|---|
| | Non Current | Current | Total |

| | | | |
|---|---|---|---|
| Other financial receivables | | 38,323 | 38,323 |
| Provision for financial bad debts | | (38,323) | (38,323) |
| **Financial receivables** | **—** | **—** | **—** |
| Busforfun Loan | 840,000 | 214,416 | 1,054,416 |
| La Linea Loan | 700,000 | 233,333 | 933,333 |
| Receivables current accounts from subsidiaries | | 861,879 | 861,879 |
| (LESS) IFRS 9 Impairment Provision | | (5,989) | (5,989) |
| **Financial receivables from related parties (Note 34)** | **1,540,000** | **1,303,639** | **2,843,639** |
| | | | |
| **Total** | **1,540,000** | **1,303,639** | **2,843,639** |

This item at 31 December 2020 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** |

On 30 July 2021, the Company signed a loan agreement with the associate Busforfun.it in order to provide it with the necessary funding to strengthen its positioning as a Mobility Partner for large projects, businesses, communities and events.

The loan, totalling EUR 2,000 thousand, matures 6 years after the stipulation date. The credit facility, bearing interest at a floating rate equal to the 6-month Euribor + 165 bps per annum, will be repaid in 5 yearly instalments with the first instalment falling due on 31 December 2022.

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.
On 1 December 2021, a further loan was granted to the subsidiary La Linea in order to provide it with the funding to carry out the necessary investments as it won the tender called by the Municipality of Venice for the provision of automotive local public transport within the urban area of Mestre and Spinea. The loan, not yet used and totalling EUR 9 million, matures 10 years after the date on which it was taken out. The line of credit, which bears interest at a fixed rate of 1.5% per annum, will be repaid in 9 annual instalments with the first instalment falling due one year after the service covered by the tender begins.
Current account receivables from subsidiaries include EUR 97 thousand (EUR 62 thousand at 31 December 2020) relative to the current account receivable from Malpensa Intermodale S.r.l. and EUR 651 thousand (EUR 98 thousand at 31 December 2020) for the current account receivable from Malpensa Distripark S.r.l.

The balance also includes the receivable due from Locoitalia, prior to the transfer, amounting to EUR 113 thousand.

Effective rates of the return on receivables are indicated below:

| **Description** | **2021** | **2020** |
|---|---|---|
| Subsidiary and associate loans | 1.65 % | 1.65 % |
| Receivables current accounts vs subsidiaries | 0.004 % | 0.012 % |

## NOTE 6 DEFERRED TAX ASSETS AND LIABILITIES

(Amounts in thousands of Euro)

| Description | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Deferred tax assets | 8,072 | 6,908 | 1,164 |
| Deferred tax liabilities | 115 | 212 | (97) |
| **Net deferred tax assets** | **7,957** | **6,696** | **1,261** |

Changes in net deferred tax assets for the year are shown below:

(Amounts in thousands of Euro)

| Description | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| **Balance at the start of the year** | **6,696** | **6,060** | **636** |
| Allocated to income statement | 1,258 | 645 | 613 |
| Allocated to shareholders' equity | 3 | (9) | 12 |
| **Balance at the end of the year** | **7,957** | **6,696** | **1,261** |

Deferred tax assets and liabilities are mainly generated from temporary differences on 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 31.12.2020 | Balance at 01.01.2020 | Allocated to income statement | Allocated to capital | Balance at 31.12.2020 |
|---|---|---|---|---|
| Allocation | 704 | (60) | | 644 |
| Post-employment benefit valuation | 77 | (27) | (9) | 41 |
| Intangible assets | 172 | (97) | | 75 |
| Plant, property and equipment write-backs, impairments and depreciation | 5,293 | 633 | | 5,926 |
| Impairment of Receivables | 222 | — | | 222 |
| **Total** | **6,468** | **449** | **(9)** | **6,908** |

| Deferred tax assets 31.12.2021 | Balance at 01.01.2021 | Allocated to income statement | Allocated to capital | Balance at 31.12.2021 |
|---|---|---|---|---|
| Allocation | 644 | 129 | | 773 |
| Post-employment benefit valuation | 41 | (8) | 3 | 36 |
| Intangible assets | 75 | 21 | | 96 |
| Plant, property and equipment write-backs, impairments and depreciation | 5,926 | 1,019 | | 6,945 |
| Impairment of Receivables | 222 | — | | 222 |
| **Total** | **6,908** | **1,161** | **3** | **8,072** |

## Deferred tax liabilities

(Amounts in thousands of Euro)

| Deferred tax liabilities 31.12.2020 | Balance at 01.01.2020 | Allocated to income statement | Allocated to capital | Balance at 31.12.2020 |
|---|---|---|---|---|
| Capital gains | 46 | (25) | | 21 |
| Property, plant and equipment | 362 | (171) | | 191 |
| **Total** | **408** | **(196)** | **—** | **212** |

| Deferred tax liabilities 31.12.2021 | Balance at 01.01.2021 | Allocated to income statement | Allocated to capital | Balance at 31.12.2021 |
|---|---|---|---|---|
| Capital gains | 21 | (21) | | — |
| Property, plant and equipment | 191 | (76) | | 115 |
| **Total** | **212** | **(97)** | **—** | **115** |

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 | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Receivables from third parties | 2,102,041 | 1,746,714 |
| (LESS) Provision for bad debts | (66,624) | (99,586) |
| (LESS) IFRS 9 Impairment Provision | (43,226) | (43,226) |
| **Trade receivables** | **1,992,191** | **1,603,902** |
| Trenord S.r.l. | 20,145,175 | 35,095,396 |
| FERROVIENORD S.p.A. | 1,697,521 | 2,496,505 |
| DB Cargo Italia S.r.l. | 674,374 | 258,558 |
| NordCom S.p.A. | 400,498 | 71,536 |
| FNM Autoservizi S.p.A. | 197,421 | 1,030,183 |
| La Linea S.p.A. | 165,195 | 143,582 |
| Omnibus Partecipazioni S.r.l. | 154,949 | |
| FNMPAY S.p.A. | 138,862 | 12,496 |
| Fuorimuro Servizi Portuali e Ferroviari S.r.l. | 137,411 | 137,411 |
| E-Vai S.r.l. | 53,932 | 71,054 |
| Nord_Ing S.r.l. | 45,098 | 34,613 |
| Locoitalia | 36,443 | 36,443 |
| ATV S.p.A. | 33,523 | 368,475 |
| Malpensa Intermodale S.r.l. | 30,327 | 6,438 |
| Malpensa Distripark S.r.l. | 21,187 | 18,953 |
| ASF Autolinee S.r.l. | 17,752 | 17,752 |
| NORD ENERGIA S.p.A. | 10,491 | 7,343 |
| Milano Serravalle - Milano Tangenziali S.p.A. | 6,671 | |
| Martini Bus S.r.l. | 1,694 | |
| | 310 | 310 |
| (LESS) IFRS 9 Impairment Provision | (57,781) | (57,781) |
| **Trade receivables from related parties (Note 34)** | **23,911,053** | **39,749,267** |
| **Total** | **25,903,244** | **41,353,169** |

"Receivables from third party customers" increased in relation to the different timing of collection from the trade counterparty.

Trade receivables from related parties decreased mainly as regards a joint venture investee due to the different collection times compared with 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 110 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 2021 and 31 December 2020.

## NOTE 8 OTHER CURRENT AND NON-CURRENT RECEIVABLES AND TAXES

The next tables show items relative to “Other receivables” for 2021 and 2020:

| Description | 31.12.2021 | | |
|---|---|---|---|
| | Non Current | Current | Total |
| Tax receivables | | 5,900,640 | 5,900,640 |
| Receivable for contractual advance | | 69,600 | 69,600 |
| Receivables in insolvency proceedings | | 1,511,346 | 1,511,346 |
| Prepayments | 758,015 | 751,758 | 1,509,773 |
| Receivables from others | 132,793 | 468,742 | 601,535 |
| (Less) Provision for bad debts | | (1,511,346) | (1,511,346) |
| (LESS) IFRS 9 Impairment Provision | | (22,674) | (22,674) |
| **Other receivables** | **890,808** | **7,168,066** | **8,058,874** |
| | | | |
| **Other receivables from related parties (Note 34)** | | **5,969,840** | **5,969,840** |
| | | | |
| **Total** | **890,808** | **13,137,906** | **14,028,714** |

| Description | 31.12.2020 | | |
|---|---|---|---|
| | Non Current | Current | Total |
| Tax receivables | | 7,407,854 | 7,407,854 |
| 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 | 8,375,267 | 8,508,060 |
| (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** |

## Other receivables

*Tax receivables*

Current tax receivables refer to VAT receivables for which a refund has already been requested, amounting to EUR 5,500 thousand (EUR 7,223 thousand at 31 December 2020), as well as to the Group VAT receivable of EUR 401 thousand (EUR 185 thousand at 31 December 2020).

The VAT receivable for which a refund has already been requested refers to the refund application filed by the Company on 24 April 2018 in the VAT return relative to the 2017 tax period, for EUR 5,500 thousand.

The change in the period relates to the collection on 11 October 2021 of the refund application submitted by the Company on 27 April 2017 for the first quarter of 2017, for EUR 1,723 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 Warranty & Indemnity (W&I) insurance policies taken out to cover the Representations & Warranties set forth in the sale and purchase agreement entered into with the Lombardy Region for the purchase of MISE, for EUR 1,005 thousand (not present at 31 December 2020), 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 109 thousand (EUR 150 thousand at 31 December 2020), as well as credit notes to be received for EUR 71 thousand (EUR 74 thousand at 31 December 2020).

Furthermore, the item includes the costs incurred for development projects pertaining to future years for EUR 168 thousand. In the previous year the item included the transaction costs incurred for the acquisition of the equity investment in MISE, amounting to EUR 3,053 thousand, directly attributable to the equity investment and therefore reclassified upon its completion on 26 February 2021.

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 2021 and 31 December 2020.

## Other receivables - related parties

Other receivables from related parties include:

| **Description** | **31.12.2021** | **31.12.2020** |
|---|---|---|
| FERROVIENORD S.p.A. | 2,897,544 | 7,357 |
| NORD ENERGIA S.p.A. | 2,251,393 | 1,802,426 |
| Locoitalia S.r.l. | 309,994 | 309,994 |
| NordCom S.p.A. | 298,781 | 184,030 |
| E-Vai S.r.l. | 150,294 | 144,258 |
| NORD_ING S.r.l. | 66,087 | 11,879 |
| Malpensa Intermodale S.r.l. | 5,174 | 37,961 |
| Milano Serravalle-Milano Tangenziali S.p.A. | 678 | |
| **Total subsidiary companies (Note 34)** | **5,979,945** | **2,497,905** |
| Lombardy Region | | |
| **Total related parties** | **5,979,945** | **2,497,905** |
| (LESS) IFRS 9 Impairment Provision | (10,105) | (10,105) |
| **Total related parties (Note 34)** | **5,969,840** | **2,487,800** |

Receivables from subsidiaries refer to tax receivables: they include the items arising from Tax Consolidation for EUR 3,583 thousand (EUR 27 thousand at 31 December 2020) and Group VAT for EUR 2,386 thousand (EUR 2,461 thousand at 31 December 2020).

The change in the receivable for tax Consolidation is due to the different exposure of the subsidiary FERROVIENORD for EUR 2,889 thousand (payable at 31 December 2020) and Nord Energia, equal to a payable of EUR 522 thousand (payable at 31 December 2020).

The balance of the Group's VAT receivable changed mainly due to the receivable due from Nord Energia amounting to EUR 1,729 thousand (EUR 1,802 thousand as at 31 December 2020).

## NOTE 9 TAX RECEIVABLES

The next table shows how this item is broken down:

| **Description** | **31.12.2021** | **31.12.2020** |
|---|---|---|
| IRAP (REGIONAL BUSINESS TAX) | 271,188 | |
| IRES (CORPORATE INCOME TAX) | 176,871 | 2,187,143 |
| **Total Receivables for taxes** | **448,059** | **2,187,143** |

## NOTE 10 CASH AND CASH EQUIVALENTS

The next table shows how this item is broken down:

| **Description** | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Bank and postal deposits | 97,034,827 | 101,917,716 |
| Cash on hand | 33,310 | 9,775 |
| (LESS) Impairment IFRS 9 | (657,438) | (657,438) |
| **Total** | **96,410,699** | **101,270,053** |

The Company manages the liquidity of the other Group companies in cash pooling; therefore, in view of cash on bank deposits of EUR 96,411 thousand, FNM has giro accounts receivables of EUR 748 thousand (EUR 160 thousand at 31 December 2020) and giro accounts payable of EUR 88,038 thousand (EUR 125,069 thousand at 31 December 2020), including interest, represented below:

(Amounts in thousands of Euro)

| Description | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Malpensa Intermodale | 97 | 62 |
| Malpensa Distripark | 651 | 98 |
| **Total receivables** | **748** | **160** |
| FERROVIENORD S.p.A. | 41,314 | 78,538 |
| NORD ENERGIA S.p.A. | 19,651 | 20,185 |
| NordCom S.p.A. | 9,291 | 10,231 |
| FNM Autoservizi S.p.A. | 6,058 | 7,720 |
| FNMPAY S.p.A. | 2,164 | |
| E-Vai S.r.l. | 1,112 | 1,148 |
| NORD_ING S.r.l. | 731 | 420 |
| Martini Bus S.r.l. | 344 | |
| La Linea S.p.A. | 330 | |
| Trenord S.r.l. | | 13 |
| Corporate bodies | 7,043 | 6,814 |
| **Total payables** | **88,038** | **125,069** |

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 11 SHAREHOLDERS' EQUITY

The table breaks down shareholders' equity at 31 December 2021 and 31 December 2020, indicating possible uses of reserves.

(Amounts in thousands of Euro)

| Description | 31/12/2021 | 31/12/2020 | 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 | 16,907 | 15,712 | 1,195 | A, B |
| – Demerger surplus reserve | 2,832 | 2,832 | | A, B, C |
| – Extraordinary reserve | 97,426 | 97,426 | — | A, B, C |
| – FTA IFRS 9 | (575) | (575) | | |
| – Retained earnings | 45,415 | 22,718 | | A, B, C |
| *Total Reserve for indivisible profit:* | *162,005* | *138,113* | *23,892* | |
| *Reserve for actuarial Gains/(Losses)* | (177) | (168) | (9) | |
| Profit for the year | 5,408 | 23,892 | (18,484) | |
| **Total** | **405,025** | **399,626** | **5,399** | |

Key: A = to increase capital - B = to cover losses - C = to distribute to shareholders

The following changes in shareholders' equity were recorded in 2020 and 2021:

(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) | Reserve for actuarial gains/losses | Operating result | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 01.01.2020** | **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 | | | 22,718 | | (23,914) | |
| 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** | **96,850** | **22,718** | **(169)** | **23,892** | **399,625** |
| Allocation of 2020 profit | | | | | 1,195 | | | 22,697 | | (23,892) | |
| Reserve for actuarial gains/losses | | | | | | | | | (8) | | (8) |
| Profit for the year | | | | | | | | | | 5,408 | 5,408 |
| **Balance at 31.12.2021** | **230,000** | **6,546** | **1,078** | **165** | **16,908** | **2,832** | **96,850** | **45,415** | **(177)** | **5,408** | **405,025** |

## Share capital

At 31 December 2021 and 31 December 2020, 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

This item increased due to the allocation of the result for 2020. On 30 April 2021, the Shareholders' Meeting approved the proposal of the separate financial statements of the Company and the consolidated results for 2020, and resolved to allocate profit for the year as follows:

- EUR 1,195 thousand to legal reserve;
- EUR 22,697 thousand to retained earnings.

### Demerger surplus reserve

During 2010, FERROVIENORD was demerged in favour of FNM, with reference to the demerged unit represented, in terms of assets, by the investment held in the share capital of the company DB Cargo Italia S.r.l. (40%) and, in terms of liabilities, by the portion of shareholders' equity comprising “Retained earnings” equal to EUR 3,066,706. The demerger led to a decrease in the shareholders' equity of FERROVIENORD from EUR 53,022,518 to EUR 49,955,812, with a reduction equal to 5.7838%; therefore the carrying amount of the investment in FERROVIENORD was reduced by the same percentage, with a write-down of EUR 234,548. The difference between the carrying amount of the investment in DB Cargo Italia S.r.l. and the decrease in the carrying amount of the investment in FERROVIENORD, equal to EUR 2,832,158, was therefore identified in the demerger surplus reserve in shareholders' equity. This reserve did not change compared to the previous year.

### Extraordinary reserve

The item remained unchanged from the previous year.

### Retained earnings

This reserve increased due to the allocation of the result for 2020, 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 2021, from the measurement of post-employment benefit, net of the related tax effect, in accordance with IAS 19.

## NOTE 12 CURRENT AND NON-CURRENT PAYABLES TO BANKS

Payables to banks at 31 December 2021 and 31 December 2020 are broken down as follows:

| Description | 31.12.2021 | | |
|---|---|---|---|
| | Non Current | Current | Total |
| EIB Funding | — | 41,708,565 | 41,708,565 |
| **Payables to banks** | **—** | **41,708,565** | **41,708,565** |

| Description | 31.12.2020 | | |
|---|---|---|---|
| | Non Current | Current | Total |
| *Term Loan Facility* | | 50,000,000 | 50,000,000 |
| EIB Funding | 41,688,387 | 8,243,747 | 49,932,134 |
| **Payables to banks** | **41,688,387** | **58,243,747** | **99,932,134** |

The item “EIB Funding” is entirely attributable to the disbursement of the loan taken out by the Company from 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 fully disbursed in the course of 2020. In particular, on 20 March 2020, the first tranche of EUR 10 million was disbursed, and on 12 October 2020 the second tranche of EUR 40 million. The first tranche of the loan has a fixed rate of 0.377%, with six-year maturity and repayment plan in constant 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 constant annual instalments with the first due date on 12 October 2021. Both instalments falling due during the year were repaid.

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

The EIB gave its approval for the acquisition transaction and thus as of 3 March 2021 amended the financial covenants, calculated on the Group's consolidated financial statements:

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

As a result of the consolidation of MISE, as described in Note 22 to the Consolidated Financial Statements, a reduction of EUR 294.9 million was recorded in the Group's shareholders' equity, resulting in failure to comply with the NFP/Shareholders’ equity covenant. Consequently, the “EIB loan” was classified under current payables to banks in compliance with international accounting standards. It is not believed that this aspect generates liquidity problems in view of the fact that the Parent Company has taken steps with the EIB to agree on a change in the definition of the covenant that takes into account this specific consequence of the accounting treatment described above.

On 9 March 2022 the Company received notice from EIB that the internal assessment process had been passed and, therefore, that the legal documentation for the letter of waiver and contract amendment had been prepared.

The item “Term Loan Facility” pertained 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 referred to the amount of EUR 50,000 thousand disbursed on 14 September 2018 and recognised according to the amortised cost criterion. When the short-term credit line was 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 fully extinguished 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", for up to EUR 50 million, which had not yet been used.

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 2021 and 31 December 2020:

| Description | 31.12.2021 | | |
|---|---|---|---|
| | **Non Current** | **Current** | **Total** |
| Bond | 642,957,974 | | 642,957,974 |
| Payables current accounts to third parties | — | 4,810,713 | 4,810,713 |
| Financial income for finance lease agreements | 4,400,894 | 1,564,374 | 5,965,268 |
| Accruals for interest on financial payables | — | 1,022,779 | 1,022,779 |
| **Financial Payables** | **647,358,868** | **7,397,866** | **654,756,734** |
| Payables current accounts to related parties | — | 83,227,359 | 83,227,359 |
| Financial income for finance lease agreements | 514,779 | 543,373 | 1,058,152 |
| **Financial payables to related parties (Note 34)** | **514,779** | **83,770,732** | **84,285,511** |
| | | | |
| **Total** | **647,873,647** | **91,168,598** | **739,042,245** |

| Description | 31.12.2020 | | |
|---|---|---|---|
| | Non Current | Current | Total |
| Payables current accounts to third parties | — | 5,057,891 | 5,057,891 |
| Financial income for finance lease agreements | 5,645,088 | 1,534,814 | 7,179,902 |
| Accruals for interest on financial payables | — | 331,276 | 331,276 |
| **Financial Payables** | **5,645,088** | **6,923,981** | **12,569,069** |
| Payables current accounts to related parties | — | 120,011,074 | 120,011,074 |
| Financial income for finance lease agreements | 925,559 | 632,580 | 1,558,139 |
| **Financial payables to related parties (Note 34)** | **925,559** | **120,643,654** | **121,569,213** |
| | | | |
| **Total** | **6,570,647** | **127,567,635** | **134,138,282** |

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

| Description | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Between 1 and 2 years | 2,079,153 | 1,875,737 |
| Between 2 and 5 years | 645,794,494 | 4,621,776 |
| Over 5 years | — | 73,134 |
| **Total** | **647,873,647** | **6,570,647** |

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

On 13 October 2021, the Company completed the placement of a non-convertible senior unsecured bond for EUR 650 million, with a duration of five years. The Bond represents the inaugural issue under the Euro Medium Term Non-Convertible Note Programme (the “EMTN Programme”) of up to EUR 1 billion, the establishment of which was approved by FNM's Board of Directors on 16 September 2021.

The bond is listed on the regulated market of the Irish Stock Exchange - Euronext Dublin. The issue was settled on 20 October 2021.

The securities were placed at an issue price of 99.824% with a fixed rate with an annual coupon of 0.75% and an annual yield of 0.786%, corresponding to a spread of 88 basis points with respect to the mid-swap reference rate. The securities representing the bond have been assigned a Baa3 rating by Moody’s and a BBB rating by Fitch, in line with those of the issuer. The bond is not subject to covenants.

The proceeds of the bond were used to prepay in full the debt assumed in connection with the acquisition of Milano Serravalle - Milano Tangenziali S.p.A. (Note 12), and for the remaining part, to maintain adequate levels of liquidity to meet operating and investment needs.

On 21 October 2021, following the placement of the bond described above, FNM repaid in advance the unsecured short-term loan (“Bridge loan”) used for EUR 620 million and 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.

The item “Current account payables to third parties” refers to the cash pooling giro account with various company entities (Supplementary FNM scheme for EUR 4,721 thousand and the FNM Company Recreational Group for EUR 89 thousand).
The item “Current account payables to related parties” mainly refers to the cash pooling giro account with investees, of which EUR 41,312 thousand to FERROVIENORD, EUR 19,650 thousand to NORD ENERGIA, EUR 9,291 thousand to NordCom, EUR 1,112 million to E-Vai and EUR 6,058 thousand to FNMA.

All payables for lease agreements relate to the application of IFRS 16.
The value of fees recorded in the income statement for low value and short term contracts amounts to EUR 22 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 | 31.12.2021 | | 31.12.2020 | |
|---|---|---|---|---|
| | Minimum future payments | Present value of minimum payments | Minimum future payments | Present value of minimum payments |
| Less than 1 year | 2,228,209 | 7,023,420 | 2,289,593 | 8,738,042 |
| 1 - 5 years | 4,976,694 | | 6,831,616 | |
| Over 5 years | 89,687 | | 92,398 | |
| **Total** | **7,294,590** | **7,023,420** | **9,213,607** | **8,738,042** |
| Future interest expense | (271,170) | | (475,565) | |
| **Present value of payables related to finance leases** | **7,023,420** | | **8,738,042** | |

Rates relative to payables from related parties for leases, exposed to interest rate risk, are revised over a period of less than 12 months.

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

| Description | 2021 | 2020 |
|---|---|---|
| Financial income for finance lease agreements | 1.47 % | 1.8% - 8.86% |
| Payables for cash pooling | 0.004 % | 0.012 % |
| Payables to bondholders | 0.9821 % | |

## NOTE 14 NET FINANCIAL POSITION

The item net financial position at 31 December 2021 and 2020 is broken down below, according to CONSOB information notice 5/21 of 29 April 2021, which replaces CONSOB notice no. 6064293 of July 2006 and related notices which refer data in the table to data in the Statement of Financial Position:

(Amounts in thousands of Euro)

| Description | 31.12.2021 | | 31.12.2020 | | Notes |
|---|---|---|---|---|---|
| | Total | Of which: related parties | Total | Of which: related parties | |
| A. Cash and cash equivalents | 96,411 | | 101,270 | | 9 |
| **D. Liquidity (A+B+C)** | 96,411 | — | 101,270 | — | |
| E. Current financial payables | (130,769) | (83,228) | (183,644) | (120,011) | 12 - 13 |
| F. Current portion of non-current financial payables | (2,108) | (543) | (2,167) | (633) | 12 - 13 |
| **G. Current financial debt (E+F)** | **(132,877)** | **(83,771)** | **(185,811)** | **(120,644)** | |
| | | | | | |
| **H. Net current financial debt (G -D)** | **(36,466)** | **(83,771)** | **(84,541)** | **(120,644)** | |
| I. Non-current financial payables | (647,874) | (515) | (48,259) | (926) | 12 - 13 |
| **L. Non-current financial debt (I+J+K)** | **(647,874)** | **(515)** | **(48,259)** | **(926)** | |
| | | | | | |
| **M. Total financial debt (H+L)** | **(684,340)** | **(84,286)** | **(132,800)** | **(121,570)** | |

Current financial debt includes payables to banks (Note 12) of EUR 41,708 thousand (EUR 58,243 thousand at 31 December 2020) and the balance of the giro accounts in cash pooling with respect to the subsidiaries and joint ventures as well as corporate entities for a total of EUR 88,038 thousand (EUR 125,055 thousand at 31 December 2020) (Note 13).

The item "F. Current portion of non-current financial payables" includes the current portion of lease payables amounting to EUR 2,108 thousand (Note 13).

Item "I. Non-current financial payables" primarily includes the bond amounting to EUR 642,958 thousand and the non-current portion of lease payables (Note 13).

## NOTE 15 OTHER NON-CURRENT LIABILITIES

The next tables show the item at 31 December 2021 and 31 December 2020:

| Description | 31.12.2021 | | |
|---|---|---|---|
| | Non Current | Current | Total |
| Personnel | | 2,798,457 | 2,798,457 |
| Capital grants | 1,059,770 | 39,251 | 1,099,021 |
| Social security agencies | | 542,765 | 542,765 |
| Corporate Bodies | | 14,186 | 14,186 |
| Security deposits | 8,476 | | 8,476 |
| Others | 857,143 | 1,483,704 | 2,340,847 |
| **Other liabilities** | **1,925,389** | **4,878,363** | **6,803,752** |
| FERROVIENORD S.p.A. | 99,593 | 5,388,983 | 5,488,576 |
| FNM Autoservizi S.p.A. | 8,714 | 2,725,107 | 2,733,821 |
| FNMPay | | 271,507 | 271,507 |
| DB Cargo Italia S.r.l. | | 149,240 | 149,240 |
| Locoitalia Srl | | 145,179 | 145,179 |
| Malpensa Intermodale | | 140,227 | 140,227 |
| Payables to the Lombardy Region | | 133,826 | 133,826 |
| Corporate Bodies | | 111,132 | 111,132 |
| E-Vai S.r.l. | 623 | 110,163 | 110,786 |
| Malpensa Distripark | | 81,606 | 81,606 |
| Trenord S.r.l. | | 49,255 | 49,255 |
| ATV | 13,500 | | 13,500 |
| Nord_Ing S.r.l. | 1,867 | 9,062 | 10,929 |
| NordCom SpA | 4,980 | 4,980 | 9,960 |
| NORD ENERGIA SpA | 1,867 | 1,867 | 3,734 |
| Capital grants Region of Lombardy | 4,222,760 | 1,164,886 | 5,387,646 |
| **Other liabilities to related parties (Note 34)** | **4,353,904** | **10,487,020** | **14,840,924** |
| | | | |
| **Total** | **6,279,293** | **15,365,383** | **21,644,676** |

| 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 |
| Payable for the purchase of equity investment | | 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 |
| NORD ENERGIA S.p.A. | 3,735 | 246,654 | 250,389 |
| SeMS S.r.l. in liquidation | | 151,286 | 151,286 |
| Malpensa Distripark S.r.l. | | 145,179 | 145,179 |
| Locoitalia S.r.l. | | 134,498 | 134,498 |
| Corporate Bodies | | 79,234 | 79,234 |
| Malpensa Intermodale S.r.l. | | 69,152 | 69,152 |
| Trenord S.r.l. | | 48,790 | 48,790 |
| NordCom S.p.A. | 9,959 | 33,369 | |
| Nord_Ing S.r.l. | 3,735 | 12,491 | 16,226 |
| DB Cargo Italia S.r.l. | | 6,086 | 6,086 |
| E-Vai S.r.l. | 1,245 | 2,183 | 3,428 |
| Capital grants Region of Lombardy | 5,387,645 | 1,164,886 | 6,552,531 |
| **Other liabilities to related parties (Note 34)** | **5,622,934** | **12,911,870** | **18,491,476** |
| | | | |
| **Total** | **8,346,959** | **24,048,569** | **32,352,200** |

*Other liabilities - Personnel and social security institutes*

Payables to personnel refer to December 2021 amounts paid in January 2022 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.

*Payable for the purchase of equity investment*

The item “Payables for the purchase of equity investment” was 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 of EUR 85,649 thousand. At the purchase date, the first tranche of EUR 78,308 thousand was paid. 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 794 thousand in other non-current liabilities, and EUR 780 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 6,061 thousand (EUR 7,577 thousand at 31 December 2020), in particular to FERROVIENORD, for EUR 5,289 thousand (EUR 6,936 thousand at 31 December 2020), and FNM Autoservizi, for EUR 755 thousand (EUR 630 thousand at 31 December 2020).

The item includes entries arising from Tax Consolidation for EUR 2,555 thousand (EUR 3,784 thousand at 31 December 2020), mainly to FNM Autoservizi for EUR 1,962 thousand (1,666 thousand at 31 December 2020), to Malpensa Intermodale for EUR 140 thousand (EUR 151 thousand at 31 December 2020) and to Malpensa Distripark for EUR 72 thousand (EUR 69 thousand at 31 December 2020), 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. In addition, in 2020 payables were included deriving from higher advances paid with respect to the tax charge for the year to FERROVIENORD in the amount of EUR 1,477 thousand (a credit of EUR 2,889 thousand as at 31 December 2021) and payables to Nord Energia in the amount of EUR 245 thousand (a credit of EUR 522 thousand as at 31 December 2021).

The balance of grants received at 31 December 2020 in relation to investments made in previous years amounted to EUR 6,486,667 (Note 1). This amount consists of:

*Lombardy Region capital grants*

Capital grants were disbursed by the Lombardy Region for the purchase of 5 TAF trains, for the renovation of the property in Piazzale Cadorna and the development of the “La civiltà di Golasecca” (The Golasecca Civilization) museum. The decrease in the year is due to the recognition in the income statement of the grant, according to procedures defined in the accounting standard on government grants, of an annual amount of EUR 1,165 thousand.

*Third-party capital grants*

Capital grants concern loans received in 2001 from the Ministry of Public Works pursuant to Law 270/97, for works at the Cadorna station in Milan. The decrease in the year is due to the recognition in the income statement of the grant, according to procedures defined in the accounting standard on government grants, of an annual amount of EUR 39 thousand.

## NOTE 16 POST-EMPLOYMENT BENEFITS

| Description | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Present value of the post-employment benefit liability, calculated on the basis of demographic and financial assumptions | 1,315,626 | 1,430,165 |
| **Total** | **1,315,626** | **1,430,165** |

The amount of the cost recognised in the income statement relative to post-employment benefit is broken down as follows:

| Description | 2021 | 2020 |
|---|---|---|
| Cost of services and interest | 4,750 | 8,144 |
| **Total** | **4,750** | **8,144** |

The change in the liability relative to post-employment benefit is shown below:

| Description | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Debt at the start of the year** | **1,430,165** | **1,656,026** |
| Actuarial gains | 11,441 | (24,577) |
| Cost of services and interest | 4,750 | 8,144 |
| Uses/Transfers | (130,730) | (209,428) |
| **Debt at the end of the year** | **1,315,626** | **1,430,165** |

The following main actuarial assumptions were used:

| Description | 2021 | 2020 |
|---|---|---|
| Discount rate | 1.00 | 0.35 |
| Annual rate of compensation increase | 1.50 | 1.50 |
| Annual rate of inflation | 1.75 | 1.00 |
| Annual rate of post-employment benefit increase | 2.81 | 2.25 |

The annual discounting rate, used to determine the present value of the obligation, was inferred from the Iboxx Eurozone Corporate AA index (1% at 31 December 2021) 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 | 1,267,888 | 1,366,239 |

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 2021 and 2020 comprise the following:

| **Description** | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Third party suppliers | 25,269,061 | 67,232,691 |
| **Trade payables** | **25,269,061** | **67,232,691** |
| Trenord S.r.l. | 9,357,393 | 2,687,627 |
| NordCom S.p.A. | 1,025,738 | 1,081,874 |
| FERROVIENORD S.p.A. | 308,405 | 350,288 |
| Locoitalia S.r.l. | 155,473 | 155,473 |
| E-Vai S.r.l. | 68,407 | 54,934 |
| Malpensa Intermodale S.r.l. | | 7,839 |
| FNM Autoservizi S.p.A. | 22,881 | 7,499 |
| Malpensa Distripark S.r.l. | | 6,176 |
| FNMPAY S.p.A. | 4,858 | |
| NORD_ING S.r.l. | 2,612 | 4,275 |
| **Trade payables to related parties (Note 34)** | **10,945,767** | **4,355,985** |
| | | |
| **Total** | **36,214,828** | **71,588,676** |

"Payables to third party suppliers" decreased in relation to the lower investments made during the year. Payables to suppliers of rolling stock at 31 December 2021 amounted to EUR 23,306 thousand (EUR 62,266 thousand at 31 December 2020).

The item "Trade payables to related parties" increased in relation to the payable to Trenord for cyclical maintenance work not yet paid for.

## NOTE 18 PAYABLES FOR TAXES AND DUTIES

Tax payables refer to amounts owing to the financial administration for:

| Description | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Income tax employees and contractors | 617,397 | 601,701 |
| Withholdings to be paid | 91,280 | 81,646 |
| Post-employment benefit substitute tax | 3,577 | 1,086 |
| **Total tax payables** | **712,254** | **684,433** |
| IRAP (REGIONAL BUSINESS TAX) | | 109,561 |
| IRES (CORPORATE INCOME TAX) | 121,508 | |
| **Total Payables for taxes** | **121,508** | **109,561** |

## 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 01.01.2020** | **233,464** | **32,972** | **465,353** | **978,000** | **1,709,789** |
| Increases | | | 386,748 | | 386,748 |
| Uses | | | | (648,000) | (648,000) |
| **Balance at 31.12.2020** | **233,464** | **32,972** | **852,101** | **330,000** | **1,448,537** |
| Increases | | 153,564 | 360,151 | 150,000 | 663,715 |
| Releases | | | (490,000) | | (490,000) |
| Uses | | | (174,000) | | (174,000) |
| **Balance at 31.12.2021** | **233,464** | **186,536** | **548,252** | **480,000** | **1,448,252** |

*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 Requalification 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 recognition of additional variables to employees, the Company set aside an amount of EUR 153 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 360 thousand for the year 2021.

On 17 June 2021 an agreement was signed for the renewal of the national collective labour agreement for road, rail and tram workers, which expired on 31 December 2017, signed by the heads of Asstra, Anav and Agens with Filt-Cgil, Fit-Cisl, Uiltrasporti, Faisa Cisal and Ugl Fna, aimed at defining the economic coverage of the 2018-2020 three-year period through the disbursement of a one-off sum and at the same time starting a methodical procedure contemplating the priority definition of two contractual issues that are considered appendices to the last contract renewal agreement. The agreement establishes for permanent personnel on staff on the date on which the agreement is signed, that the 2018-2020 three-year period will be covered with the payment of a gross one-off sum of EUR 680 at parameter 175, to be revalued according to the current parametric scale. The disbursement was divided into two tranches, the first of EUR 300 paid with the salary of July 2021 and the second of EUR 380 paid with the salary of December 2021. As a result of this agreement, the provision was utilised for EUR 174 thousand and the excess amount of EUR 490 thousand was released.

*Provisions for risks and charges - Other risks*

The Company set aside EUR 150 thousand during the year to cover future charges to be incurred.

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 | 2021 | 2020 |
|---|---|---|
| Property income | 469,073 | 460,277 |
| Others services | 199,079 | 4,749 |
| **Revenues from sales and services** | **668,152** | **465,026** |
| Operating leases | 52,127,744 | 56,386,667 |
| Central services for the Group | 20,996,699 | 20,328,307 |
| Property income | 830,434 | 829,185 |
| **Revenues from sales and services to related parties (Note 34)** | **73,954,877** | **77,544,159** |
| | | |
| **Total** | **74,623,029** | **78,009,185** |

*Property income*

This item refers to revenues realised with FNM group companies and third parties, only for property rentals.

*Others services*

In 2021 income was recorded from the sale to Infrastrutture Venete, for EUR 199 thousand, of the framework agreement signed with the supplier Stadler for the supply of 2 hybrid Flirt DMU trains.

*Leases - related parties*

Revenues for operating leases recorded a net decrease of EUR 4,259 thousand, mainly due to the changes indicated below:

- EUR 9,915 thousand less in revenues from the rental of 25 TAFs to Trenord in connection with contract renewal;
- higher revenues for rental to Trenord of 5 FLIRT TILO trains, placed in service in December 2020, for EUR 4,825 thousand;
- higher revenues from the rental to Trenord of 4 EffiShunter locomotives, placed in service in December 2020, for EUR 777 thousand.

The details of the revenues deriving from leases broken down by fleet are shown below:

(Amounts in thousands of Euro)

| Description | 2021 | 2020 |
|---|---|---|
| 10 4-body TSR | 10,783 | 10,783 |
| 7 6-body TSR | 9,765 | 9,765 |
| 10 6-body CORADIA | 9,395 | 9,427 |
| 8 CSA | 5,687 | 5,710 |
| 5 FLIRT TILO | 5,173 | 348 |
| 25 TAF | 3,688 | 13,603 |
| 8 Loc. E 483 | 2,479 | 2,479 |
| 4 Loc. E494 TRAXX F140 DC3 | 1,637 | 1,543 |
| 14 Loc. DE520 | 1,346 | 1,039 |
| 2 TSR | 978 | 1,270 |
| 4 Loc. EFFISHUNTER EFF1000 | 830 | 53 |
| 1 Loc. ES64 F4 | 354 | 354 |
| 1 Bus | 13 | 13 |
| **Total** | **52,128** | **56,387** |

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 | 31/12/2022 |
| Trenord S.r.l. | 4 Loc. DE 520 | 01/01/2020 | 01/01/2025 |
| 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 | 31/12/2022 |
| 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 | 23/11/2024 |
| DB Cargo Italia S.r.l. | 3 Loc. E 483 | 01/04/2009 | 24/03/2024 |
| DB Cargo Italia S.r.l. | 1 Loc. E 483 | 01/05/2009 | 09/04/2024 |
| DB Cargo Italia S.r.l. | 1 Loc. E 483 | 01/05/2009 | 10/05/2024 |
| DB Cargo Italia S.r.l. | 4 Loc. E494 TRAXX F140 DC3 | 13/12/2019 | 31/12/2022 |
| Trenord S.r.l. | 4 Loc. DE 744 Effishunter | 20/11/2020 | 22/02/2031 |
| Trenord S.r.l. | 9 FLIRT TILO | 20/11/2020 | 01/04/2034 |
| Trenord S.r.l. | 2 TSR | 01/01/2009 | 31/12/2022 |
| Trenord S.r.l. | 8 CSA | 25/01/2012 | 31/12/2022 |
| Trenord S.r.l. | 10 CORADIA | 31/08/2014 | 31/12/2022 |
| Trenord S.r.l. | 10 CORADIA IV carriage | 05/02/2016 | 31/12/2022 |
| Trenord S.r.l. | 7 6-body TSR | 01/05/2016 | 31/12/2022 |
| Trenord S.r.l. | 10 4-body TSR | 08/11/2017 | 31/12/2022 |

Details are given of future minimum payments of operating leases by due date:

| Description | 2021 | 2020 |
|---|---|---|
| Within 1 year | 56,969,260 | 52,437,774 |
| Between 2 and 5 years | 47,916,717 | 52,468,454 |
| Over 5 years | 73,568,800 | 75,615,000 |
| **Total** | **178,454,777** | **180,521,228** |

*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 | 2021 | 2020 |
|---|---|---|
| Other grants | 38,855 | |
| Capital grants | 39,250 | 39,250 |
| **Grants** | **78,105** | **39,250** |
| Lombardy Region capital grants | 1,164,886 | 1,164,886 |
| **Grants to related parties (Note 34)** | **1,164,886** | **1,164,886** |
| | | |
| **Total** | **1,242,991** | **1,204,136** |

*Lombardy Region capital grants*

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 2021.

The amounts shown in the table below relate to the crediting to the income statement of the accrued portion of grants in accordance with the methods set out in the government grants accounting standard:

| Provider | Subject matter | Amount collected | Amount for 2021 |
|---|---|---|---|
| Lombardy Region | MUSEUM PROJECT - GOLASECCA CIVILISATION | | 68,964 |

## NOTE 22 OTHER INCOME

Other income comprises the following:

| Description | 2021 | 2020 |
|---|---|---|
| Capital gains - property, plant and equipment | 290,906 | 41,777 |
| Non-recurring income | 225,987 | 337,533 |
| Insurance pay-outs | 2,054 | 1,300,000 |
| Other income | 292,466 | 347,146 |
| **Other income** | **811,413** | **2,026,456** |
| Sundry income with related parties | 2,370,140 | 2,258,003 |
| **Other income from related parties (Note 34)** | **2,370,140** | **2,258,003** |
| | | |
| **Total** | **3,181,553** | **4,284,459** |

*Capital gains - property, plant and equipment*

In 2021 capital gains of EUR 281 thousand were realised on the sale of the property located in Darfo Boario Terme.

*Insurance pay-outs*

This item mainly refers to insurance pay-outs for claims concerning locomotives, not present in the current year.

*Sundry income with related parties*

This item primarily includes costs recharged for personnel seconded to Group companies, which increased by EUR 112 thousand compared to the previous year.

## NOTE 23 SERVICE COSTS

The next table shows the breakdown of this item:

| Description | 2021 | 2020 |
|---|---|---|
| Consulting | 2,010,451 | 2,173,907 |
| Marketing and advertising | 848,228 | 467,990 |
| Insurance | 597,295 | 371,808 |
| Expenses for employees | 564,634 | 523,237 |
| Coordinated and continuative services | 454,717 | 289,772 |
| Cleaning expenses | 217,094 | 212,370 |
| Motor vehicles management | 216,832 | 163,521 |
| Legal and notary fees | 147,734 | 181,605 |
| Corporate bodies | 95,454 | 84,161 |
| Third-party services - Maintenance | 57,780 | 55,458 |
| Utilities | 57,700 | 84,169 |
| Real estate management | 53,004 | 38,576 |
| Other charges | 1,374,415 | 914,155 |
| **Service costs** | **6,695,338** | **5,560,729** |
| Costs for IT services | 5,840,679 | 5,558,131 |
| Corporate bodies | 1,002,061 | 825,635 |
| Real estate lease fees | 5,832 | 7,587 |
| Miscellaneous services | 1,200,499 | 1,262,321 |
| **Service costs - related parties (Note 34)** | **8,049,071** | **7,653,674** |
| | | |
| **Total** | **14,744,409** | **13,214,403** |

### Service costs - third parties

Service costs with third parties recorded a net increase of EUR 1,134 thousand compared to 2020, mainly due to the changes analysed below:

*Marketing and advertising*

During the year higher institutional communication expenses of EUR 380 thousand were incurred.

*Insurance*

During the year higher insurance costs of EUR 225 thousand were incurred in relation to the Warranty & Indemnity (W&I) policy taken out to cover the Representations & Warranties contained in the sale and purchase agreement entered into with the Lombardy Region for the acquisition of MISE.

*Other charges*

During the year, higher costs were incurred for various services amounting to EUR 460 thousand, in connection with activities linked to the publication of calls for tender amounting to EUR 133 thousand.

**Service costs - related parties**

Costs for related-party services recorded a net decrease of EUR 396 thousand. In particular, costs were up for the IT services invoiced by NordCom (EUR 5,840 thousand) and increased by EUR 286 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 692 thousand) and service fees (EUR 244 thousand).

## NOTE 24 PERSONNEL COSTS

The item personnel costs is broken down as follows:

| Description | 2021 | 2020 |
|---|---|---|
| Wages and salaries | 11,050,125 | 10,503,610 |
| Social security contributions | 3,153,227 | 2,925,556 |
| Other costs | 899,050 | 1,148,032 |
| **Total** | **15,102,402** | **14,577,198** |

Personnel costs rose by EUR 525 thousand, primarily due to the different breakdown of the company's average workforce, as well as an increase of 3 resources in the average headcount. The average number of employees changed from 186 in 2020 to 189 in 2021.

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:

| Description | 2021 | 2020 |
|---|---|---|
| Executives | 20 | 18 |
| Middle managers | 51 | 48 |
| Office workers | 118 | 120 |
| **Total** | **189** | **186** |

## NOTE 25 DEPRECIATION, AMORTISATION AND WRITE-DOWNS

The next table shows the breakdown of this item:

| Description | 2021 | 2020 |
|---|---|---|
| Amortisation | 1,099,829 | 812,996 |
| Depreciation | 25,008,142 | 22,875,378 |
| Amortisation of right of use | 2,080,275 | 1,966,462 |
| Asset impairment | 880,655 | 450,249 |
| **Total** | **29,068,901** | **26,105,085** |

*Amortisation*
This item mainly refers to the amortisation of SAP modules used in administration service activities.

*Depreciation*
This item increased by EUR 2,133 thousand mainly in relation to higher depreciation related to the 5 FLIRT TILO trains and 4 EFFISHUNTER locomotives gradually put into service as of December 2020.

*Amortisation of right of use*
Amortisation of rights of use increased by EUR 114 thousand.

*Asset impairment*
The amount is entirely attributable to cyclical maintenance of CORADIA and CSA rolling stock. In the previous year, the amount was entirely attributable to the write-down of 2 TAF bodies involved in accidents that were no longer usable.

## NOTE 26 OTHER OPERATING COSTS

Other operating costs are analysed in the following table:

| Description | 2021 | 2020 |
|---|---|---|
| Membership fees | 550,633 | 411,595 |
| Taxes and duties | 305,653 | 316,438 |
| Allocation to the provision for risks | 150,000 | |
| Non-recurring expenses | 78,324 | 138,898 |
| Newspapers and magazines | 46,604 | 54,780 |
| Capital losses | 42,785 | 61,607 |
| Impairment of receivables | 22,000 | |
| Other charges | 17,975 | 141,407 |
| **Other operating costs** | **1,213,974** | **1,124,725** |
| Other charges | 91,667 | 1,623 |
| **Other operating costs to related parties (Note 34)** | **91,667** | **1,623** |
| | | |
| **Total** | **1,305,641** | **1,126,348** |

The item “Taxes and duties” includes costs incurred by the Company for IMU (Municipal Property Tax), equal to EUR 277 thousand (EUR 284 thousand in 2020).

## NOTE 27 DIVIDENDS

This item is broken down as follows:

| Description | 2021 | 2020 |
|---|---|---|
| NORD ENERGIA S.p.A. | 2,861,252 | 3,795,887 |
| Omnibus Partecipazioni S.r.l. | 1,000,000 | 900,000 |
| **Dividends** | **3,861,252** | **4,695,887** |

On 22 April 2021, the Shareholders' Meeting of NORD ENERGIA S.p.A. resolved on the distribution of a total dividend of EUR 4,768,753; the amount due to the Company totals EUR 2,861,252.

On 23 April 2021, the Shareholders' Meeting of Omnibus Partecipazioni S.r.l. resolved on the distribution of a total dividend of EUR 2,000,000; the amount due to the Company totals EUR 1,000,000.

## NOTE 28 FINANCIAL INCOME

Financial income concerns:

| Description | 2021 | 2020 |
|---|---|---|
| Capital gain from sale of equity investments | | 890,635 |
| Interest on credit reimbursement for taxes | 9,743 | 74,835 |
| Current bank accounts and deposits | 4,110 | 15,533 |
| Others | 501 | 341 |
| **Financial income** | **14,354** | **981,344** |
| Financial income from the special treasury management contract | | 695,284 |
| Lease agreements as lessor | | 50,543 |
| Intergroup current accounts | 16 | 29 |
| Other financial income - related parties | 22,704 | 96,973 |
| **Financial income from related parties (Note 34)** | **22,720** | **842,829** |
| | | |
| **Total** | **37,074** | **1,824,173** |

*Capital gain from sale of equity investments*

The capital gain recognised in 2020 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 | 2021 | 2020 |
|---|---|---|
| Financial income - bank current accounts and deposits | 4,110 | 15,533 |
| Financial income - intercompany current accounts | 16 | 29 |
| Financial expenses - intercompany current accounts | (3,069) | (13,521) |
| Financial expenses - bank current accounts and deposits | | (12,674) |
| **Total** | **1,057** | **(10,633)** |

*Financial income from the special treasury management contract*

Financial income, present in the year 2020, referred to interest income on financial resources granted to Finlombarda S.p.A. and governed in the “Special treasury management contract”. Provisions were interest bearing at a rate of 1.32%, equal to the rate actually accrued for sums deposited in sight and restricted deposits. Moreover, during the closing of the contract, which expired on 21 July 2020, capital gains from operations were recorded 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 | 2021 | 2020 |
|---|---|---|---|---|---|---|
| DB Cargo Italia | 4 DE 520 Locomotives | YES | 01/01/2018 | 31/12/2020 | — | 22,259 |
| DB Cargo Italia | 2 DE 520 Locomotives | NO | 01/01/2018 | 31/12/2020 | — | 18,119 |
| DB Cargo Italia | 2 DE 520 Locomotives | YES | 01/01/2018 | 31/12/2020 | — | 10,165 |
| **TOTAL** | | | | | **—** | **50,543** |

*Other financial income - related parties*

This item includes interest on loans granted to the subsidiary La Linea and the associated company Busforfun.com.

In particular, 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.

In 2020, it also included interest on the loan granted to the subsidiary Locoitalia, totalling EUR 27,500 thousand, bearing interest at a fixed rate of 3%, to provide it with the resources necessary to purchase rolling stock until the date of collection of the loan, which occurred on 10 March 2020.

Effective rates of the return are indicated below:

| Description | 2021 | 2020 |
|---|---|---|
| Receivable for - Special Treasury Management Agreement | | 1.49 % |
| Finance lease receivables | | 2.27% - 13.1% |
| Subsidiary and associate loans | 1.65 % | 1.65% - 3% |
| Receivables current accounts vs subsidiaries | 0.02 % | 0.02 % |

## NOTE 29 FINANCIAL EXPENSES

Financial expenses are accrued in relation to:

| Description | 2021 | 2020 |
|---|---|---|
| Up front fees, extension fees and non-recurring accessory expenses on Bridge Loan | 8,602,340 | |
| Interest expense on financing | 6,493,785 | 1,502,548 |
| Financial expenses on the corporate bond | 1,245,025 | |
| Fees and charges for not using loans | 18,326 | 347,008 |
| Lease agreement as lessee | 92,600 | 82,919 |
| Post-employment benefit | 4,750 | 8,144 |
| Bank current accounts | | 12,674 |
| Others | 54,575 | 131 |
| **Financial Expenses** | **16,511,401** | **1,953,424** |
| Financial expenses on the corporate bond | | 381,291 |
| Lease agreement as lessee | 16,341 | 34,817 |
| Intergroup current accounts | 3,069 | 13,521 |
| **Financial expenses to related parties (Note 34)** | **19,410** | **429,629** |
| | | |
| **Total** | **16,530,811** | **2,383,053** |

*Up front fees, extension fees and non-recurring accessory expenses*

This item includes financial expenses relating to the upfront fees (EUR 6,729 thousand), extension fees (EUR 930 thousand) and accessory expenses (EUR 943 thousand) relating to the short-term bridge loan of EUR 620 million taken out on 28 January 2021 from a pool of banks comprising Intesa Sanpaolo S.p.A., JPMorgan Chase Bank, N.A., Milan Branch and BNP Paribas Italian Branch.

*Costs for Loans payable*

The item includes financial expenses for:

- the above-mentioned bridge loan calculated at an interest rate equal to EURIBOR plus a margin of 1.25% for the 26 February - 28 April period, 1.50% for the 29 April - 30 June period and 1.75% for the 1 July - 20 October period, equal to EUR 6,217 thousand;
- loan taken out by the Company from the European Investment Bank on 21 December 2017 for EUR 50 million, and calculated at the contractual interest rate equal to a fixed rate of 0.377% on the first tranche of EUR 10 million and 0.446% on the second tranche of EUR 40 million, for a total of EUR 224 thousand;
- loan taken out by the Company on 7 August 2018 and disbursed only for the Term Loan Facility, calculated at the contractual interest rate equal to 6-month Euribor + 1.3% spread, equal to a total of EUR 53 thousand. When the bridge loan was taken out, on 29 January 2021

FNM paid off that loan in full, as it was no longer consistent with the Group's financial structure, repaying in advance the entire amount used of EUR 50 million.

*Financial expenses on the corporate bond*

This item includes the financial expenses relating to the bond (Note 13) issued on 20 October 2021, calculated by applying the amortised cost method at an effective interest rate of 0.982% (nominal rate of 0.75%).

*Lease agreement as lessee*

Lease agreements as lessee are attributable to the application of IFRS 16.

*Financial expenses on the corporate bond with related parties*

The item present in 2020 included financial expenses for the corporate bond, issued on 21 July 2015 and fully subscribed by the associate Finlombarda S.p.A., repaid in full on maturity on 21 July 2020.

*Intergroup current accounts*

The decrease in financial expenses with related parties is mainly due to the different receivable exposure of the subsidiaries as well as the decrease in the average rate of return on capital (0.004% compared to 0.012% in 2020).

## NOTE 30 INCOME TAXES

Amounts relative to current and deferred taxes are shown below:

(Amounts in thousands of Euro)

| Description | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **Total** | **IRES (CORPORATE INCOME TAX)** | **IRAP (REGIONAL BUSINESS TAX)** | **Total** | **IRES (CORPORATE INCOME TAX)** | **IRAP (REGIONAL BUSINESS TAX)** |
| Current | (1,959) | (971) | (988) | (7,182) | (6,390) | (792) |
| Taxes for previous years | (85) | | (85) | 72 | | 72 |
| Net Deferred Tax Assets | 1,258 | 1,085 | 173 | 644 | 557 | 87 |
| **Total** | **(786)** | **114** | **(900)** | **(6,466)** | **(5,833)** | **(633)** |

Current taxes decreased by EUR 5,680 thousand due to the lower net profit for the year.

Corporate income tax - Reconciliation between the ordinary rate and effective rate

| Description | 2021 | 2020 |
|---|---|---|
| Applicable IRES rate | 24.00 % | 24.00 % |
| Non-deductible impairment | 3.42 % | 2.11 % |
| Non-deductible taxes | 1.38 % | 0.22 % |
| Capital gains | 0.34 % | 0.08 % |
| Other non-deductible costs | 21.26 % | 1.45 % |
| Expenses not deducted previously | -4.11 % | -1.07 % |
| Non-taxable portion of dividends | -14.24 % | -3.53 % |
| ACE Deduction | -14.42 % | -2.15 % |
| Deductible IRAP | -0.56 % | -0.07 % |
| Deferred tax liabilities | -17.55 % | -1.83 % |
| Effective rate | -0.48 % | 19.21 % |

## NOTE 31 RESULT FROM DISCONTINUED OPERATIONS

No discontinued operations were recognised, as in the previous year.

## NOTE 32 OTHER COMPREHENSIVE INCOME

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 | 2021 | 2020 |
|---|---|---|
| Actuarial gain/(loss) | (11,441) | 24,577 |
| Tax effect | 3,192 | (6,857) |
| **Total** | **(8,249)** | **17,720** |

## 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 2021 and 31 December 2020.

| *Amounts in thousands of euros* | Notes | Book value at 31/12/2021 | 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 | 1,540,000 | 1,540,000 | | | |
| Other Receivables | 8 | 890,808 | 890,808 | | | |
| **CURRENT ASSETS** | | | | | | |
| Trade Receivables | 7 | 25,903,244 | 25,903,244 | | | |
| Financial Receivables | 5 | 1,303,639 | 1,303,639 | | | |
| Other Receivables | 8 | 13,137,906 | 13,137,906 | | | |
| Cash and cash equivalents | 9 | 96,410,699 | 96,410,699 | | | |
| **NON-CURRENT LIABILITIES** | | | | | | |
| Financial Payables | 13 | 642,957,974 | | | | 642,957,974 |
| Lease liabilities | 13 | 4,915,673 | | | | 4,915,673 |
| Other liabilities | 15 | 6,279,293 | | | | 6,279,293 |
| **CURRENT LIABILITIES** | | | | | | |
| Payables to banks | 12 | 41,708,565 | | | | 41,708,565 |
| Financial Payables | 13 | 89,183,408 | | | | 89,183,408 |
| Lease liabilities | 13 | 1,985,190 | | | | 1,985,190 |
| Trade payables | 17 | 36,214,828 | | | | 36,214,828 |
| Other liabilities | 15 | 15,365,383 | | | | 15,365,383 |

| *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 | | | |
| Other Receivables | 8 | 132,793 | 132,793 | | | |
| **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 |
| Lease liabilities | 13 | 6,570,647 | | | | 6,570,647 |
| Other liabilities | 15 | 8,346,959 | | | | 8,346,959 |
| **CURRENT LIABILITIES** | | | | | | |
| Payables to banks | 12 | 58,243,747 | | | | 58,243,747 |
| Financial Payables | 13 | 125,503,841 | | | | 125,503,841 |
| Lease liabilities | 13 | 2,063,794 | | | | 2,063,794 |
| Trade payables | 17 | 71,588,676 | | | | 71,588,676 |
| Other liabilities | 15 | 24,048,569 | | | | 24,048,569 |

## NOTE 34 OPERATIONS WITH RELATED PARTIES

FNM S.p.A. is controlled by the Lombardy Region, which holds 57.57%, 14.74% is held by Ferrovie dello Stato S.p.A. and the remaining interest is listed on the Standard Class 1 market of the Milan Stock Exchange.

Therefore all transactions with the Lombardy Region are reported under Related-Party transactions, which include also the transactions with entities for which the Company has joint control and with associates.

Related-party transactions are summarised in the next table:

| **2021** | **Notes** | **Total** | **Total Related parties** | **Of which: Parent company** | **Of which: Subsidiaries** | **Of which: Joint Venture** | **Of which: Associates** | **Of which: Management** | **Proportion %** |
|---|---|---|---|---|---|---|---|---|---|
| **BALANCE SHEET** | | | | | | | | | |
| Non-current financial receivables | 5 | **1,540,000** | 1,540,000 | | 700,000 | | 840,000 | | 100.0 % |
| Trade receivables | 7 | **25,903,244** | 23,911,053 | | 2,565,595 | 20,653,332 | 692,126 | | 92.3 % |
| Current financial receivables | 5 | **1,303,639** | 1,303,639 | | 1,089,223 | | 214,416 | | 100.0 % |
| Other current receivables | 8 | **13,137,906** | 5,969,840 | | 3,429,770 | 2,540,070 | | | 45.4 % |
| Non-current financial payables | 13 | **642,957,974** | | | | | | | 0.1 % |
| Non-current lease liabilities | 13 | **4,915,673** | 514,779 | | 452,704 | 62,075 | | | 10.5 % |
| Other non-current liabilities | 15 | **6,279,293** | 4,353,904 | 4,222,760 | 124,297 | 6,847 | | | 69.3 % |
| Current financial payables | 13 | **91,168,598** | 83,770,732 | | 52,530,892 | 29,007,693 | 2,232,147 | | 93.3 % |
| Current lease liabilities | 13 | **1,985,190** | 543,373 | | 478,117 | 65,256 | | | 27.4 % |
| Trade payables | 17 | **36,214,828** | 10,945,767 | | 562,635 | 10,383,132 | | | 30.2 % |
| Other current liabilities | 15 | **15,365,383** | 10,487,020 | 1,298,712 | 8,982,966 | 56,102 | 149,240 | | 68.3 % |
| **INCOME STATEMENT** | | | | | | | | | |
| Revenues from sales and services | 20 | **74,623,029** | 73,954,877 | | 11,680,368 | 56,616,759 | 5,657,750 | | 99.1 % |
| Grants | 21 | **1,242,991** | 1,164,886 | 1,164,886 | | | | | 93.7 % |
| Other income | 22 | **3,181,553** | 2,370,140 | | 1,241,775 | 861,914 | 266,451 | | 74.5 % |
| Service costs | 23 | **(14,744,409)** | (8,049,071) | (204,000) | (1,002,331) | (5,840,679) | | (1,002,061) | 54.6 % |
| Other operating costs | 26 | **(1,305,641)** | (91,667) | | (5,247) | (76,073) | (10,347) | | 7.0 % |
| Dividends | 27 | **3,861,252** | 3,861,252 | | | 3,861,252 | | | 100.0 % |
| Financial income | 28 | **37,074** | 22,720 | | 18,304 | | 4,416 | | 61.3 % |
| Financial expenses | 29 | **(16,530,811)** | (19,410) | | (17,786) | (1,624) | | | 0.1 % |

| 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 lease liabilities | 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 | **125,503,841** | 120,643,654 | | 87,733,529 | 30,521,611 | 1,755,934 | | 95.6 % |
| Current lease liabilities | 13 | **2,063,794** | 632,580 | | 632,580 | | | | 30.7 % |
| 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 % |

The services provided to and received from subsidiaries, joint ventures and associates under normal market conditions, are summarised below:

| Activities which produced revenue: | Subsidiaries | Joint Venture | Associates |
|---|---|---|---|
| Administrative Services | X | X | |
| Sap Fee | X | X | |
| Lease of premises in Novate | | X | |
| Lease of offices in P.le Cadorna | X | X | |
| Lease of Iseo offices and space | X | X | |
| Hire of rolling stock | X | X | X |
| Assistance activities for Legislative Decree 231 | X | X | |
| Sale of advertising space | X | X | |

| Activities which produced costs: | Subsidiaries | Joint Venture | Associates |
|---|---|---|---|
| IT Services | | X | |
| Security services | X | | |
| Advertising space management | X | | |
| Lease of offices and commercial spaces | X | | |
| Lease of distributed IT | | X | |

The cash flows with related parties for the year 2021 and 2020 are shown below:

| Description | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Total | Related parties | | Total | Related parties | |
| | | Absolute value | Proportion % | | Absolute value | Proportion % |
| **CASH FLOWS** | | | | | | |
| Cash flows from operations | 55,667,018 | 78,085,628 | 140.3 % | 24,091,571 | 44,579,237 | 185.0 % |
| Cash flow from investments | (593,868,867) | (526,774,321) | 88.7 % | (9,407,457) | 3,409,878 | -36.2 % |
| Cash flow from assets held for sale | — | — | — % | 3,564,675 | 2,674,040 | 75.0 % |
| Cash flow from financing | 533,342,495 | (37,303,112) | -7.0 % | (52,923,226) | (103,610,002) | 195.8 % |

## 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 | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Receivables from banks (note 10) | 97,035 | 101,918 |
| Trade receivables from third parties (note 7) | 1,992 | 1,604 |
| Other receivables from third parties (note 8) | 671 | 8,578 |
| **Total** | **99,698** | **112,100** |

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 | 31.12.2021 | | | 31.12.2020 | | |
|---|---|---|---|---|---|---|
| | Gross | Impairment | Net | Gross | Impairment | Net |
| Not yet due | 1,662 | | 1,662 | 1,378 | (10) | 1,368 |
| Due from 31-60 days | | | | | | |
| Due from 61-90 days | 81 | | 81 | 83 | | 83 |
| Due from 91-120 days | 1 | | 1 | 8 | | 8 |
| Due from 121-360 days | 235 | (29) | 206 | 163 | (37) | 126 |
| Over 361 days | 143 | (101) | 42 | 115 | (96) | 19 |
| **Total** | **2,122** | **(130)** | **1,992** | **1,747** | **(143)** | **1,604** |

Changes in the provision for bad debts (trade) for the years ended 31 December 2021 and 2020 are shown below:

(Amounts in thousands of Euro)

| Description | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Balance at 1 January** | **143** | **143** |
| Allocation of the period | 22 | |
| Uses of the period | (55) | |
| **Balance at 31 December** | **110** | **143** |

## Liquidity risk

The Company's liquidity risk may arise from the difficulty of obtaining loans for its operations in appropriate times or from failure to comply with financial ratios (“covenants”) and other commitments provided for 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 disbursed.

The above liquidity risk is 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, updated on 20 December 2021 to BBB with a stable outlook, and (ii) on 25 January 2021, an investment grade rating of Baa3 with a stable outlook from the leading rating agency, Moody's.

The Company's cash flows, financing needs and liquidity are monitored and managed centrally under the control of the Group Treasury Department, with the aim of guaranteeing the effective and efficient management of financial resources.

Management considers that currently available funds and credit lines, as well as funds and credit lines that will be generated from operations and loans, will enable the Company to meet its requirements arising from investing activities, the management of working capital and repayment of loans on their natural expiry.

Contract due dates for financial liabilities are shown below:

(Amounts in thousands of Euro)

| Description | <1 year | between 1 and 2 years | between 2 and 5 years | >5 years | Total |
|---|---|---|---|---|---|
| **2021** | | | | | |
| Other payables to subsidiaries for giro accounts | 83,227 | | | | 83,227 |
| Finance lease payables | 583 | 520 | 122 | | 1,225 |
| **Total related parties** | **83,810** | **520** | **122** | | **84,452** |
| Payables to banks | 41,756 | | | | 41,756 |
| Finance lease payables | 2,228 | 1,992 | 2,984 | 90 | 7,294 |
| Payables to Bondholders | | | 650,000 | | 650,000 |
| Other financial payables | 5,833 | | | | 5,833 |
| **Total third parties** | **49,817** | **1,992** | **652,984** | **90** | **704,883** |
| **Total** | **133,627** | **2,512** | **653,106** | **90** | **789,335** |

| 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** |
| Payables to banks | 58,244 | 8,279 | 25,054 | 8,423 | 100,000 |
| Finance lease payables | 1,528 | 1,406 | 4,169 | 73 | 7,176 |
| Other financial payables | 5,389 | | | | 5,389 |
| **Total third parties** | **65,161** | **9,685** | **29,223** | **8,496** | **112,565** |
| **Total** | **185,707** | **10,155** | **29,676** | **8,496** | **234,034** |

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 |
|---|---|---|---|---|---|
| **2021** | | | | | |
| Other financial receivables | 1,095 | 433 | 1,267 | | 2,795 |
| **Total related parties** | **1,095** | **433** | **1,267** | | **2,795** |
| Receivables from banks | 97,035 | | | | 97,035 |
| **Total third parties** | **97,035** | | | | **97,035** |
| **Total** | **98,130** | **433** | **1,267** | | **99,830** |

| Description | <1 year | between 1 and 2 years | between 2 and 5 years | >5 years | Total |
|---|---|---|---|---|---|
| **2020** | | | | | |
| Other financial receivables | 507 | 233 | 567 | | 1,307 |
| **Total related parties** | **507** | **233** | **567** | | **1,307** |
| Receivables from banks | 101,918 | | | | 101,918 |
| **Total third parties** | **101,918** | | | | **101,918** |
| **Total** | **102,425** | **233** | **567** | | **103,225** |

## Currency risk

FNM operates exclusively at a local level, and therefore is not exposed to currency risk.

## Interest rate risk

Financial liabilities mainly refer to finance lease agreements, the bond and the EIB loan.

FNM is not exposed to particular risks of changes in interest rates on finance lease agreements.

Outstanding loans are at fixed rates. 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 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, updated on 20 December 2021 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* | 4 | 85,841,614 | 0 | 0 | 85,841,614 |

During 2021, 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 non-recurring financial expenses were recognised for EUR 8,602 thousand, relating to upfront fees (EUR 6,729 thousand), extension fees (EUR 930 thousand) and accessory expenses (EUR 943 thousand) relating to the short-term bridge loan of EUR 620 million taken out on 28 January 2021 from a pool of banks comprising Intesa Sanpaolo S.p.A., JPMorgan Chase Bank, N.A., Milan Branch and BNP Paribas Italian Branch.

During the previous 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 2021:

| *Amounts in thousands of euros* | **2021** |
|---|---|
| Directors | 798 |
| Statutory Auditors | 135 |
| Other Key Personnel | 1,224 |
| **Total** | **2,157** |

It should be noted that no loans have been granted and no receivables are due from Directors, Statutory Auditors and Key Management Personnel. It should also be noted that no commitments have been undertaken by the Company on their behalf.

## NOTE 39 DESCRIPTION OF THE IMPACTS OF THE COVID-19 EPIDEMIC ON THE INCOME STATEMENT

In the current year there were no significant quantitative impacts from the COVID-19 epidemic on the income statement.

## NOTE 40 SIGNIFICANT EVENTS AFTER THE CLOSING OF THE YEAR

Subsequent to year-end close, the military action taken by Russia in Ukraine, which began on the night of 23-24 February 2022, led to significant turbulence in financial markets around the world, in addition to the dramatic consequences related to the suffering of the civilian population and the loss of human lives. On the one hand, stock markets globally recorded significant losses, and on the other hand, bond markets experienced, almost everywhere, a slight improvement and a reduction in spreads in the hope that monetary authorities will delay the monetary tightening announced at the end of 2021.

Furthermore, in response to Russian military action, the European Union, the United States and various NATO countries have enacted extensive economic sanctions against Russia. Nearly 50% of the Russian Central Bank's reserves (those held abroad) were frozen and the financial assets of some Russian oligarchs were frozen. Seven large Russian banks have been excluded from the Swift international payments system, making it extremely difficult for them to operate. In addition, embargoes on various strategic trade sectors are planned against Moscow's ally Belarus. As a result of the Ukrainian crisis, the price of energy and gas rose considerably in the main reference markets, partly due to the possibility floated by Western countries of stopping imports of Russian oil and gas in response to the invasion of Ukraine.

Current estimates for the year 2022 for FNM take into account the increase in fuel and energy prices recorded in the final months of 2021. An escalation of the conflict in Ukraine and the sanctions implemented against Russia by the European Union and the United States could lead to further price increases, which are currently difficult to estimate in terms of extent and duration.

With regard to the assessment of the effects of this contingent situation on the assumption that the Company will continue to operate as a going concern and the recoverability of the value of the assets, the Directors have not identified any potential impact with reference to these aspects.

The Company remains flexible in the effective management of variable and discretionary costs relating to all activities managed, and carefully monitors developments in order to understand whether and to what extent price increases could have an impact on traffic and, consequently, on the Company's expected results.

## NOTE 41 PROPOSAL TO APPROVE THE FINANCIAL STATEMENTS AND ALLOCATE PROFIT FOR 2021

Dear Shareholders,
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 2021, which recorded a profit of EUR 5,407,746, for your approval, the Board of Directors proposes allocating profit for the year as follows:

- EUR 270,387 to the legal reserve;
- EUR 5,137,359 as an ordinary dividend to Shareholders.

In order to guarantee remuneration of EUR 0.0230 for each ordinary share outstanding, it is also proposed to add 4,865,400 to the dividend by using the retained earnings reserves.

Milan, 18 March 2022

The Board of Directors

FNM
la vita 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 2021.

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 2022

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 2021, the income statement, statement of other comprehensive income, statement of changes in shareholders' 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 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, 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 the equity investments**<br><br>*Paragraphs "Equity investments" and "Impairment losses of property, plant and equipment, intangible assets and equity investments"*<br><br>*Note 4 "Equity investments"* | |
| The balance as of 31 December 2021 of the line 'Equity investments' in the separate financial statements of FNM SpA is Euro 710,601 thousand, and refers to investments in subsidiaries, joint ventures and associates. Such investments, accounting for 57% 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, the recoverability of their carrying amounts is verified by comparing the carrying amounts with the related recoverable amounts (i.e. impairment test).<br>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.<br>The analyses carried out by management have not identified any impairment losses for the investments subjected to the impairment test: Trenord Srl, ATV Srl, La Linea SpA and E-Vai Srl whose book value as of 31 December 2021 amounts to a total of Euro 64,091 thousand.<br>We identified the assessment of the recoverability of equity investments in subsidiaries, joint ventures and associates as a key audit matter for | 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.<br>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.<br>Among the equity investments showing indicators of impairment as of 31 December 2021 we have selected ATV Srl, La Linea SpA and Trenord Srl based on the materiality of their carrying amounts. For each entity:<br>- we have understood the process adopted for the preparation of the business plan approved by the directors. In particular, for ATV, the process adopted for the preparation of the 2022-2025 business plan approved on 7 March 2022; for La Linea SpA, for the 2022-2025 business plan approved on 8 March 2022, for Trenord Srl, for the 2022-32 economic-financial projections approved on 9 March 2022; |

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, also considering 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.

- to assess the reasonableness of the business plans used in the impairment test we have compared the actual results reported for fiscal year 2021 and for previous years, with their budgets and, with the support of *Transportation* experts from the PwC network, we have analysed the significant assumptions applied;
- we have checked the consistency of the cash flows used with those included in the business plans used in the impairment tests;
- with the support of valuation experts belonging to the PwC network, we have checked the reasonableness of the assumptions adopted by management to determine the discount rates used, the method of application of the discounted cash flow model and the mathematical accuracy of calculations;
- we have analysed the sensitivity analysis carried out by management and performed additional sensitivity analyses with regard to the financial assumptions used by directors.

Finally, we have checked the adequacy and completeness of the 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 of FNM SpA in general meeting engaged us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

## *Report on Compliance with other Laws and Regulations*

### *Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815*

The directors of FNM SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the financial statements, to be included in the annual report. We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation

In our opinion, the financial statements have been prepared in XHTML format in compliance with the provisions of the Commission Delegated 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. 58/98***

The directors of FNM SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of FNM SpA as of 31 December 2021, 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 2021 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 2021 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, 4 April 2022

PricewaterhouseCoopers SpA

*Signed by*

Alessandro Turris
(Partner)

*As disclosed by the Directors in paragraph "FORM AND CONTENT OF THE SEPARATE FINANCIAL STATEMENTS", the accompanying financial statements of FNM S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.*