

**Consolidated Financial Statements
ATM Group**

**Separate Financial Statements
ATM S.p.A.**

2020

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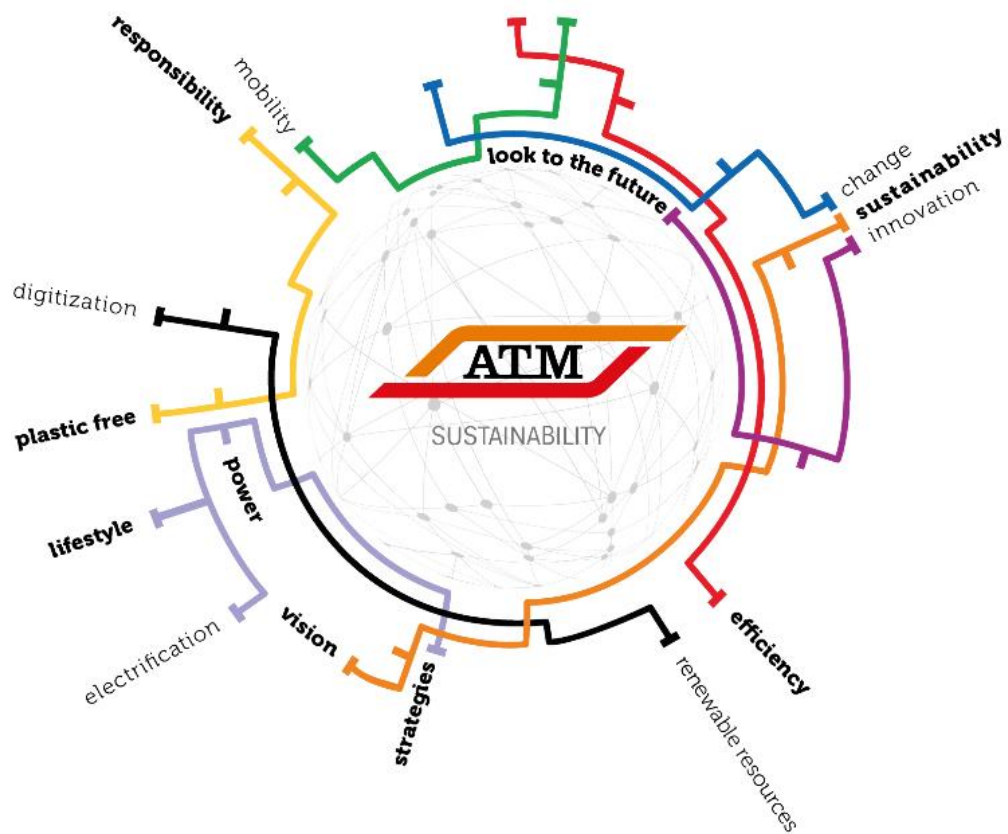
CONSOLIDATED FINANCIAL STATEMENTS

ATM Group

SEPARATE FINANCIAL STATEMENTS

ATM S.p.A.

2020



ATM plays a key role in the region's integrated mobility, serving millions of passengers every day and the progressive development of the metropolitan city and its attractiveness.

The ATM Group's consolidated experience and investment and innovation capacity set a benchmark for economic, social and environmental responsibility.

A commitment to the Customer, Quality, Safety and Competitiveness of services are the values, which drive the Group's growth.



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Letter from the Chairperson

Dear Shareholder,

ATM Group's year 2020 is part of an unprecedented local and global scenario in history. The pandemic that developed at the beginning of last year and the resulting health emergency that is still ongoing, have upset the social and economic system all around the world, by changing and penalizing particularly the local public transport sector.

The Company has been called to assume a role of absolute centrality in the reality that has been created, with continuous changes at regulatory level and a mobility based on new and unexpected paradigms. Italy was the first country after China to be affected by the pandemic: ATM reacted immediately to the new context, implementing concrete responses to the changed needs from the very first phase of the emergency, with an action plan that became a model of comparison and an example for other operators in Europe.

The sense of responsibility and professionalism of our 10,000 people has been fundamental, ensured and today guarantees a new mobility in safety for our customers and employees, through the reorganization of the operational processes and working methods, with investments and charges for the sanitization processes of all places, passenger assistance and technological applications for the management and control of flows.

Even more than before, local public transport has also played a social role, by operating at the service of the community and as an element of territorial inclusion, as well as a guarantee for those who had to operate in the front line.

The Group's economic and financial results, broadly described in the management report, clearly reflect the impacts of the pandemic on the global sector scenario: the Group reports a loss for the period of Euro 64.5 million. Compared to revenues of Euro 957.9 Mln (-22.8 Euro Mln vs 2019) and operating costs and charges of Euro 896.8 Mln (Euro+29.6 Euro Mln vs 2019), the ATM Group recorded a gross operating margin of Euro 61.2 Mln (Euro -52.4 Mln vs 2019) and an operating result of Euro -47.4 Mln (Euro -53.6 Mln vs 2019), leading to a loss for the period of Euro 64.5 Mln (Euro -73.7 Mln vs 2019), which is proposed to be covered through the use of reserves. For these effects, the shareholders' equity of the ATM Group is therefore equal to Euro 1,149 Mln (Euro -77.6 Mln vs 2019).

The causes of this situation are multiple: with regards to revenues, the service contract has not benefitted from the inflation adjustment for three years, that is since 2017; moreover, ancillary revenues have been lost, such as in the case of the on-road parking, or have been drastically reduced, as in the case of retail and advertising spaces. With regards to cost side, ATM has also faced higher costs for sanitizations, for the management of the social distance, for individual protection material, for periodic employee screening and communication management.

As already discussed during the preparation of the 2021 budget, it should be mentioned that - in addition to the effects that arose from the extension of the pandemic - the economic and financial imbalance of the existing contracts due to failure of the inflation adjustment, will probably lead to a significant loss in the 2021 financial year too.

ATM's ability to absorb this very negative economic and financial impacts, accrued thanks to years of efficient, responsible and careful entity management, has demonstrated that the Company's financial statements are able to cover the heavy losses occurred in 2020 and can guarantee business continuity in 2021. However, it is essential that the structural causes of the losses suffered should be corrected as soon as possible in order to restore the economic balance.

Therefore, today, being strong in the awareness that we have been able to face the operational-management and economic-financial effects of a crisis of this magnitude, we are called to redesign the future, in the light of the experience we gained. The elaboration of a Strategic Plan with a horizon 2021-2025 was the response of the Board of Directors and Management to the need to rapidly redesign a business model to face the post-pandemic future. In the planning of tomorrow, it was first of all aimed to launch a structured action of saving and efficiency of operations, as well as of the procurement processes, without impacting the quality of the service or our people - the first element of value for the Company - for which, instead, it has been decided to act by promoting an inclusive working environment, through policies of valorisation of the person and of diversity.

A set of industrial development initiatives has also been defined with the aim of generating new sources of revenues and marginality, both in Italy and abroad, thanks to the current skills and the acquisition of new ones, aiming to an integrated and sustainable offer of mobility services, also through a strong technological innovation for the benefit of customers.

The Strategic Plan is based on the sustainability guidelines, which identify the environmental transition as a priority: the investments are, therefore, continuing for the development of the Full Electric Plan, which provides for the transition to a zero-impact fleet in 2030.

These are goals that ATM intends to pursue first of all by contributing to the evolution and revival of Milan, in its evolution in a more livable, sustainable, secure and smart city.

We are also obliged to raise awareness of the Shareholder to confirm the centrality of the public transport service, through consequent choices and investments aimed at ensuring the balance of the system.

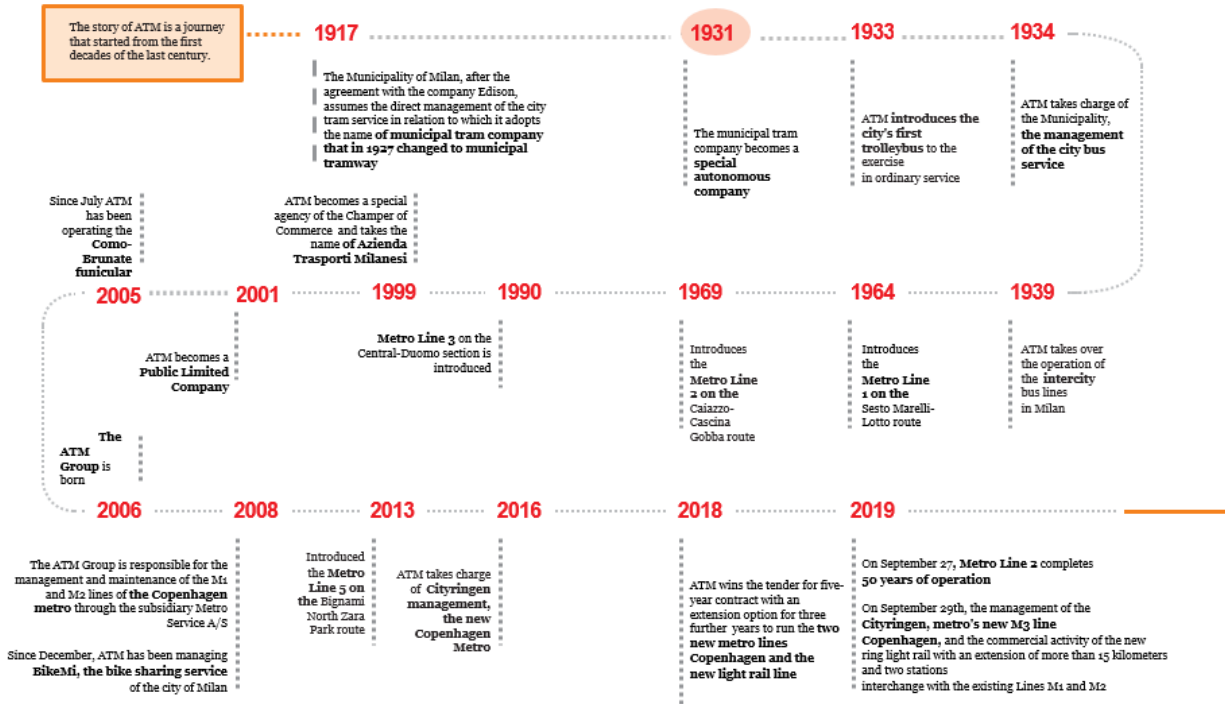
The steps to be taken to restore the Group to its economic and financial balance, in the constant improvement of the quality of the services offered, are numerous and ambitious. Therefore, the Company remains focused on its own targets and on the implementation of the planned route. The responsibility and values of our people, the management capability gained and the determination that characterizes the whole Company will be the crucial elements to face this challenge.

The Chairperson
Gioia Maria Ghezzi

Our profile

Since 1932, Azienda Trasporti Milanesi S.p.A. (hereinafter also the “Company”, the “Parent Company” or “ATM”) has managed Milan’s public transport, a 90-year history at the service of people.

ATM Yesterday and Today



ATM manages public transport and integrated mobility services due to the work of more than 10,000 employees of all the companies of the ATM Group (hereinafter also the “Group”) which, every day, They guarantee the operation of a complex and articulated system on a territory that affects more than 3.3 million inhabitants and that includes the city of Milan and 96 municipalities of Lombardy.

The transport network of the Municipality of Milan and its hinterland consists of four underground lines with a total extension of about 100 km, to which are added 19 tram lines with over 180 km of network, 159 bus lines and four tram lines covering over 1,600 km. In Milan, the ATM Group also manages the light rail system that connects the city's transport network to San Raffaele Hospital, 24 correspondence parking lots, the control of parking areas and payment systems and the payment and control system of Area C, The management of the cameras at the entrances of Area B, the service of removal and custody of vehicles and special tourist services including the tram restaurant ATMosphere.

The transport services carried out within the Metropolitan City of Milan, the Provinces of Monza and Brianza, Bergamo and Lecco include the public transport service of the North East Area of the Province of Milan, the urban public transport in the city of Monza and its hinterland. These services consist of 27 car lines that cross 60 municipalities for a total territorial extension of about 668 km. Finally the management of the Como-Brunate funicular, a plant of great historical and touristic value.

The ATM Group has also been working abroad since 2008 through the subsidiary Metro Service A/S that manages the Copenhagen M1 and M2 underground lines, one of the first fully automated in

Europe. In the Danish capital, Metro Service A/S also won the management of the two new M3 and M4 underground lines (Cityringen), which opened on 29 September 2019 and 28 March 2020 respectively. Metro Service A/S has also been awarded the management of the new line called *greater Copenhagen Light Rail*, which will carry out the transport service to the suburban area west of the city which is due to start in 2025.

Over the years, ATM has accompanied the development and growth of the city and of the hinterland, responding to the changing needs of the people moving on the territory, which consist of integrated and sustainable mobility services, accessible to all, comfortable and safe.

Mobility, the one we are experiencing today, redesigned by the emergency COVID-19 which has caused a heavy impact on the service; Although the number of passengers has declined significantly, with a peak of 95% compared to normal operating conditions, the ATM Group has always ensured, with constant work by all its people, the operation in all phases of the emergency.

New mobility also means a change in people's habits: The Company has responded to the new needs of its citizens with a service enhancement and with the development of many digital innovation projects that, through the ATM app, the company has enabled customers to purchase all tickets and subscriptions of the tariff system, to book an appointment at the ATM Points and to check the attendance in the stations of the subway according to the different times in order to plan their own movements, interventions with the clear aim to guarantee a minimum stay in the station environment to limit the movements as much as possible and to speed up the processes.

Continuous innovation at the service of the environment, as well: *The Full Electric plan*, undertaken by ATM since the end of 2017, has among its primary objectives, the improvement of the service in terms of efficiency and environmental sustainability. The investments, which in 2020 enabled the acquisition of 30 new trolleybuses, are contributing concretely to the renewal of the fleet by electric and hybrid means and to the progressive divestiture of diesel-powered vehicles. The goal is in 2030 the complete conversion of the fleet to electricity and the reduction of 75,000 tons of CO₂ each year.

ATM Group and the COVID-19 emergency

The evolution of the pandemic linked to the spread of COVID-19 has led to a change in public mobility, which has necessarily added the new needs linked to health safety and responsibility to the priorities as always: Services adapted to customer demand and punctuality of public means.

The ATM Group has responded promptly to new needs, by guaranteeing from the first phase of the emergency until the return to the “ new ” normality the continuity of its services. Local public transport has maintained a constant operation thanks to the implementation of safety measures and the collaboration – in compliance with the regulations – of employees and passengers. In this context, the international dimension of the ATM Group needs to be given proper attention. In fact, the regulatory interventions and their impact on the operation of the Group’s companies have been different according to the country in which the ATM Group operates. Specifically in Italy (Milan, Metropolitan City of Milan and the Provinces of Monza and Brianza, Como and Lecco) and in Denmark (Copenhagen). For the TPL management companies operating in Italy (ATM S.p.A. and NET S.r.l), the policies for preventing and containing the emergency of the COVID-19 pandemic were the same; while the Danish subsidiary Metro Service A/S had to comply with the measures put in place by the Danish authorities.

Public mobility on the national territory and in Lombardy in particular contracted considerably well before the signing of the DPCM of 8 and 11 March 2020, with which containment measures were imposed. The reduction in the use of TPL began in fact since February 2020, in conjunction with the spread of the first cases of Coronavirus in Lombardy. It is noted that the number of passengers before the COVID-19 emergency was around 2.4 million per day (of which 1.4 million by metro), while after the government’s implementation of the restrictions, there was a 95% reduction in ATM passengers, with daily metro access reduced to 100,000 units.

ATM S.p.A. and Net S.r.l., in spite of the drastic reduction in passengers, have maintained the operation of the vehicles at 100% until the transposition – on 13 March 2020 – of the provisions contained in the order of the Lombardy Region. The latter, in view of the restrictive measures taken by the Italian Government, required the remodulation and programming of the service with a 75% operational level. Companies have faced the crisis by implementing health and security measures at various organizational levels and transposing the directives contained in the various Ministerial Decrees, thus setting up a gradual and planned plan based on the different emergency phases.

As highlighted in the Management Report at 31 December 2019, during *phase 1* of the emergency, the ATM Group established (pursuant to Article 13 of the Memorandum of Understanding of 14 March 2020) an Internal crisis Committee,. For this reason, the company has implemented rules to ensure the health and safety of employees, employees and customers, as well as the smooth running of the public transport service. Discussions with trade union organizations were continued through meetings with the coordination of the RSUs and with the RLS, in compliance with the regulations issued by the authorities, as well. The Committee promptly analyzed the provisions of the authorities and put in place emergency measures on two main levels: Passenger protection and employee safety.

As far as customers are concerned, the Italian companies operating the TPL have ensured:

- transport service operating at 75% for the entire duration of *the lockdown*, necessary to ensure mobility for persons engaged in the first line in the emergency;
- intense and capillary cleaning and sanitizing of the means, stations, stops and all contact surfaces. This type of intervention was then further enhanced with the start of *phase 2*, given the increased influx of passengers received on the vehicles themselves;
- Maintenance of the means carried out with continuity, the activity was only re-proportioned during *phase 1* in view of the simultaneous decrease of the service.

In order to protect the health of its own people, the Italian companies that manage the TPL have implemented the following measures:

- management of the working groups aimed at minimizing the possibility of contagion;
- Prohibition of access to the front doors of surface means, so as to ensure distance for drivers of the means and supply them with kits containing the personal protective equipment suitable to minimize the possibility of contagion;
- promotion of *the working mode in smart working* for all employees whose activities are managed remotely, in order to reduce the physical presence and consequently hinder the spread of the infection;
- provide additional insurance cover for all employees;
- implementation of emergency support services such as psychological support desks, e-learning distance training and interactive webinars on topics such as health, parenthood, physical activity and nutrition.

In order to codify and bring together the different prevention actions implemented, on 3 May 2020, the safety guidelines for emergency management COVID-19 were defined, by following a comparison with some OO.SS, the RSU and the RLS together with the different business functions concerned. In order to be always in line with the instructions of the competent authorities, the Guidelines were updated on 28 September 2020 and subsequently on 27 October 2020.

During the first emergency phase, given the contraction of work activities, ATM S.p.A. and Net S.r.l. have requested the intervention of the bilateral Public Transport Solidarity Fund since 16 March 2020 and have made financial advance of the interventions foreseen by the Fund in support of personnel in the early stages of the emergency. In fact, the bilateral Public Transport Solidarity Fund is intended to provide support for the income of public transport companies in cases of temporary reduction or suspension of work by means of the provision of an ordinary allowance. Before accessing the services provided by the bilateral Fund, ATM S.p.A. and Net S.r.l. have requested the staff to take advantage of the previous holidays or of the other normative/contractual institutions provided for.

With the implementation of the Decree of 4 May 2020 and the gradual reopening of commercial activities on 18 May, *phase 2 is being launched*, which provides for the partial relaxation of restrictive measures. The gradual restart of the economic activities was managed by ATM S.p.A. and Net S.r.l. by always guaranteeing the transport service, even in the face of traffic volumes strongly reduced with respect to the pre-COVID-19 period.

The path to “*new*” mobility includes full service. This objective can be achieved through the use of all surface vehicles and underground systems and also thanks to the collaboration of the Group employees – coming from various operating areas – who have come to the field to support and guide passengers in the new phase. The companies ATM S.p.A. and Net S.r.l. have adjusted the load capacity of the means, in order to respect the security measures imposed by the Authority: To this obligation are related contingent accesses and capacity limits of 25-30%.

In order to face this new emergency transition, the Company has intervened with the following activities:

- The establishment of a diversified governance model in the various fields of action to ensure that all measures were taken in a timely and efficient manner, thereby setting up a steering committee to coordinate and guide activities and an operational committee consisting of seven working groups, to constantly oversee progress and indicate priorities together with the leaders of the individual groups, five of which have been devoted to operational tasks, one to communication and one to corporate processes;

- setting up a working group with other operators in the sector to coordinate their respective operating rooms and to manage passengers accordingly;
- Timely and effective communication aimed at passengers and employees, fundamental in the management of the emergency; in the various phases integrated communication plans have been realized with campaigns to inform customers about the new rules for the safe use of public transport and to solicit them to the responsible collaboration. In order to spread the messages to passengers in a capillary way, the Company has used all the instruments and channels at its disposal: Billboards, media relations, social and digital media, multimedia products and advertisements on board the media and in the stations, signs on the media, in the stations and at the surface stops; for employees ad hoc billboards in all work environments;
- intensification of daily cleaning and sanitation of the means, stations, stops and all contact surfaces;
- Implementation of a technological system capable of counting the number of passengers to turnstiles, giving evidence to the Station Agent. On the basis of this data, and verified the conditions of crowding by means of the cameras, the ATM staff was put in a position to monitor the flow of the passengers, blocking the entrances to the turnstiles if necessary;
- Integration of new features on the ATM App with the clear aim of guaranteeing customers a minimum stay in the station environments, limiting the movements as much as possible and speeding up the processes.

The start of phase 3 is in accordance with the provisions established in the DPCM of 7 September 2020: The latter defines a new maximum coefficient for the filling of the media, thus the capacity can now reach a maximum of 80%.

The above involves intense simulation work to regulate the number of passengers and to recalibrate the algorithm in each of the 113 stations of the subway in order to quota the passenger inputs through the analysis of the flows. This system, already used during the early stages of the emergency, has proved once again indispensable.

We see the removal of the stickers of the seats inside the means, since they return to be fully usable, but the markers are kept in all the waiting areas., as well as route guidance in stations to better route passengers' incoming and outgoing flows. On surface vehicles, if the maximum capacity is reached, the driver will inform the last passengers on board to get off and wait for the next vehicle.

In this phase ATM S.p.A. and NET S.r.l. have further intensified the activities of sanitization of means and stations, strengthening the task force dedicated to this from the beginning of the emergency and reaching to employ 400 people both day and night time. This extraordinary plan has engaged the Group in the search for innovative facility management solutions, useful to guarantee specific sanitation performance without modifying the regular running schedule. The companies, anticipating government decisions, have already since the end of August equipped all 113 subway stations and the surface fleet of hand sanitizing gel dispensers.

On 3 November 2020, after approval by a new DPCM, the permissible filling capacity on vehicles will be revised, which will drop from 80% to 50%. This reduction has led to a further tightening of the quota for access to public transport. The ATM Group has again put all its resources into the field, maintaining the service at full speed and enhancing the most frequented surface lines by using new means arrived thanks to the Company's investment plan, without disregarding those that had to be replaced. By metro, automatic passenger counting systems are recalibrated to turnstiles, bringing the maximum capacity of the vehicles by no more than 50%, and more than 70.000 seat stickers are gradually repositioned in the vehicles to maintain the mandatory distance between the seats.

The process of digital innovation of ATM in these emergency months COVID-19 has accelerated the development of some projects already in the pipeline: A useful function has been introduced on the App

to plan travel by subway according to the number of passengers in different time zones. We are attending the introduction of the possibility to buy through the App all tickets and carnets, to reload the weekly subscriptions and to book the appointment at ATM Point counters.

Focus subsidiaries

The subsidiary **Metro Service A/S** had to face *lockdown at two different times*. In fact, the first *lockdown* announced on March 11, 2020 and lasted for the months of March, April and May followed a new *period of lockdown* announced on December 16, 2020 and extended until the entire month of February 2021. During the first *lockdown* Metro Service A/S was required to comply with the measures taken by the Danish authorities. The latter were – in northern Europe – the first to mobilize to contain the emergency. From 11 March 2020, they called on public transport users to reduce – where possible – the use of vehicles at peak times, impose stricter limits on the number of passengers on board, and increase the number of journeys. At this stage, the control activities were suspended in order to maintain a safety distance of 2 meters between persons.

In the next few days schools and all non-essential services including bars and restaurants were closed, private companies were invited to encourage *smart working*, and economic initiatives in general were severely limited. However, there was no restriction on freedom of movement and public transport services continued to function in accordance with the provisions on social distance. These measures led to a 40% reduction in passengers transported on M1 and M2 lines compared to 2019 and on M3 and M4 lines. The decrease in the fourth quarter of 2020 compared to the same period in 2019 was almost 50%. The safety measures implemented by Metro Service A/S have instead been carried out in a frequent cleaning of trains and stations, as of installation of disinfectant dispenser, assignment to the control station staff about the correct use of masks by all. A responsibility campaign has also been carried out, through the dissemination of sound messages or the posting of appropriate signs, aimed at inviting passengers to keep their distance. In addition to these significant changes for customers, Metro Service A/S has put in place a series of measures aimed at reducing the possibility of contagion among employees. The main actions have focused on new procedures for use and access to services and reserved areas, remote work and the use of security facilities.

The effects of the pandemic on the operation of **NET S.r.l.** are similar to those faced by the Parent Company: The Company has in fact guaranteed a transport service operating at 75% for the entire duration of the first *lockdown*, intense and capillary cleaning and sanitizing of all contact surfaces, maintenance of the means carried out with continuity and implementation of health and safety measures on various organizational levels. With the start of *phase 2* and with the gradual reopening of the commercial activities, NET S.r.l. has adjusted the load capacity of the vehicles: To this are related contingent accesses and capacity limits of 25-30%. Following the DPCM of September 7, 2020, the Company has transposed the new maximum capacity set in the percentage of 80%, on the surface vehicles in case of reaching the same, the driver invites with sound announcements the last passengers to get off and to wait for the next half. On November 3, 2020, with the approval of the new DPCM, the filling capacity allowed on vehicles was revised downwards, which resulted in a further tightening on the quota for access to public transport of NET s.r.l.

Rail Diagnostics S.p.A. has also supported the Parent Company during the period of emergency health. It has operated, in particular, in the field of operations and maintenance services for the armament plants, which are fundamental to guarantee the safety of the railway and tramway infrastructure and the continuity of the service from the first stage of the emergency. During the first days of March 2020, the Company was forced to block its activities completely, but from the end of the same month, as it was assessed as support activities for TPL, the company gradually resumed the work according to the percentages of service defined by the Parent Company linked to the share of work that the same could agree with the Prefecture. During the month of May, with the start of phase 2, Rail Diagnostics S.p.A. resumed working at full speed.

The lockdown periods had a different impact on **the business of Gesam S.r.l.**, whose operations were influenced by the measures taken by the authorities in relation to TPL and road traffic in general. Despite unchanged volumes of transport service production, the general decline in mobility has led to a reduction in the number of cases and a consequent reduction in the volume of practices and tasks managed, especially during the first phase of the emergency.

The effect of the health emergency on **ATM diversified services S.r.l.**, whose *core business* is supported in the circulation of ‘*Historical Tram*’ and ‘*Restaurant Tram*’, highlights further peculiarities, linked to the operating sector of the Company. The activities of the latter took place regularly during the first two months of 2020, They were then blocked because of the measures imposed by the authorities and restarted at the end of July 2020 and were then interrupted again – as the second wave of pandemics approaches – as of November 2020. The COVID-19 emergency has imposed, on the Tram ATMosfera, the implementation of specific safety measures such as the adjustment in the number of customers, able to maintain the distance between the passengers, the positioning of plexiglass panels and sanitation interventions aimed at guaranteeing the safety of customers and operators.

Regulatory interventions

The Italian Government with the “*Revival Decree*” D.L. 34 of May 19, 2020 - Art. 200 paragraph 1 (converted with modifications by Law no. 77 of 17 July 2020), states that “*in order to support the local and regional public passenger transport sector subject to public service obligations as a result of the adverse effects of the epidemiological emergency from COVID-19, a Fund with an initial budget of Euro 500 million for the year 2020 is set up at the Ministry of Infrastructure and Transport, this is intended to compensate for the reduction in tariff revenues for passengers in the period from 23 february 2020 to 31 december 2020 compared to the average tariff revenues for passengers recorded in the same period of the previous two-year period*”. On the other hand, the “*Revival Decree*” provides for the use of this Fund also in order to guarantee the right to reimbursement for commuters for rail transport and local public transport in the event of non-use of the travel license, including the subscription, caused by containment measures for the COVID-19 emergency. The companies concerned could opt to issue a voucher of the same amount as the travel card already purchased, which can be used within one year of issue, or extend the duration of the subscription for a period of time corresponding to that during which it was not possible to use it. The ATM Group, starting from August 10, 2020, has given its customers the possibility to take advantage of the second option, extending the validity of subscriptions not used during *the lockdown period*. Against the 500 million euro fund just described, it is necessary to specify that to date approximately 412 million euro have been collected as an advance payment, of which 98 million euro are paid to the Lombardy Region. ATM S.p.A. and NET S.r.l. received revenues of 1.2 million euros. It is expected to know how and when the remaining resources will be allocated for Euro 88 million.

The “*Re-launch Decree*” also establishes further measures concerning the local public transport sector:

- cash advance to ensure the operation of companies in the sector: state and local authorities holding service contracts have been required to provide by 31 July 2020 an amount not less than 80% of the contractual fees provided for at 31 August 2020; Suspension until 31 December 2024 of the application for regions, local authorities and TPL service operators of the obligation to co-finance the purchase of vehicles for the renewal of the bus fleet;
- Advance the regions of 80 % of the resources for collective local public transport contracts, from 2019 and for the years 2014 to 2018;
- Until 30 June 2021, 5 % of state resources for the renewal of the rolling stock for the TPL can be used for the installation of equipment to contain the infection or for the purchase by TPL companies, *of bike sharing means* useful to integrate mobility services.

Subsequently the Italian Government with the D.L. 104 of August 14, 2020 - Art. 44 paragraph 1 (converted with modifications by the Law of 13 October 2020, n. 126) on: *“urgent measures to support and revive the economy”* increases the initial budget of the Fund by Euro 400 million. The legislative text provides that *“these resources can also be used to finance, up to EUR 300 million, additional local and regional public transport services, also for students, necessary to meet the transport needs resulting from the implementation of the containment measures resulting from the application of the Guidelines for information to users and the organizational modalities for the containment of the diffusion of COVID-19 in the field of public transport and the Guidelines for dedicated school transport, where the above mentioned services in the period before COVID-19 had a filling of more than 80% of the capacity”*. Against the Euro 400 million fund just described, it is necessary to specify that to date approximately 163 million euro have been collected as an advance payment, of which Euro 60 million are paid to the Lombardy Region. ATM S.p.A. and NET S.r.l. received revenues of 0.6 million euros. It is expected to know how and when the remaining resources will be allocated for Euro 237 million.

Regarding Legislative Decree 104 of 14 August 2020, it is stated that the interministerial Decree no. 541 of 3 december 2020 specified that of the Euro 400 million, Euro 100 million is intended to compensate for the reduction in tariff revenues and EUR 300 million to cover additional services *“implemented or to be implemented by 31 December 2020 in order to meet the transport needs resulting from the implementation of the containment measures resulting from the application of the Guidelines for information to users and the organizational arrangements for containing the diffusion of COVID-19 in the field of public transport and the guidelines for dedicated school transport, where services, in the period prior to COVID-19, taking into account the possible re-modulation of the transport application, have been filled to more than 80% of the capacity”*.

Subsequently the Italian Government with Law 176 of 18 December 2020 of the conversion of the *“Decree Ristori”* D.L. n. 137 of October 28, 2020 – Art. 22 ter increased the Fund by an additional Euro 390 million. These resources may be used not only for the same purposes as those referred to in Article 200, but also for the financing, up to a maximum of Euro 190 million, of additional local and regional public transport services, also for students, In the year 2021 to meet the transport requirements resulting from the implementation of the containment measures where the above mentioned services in the period prior to the diffusion of the COVID-19 had a filling higher than that provided for by the decree of the President of the Council of Ministers in force at the time of the adoption of the decree referred to in paragraph 3. For additional services, the regions and municipalities, up to a maximum of Euro 90 million, may also use, by means of a special convention and imposing service obligations, economic operators operating the road passenger transport service pursuant to Law No 11 of August 2003 218, as well as to holders of licenses for the operation of the taxi service or authorization for the operation of the rental service with driver. At the date of writing, no resources are liquidated with respect to this law.

The table below shows the regulatory measures and the amounts paid by the Italian Government as an advance for the Region of Lombardy and consequently for the Bacino Metropolitan City Agency of Milan, Monza and Brianza, Lodi and Pavia and finally for the contracting entities.

Amounts in €/000	D.L. 34 of May 19, 2020 - Art. 200 paragraph 1	D.L. 104 of 14 August 2020 - Art. 44 paragraph 1-bis	Law 176 of 18 December 2020 - Art. 22 ter	Total
Amounts allocated at national level	500,000	400,000	390,000	1,290,000
Deposits settled at the National level (deposit)	412,465	162,827	-	575,292
Deposits cleared and due to the Lombardy Region	98,434	60,212	-	158,646
Cleared payments for local public transport agency in Milan, Monza and Brianza, Lodi and Pavia	48,784	29,735	-	78,519
Settlement of payments to the Municipality of Milan (*)	42,917	25,696	-	68,613
Net deposits cleared (*)	955	520	-	1,475
Payments to ATM for the Service in the Municipality of Segrate (*)	7	4	-	11
Settlement of payments to the Local Public Transport Agency (TPL) in the Como, Lecco and Varese basin	4,162	3,765	-	7,927
Cash payments to ATM for the Funicular Service Como-Brunate (*)	247	134	-	381

* the values collected are gross of the withholding tax

A further request from the companies operating the public transport service was based on the moratorium or suspension of the tendering procedures, with the relative extension of the service contracts currently in force: This proposal is of particular interest since the Service Contract between ATM S.p.A. and the Municipality of Milan expired on 31 October 2020.

In this regard, by the Law of 24 April 2020, n. 27 art. 92 paragraph 4-ter, it has been established that until the end of the containment measures in force due to the health emergency, all ongoing procedures relating to the entrusts of local public transport services may be suspended, with the option of extending the current mandate as at 23 february 2020 and up to 12 months after the declaration of termination of the emergency. Moreover, Regional Law n.11/2020 to art. 14 deferred on 31 December 2021 the period indicated by art. 60 of Regional Law 6/2012 for the fulfillment of procedures for the entrusting of services by the Agencies. With regard to the regulations referred to, in a note dated 18 July 2020, the Bacino Agency indicated its intention to make full use of the time-shift option of initiating the procedures for entrusting the relevant TPL services, considering that all the elements exist for the current contractual terms, For contracts falling within the competence of the Agency, they shall be deferred until at least 31 December 2021.

In relation to the above, and as more specifically illustrated in the section “*Going concern and contractual framework*”, the Municipality of Milan with prot. Letter no. 28156 of 5 August 2020 notified ATM S.p.A. of its availability for the continuation, at least until 31 December 2021, of the local public transport service contract and the ancillary and related contracts. Finally, the Bacino Agency, with the determinate n. 62 of 30 December 2020, has ordered the continuation of local public transport services by the current operators until 31 December 2021 and under the conditions in force: Consequently, the contract of entrustment to NET S.r.l. has been extended until 31 December 2021.

The health emergency has obviously also affected the suppliers of the ATM Group, which have had to postpone or interrupt the supply of both services and goods, in particular rolling stock. The supply of rolling stock (metro, bus, tram and trolleybus) has in fact suffered significant delays leading to the redefinition of plans for future deliveries of existing contracts and contracts under subscription. For example, in the first half of 2020, 3 of the 8 trains planned for 2020 were delivered, with a “slip” of four trains in the second half.

The emerging phase has inevitably imposed on the ATM Group greater dynamism and the design of a new business strategy. The new company design is based on the digital and technological evolution of the transport offer, on a more dynamic and easily reprogrammable service, on a greater integration between the social-productive system and the operators of public transport, and finally foresees an evolution in the way employees work.

The company has demonstrated the ability to accompany the urban public transport system of the Milanese area – the densest and most vital of the economic and social life of the country – toward *the new frontier of mobility*.

Significant events in 2020

The health emergency has had a profound impact on the activities of ATM in 2020, which have been mainly directed toward the responses and solutions to ensure the transport service and its continuity in an absolutely extraordinary, complex and critical situation such as that dictated by the pandemic. In compliance with the measures imposed by the authorities to protect passengers and to protect employees.

During the emergency ATM had to review its operational and organizational models to ensure that all measures, changed several times during the year in relation to the development of the pandemic, were adopted in a timely manner, from decisions taken at the summit to the concrete behavior of all employees. Constant and incessant has been the commitment of all the company functions to ensure the continuity of the service, which has been guaranteed always in all phases of the emergency.

Corporate Governance

- > April 15, 2020 – the sole shareholder of ATM S.p.A. has appointed the new Board of Directors which will remain in office until the approval of the financial statements at December 31, 2022. The new Board of Directors is composed of the Chairperson, Gioia Maria Ghezzi, and the Directors Oliviero Baccelli, Stefano Pareglio, Elisabetta Pistis and Fabio Spinelli.

Sustainability

- > Gennaio 2020 - the restoration of the 125 truck cars subjected to general overhaul carried out in the specialized company departments of the General Officina di Teodosio is completed: an excellence that combines the artisanal skills of carpenters, blacksmiths and electricians with the technological innovations that have been applied to cars only apparently of epoch.
- > May 4, 2020 - the first 8 trolley cars from the first supply of 30 vehicles by Solaris enter into service as part of the Full Electric plan which provides for the renewal of the fleet of the trolleybus lines. In 2020 the 30 trolleybuses were all delivered and entered service. The cars are 18 meters long and fully accessible via a low deck. They are equipped with energy-saving LED interior and exterior lighting and will modernize the fleet of cable car lines, strategic for city mobility. There will be 80 new trolleybuses in total, which, thanks to the investments of the Full Electric Plan, will join the fleet in the coming years.
- > July 20, 2020 - some of the projects planned on the underground network are started, such as: the completion of infrastructure in the station of Tre Torri on the M5 line, the renewal of the air network on the branch of Cologno on the M2 line and finally the movement of the turnstile line to widen the area of outflow of the passengers in the station Duomo of the M1 line.
- > November 28, 2020 – the first of the solar-powered plants with photovoltaic system installed on the roof, which lights it up with led light and supplies the information displays, goes into operation at the bus stop of lines 63 and 76 in the Valsesia district; there will be 60 in all the so-called “*ecopoints*” which will be progressively positioned in different parts of the city. This initiative is part of the path of energy sustainability that ATM has undertaken for several years with the installation of photovoltaic plants in its deposits.

Innovation

- > May 15, 2020 - on the ATM Milan app the offer of travel tickets is extended with the sale of ordinary and daily tickets for all the areas covered by the new tariff system from zone Mi1 to Mi9; the innovation is aimed at providing a simpler and faster while at the same time, a safer service, while minimizing the need for customers to go in person to the point of sale.

- > May 18,2020 - the experimentation of the automatic counting of the travellers in the stations of the subway is activated,an instrument necessary during the emergency health to limit the access on the basis of the new flows and to be able to limit, where necessary, the entry to the more crowded stations of the subway network with the temporary blocking of the turnstiles. The tool allows personalized announcements to customers who are about to enter the subway, warning them of the temporary closure of the turnstiles and to maintain the interpersonal distance waiting for the reopening. Even on the surface, since there are no barriers of access for the ascent to the cars, procedures are put in place for the evaluation of the crowding and relative management on the vehicles with direct connection between drivers and operating rooms and sending of dedicated sound messages.
- > May 27, 2020 - the ATM app is enriched by the new function through which it is possible to book the shift at ATM Points, introduced both to improve the user experience and to implement the measures of interpersonal spacing and to avoid the creation of crowds.
- > July 16, 2020 - Introduction of the App NET (North East Transport) for the reservation of seats on the Z301 suburban service – operating on the Milan-Bergamo route. The application makes available to customers the consultation of the timetables and routes of the lines from their smartphone, as well as the purchase of tickets and the free reservation of the place.
- > July 19, 2020 - the new digital platform to book the turn for the ticket purchase is active in the Como-Brunate funicular service.
- > July 29, 2020 - the ATM app is enriched by the new function that allows customers to purchase the monthly, weekly and annual subscriptions directly from their smartphone, with credit card or PayPal, without having to go to ATM Points or vending machines; the new release also provides customers with the reminder function on the expiration of the electronic card and the subscriptions purchased.
- > August 26, 2020 - another important step forward for *the company's digital transformation* : On sale on the ATM app, the carnets of 10 tickets valid for travel throughout the tariff system from zone Mii to zone Mi9.
- > September 14, 2020 - the new function to check the traffic in the metro stations according to the different time intervals is released on the app and on the site. The tool, also available in English and accessible from *a browser*, is based on an algorithm that processes the flows and provides an updated forecast of the crowding of the individual stations, allowing passengers to plan their journey, where possible, in the least attended hours.
- > December 7,2020 - the process of dematerialization of travel titles continues: the contactless payment system of the ticket, active for two years in the subway, is extended in experimental phase also on the surface on the buses of lines 56, 70 and 73 on which special readers of bank cards have been installed.
- > December 15 , 2020 – “Tessy” is born the new self-service system for the issuance of ATM cards that allows to print the cards for ATM subscriptions in the station of the Duomo metro stop . The new system aims to cut queues and wait times at the counter and reduce the printing of paper tickets by adding another stop to the path to *smart ticketing* for public transport users.

Customer Care

- > Marzo 2020 - ATM carries out amidst the lockdown phase widespread actions aimed at spreading knowledge of the new rules for traveling in safety, in particular toward the categories of people involved in emergency management for which the public transport service is indispensable. Since the beginning of the health emergency ATM has implemented an extraordinary daily sanitation of all trains, buses, trams, trolleybuses in circulation (from supports to seats, to all contact surfaces) and of all stations and docks. Every night over 200 people have been committed to sanitize around 1,700 vehicles and all 113 stations on the four metro lines.
- > Aprile 2020 - initiatives to “caring” toward customers are launched, with particular reference to citizens most exposed to health risk. Of particular importance is the sending of more than 3,000 cards directly to the home of subscribers over 65 and the postponement of the renewal of the profile for students who had it expiring, initiatives aimed at eliminating the need for customers to go in person to ATM Point counters. In preparation for the start of phase 2 ATM has sent subscribers to the reserved area of the site www.atm.it a questionnaire to intercept the new habits and mobility needs receiving 38,000 replies and contacts almost a million customers through its newsletter, direct mail and the Infoline call center.
- > May 2020 – Launch of the Integrated Communication Plan for phase 2 of the Health Emergency. ATM carries out two campaigns: “Covid phase 2”, an institutional campaign that focuses on the concept of collaboration for new mobility, which is combined “following the rules is a healthy habit” dedicated to the rules and behaviors to follow for the safe use of public transport. The information on the rules to be observed is also disseminated through the new signs in the stations and at the surface stops, in the parking areas managed by ATM and in the offices open to the public such as ATM Points; The signs are gradually extended to all stops with the markers “STAY HERE” positioned on the ground to facilitate interpersonal distance, guided paths for the management of the incoming and outgoing flows are gradually set up in 47 metro stations, in particular, those for interchange with the railway network. 350 Customer Assistants are entered to inform and direct passengers to the main stations and stops. Both on the subway and on the surface specific recorded announcements constantly inform you about the situation on board and indicate the need to get off and wait for the next means, if necessary.
Personal protective equipment such as sanitizer gel and mask and glove protection kits are also sold through the more than 200 beverage and snack dispensers in most metropolitan areas.
- > July 29, 2020 – the “App top up subscription” campaign is launched to promote weekly, monthly and annual subscription renewal through the ATM app with credit card and PayPal, while simultaneously making the new subscription alert feature available. Next, on August 21 part the campaign “Subscriptions for under 27” valid until October 31 for the purchase or renewal of the electronic card online and for the renewal of subscriptions under 27.
- > September 2020 - for phase 3 of the health emergency ATM produces a new integrated communication plan and carries out other campaigns to remind passengers of the obligation to use the mask correctly, to give visibility to the plan of measures adopted by the company and to raise awareness of the importance of their cooperation at every moment of the journey. The messages were posted in all stations, stops and media, published on all ATM social and digital channels, transmitted through sound ads on board the media and in stations.
- > November 2020 - as a result of the new limit of filling of the vehicles reduced to 50%, the signs on the seats are reintroduced – 70,000 stickers - in order to maintain the compulsory distance between the seats available; the guided paths remain for the movements inside the stations.

- > December 2020 - for the resumption of activities, especially the school in presence planned for January, ATM produces a new integrated communication plan in line with the “*Milan School Pact*”; Launch the “*different times for a common goal*” campaign to encourage customers who do not need to travel at pre-defined times to collaborate while avoiding rush hour travel between 7 a.m. and 9.30 p.m., which is the most critical time slot and inform them of the service enhancement. 4,000 direct mail are sent to invite customers to avoid travel during peak hours and specific information is provided for all customers who contact Infoline.

Solidarity

- > January-February 2020 - for the ninth consecutive year ATM has supported the Association of *City Angels Volunteers* in the project aimed at giving assistance during the winter months to the homeless in Milan through the *Bus degli Angeli*, a 12-meter bus made available by the Company for the distribution of hot meals, clothing, blankets and sleeping bags; the bus was able to carry out the service until 21 february 2020.

Activities in Italy

Service contract extension

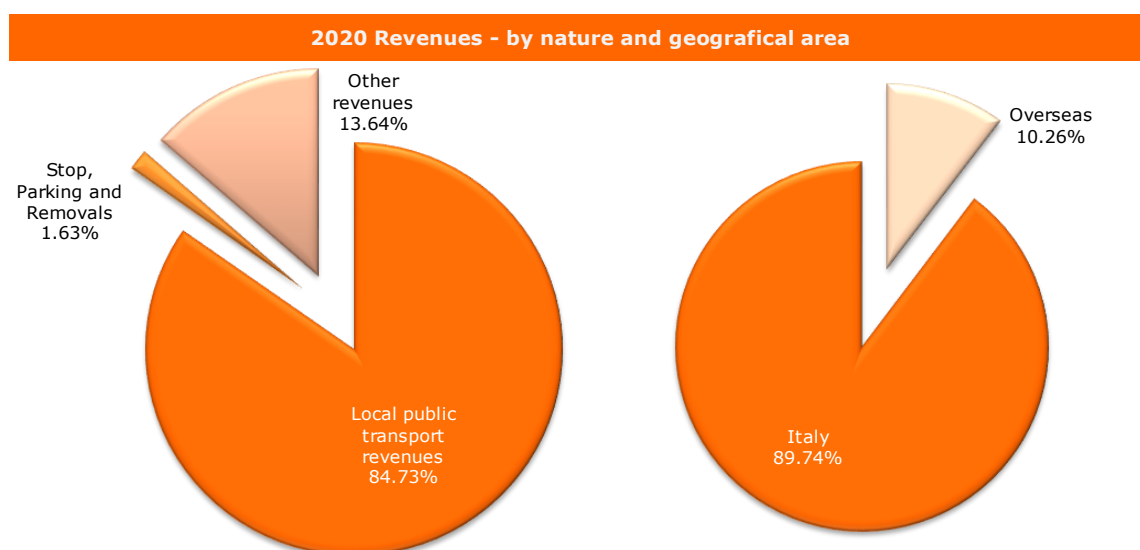
- > July 18,2020 - the Bacino Agency informs the Municipality of Milan of its intention to make full use of the time-shift option of the opening of the procedures for the provision of the relevant TPL services, considering that all the elements exist for the current contractual terms, for contracts within its competence, are deferred until at least 31 december 2021.
- > August 5, 2020 - the Municipality of Milan informs ATM S.p.A. of its willingness to continue and therefore to extend at least until December 31, 2021 the “*Contract for the local and related and complementary public transport services*”, which expires on October 31, 2020.
- > October 30,2020 – 31 December 31,2021, service contracts with the Municipality of Milan are extended with the aim of providing local public transport services (TPL) and the related complementary services, the provision of parking and removal and maintenance services for vehicles, the provision of the management service of the payment systems Area C, the provision of the maintenance and management services of the systems, the technologies and facilities constituting the integrated traffic and territory control system of the Municipality of Milan and the provision of the service for the realization and management of the *bike-sharing sustainable mobility system*.
- > December 30,2020 the local public transport agency in the basin of the Metropolitan City of Milan, Monza and Brianza, Lodi and Pavia, with determination of Director no. 62 provides for the continuation of the existing service contracts, including the three contracts entrusted to NET, until 31 December 2021 considering that the tender for the award of the TPL has not yet started and is not aware of precise timing of its execution.

Activities abroad

- > March 28, 2020 - the M4 line of the Copenhagen Metro opens and connects the north with the south of the city and with other metro lines.

Financial highlights of the ATM Group

Main economic indicators (millions of euros)			
	2020	2019	2018
Revenues and other operating income	957.9	980.7	962.7
Costs and other operating charges	896.8	867.2	838.6
EBITDA	61.2	113.6	124.1
<i>% of "Revenues and other income"</i>	<i>6.4%</i>	<i>11.6%</i>	<i>12.9%</i>
EBIT	(47.4)	6.3	36.9
<i>% of "Revenues and other income"</i>	<i>(4.9%)</i>	<i>0.6%</i>	<i>3.8%</i>
Net Profit	(64.5)	9.2	18.5
<i>% of "Revenues and other income"</i>	<i>(6.7%)</i>	<i>0.9%</i>	<i>1.9%</i>



Key equity indicators (millions of euros)			
	2020	2019	2018
Fixed assets (tangible and intangible)	1,308.9	1,287.1	1,255.0
Equity	1,149.2	1,226.7	1,219.7
Net Financial Position	(25.6)	(133.1)	(184.3)
Investments	139.9	155.4	173.2

Key financial indicators (millions of euros)			
	2020	2019	2018
ROI	(3.5%)	0.5%	2.8%
Net Invested Capital	1,372.7	1,336.3	1,301.0
EBIT	(47.4)	6.3	36.9
ROE	(5.6%)	0.7%	1.5%
Equity	1,149.2	1,226.7	1,219.7
Net profit	(64.5)	9.2	18.5

Comparability of data and alternative performance indicators and definitions

Comparability of data

As indicated in the Notes on the Consolidated Financial statements and the Financial statements for the financial year at 31 December 2020, to which reference is made, the valuation and valuation criteria are the same as those used in the preparation of the consolidated financial statements and for the financial year at 31 December 2020, adjusted and supplemented, in the case of: with the new amendments and principles coming into effect in the year as detailed in the specific paragraph of the respective explanatory note.

Alternative performance indicators and definitions

The Annual Report and Consolidated Financial statements and the Financial statements include economic and financial indicators that are used by management to monitor the economic and financial performance of the Group and the Company. These indicators are not defined or specified in the applicable financial disclosure framework. Since the composition of these measures is not regulated by the accounting standards, the criterion of their determination applied by management may not be homogeneous with those adopted by other groups and consequently not comparable. Alternative performance indicators are constructed exclusively from historical accounting data and are determined in accordance with the guidelines on alternative performance indicators issued by ESMA on 5 October 2015 (2015/1415) as per CONSOB Communication No. 92543 of 3 December 2015 and ESMA of 17 April 2020 “ESMA Guidelines on alternative Performance measures (APMs)”.

The following alternative performance indicators are represented in this Management Report:

- Gross operating margin (gross operating margin): equal to the “result for the period” excluding “income tax”, “financial income”, “financial expense”, “income (expense) from equity investments”, “value adjustments of financial assets”, “depreciation” and “impairment losses of tangible assets, Intangible assets and right of use for leased assets” and is directly deducible from the consolidated and operating income statement, supplemented by the related explanatory note. However, this indicator is not defined by the International Financial Reporting Standards accounting standards; it could therefore be inconsistent and therefore not comparable with that set out by other groups.
- MOL margin: is calculated as the ratio between Gross Operating Margin and revenues.
- Operating result: Represents the “operating result” directly available from the consolidated and operating income statement.
- Margin on operating profit: This is calculated as the ratio between operating profit and revenues.
- Alternative performance *underlying indicators*: the results of the year and their comparison with those of the comparison exercise may include unusual (not repeated in the future) or non-operational performance-related elements, which significantly and unevenly and systematically influence the results of the Group and the Company over time, by generating effects which may not allow a correct interpretation of the normalized profitability of the Group and the Company during the period compared with the normalized profitability of the previous and future periods, thus limiting the informative value of the synthetic comparative profit and loss account (consolidated and for the period) and of the comparative profit and loss statement (consolidated and for the period) prepared in application of IAS 1. These components are highlighted in the paragraphs “Comment on the financial results of the ATM Group” and “Comment on the financial results of ATM S.p.A.” of this Management Report.
- Investments: They represent the sum of the investments indicated in the notes “Property, plant, and equipment” and “other intangible assets” of the consolidated and financial statements.

- Net financial position (net financial debt): It represents the sum of net financial debt as determined in the CONSOB notice of 28 July 2006 and in accordance with the ESMA/2011/81, of “leased assets” and of “other financial assets” classified as non-current assets, excluding “deposits” and “interest-bearing assets from third parties”.

Operational Highlights – ITALY

TOTAL NETWORK ¹

Area served (<i>km</i> ²)	656	Passengers transported (<i>mln</i>)	351.9
Municipalities served	46	Km travelled (<i>mln</i>)	153.7

METROPOLITAN NETWORK

Number of metro lines	4	Vehicle fleet (<i>Engines and carriages</i>) ⁴	1.001
Network length (<i>km</i>) ²	96.8		
Plant length (<i>km</i>) ³	215.9		

VEHICLE NETWORK

Number of lines	159	Vehicle fleet ⁴	1,383
Network length (<i>km</i>) ²	1,563.9	Average age of the fleet in use (<i>years</i>)	8.9

TRAM NETWORK ⁵

Number of lines	19	Vehicle fleet ⁴	493
Network length (<i>km</i>) ²	180.3		
Plant length (<i>km</i>) ³	285.1		

TROLLEY BUS NETWORK

Number of lines	4	Vehicle fleet ⁴	135
Network length (<i>km</i>) ²	38.8		
Plant length (<i>km</i>) ³	85.8		

¹ Figures concern the service carried out by ATM in the Metropolitan City of Milan

² By network length is meant the sum of the lengths of the individual lines on the operating axis.

³ Plant lines in operation and air network are considered

⁴ Owned vehicles

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

Operational Highlights - ITALY

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

Area served (<i>km</i> ²)	668.2	Number of lines	27
Municipalities served	60	Network length (<i>km</i>)	390.8
Passengers transported (<i>mln</i>)	5.3	Vehicle fleet	128
Km travelled (<i>mln</i>)	7.5		

CAR PARKS & ON-STREET PARKING

Car parks ⁷		On-street	
Number	25	Car spaces	97,143
Car spaces	19,854		
Entries	2,554,010		

COMO - BRUNATE CABLE CAR

Network length (<i>km</i>)	1.1	Km travelled	43,803
Passengers transported (<i>mln</i>)	0.5		

CASCINA GOBBA - H. SAN RAFFAELE MINIMETRO

Network length (<i>km</i>)	0.7	Km travelled	73,719
Passengers transported (<i>mln</i>)	0.4		

⁶ Figures concern the service carried out by NET in the Metropolitan City of Milan, and in the Provinces of Monza and Brianza, Bergamo and Lecco

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

Operational Highlights - OVERSEAS

METRO COPENHAGEN

Area served (<i>km²</i>)	162	Number of lines	4
Municipalities served	3	Network length (<i>km</i>)	38.7
Passengers transported (<i>mln</i>)	63.7	Vehicle fleet	71
Km travelled (<i>mln</i>)	29.1		

Corporate board

Board of Directors¹

Chairman	Gioia Maria Ghezzi
Directors in office	Oliviero Baccelli
	Stefano Pareglio
	Elisabetta Pistis
	Fabio Spinelli

Managing director	Arrigo Giana
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Board of Statutory Auditors ²

Chairman	Salvatore Rino Messina
Statutory Auditors	Antonella Andreina Conti
	Margherita Molinari
Alternate Auditors	Monica Rossana Bellini
	Maurizio mouth

Independent Audit firm³

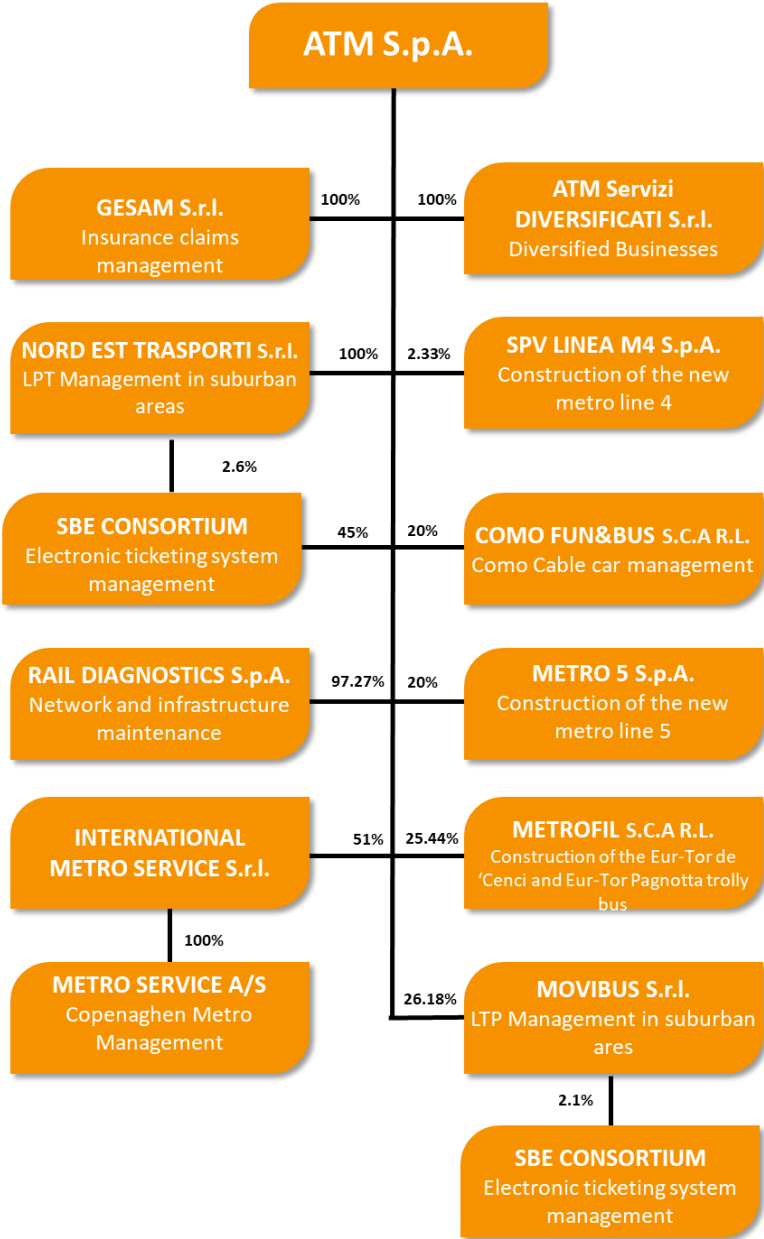
Deloitte & Touche S.p.A.

1. The Board of Directors of five members was appointed by the Shareholders' Meeting of April 15, 2020 and remains in office until the approval of the 2022 Financial statements.
2. The Board of Statutory Auditors was appointed by the Shareholders' Meeting on April 19, 2019 and remains in office until the approval of the 2021 financial statements.
3. As a result of the assumption of the State of Public Interest Body under D. Lgs 39/2010, on November 9, 2017, the Shareholders' Meeting approved the appointment of Deloitte & Touche S.p.A. for the year 2025, with the deadline for the approval of the financial statements.

Corporate structure as at December 31, 2020

ATM S.p.A. (“ATM”, the “Company” or the “Parent Company”) operates the transport services in all forms and by all means, including rail services, as well as services related to the transport of persons, property and information and mobility, including parking and parking. The Company also operates the service of connection of the Cascina Gobba Light Rail - San Raffaele Hospital. Controlled at 100% by the Municipality of Milan, it is the Parent Company of the Gruppo Trasporti Milanese (the “Group” or the “ATM Group”) and carries out management and coordination activities according to art. 2497 et seq. of the c.c. to its subsidiaries. The Legal counsel office is in Foro Buonaparte 61, Milan.

In this document, **the term ATM Group, Group or ATM** refers to the group of companies included in the consolidation perimeter represented below:



Subsidiaries and their activities :

- **ATM diversified services S.r.l.:** incorporated on September 9, 2010, it is a fully-owned subsidiary of ATM S.p.A. and carries out the activity of managing services for the transport leasing of people and freight both on road and on rail and diversified services sectors such as, for example, the tramcar restaurant.
- **GeSAM S.r.l.** incorporated on December 22, 2005, is fully-owned by ATM S.p.A. and carries out the consultancy activity in the insurance sector, including all relevant specialist support for the education and settlement of claims with the exclusion of insurance mediation activities.
- **International Metro Service S.r.l.:** incorporated on April 12, 2007, it is 51% owned by ATM S.p.A. and is responsible for the management of services for the transport of people and freight along with the related activities of programming and operative organization, all for the purposes of the execution of contracts for the operation and maintenance of metropolitan systems. International Metro Service S.r.l. owns 100% of **Metro Service A/S**, a Danish company that operates the Copenhagen underground.
- **Nord Est Trasporti S.r.l.** incorporated on December 5, 2007, is fully-owned by ATM S.p.A. and carries out the activity of management of services of transport of people, freight and information, along with the related activities of programming and operative organization, in addition to the services connected to transport and mobility in the Metropolitan City of Milan, in the Province of Monza and Brianza, Bergamo, Lecco and in the territory of the Municipality of Monza.
- **Rail Diagnostics S.p.A.:** established on October 31, 2006, is 97.27% owned by ATM S.p.A. and is responsible for design, construction, maintenance and integrated diagnostics of underground and tramway control systems and systems.

Associates:

- **Movibus S.r.l.:** incorporated on May 15, 2008. ATM S.p.A. holds 26.18% of the share capital. The company carries out its activity in the local public transport sector where it operates as operator of lot 6 of the provincial sub-network of West Milan.
- **Metrofil s.c.a. r.l.:** incorporated on 2 April 2009. ATM S.p.A. holds 25.44% of the share capital. The company was set up for the purpose of fulfilling the obligations deriving from the contract with the object of the executive design and the realization of the public transport system on its own premises of a trolleybus type to service the corridor EUR-Tor de Cenci and EUR Laurentina-Tor Pagnotta stipulated with Roma Metropolitana S.r.l.
- **Metro 5 S.p.A.:** incorporated on June 5, 2006. ATM S.p.A. holds 20% of the share capital. The company carries out the activities of final and executive planning, expropriation, works management, execution of civil works and technological works, supply of rolling stock and management of the underground line 5 and its possible extensions.
- **Co. Mo. Fun&Bus s.c.a.r.l.:** incorporated on June 9, 2006. ATM S.p.A. holds 20% of the share capital. The company supports the local public transport service in the municipality of Como and the management of the Como–Brunate funicular.
- **S.B.E. consortium:** incorporated on January 28, 2015. ATM S.p.A. directly owns 45% and, indirectly, through its subsidiary Nord Est Trasporti S.r.l. owns 2.6% of the share capital and

through its subsidiary Movibus S.r.l. owns 0.55% of the share capital. The Consortium owns the asset represented by the central platform of the electronic ticketing system and the asset management activities, as well as the management of clearing activities and the accounting flows of travel securities.

Other companies:

- **SPV Line M4 S.p.A.:** incorporated on December 16, 2014. ATM S.p.A. holds 2.33% of the share capital. The company's purpose, granted by the Municipality of Milan, is the construction, maintenance of the Milan underground line 4 and provision of the relative public transport service.

Share capital structure

The share capital of ATM S.p.A. of Euro 700,000 thousand is composed of 70,000,000 shares with a par value of 10 euros each and is entirely owned by the Municipality of Milan.

Changes in the corporate structure

On September 10, 2020 , the liquidation process of the Project Company Consortium for shares M4 was completed, which resulted in the repayment of the entire share capital to its shareholders. The parent company ATM held a stake of Euro 25 thousand , or 7% of the share capital.

The business model

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

Corporate governance report

Introduction

ATM's corporate governance system consists of the set of standards, instruments, regulations, processes and business systems aiming at a correct and efficient management and control of the Internal control system.

ATM, in view of its nature as a company with total public control and its role for the plurality of stakeholders, is subject to the specific information obligations connected with the acquisition in 2017 of the status of Public Interest Institution (EIP), provided for under Art. 123 bis of Legislative Decree no. 58/1998 (TUF) has had regard only to the information required by paragraph 2(b) , and avails itself of the possibility provided by paragraph 5 of the same article.

ATM has acquired the status of Public Interest Institution (EIP) according to art. 16 , paragraph 1, letter a) of D. 39/2010, following the issuance of the bond and the admission to listing of the related securities to Euronext Dublin, in August 2017.

ATM has thus defined its Corporate Governance system with the aim of maintaining operational and effective a corporate governance system capable of adequately balancing responsibility and powers, favoring the correct balance between management and control.

The report on the corporate governance of ATM is divided into three sections: A first section devoted to the guiding principles defined in the ATM Code of Ethics and to initiatives in the area of social responsibility; a second section devoted to the Corporate Governance model; A third is dedicated to the Internal control and risk Management System.

Although it falls within the cases of exclusion provided for by Legislative Decree no. 14 of 12 January 2019, referred to as the "*Code of corporate crisis and insolvency*", ATM and its subsidiaries, but in accordance with the obligations set out in the second paragraph of Art. 2086 of the c.c., introduced by the aforementioned decree, it has activated a process of monitoring that will lead to the prior identification of any imbalances of a redditual, patrimonial and financial nature related to the specific characteristics of the enterprise and of the activity carried out.

Ethics Code: Principles, values and social responsibility

Transparency, ethics/fairness, loyalty, the quality of life of communities and the continuous search for excellence are just some of the guiding principles considered by ATM in adopting a governance structure adapted to its own nature, size and operational structure. These principles are expressed in value areas aiming at guiding the action of ATM people.

The values that ATM recognizes as fundamental in the performance of its business, and which are shared at all levels of the organization, are outlined in the Ethics Code, introduced in 2007 and last updated on September 24, 2018, in line with the anti-corruption and transparency model voluntarily adopted by ATM and entered into force on September 15, 2018.

The Ethics Code, which summarizes in a nutshell the set of values and lines of behavior that make up ATM's identity, sets out the relative ethical and social responsibilities and engages the social organs, management, personnel, external collaborators, The suppliers and all those who maintain relations with the Group companies. The same applies, in fact, to the Parent Company ATM S.p.A., to the Group companies subject to the management and coordination of the Parent Company and, together with the

models of organization, management and control ex D.Lgs. 231/2001– of the Parent Company and of the directly controlled companies -, it forms an integral part of the general Internal control and risk Management System.

Social responsibility is one of the factors that most affects the organizational logic, the corporate and social policies of ATM, which are expressed, with a view to continuous improvement, bearing in mind the model of reference and the specific recommendations of the European Union.

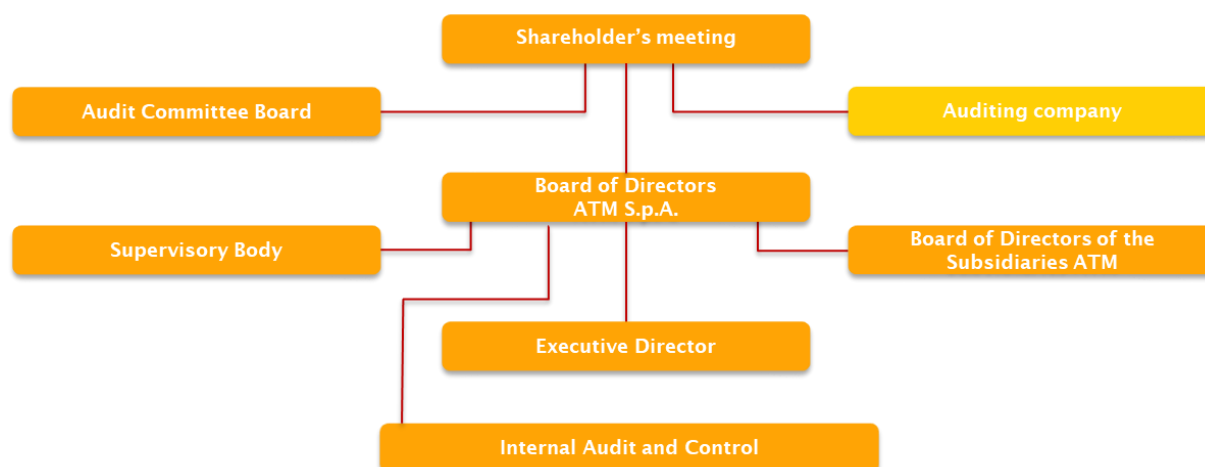
Since 2012, ATM has sought **to obtain the SA8000 certification**, an international standard aimed at improving working conditions and the quality standard of company supply, born as a combination of principles established by international documents: The United Nations Universal Declaration of Human Rights, the United Nations Convention on the Rights of the Child, the International *Labor Organization (ILO) Conventions and Recommendations*, the United Nations Conventions to eliminate all forms of discrimination. Within the framework of the Internal control and risk Management System, the maintenance of the certification and the periodic assessment of the Company's performance in this area is linked to the continuous monitoring, the internal audit activities by the various corporate departments and the widespread audit activity carried out by the social performance team, based on the reports of the workers' representatives. To this end, staff continued to be trained in the SA8000 requirements and the internal management system in relation to social responsibility during 2019.

In the context of employee enhancement policies and of corporate social responsibility, ATM has already joined *the Family Audit certification program* promoted by the Presidency of the Council of Ministers since 2013, ranking, among the leading Italian companies, with the basic certification referred to corporate social policies aiming at the continuous improvement of family-work balancing services. These policies are part of the wider **welfare system**, developed in close synergy with the ATM Foundation, which aims to improve the individual and organizational well-being of the people working within the Group.

In compliance with the requirements introduced by Legislative Decree no. 254 of 30 December 2016 implementing Directive 2014/95/UE, and in accordance with *the GRI Sustainability Reporting Standards*- published by *the Global Reporting Initiative (GRI)* - ATM has drawn up the Non-Financial Consolidated Declaration (hereinafter also “DNF”) to ensure an understanding of the Group's activities, its performance, results and impact from the same product, covering the 5 relevant areas: environment, social aspects, personnel management, human rights and the fight against corruption. For further information, please refer to the document “Consolidated declaration of a non-financial nature” also available on the website www.atm.it.

The Corporate Governance Model

With regards to the new Group scenarios and as part of the Corporate Governance system, ATM commits to follow the best corporate governance practices, comparing its Corporate Governance model with principles issued by the major associations and *best practices* in this field, promoting an adequate, Effective and efficient Internal control and risk Management System calibrated and proportional to the Group's specific features.



The **Board** of Directors, which is responsible for the strategic management and which is required to carry out all appropriate acts for the implementation and achievement of the social object, except only those which by law are the responsibility of **the Shareholders' Meeting**, has been delegated as part of his management skills to **the General Manager**.

Appointed to monitor the compliance with the law and the articles of association and compliance with the principles of correct administration and adequacy of the organizational structure, the Audit Committee Board is ATM's Control Board.

In terms of statutory auditing, the audit functions were assigned to **the Independent Audit Firm** Deloitte & Touche S.p.A., with the Shareholders' Meeting of November 9, 2017, for nine financial years from 2017 to 2025, given the classification by the Company of the status of Public Interest Authority (EIP).

ATM's Corporate Governance system also consists of operating practices and instructions governing the activities carried out by the various functions of the company, which are the subject of continuous monitoring and verification, in view of the amendments in regulations and processes. In this corporate governance system, **the Audit and Internal control (DACI) Directorate**, which is not responsible for any operational area, depends hierarchically and functionally on the Board of Directors, administratively by the Chairperson, maintaining a coordination relationship with the General Manager and the Senior Management, Audit, Both continuously and in relation to specific needs, the operation and suitability of the Internal control and risk Management System, through an integrated risk-based audit plan approved by the Board of Directors.

The Internal control and risk Management System

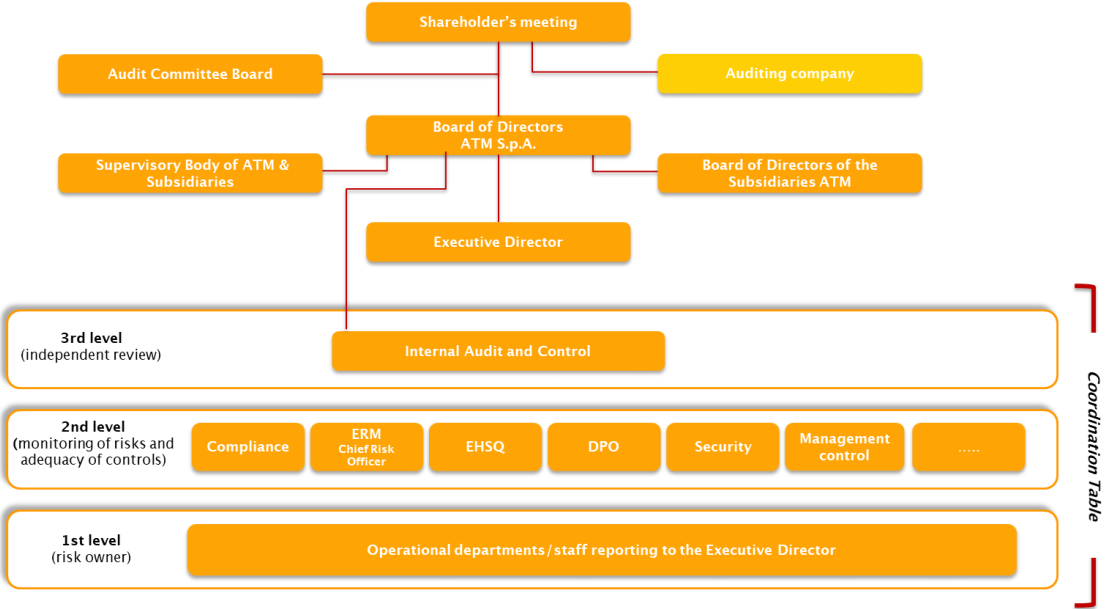
The Internal control and risk Management System (“ICRMS”) of ATM is **a fundamental element of corporate governance**. The ICRMS, as per the new Corporate Governance Code of Borsa art. 6 consists of a set of rules, procedures and organizational structures aiming at effective e identification, measurement, management and monitoring of the main risks, in order to contribute to the sustainable success of society.

An effective ICRMS helps to ensure the protection of the corporate assets, the effectiveness and efficiency of the business processes, the reliability of the information provided to the corporate bodies and the market, the respect of laws and regulations as well as the bylaws and internal procedures.

ATM has also provided **a functional ICRMS to guarantee reliable and accurate financial and non-financial information**, in order to protect the business value and achievethe objectives defined by the Board of Directors, which is responsible for the system itself.

The ICRMS is an integrated system that involves the entire organizational structure: Both corporate bodies and company structures are called to contribute to its operation in a coordinated way, so as to ensure that the main risks related to the Company and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, even in accordance with the strategic objectives identified.

Each corporate governance actor has specific duties and responsibilities relevant to the ICRMS. This system, in line with the regulations and the reference leading practices, gives all the corporate functions a clear place within three lines of defense, thus being, in practice, it is basedon coordination between different subjects involved in the ICRMS, in order to maximize the efficiency of the system itself.

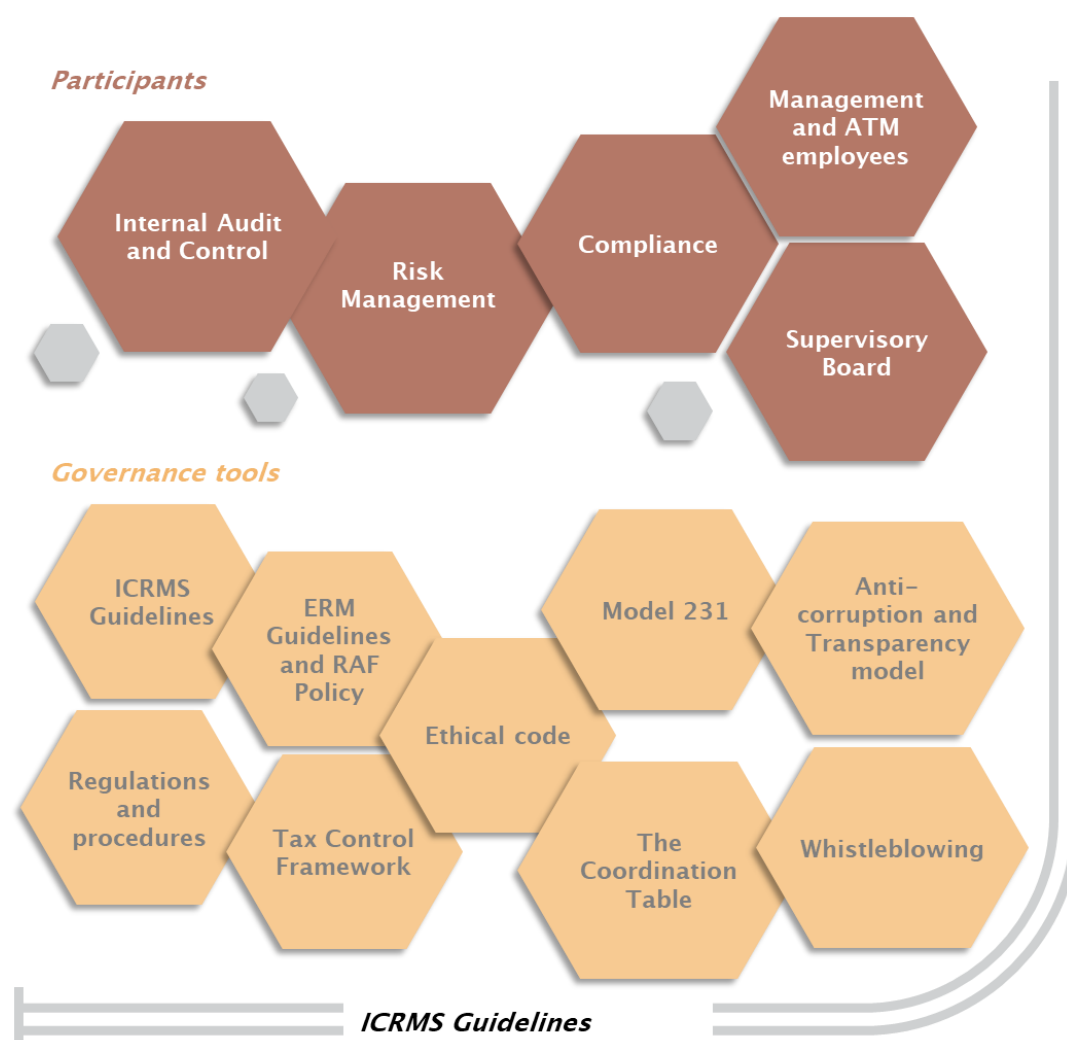


Audit and Internal control, risk management, compliance, all the functions that carry out a specific verification and assurance activity (also called “assurance suppliers”), the Audit Company and the supervisory bodies, cooperate with each other to carry out their respective tasks. These bodies and functions ensure appropriate collaboration, including information, with respect to the Senior Management, the Board of Directors and the Audit Committee Board, for the performance of

their respective duties and responsibilities.

The components of the ATM ICRMS are co-ordinated and interdependent and the system, as a whole, involves, with different roles and according to the logic of collaboration and coordination, the administrative bodies, the control bodies, the supervisory bodies, the company management: the assignment of roles and responsibilities, consistent with functional segregation, the procedural body, information systems and flows, the monitoring activities underlying the Internal control system and risk management of ATM are aimed at ensuring compliance with laws, regulations, bylaws and internal disciplines, in compliance with the criteria of efficiency and effectiveness, and also for the reliability, accuracy, reliability and timeliness of financial and non -financial information.

In 2020, ATM continued on the path of progressive and continuous improvement of its Internal control and risk management system, including *the assurance system*, (I) establishing specific *compliance function* with the appointment of its manager, (ii) appointing the Anti-Money Laundering Contact and (iii) implementing *the Tax Control Framework*, the latter being adopted on a voluntary basis.



Participants and tasks

The Board of Directors, after having established the lines of guidelines of the ICRMS on the basis of the information received periodically by the functions and bodies in charge, assesses both its adequacy with respect to the characteristics of ATM and the Group companies and the risk profile assumed and its effectiveness.

The Audit and Internal control Directorate of ATM (“DACI”), in the exercise of its activities, operates with independence and objectivity, thanks to an adequate organizational position and the absence of constraints and interference in the execution of the work and in the communication of the results. The Head of Management shall report to the Board of Directors and to the Supervisory Board.

Audit and Internal control

The audit and Internal control management is responsible for verifying that the ICRMS is functioning, adequate and consistent with the guidelines defined by the Board of Directors. The latter checks, both continuously and in relation to specific needs and in compliance with international standards, the operation and suitability of the ICRMS, Through an audit plan approved by the Board of Directors of the Parent Company for the whole Group and based on a structured process of analysis and prioritization of the main risks. This *risk-based planis* proposed on an annual basis, updated, if necessary, in the course of the year, and integrates the operational, security and reliability requirements of the information and monitoring systems with respect to the organizational models according to D. 231/2001 of the Parent Company and its direct subsidiaries and in respect of the Group's anti-corruption and transparency model.

The mission of the Audit and Internal control Management is to “protect and increase the value of the organization, providing objective assurance and *risk-based* advice and expertise” both in favor of ATM S.p.A. and in favor of the Group’s subsidiaries, in a context of direct and continuous communication and constructive and collaborative interaction with the Executive Director and Senior Management.

The main objectives of the Audit and Internal control Management are:

- Assess the adequacy of the ICRMS with regard to specific *assurance measures*;
- Provide support to the President and General Manager of ATM S.p.A., through “on call” consultancy activities and/or with reference to specific projects;
- Managing the audit and monitoring activity in the context of Legislative Decree no. 231/2001 and anticorruption, and also as defined in ICRMS Guidelines;
- To manage the activities of the coordination table;
- To coordinate activities with the SB and/or with the Chairperson and/or with the General Manager and/or with any other addressees to ensure the proper management of the reports (*whistleblowing*).

Risk Management

An enterprise risk management system (“the ERM model”) has been introduced within the framework of the Internal control and risk Management System. Aimed at promoting and managing the integrated business risk management process for all the companies of the ATM Group - in line with national and international best practices, and in particular with the COSO Framework and ISO31000 reference models, and related updates.

The ATM ERM model provides for an integrated, transversal and dynamic risk assessment that

enhances existing management systems and supports the risk-based analyzes provided by the specific reference standards and regulations. It is also integrated with the strategic planning process and provides for the periodic cross-functional sharing of mapped risks.

The primary objective of the Enterprise risk Management process is to identify potential external and internal risk scenarios to which the Company may be exposed, which could influence the ability to pursue strategies, achieve goals, and effectively manage production processes.

Compliance

The ATM Group has, in addition to the existing specialist pressedes, at every relevant company level, a specific *compliance function* (also “*Compliance*”). Without prejudice to the specific methodological guidelines and *framework*, the *Compliance Officer*, through its *Compliance function*:

- Continuously identifies the rules applicable to the Parent Company and its direct subsidiaries, assesses their impact on business processes and procedures, providing support and advice to social bodies and other corporate functions on matters for which the risk of non-compliance is important;
- assess the adequacy and effectiveness of organizational measures taken to prevent the risk of non-compliance with standards and propose organizational and procedural changes to ensure adequate risk control;
- assess the effectiveness of the organizational adjustments resulting from the proposed changes;
- it provides appropriate information flows to the company’s social bodies and to the other structures involved.

Management and all ATM employees

All ATM employees, within the scope of their tasks in the company organization, are engaged in defining and actively participating in the proper functioning of the ICRMS, as an integral part of their responsibility for achieving the objectives. The responsibility for implementing an effective ICRMS is shared at every level of the organization.

Therefore, all ATM people must have the necessary knowledge, preparation and capacity to act and operate within the SCIGR.

Supervisory Board as per Legislative Decree 231/2001

The supervisory Board of ATM S.p.A. (“SB”) has been in office since February 2019. It is composed of 3 components (2 of which are external to the Company), which, in view of the continuous development of the professionalism of the body itself, have been identified among academics and professionals of proven competence and experience in D. 231/2001 with particular reference, among others, to the sectors of the economy, the organization of the company and the criminal law of enterprise. The internal component of the supervisory board, in line with *leading practices*, with the most up-to-date Association Guidelines of Confindustria and with the 231 models of ATM S.p.A. and its direct subsidiaries, has been identified in the Audit and Internal control Director.

It should be noted that the supervisory Board of the companies directly controlled by ATM S.p.A. are also constituted in collegial form and their composition today is given by the same three members of the Parent Company (Of which 2 are external to the Company and 1 is identified in the Director of Audit and Internal control of ATM S.p.A.).

In order to coordinate the information flows of all ICRMS actors, taking into account the specific features of the ATM Group, these supervisory bodies also meet periodically the control bodies and the auditing company (Group's sole auditor).

All supervisory Boards shall monitor the operation of their respective models 231 and shall, if necessary, promote the relevant updating activities. The supervisory board of ATM S.p.A. and of each directly controlled company approve, at least on an annual basis, a coordinated and risk-based program of the supervisory activities.

The supervisory board of ATM S.p.A. and of the directly controlled companies are required to provide a periodic report on their activities to their respective administrative bodies.

The ongoing surveillance activity was also carried out in 2020 with the help of external consultants (identified by a special tender procedure), to whom specific and analytical activities were assigned to verify sensitive processes, Identification of any deviations from the models 231 with appropriate reporting to the supervisory bodies.

The supervisory board, also through the internal component and THE DACI structure, promote specific training in the subject 231 (and Code of Ethics and Anti-Corruption). This training, in 2020, has been realized in the development by Campus, assisted on the subject by the Technical Secretariat 231 in DACI, of a new three-year plan of compulsory training. This plan, calibrated on the different types of recipients, has been inspired by *leading practices*, including ethical dilemmas and concrete situations that require an active involvement of each participant, as well as specific video-tutorials, including the one on the whistleblowing system of the ATM Group.

It should also be noted that from April 1,2019, a user-friendly and informative dossier on the principles of models 231 of the companies of the ATM Group was distributed internally: "231: What to know". This document is updated in accordance with the periodic updates of the 231 model and is always available, in the time-by-time version in force, for the entire company population on the intranet.

Governance tools

Guidelines for the Internal control and Risk Management System

As stated, ICRMS is a fundamental element of ATM's Corporate Governance.

The Board of Directors of ATM has defined ICRMS Guidelines, updated and approved by the Board on January 28, 2021 following the establishment of the Group Compliance function.

These are the address lines of the Internal control and risk Management system so that it operates so that the main risks are correctly identified, properly measured, managed and monitored. It also determines the degree of compatibility of these risks with the management of the enterprise consistent with the business objectives, which favors the making of informed decisions.

ICRMS Guidelines represent the actors and components of ATM ICRMS. All subsidiaries subject to the management and coordination of the Parent Company must be consistently referred to. This is in their autonomous responsibility for the integration and calibration of their ICRMS, so that it is proportionate to the nature, scope and complexity of the risks, current and prospective, inherent in the activity carried out, making suitable formalized and motivated application choices for these purposes.

Enterprise risk Management – regulatory framework

The Enterprise risk Management Guidelines (“ERM Guidelines”), approved by the Board of Directors of ATM on January 27, 2020, in line with the evolution of the ERM model, represent the regulatory reference instrument at company level within the integrated risk management process.

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

Complementary to the ERM Guidelines, the risk appetite Framework Policy, approved by the Board of Directors on January 28, 2021, defines - in line with the business model and strategic plan - the general principles of risk propensity, risk response and related escalation rules, it constitutes a functional management tool for the pursuit of strategic and operational objectives.

Through this instrument, the Company aims to represent in a clear and exhaustive way the general principles of *risk Governance* that underlie the integrated risk Management process, the articulation of *roles and responsibilities* of the actors involved in the process or the phases in which the process of identification, evaluation, prioritization, reporting, and risk monitoring.

Regulations, Policies and operating procedures

ATM's regulatory system consists of a set of regulations, policies and operational procedures, including:

- **The Group's Regulations**, which govern the functioning of the Group and the intercompany relations and which are updated in 2018 as a result of the evolution of the organizational structure and the updates on transparency and anti-corruption;
- **The Contract Procurement Regulation**, issued in its updated version in October 2020, which regulates the procedures for the award of contracts relating to works contracts, the purchase of goods and service contracts for all Group companies;
- **the sales regulation**, which regulates the procedures relating to the sale of goods, materials and services and the granting of contracts for the commercial exploitation of areas and spaces in order to guarantee maximum economic return, with a view to rationalizing and efficient management of resources and assets;
- **Policies** on the assumption of specific business risks;
- **The procedures and operating instructions**, which describe and regulate the business processes and which guarantee, among other things, the respect of quality, of the ISO 14001, ISO 9001, ISO 45001 Management Systems, of the SA8000 Certification System and of the Transport Safety Management System (SGS).

Terms of the Coordination Body

As recommended by the new Corporate Governance Code, to which the ATM Group is inspired, ATM has established since 2019 the “coordination body: Information flows, structures and control functions” (“coordination body”), coordinated by the Audit and Internal control Director, defining the principles concerning coordination and information flows between the various players involved in the internal control and risk management system in order to maximize the efficiency of the system itself, reduce duplication of activities and ensure effective performance of the control body's own tasks.

The table mainly aims to achieve the following objectives:

- elimination of overlaps or duplications, where appropriate and where possible, including methodological, between the various control functions and/or *assurance providers* and,

therefore, sharing, where possible, (i) the methodologies with which the various control functions and/or *assurance providers* carry out assessments, (ii) their own work/verification plans, (iii) the findings arising from their respective activities;

- Improvement of communication between control functions and/or *assurance providers* and with governance bodies and with all management;
- mitigation and risk management of insufficient, partial or misaligned information;
- effective follow-up and informed decision-making based on correct information.

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

- The planning phase of the annual activities that is realized in the preparation and sharing of an Assurance Map^[1];
- Regular meetings of the coordination table;
- Participation in meetings with supervisory boards 231 and/or with the Union Colleges and/or other committees and/or working groups, if any, set up time by time.

The organization, management and control model ex D.Lgs. 231/2001

One of the main Internal control tools implemented by ATM is **the organization and management model ex D.Lgs. 231/2001** (also “Model 231” or “Model”) which has been adopted by the Parent Company ATM S.p.A. since 2008. It was adopted in the same year by the subsidiary Rail Diagnostics S.p.A., in 2011 by the subsidiaries NET S.r.l. and Gesam S.r.l., in 2019 by the subsidiaries ATM Servizi diversified S.r.l. and International Metro Service S.r.l.

Models 231 of ATM S.p.A. and of the directly controlled companies, as approved by their respective administrative bodies, comprise the following constituent elements:

- Process of identification of the company activities in which the offenses referred to in Legislative Decree no. 231/2001 (so-called *risk assessment 231*);
- provision of control standards in relation to identified sensitive activities (also called *protocols*);
- the process of identifying ways of managing financial resources to prevent the commission of crimes;
- Management of information flows to and from the supervisory board and specific disclosure requirements to the supervisory board;
- management system for reports of suspected/alleged violations and/or offenses (*whistleblowing* – see below);
- Disciplinary system to penalize the violation of the provisions contained in the model;
- training and communication plan to employees and other stakeholders who interact with each company;
- Criteria for updating and adapting the model;
- Code of Ethics.

^[1] the Assurance Map is the summary (mapping) of risk-based audit plans, which tend to be annual, as well as the Internal Audit, the risk/Chief risk Officer (Compliance/Compliance Officer) and the various other eds. “assurance providers” operating in the ATM Group (for example: SPQ function, SA8000 units, Security function, etc.).

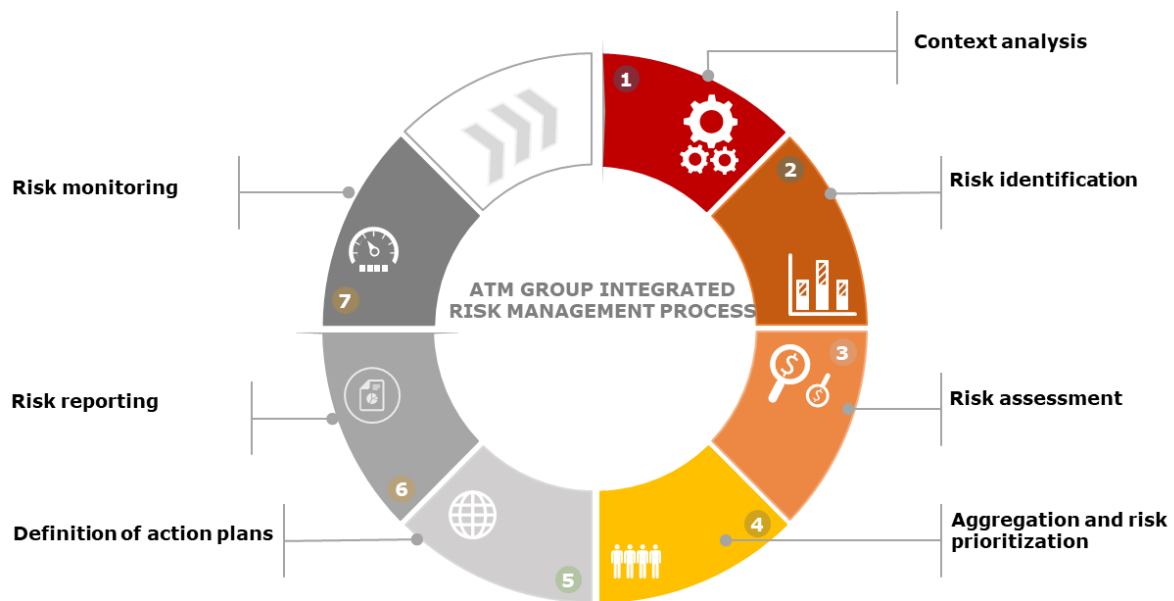
All employees are required to inform the supervisory board of any behavior or events that may result in a violation of Model 231 or that, more generally, are relevant for the purposes of Legislative Decree no. 231/2001.

The models of the Parent Company and its subsidiaries are updated periodically according to the changes in the regulations and/or to significant changes in the organization. Specifically, in 2020, the ATM Group started the ongoing project to update the 231 models (and at the same time the Group act model), in order to make them consistent with the developments (since the previous update at the end of 2018). (I) extension of the 231 crime catalog; (ii) internal organizational and operational changes; (iii) evolution of the external context (e.g. COVID impact, case-law developments).

The Enterprise risk Management process (ERM)

The ATM ERM model bases its approach on an integrated, transversal and dynamic approach to risk management and the adoption of impact metrics reflecting the specific characteristics of the organization. The identification of the main risks and the management risks, the adequacy assessment of the risks and the identification of further improvement plans for the control system is carried out on a regular basis. *The risk assessment process* is initiated and coordinated by the Group risk Management function and involves all company structures through *the risk Owner figures* responsible for identifying, evaluating and updating risk scenarios.

The integrated risk Management process of the ATM Group



The most valuable features of the adopted model are:

- **The inherent and residual risk dimension** - the Management involved in the ERM process, using a common methodology, It assesses the specific risk scenarios in terms of “probability of occurrence” and “impact” in *an inherent and residual dimension downstream of the controls and mitigation actions and their effectiveness assessment.*
- **the transversality of impact measurement**, i.e. the evaluation of multiple effects relating to economic-financial dimensions, health and safety, reputation, interruption of service, operational efficiency, legal and compliance, where applicable;
- **Integration with the stakeholder engagement and the definition of the materiality matrix**

The identification of risk scenarios and control systems was carried out using a unique risk taxonomy that frames the individual risks into the main categories as detailed below.

Risk classification

Strategic	External environment	Financial	Legal and Compliance
<ul style="list-style-type: none"> • Stakeholder expectations • Definition of strategies • Implementing strategies/ CAPEX plan • Reactivity to changes • Governance 	<ul style="list-style-type: none"> • Macroeconomic context/ competitive/demand • Natural events • Regulatory changes • Strategic clients e business partner • Suppliers • Acts of terrorism • External illegal acts 	<ul style="list-style-type: none"> • Market • Liquidity • Credit • Financial planning and reporting • Insurance strategies 	<ul style="list-style-type: none"> • Compliance of legislation and regulations • Compliance of ethical code, Policies, procedures and other internal regulations • Legal
Operating			
<ul style="list-style-type: none"> • Planning and Scheduling • Warehouse/Logistics • Maintenance • Production of the service • Commercial/Customer Service • Procurement/Execution of contracts • ICT • Security 		<ul style="list-style-type: none"> • Environment • Health & Safety • Passenger Safety • Human resources • Organizational framework • Planning/Management and accounting reporting • Tax Framework 	

Legend
 1st level risk category
 • 2nd level risk category

The main risks to which the Group is exposed and for which greater detail is provided in the “risk and uncertainty factors” section are included in this classification.

Responsible management and stakeholder relationships

ATM is committed to establishing fair, good administration and transparency relations with its stakeholders, to pursue concrete and shared sustainable development objectives and contribute to the well-being, quality of life and growth of the community in which it operates.

It is also active in the internal dissemination of principles and culture of sustainable development, constantly transmitting and sharing its values with institutions, partners, customers and suppliers. All business sectors are involved and target their internal and external activities for these purposes.

ATM collaborates with institutions and structures responsible for the government of the territory by participating in tables of discussion on the themes of mobility, innovation, environmental, social and economic sustainability.

In 2020, activities were strongly influenced by the emergency health situation due to the COVID-19 pandemic, which has had a serious impact on the service and the needs associated with new mobility. The Company's commitment to information to its stakeholders has been constant, with integrated communication plans and initiatives aimed at spreading knowledge of the measures defined by the authorities in the various phases of the emergency, to sensitize them with respect to the correct ways to travel safely and to solicit them in the responsible collaboration. In particular, within the framework of the *"Milan School Pact"* established between the Prefecture of Milan and the Municipality of Milan and shared by all social partners, public institutions, transport managers, trade, companies and professional orders, ATM has developed an integrated communication plan for students, for schools and other stakeholders with all the information related to the reorganization of the city's schedules and the plan to upgrade the public transport service with a view to the resumption of educational activities in presence in January 2021.

While in an emerging situation, ATM continued to promote sustainable mobility issues in public debate, while enhancing its commitment during all phases of the health emergency. Corporate speakers have taken part, mainly in digital mode, in the main initiatives and events promoted at local, national and international level: Conferences, round tables and conferences. Among the most important are the *"National Electric Mobility Conference E_mob 2020"*, *"Mobility Conference Exhibition"*, *"Citytech Live"*, *"Mobility Innovation Tour"* and *"IBE International Bus Expo"*. ATM has also actively participated in the most important initiatives of analysis and reflection on the development of the City promoted by the Institutions, among which fare Milan and Milan 2046.

Italy's position as the first country after China hit by the pandemic has involved a great responsibility of ATM as a point of contact for public transport operators around the world, for the new ways of managing the service adopted during the phases of the health emergency. In this context, ATM has collaborated with international operators through its testimony in a series of webinars organized by UITP, the International Association of Public Transport, and participation in the dedicated working group *"COVID-19 Task Force"*.

Management also made a number of contributions at international events, including *"Transport Ticketing Global 2020"* and *"International Rail Forum for North America"*.

Our customers

“Customer relations must be continuously strengthened through the quality, reliability and efficiency of the service provided, as well as through timely, accurate, clear, easily accessible and truthful information on the services and services offered.” (Ethics COde)

ATM is convinced that the monitoring of perceived quality, i.e. *customer satisfaction*, is an important lever of listening to its customers for a constant improvement of the service. The annual survey, carried out between October and November 2020 on a sample of 3,278 units with face-to-face interviews at stops and stations, confirms the positive result of the 2019 survey: Despite the year of pandemic and the continuing emergency situation, the average overall satisfaction rating for the ATM service rises to 7.3 (on a scale of 1 to 10) and the area of satisfaction, that is, those who say they are very or quite satisfied (the percentage of those who voted between 6 and 10), stands at 95% (in 2019 the average vote was 7.2 and the area of satisfaction was 97%).

In 2020, in response to the urgent needs and changed needs of the new mobility dictated by the health emergency, the development of digital innovation projects that were already underway were significantly accelerated. Making the information offer of ATM to the customer even more extensive and diversified thanks also to the multiplicity of channels and tools used. The website www.atm.it publishes all information on the service, including information on travel tickets, fares and timetables, the state of the movement of metro lines and ATM initiatives. By means of the GiroMilano functionality, optimized with the indication of the presence of lifts or lifts at the metro stops, the customer can plan the trip and, through the reserved area, can purchase and reload subscriptions. In 2020, the site introduced fundamental innovations in the context of the emergency management COVID-19: The “stazioni.atm.it” function to check the attendance at the underground stations on the basis of the different time slots and the procedure to request compensation for the subscriptions not enjoyed during *the lockdown* in March and April.

Another information tool is represented by the ATM Milano app, which in 2020 became even more central in the organizational processes of the Company, contributing to the various phases of emergency management with the development of numerous projects of digital innovation. The customer, directly from the app, can now purchase all the travel tickets for all the zones of the tariff system without having to go to the vending machines or ATM Points, He can book his turn at ATM Points and can check in real time the turnout in the stations of the subway according to the different time bands, features introduced both to improve the customer experience and to implement the measures of interpersonal spacing and to avoid the creation of crowds.

The development of digital innovation projects, aimed at improving the service, has also seen the launch of the new NET app that makes available to travellers the consultation of the timetables and routes of the lines, the purchase of tickets and the free booking of the place; The latter function, developed in synergy between ATM and Autoguidovie and published on their respective apps, in relation to the NET service is being tested on some of the Z301 line runs connecting Milan and Bergamo.

Further objectives achieved in 2020 by the innovation projects are the contactless payment system extended from December to some surface lines (56, 70 and 73) and the entry into operation of Tessy, the self-service machine for printing electronic cards on which subscriptions are loaded.

Communication, a strategic component for the company's reputation among stakeholders, played a decisive role in ATM's response during all the different phases of the emergency in 2020 to ensure, both to customers and to their staff, timely, complete and information on new ways of travel, The rules to be

complied with and the commitment of ATM to ensure a secure service in accordance with the measures imposed by the authorities. Through integrated communication plans, studied from time to time on the basis of the contents linked to the new measures, ATM has spread with dedicated campaigns the awareness of how important it was to follow the rules to prevent and limit the transmission of the infection, by inviting everyone to collaborate responsibly and plan travel to avoid busy times. Particular attention has been paid to communication with all stakeholders, institutions, hospitals and health centers, in order to share at all levels, clearly, the new ways of travel.

As regards signs, the various phases of the emergency and the measures taken from time to time have required massive and continuous interventions for the adaptation of campaign messages on board vehicles, at stations and at stops to inform customers during their movements. Real-time information has become more pervasive with announcements about new travel rules, behavioral campaigns, and service changes.

The whole ecosystem of digital communication has also evolved and enriched, creating a set of stands with a diversified planning, integrated and coherent with the communication strategy: Twitter is the real-time service, Instagram is the travel diary of the company and its passengers, LinkedIn is a window on the future that presents the projects that make the company attractive as a leading player of the Industry and valorizes its professionalism through the employer branding. On Lineadiretta, the online magazine of ATM on the Medium platform, travel rules guides have been published which have become central to communication related to COVID-19.

Information to customers continued through the publication of the new edition of the ATM series brochures aimed at specific targets of clients such as family, young people, senior citizens, companies, municipalities and schools, to which the ATM Pricing brochure was added.

In order to improve information on accessibility to underground and surface transport and to provide it in real time, a web platform called *"information without barriers"* is under way. For this project, the company has carried out, together with a group of passengers with mobility disabilities and with LEDHA (League for the Rights of the Disabled), an experiment for the development of the system's functionalities starting from the customer's travel experience. The aim is to publish the new system on the ATM site, which is currently under advanced processing.

ATM offers its customers a telephone service from Infoline, a call center that operates daily from 7.30 to 19.30 and until 24 for assistance to passengers with disabilities.

Our suppliers

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

The Policy for Quality, Environment and Safety States that the Group's sustainable development strategies require, among other things, a commitment to continuous improvement of the environmental, health and safety aspects of its activities, focusing attention on all interested parties, including the performance of its suppliers, and in fact these principles are inherent in the Purchase to pay process of each Group Company.

During 2020, 1,396 tender procedures were launched through the SRM platform, highlighting continued attention from ATM in rationalizing the entire purchase process. This aim is also

pursued through the continuous process of revision of the purchasing regulation and training aimed at all the subjects involved in the purchasing process.

ATM pays particular attention to communicating to its current and potential suppliers the guidelines, standards and reference models adopted by ATM.

In accordance with the regulations, the entire Purchase to pay process is developed on computer platforms. All of the above purchasing processes were carried out and managed exclusively in “Electronic tenders” mode, guaranteeing technological and process coverage on all types of contracts provided for in the Code of Procurement and the Internal Procurement Regulation. The process adopted allows full traceability of the authorization process and guarantees full respect for the principles of transparency and equal treatment of all the interested parties.

Our people

Workforce

The ATM Group has a headcount of 10,364 at December 31, 2020 (10,275 at December 31, 2019). 1'

Break down by Type of contract	12.31.2019	Hires	Terminations	12.31.2020
Executives	38	1	(2)	37
Transport personnel	9,647	518	(456)	9,709
Others	590	103	(75)	618
Total	10,275	622	(533)	10,364

In the acute period of the pandemic, the contraction of activities meant that the sector's bilateral fund performance was needed for a total of more than 24,750 days. The days of access to the fund involved an audience of about 1,990 people.

It should be noted that the change in outgoing staff of 533 concerns voluntary resignation, mainly due to retirement, and therefore, during the period under consideration, the ATM Group did not make any objective redundancies in accordance with the provisions of D. Lgs. No. 137/2020, cd. “Ristori Decree” and its subsequent amendments.

Staff expenses, which are increasing compared to previous years, have been offset by an important recruitment plan. In fact, the ATM Group did not interrupt its commitment to strengthening the company's strength and in 2020 hired 622 people. The selections were mainly aimed at resources to be included in the operational structures of the exercise, including bus, tram and trolleybus drivers, station agents, security personnel, other personnel supporting the operational management. These assumptions were made both with full-time contracts and – in specific areas of the organization – with part-time contracts, due to the need for organizational flexibility and optimal coverage of the scheduled services. The recruitment took place on permanent contracts in 11% of the cases. Moreover, at a time when the epidemic was spreading, more than 515 people were stabilized in 2020, whose employment contract was transformed from a fixed period to an indefinite period.

As a result of these phenomena, the Group's overall strength increased by 90 people.

The above confirms that ATM, even at a difficult time like that experienced in the present year, has continued to invest energy in the care of its people, with the aim of ensuring the immediate maintenance

of the value of the organization and of making the Group ready for the progressive return to full operation, in line with the evolution of health security needs.

Human capital, resource and leverage for development

ATM, even at a difficult time characterized by the COVID-19 pandemic, has continued to invest energy in the care of its people and in this context a series of initiatives have been included aimed at rescheduling the traditional activities of development of people and organization, by ensuring its continuity and by redefining its operating modes, compatible with the needs of social distance and *smart working management*. From this point of view, access to agile work has been stimulated and in 2020, in the Italian companies of the ATM Group, approximately 83,000 days of performance were carried out remotely, particularly in the months between April and June. The use of agile work has affected more than 1,280 people.

The efforts and investments put in place by the ATM Group, with the aim of guaranteeing immediately, the maintenance of the value of the organization and in a prospective way to make the Group ready to return to full operation, in coherence with the evolution of health security needs, have also concerned the selection activity, in respect of which the Group's choice was to look forward with a sense of trust and responsibility. The choice of the Group was made possible by the maintenance of the planned research activities and the preparation of tools for the digitization of the process, managed remotely also through the carrying out of video interviews remotely. The effort toward the evolution of the instruments and the full use of the opportunities offered by digitization will continue in the coming months, with the continuation of projects aimed at optimizing the tools available for the management of *recruitment & selection processes*, performance management, skills evaluation, and compensation policy management.

Training

2020 represented a challenge for ATM training to digital innovation, linked to the need to transfer all the managerial training courses and most of the special and compulsory courses to distance learning.

To understand the scope of this change, it is sufficient to think that at the time of the first *phase of lockdown*, 98% of the educational material was delivered in presence and there were no *e-learning platforms* used continuously by the corporate public.

The path took place in subsequent steps, and the first step was in April with the training of the personnel involved in the activities of training, training to the traveling personnel, selection, organization, development and welfare to the planning and delivery of courses at distance. Subsequently, the team of ATM trainers has faced the major challenge: The redesign of the didactics of the entire training offer to guarantee maximum effectiveness and involvement even at a distance, experimenting with new formats and training devices. In May 2020, the first catalog of distance learning in the history of ATM was published, with 20 courses proposed between relational, managerial and technical-specialist training and some new ones, such as the gym of *Public speaking for webinar*.

The second key step for the Campus trainer team was the launch, in June 2020, of activities on the new e-learning digital platform atm.goodlearning.it, which enabled the resumption of all synchronous training with a tool accessible by anyone through any multimedia device. Thanks to this innovation, the longer and more structured paths, such as those dedicated to the role of personnel Manager, the internal master for new heads and officials, as well as *the induction path* for young graduates called the leader of the future in ATM, has also been taken. *The Goodlearning platform*, together with Teams, has also enabled cross-cutting projects such as “*231 and anti-corruption*” training, dedicated to the entire

population of managers and officials or the workshop on ethical issues “*the development of the culture of integrity*”, aimed at direct and indirect sales channel personnel.

Also since June, some of the work security activities, such as the mandatory update D.Lgs 81/2008, have continued online, with the remarkable number of more than 850 users activated in 2020, has reached the primacy for the total number of participants.

Several webinars have also been provided through the Goodlearning platform, including the “*COVID- 19 Emergency - emotions, motivation and Behavioral Strategies*” and the first meeting of a series of 6 online seminars dedicated to “work and healthy brain”, which will continue in 2021 with other welfare proposals.

Finally, an important project was also dedicated to the continuing training of engineers and architects. In 2020, for the first time, Campus signed an agreement with an accredited provider for professional training, guaranteeing an audience of over 70 engineers and architects for free access for 12 months to a catalog of over 200 e-learning courses, always available and usable on multi-platform.

Front-line personal training - in 2020, despite the general difficulties and the priority commitment to maintaining public transport, the *front-line training* was maintained at levels consistent with all the established objectives. Where possible, in-presence training has been replaced by distance training, with very positive results in terms of membership and involvement by *front line staff*. Of significant importance is also the project of “*support to Customer Service*” which has seen the voluntary involvement of staff coming from managerial functions and staff to support the assistance to the customers of the subway in periods of greater public attendance with a total result of more than 330 rounds of 3 hours each made in 2020.

Health and Safety Training - Training refresher activities related to safety, in particular for fire fighting, first aid, extending from training to the use of the defibrillator, and for the use of personal protective equipment and devices, continued. In 2020, specific training protocols were defined with the Security sector and the Directors concerned. In particular, the activity on “confined spaces” went to a steady state, while in 2021 similar activities will start dedicated to the role of third company escort in the Metro and VVF escort in case of emergencies, also in the Metro.

A total of 155,702.5 training hours were provided in 2020, of which 22,882 were on health and safety at work, 10,777 hours dedicated to specialist technical training and 13.875,5 hours of behavioral and managerial training. Additionally, 108.168 hours of training were provided to staff traveling on the underground and on ground. The use of the Fonservizi and Fondirigenti Interprofessionali Funds, through strict internal discipline in the administrative field, also ensured that training costs were covered in 2020.

Welfare

A considerable effort has also been made to identify functional solutions, aimed at the continuation of the activities also at a distance, and a plan of training and *welfare initiatives* aimed at supporting people in a phase of high complexity and supporting the cohesion of the various business functions.

Some of the most impressive initiatives include:

- realization of co-working spaces at 4 company locations;
- Activation of two specific branches of support for employees for the management of the emergency COVID-19: “*ProntoWelfare*” on line for personal and social needs and psychological counter

(EMDR) for the post-traumatic rehabilitation of COVID-19, for employees and for family members; A total of 105 people were received, 95 with the “ProntoWelfare” and 10 with the EMDR psychological desk;

- Support for parenting through the School for parents via teams and *coaching* for motherhood realized at distance *one to one* with the involvement of 20 people;
- Support for disability at the time COVID-19 through *coaching* aimed at employees enrolled in the protected categories, their manager and colleagues (*peers*) with the activation of 2 coaching;
- Creation of a new area on the intranet called “Wellness and *Smart working*” with weekly publication of e-*learning pills* and *podcasts* on the themes: Psychological well-being, food well-being, physical activity and sport, parenting and family, *smart working* and *work life balance*; in total 77 pills have been published;
- Launch of 2 *courses of webinars*, visible in synchronous and asynchronous mode (intranet area “Wellness and *Smart working*”). The first on health and wellness issues: Emotions, resilience, digital well-being, sleep, sport, nutrition, *carers*, parenting; the second, from December 2020 onwards, on work and healthy brain. A total of 687 people attended the webinars;
- Path “skills budget” dedicated to 19 managers over 50 with the objective of empowerment and reinvigorating skills;
- Business nests open as summer centers at our facilities in July and August that hosted 19 children and then regularly re-opening of the corporate nests organized according to the Covid regulations and procedures.

Furthermore, on the internal communication level, the commitment has been extended from the beginning and constantly along with all the phases of the health emergency, with the aim of spreading management and operational information, raising awareness of the staff to new behaviors, hiring, Motivating the service and maintaining active contact between Company and employees during *lockdown*.

An integrated communication campaign was designed and produced for all personnel, dedicated to the dissemination of the new behavioral norms within the Company in line with the requirements of the regulations in force, regarding to the prevention COVID-19spread with billboards in all locations. The *homepage* of the company intranet has been readjusted to give more evidence to the constant specific updates concerning the topic of prevention and to make it easier to reach from all the staff the communications of the Human Resources, Organization and General Services Department and the related documentation. In the perspective of *employee engagement* was produced a motivational video destined to personnel in the field that never stopped during the emergency; the video saw the participation of the various professional figures of the company *front line* enhancing its role and commitment.

Industrial relations

In view of the COVID-19 emergency, during the year 2020, Industrial Relations addressed, necessarily with distance comparison instruments, new issues, with priority given to safeguarding employment and supporting workers' incomes.

Through the concertation method that has been developed with a complex, never-interrupted comparison with the OO.SS. and the coordination RSU (body composed of representatives of the elected RSUs), a framework agreement has been signed containing several innovative measures to deal with the emergency. This includes the establishment of a Solidarity Bank to support the income of workers who have been placed, for the first time in company history, in a social shock absorber (cash subsidy). This

Bank was financed by the Company and, in part, by workers who were able to contribute to the devolution of days of overdue holidays not consumed.

The further actions envisaged concerned: The safeguarding of jobs - in particular fixed-term staff -, extraordinary advances in payment dates for additional canteens, the use of *smart working*, flexibility in tasks, etc.

Similarly, by seeking – and obtaining – the maximum sharing by the OOs.SS., the coordination of the RSU, the representatives of workers for safety (RLS), and the “guidelines” for emergency management have also been defined and updated in relation to regulatory developments and epidemiological trends. They contain effective, state-of-the-art technical and scientific measures and organizational conditions available to make work sustainable on the various company sites and on the means in relation to the specific risks related to the epidemic.

Finally, in recognition of the fundamental value of the continuity of the transport service, which has been constantly assured in support of the city of Milan, despite the economic difficulties of the year 2020 for the Company, the model of the result Prize for the year 2020 has been defined and agreed.

The limited forms of conflict (strike) implemented during the year have been declared by autonomous and/or basic trade union organizations, and for the most part, in adherence to declarations of general/national strikes.

At national level, the emergency has further hindered the negotiation for the renewal of the CCNL, which expired on December 31,2017; however, the parties have reached agreements resulting from the needs arising from the epidemic (e.g. exclusion from the calculation of the absence of COVID). At the end of the year, in implementation of the forecasts and commitments entered into with the CCNL November 28,2015, the path that led to the establishment of the Health TPL Fund ended.

The national negotiation for the economic and regulatory renewal of the collective agreement is still open, and, given the expectations of the trade union side and the particular economic difficulty of the companies, it is not possible to predict the timing of reaching a positive conclusion.

Protection of assets and people safety

The protection of the company's assets, the protection of the safety of employees and passengers is guaranteed by the security sector in collaboration with the law enforcement authorities present in the territory (local police, state police, Carabinieri, Guardia di Finanza), with particular attention to the high-traffic transport lines, to the parking facilities managed by ATM and to the areas of interchange with the railway network.

During 2020, followed by the prolonged periods of *lockdown*, there were significant reductions in the number of attacks on ATM front line personnel (-42% compared to 2019) and in the number of underground train smearing (-30%).

In 2020, 29 new Guards were hired and formed, which have obtained the certification of subsidiary safety officers issued by the Milan Police Headquarters, eliminating *the turn over* and increasing the number of employees up to 150 (+15%).

During the first two months of 2020, the ATM Security Committee brought together all the institutional components involved in the territory: Local Police, State Police, Carabinieri. The Committee analyzed the problems deriving from the different experiences and reports coming from the various business sectors, planning activities also joint aimed at resolving repeated criticalities or monitoring potentially critical phenomena. The activity continued throughout 2020 through direct security contacts with the individual forces of the order and with the Prefecture, analyzing at a higher level the most important problems in order to have a concrete and rapid support in their resolution. Since December 2020, Security has also adopted the process of handling criminal complaints in the property sector of the ATM group, further intensifying relations with the commands of the law enforcement authorities in the territory in order to further guarantee the timeliness of their preventive actions, Control and repression of illicit phenomena to the detriment of ATM.

During 2020, the activity carried out by *the Security Operations Center* (Central Security) was increasingly decisive, which developed an operational synergy with the operational centers of the metropolitan and surface operation, supported by shared procedures that allowed the implementation of teamwork. *The Security Operations Center* operates 24 hours a day 24, 7 days a week, and there are three specialized security operators who monitor and manage the nearly 10.000 cameras installed in the stations, sites and on the means and over 4,000 alarms that guarantee the security ATM staff the necessary remote support.

Finally, in 2020, the activity of benchmark security among the main world realities of public transport continued, through the participation in meetings between the business leaders of the sector characterized mainly by the sharing of the practices adopted as they were during the pandemic.

Health, Safety and Environment

In 2020, despite the epidemiological emergency, ATM continued to carry out activities aimed at protecting the environment, the health and safety of its employees, in compliance with its mission and in line with its own values. Moreover, with reference to corporate responsibility for safety at work and environmental offenses covered by Legislative Decree no. 231/2001, ATM has as its main objectives the continuous improvement of its management systems and raising the level of environmental and social responsibility.

Attention to environmental sustainability, health and safety protection was reinforced by the new Policy Document for Quality, Environment and Safety of June 24, 2020 in which the Chairperson, with the full support of the Board of Directors, The Director-General and Management is committed to ensure that ATM is a reference point and a decisive factor as far as integrated mobility, which ensures the quality, safety and competitiveness of the services provided, with full respect for the environment, sustainability and all interested parties.

With a view to achieve the improvement objectives in 2020, activities continued to:

- identify and assess any risks to health and safety at work, even in non-standard or emergency conditions, by taking appropriate preventive measures;
- strengthen safety training programs, in order to involve everyone, at different organizational levels, ensuring that responsibilities and operational procedures are accurately defined and communicated in an appropriate manner;
- communicate information on health, safety at work and the environment to internal and external stakeholders;
- optimize the consumption of energy resources in order to prevent pollution by monitoring and minimizing the environmental impact of processes.

During the exercise, consistent with the functional organization charts in place, the necessary powers were assigned in the field of protection of the health and safety of the workplace, in accordance with art.2, D.Lgs. 9 april 2008 n.81. The new positions of environmental manager have also been defined in compliance with the provisions of the current legislation on environmental protection, including the obligations laid down by Legislative Decree no. 152/2006.

The new assignments were commensurated with the staff, the headquarters and the activities of the company complex related to the structure and management of strict competence.

Regarding to the duties of the Prevention and Protection Service (Head of the Service and Medical Coordinator/competent), there has been no updates since 2019.

During 2020, even remotely, in order to comply with the anti-COVID-19 protocols, certification visits were carried out to attest the compliance status of the systems for environmental quality management and safety at work. Audits by the certification body found that ATM was able to respond to the requests of the context and the interested parties, as well as at all extraordinary corollary events, by implementing strategic planning, timely monitoring and guaranteeing the contractually foreseen quality parameters, even in exceptional situations.

Compliance with ISO 9001:2015, ISO 14001:2015 standards for the Group's certified companies is confirmed.

In October 2020, ATM S.p.A. reached the important goal of certification of the health and safety management system, attesting to comply with the ISO 45001:2018 standard.

The actions provided for in the health and safety improvement plan have continued with regard to the reduction of the risk of falling and the improvement/adaptation of plants with a focus on air-conditioning and lighting at company locations. Fire-fighting adjustments for some company locations have also continued.

During the financial year 2020, more than 2,600 linear meters of insulation in asbestos-containing material or FAV (artificial glass fibers) were purged at company headquarters and about 400 square

meters of asbestos cement panels. The process for the execution of the new call for tender is underway, which will allow in the next two years the removal of a further 7,600 linear meters of insulation and about 2,000 square meters of plates/panels and various manufactured articles.

Constant is the commitment to minimize the vibro-acoustic impact during the operation of trams and metropolitan cars through an increase in diagnostics, to the improvement/adaptation of the armament, to the introduction of grinding for the elimination of the anomalous consumption of the rolling plane and of the systems of friction modification on the tramway network.

During 2020, the number and severity of accidents at work were significantly reduced compared to the history of the last 5 years (number of accidents 2020 vs 2019: -30%). In addition to the increased awareness and strengthening of prevention measures, the slowdown in all activities due to the different *periods of lockdown is certainly decisive*: Only accidents in itinerary fell by 36% compared to 2019.

The catalog of enterprise protection devices is constantly being updated according to the needs of the departments, taken from the respective risk assessment documents and according to the technological progress offered by the suppliers.

As regards the recognition of occupational diseases, all requests for information from the competent bodies were made during the period of the exercise. The health surveillance was carried out according to the programs established by the competent doctors without any reports of particular criticalities.

The anti-corruption and transparency model

ATM operates in practice by applying strict ethics of legality and transparency. To this end, it adopted **an anti-corruption and transparency model** (“act model”) **on a voluntary basis**, periodically revised and updated in line with the 231 models of ATM and its directly controlled companies.

The act model of ATM, currently under review and updating in line with what is anticipated in the 231 models section, operates at the Group level and aims to follow the ratio and the principles that inspire the rules on transparency and anti-corruption (Including D. Lgs. No. 33/2013 and Law no. 190/2012) ensuring its substantial implementation, where compatible.

The Group’s Anti-Corruption Contact, identified in the person of the Audit and Internal control Director, works in close collaboration with the supervisory bodies and promotes the efficiency and coordination of activities, as far as possible and applicable, by carrying out audits, within the framework of the integrated risk based audit plan and, precisely in a coordinated way with the 231-end audits on areas sensitive to corruption risks and related prevention protocols (measures).

Through the Group's Anti-Corruption Officer, the Company is effectively connected, if necessary, with the Head of the Anti-Corruption and transparency Plan Manager of the sole shareholder the Municipality of Milan.r.

The communication and training activity on the act model is coordinated with that on the 231 models and the Code of Ethics, is diversified according to the target audience and is based on principles of completeness, clarity, accessibility and systematicity, in order to enable the different recipients to be fully aware of those company provisions that they are required to comply with and the ethical norms that must inspire their behavior.

ATM Mutua, moreover, in the act model the disciplinary system already adopted within the 231 models.

The reporting system (*Whistleblowing*)

ATM has adopted **an integrated and systematic approach to the management reports** of suspected/alleged violations and/or illicit, governed by a specific procedure of “integrated management of reports”, systematically updated.

Specifically, ATM:

- has defined a process of tracing and managing all reports, understood as any news concerning alleged findings, irregularities, violations, conduct and censurable facts. More generally, the system is able to detect any practice which does not comply with the provisions of the act model, the Code of Ethics and the 231 models, or in any case which may cause damage, even to the image of ATM and which can be referred indifferently to employees, members of the social bodies, supervisory bodies, Auditing companies and third parties (partners, customers, suppliers, consultants, contractors, etc.).
- Has taken appropriate and effective measures to ensure that confidentiality is always guaranteed regarding the identity of the reporting agent or of the person who transmits useful information to identify behavior that is different from what is required by the Group's legislation and SCIGR, Without prejudice to legal obligations and the protection of the rights of the Company or persons accused in error and/or bad faith;
- A special computer tool has been provided for the management of the signals according to the current regulations (art.2 L 179/2017 and art.6 co 2-bis letter b of D. 231/2001), which provides for the obligation to manage the signaling by using at least one channel alternative to the main one that is of the computer type and suitable to guarantee the confidentiality and identity of the signaling person according to the law.

* * * *

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

The Macroeconomic scenario

Macroeconomic framework

Global economic activity in 2020 was heavily influenced by the health emergency of COVID-19. The containment measures (so-called “lockdown”) adopted, gave rise to significant shocks on the aggregate supply side and to fall demand, particularly in the first half of the year. Following a recovery in the summer months, the pandemic resurgence that occurred in early autumn further slowed global economic activity, particularly in developed economies. The launch of the large-scale vaccination campaign has begun to show positive effects on medium-to-long-term prospects, even as the timing of the recovery remains uncertain.

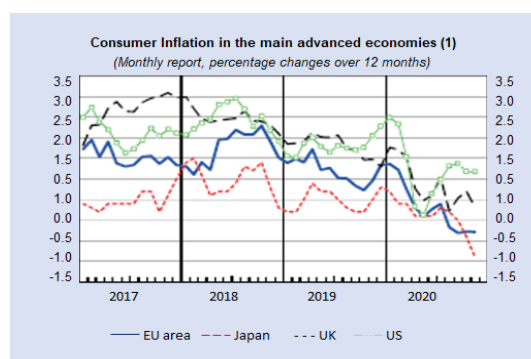
In the last part of 2020, the recovery in economic activity was significant, continued in the first quarter of 2021, albeit in a non-homogeneous manner. According to Bankitalia calculations, as a result of the contraction in aggregate demand, the lower trade linked to global supply chains the interruption of tourist flows and world trade declined by around 9% in 2020, with effect from the beginning of 2021, A reversal that the Institute estimates should bring global trade growth back to pre-pandemic levels by the end of the year.

The main central banks confirmed , at the end of 2020 and in the first quarter of 2021, the continuation of the existing accommodating measures, further implementing them to ensure favorable financing conditions for the pandemic crisis period. At the same time, the European Council approved the EU budget for 2021-2027 and the instruments for recovery (SURE and NGEU).

Prospects for a return to normal, remain dependent on expansionary economic policies, both monetary and fiscal: The IMF forecast was made public at the beginning of April 2021, by indicating an expected 6 % current -year expansion for global output (up 0.5% from its December projections) by aiming to exceed pre-pandemic levels by the end of 2021, in the face of relentless monetary support and a successful, large-scale vaccination campaign .

ITEMS	Macroeconomic Scenario (changes and percentage points)				
	2020	Revisions (1)		Revisions (2)	
		2021	2022	2021	2022
GDP					
World	-3.3	6	4.4	0.5	0.2
which					
Advanced countries					
EU area	-6.6	4.4	3.8	0.2	0.2
Japan	-4.8	3.3	2.5	0.2	0.1
UK	-9.9	5.3	5.1	0.8	0.1
US	-3.5	6.4	3.5	1.3	1
Emerging Countries					
Brasil	-4.1	3.7	2.6	0.1	0
China	2.3	8.4	5.6	0.3	0
India	-8	12.5	6.9	1	0.1
Russia	-3.1	3.8	3.8	0.8	-0.1
World Trade	-8.4	9.3	0	2.1	0

Source: FMI, World Economic Outlook, April 2021. Bank of Italy elaborated data for national accounting e customs for world trade.
(1) Changes - (2) Percentage Points.



Source: Refinitiv.
(1) Harmonized consumer price for EU area and UK.

In the eurozone, after an overall loss of 15% for the first half of the year, the area’s GDP rose by 12.5% in the third quarter (Eurostat data) , and then fell further in the last half of 2020, following the recovery of infections and the introduction of additional containment measures. The estimates drawn up in December 2020 by the Eurosystem’s central banks forecast a decrease in the area’s GDP of 7.3% for 2020, rising by 3.6% in 2021 and 4.2% and 2.1% in 2022 and 2023.

Inflation expectations, while remaining low, have grown over all time horizons, as can be deduced from the levels involved in the so-called “*inflation swap*” contracts recorded at the end of the first quarter of 2021 (1.1% and 1.3% on 2- and 5-year horizons), recovering the significant reductions recorded in the year-end 2020 results. Italy has followed global trends, showing growth in the summer of 2020, showing comforting resilience of the internal economic system, which has returned to a fall in the last quarter of the year as a result of new measures to limit activities and personal mobility, even less stringent than in spring. In the third quarter of 2020, according to ISTAT data, GDP increased by 15.9%, after a fall of 5.5% and 13% in the first and second quarters respectively. According to ISTAT, the GDP decline in the last quarter of 2020 would be around -3.5%. According to scenarios spread in March 2021 by international bodies (IMF, OECD), GDP would grow at rates of around 4% this year, driven by the global recovery expected in the second half of 2021, factorizing into these estimates, in addition to the success of the vaccination campaign. Effective use of European funds made available by the Recovery Fund.

The repeated cyclical declines in spring and early summer 2020 generated a year-end employment rate of approximately 1.7% lower than that recorded in the same period of 2019. The unemployment rate for the whole year rose to 9% and among young people to 29.7%.

The local public transport sector

In 2020, the TPL sector was severely affected by the global health emergency. At national level, demand has been down by up to 90% compared to the previous year, as a result of users’ choice to use other modes of transport at the expense of public transport services.

With the adoption on March 8 of the first *lockdown*, which involved the Lombardy Region area and 14 other Italian Provinces, a period of restrictions began gradually extended to the entire national territory. The travel bans introduced by these measures have led to a sharp decline in demand in the transport sector, with values reaching 95% for certain modes of transport, including the Milan subway. With the beginning of phase 2, characterized by a relaxation of the containment measures, demand has slowly resumed to grow, reaching, with the reopening of further economic activities, values close to 25/30% of those recorded the previous year. With the further reduction of the restrictions, demand, at national average level, reached shares of the order of 35/40% of pre-COVID-19 levels. The restart of training activities in September has temporarily allowed to reach 50/60% of passengers transported compared to the same pre-pandemic period, but in October the country was hit by the so-called “second wave.” An exponential increase in the number of cases of infection that led the government to impose new prohibitions and restrictions that ended in November with the reintroduction of the 50% capacity limit on the means. This new period of travel restraint and restraint has once again hit a sector already proven by the losses of the “first wave,” with obvious repercussions in terms of a sharp contraction in demand and revenues as operational complexity increases.

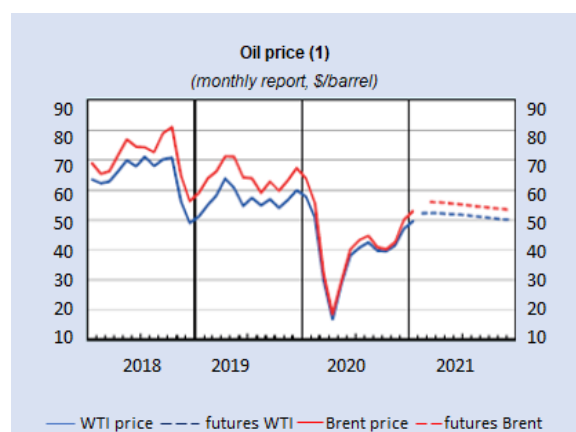
The transport companies and agencies have had to rapidly reorganize the services, in line with the requirements of the Italian Government, having to cope, on the one hand, with complex applications of the government directions, while on the other hand, there was the need to maintain the service, even if there is a significant decrease in transport demand. However, maintaining public transport in operation has proved to be essential for ensuring connections for essential workers and for all those workers who have not been able to interrupt their activities during the crisis. All connections to hospitals and health and care facilities have always been ensured, while reducing service and frequency on other less essential lines. In Italy, a sector, which in the pre-pandemic period moved more than 14 million people a day, totaling almost 5.4 billion passengers per year, suddenly faced a loss of almost 400 million trips a month (-90% of passengers).

As can be guessed, the contraction affecting demand has also directly affected tariff revenues, causing considerable turnover losses for the various operators in the sector: with losses of up to 90% in April and further declines in the last few months of the year, lower revenues for the year 2020 amounted to around €2 billion. This dramatic situation has necessarily involved reforming the criteria for the annual funding granted by the State to the regions, and has accelerated the introduction of sector support measures, both for service managers, And for local authorities and users as described in “*the ATM Group and the COVID-19 emergency*”. The National Strategic Plan of Sustainable Mobility has been approved and additional funding has been granted to local authorities for the renewal of the fleet. Other funds, for the same purposes, are expected in the Recovery Fund.

The Raw materials market

Oil prices showed significant volatility during the year. Following the marked declines in the first quarter, both due to the decrease in aggregate demand resulting from *lockdown*, and to the lack of agreement in the “OPEC+” meeting at the beginning of March 2020, subsequently and in particular in autumn, the courses rose. It was reported to be around \$50 per barrel, driven by the spread of vaccines, the substantial demand retention in Asia, and the removal of uncertainty related to the outcome of the US election. Toward the end of the year, prices were further positively influenced by “OPEC+” countries’ decisions to phase-out production since January 2021, together with the announcement of new fiscal stimulus programs in the US.

The evolution of the pandemic in the coming months will affect the development of demand.



(1) Graphic source: Refinitiv
(For spot prices, monthly averages through December 2020)

Going concern and contractual framework

Arrangements for the management of public transport services

The ways in which the entities entrust the management of local public transport and related and complementary activities are attributable to two contractual forms:

Gross cost: Industrial risk is the responsibility of the operator while commercial risk is the responsibility of the managing body, which owns the revenues deriving from the sale of travel tickets.

The operator receives a consideration commensurate with the actual production of the service, which is revaluable from year to year on an inflation basis.

The consideration is not influenced to any extent by the trend in revenue from the sale of travel licenses, by the effects of any tariff maneuvers or by a change in the demand for mobility.

This results in the need for the operator to pursue operational efficiency objectives, mainly based on cost control.

Net cost: both industrial and commercial risk is the manager, who owns the revenues from the sale of travel licenses and receives from the issuing body a consideration calculated with reference to the theoretical lack of coverage of production costs by tariff.

The contractual relations in place

The services covered by the Service Agreement between ATM S.p.A. and the Municipality of Milan under *gross cost* are the management of intermodal local public transport (metro, tram, bus and trolleybus), call transport, ancillary activities such as the distribution of travel licenses, the relative information to customers and the control of tariff evasion. With regard to the risk of tariff evasion, ATM, although not directly interested in it as service manager under a gross cost contract, puts in place all measures suitable to combat tariff evasion in order to maximize the revenue for the body entrusted to it.

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

- ATM S.p.A. is responsible for the management of transport services and complementary services on the basis of the addresses and directives of the Municipality of Milan, which is responsible for planning;
- The Municipality of Milan, the owner of the revenues deriving from the sale of travel tickets, is responsible for the definition and structuring of the tariff system; in this context ATM S.p.A. plays a strategic role as the operator of the sales network on behalf of the municipality. Investment in the development and maintenance of the public transport network and related infrastructure is the responsibility of the Municipality of Milan as owner.

In addition to the transport services ATM S.p.A. manages, by virtue of the same entrustment, services complementary to local public transport, such as parking on the road and in structure and removal and custody of vehicles according to the Road Code. The tariff policy for the parking is the responsibility of the municipality, while the revenue is the responsibility of ATM S.p.A., which pays to the municipality a predetermined fee. This forecast has been partially modified as a result of the tariff variations in the payment period introduced by the Municipality of Milan in 2017; The acts of continuation have

determined the allocation to the municipality of the part of annual income attributable to the tariff increase conventionally identified as those exceeding the level of Euro 18,490 thousand per year.

The operational management of the Service Contract is entrusted to a Technical Committee of equal composition which, according to contractual provisions, performs evaluation functions of all aspects relating to the management and execution of the Service Contract, such as for example the monitoring of contractual performance, the determination of premiums and penalties, the evaluation of changes to services and contractual variations the evaluation of extraordinary maintenance operations on the City Council's assets.

In the context of existing contractual relations, further to those dealt with so far, are of particular importance:

- The single contract for the management of the underground line 5 between ATM S.p.A. and the licence holder Metro 5 S.p.A. The contract rules the management activities entrusted to ATM S.p.A. and those related services for the entire duration of the concession until 2040;
- Service contracts , under net cost , between the subsidiary NET S.r.l. and the Local Public Transport Agency of the Bacino of the Metropolitan City of Milan, Monza Brianza, Lodi and Pavia for the management of the suburban car service. With determination no. 62 of December 30,2020, the Bacino Agency extended the expiry of the existing contracts until December 31, 2021;
- The Service Contract concluded with Metroselskabet I/S, under *gross cost* ,for the management, through the Danish subsidiary Metro Service A/S, of the operation and maintenance of the M1 and M2 Copenhagen underground lines on September 29,2027;
- The subcontracting agreement with Hitachi Rail STS, which was poor on September 29, 2027, for the mobilization, management and maintenance of the M3 (Cityringen) and M4 lines of the Copenhagen metro. Metro Service A/S completed the mobilization of the M3 (Cityringen) and M4 underground lines and on September 29,2019 opened the business and management of the M3 line, while the business and management of the M4 line was inaugurated on March 28, 2020;
- The Agreement with Hovedstadens Letbaneselskabet (the greater Copenhagen Light Rail), where Metro Service A/S pre-mobilizes the activities of the greater Copenhagen Light Rail, a service to the suburban area west of Copenhagen. The 15-year management and maintenance contract provides that after completion of the construction of the line, the commercial and operational activities of the line management begin in 2025.

Contractual extensions

The Contract with the Municipality of Milan for the management TPL and complementary services

The services provided by ATM S.p.A. for the Municipality of Milan are governed by the “*Contract for local public transport and related and complementary public transport services*”, the deadline of which, scheduled for October 31, 2020, has been extended until December 31, 2021.

In fact, following the epidemiological emergency state from COVID-19, of which in another part of this Management Report has been given extensive information, the public transport service sector has been protected by the Italian Government through targeted measures aimed at ensuring the continuity of the service and the safeguarding of companies operating in the sector.

With the D.L. n. 18 of 17.03.2020 (converted into Law no. 27 of 24.04.2020) Article 92(4)(b) States that “*until the end of the containment measures for the COVID-19 virus, all ongoing procedures*

relating to the entrusts of local public transport services may be suspended, with the option to extend the tasks in place at February 23,2020 until 12 months after the declaration of conclusion of the emergency. the public evidence procedures for local public transport services already defined with the award as at February 23, 2020 shall be excluded". Subsequently, the Region of Lombardy has arranged (with L.R. 21.05.2020 no 11) the extension of the period referred to in article 60 C.4 of L.R.6/2012 by 18 months and subsequent amendments (deadline for the completion of the procedures for the custody of TPL services).

In the light of the regulations referred above, in a note dated July 18,2020, the Bacino Agency indicated its intention to make full use of the time-shift option of initiating the procedures for entrusting the relevant TPL services, considering that all the elements exist for the current contractual terms, in the case of contracts within its competence, they shall be deferred until at least December 31,2021.

In relation to all the above, the Board of entrusted – Municipality of Milan and ATM S.p.A. signed, on October 31,2020, the acts of continuation to December 31,2021 concerning the Contract for the local public transport service and the following contracts:

- related ancillary, connected and instrumental services;
- Concerning the management of payment systems for access to the ZTL circle of Bastioni "Area C";
- Relating to the maintenance and management of the systems, technologies and installations forming part of the Integrated Traffic and Territory Control System (SCTT);
- bike sharing;
- For a paid stop in the territory of the Municipality of Milan and for the removal and custody of vehicles.

In fact, in response to the ongoing epidemiological emergency, ATM S.p.A. has formally exposed to the sole shareholder its willingness to continue the services listed above, highlighting the need to set up a working group for the definition of the operating and economic conditions to be applied during the period of continuation. These will have to take into account the changed mobility conditions arising from the COVID-19 emergency.

This emerging context will therefore determine the need of the Local Public Transport Agency for the catchment area of the Metropolitan City of Milan, Monza and Brianza, Lodi and Pavia to extend the procedures for the entrustment of the local public transport service until the end of the emergency state and to reprogram the activities necessary to start the new race. Moreover, given the time uncertainty with which the events connected with the examination of the "Milano Next" project and the consequent decisions to award or not to the Company and to exercise the pre-emption or, alternatively, the management of the rolling stock will occur, in view of the time required for the execution of a tender for these characteristics and economic values, it is considered that the certain time scenario for the extension of the activity cannot be less than two years, therefore until the end of 2022, and in any case for a time horizon of more than 12 months of reference useful for the evaluation of the going concern.

The Contract with the Bacino agency for the management of the extra-urban car services

The contract for the management of the services carried out by NET S.r.l. for the Bacino agency the management of the extra-urban car service, whose expiry, scheduled for October 31, 2020, has been extended until December 31, 2021.

In this regard, with managerial determination n. 62/2020 of 30/12/2020, the purpose of which is “deferment to 31/12/2021 of the deadlines for the expiry of the service contracts and local public transport concessions for the Agency which expired on 31/12/2020”, the Bacino Agency has extended the expiry of the contracts currently in force until December 31,2021. Having regard to the regulatory information set out above and the complexity of the procedure for the provision of services, which is intended to be carried out by means of a single procedure divided into several lots of entrustment, the administrator of the subsidiary NET S.r.l. does not believe that it has elements that imply that the service itself is not reconfirmed even beyond 31 December 2021 and until the new award of the contract which, reasonably, cannot take place before the second half of 2022. The planned start of the procedures for entrustment between 2021 and 2022 makes it possible to assume that, in order to ensure the continuity of the public service, the Local Public Transport Agency in Bacino will carry out a further extension of the management in extension under the same current contractual conditions.

Going concern

While considering the effectiveness of the strategy adopted to address the health emergency and taking into account the regulatory framework described above, it is well known that the COVID-19 pandemic will in the foreseeable future have an effect on the standard and regular conduct of business activities, even if actions are taken to preserve the continuity of service and the full protection of the health and safety of workers. In this context, as at December 31,2020, the ATM Group has estimated the “ net financial position “ of approximately EUR 25.6 million, consisting of cash on spot (bank stocks and securities payable). of approximately eur 227.2 million and from financial debt of approximately eur 276.3 million, with an average residual maturity of more than 8 years, to be repaid in 2021 for approximately eur 20.9 million. The Group also has cash lines immediately usable for 97.5 million euros, with the possibility of an increase on request.

As occurred in 2019, there is no evidence to date and for the immediate future of a failure to comply with the payment obligations relating to service contracts by the Municipality of Milan and the bodies entrusted with it. The Group may be considered to have the resources to meet its existing contractual obligations within a time horizon of at least 12 months, taking into account, among other things, the scalability of certain investment initiatives, greater attention to the management of the circulation and variable costs.

As a result of what mentioned above when preparing the balance sheet, economic and financial position at December 31, 2020, the ATM Group, in its evaluation and sensitivity analysis processes, has identified some key parameters in which there are no risks to business continuity.

The context and development of operational management

Operations in Italy

In Italy, the network managed by ATM guarantees a comprehensive coverage of the territory of the city of Milan and of the municipalities in the urban area.

The Milan metro network consists of four lines with a total extension of about 97 km and 113 stations.

Line	Route	Year	Length	Stations
M1	Sesto 1 Maggio FS ↔ Rho Fieramilano / Bisceglie	1964	26.70 km	38
M2	P.za Abbiategrasso Chiesa Rossa / Assago Milanofiori Forum ↔ Cologno Nord / Gessate	1969	39.88 km	35
M3	San Donato ↔ Comasina	1990	17.31 km	21
M5	Bignami Parco Nord ↔ San Siro Stadio	2013	12.88 km	19
TOTAL			96.77 km	113

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

Type	Number of lines	Notes
Vehicle network	81 city 51 suburban 27 provincial	Including local Radiobus services (operating in 15 local areas) and 3 lines for the replacement night service of the metro
Tram network	17 city 2 inter-city	One metro line is currently suspended and replaced by buses
Trolley bus network	4 city	

The transport service in Italy was characterized by a drastic drop in passengers carried (-57.1% compared to 2019), as a result of restrictions on the mobility of persons and limitations on the capacity of the means imposed by the Italian Government in the light of the evolution of the COVID-19 pandemic. Passengers transported in 2020 amounted to 351.9 million (820.4 million in 2019), interrupting the continuing growth trend observed in previous years, where the average volume of passengers transported in the last three years stood at about 800 million passengers.

The operational activity in 2020 was conditioned by the evolution of the COVID-19 pandemic, which determined the complete revisiting of the public service both in order to comply with the provisions issued by the Italian Government regarding crowding and distancing on public transport and in order to meet the requirements of passengers in terms of frequency service, punctuality and security.

The ATM Group has responded promptly to new needs, ensuring continuity of service in all stages of emergency evolution. In March and April 2020, during lockdown, ATM maintained and continued the operation of the service at 75% despite a 95% drop in passengers compared to normal operating conditions. ATM was the first operator in Europe to face such a crisis and became a European benchmark for other public transport companies. Wide-ranging measures have been taken since the beginning of the pandemic, such as: guaranteed service in all times with upgrading in the peak bands in

order to avoid possible situations of crowding, sanitation of stations and means, adaptation of all work areas and operating rooms to the new security measures, constant action of awareness and information to customers.

In May, in conjunction with phase 2 of the emergency, which saw the gradual restart of economic and social activities, ATM immediately planned a 100% service, by putting all the means on the surface and on the subway and by deploying all the staff in the different business areas. It was necessary to adjust the load capacities of the means in order to comply with the safety measures imposed by the authorities, starting with a distance of one meter. Therefore, contingent access and capacity limits of 25%. By metro, to regulate the flow of passengers to the stations, ATM has provided, as necessary, the closure of turnstiles according to the number of users who were already inside the docks waiting for the trains. On the surface, passengers were only invited to board if the space inside the vehicle allowed the necessary distance. Vehicle filling monitoring was carried out through a direct link between drivers and operating rooms to assess any actions to be taken in the event of crowding.

In phase 2 of the emergency, with the reopening also of the commercial activities, there is a progressive increase of the passengers with respect to *the period of lockdown*, however conditioned by the security measures provided by the authorities that impose the interpersonal distance of one meter and the maximum capacity of the vehicles to 25%. To support the management of the new volume of traffic, ATM invests in a system that allows the automatic counting of travellers to turnstiles in order to limit the influx and the permanence of persons inside the stations of the subway lines. Guided routes are also set up for entry and exit from the underground network and are placed on the ground on every means of the markers with the words “*stay here*” in order to favor the correct interpersonal distance. In order to facilitate passengers, in the more than 200 beverage and snack dispensers in most metro stations, personal protective equipment, sanitizing gel and protective kits consisting of mask and gloves are available for purchase.

During the summer months the mobility system is still undergoing major changes, the DPCM of 14 July 2020 confirms the possibility of derogation from the distance meter measurement under certain conditions within the means; this innovation allows to increase the capacity of the cars up to 60% compatible with the type of vehicle. ATM continues in any case the campaign of communication and awareness toward the users on the regular basis to be respected to travel in safety through communication messages spread on all the company channels.

In August, ATM offers a series of initiatives aimed at customers, such as the possibility to request online on the institutional site or through the ATM App the compensation for subscriptions not enjoyed during *lockdown* and the free distribution of hand sanitizing gel through specific distributors installed at underground stations.

On September 14, 2020, with the resumption of school activities in Lombardy, ATM put in place a system of structured measures to guarantee and raise the level of safety and cleanliness of the common means and spaces, guaranteeing the service to 100% on the whole network. In fact, the DPCM of 7 September had established the new maximum coefficient for the filling of the vehicles at 80 %, this limit has entailed intensive simulation work to recalibrate the maximum number of passengers that can be transported and great efforts also to adapt the signs and awareness campaign in the use of public transport services and social rules to travel safely.

In the autumn, as a result of the resumption of the infections during the second epidemiological wave, the Italian Government will issue further measures that affect the mobility and movement of persons. As a result of the DPCM of 3 November, the capacity to fill the vehicles allowed falls from 80% to 50%, resulting in a new calibration of the quota for access to public transport. In December 2020, ATM set

up a service enhancement plan to provide maximum support for student mobility with a view to the restart of activities in the presence of high schools scheduled for January 2021. The enhancement is part of the “Milan School Pact”, signed by the Municipality of Milan and the Milan Prefecture and shared by all social partners, public institutions, transport managers, trade, companies and professional orders, which is designed to reorganize the movements in the most congested morning time zone of public transport, with the consequent re-modulation of the times of the activities of the city, in the priority objective of getting the school to go again.

In addition to the fact mentions above, in coordination with the Municipal Administration, modifications and improvements have been implemented on the ground lines to improve the frequency of the means and routes of the city as well as to create new connections. The service has also continued to be adapted in relation to the necessary road changes linked to the yards of the new M4 line and connections to the areas affected by the works have been ensured, while minimizing the inconvenience to the citizens.

During 2020, the planned works continued in the context of the restoration of the tunnel between the Lambrate and Piola stations of the M2 underground line, which had been suspended during *the lockdown phase during the year*, with a consequent slowdown compared to the timetable of the works.

In the context of operations on installations and infrastructure, ATM has carried out the program to improve the accessibility of M1 and M2 underground stations to overcome architectural barriers. The first 3 escalators were installed, of the total 14, which will be open to the public in 2021. In addition, extraordinary maintenance was carried out on 45 escalators of the M3 metro line, which allowed to extend the useful technical life.

In 2020 the installation and opening to the public of 65 new stairlifts was completed. The investment program, which began in 2019, provided for the total replacement of 68 plants, the last 3 at the M1 Rovereto underground station will be installed in the early months of 2021, thus increasing access to the line.

Moreover, on the request of the Municipality of Milan and in the context of overcoming the architectural barriers, the works of modernization of the external section of the M2 underground line (Cascina Gobba-Gessate) continue for a total of 6 stations, of which 3 provide for complete restyling.

The city tram network, as part of its work for the Municipality of Milan, continued the renewal and technological updating of the infrastructure, including the application of a remote monitoring system on exchanges and switches and a preventive maintenance program, to reduce noise emissions and reduce wear. In 2020 work continued on the upgrading of some “Forza” tram lines to make the service faster. The measures concern the adjustment of stops and the improvement of accessibility for passengers. The retraining project will be completed in 2021.

Significant interventions in the “*decoration project*” were also noteworthy, which concerned the restructuring of specific areas of some deposits (Giambellino, Gallarate, Sarca, Zara, Palmanova, NET offices in Monza, offices in the Cadorna and Cairoli underground). Extraordinary maintenance work continues, at the warehouses of Leoncavallo, Giambellino and Ticinese and for the adaptation of fire protection systems at the warehouses of Molise, Leoncavallo and Ticinese.

It should be noted that in the field of maintenance a significant change in the management of maintenance and engineering processes has been taking place for some years, in line with the progressive renewal of the fleet and the commissioning of trains more technologically advanced than

traditional trains, whose first supply lots went back to the 1960s. The internalization of the maintenance activities for the 46 trains of the Menegino fleet is now consolidated and makes even greater use of the know-how developed over the years by ATM workshops in the field of train maintenance. The activities on patented technologies or structural interventions on cash-boxes remain, on the other hand, the responsibility of third-party suppliers; activities for which there are no particular returns of experience for the company's core business.

In 2020 the complete renewal program of the “4900” series of tram cars was completed with the delivery of the last two vehicles to complete the 51 involved in *the program of revamping*, which since 2020 are all in service.

In relation to the progressive introduction into service of the electric buses, it has become necessary to adapt the operating plan to make it coherent with the specific requirements of such vehicles, whose productivity is linked to the batteries or to the possibility of having recharging points.

It should be mentioned that during 2020 the first 3 trains of the M4 underground line were put on line, necessary for the imminent entry into operation of the first Linate-Forlanini route. Regarding to the opening of the new line, activities concerning the development of the entire logistic apparatus with regard to the resources, the management of the first materials in loan of use that the client has delivered to ATM were also started in 2020 as well as the preparation of technical and directional locations.

As part of the above-mentioned information on know-how, training courses for workers and technicians for maintenance work on the M4 line trains have also started since October 2020.

Operations abroad - Copenhagen

In Denmark, the Copenhagen underground network, managed by the subsidiary Metro Service A/S, consists of four lines with a total extension of approximately 38.7 km and 113 stations. The M4 line is currently operative with 8 stations out of 13 stations.

Line	Route	Year	Length	Stations
M1	Vanløse ↔ Vestamager	2008	21 km	15
M2	Vanløse ↔ Lufthavnen			16
M3	København H ↔ Enghave Plads	2019	15.5 km	17
M4	OrientKaj ↔ København H	2020	2.2 km	13*
TOTALE			38.7 km	48
* 8 station operating and 5 still under construction				

The transport service in Denmark was not particularly criticized, since 63.7 million users were transported in 2020, compared with 64.8 million in 2019, down 1.7%. The results for the management of the M1, M2 and M3 lines of the Copenhagen metro were of major importance. *Service availability* was 99.5% with a frequency of one train every 104 seconds at peak times for M1 and M2 lines and 98.6% for M3 line with a frequency of one train every 93 seconds between Østerport and La Copenhagen Central Station.

Within the framework of the contract entrusted to Metro Service in 2019 with the aim of managing the M1 and M2 lines, the various important investment programs by the owner continue, including an

investment in 8 new trains which entered into service during the second half of 2020, The expansion of the depots and a Midlife modernization program of the current fleet of 34 trains.

The opening of the Cityringen business started in September 2019 and continued with the opening of the Nordhavn branch in May. In addition to the Nordhavn branch, a further extension (of Sydhavn) is planned for 2024. This will add a total of 24 stations to the current 22 stations.

During 2020, the Company continued its investment program in the improvement of ERP systems, while in 2021 it will continue its program of investments in actions aimed at further reducing carbon dioxide emissions also through the replacement of the remaining fleet of fuel-powered service cars fossils with electric vehicles.

Investments

During 2020, the ATM Group made investments of approximately 140 million euros, of which approximately 113 million euros were earmarked for fleet renewal, including General Revision and Metro and Tram Revamping.

In relation to COVID-19, it should be noted that during *the lockdown period*, there were interruptions of activity mainly in the construction sites for plants and infrastructures, where the companies engaged had to program their interventions differently. The reduction in activities was on average around 30/35 %, with delays that were only recovered to a small extent, not even 5 %, in the second half.

In the framework of the framework agreement for the supply of Leonardo trains, the deliveries and the put into service of the first three application contracts for a total of 60 trains were completed, in 2020 the supply of the 12 M2 scheduled trains of the fourth application continued. The health emergency affected the supply by delaying deliveries of 4 trains and “slipping” the end of deliveries in January 2021. The arrival of 11 trains of the 12 contracted trains is expected to take place throughout 2020.

With regard to the M1 and M3 underground lines, the authorization procedure for the publication of the tender for a framework agreement for the purchase of 46 new trains will be launched in 2021. These are 21 trains for the M1 line, replacing the “revamping” trains (for restyling in the past) and 25 trains for the M3 metro line that can be used, with minimal modifications and with the upgrade of the on-board signaling system, also on the M2 line. The M3 train purchase program is part of the line upgrade project, together with the new signaling plant. These interventions will be entirely the subject of public contributions.

With regard to ground vehicles, an epochal change in the renewal of the bus fleet has started since 2018 as part of projects aimed at the gradual replacement of all diesel vehicles by hybrid and full electric buses. This fact puts ATM in a position to be a leader in addressing the ecological problems of the city of Milan, with the objective of zero (or almost zero) CO₂ emissions into the environment. In this path toward the full electric, taking into account that the market is not yet able to satisfy the wide demands of electric buses and that the regulations provide for time limits on the use of older vehicles, we will continue with the introduction of hybrid buses that, compared to traditional vehicles, enable significant reductions in both fuel consumption and CO₂ emissions.

The objective will be to have around 1.200 electric vehicles in circulation, for the creation of a “Zero Emission Zone” extended to the suburbs; Together, there will be a reduction in diesel fuel consumption estimated at around 30 million liters per year and a reduction in polluting emissions with a reduction in CO₂ of around 75,000 tons per year.

At the end of 2020, the ATM city bus fleet consisted of: 81% diesel, 13% hybrid, 6% electric, as a result of the fact that ATM S.p.A. has no longer contracted the purchase of traditional diesel vehicles since 2018.

In the context of this renewal plan, after the two contracts (10+15) for the first 25 electric vehicles, the supply of which ended at the beginning of 2019, a framework agreement was signed in the same year for the supply of additional 250 electric buses, including full service maintenance extended to the life of the vehicle, and traction batteries, which will replace those installed in the first system, whose performance is expected to decay at about half the life of the vehicle. Together with the framework agreement referred above, the first application contract was concluded for 40 buses, the deliveries of which were completed in the second half of 2020. The second application contract was also signed, which provides for the supply of 100 buses with an improved battery, which will be delivered by the summer of 2021.

For the Full Electric project, in addition to the supply of the vehicles, it will be necessary to adapt also the spaces for the shelter and the recharging of the vehicles. With regard to the vehicles described above, a 5-year framework agreement was signed for the installation of the columns in the warehouses of Sarca, Giambellino and San Donato. During 2020, the activities began for the laying of the columns in the Sarca warehouse, and the setting up of 2 *opportunity charges* at the bus terminals of Zara (whose works began in the second half of 2020) and Centrale (whose installation is planned in 2021).

A further aspect to be considered in the context of the “ecological mission” is that the energy necessary to recharge the electric buses is completely eco-friendly, having signed ATM a contract for the supply of electricity produced from renewable sources, certified Green Energy with guarantee of origin.

For diesel-electric hybrid vehicles, the 25 12-meter CONSIP vehicles were completed in January 2020. To the initial supply of 25 buses, under negotiated procedure, there were subsequently added 4 additional 12-meter hybrids delivered in 2019, due to the ripening of penalties on previous supply contracts. A further two buses, having the same characteristics as the vehicles already purchased under CONSIP agreement, were purchased and delivered at the end of 2020 as an opportunity purchase by ATM. The race for a 150-bus framework agreement, including full service maintenance extended to the life of the vehicle, is being awarded. When the framework agreement is signed, the first application contract for 60 buses will also be concluded with deliveries planned at the end of 2021.

As regards the bus fleet of the subsidiary NET, the renewal plan of 44 buses of 12 and 18 meters was completed with the entry into service in January 2020 of the last 7 environmentally-friendly 12-meter buses, which were part of the 15 buses delivered in 2019. Used for the extra-urban service lot 3 and Monza city service. These investments, supported in the context of the tender for the allocation of the service, have allowed a rejuvenation of the NET fleet, allowing the disposal of obsolete vehicles, still with Euro 3 engines.

In the second half of 2020, the framework agreement was signed on the provision of 80 25-meter-long two-way trams, with a low floor only in the access door area, for use on the urban and long-distance network. Together with the agreement, the first application contract for 30 trams was also signed with the delivery of the prototype planned for March 2022 and subsequent vehicles from September 2022. It is recalled that the tender for the 80 trams was awarded in July 2019. Against this assignment, one of the companies participating in the tender has promoted recourse to the TAR which was rejected by very clear judgment in favor of the work of the tender committee. This company has further appealed to the State Council, which again decided, in June 2020, in favor of ATM. In 2021, the application contracts for a further 30 urban trams will be signed, completing the project to replace 50 urban trams co-financed by the Ministry of Transport (MIT).

Under the framework agreement for the supply of 80 structured trolleybuses of 18 meters, deliveries of the 30 vehicles referred to in the first application contract were completed in the first half of 2020. For the second application contract of the next 50 trolleybuses, the administrative procedures for the allocation of finance by the Ministry to the Municipality of Milan are in the process of being concluded. In January 2021, the request for the contract was launched by spring and deliveries from mid-2022. With these investments the average seniority of the ATM trolleybus fleet will fall to about 4 years, thus allowing the disposal of all the old 12 and 18 meter vehicles, particularly dated. It is recalled that the new trams and new trolleybuses will offer customers a better quality of service, in terms of comfort and accessibility. They will be updated to the most modern safety requirements, will be equipped with anti-collision system, will guarantee the mitigation of the noise emitted in the environment, they will be equipped with technology systems to enable customers to network once on board and will save energy with the braking energy recovery system.

In the context of the renewal of the fleet of vehicles and in the perspective of sustainability, the project for the replacement of diesel service cars by rental electric cars, is to be used for the assistance of on-line vehicles, the control of the operation and for the maintenance of the underground and tramway systems, continues. There are currently 97 cars on the road, and a further 10 cars already ordered will be delivered in 2021.

With regard to the operations on the installations, the project to upgrade the M2 underground line, co-financed by the State at 60%, has been highlighted, which has seen ATM take over from the Municipality of Milan for the financing of the remaining quota. In 2020 the second phase began, which concerns the route from Cascina Gobba to the terminus of Cologno Nord, the supply activities in place is foreseen by contract that end in 2021.

Alongside these interventions, ATM is the leader in the revolution of *ticketing* in local public transport. The digital transformation of public transport in Milan is now at a turning point in *the ticketing mode*. In fact, ATM takes another step forward in the contactless payment revolution. After two years of operation in the underground, the contactless payment system has also been installed on the first bus lines 56, 70 and 73 and plans are made to extend this payment method also to the car parks.

For the management of the COVID-19 emergency, investments were made in implementation of the regulatory provisions introduced on the control of the crowding of the vehicles and stations. The amounts spent at 31 December 2020 exceed Euro 650 thousand and further investment is expected in the coming months.

Technological innovation

ATM is constantly engaged in the experimentation and use of new technologies applied to mobility services. In this context, it has developed distinctive skills in creating platforms for integrated mobility information management.

Following the COVID-19 emergency, ATM has found itself operating in a new and complex scenario that has required the introduction of new organizational measures and technological tools suitable to meet new needs such as: ensure interpersonal distance, avoid crowds, increase information to users to reduce inconvenience and, finally, monitor in real time the presence of users both on board the vehicles and at the points of sale. In 2020, a number of projects for technological innovation were launched, such as:

- **New functionalities in the distribution and sale of tickets** , increasingly aimed at digital and easy-to-access solutions with the aim of continuing with the dematerialization of travel titles.

Among these are highlighted: **The subscription recharge from App ATM** or the possibility to purchase the subscriptions of the public transport service through the App ATM Mobile; **The issuance of digital tickets (Smart Tickets) by App “third party”**. These are web services made available to external suppliers, which allow the sale of tickets also from other Apps (currently used by Trenord and AGI) in order to extend the number of users; **POC EMV line 73** consisting of new validators, compatible with the contactless EMV technology, installed on vehicles of line 73. These validators, integrated with the charging engine already active for the metro lines, allow the payment of the ticket with contactless credit card guaranteeing the best travel fare “*best to do*” even to the surface lines.

In addition, the first prototype, called “**Tessy**”, of a new automatic device dedicated to the immediate issue of smartcards in self-service mode has been released. This device, which is installed at the underground stations, it allows you to speed up and optimize the process of issuing cards, thus eliminating the need for users to physically visit an ATM Point and eliminating the waiting times required for the delivery of the support to the home in case of online purchases.

In order to comply with the rule of the “Revival Decree” which provides for the reimbursement of the canteens of March and/or April of the subscriptions of the public transport service, a web application “**compensations subscriptions for lockdown**” where the citizen, upon verification of the actual possession of a subscription valid in march and/or april, he can choose in which period he will again take advantage of this canteens. Once the choice has been made, the customer can top up his subscription by going to the totems, thus activating the” refund “requested.

- **New access reservation systems** – these systems eliminate queues and allow customers to book the time slot in which to present themselves at the points of sale or at the points of access to services, thus avoiding assemblage and guaranteeing social distance. The system as a whole is the result of one of the many technological projects included in the wider context of access reservation systems linked to the mitigation plan of the risks of contagion COVID-19.

From May 26, 2020, the new reservation system has been operational at all ATM Points in Milan and the Province, which can take place both through the new Totem and remotely through the ATM App. The new Totem is a 23” touchscreen and meet ADA standards of usability of the device for users with disabilities. Moreover, through the high-visibility 43-inch monitors installed in all areas, it will be possible, through Digital Signage technology, to expose information to customers, effectively opening an additional information channel for communication to the public.

Since July 16,2020 the same system has been installed at the departure station of the Como/Brunate Funicular allowing customers to book the time slot in which to present themselves at the counter, purchase the ticket and then carry out the journey. In this way it is possible to avoid the customer from queuing up and to guarantee the operation of the funicular in full safety in compliance with the requirements laid down by the regulations.

In an experimental way, through a special App called “*App Reservations Z30*”, a system has been adopted for the booking of the races related to the transport network managed by the subsidiary NET. In addition to network map display, route calculation, ticket purchase, The App allows the booking of some races of the Z301 – Milan – Bergamo line, since the regulation provides for the booking and the obligation to sit during the trip, obviously related by the demonstration of the possession of a travel license, ticket or subscription.

Start of the reservation service for the customer counter responsible for the provision of services related to countering and removal of vehicles at the offices of Viale Zara. The reservation system

has allowed the optimization of the service through the scheduling of appointments, the reduction of waiting times of the customers, the monitoring of the accesses and the services provided. Access to the reservation system can be made through the corporate institutional site, this solution makes it immediately accessible by the population concerned.

- **Monitoring systems** – these systems are designed to ensure interpersonal spacing and thus to allow the adoption of interventions to avoid overcrowding. These include:

Overcrowding Underground Train Forecast – Engineering an algorithm using “Machine Learning” technology to calculate overcrowding forecasts for underground trains. The application, using the historical series of the weighing data collected by the devices on board the train and the data related to the inputs to the stations, provides for the calculation of the crowding forecast for a given standard day and each time slot.

Access counting system to the subway barriers – the entry barriers of the 4 subway lines have been updated to allow the real-time counting of the incoming passengers and to signal the reaching of special attention thresholds with consequent blocking of the accesses to avoid the assemblage in the docks.

Station crowding – the project, aimed at customers using the metro lines, has set the objective of providing the expected crowding status for each time slot/station in order to allow a possible planning of the journey at a time of less crowd. Therefore, a web application has been released, which can also be called from the ATM Mobile app, where the citizen by selecting a subway station displays the crowding status for time and day (weekday, Saturday, holiday).

Train weighing Data Project – this is a project that allows the collection of cross domain data for two purposes: Real time and Analytics. The process allows real-time data access by the endpoints using it (e.g. infomobility systems) which refreshes rates every 10 seconds and historicization toward the business intelligence platform and the various analysis systems on a daily basis (e.g. models of forward-looking load estimates).

NFC Sanitation APP – to monitor the sanitization of both company premises and cars at every shift, the “*NFC Sanitation*” App was created. The App, which is installed on smartphone devices, allows the external ATM personnel, through the tap of NFC Tag placed in proximity of the company premises and on board the cars (tram, metro and bus) to track the sanitizing activities and certify their intervention. In this way an electronic record of the sanitization interventions has been created, which can be available to the ATM managers directly from the smartphone or from their personal computer. All incidents are placed on the data base in AZURE cloud and sent to SAP using Web Service to generate intervention alerts.

As part of the initiatives introduced by the Municipality of Milan during the health emergency COVID-19, ATM has actively collaborated through a series of projects including:

- **Adaptation of the ZTL Area C, Area B and Emergency Stop for Health** – It has been developed on the Area C platform, an application solution able to handle the different needs of the users. In particular, a new section has been created on the MyAreaC portal, called “Emergency Sanitaria”, through which the citizen belonging to specific categories can benefit from facilities. Moreover, given the continuity of the emerging state and on the basis of the various municipal resolutions, the suspension of the ZTL Area B and Area C has been managed on several occasions, as well as the massive extension of the authorization titles for free parking, access in preferential lanes, ZTL and pedestrian areas. It should be recalled that the Municipality of Milan has decided on a series of precautionary measures for specific categories of users to allow: Exemption from the payment of the daily amount provided for access to Area C; The free stop in the parking spaces reserved for residents and in the parking spaces on payment throughout the city; the derogation from the entrance to Area B.
- **APP Sosta Libero** – the implementation concerned: The implementation of a procedure to be provided to municipal operators to allow the authorization to be granted to the “Free sosta Pass”; the adjustment of THE APP to allow the recognition of authorized accounts to which it is granted to stay free of charge in the indicated areas or municipalities; The realization of a monitoring system to be supplied to the Municipality of Milan; the integration with the systems of control of regularity on the road in use to the traffic ascertained (palmari, Eagle-Eye).
The project was born from the request of the Municipality of Milan to dematerialize the free parking mark and make it easier to use. It is addressed to all entities and subjects who, for reasons of public interest or for important reasons connected to their activities and services, can stay free of charge in the territory of Milan using their smartphone. In the context of the digitization of all the rest titles, efforts have been carried out to ensure that the free rest marks are also available in digital form to authorized subjects through personal accounts and names on APP dedicated to the management of the rest.
- **Integration of ADI Alert flows produced by Eagle-Eye and G-Mobile** – the Municipality of Milan is in the process of issuing a new service for citizens: Notification of received sanctions sent directly to the citizen's APP. The service aims at all those who register on the site of the municipality and express their interest to ask for their membership, by indicating the “attenzione” plate. For this service, the collaboration of ATM has been requested to make available the investigation of high infringements from the auxiliaries both with the handhelds, with the Eagle Eye vehicles and with the G-Mobile system available to the local police. Therefore, integrations with all the mentioned control systems have been developed and a single scalable data transmission system has been realized to the Municipality of Milan to send all the information of the investigations, regardless of the operating instruments with which they were issued.

Within the framework of internal business processes, systems and functionalities have been introduced aiming at the dematerialization of documents and the adaptation of payroll programs to the regulatory changes linked to the health emergency, among which:

- **Employee Portal and SC Release** – the project has enabled qualified employees who have had a domain user in MS Office365 and a Dual Factor Authentication (MFA) system, to be able to access an area of the Employee Portal where the coupons of the last twelve months are made available as well as the SC (Single Certification) of the current and previous years. The service can be used both

through business and personal devices provided that the criteria described above are met, which is necessary to guarantee a secure access to the information.

- **SAP Payroll: Application of DL rules care Italy** – it became necessary to apply the D.Lgs. “Cura Italia” which has provided the establishment of different types of new absence forms such as special leave for children aged <12 years (allowance equal to 50% of remuneration); extraordinary leave for children aged 3 12 and 16 years (without allowance); extension of parental leave by law 104.

In addition, adjustments to the SAP Payroll system were important in support of the administration processes in the area of extraordinary cash integration to manage the use of the bilateral Solidarity Fund, an instrument of income support for the TPL, as well as to follow up the payment of the 100 euro bonus provided for by the regulations. All these activities, mostly completed in the most acute phase of the pandemic, have ensured that all ATM employees have received the correct and constant remuneration in accordance with the sector agreements established where necessary.

- **SAP Payroll: Payroll, Parasubordane and Stage** – in January 2020, the project started in May 2019 for the transfer of payroll processing of non-auto-railway contracts (executives, Consultants, Stage) from the GE.PE. DATA MANAGEMENT system to the SAP system was completed. It was an important project that also allowed the review of some process elements that were long handled off-system.

Strategic Industrial Plan 2021 – 2025 and Project “Milano Next”

On March 25, 2021, the Board of Directors approved the ATM Group's Industrial Strategic Plan 2021-2025. The mission of the Group, updated but in substantial continuity with the previous strategic plan, is based on the following aspirations:

- To be a recognized with excellence at national and international level for the sustainable management of integrated mobility, through a service characterized by the centrality of the consumer, which is technologically advanced, efficient and resilient;
- To become a promoter of the change and revival of Milan, of its evolution in a more livable, sustainable, secure and smart city;
- Promote the valorisation of its people and assets through the development of new skills and the attraction and growth of talent by promoting a culture open to diversity and inclusion.

Thanks to the definition of the three main strategic guidelines, as the operational efficiency, the business expansion and sustainability, in contrast to the first two guidelines, we have moved on to the identification of precise strategic initiatives, functional to the achievement of the challenging objectives that have been set.

The guidelines of the strategic plan are based on the assumption of going concern, which can also be pursued after the expiry of the service contract entrusted to the Company for the management of public transport and related and complementary services in the city of Milan on December 31, 2021, based on the above considerations.

In the same perspective of going concern, as anticipated, ATM and the selected industrial partners have prepared the project “Milano Next”, defining the infrastructure interventions, for the environment, the security and the management of integrated mobility services necessary for the improvement of the local public transport service.

In fact, the implementation of the Strategic Industrial Plan 2019 – 2025, approved on 1 April 2019 by the Ordinary Shareholders' Meeting, and on the basis of the subsequent resolution of the Board of Directors, the draft project financing proposal called “Milano Next” was approved as an instrument implementing the guidelines established in the plan.

Subsequently, on May 23, 2019, the temporary grouping of companies, consisting of ATM, A2A Smart City S.p.A., BusItalia – Sita Nord S.r.l., Commscon Italia S.r.l., Hitachi Rail STS S.p.A. and IGPDcaux S.p.A., presented to the competent bodies, Bacino Agency and Municipality of Milan, thus, the project financing proposal called “Milano Next”. The aim of the proposal is the implementation of infrastructure interventions and investments in mobility, environment and security and the operational management, for a period of 15 years, of integrated mobility services within the framework of the Bacino of the Metropolitan City of Milan, Monza and Brianza, Lodi and Pavia. The proposal submitted. is declared to be of “public interest” and the temporary grouping of undertakings established for that purpose is the successful tenderer of the relevant invitation to tender, therefore the project should provide the establishment of an SPV.

The Bacino Agency and the Municipality of Milan, as anticipated, must assess the public interest of the proposal which, in the event of a favorable evaluation, will be the subject of the tender procedure referred to in Article 183, paragraph 15, of Legislative Decree no. 50/2016. As anticipated in the event that potential competitors submit improvement offers (both in economic and qualitative terms), “Milano Next”, as the subject “of the promoter”, will be able to exercise, in accordance with the already mentioned art. 183, paragraph 15, of Legislative Decree no. 50/2016, a right of pre-emption.

Comments on the financial results of the ATM Group

The 2020 financial statements have been prepared in accordance with the IAS/IFRS principles.

In order to better understand the economic performance of the 2020 consolidated annual financial statements, characterized by the COVID-19 pandemic, as recommended by ESMA, the income components directly related to the pandemic situation have been isolated. It should also be noted that the COVID-19 pandemic was an exogenous trigger event for the ATM Group which made *it necessary to carry out an impairment test*, as recommended by ESMA and in accordance with the requirements of the International Accounting Standard IAS 36, on the recoverability of net invested capital. *The impairment test* was carried out on the lines of business that suffered the most from the pandemic, named as “*local public transport and complementary services*”, “*local public transport in the long-distance area*” and “*other activities*” with specific reference to the activities carried out by the subsidiary Rail Diagnostics S.p.A. as defined in Note 7 “operating performance – sector analysis”.

The consolidated comparative economic and financial results determined by taking into account the above statements mentioned:

- > EBIT for 2020 was negative and amounted to Euro 47,374 thousand (a positive of Euro 6,264 thousand as of December 31, 2019).
- > The Group's loss for the year amounted to Euro 64,493 thousand (operating profit of 9,197 thousand euros as of December 31, 2019).
- > Current assets rose from Euro 428,013 thousand at December 31, 2019 to Euro 399,909 thousand at December 31, 2020.
- > Current liabilities rose from Euro 427,626 thousand at December 31, 2019 to Euro 388,318 thousand at December 31, 2020.
- > The net financial position, taking into account the outstanding amounts of bonds and UCITS held, has decreased by Euro 107,010 thousand, from Euro 132,608 thousand at December 31, 2019 to Euro 25,598 thousand at December 31, 2020.
- > Net capital employed rose from Euro 1,336,831 thousand at December 31, 2019, to Euro 1,372,704 thousand at December 31, 2020, where 91% covered by equity.

Consolidated income statement

	2020	2019	Variation
Revenue and other operating income			
Core business Revenue	827,347	837,741	(10,394)
<i>Local Public Transport revenues of which:</i>	811,633	807,938	3,695
<i>Service contract Municipality of Milan</i>	663,636	668,483	(4,847)
<i>Service contract Copenhagen</i>	98,349	80,376	17,973
<i>Service contract – Intercity</i>	19,221	19,028	193
<i>Service contract M5 Line</i>	23,640	23,881	(241)
<i>Ticket sales – Intercity</i>	6,085	13,593	(7,508)
<i>Special/dedicated transport services</i>	702	2,577	(1,875)
On-street parking management fees	9,497	18,490	(8,993)
Car parking management fees	3,996	8,630	(4,634)
Vehicle towing management fees	2,134	2,632	(498)
Other core business revenues	87	51	36
Other revenue	58,374	66,809	(8,435)
Other income of which:	72,226	76,197	(3,971)
<i>NCLA Grants</i>	50,190	50,190	-
Total revenues and other operating income	957,947	980,747	(22,800)
Costs and other operating charges			
Purchases of goods and changes in inventories	(73,980)	(71,635)	(2345)
Service costs	(267,284)	(241,336)	(25,948)
<i>Maintenance and cleaning costs</i>	(138,360)	(101,657)	(36,703)
<i>Electrical traction energy</i>	(51,833)	(48,690)	(3,143)
<i>Sub-contracted transport services</i>	(24,985)	(24,599)	(386)
<i>Utilities</i>	(16,441)	(18,685)	2,244
<i>Production & distribution of travel tickets</i>	(5,663)	(11,940)	6,277
<i>Insurance</i>	(6,526)	(6,508)	(18)
<i>Customer services, advertising and marketing</i>	(3,428)	(4,638)	1,210
<i>Personnel services</i>	(3,735)	(4,163)	428
<i>Miscellaneous services</i>	(5,694)	(7,390)	1,696
<i>Professional services</i>	(5,879)	(7,165)	1,286
<i>Security costs</i>	(4,740)	(5,901)	1,161
Operating leasing costs	(2,018)	(3,605)	1,587
Personnel expenses	(541,592)	(541,289)	(303)
<i>Salaries and wages</i>	(393,177)	(398,198)	5,021
<i>Social security charges</i>	(108,279)	(103,437)	(4,842)
<i>Post-employment benefits</i>	(23,126)	(22,829)	(297)
<i>Other costs</i>	(20,620)	(20,979)	359
<i>Personnel costs for internal work</i>	3,610	4,154	(544)
Other costs and operating charges	(11,896)	(9,314)	(2,582)
Total costs and other operating charges	(896,770)	(867,179)	(29,591)
EBITDA	61,177	113,568	(52,391)

	2020	2019	Variation
Amortisation, depreciation and write-down	(108,551)	(107,304)	(1,247)
Depreciation - Property, plant, and equipment	(124,667)	(118,319)	(6,348)
<i>Plants and machinery</i>	(111,711)	(104,812)	(6,899)
<i>Buildings</i>	(6,742)	(6,673)	(69)
<i>Industrial and commercial equipment</i>	(3,458)	(3,734)	276
<i>Other goods</i>	(2,756)	(3,100)	344
Plant capital grants	36,735	36,637	98
Amortization - intangible assets	(1,339)	(1,361)	22
Depreciation right of use for leased assets	(2,151)	(1,646)	(505)
Impairment – property, plant and machinery	(17,129)	(22,615)	5,486
EBIT	(47,374)	6,264	(53,638)
<i>Financial income</i>	8,081	12,689	(4,608)
<i>Financial charges</i>	(6,515)	(,988)	2,473
Net financial income	1,566	3,701	(2,135)
Share of the result of companies measured under the equity method	2,546	1,359	1,187
Pre-tax profit	(43,262)	11,324	(54,586)
Income taxes	(21,231)	(2,127)	(19,104)
(Loss)/profit for the year	(64,493)	9,197	(73,690)
(Loss)/profit for the period attributable to:			
Owners of the parent company	(68,082)	6,091	(74,173)
Non-controlling interests*	3,589	3,106	483
Total	(64,493)	9,197	(73,690)

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

In order to better understand the economic performance and to allow comparability of the 2020 and 2019 financial statements characterized by significant non-recurring economic effects, the Directors considered that the non-recurring effects were highlighted in the following table in order to identify the “normalized” trend of the economic result; As provided for in the ESMA recommendation, indications are given relating to the nature of the items considered in the reconciliation.

The impact of non-recurring effects is presented below:

	2020	2019
(Loss) / profit for the year	(64,493)	9,197
Other income	(1,915)	-
Service costs	-	(10,000)
Personnel expenses	1,473	(5,603)
Amortisation, depreciation and write-down	17,129	22,615
Income taxes	13,610	-
Total non-recurring effects	30,297	7,012
(Loss) / adjusted profit for the period	(34,196)	16,209

The “other income” refers to the financial contributions relating to the Ristori Decrees (D.L. 34/2020 and D.L. 104/2020), which are the responsibility of NET S.r.l. for Euro 1,534 thousand and the

responsibility of ATM S.p.A. for Euro 381 thousand in relation to the management of the Como-Brunate Funicular. The item “service costs” refers to the release in 2019 of the specific environmental fund set aside in previous year for Euro 10,000 thousand. The fund was set up to deal with specific environmental interventions on the M2 metro line. These interventions, initially planned at the expense of the Group, will be part of the work specifically financed by the competent bodies in the framework of the project for remarking the signaling and armament plants of the M2 metro line. Please refer to Note 26 to the explanatory note for the comments and handling of risk funds. The item “Personnel expenses” in 2020 refers to the combined effect of the following amounts: Euro 3,916 thousand at the highest non recurring costs for the exodus incentives granted to the staff close to retirement and Euro 2,443 thousand at the lower staff costs due to the use of the bilateral Solidarity Fund for Public Transport activated during the lockdown period. In 2019, on the other hand, the non recurring effect of Euro 5,603 thousand was recorded in connection with the recognition by the Ministry of the Labor of the application for contributions to sickness charges for the year 2013. The item ‘amortisation, depreciation and write-down’ entered in the financial year 2020 for Euro 17,129 thousand, refers to the non recurring effect linked to the devaluation of 6 trains used on the M2 metro line and 3 trains used on the M3 metro line, that will be put out of service for the technological obsolescence and consequently replaced in 2021; in 2019 the non recurring effects were reported: Euro 21,393 thousand for the devaluation for the 6 trains used on the M2 metro line, which will be taken out of service and consequently replaced in 2020 in accordance with the supply of 12 new “Leonardo” trains provided for in the fourth application contract; Euro 1,152 thousand at the devaluation of the deposit situated in via Pompei at Monza, owned by the subsidiary Nord Est Trasporti S.r.l, carried out in order to align the carrying amount with the market value in the face of a specific expert prepared by an independent third party; Euro 70 thousand to the write-down of a means of ownership of the subsidiary ATM Servizi diversified S.r.l. destined to the service “Centrale – Linate”. The write-down was made as the service was suspended and, at the date of the drawing up of this financial statement, it is not foreseeable that it will be restarted.

Finally, the item “income tax” refers to the non-recurring effect of Euro 13,610 thousand in respect of the release of advanced taxes on previously allocated tax losses in respect of the financial years 2021 and 2022. The effects of the COVID-19 pandemic significantly affected the aspects of short-term scenarios (12 – 24 months). For this reason, the Directors do not plan to make taxable profits capable of absorbing these tax losses within a reasonable time frame and therefore the estimate of the deferred tax recorded on the balance sheet has been updated.

To further benefit from a better understanding of the consolidated income statement, the main components of income, costs, income and expense are analyzed below.

Revenue and other operating income

The “revenues and other operating income” in 2020 amounted to Euro 957,947 thousands (Euro 980,747 thousand at December 31, 2019) and decreased by Euro 22,800 thousands. This variation is due to the “Core business revenue” of Euro 10,394 thousand, the “other revenues” of Euro 8,435 thousand and the “other income” of Euro 3,971 thousand.

The “Core business revenue” are equal to Euro 827,347 thousand (Euro 837,741 thousands as at 31 December 2019) and they decrease by Euro 10,394 thousand. The variation is linked to two mutually opposite effects, on the one hand the increase in the item “Local public transport revenue” for Euro 3,695 thousands and on the other the decrease for Euro 14,089 thousand in the services complementary to the service contract with the Municipality of Milan such as parking, Removal and “other core business revenues”.

The “Service contract Municipality of Milan” decreases by Euro 4,847 thousand. The “Service Contract Copenhagen” increased by Euro 17,973 thousand compared to 2019, following the start of the commercial activities of the M3 (Cityringen) and M4 lines of the Copenhagen Metro, which started on September 29, 2019 and March 28, 2020 respectively. In the financial year 2020, the following items were reduced: “Ticket sales - Intercity” which fall by Euro 7,508 thousand, as a consequence of the reduction in sales volumes of travel licenses due to restrictions on the mobility of persons and limitations on the capacity of the means imposed by the Italian Government during the whole emergency phase; “Special/dedicated transport services” in a reduction of Euro 1,875 thousand as a consequence of the interruption of the commercial activities of “Tram restaurant” and “Tram Storico” carried out by the subsidiary ATM diversified services S.r.l. and of the minor special services provided during 2020 for events or events.

Services complementary to the Service Contract with the Municipality of Milan such as parking, parking, Removal and “other core business revenues” fall by a total of Euro 14,089 thousand due to the decline of users due to the interruption of the mobility of persons and of municipal initiatives that have suspended payment of the tariffs of the services themselves. In particular, “on-street parking management fees” decreased by Euro 8,994 thousand, affected by the two suspensions, the first from 12 March to 14 June 2020 and the second from November 5, 2020, of the payment rest regime; The “car parking management fees” decreased by Euro 4,633 thousand euros, since parking usage rates were close to zero during the lockdown period; Finally, “Vehicle towing management fees” decreased by Euro 498 thousand following a reduction in the volume of removal activities.

“other revenues” amounted to Euro 58,374 thousand (Euro 66,809 thousand as of 31 December 2019) and decreased by Euro 8,435 thousand. The main decreases are related to: Advertising revenues of Euro 8,671 thousand, following the revision of the terms of the contract with the company that manages advertising space; the sale of magnetic cards for Euro 2,708 thousand; revenues from renting spaces for Euro 1,116 thousand, following the revision of the fees due for the 3rd and 4th quarters to compensate for the interruptions in commercial activities following government measures in Italy; the sale of operating materials for Euro 1,007 thousand euros. These decreases were partly offset by higher revenues for services to third parties which, in the analysis period, increased by Euro 5,371 thousand to the same period last year. These higher revenues are attributable to the Danish subsidiary Metro Service A/S for incremental activities required by the entrusted entity Metroselskabet, which has recognized the company with the reimbursement of the higher costs incurred for the communication, surveillance and cleaning activities carried out following the COVID-19 pandemic. The services provided to third parties also include maintenance activities on municipal-owned infrastructures, for the implementation and management of the payment system of Area B and C and the traffic and territory control system, as well as unscheduled maintenance on the M5 underground line.

The “other income” in 2020 amounted to Euro 72,226 thousand (Euro 76,197 thousand as of December 31, 2019) and decreased by Euro 3,971 thousand. The decrease is mainly due to Euro 6,980 thousand to the lower commissions on the sale of travel licenses as a result of the decrease in sales volumes recorded in 2020 and Euro 208 thousand euro to the lower revenues for fines recorded

for passengers. These changes were partially offset by Euro 1,064 thousand by the increase in “*proceeds for penalties invoiced to suppliers*”, in view of the definition of two transaction agreements with companies supplying metrotransviary material and for Euro 2,373 thousand from the increase in the item “*contributions*” mainly for the contributions relating to the Ristori Decreti (D.L. 34/2020 and D.L. 104/2020). This was highlighted in the Management Report in the chapter “*the ATM Group and the COVID Emergency-19*”. In particular, contributions were made under the competence of NET S.r.l. for Euro 1,534 thousand and under the competence of ATM S.p.A. for Euro 381 thousand in relation to the management of the Como - Brunate Funicular. The item “*other income*” includes for Euro 50,190 thousand contributions for CCNL for the financial year, the amount of which is unchanged from the previous financial year, Committed by Law n° 47 of 27 February 2004 to cover the costs arising from the renewal of the collective employment contract for the two-year period 2002/2003, With Law n° 58 of 22 April 2005 to cover the charges deriving from the renewal of the CCNL two-year period 2004/2005 and with Law n° 296 of 27 December 2006 (Finanziaria 2007) to cover the charges of the renewal of the CCNL two-year period 2006/2007. Finally, the item under analysis includes contributions for the production of electricity by means of photovoltaic systems and contributions for staff training. No significant changes are reported for these items.

Costs and other operating charges

“*Costs and other operating charges*” amounted to Euro 896,770 thousand (at December 31, 2019 equal to Euro 867,179 thousand) and increased by Euro 29,591 thousand.

The main variations relate to:

- “*Purchase of goods and changes in inventories*” equal to Euro 73,980 thousand (Euro 71,635 thousand at December 31, 2019), which increase by 2,345 thousand euros compared to 31 December 2019. The increase is due to the higher costs incurred by the Danish subsidiary Metro Service A/S for the purchase of materials for the maintenance of iron-on-iron rotables as a result of the opening of the new underground lines and by the companies operating in Italy for greater purchases of materials as a result of the internalization of some maintenance activities. These costs have been partly offsetted by lower fuel purchases linked to lower fuel consumption due both to the entry into service of new hybrid/electric vehicles and to the benefits of a more smooth and efficient running of vehicles, due to lower motor vehicle traffic and lower loads carried due to the reduction in the number of passengers;
- “*Service costs*” equal to Euro 267,284 thousand (Euro 241,336 thousand as of December 31, 2019) which increase by Euro 25,948 thousand.

The main items, which increased from December 31, 2019, are:

- “*maintenance and cleaning costs*” increased by Euro 36,703 thousand following the start of the new metro lines M3 (Cityringen) and M4 on the Copenhagen metro, starting from September 29, 2019 and from March 28, 2020 respectively, while with reference to Italian companies, the internalization of the maintenance activities of rubber and iron rolling stock as a consequence of the end of the full service maintenance contracts included in the purchase contracts that were in the part of the suppliers of the vehicles. In addition, the 2020 financial year was influenced by the increased costs incurred for the sanitization and sanitation of the means, activities carried out following the COVID-19 pandemic. As regards the latter aspect, it is pointed out that in Italy the higher costs for managing the pandemic have been borne economically and financially by ATM, while in Denmark the responsible entity Metroselskabet, in order to comply with all the provisions of the Danish authorities, It has recognized the Danish subsidiary

Metro Service A/S with higher revenues to meet the higher costs of a total of Euro 5,371 thousand. Finally, it should be noted that the item in question reflects the non-recurring effect noted in the 2019 financial statements of Euro 10 million relating to the release of the specific environmental fund set aside in previous financial years and set up to deal with specific environmental measures on the M2 metro line;

- “*electric traction energy*”, an increase of Euro 3,143 thousand, of which Euro 5,873 thousand, followed the start of the commercial activities of the M3 (Cityringen) and M4 lines of the Copenhagen metro, are partly offsetted by the lower charges of Euro 2,730 thousand due to the reduction in the cost of electricity and the lower journeys made during *the lockdown period* in Milan.

The main cost items which, on the other hand, show a decrease are:

- “production and distribution of travel tickets went down by Euro 6,277 thousand, as a result of the reduction in sales volumes of travel tickets due to restrictions on the mobility of persons and limitations on the capacity of the means imposed by the Italian Government during the whole emergency phase;
 - “*customer services, advertising and marketing*” decreased by Euro 1,210 thousand compared to 2019. The decrease is linked to fewer customer support services related to the toll-free number, call center and bike sharing, partly offset by the communication and information initiatives set up in 2020 to promote separation and compliance with behavioral norms during the COVID-19 emergency;
 - “*Miscellaneous services*” decreased by Euro 1,696 thousand compared to 2019, the change was mainly due to a reduction in bank charges of Euro 2,991 thousand (Euro 4,374 thousand in 2019) applied to the sale of travel licenses by electronic payments, as a result of lower sales volumes of travel tickets as a result of the fall in passengers;
 - “*Security costs*” decreased by Euro 1,161 thousand compared to 2019 and refers to the supervisory services supported to combat acts of vandalism and to ensure the safety of passengers on board the vehicles. During 2020, in view of the decrease in passenger flow and the consequent reduction in revenue from travel tickets, the collection and transport services of valuables were reduced
- “*operating leasing costs*” reflecting a net reduction of Euro 1,587 thousand compared to the previous year. The decrease was due to Euro 1,169 thousand due to the failure to recognize the management fee for staging areas to the Board – Municipality of Milan – as a result of the lower parking income in 2020 due to *the lockdown period* and the residual interest ineffect. The application of IFRS 16 – *Lease* to long-term rental contracts concluded after December 31, 2019 relating to company vehicles and expiring by December 31, 2020 (*short-term lease*);
 - “*personnel expenses*” amounting to Euro 541,592 thousand (Euro 541,289 thousand as of December 31, 2019), increase by Euro 303 thousand as a result of opposite effects: On the one hand, lower “*salaries and wages*” for Euro 5,021 thousand and, on the other, higher “*social security contributions*” for Euro 4,842 thousand. The lower “*salaries and wages*” are mainly linked to a reduction in overtime, variable compensation (PDR, MBO) remuneration and to the use of the bilateral Public Transport Solidarity Fund during *the lockdown period* in March and April 2020. These effects were partly offsetted by increases in remuneration linked to staff movement and the exodus incentive program aimed at staff close to the maturation of retirement rights. The largest “*social security charges*” are influenced by the non-recurring effect noted in the financial year 2019 on the recognition, in the context of the contribution payment, of the reimbursement of

sickness charges for 2013 for Euro 5,603 thousand , which did not take place in the financial year 2020;

- “*other costs and operating charges*” amounting to Euro 11,896 thousand (at December 31, 2019 equal to Euro 9,314 thousand) increase by Euro 2,582 thousand . The increase compared to the same period of 2019 is mainly due to provisions made to deal with emerging risks on a current case for Euro 2,003 thousand and to the higher period charges related to the management of damages from TPL for Euro 349 thousand .

“*amortization, depreciation and write-down*” amounted to Euro 108,551 thousand (at December 31, 2019 equal to Euro 107,304 thousand) and increased by Euro 1,247 thousand . The change is attributable to higher depreciation, net of contributions, for Euro 6,733 thousand due to the investments of the year and to lower write-downs for Euro 5,486 thousand related to metropolitan trains that, considering their technological obsolescence, that are no longer used in the transport service.

The “*Net financial income*” was positive at Euro 1,566 thousand (positive at December 31, 2019 and equal to Euro 3,701 thousand) and decreased by Euro 2,135 thousand . The item “*Financial income*”, amounting to a total of Euro 8,081 thousand (Euro 12,689 thousand as of December 31, 2019), decreased by Euro 4,608 thousand. This decrease is linked, on the one hand, to the lower net profits achieved by the trading of financial assets (down from the same period of 2019 by Euro 2,077 thousand), and to lower earnings from adjustment to *the fair value* of FVTPL securities (down Euro 736 thousand compared to last year) in addition to lower interest income, down Euro 312 thousand compared to the previous year. Other financial income is also decreased by Euro 1,483 thousand , the variation of which is mainly due to Euro 1,272 thousand to the adjustment of the value of the stake held in Movibus S.r.l. to the representative value of the share of net worth attributable to ATM S.p.A. (Euro 360 thousand in 2020 compared with Euro 1,632 thousand in 2019).

Despite the strong volatility that occurred on the financial markets in the first half of 2020, financial management has nevertheless ensured the preservation of the invested capital and has also generated a positive return.

The item “*financial charges*” , amounting to a total of Euro 6,515 thousand (Euro 8,988 million as at December 31, 2019), falls by Euro 2,473 thousand. The decrease is due to lower *fair value charges* for FVTPL securities (down by Euro 816 thousand compared to 2019), as well as lower interest for defined benefit plans for employees (down by Euro 985 thousand compared to 2019) and lower securities trading losses of Euro 759 thousand . This item also consists of interest liabilities recognized on the bond and financial debt for payments by the European Investment Bank amounting to Euro 4,349 thousand (as at December 31, 2019, Euro 4,470 thousand).

The “*Share of the result of companies measured under the equity method*” , equal to Euro 2,546 thousand , accepts the valuation of the companies Metro 5 S.p.A., Movibus S.r.l. and SPV linea M4 S.p.A. with Equity method.

Under “*income taxes*”, an advance tax of Euro 18,789 thousand was issued in 2020. Of which Euro 13,610 thousand relating to the non-recurring effect resulting from the release of advanced taxes on tax losses accrued in previous years and with reference to the annuality of Euro 2021 and 2022 and Euro 5,179 thousand relating to the release of advanced taxes on risk funds whose recoverability is not considered likely in the coming years. The effects of the COVID–19 pandemic significantly affected the aspects of short-term scenarios (12 – 24 months) such that taxable profits are not expected to

absorb such tax losses within a reasonable time frame and therefore the estimate of the deferred taxes previously entered in the balance sheet has been updated.

The *(Loss) for the year* amounts to Euro 64,493 thousand, including third-party profit of Euro 3,589 thousand. The contribution to the formation of the operating result of the foreign subsidiary Metro Service A/S was positive and amounted to Euro 7,490 thousand .

Reclassified consolidated statement of financial position

	12.31.2020	12.31.2019
NET CAPITAL EMPLOYED		
Property, plant, and equipment	1,299,209	1,276,468
Intangible assets	3,822	3,928
Right of use for leased assets	5,906	6,669
Financial fixed assets	52,176	49,379
A. FIXED CAPITAL	1,361,113	1,336,444
Trade receivables	182,888	191,822
Other current assets	124,004	147,413
Inventories	93,017	88,778
B. CURRENT ASSETS	399,909	428,013
Trade payables	252,231	294,644
Other current liabilities	136,087	132,982
C. CURRENT LIABILITIES	388,318	427,626
D. WORKING CAPITAL (D=B-C)	11,591	387
E. NET CAPITAL EMPLOYED (E=A+D)	1,372,704	1,336,831
Assets and liabilities from discontinued operation	-	-
TOTAL NET INVESTED CAPITAL AND DISCONTINUAL ACTIVITIES AND LIABILITIES	1,372,704	1,336,831

The *“net invested capital”* at December 31,2020 amounted to Euro 1,372,704 thousand and increased by Euro 35,873 thousand compared to December 31, 2019.

The *“Fixed capital”* at December 31, 2020 amounted to Euro 1,361,113 thousand . During the financial year, investments amounted to Euro 139,924 thousand (net of the increase in user rights registered under IFRS 16 for Euro 1,390 thousand), while the shares of Amortization and write-downs recorded in the income statement amounted to Euro 145,286 thousand euros (including amortization’s share of user rights of Euro 2,151 thousand euro) and before the effect of plant contributions of Euro 36,735 thousand .

The *“working capital”* at December 31, 2020 shows an positive balance of Euro 11,591 thousand , with a deteriorated position of Euro 11,204 thousand compared to December 31, 2019, the change is due to the dynamics of commercial receivables and payables and to inventory inventories. The dynamics of variation of the various components of working capital are better analyzed in the explanatory note.

	12.31.2020	12.31.2019
Bonds- non current	69,404	69,247
Banks - non current	202,631	220,805
Financial liabilities non current-Lease Liability (IFRS 16)-	4,275	4,768
Other receivables and non-current assets, of which:	-	(7,251)
<i>Loans for guaranteed CDP financing- non-current</i>	-	(7,251)
Non-current financial position	276,310	287,569
Current bond loans	525	524
Bank loans - current	53,184	17,799
Current financial liabilities - Lease liability (IFRS 16	2,687	2,488
Other receivables and current assets of which:	(7,251)	(7,017)
<i>Loans for guaranteed CDP financing-current</i>	(7,251)	(7,017)
Current financial assets of which:	(227,192)	(251,819)
Cash and cash equivalents	(123,861)	(182,152)
Current financial position	(301,908)	(420,177)
Net financial position	(25,598)	(132,608)

The “*net financial position*” as at December 31, 2020 – determined for the purposes of this Management Report taking into account the Group’s bonds and UCITS – is positive and stands at Euro 25,598 thousand , down by Euro 107,010 thousand compared to the year 2000 december 31, 2019. The change from 31 December 2019 is mainly due to the absorption generated by the investment activity and to the lower cash generation of the income management. The balance of the financing with the European Investment Bank decreases as a result of the repayments made in the year amounting to Euro 10,782 thousand.

	12.31.2020	12.31.2019
SOURCES OF FUNDING		
Financial payables	332,706	315,631
Financial receivables	(7,251)	(14,268)
Cash and cash equivalents and securities	(351,053)	(433,971)
F. NET FINANCIAL POSITION	(25,598)	(132,608)
Employee benefits	125,664	125,694
Provisions risks and charges	123,487	117,016
G. NON-CURRENT LIABILITIES	249,151	242,710
H. EQUITY	1,132,657	1,209,904
- Share capital	700,000	700,000
- Reserves	408,428	417,593
- Retained earnings	24,229	92,311
I. NON-CONTROLLING INTERESTS	16,494	16,825
L. SOURCES OF FUNDING (L=F+G+H+I)	1,372,704	1,336,831

The “Equity” at December 31 , 2020 amounted to Euro 1,132,657 thousand euros, down by Euro 77,247 thousand . The decrease is attributable to the result for the year of Euro 68,082 thousand and to other changes in the total income statement for a total of Euro 9,165 thousand , of which Euro 8,378 thousand are related to the valuation of the TFR according to the actuarial methodology laid down in IAS 19

and Euro 2,068 thousand to the valuation of the securities portfolio and to the variation of the “Cash Flow reserve Hedge”.

Reclassified Consolidated Cash Flow Statement	2020	2019	Variation
Consolidated net profit	(64,493)	9,197	(73,690)
<i>Adjustments to reconcile net profit to operating cash flow: :</i>			
- amortization, depreciation and write-downs and from consolidation	108,551	107,304	1,247
- net gain on asset disposals	(89)	(31)	(58)
- income taxes, interest, dividends	19,871	(1,688)	21,559
- financial asset impairment	(206)	36	(242)
- other non-monetary changes	(1,248)	(6,098)	4,850
Change in net working capital	(49,709)	20,589	(70,298)
Cash in provisions for cash and cash equivalents	(66)	(100)	34
Non-current liabilities (changes in risk provisions and severance indemnity fundR)	(4,065)	(23,286)	19,221
Interest paid on leased assets International IFRS 16	(99)	(78)	(21)
Income Taxes paid, interest (paid) / received, dividends received	(2,596)	590	(3,186)
Consolidated cash flow from operating activities	5,851	106,435	(100,584)
Investments			
Net capital expenditure	(139,924)	(155,411)	15,487
Proceeds from technical disposals	584	4,238	(3,654)
Change in supplier payables for capital expenditure	17,276	(29,684)	46,960
Investments in financial assets	27,723	14,028	13,695
Changes in plant capital grants	12,070	15,591	(3,521)
Consolidated free cash flow	(76,420)	(44,803)	(31,617)
Changes in current and non-current financial payables	24,218	(10,641)	34,859
Cash flow from own capital (dividends paid)	(3,920)	(980)	(2,940)
Exchange rate effect	(453)	(48)	(405)
Reimbursement of the principal amount of leased assets IFRS 16	(1,782)	(1,137)	(645)
Consolidated net cash flow in the year	(58,357)	(57,609)	(748)

The “consolidated cash flow from operating activities” in 2020 amounted to Euro 5,851 thousand ; a decrease of Euro 100,584 thousand compared to 2019. The trend in net working capital, the variation in taxes and financial items, and the variation in the amount of risk funds following the settlement of disputes, have contributed to the result. This flow ensured that approximately 3% of the needs arising from the investment activity were covered (Euro 139,924 thousand net of disposals).

The consolidated free cash flow was negative and amounted to Euro 76,420 thousand , mainly due to the cash absorption generated by the investments made in 2020.

The consolidated net cash flow in the year was negative and amounted to Euro 58,357 thousand and includes the drawing of Euro 35,000 thousand of cash , the adjustment of the mortgage payments with the European Investment Bank for 10.782 thousand euros, The payment of dividends to Hitachi Rail STS S.p.A. agreed by International Metro Service S.r.l. for Euro 3,920 thousand . The value of Cash and cash equivalents decreased to Euro 123,948 thousand compared to Euro 182,305 thousand at December 31,2019.

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

The financial statements of ATM S.p.A. at December 31, 2020 have been prepared in accordance with the IAS/IFRS principles.

For a better understanding of the economic performance of the Financial Statements 2020, characterized by the COVID-19 pandemic, as recommended by ESMA, income components directly related to the pandemic situation have been isolated. It should also be noted that the COVID-19 pandemic represented an exogenous trigger event at ATM S.p.A. which made it necessary to carry out an *impairment test*, as recommended by ESMA and in accordance with the requirements of the International Accounting Standard IAS 36, regarding the recoverability of net invested capital. *The impairment test* was carried out on the “*local public transport and complementary services*” business line, as defined in Note 7 “Operational performance – sector analysis”.

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

- > The operating result for 2020 is negative and amounts to Euro 57,185 thousand (negative and amounts to Euro 4,283 thousand at December 31, 2019).
- > The Group’s operating loss is equal to Euro 70,360 thousand (positive and equal to Euro 960 thousand at December 31, 2019).
- > Current assets are equal to Euro 387,676 thousand (Euro 351,579 thousand at December 31, 2019).
- > Current liabilities are equal to Euro 404,588 thousand (Euro 360,628 thousand at December 31, 2019).
- > The net financial position changed from a positive value of Euro 667 thousand at December 31, 2019 to a negative value of Euro 108,606 thousand.
- > Net invested capital went from Euro 1,306,887 thousand at December 31, 2019 to Euro 1,337,284 thousand as at December 31, 2020 and is 82% covered by equity.

Income statement

	2020	2019	Variation
Revenues and other operating income			
Core Business Revenue	713,378	735,266	(21,888)
Local Public Transport Revenues of which:	692,331	699,734	(7,403)
Service Contract Municipality of Milan	663,636	668,483	(4,847)
Service Contract Intercity	3,681	3,628	53
Service Contract M5 Line	23,640	23,882	(242)
Ticket sales - Intercity	1,084	3,036	(1,952)
Special/dedicated transport services	290	705	(415)
On-street parking, parking and vehicles towing management fees	15,627	29,752	(14,125)
Revenues and services from Group companies	5,420	5,780	(360)
Other revenue	45,208	60,651	(15,443)
Other income of which:	64,107	72,487	(8,380)
NCLA Grants	48,644	48,575	69
Total revenues and other operating income	822,693	868,404	(45,711)
Costs and other operating charges			
Purchases of goods and changes in inventories	(64,706)	(63,958)	(748)
Service costs	(219,654)	(213,340)	(6,314)
Maintenance and cleaning costs	(113,017)	(91,357)	(21,660)
Electric traction power	(38,288)	(41,017)	2,729
Sub-contracted transport services	(20,472)	(19,935)	(537)
Utilities	(16,059)	(18,456)	2,397
Production and distribution travel tickets	(5,664)	(11,903)	6,239
Insurance	(6,479)	(6,627)	148
Customer services, advertising and marketing	(3,207)	(3,826)	619
Personnel services	(3,177)	(3,434)	257
Miscellaneous services	(6,110)	(7,630)	1,520
Professional services	(4,863)	(6,250)	1,387
Security costs	(2,318)	(2,905)	587
Operating leasing costs	(1,802)	(3,421)	1,619
Personnel expenses	(477,287)	(480,466)	3,179
Salaries and wages	(340,919)	(348,202)	7,283
Social security charges	(102,143)	(98,196)	(3,947)
Post-employment benefits	(22,441)	(22,135)	(306)
Other costs	(15,394)	(16,087)	693
Personnel costs for internal works	3,610	4,154	(544)
Other costs and operating charges	(11,305)	(8,536)	(2,769)
Total costs and other operating charges	(774,754)	(769,721)	(5,033)
EBITDA	47,939	98,683	(50,744)
Amortisation, depreciation and write-downs	(105,124)	(102,966)	(2,158)
Depreciation - property, plant and equipment	(120,648)	(114,613)	(6,035)
Plant capital grants	35,600	35,581	19
Amortisation - intangible assets	(921)	(998)	77
Depreciation right of use for leased assets	(2,026)	(1,543)	(483)
Write-down - property, plant and equipment	(17,129)	(21,393)	4,264
EBIT	(57,185)	(4,283)	(52,902)
Financial income	12,124	13,663	(1,539)
Financial expenses	(6,081)	(8,686)	2,605
Net financial income (charges)	6,043	4,977	1,066
Pre-tax result	(51,142)	694	(51,836)
Income taxes	(19,218)	266	(19,484)
(Loss)/profit for the year	(70,360)	960	(71,320)

For a better understanding of the economic trend and in order to allow comparability of the 2020 and 2019 financial statements characterized by significant non-recurring economic effects, the Directors considered it appropriate to highlight the non-recurring effects in the following table to allow the identification of the “adjusted” trend of the economic result; in accordance with the ESMA recommendation, indications related to the nature of the items considered in the reconciliation are provided.

The impact of non-recurring effects is shown below:

	2020	2019
(Loss) / profit for the year	(70,360)	960
Other income	(381)	-
Service Costs	-	(10,000)
Personnel expenses	1,306	(5,355)
Amortisation, depreciation and write-downs	17,129	21,393
Income taxes	13,610	-
Total non-recurring effects	31,664	6,038
Adjusted (loss) / profit for the period	(38,696)	6,998

The “*other income*” component refers to the financial contributions related to the “Ristori Decrees” (D.L. 34/2020 and D.L. 104/2020) for the management of the Como – Brunate Funicular.

The “*service costs*” component refers to the release, made in 2019, of the specific environmental fund set aside in previous years for Euro 10,000 thousand. The fund was set up to meet specific environmental measures on the M2 metro line. These interventions, initially envisaged by the Group, will be part of the specifically financed workings by the competent authorities in the context of the refurbishment project for the signaling and armament systems of the M2 metro line. Please refer to Note 24 of the explanatory note for comments and the movement of risk provisions.

The “*personnel expenses*” component in 2020 refers to Euro 3,720 thousand to the higher non-recurring costs for redundancy incentives recognised to staff close to retirement, and Euro 2,414 thousand to lower staff costs due to the appeal for the bilateral Fund of Solidarity Public Transport during the *period of lockdown*. In 2019, on the other hand, the non-recurring effect was recorded for Euro 5,355 thousand connected to the recognition by the Ministry of Labor of the request for contributions for sickness charges referring to the 2013 financial year.

The “*amortisation, depreciation and write-downs*” component, recognised in the 2020 financial year for Euro 17,129 thousand, refers to the non-recurring effect connected to the write-down of 6 trains used on the M2 metro line and 3 trains used on the M3 metro line, which will be taken out of service and consequently replaced in 2021; In 2019, the non-recurring effect, equal to Euro 21,393 thousand, was connected to the write-down of 6 trains used on the M2 metro line, which were taken out of service and were replaced in 2020 on the basis of the supply of 12 new “Leonardo” model trains envisaged by the fourth application contract.

Finally, the “*income taxes*” component refers to the non-recurring effect of Euro 13,610 thousand relating to the release of deferred taxes on tax losses accrued in previous years and referring to the years 2021 and 2022. The effects of the COVID-19 pandemic significantly affected the aspects related to the short-term scenarios (12 – 24 months) such that it is not expected to make taxable profits capable of

absorbing these tax losses within a reasonable time frame and therefore the estimate of the deferred tax recognized in the financial statements has been updated.

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

Revenues and other operating income

The “*revenues and other operating income*” component in 2020 amounted to Euro 822,693 thousand (Euro 868,404 thousand at December 31, 2019) and decreases by Euro 45,711 thousand. This variation is made up of the “*core business revenue*” for Euro 21,888 thousand, the “*other revenues*” of Euro 15,443 thousand and the “*other income*” of Euro 8,380 thousand.

The “*Core business revenue*” in the reference period amounted to Euro 713,378 thousand (Euro 735,266 thousand at December 31, 2019) and decreased by Euro 21,888 thousand; The change is due to the decrease in the item “*revenues from LTP*” for Euro 7,403 thousand and for Euro 14,485 thousand to services complementary to the service contract with the Municipality of Milan such as on-street parking, parking, vehicles towing management fees and services rendered to Group companies.

The “*service contract of Milan*” fee decreases by Euro 4,847 thousand while the “*ticket sales - intercity*” decreases by Euro 1,952 thousand as a result of the reduction in sales volumes of travel tickets due to restrictions on the mobility of people and limitations on the capacity of the vehicles imposed by the Italian Government during the whole emergency phase; the “*special/dedicated transport services*” reduced by Euro 415 thousand as a result of the minor special services provided during 2020 for events or manifestations.

The complementary services to the service contract with the Municipality of Milan such as on-street parking, parking and vehicles towing management fee decrease overall by Euro 14,125 thousand following the decline of users due to the interruption of the mobility of people and the municipal initiatives that suspended the payment of the rates of the services themselves. In particular, “*on-street parking revenues*” decrease by Euro 8,994 thousand, affected by the two suspensions, the first from March 12 to June 14, 2020 and the second from November 5, 2020, of the payment of on-street parking regime, already mentioned above; The “*parking revenues*” decrease by Euro 4,633 thousand, since during the lockdown period the parking utilization rates were close to zero; Finally, “*vehicles towing management fee*” decrease by Euro 498 thousand following a reduction in the volume of removal activities.

The “*other revenues*” component amounted to Euro 45,208 thousand (Euro 60,651 thousand December 31, 2019) and decrease by Euro 15,443 thousand. The main decreases concern: Advertising revenues for Euro 8,611 thousand, following the revision of the terms of the contract with the company that manages advertising space; the sale of magnetic cards for Euro 2,708 thousand; Revenues for services rendered to third parties for Euro 1,713 thousand, including maintenance activities on municipal property infrastructures, for the construction and management of the payment system of Area B and C and of the traffic and territory control system, as well as the activities of unscheduled extraordinary maintenance on the M5 metro line; the revenues from renting commercial premises for Euro 1,116 thousand following the revision of the rents due for the 3rd and 4th quarters to compensate for the interruptions in commercial activities following government measures in Italy; the sale of operating materials for Euro 1,002 thousand.

The “*other income*” component in 2020 amounted to Euro 64,107 thousand (Euro 72,487 thousand at December 31, 2019) and decreased by Euro 8,380 thousand. The decrease of the component is due for Euro 7,397 thousand to the lower commissions on the sale of travel tickets as a result of the decline in sales volumes recorded in 2020 and for Euro 2,744 thousand to the lower revenues from passenger fines. These changes were partially offset for Euro 1,105 thousand by the increase in “*proceeds for penalties invoiced to suppliers*”, following the definition of two settlement agreements with companies supplying metro and tram material and for Euro 381 thousand for “*contributions*” relating to the “Ristori Decrees” (D.L. 34/2020 and D.L. 104/2020) for the management of the Como - Brunate Funicular, which have been extensively highlighted in the Management Report in the chapter “*the ATM Group and the COVID-19 emergency*”. In addition, the “*other income*” component includes Euro 48,644 thousand of contributions for CCNL for the financial year, the amount of which is unchanged compared to the previous financial year, Committed by Law n° 47 of February 27, 2004 to cover the costs arising from the renewal of the collective employment contract for the two-year period 2002/2003, with Law n° 58 of April 22, 2005 to cover the charges deriving from the renewal of the CCIL for the two-year period 2004/2005 and with Law n° 296 of December 27, 2006 (Finanziaria 2007) to cover the costs of the renewal of the CCNL for the two-year period 2006/2007.

Costs and other operating costs

The “*costs and other operating costs*” amounted to Euro 774,754 thousand (Euro 769,721 thousand at December 31, 2019) and increased by Euro 5,033 thousand. The main changes refer to:

- “*costs for the purchase of goods and changes in inventories*”, equal to Euro 64,706 thousand (Euro 63,958 thousand at December 31, 2019), which increased by Euro 748 thousand compared to December 31, 2019. The increase is due to the increased purchases of materials for the maintenance of rail rolling stock following the internalization of some maintenance activities. These costs were partly offset by lower fuel purchases related to lower fuel consumption due to both the entry into service of new hybrid/electric vehicles and the benefits deriving from a more regular and efficient running of vehicles due to less car traffic and less loads transported due to the reduction in the number of passengers;
- “*service costs*”, equal to Euro 219,654 thousand (Euro 213,340 thousand at December 31, 2019), which increased by Euro 6,314 thousand.

The main components, which increased compared to December 31, 2019, are:

- “*maintenance and cleaning costs*” increased by Euro 21,660 thousand following the internalization of maintenance activities for rail and road rolling stock as a consequence of the end of the term of the full service maintenance contracts included in the purchase contracts. The component also includes higher costs related to maintenance interventions carried out on the metrotram armament, hardware and software. In addition, the 2020 financial year was influenced by the increased costs incurred for the sanitization and sanitation of the vehicles, activities carried out following the COVID-19 pandemic. As regards the latter aspect, it should be noted that the costs were entirely sustained economically and financially by ATM. Finally, it should be noted that this component affects the non-recurring effect recorded in the 2019 financial statements for Euro 10 million relating to the release of the specific environmental fund set aside in previous financial years and set up to deal with specific environmental interventions on the M2 metro line;
- “*sub-contracted transport services*” increased by Euro 537 thousand for the major transport services required at the opening of school education activities.

The main cost components which, on the other hand, show a decrease are the following:

- “*Electric traction power*” decreased by Euro 2,729 thousand, due to the reduction in the cost of electricity and the reduction in the number of journeys made during *the lockdown period* in Milan.
- “*production and distribution of travel tickets*” decreased by Euro 6,239 thousand, as a consequence of the reduction in sales volumes of travel tickets due to the restrictions on the mobility of people and limitations on the capacity of vehicles imposed by the Italian Government throughout the emergency phase of which extensive description has been given in another part of this document;
- “*Customer services, advertising and marketing*” decreased by Euro 619 thousand compared to 2019. The decrease is linked to lower customer support services related to the toll-free number, call center and bike sharing, partly offset by the communication and information initiatives set up in 2020 to promote distancing and compliance with behavioral rules during the COVID-19 emergency;
- “*miscellaneous services*” decreased by Euro 1,520 thousand compared to 2019; the change is mainly attributable to the reduction in bank commissions for Euro 2,950 thousand (Euro 4,325 thousand in 2019) applied to the sale of travel tickets through electronic payments, as a result of the lower volumes of sales of travel tickets following the decline in passengers;
- “*security costs*” decreased by Euro 587 thousand compared to 2019. It refers to security services supported to counteract actions of vandalism and to ensure the safety of passengers on board the vehicles. During 2020, against the decrease in the flow of passengers and the consequent reduction in revenue from travel tickets, the collection and transport services of valuables were reduced.
- “*operating leasing costs*” reflect a net reduction compared to the previous year for a total of Euro 1,169 thousand attributable to the failure to recognize the management fee for on-street parking areas to the Board – Municipality of Milan – for Euro 1,619 thousand, as a result of the lower on-street parking income in 2020 due to *the lockdown period* and the residual fee in the effect of applying IFRS 16 – *Lease* to long-term rental contracts stipulated after December 31, 2019, relating to company vehicles and expiring by December 31, 2020 (*short-term lease*);
- “*personnel expenses*” amounted a total of Euro 477,287 thousand (Euro 480,466 thousand at December 31, 2019) decreased by Euro 3,179 thousand as a result of opposing effects: On the one hand, lower “*salaries and wages*” for Euro 7,283 thousand and, on the other hand, higher “*social security charges*” for Euro 3,947 thousand. The lower “*salaries and wages*” are mainly related to a reduction in the remuneration of overtime, variable remuneration (PDR, MBO) and the use of the Bilateral Public Transport Solidarity Fund during *the lockdown period* in March and April 2020. These effects were partially offset by increases in salary related to staff movement and the redundancy incentive program aimed at staff close to the maturation of retirement rights. The higher “*social security charges*” are influenced by the non-recurring effect noted in the financial year 2019 relating to the recognition, in the context of the contribution payment, of the reimbursement of sickness charges for 2013 for Euro 5,355 thousand, which did not occur in the financial year 2020;
- “*other costs and operating charges*” amounted a total of Euro 11,305 thousand (Euro 8,536 thousand at December 31, 2019) and increased by Euro 2,769 thousand. The increase compared to 2019 was due to the increases related to the provisions made in order to address the emerging risks on a current case in progress of Euro 2,003 thousand and to the higher charges for the period related to the management of damages from TPL for Euro 399 thousand.

The “amortization, depreciation and write-downs” amounted a total of Euro 105,124 thousand (Euro 102,966 thousand at December 31, 2019) and increased by Euro 2,158 thousand. The change is attributable to higher depreciation for net of contributions for Euro 6,422 thousand due to the investments made during the year and to lower write-downs for Euro 4,264 thousand referring to metropolitan trains that, considering their technological obsolescence, are no longer used in the transport service.

The “Net financial income (charges)” are positive and equal to Euro 6,043 thousand (at December 31,2019 they were positive and equal to Euro 4,977 thousand) and increase by Euro 1,066 thousand. The component “Financial income” , which amounts to a total of Euro 12,124 thousand (Euro 13,663 thousand at December 31, 2019), decreases by Euro 1,539 thousand. The decrease is due to the lower net profits achieved by trading in financial assets (decreased compared to the same period of 2019 by Euro 2,076 thousand) and to the lower income from adjusting the fair value of FVTPL securities (decreased Euro 735 thousand compared to the same period last year), besides the lower interest income, decreased by Euro 305 thousand compared to the previous year. The increase in other financial income for Euro 1,577 thousand partially compensates for the above-mentioned decreases. The increase was mainly due to the income from equity investments for Euro 4,080 thousand (Euro 1,020 thousand in 2019) partially offset for Euro 1,272 thousand by the lower value of the restoration, within the limits of the original purchase cost, of the value of the investment held in Movibus S.r.l at the representative value of the share of shareholders’ equity pertaining to ATM S.p.A. (Euro 360 thousand in 2020 against Euro 1,632 thousand in 2019).

Despite the strong volatility that occurred on the financial markets in the first half of 2020, financial management has nevertheless ensured the preservation of the invested capital and has also generated a positive return.

The “financial expenses” component amount a total of Euro 6,081 thousand (Euro 8,686 thousand at December 31, 2019) decreased by Euro 2,605 thousand. The decrease is due to lower charges from the fair value adjustment for FVTPL securities (decreased Euro 781 thousand compared to 2019) as well as lower interest for defined benefit plans for employees (decreased Euro 952 thousand compared to 2019) and lower securities trading losses for Euro 759 thousand .

This component also is consisted of interest expenses recognized on the bond loan and financial debt for payments by the European Investment Bank amounting to Euro 4,349 thousand (at December 31, 2019, equal to Euro 4,470 thousand).

For “income taxes ” component during 2020, deferred taxes were issued for Euro 19,883 thousand , of which Euro 13,610 thousand related to the non-recurring effect resulting from the release of deferred taxes on tax losses accrued in previous years and relating to the annuities 2021 and 2022 and Euro 6,273 thousand relating to the release of deferred taxes on provisions for risks whose recoverability was not considered probable in the coming financial years. The effects of the COVID–19 pandemic significantly affected the aspects of short-term scenarios (12 – 24 months) such that taxable profits are not expected to absorb such tax losses within a reasonable time frame and therefore the estimate of the deferred tax recorded on the balance sheet has been updated.

The “loss for the period” amounts to Euro 70,360 thousand.

Statement of Financial Position

	12.31.2020	12.31.2019
NET CAPITAL EMPLOYED		
Property, plant, and equipment	1,281,152	1,258,154
Intangible assets	2,366	2,282
Right of use for leased assets	5,766	6,502
Financial fixed assets	57,049	56,861
A. FIXED CAPITAL	1,346,333	1,323,799
Trade receivables	151,004	165,322
Other current assets	116,197	138,183
Inventories	84,378	84,172
B. CURRENT ASSETS	351,579	387,677
Trade payables	242,025	283,350
Other current liabilities	118,603	121,241
C. CURRENT LIABILITIES	360,628	404,591
D. WORKING CAPITAL (D=B-C)	(9,049)	(16,914)
E. NET CAPITAL EMPLOYED (E=A+D)	1,337,284	1,306,885
Assets and liabilities from discontinued operation	-	-
TOTAL NET INVESTED CAPITAL AND DISCONTINUAL ACTIVITIES AND LIABILITIES	1,337,284	1,306,885

The “*net invested capital*” at December 31, 2020 amounts to Euro 1,337,284 thousand and shows a net increase of Euro 30,399 thousand compared to December 31, 2019.

The “*fixed capital*” at December 31, 2020 amounts to Euro 1,346,333 thousand. During the year, investments were made for Euro 136,615 thousand (net of the increase in user rights registered in accordance with IFRS 16 for Euro 1,290 thousand), while the depreciation and writedowns rates recorded in the income statement amounted to Euro 140,724 thousand, including the depreciation rate relating the rights of use equal to Euro 2,026 thousand, and gross of the effect of the contributions on plant account amounting to Euro 35,600 thousand.

The “*working capital*” at December 31, 2020 has a negative balance of Euro 9,049 thousand, with a decrease of Euro 7,865 thousand compared to December 31, 2019, the change was attributable to the trend of trade receivables and payables and inventories. The trend of change of the various components of working capital are better analyzed in the explanatory note.

	12.31.2020	12.31.2019
Bonds-non current	69,404	69,247
Bank loans-non current	202,631	220,804
Financial liabilities non-current - Lease liability (IFRS 16)	4,170	4,709
Other receivables and non-current assets	-	(7,251)
<i>Loans for guaranteed CDP financing-non-current</i>	-	(7,251)
Non-current financial position	276,205	287,509
Bonds-current	525	525
Bank loans-current	53,184	17,798
Financial liabilities current - Lease liability (IFRS 16)	2,643	2,379
Other payables and current liabilities	9,425	7,904
<i>Financial debts due to subsidiaries</i>	9,425	7,904
Other receivables and current assets	(7,251)	(7,017)
<i>Loans for guaranteed CDP financing-current</i>	(7,251)	(7,017)
Current financial assets	(221,219)	(247,990)
<i>Financial receivables due to subsidiaries</i>	(984)	(3,067)
Cash and cash equivalents	(112,845)	(169,715)
Current financial position	(275,538)	(396,115)
Net financial position	667	(108,606)

The “*net financial position*” as at 31 December 2020 – determined for the purposes of this report taking into account the bonds and UCITS held by the group – is passive, stands at Euro 667 thousand, decreased by Euro 109,273 thousand compared at December 31, 2019. The change compared to December 31, 2019 is mainly attributable to the absorption generated by the investment activity and the income management. The balance of the loan with the European Investment Bank decreased due to the repayments of Euro 10,781 thousand made during the year. In addition, *the financial debt from cash pooling* to subsidiaries of Euro 9,425 thousand (Euro 7,904 thousand at December 31, 2019) contributes to the total balance.

	12.31.2020	12.31.2019
SOURCES OF FUNDING		
Financial payables	341,982	323,365
Financial receivables	(8,235)	(17,335)
Cash and cash equivalents and securities	(333,080)	(414,638)
F. NET FINANCIAL POSITION	667	(108,608)
Post-employment benefits	121,605	121,437
Other provisions	112,006	111,500
G. NON-CURRENT LIABILITIES	233,611	232,937
H. EQUITY	1,103,006	1,182,556
- Share capital	700,000	700,000
- Reserves	419,497	428,688
- Retained earnings	(16,491)	53,868
I. NET EQUITY OF THIRD PARTIES	-	-
L. SOURCES OF FUNDING (L=F+G+H+I)	1,337,284	1,306,885

The “Equity” at December 31, 2020 amounted to Euro 1,103,006 thousand. The decrease is attributable to the result of the year for Euro 70,360 thousand and to other changes in the comprehensive income statement for a total of Euro 9,191 thousand, mainly related to the valuation of the severance indemnity fund according to the actuarial method envisaged from IAS 19 for Euro 8,320 thousand and to the valuation of the securities portfolio for Euro 734 thousand.

Reclassified Cash Flow Statement	2020	2019	Variation
(Loss)/profit for the year	(70,360)	960	(71,320)
<i>Adjustments to reconcile net profit to operating net cash flow:</i>			
- amortisation, depreciation and write-downs from consolidation	105,124	102,966	2,158
- net gain on asset disposals	(88)	(34)	(53)
- income taxes, interest, dividends	13,378	(5,357)	18,735
- financial asset impairment	(204)	37	(241)
- other non-monetary changes	(136)	(3,218)	3,082
Change in net working capital	(45,469)	28,054	(73,523)
Change in provisions for cash and cash equivalents	(64)	(99)	35
Non-current liabilities (changes in risk provisions and severance indemnity fund)	(9,704)	(24,430)	14,726
Interest paid on leased assets IFRS 16	(95)	(76)	(18)
Income taxes paid, interest (paid)/received, dividends received	1,737	1,689	48
Cash flow from operating activities	(5,880)	100,492	(106,372)
Investments			
Net capital expenditure	(136,615)	(148,394)	11,779
Proceeds from technical disposals	591	4,152	(3,561)
Change in supplier payables for capital expenditure	18,933	(27,172)	46,105
Investments in financial assets	29,261	12,738	16,523
Changes in plant capital grants	10,927	13,929	(3,002)
Free cash flow	(82,782)	(44,254)	(38,528)
Changes in current and non-current financial payables	27,822	(10,759)	38,582
Cash flow from own capital (dividends paid)	-	-	-
Exchange rate effect	(315)	21	(336)
Reimbursement of the principal amount of leased assets IFRS 16	(1,659)	(1,033)	(626)
Net cash flow in the year	(56,933)	(56,025)	(908)

Reference should be made to the Statement of cash flows for a detailed analysis of cash flows, it should be noted here that the “operating cash flow” in 2020 was negative and amounted to Euro 5,880 thousand. The lower margin recorded in the year and the net working capital dynamics contributed mainly to the creation of the result.

The “net cash flow in the year” is negative and equal to Euro 56,933 thousand; as can be deduced from the previous table, the flow of operating liquidity was absorbed by the investments made in 2020, resulting in the conclusion of a consolidated free cash flow of Euro 82,782 thousand partially offset by the draft of 35.000 thousand euros of hot money lines. The value of cash and cash equivalents decreased to Euro 112,928 thousand compared to Euro 169,862 thousand at December 31, 2019.

Risk and uncertainties

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

In the context of uncertainty arising from the COVID-19 emergency, the ATM Group reacted immediately to the new scenario and planned a response to new needs from the very first phase of the emergency, combining it with its mission; see paragraph “*ATM and the COVID-19 emergency*” for specific details.

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

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

Risk related to the external environment

Risk of legislative and regulatory evolution

A specific factor of uncertainty is represented by the expiry of the “Contract for the local public transport service and those connected and complementary” with the Municipality of Milan, of which has been approved the continuation by the Municipality of Milan until the date of December 31, 2021 - in accordance with the tender documents and the contracts signed – subject to the resolution of the Municipal Council of October 13, 2020.

As previously mentioned, with the Law of April 24, 2020, n. 27 art. 92 paragraph 4-ter, it has been established that until the end of the containment measures in force due to the health emergency, all ongoing procedures in progress related to the assignment of local public transport services may be suspended, with the right of extending the current assignment at February 23, 2020 up to 12 months after the declaration of termination of the emergency. The Regional Law n.11/2020 to art. 14 deferred until December 31, 2021 the deadline indicated by art. 60 of Regional Law 6/2012 for the completion of procedures for the entrusting of services by the Agencies.

Given the regulations mentioned, with a note dated July 18, 2020, the Basin Agency indicated its intention to make full use of the time-shift faculty of initiating the procedures for entrusting the relevant TPL services, considering that all the elements exist because the current contractual terms, for the contracts within the competence of the Agency (i.e. those in place, among others, with ATM S.p.A. and NET S.r.l.), may be deferred at least until December 31, 2021.

Please refer to the previous paragraph “*Going concern and contractual framework of reference*” for specific considerations on expected assignment procedures which mitigate – as described – the risk that the aforementioned uncertainty of renewal has a significant impact on the going concern of the Company and the Group.

Cyber attack

The cyber-attack risk remains a major global threat (“World Economic Forum – Global risk report 2021”): The health emergency COVID-19 has accelerated the process of technological adaptation in all

industrial contexts, resulting in the growing digitalization required by the changed environment. Similarly, for the ATM Group it is rated among the most relevant for probability of occurrence and potential impact, by virtue of the complexity of the technological and managerial systems to support *going concern*.

As part of the strengthening of *the governance* and control system on cybersecurity, *the “Cybersecurity Guidance Committee”* was established in 2021.

The supervision in terms of prevention and protection of the Group is also guaranteed by the SOC for the defense of the perimeter and of the critical assets; a new *assessment was also required* to assess the company’s maturity level in relation to the evolution of cyber attack scenarios and current and future regulations.

Operating risks

Risks related to the production of the service

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

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

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

With specific reference to the phenomenon of emergency braking, the Company made efforts during 2019 to identify the causes and to define *a remediation plan* prepared together with the suppliers, which were implemented during 2020, in addition to having prepared a prompt execution mitigation plan, which has benefited from the start.

With reference to vibrational levels and the acoustic emissions related to the operation of the metropolitan and tramway lines, ATM adopts measures to monitor and mitigate the inherent risk linked to infrastructure.

In view of the problems raised in the past years with reference to the operation of line 5, ATM also carried out extraordinary maintenance activities in 2020 supplementary to the basic maintenance plans, in accordance with the contractual provisions, collaborating with Metro 5 to overcome and/or mitigate possible impacts from extraordinary events related to infrastructure and assets.

Environmental, health and safety risks

The general conditions of the company's sites and the evolution of the regulations make it necessary to ensure timely and effectively monitoring of the environmental components at potential risk with impact on air, water, soil and subsoil.

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

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

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

Human resources

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

In this framework, the Group implements development and *empowerment paths* of key resources, with the aim of retaining distinctive skills and enhancing them with respect to strategic objectives, despite the complex context resulting from the pandemic of COVID-19.

In addition, continuous field training, as well as classroom and remote training, is provided to support and monitor of operating personnel to ensure complete knowledge of the specific regulations.

Legal and compliance risks

During 2020, the Legal Affairs Department has established a constant activity of support to the Company to ensure the knowledge and application of the measures for the containment of the COVID-19 emergency issued time by time, through an activity of continuous monitoring and diffusion of matrices to the other company structures concerned. Both as regards the management of personnel and as a pre-emption to the execution of the service in order to ensure compliance with the anti COVID-19 regulations and to avoid any legal risks associated with the non-application of the rules. The epidemiological emergency has therefore not affected the functionality of the management which has ensured the regular performance of the activities of competence.

Legal and *compliance risks* concern the risk of incurring judicial or administrative sanctions, suffering losses or reputational damage as a result of non-compliance with directly applicable European laws, regulations and standards or provisions of the Supervisory Authorities or self-regulation rules, such as statutes, codes of conduct or self-regulatory codes; risk arising from unfavorable changes in the regulatory framework or jurisprudential guidelines.

This category includes, among others, the risks related to non-compliance with Legislative Decree no. 231/2001 which provides for the responsibility of the Companies for administrative offenses resulting from a crime in relation to certain cases expressly regulated. In this context ATM and the directly

controlled companies have adopted 231 models (periodically and systematically updated with underlying risk assessment and gap analysis), in order to represent the system of control measures in place to protect against the risk of commission of offenses pursuant ex D.Lgs. 231/2001. The 231 models are also harmonized with the anti-corruption model, adopted on a voluntary basis.

In this context, appropriate procedures have also been prepared for the verification of delegated powers time by time and their adequacy to operational and management requirements.

It should be noted that, as far as environmental issues (Legislative Decree no. 152/2006) and health and safety issues (D. 81/2008) ATM and some directly controlled companies have adopted and maintain health, safety and environment management systems, where applicable, certified according to ISO14001 and ISO 45001 standards (which replaced the previous OHSAS 18001); moreover, this in a context of quality certification according to ISO 9001.

With regard to the protection and processing of personal data, ATM has continued to adapt its processes in line with the rules established by the European Regulation No. 679/2016 (General Data Protection Regulation), the Personal Data Protection Code (D. Lgs. NO. 101/2018) and the guidelines and recommendations of the supervisory authorities. In particular, a specific analysis was carried out of the organizational processes of the corporate function responsible for “data protection and processing”, which led to a detailed indication of the critical issues and related recommendations, explained in a specific action plan. In addition, support at a specialist level continued for all company departments in relation to the contingent pandemic situation.

Finally, within the category the risks associated with the absence or failure to comply with the provisions of internal procedures and regulations. In this regard, ATM has adopted an organic system of regulations and operating procedures, including **the Group Regulations**, which govern the operating methods of the Group and the intergroup relations, **The regulation for the awarding of contracts** governing the procedures for the assignment of contracts relating to workings contracts, the purchase of goods and service contracts for all Group companies, **the Sales Regulation** governing the procedures relating to the sale of goods, materials and services, and contracts for the commercial exploitation of areas and spaces, **procedures and operating instructions**, which describe and regulate the business processes.

Main disputes pending

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

In detail:

- In relation to the legal disputes and proceedings initiated against ATM, it is noted that the newly established disputes opened in 2020 amounted to 32, an increase compared to the previous year: the number of cases concerning termination of employment relationship was 18; The remaining cases concerned claims for compensation for psycho-physical damage (4 lawsuits), demotion/higher classification (2 lawsuits), non-recognition of early retirement (1 lawsuit) and claims by ATM for joint liability (7 lawsuits). In some of the most recently calls in question, the Collective Labor Agreement (CCNL) applied by the defendant contracting company (while ATM is

called jointly and severally) was challenged, since it was considered inadequate in relation to the minimum wages provided therein: one of these cases has come to a first-degree judgment (not yet definitive), with the recognition of workers' requests for the inadequacy of minimum wages.

- It should be noted that the lawsuit concerning the appeal against the dismissal by the former manager of ATM Points is still pending, in relation to facts in respect of which ATM also considered to present a formal complaint-report (which is currently being investigated). The lawsuits previously instituted by the other former employees-helpers of ATM Points carried out in the same or similar events, one is still pending, currently being challenged at the first instance. The other lawsuits were closed with final decisions of the Court and/or the Court of Appeal which confirmed the legitimacy of the company's actions.
- As regards criminal litigation, ATM filed a civil action in 2020 in n. 67 criminal proceedings for the purpose of obtaining compensation for damages suffered as a result of crimes committed by third parties, accused in the aforementioned proceedings; The overall figure for 2020 is strongly influenced by *the lock-down period* which also affected the activities of the Court, since most of the hearings, including those where ATM should have filed a civil party, were postponed to a later date.
- It should be noted that a criminal proceeding is still in progress concerning investigations into the emergency braking that have occurred in recent years on the M1 and M2 metro lines in order to establish causes and any responsibilities.
- it should also be noted that judgment no. 12319/18 of acquittal issued against the former General Manager of ATM, Dr Elio Gambini, due to asbestos-related diseases suffered by former employees and employees of ATM, was challenged and the appeal is pending with the next hearing scheduled for May 12, 2021. In the process ATM is involved as civilian responsible.
- However, there are no criminal proceedings against ATM under Legislative Decree no. 231/2001, before the Court of Auditors or the national or Community authorities.
- In relation to the dispute pertaining to the Civil Judge (courts, courts of Appeal, offices of the Justice of Peace), the same is based on both out-of-court and judicial disputes relating to issues of the figure of ATM as Manager of the local public transport service and activities connected and complementary to it (For example, but not limited, requests for compensation for transport damage; requests for compensation for damage from public service interruption; debt collection; rental relationships, pathology of contracts): In 2020 it appears that were treated (both in the judicial and out-of-court phase) n. 378 positions of civil law. The number of cases is in line with those for the year 2019, also in consideration of the fact that the epidemiological emergency situation COVID-19 required the continuous postponement of a series of out-of-court and procedural activities on the basis of the measures taken, time by time, by the judicial bodies to avoid the risk of contagion.
- Among the cases inherent in the Public Transport Service, there is the case with Caronte S.r.l. ("Caronte") relating to the period October 1997-2010, on the basis of the counterparty assumption that the urban lines managed by the company were part of the SITAM system. The first instance judgment ended with the filing of judgment No 8098 of September 11, 2019 which sentenced ATM to pay Caronte the sum in capital of Euro 6,421 thousand in addition to legal interests from the balance, legal fees and accessories. ATM has filed an appeal to the Court of Milan against a ruling which points out that it is unfair for the legal reconstruction carried out by the first car Judge. It should be noted that on October 22, 2019, the interim procedure for suspending the enforceability of the judgment ended with no need to proceed and with the achievement of an agreement between

the parties on the point or with the payment of Euro 2,052 thousand. Regarding the risk of losing, it should be noted that in previous years adequate provisions had been entered in the provision of risks and charges, taking into account the opposition strategy adopted by the Company in the judgment of September 2019.

- It should also be noted that, although ATM is not involved in the proceeding, in 2019 ATM received a warning and a formal notice from the Municipality of Cinisello Balsamo in relation to an arbitration procedure initiated by Caronte S.r.l. toward the aforementioned municipality. The economic claim is equal to Euro 4,169 thousand plus VAT and default interests related to the existence of lack of fees for lines 710 – 711, for annuality from 2000 to 2011, and 712 municipal for annuality from 2000 to 2010. On February 7, 2020, the Arbitration Board issued the Award which accepted Caronte's request and condemned the Municipality of Cinisello Balsamo to the payment of about Euro 5.2 million for capital, interest and legal fees. The Arbitration Award originates from the legal relationship between Caronte and the Municipality of Cinisello Balsamo for the management of the urban transport service as defined in the contract signed on July 22, 1997 and then subsequently extended to December 31, 2011. The fee for the service consisted by contract of a share of the public contribution and the proceeds from the tariff revenues. In a specific appendix to the contract dated May 21, 1999, the Municipality of Cinisello Balsamo also acted as guarantor against Caronte for the activities of reporting the proceeds from tariff following the agreement concluded with ATM (October 13, 1997). This guarantee has legitimized Caronte's request towards his assignor. The arbitrators have recognized Caronte, in respect of the lines and annuities indicated above, a kilometric fee of 1.842 euro/km for the annuities from 2000 to 2007 (in accordance with what was indicated by the Milan Court in the judgment issued between ATM and Caronte), 2.5058 euro/km for 2008, 2.6345 for annuities from 2009 to 2011. This average kilometer value would have been derived from the ratio of total ATM revenues to the kilometers of the whole SITAM network detectable by ATM financial statements. Although the Award was appealed, on May 27, 2020 the Municipality of Cinisello sent a formal notice to ATM, giving notice to it of payment of all the sums due to Caronte, including those brought by the Award. On June 8, 2020 ATM formally disputed the claims of the Municipality of Cinisello, reserving any further consideration regarding the debt of sums in favor of Caronte for the outcome of the pending judgment before the Court of Appeal of Milan.

From the recognized partial overlap between the extension of the Award and the ongoing dispute directly between ATM and Caronte, the risk must be assessed separately for the two periods:

- Remote for the claims referring to the years from 2000 to 2008, since it is superimposable to what Caronte had already requested at ATM in the dispute before the Court of Milan, which ended with sentence n° 8098 of September 11, 2019;
- Possible for the claims referring to the years 2009-2011, since the time scale in question is not included in the pending judgment before the Court of Appeal of Milan. Moreover, given the actions that Caronte is carrying out in various locations and with regard to multiple entities, not least the municipality of Sesto San Giovanni, it was considered necessary to set aside in 2020 a provision for risks for the years from 2009 to 2011, for an amount of Euro 2 million, calculated taking as reference the revaluation carried out by the Arbitration Board of the kilometric value indicated by the ruling 8098/2019, beyond any legal interest, since, in the case of a second instance, this proves to be the most likely valuation.

- It should also be noted that the Municipality of Segrate, has served a summons to obtain the refund of the amounts paid to Caronte as SITAM revenues for the year 2009 following a judgment in which ATM was not a party. The claim for compensation amounts to Euro 790 thousand, including capital, interest and expenses. The risk of the dispute appears at a remote state since the recourse of the Municipality of Segrate (in relation to the original dispute between the aforementioned Municipality and Caronte pending appeal for cassation) originates from procedural errors which have affected the outcome of the judgment and which cannot, for that only fact, to be overturned on ATM. At the outcome of the hearing on March 16, 2021, the Judge, accepting the request of ATM in advance, ordered the suspension of the trial established by the Municipality of Segrate “*until the final judgment issued by the Court of Appeal of Milan n. 4536/2019 or of the assessment contained therein (in case of cassation with reference)*”. The trial is therefore suspended; from the date of the final judgment of the sentence rendered between the Municipality of Segrate and Caronte (or of the assessment contained therein, in case of cassation with postponement), the period of three months for the re-assumption of the trial will take place. In the absence of re-employment, the process will be terminated. The state of the trial pending before the Court of Cassation, R.G., will be monitored 4148/2020, between the municipality and Caronte, of which ATM is not a party, concerning the appeal against the sentence of the Milan Court of Appeal No. 4536/2019.
- It should also be noted that the Public Transport Consortium in liquidazione has notified two summons in opposition to the two injunctions issued by ATM, aimed at establishing that any regulatory change that had affected the extent of the regional operating contribution for the year, it should have led to an automatic proportional reduction in the size of the unit consortium contribution. CTP also contests the non-payment by ATM of revenues from advertising and from user penalties: On this point, ATM pointed out that no agreement to this effect was envisaged by the Convention. CTP also applied for a counterclaim based on Provincial Resolution n. 22/09, cited above, with a request to ATM to pay an amount of more than Euro 8 million plus VAT for the years 2000-2007 and 2000 to 2008.
- It should also be noted that ATM has notified Caronte to the Public Transport Consortium in liquidation, to the Municipality of Cinisello Balsamo and to the Municipality of Sesto San Giovanni a writ of summons for a negative assessment aimed at clarifying who and to what extent should proceed with the payment of sums in favor of Caronte in order to prevent ATM from being in a position to make multiple payments for the same securities to different subjects. The judgment is based on the initial phase of verification of the regularity of the contradiction between the parties.
- It should be noted that on June 23, 2020, Guardia di Finanza (the Italian Financial Police) carried out an order for the application of precautionary measures in the context of an investigation by the Public Prosecutor’s Office of the Republic of Milan, also carried out at some ATM offices. The investigation was conducted, among others, to some employees of ATM and other third-party companies who would have committed crimes against the Public Administration. ATM is qualified in the criminal proceedings as an offended person as the conduct of which its employees has not been considered such as to bring advantage to the Company where instead some third companies of primary importance – suppliers of ATM – are being investigated for administrative responsibility ex D.Lgs. 231/01 by reason of the conduct of its employees and/or consultants. ATM has taken measures to sterilize the effects of the conduct contested on its employees, in particular by providing for the suspension of the employees investigated and the suspension of payments relating to the contractual relationships investigated, by providing for the termination of all the contracts currently in place or in any

case not to formalize any contracts for which the aforementioned companies were awarded as a result of tendering procedures. For some contracts, the Company, considering that there is an interest in the continuation of the contractual relationship, asked the National Anti-Corruption Authority (“ANAC”) to carry out an assessment of the existence of the conditions for the application of the so-called measure Commission ex Art. 32 law 114/2014 due to an overriding interest in their complete execution in order to protect the proper performance of the essential local public transport service and the proper use of public resources. Pending the ANAC assessments, ATM has entrusted the Polytechnic University of Milan the task of analyzing the procedure for the award of the contract for the CBTC signaling system – Communication based Train Control – for the M2 metro line in order to verify the consistency of the tender with respect to ATM procedures and international practices as well as the Compliance between SIEMENS’ offer and the technical and economic specifications of the tender. On October 13, 2020, the Polytechnic University of Milan issued its report, which concludes in the sense of the consistency and completeness of the tender. At the same time, ATM commissioned as external consultant KPMG to carry out a documentary audit of the tender procedures under investigation and further procedures in any case relating to companies investigated. KPMG concluded the audit, which revealed nothing to be related to the conduct disputed in the investigation, with particular reference to possible tampering with the “life cycle” of contracts and the dissemination of company information concerning technical and economic aspects of ATM tendering procedures. Following the in-depth analysis carried out, ATM decided to strengthen the line of controls by introducing a new element in the area of corporate compliance, with the provision of a second level control system with the introduction of the figure of *the compliance officer* directly reporting to the General Manager.

It should be noted that following the launch of the so-called Subway investigation since June 2020 ATM has already arranged in July 2020 for the temporary transfer of the organizational units of the subjects involved directly reporting to the personnel department, in the event of the assessment of any further behavior in violation of the Code of Ethics. It also replaced all the components of the reporting organizational unit.

- In relation to disputes and lawsuits concerning civil responsibility (road accidents, transport accidents, responsibility for items in custody), the exposure and possible risk for the Group appears to be largely covered by the provisions for risks and charges estimated by the Insurance Strategies Department, from which the out-of-court procedures originate, which updates the economy of each of them, also taking into account the progress of the judgments in progress; with reference to disputes of another nature (debt collection, pathology of contracts, etc.), the Legal Department acts, on the basis of a constant information flow, in synergy with the Departments concerned in order to quantify the risk area, depending on the case.
- The progress of the dispute before the Administrative Judge (TAR and the Council of State), which has as its main object the procedures for awarding contracts for the supply of goods, works and services necessary for ATM in order to best pursue its corporate purpose on a daily basis..

Subsequent events

> Regulatory interventions

February 26, 2021 – conversion in accordance with the law decree 183 of December 31, 2020 (so-called “Decreto Milleproroghe” – “a thousand extensions decree”) which has amended the provisions of Art. 106 of law decree March 17, 2020, n. 18, converted, with modifications, by law of April 24, 2020, n. 27 providing the general possibility of convening the Shareholders’ Meeting for the approval of the financial statements within a period of 180 days and therefore by June 29, 2021.

> Activities in Italy

Service Management during COVID-19 health emergency

- > January 23, 2021 - ATM, within the framework of the “Milan Pact for school”, implements a service enhancement plan with the aim of providing maximum support to student mobility for recovery in the presence of the teaching activities in high schools. The extraordinary daily plan, with respect to the limit of 50% of the capacity of filling the vehicles, provides 1,200 more runs on the entire network, 100 shuttle buses to connect 30 schools in Milan and the first hinterland among the most popular with some subway stations, 180 new races on 18 highly frequented urban and suburban lines, 160 more runs on the main power lines distributed throughout the day. To ensure the upgrading ATM makes available the entire fleet, using also the vehicles, which it had planned to replace and also using numerous private and tourist buses from other companies.

In the subway program 8 more trains during peak hours, which lead to the maximum number of runs allowed in compliance with the existing constraints in terms of fleet, personnel and technical capacity of the security systems.

The daily sanitation of all contact surfaces on trains, buses, trams and trolley-buses, of all stations and platforms continues with 400 employees; the day-long sanitizing operations of all the vehicles are further intensified with special atomizers that are used at the end of each run mainly on trains and buses. Hand gel dispensers are also installed on the platforms of the subway, which are added to the 600 already present on the most popular surface lines, in all the stations of the metro network and in the ATM Points.

Customer initiatives and communication campaigns

- > January 2021 - For the resumption in the presence of high school educational activities, ATM, in accordance with the “Milan Pact for School”, launches the new campaign “School restarts but the appeal is for everyone” that is added to that of December campaign on the timetables of the city to invite all passengers not to travel, if it is not really necessary, during peak hours between 7 and 9.30, also informing them of the service enhancement. Another 3,000 letters sent to companies, organizations and institutions to inform stakeholders about the new timetables in the city, with an invitation to collaborate to avoid congestion of public transport; to inform the students, the Company sends to all the school complexes involved the map of the new shuttle bus stops and the timetables of the connecting routes between the schools and the subway stations. To reach students directly with the information needed to travel in public safety and distributes an ad hoc guide for students and a digital handbook with travel rule recommendations.

Over 400 ATM’s people assist and direct students to the main stations and stops close to the school complexes.

Infrastructure interventions

- > april 2021, signing of the contract for the repair of the signaling system of the line 2. The project financed by ministerial contributions and the Municipality of Milan will ensure a safer and more efficient service management, allowing an increase in the frequency of train passage and consequently an increase in the capacity of passengers transported per hour. In close association with the intervention on the signaling systems it will be necessary to carry out the timely repair of the armament system. The interventions will be carried out on the sections of the line in which the armament has suffered a performance decline of the mechanical components or realized with technical solutions that do not allow the expected increase from 70 km/h to 85 km/h of the running speed.

Outlook

Despite the difficulties related to the particular historical moment and the consequent criticalities connected to the inevitable economic imbalance due to the lower revenues of the entire system, ATM, also thanks to the experience gained and the professionalism of its own people continues to prove ready to face the new challenges.

Particular importance will be given to the role of innovation, an element that will transversely touch and accelerate the development of the main initiatives and projects that ATM will put on the field.

In addition, all company decisions will be made in compliance with and in implementation of the Group's Sustainability Policy framework, structured on 5 fundamental pillars:

- Zero-emission transport: Achieve net zero emissions in transport and reduce local pollutants through direct and compensatory actions in company processes;
- Responsible consumption: Use the minimum indispensable resources required by means of processes to increase the efficiency of consumption and to recover, recondition and recycle the resources used;
- Sustainable Supply Chain: To favor suppliers that are attentive to environmental, social and ethical aspects and share the values of the ATM Group;
- Inclusive mobility: Ensuring social inclusion through the provision of sustainable, multimodal and innovative mobility services;
- Great workplace: Promoting a positive work environment that attracts and enriches, building company policies to enhance the person and diversity.

In fact, in line with the objective relating to environmental sustainability, ATM will continue its investment policy on ecological vehicles, mainly “*full electric*”, implementing a system choice that will gradually become a point of reference also thanks to increasingly performing technologies.

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

With regard to the “*Contract for local and related and complementary public transport services*” between ATM S.p.A. and the Municipality of Milan, on October 31, 2020 the acts of continuation were signed until December 31, 2021. ATM S.p.A. has confirmed its willingness to continue the services,

taking into account also the regulatory interventions and the economic scenario as described in the paragraph “Going concern and contractual framework of reference”. The current economic and social context will also determine the need of the Agency for Local Public Transport of the basin of the Metropolitan City of Milan, Monza and Brianza, Lodi and Pavia to extend the procedures for the assignment of the local public transport service until the end of the emergency state and to reschedule the activities necessary to launch the new tender. Moreover, given the temporal uncertainty with which the events connected with the examination of the “Milano Next” project will occur and the consequent decisions to award or not to the Company and to exercise the pre-emption or, alternatively, the management of the rolling stock will occur, taking into account the time required for the completion of a tender of that characteristics and those economic values; in the light of what has been said, it is believed that the certain time scenario for the extension of the activity cannot be less than 2 years, therefore until the end of 2022, and in any case for a time horizon greater than 12 months of reference useful for assessing corporate continuity.

The Group is therefore ready to face the next challenges effectively, capitalizing on the experience acquired in this difficult year thanks to the professionalism of its staff and the important investments that are intended to be made.

Other information

Application of the longer period of 180 days for the approval of the financial statements of 2020

Art. 2364 of the Italian Civil Code defines the terms of approval of the financial statements within 120 days of the date of closure of the financial statements and provides, in specific cases defined by law and by the articles of association, the possibility of derogating from the terms and of approving the financial statements within 180 days.

On February 26, 2021, it was converted through the Law Decree 183 of December 31, 2020 (so-called “Decreto Milleproroghe” – “a thousand extensions decree”) by amending the provisions of the Law n. 106 of the Legislative Decree of March 17, 2020, n. 18, with changes from the law of April 24, 2020, n. 27, providing the general possibility of convening the Shareholders’ Meeting for approval of the financial statements within a period of 180 days and therefore by June 29, 2021.

ATM has decided to make use of this possibility.

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

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

- Due to the nature of the operations, the Group has not undertaken any Research and development activities in 2020;
- No company in the ATM Group owns or has acquired or sold Treasury Shares or those of the Parent Company, including through trustees or nominees;
- In 2020, the Group did not make use of financial derivative instruments in the framework of asset and financial management and financial results for the year.

Information relating to intercompany transactions and transactions with related parties

The ATM Group, wholly-owned by the Municipality of Milan, carries out transactions for its shareholder that are regulated by the Service Contract involving the management of intermodal local public

transport (metro, trams, buses and trolleybuses), together with all connected and ancillary activities as described in more detail in the section “Going concern *and contractual framework*”.

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

ATM S.p.A. applied the tax consolidation for IRES purposes together with the following subsidiaries: ATM Servizi Diversificati S.r.l., GeSAM S.r.l., International Metro Service S.r.l., NET S.r.l., Rail Diagnostics S.p.A.

The contract provides, in the case of the transfer of assessable income, that the consolidated company recognizes a payable to the parent of an amount equal to the results of the application of the IRES rate on the assessable amount transferred. Vice versa, the transfer of an assessable loss obliges the consolidating company to record a payable to the consolidated company for an amount equal to the results of the application of the IRES corporate tax rate to the tax loss transferred, where utilized.

ATM has also applied the option for the application of group VAT with the following subsidiaries: ATM Servizi Diversificati S.r.l., GeSAM S.r.l., NET S.r.l., Rail Diagnostics S.p.A.

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

Note 43 of the ATM Group’s notes to the Financial Statement, information on Related parties provided based on the nature of the service.

Milan, April 21, 2021

For the Board of Directors
The Chairperson
Gioia Maria Ghezzi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	12.31.2020	12.31.2019
Assets			
Property, plant, and equipment	9	1,299,209	1,276,468
Intangible assets	10	3,822	3,928
Right of use for leased assets	11	5,906	6,669
Investments	12	27,748	24,467
Non-current financial assets	13	24,428	24,912
<i>Of which: Related parties</i>	43	22,497	24,269
Deferred Tax assets	14	57,364	73,595
Other receivables and non-current assets	15	-	7,251
Non-current assets		1,418,477	1,417,290
Inventory	16	93,017	88,778
Current financial assets	17	227,192	251,819
Tax receivables	18	18,624	18,654
Trade receivables	19	182,888	191,822
<i>Of which: Related parties</i>	43	124,851	130,759
Other receivables and current assets	20	55,267	62,181
Cash and cash equivalents	21	123,861	182,152
Current assets		700,849	795,406
Assets held-for-sale	22	-	-
Total assets		2,119,326	2,212,696

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	12.31.2020	12.31.2019
Equity			
Share capital		700,000	700,000
Legal reserve		140,000	140,000
Other reserves		268,428	277,593
Retained earnings		92,311	86,220
(Loss)/profit for the year		(68,082)	6,091
Group equity		1,132,657	1,209,904
Non-controlling interest equity		16,494	16,825
Total Equity	23	1,149,151	1,226,729
Liabilities			
Non-current financial liabilities	24	276,310	294,820
Employee benefits	25	125,664	125,694
Provision for risks and charges	26	76,785	69,352
Deferred tax liabilities	27	46,702	47,664
Non-current liabilities		525,461	537,530
Current financial liabilities	24	56,396	20,811
Current income tax liabilities	28	1,990	810
Trade payables	29	252,231	294,644
<i>Of which: Related parties</i>	43	<i>28,048</i>	<i>62,500</i>
Other Payables and current liabilities	30	134,097	132,172
Current liabilities		444,714	448,437
Liabilities held-for-sale	22	-	-
Total liabilities		970,175	985,967
Total equity and liabilities		2,119,326	2,212,696

CONSOLIDATED INCOME STATEMENT

	Note	2020	of which related parties	2019	of which related parties
Revenue and other operating income					
Core business revenue	31	827,347	687,999	837,741	690,642
Other revenue	31	58,374	24,000	66,809	24,136
Other income	31	72,226	1,425	76,197	4,845
Total revenues and other operating income		957,947	713,424	980,747	719,623
Costs and other operating charges					
Purchase of goods and changes in inventories	32	(73,980)		(71,635)	
Service costs	33	(267,284)	(2,059)	(241,336)	(2,227)
Operating leasing costs	34	(2,018)	(475)	(3,605)	(1,737)
Personnel expenses	35	(541,592)	(31)	(541,289)	(2)
Other costs and operating charges	36	(11,896)	(85)	(9,314)	(271)
Total costs and other operating charges		(896,770)	(2,650)	(867,179)	(4,237)
Ebitda		61,177		113,568	
Ammortisation, depreciation and write-downs					
Depreciation - Property, plant, and machinery		(124,667)		(118,319)	
Plant capital grants		36,735		36,637	
Amortization - intangible assets		(1,339)		(1,361)	
Depreciation of right of use for leased assets		(2,151)		(1,646)	
Write down of fixed assets		(17,129)		(22,615)	
Ebit		(47,374)		6,264	
Financial income		8,081	1,160	12,689	1,496
Financial expenses		(6,515)		(8,988)	
Net financial income (charges)	38	1,566	1,160	3,701	1,496
Share of the result of the companies measured under the equity method	39	2,546		1,359	
Pre-tax result		(43,262)		11,324	
Income taxes	40	(21,231)		(2,127)	
(Loss)/profit for the year		(64,493)		9,197	
(Loss)/profit for the period attributable to:					
Owners of the parent company		(68,082)		6,091	
Non-controlling interests *		3,589		3,106	
Total		(64,493)		9,197	

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2020	of which related parties	2019	of which related parties
(Loss)/profit for the year		(64,493)		9,197	
Consolidated other comprehensive income statement items					
Items which may not be reclassified subsequently in the P&L account					
Revaluations of net liabilities / (assets) for defined benefits	23	(11,024)		(2,536)	
Income taxes on items which may not be reclassified subsequently in the P&L account	23	2,646		608	
Total items which may not be reclassified subsequently in the P&L account		(8,378)		(1,928)	
Items which may be reclassified subsequently in the P&L account					
Currency exchange differences of foreign operations	23	-		-	
Equity investments at equity – Cash Flow Hedge Reserve	23	62		(2,728)	
Income taxes on items which may be reclassified subsequently in the P&L account	23	-		33	
Financial assets held to Collect and Sale	23	(645)		4,191	
Income taxes on items which may be reclassified subsequently in the P&L account	23	(88)		(853)	
Total items which may be reclassified subsequently in the P&L account		(671)		643	
Total consolidated other comprehensive income statement items		(9,049)		(1,285)	
Total comprehensive income		(73,542)		7,912	
Total comprehensive income attributable to:					
Owners of the parent company		(77,131)		4,806	
Non-controlling interests *		3,589		3,106	
Total		(73,542)		7,912	

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

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

Equity	12.31.2018	Allocation of Profit	Distribut ed Dividend s	Other changes	IFRS 9 impact s	Other comprehensive income items	Net Profit	12.31.2019
Share capital	700,000							700,000
Legal reserve	140,000							140,000
Other reserves	278,739	-	-	-	139	(1,285)	-	277,593
<i>Conferment reserve</i>	19,690							19,690
<i>Extraordinary reserve</i>	5,764							5,764
<i>Translation reserve</i>	(4)			(1)				(5)
<i>Rounding reserve</i>	(2)			1				(1)
<i>First Time Adaption reserve</i>	154,105							154,105
<i>Actuarial losses reserve</i>	(3,134)					(1,928)		(5,062)
<i>Cash Flow Hedge reserve</i>	(6,458)					(2,695)		(9,153)
<i>Property revaluation reserve - FTA</i>	110,599							110,599
<i>Held to Collect and Sell reserve</i>	(2,089)					3,338		1,249
<i>OCI reserve</i>	268				139			407
Retained earnings	75,311	10,909						86,220
Net Profit for the year	10,909	(10,909)					6,091	6,091
Group equity	1,204,959	-	-	-	139	(1,285)	6,091	1,209,904
Non-control. Int. equity	14,699	-	(980)	-	-	-	3,106	16,825
Share capital	572							572
Retained earnings	6,550	7,577	(980)					13,147
Net profit for the year	7,577	(7,577)					3,106	3,106
Total equity	1,219,658	-	(980)	-	139	(1,285)	9,197	1,226,729

Equity	12.31.2019	Allocation of Profit	Distribut ed Dividend s	Other changes	IFRS 9 impact s	Other comprehensive income items	Profit / (loss) for the year	12.31.2020
Share capital	700,000							700,000
Legal reserve	140,000							140,000
Other reserves	277,593	-	-	20	(136)	(9,049)	-	268,428
<i>Conferment reserve</i>	19,690							19,690
<i>Extraordinary reserve</i>	5,764							5,764
<i>Revaluation reserve</i>	-					1,397		1,397
<i>Translation reserve</i>	(5)			19				14
<i>Rounding reserve</i>	(1)			1				-
<i>First Time Adaption reserve</i>	154,105							154,105
<i>Actuarial losses reserve</i>	(5,062)					(8,378)		(13,440)
<i>Cash Flow Hedge reserve</i>	(9,153)					(1,335)		(10,488)
<i>Property revaluation reserve - FTA</i>	110,599							110,599
<i>Held to Collect and Sell reserve</i>	1,249					(733)		516
<i>OCI reserve</i>	407				(136)			271
Retained earnings	86,220	6,091						92,311
(Loss)/profit for the year	6,091	(6,091)					(68,082)	(68,082)
Group equity	1,209,904	-	-	20	(136)	(9,049)	(68,082)	1,132,657
Non-control. Int. equity	16,825	-	(3,920)	-	-	-	3,589	16,494
Share capital	572							572
Retained earnings	13,147	3,106	(3,920)	1,979				14,312
Advances in dividends	-			(1,979)				(1,979)
Net profit for the year	3,106	(3,106)					3,589	3,589
Total equity	1,226,729	-	(3,920)	20	(136)	(9,049)	(64,493)	1,149,151

CONSOLIDATED CASH FLOW STATEMENT

	2020	2019
A. Cash flows from operating activities		
(Loss)/profit for the year	(64,493)	9,197
income taxes	21,231	2,127
interest income net of impairment of financial activities	(1,360)	(3,815)
gains/losses on sale of assets	(89)	(31)
1. Profit/(loss) for the year before taxes, interest, dividends and gains/(losses) from disposals	(44,711)	7,478
<i>Non-cash adjustments non impacting working capital</i>		
change in provisions for risk and charges expense	10,561	(7,475)
change in employee benefits	27	2,347
changes in the provision for impairment on cash and cash equivalents	(66)	(100)
amortisation & depreciation	91,422	84,689
adjustments to fixed assets	17,129	22,615
adjustments to investments	-	-
Impairment on financial assets	(206)	36
other changes	(1,248)	(6,098)
<i>Total non-cash adjustments</i>	<i>117,619</i>	<i>96,014</i>
2. Cash flow before working capital changes	72,908	103,492
<i>Change in net working capital:</i>	(49,709)	20,589
inventories	(4,239)	(3,734)
trade receivables	9,052	(405)
other receivables	1,457	6,571
accrued income and prepaid expenses	325	110
trade payables	(59,485)	40,311
Short-term payables for IFRS 16 leasing	(204)	(328)
other payables	4,128	(9,520)
accrued expenses deferred income	(743)	(416)
payables due to shareholders for dividends	-	(12,000)
<i>Changes in assets not included in the net working capital</i>		
3. Cash flow after net working capital changes	23,199	124,081
<i>Other adjustments</i>	(17,348)	(17,646)
interest collected/(paid)	(2,515)	630
Interest collected/(paid) on leased assets	(99)	(78)
(paid income taxes)	(81)	(40)
dividends collected	-	-
(utilisation of provision for risks and charges)	(3,128)	(8,364)
(utilisation of provision for employee benefits)	(11,525)	(9,794)
Cash flow of income management (A)	5,851	106,434

CONSOLIDATED CASH FLOW STATEMENT

	2020	2019
B Cash flows deriving from investment/divestment activities		
<i>Property, plant & equipment</i>		
(Investments)	(138,692)	(154,123)
Sales price of disposals	584	4,264
<i>Intangible assets</i>		
(Investments)	(1,232)	(1,288)
Sales price of disposals	-	(26)
Increase/decrease in trade payables for fixed assets	17,276	(29,684)
<i>Financial fixed assets</i>		
(Investments)	(5,477)	(1,628)
Sales price of disposals	5,543	1,498
<i>Current financial assets</i>		
(Investments)	(116,817)	(94,611)
Sales price of disposals	144,474	108,769
Changes in plant capital grants	12,070	15,591
Cash flow from investment/divestment activities (B)	(82,271)	(151,238)
C Cash flows from financing activities		
<i>Third party funds</i>		
Increase(decrease) short-term loans to banks	35,000	-
New loans	-	-
Repayment of loans	(10,782)	(10,641)
Reimbursement of share capital loans on IFRS 16 leased assets	(1,782)	(1,137)
<i>Own funds</i>		
Paid Dividends (and advances in dividends)	(3,920)	(980)
Cash flow from financing activities (C)	18,516	(12,758)
Exchange rate effect	(453)	(48)
Increase (decrease) in Cash and cash equivalents and current securities	(58,357)	(57,609)
Cash and cash equivalents at the beginning of the year *	182,305	239,914
Cash and cash equivalents at year-end *	123,948	182,305

(*) Gross of the provision for liquidity write-downs

1. General information

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

The Company and its subsidiaries (jointly the “Group” or the “ATM Group”) manage the urban and long-distance public transport service in the areas of Milan and Monza, the Copenhagen metro, the parking, on-street parking and towing of the Zone B and C, and activities for the integrated infrastructure and fleet maintenance.

The publication of these consolidated financial statements was authorized by the Directors on April 21, 2021 and will be presented to the Shareholders' Meeting for approval and subsequent filing, within the terms required by law. The Shareholders' Meeting has the power to make amendments to these financial statements budget.

The company Deloitte & Touche S.p.A. was appointed auditor of the company, on the basis of the assignment entrusted to it on November 9, 2017.

In the preparation of these consolidated financial statements, the same accounting standards and valuation criteria adopted in the preparation of the consolidated financial statements at December 31, 2019 were applied, supplemented by what is described in the paragraph “Accounting principles, amendments and interpretations IFRS and IFRIC approved by the European Union, applied by the Group from January 1, 2020”.

2. Basis of Presentation of the consolidated financial statements

These consolidated financial statements for the year ended December 31, 2020 were prepared in accordance with *the international accounting standards* (International Accounting Standards – IAS and International Financial Reporting Standards - IFRS) issued by *the international accounting standards board* (IASB), and interpretations issued by the *International Financial Reporting Standards interpretations Committee* (IFRIC) and *the Standing interpretations Committee* (SIC), endorsed by the European Union pursuant to European Regulation (EC) No. 1606/2002 of July 19, 2002 and in force at the reporting date (together these standards and interpretations defined hereafter as “IAS-IFRS Standards”). In particular, Legislative Decree no. 38 of February 28, 2005, which governs this Regulation in Italy, introduced the mandatory application to apply the IAS-IFRS Standards for the preparation of the separate and consolidated financial statements to the companies issuing financial instruments admitted for trading on regulated markets in any Member State of the European Union.

It should also be noted that these consolidated financial statements have been prepared on the basis of the best information of the IAS-IFRS Standards and taking into account the best practise; any future orientations and interpretative updates will be reflected in subsequent years, in accordance with the provisions of the related accounting Standards.

The consolidated financial statements were prepared on a going concern basis, in accordance with paragraphs 24 and 25 of IAS 1, as the Directors verified the absence of financial, management, operational and other factors that could indicate critical issues regarding the Group's ability to meet its obligations in the foreseeable future and in particular in the next 12 months, taking into account the high levels of capitalization of the Group and Cash and cash equivalents and access to the financial market. This assessment also takes into account what is described in the Management Report in the

paragraph “Going concern and contractual framework” which illustrates the existence of a time horizon following the end of the current deadline for extending the Service Contract with the Municipality of Milan (December 31 , 2021) and the conditions under which the renewal of the existing contracts between NET S.r.l. and the Local Public Transport Agency of the Basin of the Metropolitan City of Milan, Monza Brianza, Lodi and Pavia for the management of the extra-urban car service, extended to all of December 31, 2021.

When preparing the 2019 financial statements, the health emergency induced by COVID-19 was considered by the subjects applying international accounting standards as a “*non-adjusting event*” in accordance with the provisions of IAS 10, as an event that occurred after the end of the financial year, to be highlighted in terms of disclosure, but which had not led to adjustments on the closure of financial statements at December 31, 2019. In line with the directives of the Public Statement “*implications of the COVID -19 outbreak on the half early financial reports*” issued by ESMA on May 20, 2020 , of the Public statements “*European common enforcement priorities for 2020 annual financial reports*” issued by ESMA on October 28, 2020, of the Consob Notice No. 8/20 of July 16, 2020 and finally of the Consob Warning Notice n. 1/21 of February 16, 2021 and in application of the provisions of IAS 34 of paragraphs 15 to 15C with reference to *the “significant events”* of the period, the following paragraphs provide specific considerations on the areas of the financial statements potentially impacted by COVID-19.

In particular, for the purposes of the consolidated financial statements for the year ended December 31, 2020, specific thematic areas were identified with reference to the individual International Financial Reporting Standards, summarized below:

- The application of IAS 1 “Presentation of the financial statements”, with reference to the critical issues connected to the existence of the assumption of going concern, the causes of uncertainty on accounting estimates and the representation of items impacted by COVID-19; which is disclosed in the Management Report in the parts relating to “*going concern and contractual framework*”, “*industrial strategic plan*” and “*foreseeable evolution of management*”;
- “Impairment of assets” (IAS 36): The COVID-19 pandemic represented a significant exogenous event to the ATM Group that required *the impairment test*, as recommended by ESMA and in accordance with the requirements of the International Standard IAS 36. The *impairment test* carried out, as described later in this Explanatory Note, confirmed the stability of the book values of the assets of the analyzed business lines (see in this regard the following Note 5 - “use of estimates”).
- the notes n. 31 “Revenue and other operating income”, n. 33 “Service costs” and n. 35 “Personnel expenses” provide specific information on the costs incurred as a result of the state of emergency related to the COVID-19 pandemic.

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

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

In particular, the consolidated Statement of financial position was prepared in accordance with the format categorizing assets and liabilities as “current/non-current” as permitted by IAS 1. An asset/liability is classified as current when it satisfies any of the following criteria:

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

In the absence of all three conditions, assets/liabilities are classified as non-current. The receivable and payable balances also disclose the amounts with Related parties.

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

The Consolidated Statement of comprehensive income includes the changes during the year, generated by transactions other than those with shareholders and on the basis of specific IAS-IFRS Standards. The changes in “other comprehensive profits (losses)” are presented separately from the related tax effects.

The Consolidated Statement of comprehensive income has been prepared in accordance with IAS 1 and outlines the changes to the consolidated equity:

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

The Consolidated Statement of cash flows presents the cash flow movements during the year classified as relating to operating, investing and financing activities; cash flows deriving from the operating activities are represented using the indirect method.

The consolidated financial report includes the Directors’ Report which comprises the consolidated financial statements. Moreover, in compliance with the requirements introduced by Legislative Decree no. 254 of December 30, 2016 enacting Directive 2014/95/EU, and in compliance with *the GRI Sustainability Reporting Standards* - published by *the Global Reporting Initiative (GRI)* - the ATM Group has prepared the Consolidated Non-Financial Report to ensure the dissemination of the Group's activities and performance, its results and impact produced, covering the 5 significant areas: environment, social aspects, personnel management, human rights and the fight against corruption. For further details, please refer to the separate document, “2020 Consolidated Non-Financial Report” also available on the website www.atm.it.

The functional currency of the Group is the euro, the presentation currency of the consolidated financial statements, which represents the currency of the country in which the Group principally operates; the

consolidated financial statements and all the amounts included in the tables of the explanatory notes, except where otherwise indicated, are illustrated in thousands of euros.

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

No subsequent events arose that altered conditions at the reporting date and which required amendments to asset and liability values and on the result for the year. For Subsequent events to the reporting date, for which there are no equity, economic and financial impacts, please refer to the specific paragraph in the Management Report.

3. Consolidation method and principles

Subsidiaries

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

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

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

After acquiring non-controlling interests share and obtaining control, the positive difference between the acquisition cost and the book value of the non-controlling interests acquired is recognized as a reduction in the Group's equity. In the event of the sale of holding that does not result the lose of control of the entity, however, the difference between the price received and the book value of the holding sold is recognized directly as an increase of equity, without recognizing through the income statement.

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

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

- The assets and liabilities, charges and income of fully consolidated companies are recognized line by line, attributing to the non-controlling interests, where applicable, the share of equity

and result for the period pertaining to them; These shares are recognized separately under net consolidated equity and in the consolidated income statement;

- The business combinations between entities not subject to common control, in which the control of an entity is acquired, are recognized applying *the purchase method*. The acquisition cost is represented by *the fair value* at the date of purchase of the assets transferred, of liabilities assumed and of capital instruments issued. The identifiable assets acquired and liabilities assumed are recognized at their fair value at the date of acquisition. The difference between the purchase cost and the fair value of the identifiable assets and liabilities acquired, if positive, is recognized under intangible assets as Goodwill, or, if negative, after verifying the correct measurement of the fair values of the assets and liabilities acquired and the purchase cost, recognized directly in the income statement, as income. Where *the fair value* of the identifiable assets and liabilities acquired can only be determined provisionally, the aggregation of business is recognized using these provisional values. Any adjustments deriving from the completion of the valuation process shall be recognized within twelve months of the date of acquisition, restating the comparative figures;
- The gains and losses, with the relative fiscal effect, deriving from operations between companies which have been fully consolidated and have not yet been realized with third parties, shall be eliminated, except for unrealized losses which are not eliminated, if the transaction indicates a reduction in the value of the transferred asset. The effects deriving from reciprocal payables and receivables, costs and revenues, as well as financial expenses and income shall also be eliminated;
- For the acquisitions of non-controlling interests relating to entities in which control already exists, any difference between the purchase cost and the relative share of equity acquired is recognized under equity.

All the subsidiaries are included in the scope of consolidation from the date on which control is acquired by the Group. Entities are excluded from the scope of consolidation from the date on which the Group loses control.

List of companies consolidated using the comprehensive consolidation method:

Company	Consolidation method
ATM servizi Diversificati S.r.l.	comprehensive
Ge.SAM S.r.l.	comprehensive
International Metro Service S.r.l.	comprehensive
Metro Service A/S	comprehensive
Nord Est Trasporti S.r.l.	comprehensive
Rail Dignostics S.p.A.	comprehensive

Associates

Associates are those in which the ATM Group exercises a significant influence, which is considered the power to participate in the financial and operating policy decisions of an investee, without exercising joint control or control. In the evaluation of significant influence, is also taken into consideration the potential voting rights which are effectively exercisable or convertible.

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

- The book value of the investments in associates is aligned with its equity share, adjusted, where necessary, to the accounting policies adopted by the ATM Group and includes the recognition of the higher value attributed to the assets and liabilities and of any Goodwill identified on acquisition;
- The ATM Group gains or losses of the associates are recognized at the date in which the significant influence began and until the significant influence terminates; in the case where, as a result of the losses, the companies measured under this method indicates negative equity, the carrying value of the investment is written down and any excess pertaining to the ATM Group, where this latter has undertaken to fulfill the legal or implicit obligations of the investee, or in any case to cover the losses, is recognized in a specific provision; the comprehensive income items measured under the Equity method are recognized in separate equity reserves;
- The unrealized gains and losses generated on operations between the Parent Company and subsidiaries and investments valued under the Equity method are eliminated on the basis of the share pertaining to the ATM Group in the subsidiary; the losses not realized shall be eliminated, except where they are representative of a reduction in value.

The economic results of the associates are recognized in the consolidated income statement in the account “The net result of companies measured under the Equity method”.

If the value thus determined is higher than the recoverable value, the related investment shall be adjusted by recognizing an impairment in the income statement.

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

List of companies consolidated with the Equity method:

Company	Consolidation method
Metro 5 S.p.A.	Equity
Movibus S.r.l.	Equity
SPV Linea M4 S.p.A.	Equity

List of investments in companies registered at the cost, net of any impairment losses:

Company	Consolidation method
CO.MO. Fun&Bus S.c.a.r.l	Cost
Consorzio SBE	Cost
Metrofil S.c.a. r.l.	Cost

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

- The assets and the liabilities are converted using the exchange rate at the balance sheet date;
- The costs and the revenues are converted at the average exchange rate for the period;

- The translation reserve, included under consolidated equity, includes both the foreign exchange differences generated from the conversion of the foreign currency transactions at a rate different than at the reporting date and those generated from the conversion of the opening equity at an exchange rate different than that at the reporting date. This reserve shall be reversed to the income statement on the sale of the investment.

The exchange rates adopted for the conversion of the financial statements of Metro Service A/S (Denmark), which has the Danish Crown as its functional currency, are as follows:

- Historical exchange rate at December 31, 2008 utilised for the conversion of the opening net equity: DKK 7.4428 for the equivalent of Euro 1;
- Exchange rate at December 31, 2020 utilised for the conversion of assets and liabilities: DKK 7.4409 for the equivalent of Euro 1 (DKK 7.4715 at December 31, 2019);
- Average exchange rate in 2020 utilised for the conversion of costs and revenues: DKK 7.4542 for the equivalent of Euro 1 (DKK 7.4661 for 2019).

4. Valuation criteria

Property, plant, and equipment

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

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

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

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

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

The estimated useful lives are as follows:

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

The economic and technical life of the tangible assets and their residual value shall be reviewed and updated, where necessary, at least at the end of each financial year.

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

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

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

Intangible assets

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

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

The cost of *software* license, including expenses incurred to make the *software* ready for use, are amortised on a straight-line basis over five years, while software programme maintenance costs are charged to the income statement when incurred.

Intangible assets with definite useful life are tested for losses in value when there is an indication that the asset may have incurred a loss in value. Reference should be made to the paragraph below “Impairments of assets” for the criteria to determine any write-downs.

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

Assets held under lease agreements

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

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

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

Investments in subsidiaries, associates and other companies

The results and the assets and liabilities of the investments in associates and in other companies are recognized in the consolidated financial statements utilising the equity method, as described in Note 3 “Consolidation criteria and methods”, with the exception of those investments in which consolidation utilising the Equity method does not produce significant effects on the statement of financial position as

well as on the result of the Group, which are recognized at *fair value*, where available, or at cost less any impairment.

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

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

Impairment of assets

- *Tangible and intangible assets with definite useful life and investments*

At each reporting date, a verification is made to establish whether there are indicators that tangible, intangible assets (including rights of use, the reduction in value of which is connected to the emergence of conditions of use of the asset on the basis of an onerous contract pursuant to IAS 37) and the investments may have suffered a reduction in value and if, with reference at the value of the land and buildings, the *fair value* may differ from the cost restated to the fair value on the reference date of the verification (therefore including the accumulated depreciation recorded between the two *fair value* measurement dates). To this end, both internal and external sources of information are considered. With regard to the former (internal sources): obsolescence or the asset's physical deterioration and any significant changes in the asset's use and the asset's economic performance in comparison to projections are taken into consideration. As regards external sources: the trend in the assets' market prices, any technological, market or regulatory discontinuities, the trend in market rate interest rates or the cost of capital used to evaluate investments are considered.

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

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

See Note 5 below “use of estimates” for a more detailed analysis of the results of *the impairment test* carried out at December 31, 2020.

- *Goodwill and intangible assets not yet available for use*

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

- *Land and buildings valued at cost restated at fair value*

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

Financial assets

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

The financial assets are initially recognized at *fair value*.

(i) *financial assets measured at amortized cost*

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

(ii) *financial assets measured at fair value with recognition of the effects among the other components of comprehensive income (hereinafter also FVTOCI)*

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

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

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

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

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

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

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

- Stage 1: includes (i) newly originated or acquired credit exposures, (ii) exposures that have not suffered a significant deterioration in credit risk with respect to the date of initial recognition and (iii) exposures with low credit risk ("Low credit risk exemption").
- Stage 2: includes credit exposures, which although not impaired, have undergone a significant deterioration in credit risk compared to the date of initial recognition.
- Stage 3: includes impaired credit exposures. For exposures belonging to stage 1 the total value adjustments are equal to the expected loss calculated over a time horizon of up to one year. For exposures belonging to stages 2 or 3 the total value adjustments are equal to the expected loss calculated over a time horizon equal to the entire duration of the relative exposure.

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

Inventories

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

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

Trade and other receivables

Trade and other receivables are initially recognized at *fair value* and subsequently measured based on the amortized cost method net of the doubtful debt provision. When there is an indication of a reduction in value, the asset is reduced to the value of the discounted future cash flows obtainable. Indicators of loss in value include, among others, significant contractual non-compliance, significant financial difficulties, insolvency risk of the counterparty. Receivables are reported net of the provision for doubtful debts. When in subsequent periods the reduction in the value of the asset is confirmed, the doubtful debt provision is utilized; otherwise, where the reasons for the previous write-down no longer exist, the value of the asset is reversed up to the recoverable amount derived from applying the amortized cost method where no write down had been made.

Cash and cash equivalents

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

Financial liabilities

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

Employee benefits

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

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

A defined benefit plan is a plan not classified as a defined contribution plan. In the defined benefit plans the amount of the benefit to be paid to the employee is quantifiable only after the termination of the employment service period, and is related to one or more factors such as age, years of service and remuneration. An independent actuary utilising the “*projected unit credit method*” therefore determines the obligations for the defined benefit plans. The present value of the defined benefit plan is determined discounting the future cash flows at an interest rate equal to the obligations (*high-quality corporate*) issued in the currency in which the liabilities will be settled and takes into account the duration of the relative pension plan. The gains and losses deriving from the actuarial calculation are entirely recognized under equity in the year, taking into account the deferred tax effect.

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

Provisions for risks and charges

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

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

Revenue recognition

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

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

Revenues from the provision of services (in particular, on-street parking, car parks, vehicle tow removing) are recognized on the completion of the service; sales revenue are recognized when the transfer occurs or when the counterparty obtains control of the asset.

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

Public Grants

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

- Capital grants

Public capital grants refer to sums paid for the acquisition of rolling stock or direct construction interventions, reconstruction and expansion of property, plant and equipment. The capital grants

are recognized as a direct reduction of the assets to which they refer and contribute to the reduction in the calculation of the depreciation.

- **Operating grants**

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

Recognition of costs

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

Dividends

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

Financial income

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

Financial expenses

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

Income taxes

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

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

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

ATM S.p.A. together with the subsidiaries in accordance with Article 2359 of the Civil Code, as consolidating company applied the National Tax Consolidation for the ATM Group, which permits the IRES corporate tax calculation on the sum of the assessable amounts of the individual participants. The transactions, responsibilities and reciprocal obligations between the parent company (ATM S.p.A.) and

the companies of the ATM Group are defined in the “*Agreement concerning the joint exercise of the option for the national consolidation by the companies belonging to the ATM Group*”.

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

Conversion of Accounts in Foreign Currencies

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

IFRS and IFRIC standards, amendments and interpretations approved by the European Union, applied by the Group since January 1, 2020.

The following International Financial Reporting Standards accounting standards, amendments and interpretations were first applied by the Group from January 1, 2020:

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

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

The adoption of this amendment did not affect the consolidated financial statements of the Group at December 31, 2020.

References to the conceptual framework in IFRS standards

On March 29, 2018, the IASB published an amendment to the “*References to the conceptual framework in IFRS standards*”. The amendment is effective for periods beginning on or after January 1, 2020, but early application is allowed.

The conceptual framework defines the fundamental concepts for financial reporting and guides the Board in developing IFRS standards. The document helps to ensure that Standards are conceptually consistent and that similar transactions are treated equally, so as to provide useful information to investors, lenders, and other creditors.

The conceptual framework supports companies in the development of accounting policies when no IFRS standards apply to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards.

The adoption of this amendment did not affect the consolidated financial statements of the Group at December 31, 2020.

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

On September 26, 2019, the IASB published the amendment called “*Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform*”. The same changes IFRS 9 - *Financial Instruments* and IAS 39 - *Financial Instruments: Recognition and Measurement* as well as IFRS 7 - *Financial Instruments: Disclosures*. In particular, the amendment modifies some of the requirements required for the application of hedge accounting by providing for temporary exceptions to them, in order to mitigate the impact of the uncertainty of the (still ongoing) IBOR reform on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information on their hedging reports in the financial statements which are directly affected by the uncertainties generated by the reform and to which the exemptions apply.

The adoption of this amendment did not affect the consolidated financial statements of the Group at December 31, 2020.

Definition of a business (Amendments to IFRS 3)

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

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

The adoption of this amendment did not affect the consolidated financial statements of the Group as at December 31, 2020 , since the Group did not set up *business combination operations in the year*.

COVID-19 Related Rent Concessions (Amendment to IFRS 16)

On May 28, 2020, the IASB published an amendment entitled “*COVID-19 related rent concessions (Amendment to IFRS 16)*”, approved by the European Commission on October 12, 2020. The document provides for lessees the right to account for reductions in rents related to COVID-19 without having to assess, through the analysis of contracts, whether the definition of *lease modification* of IFRS 16 has been respected. Therefore, the lessees who apply this option will be able to account for the effects of the reductions in rent directly to the income statement on the date of the reduction.

The adoption of this amendment did not affect the consolidated financial statements of the Group at December 31, 2020.

IFRS and IFRIC accounting principles, amendments and interpretations endorsed by the European Union, not yet mandatory and not adopted early by the Group from December 31, 2020

Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

On May 28, 2020, the IASB published an amendment called “Extension of the temporary exemption from applying IFRS 9 (Amendments to IFRS 4)”. The amendments allow to be extended the temporary exemption from the application of IFRS 9 until January 1, 2023 for insurance. These changes will be applicable on January 1, 2021.

At the moment, the Directors are evaluating the possible effects of the introduction of this amendment on the Group's consolidated financial statements.

Interest Rate Benchmark Reform—Phase 2

On August 27, 2020, the IASB published, in the light of the reform on interbank interest rates such as 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 changes will take effect on January 1, 2021.

At the moment, the Directors are evaluating the possible effects of the introduction of this amendment on the Group's consolidated financial statements.

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

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

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

On January 23, 2020, the IASB published an amendment called “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 debts and other short- or long-term liabilities. The amendments will be applied starting from January 1, 2022 but the IASB has issued an *exposure draft* to postpone their entry into force until January 1, 2023; however, advance application is permitted.

At the moment, the Directors are evaluating the possible effects of the introduction of this amendment on the Group's consolidated financial statements.

Amendments to IFRS 3 Business Combinations - Amendments to IAS 16 Property, Plant and Equipment - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Annual Improvements 2018-2020

On May 14, 2020, the IASB published the following amendments:

“Amendments to IFRS 3 Business combinations”: the purpose of the amendments is to update the reference in IFRS 3 to *the* revised “conceptual framework” without any change to the provisions of IFRS 3.

“Amendments to IAS 16 Property, Plant and Equipment”: the purpose of the amendments is not to allow the amount received from the sale of goods produced in the testing phase of the asset to be deducted from the cost of the tangible assets. These sales revenues and the related costs will therefore be recognized in the income statement.

“Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent assets”: the amendment clarifies that in the estimate of the possible cost of a contract, all costs directly attributable to the contract must be taken into account. Consequently, the assessment of the possible cost of a contract includes not only incremental costs (such as the cost of the direct material used in the processing), but also all costs that the company cannot avoid once the contract has been signed (such as: the share of the cost of personnel and depreciation of the machinery used for the performance of the contract).

“Annual improvements 2018-2020”: changes 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 changes will take effect on January 1, 2022. At the moment, the Directors are evaluating the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

5. Use of estimates

The application of the IAS-IFRS principles for the preparation of the consolidated financial statements involves the making, by the Directors, of accounting estimates, often based on complex and/or subjective assessments, based on past experiences and hypotheses considered reasonable and realistic in relation to the information known at the time of the estimate, even with the support of experts. The use of these estimates is reflected in the carrying amount of assets and liabilities and in the information relating to potential assets and liabilities at the date of the consolidated financial statements, as well as in the amount of revenue and costs in the accounting period represented. Actual results may differ from those estimated due to the uncertainty that characterizes the assumptions and conditions on which the estimates are based; In particular, during 2020, the national and international scenario was characterized by the spread of COVID-19 and the consequent restrictive measures for its containment, implemented by the public authorities of the countries concerned. These circumstances, extraordinary in nature and in scope, have had direct and indirect repercussions on economic activity and have created a context of general uncertainty, with regard to which changes and their effects are not foreseeable. For this reason, estimates and assumptions are periodically reviewed and the effects of each change are reflected in the consolidated income statement.

For a better understanding of the Consolidated Financial Statements, the most significant estimates of the consolidated financial statement preparation process are indicated below because they involve a high recourse to subjective judgments, assumptions and estimates relating to issues that are by their nature

uncertain. Changes in the conditions underlying the judgments and assumptions adopted could have a significant impact on subsequent results.

Recoverability of the value of tangible, intangible assets and investments

As already indicated, the COVID-19 pandemic was an exogenous trigger event for the ATM Group which made it necessary to carry out an *impairment test* on the recoverability of the net invested capital recorded in the financial statements at December 31, 2020.

The *impairment test* was carried out on the *cash generating units* that were most affected by the pandemic, i.e. “*local public transport and complementary services*”, “*Local public transport in the interurban area*” and “*other activities*” as defined in Note 7 “*Operating trend – Sector analysis*”.

In particular, for the *cash generating unit* relating to “*local public transport and complementary services*” – relating to the activities carried out by ATM S.p.A., the recoverable amount, considered as value of use, was determined through the application of an analysis which considered three alternative scenarios, with a different degree of probability of occurrence:

- First scenario, based on the assumption of an extension of the current service contract until the end of 2022 and subsequent continuation of the concession activities following the award of the TPL tender according to three different developments: (I) perpetual renewal, (ii) renewal for a period of only 15 years and subsequent disposal of the assets and liabilities for their net book value (iii) renewal for a period of 15 years plus further 15 years and subsequent disposal of the assets and liabilities for their net book value. The expected future cash flows used for this scenario has been taken from the Industrial Plan 2021 – 2037 (period corresponding to the extension of the service contract or the expected renewal in continuity of concession and more detailed in the management report referred to), which includes – in addition to the effects of COVID–19 – prudent assumptions of revenue and cost evolution on the basis of historical trends and with the introduction of certain expected effects of operating leverage efficiency that are reasonably achievable.
- Second scenario, based on the assumption of an extension of the service contract until the end of 2022 and its interruption in the event of the award of the TPL tender to a third party. This scenario assumes the perpetual rent to the new operator of the fixed-rail rolling stock, of the installations and the sale of the buses.
- Third scenario, based on the assumption of an extension of the service contract until the end of 2022 and its interruption in the event of the award of the TPL tender to a third party. This scenario assumes the disposal of assets and liabilities for their net book value outstanding at December 31, 2022.

This procedure for determining the impairment of tangible and intangible assets and equity investments involved – in estimating the value of use – the definition of the multi-scenarios mentioned above and the use of an industrial plan which are based on a set of assumptions and hypothesis relating to future events and actions of the administrative bodies and the relevant regulatory bodies of the TPL services, which will not necessarily take place.

In fact, the assumptions concerning future trend and the consequent forecast data used for the execution of the *impairment test* are characterized, given their forecasting nature, by a certain degree of uncertainty and, therefore, it cannot be excluded that the occurrence of future results other than those

estimated may require any adjustment of the value of tangible, intangible and financial assets entered in the financial statements. In this context, *the sensitivity analysis* – carried out with reference both to cash flow discount rates, to volumes and margins, as well as to the probabilization of scenarios – highlights possible write-downs as a function of a worsening of these variables.

It should also be noted that the post-tax WACC, which takes account of the specific risks of the asset and reflects current market valuations of the cost of money, has been used as the discount rate for the discounting of future cash flows, on the basis of a weighting between the cost of debt and the cost of equity, based on the values of comparable groups and which are subject to impairment as they operate in the same sector of activity. The WACC value thus determined was equal to 4.17%.

In particular, on April 21, 2021, the Board of Directors approved the assumptions, scenarios and results deriving from *the impairment test* determined from the Industrial Plan 2021 – 2037 (the “Industrial Plan”), built in accordance with the Group Strategic Plan 2021 – 2025 (The “Strategic Plan”) approved by the Board of Directors in the meeting of March 25, 2021. On the basis of the Industrial Plan and the probabilized multi-scenarios, prepared according to the expectations of the management, economic-financial projections consistent with medium to long term investment planning have been developed. These projections have been revisited on the basis of the events that already have been recorded and of the impacts that are believed to be derivig in the short to medium term and which by their nature are necessarily uncertain.

The impairment test confirmed the value of the net invested capital in the ATM Group's consolidated annual financial statements at December 31, 2020; the *cover test* made it possible to consider reasonably recoverable the aforementioned book value even in the event of divergence of the final data with respect to the forecasts within ranges of variability confirmed by historical experience.

Moreover, for *the cash generating unit* relating to “local public transport in the interurban areas” – relating to the activities carried out by NET S.r.l. – it is noted that the recoverable value, considered as the value of use, is determined on the basis of two alternative scenarios with different degree of occurrence probability. In particular, the first scenario provides a renewal of the contract for a further period of nine years until 2030, while the second scenario provides as base assumption, the termination of the service contract in 2022, assuming that the disposal value of the assets is equal to the net book value of the assets and liabilities outstanding at December 31, 2022, increased by investments, decreased by depreciation and discounted. The expected future cash flows used in this analysis were simulated as a function of the time development of each of the scenarios. The impairment test developed confirmed the book value of the net invested capital in the consolidated annual financial statements at December 31, 2020.

On March 10, 2021, the above was presented to the Sole Adiministrator who approved the assumptions, scenarios and results of *the impairment test*.

The *test cover* has allowed to consider reasonably the above mentioned book value also in case of divergence of the final data with respect to the forecasts within ranges of variability confirmed by historical experience.

Finally, for *the cash generating unit* relating to “other activities” – which are primarily related to the activities carried out by Rail Diagnostics S.r.l. – it is noted that the recoverable amount, considered as the value of use, it is determined by a single scenario and the expected future cash flows used in this analysis have been simulated as a function of its temporal development. The impairment test developed

confirmed the book value of the net invested capital in the consolidated annual financial statements at December 31, 2020.

On March 1, 2021, the above was presented to the Sole Administrator who approved the assumptions, scenarios and results of *the impairment test*.

The *test cover* has allowed to consider reasonably the above mentioned book value also in case of divergence of the final data with respect to the forecasts within ranges of variability confirmed by historical experience.

Restated value of land and buildings at fair value

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

Useful life of tangible and intangible assets

Tangible and intangible assets with a definite useful life are amortized over the estimated useful life of the related assets. The Directors determine the economic useful life of the assets at the time the asset was acquired; it is based on historical experience for similar fixed assets, market conditions and advances regarding future events that could have an impact on the useful life. Therefore, the actual economic life may differ from the estimated useful life. The Group periodically assesses technological and sector changes to update the residual useful life. This periodic update could lead to a change in the depreciation period and therefore also to the depreciation charge for future years. It should be noted that, on the occasion of the first adoption of the IAS-IFRS principles, updates were made of the useful lives relating to metropolitan and tramway rolling stock, whereas in the year 2018, a new economic and technical life of buildings to be assessed at *fair value was defined as part of the change in the valuation criterion for buildings*.

It should also be noted that following the carrying out of an analysis of the recoverability of the values recorded in the financial statements, with reference to the metropolitan rolling stock, consequent to the acknowledgment of the exit from the production cycle of some rolling stock due to technological obsolescence, the write-down of 6 trains used on the M2 line and of 3 additional trains of the M3 line no longer used in the transport service, the balance sheet and economic effects of which are described in Note 9, has been entered.

Recoverability of inventory

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

Recoverability of the balance that guarantees TPL services

The estimate of the outcome of the negotiations on the penalties and the definition and settlement by the purchasers of the balance guaranteeing the services performed as part of the TPL service contracts, entail, with particular reference to the extra-urban public transport services of the Northern – East area of the province of Milan and the city of Monza and its hinterland, the adoption of assessments on the

recoverability of the amounts allocated to invoices to be issued, also referring to previous years, which depend on elements that may change over time and which could therefore have significant effects compared to the current estimates made by the Directors for the preparation of the consolidated financial statements of the Group.

Recoverability of deferred taxes

The consolidated financial statements include deferred tax assets, mainly related to income components with deferred tax deductibility, for an amount whose recovery in future years is considered highly probable. Significant judgments of the Directors are required to determine the amount of deferred taxes that can be recognized in the financial statements based on the timing and amount of future taxable income. In particular, it should be noted that in the consolidated financial statements for the financial year 2019, deferred taxes on the previous tax losses of the Parent Company had been recorded for the portion that the Directors considered as recoverable against future taxable income, the assumptions of which have failed as a result of the effects of the COVID – 19 pandemic which have caused a change in public mobility and significantly affected short-term scenarios (12 – 24 months) both in terms of terms of income and in terms of regulations governing service contracts relating to public transport.

The forecast has led to an adjustment of the values of the deferred tax already recognized in the consolidated financial statements at December 31, 2020 against previous losses, resulting in the need to issue a release in the income statement during the financial years 2021 and 2022 for a total of Euro 13,610 thousand recorded in previous financial years, as the directors have not foreseen taxable profits that are capable to absorb these tax losses within a reasonable time frame.

In addition, it should be noted that in these consolidated financial statements, deferred taxes have been recorded for income components with deferred tax deductibility for the portion that the directors consider recoverable against future taxable income assumed having a time horizon subsequent to the end of the current expiry of the Service Contract With the Municipality of Milan extended until December 31, 2021.

Processes for estimating funds for risks and charges

The Group is subject to legal and tax disputes, as well as environmental risks, that can derive from complex and difficult problems, which are subject to a different degree of uncertainty, including the facts and circumstances inherent to each case, the jurisdiction and the different applicable laws. Given the inherent uncertainties of these issues, it is difficult to predict with certainty the outlay that could arise from such disputes. Consequently, the Directors, having heard the opinion of their consultants and experts in legal, tax and environmental matters, ascertain a liability for such disputes when it considers it probable that a financial outlay will occur and when the amount of the resulting losses can be reasonably estimated. This estimate involves the adoption of assumptions that depend on factors that may change over time and which could therefore have significant effects compared to the current estimates made by the Directors for the preparation of the Group's consolidated financial statements. Demonstration of this estimation uncertainty is represented by the significant impacts recognized in the 2020 Financial Statements due to the redefinition of certain estimations in light of new and relevant information.

Factors for the evaluation of employee benefits

Liabilities for employee benefits are measured using an actuarial method that requires the use of estimates and assumptions to determine the value of the obligation. The estimates and assumptions

inherent in the actuarial assessment regard exogenous factors such as the discount rate and subjective factors such as the rate of increase in future remuneration, mortality and resignation.

Determination of the fair value of financial assets

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

6. Financial risk management

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

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

During 2020 - as in the previous year - the Group did not use derivative financial instruments to hedge the effects of the aforementioned risks, with the exception of the associated company Metro 5 S.p.A. and SPV Linea M4 S.p.A., consolidated with the equity method.

1) Credit risk

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

For counterparty credit risk deriving from the use of financial instruments, the Group adopts procedures and tools for the evaluation and selection of counterparties on the basis of *credit standing* (explicit rating assessments, monitoring of CDS - Credit Default Swaps), continuous monitoring exposure, and adoption of *stress test* scenarios.

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

The Group is also exposed to credit risk in relation to financial guarantees (pledges on shares) issued in favor of lenders on *project finance* transactions for associated companies Metro 5 S.p.A. and SPV Linea M4 S.p.A. The maximum exposure of the Group is equal to the value of the shares of the two project companies pledged for a total of Euro 12.09 million at December 31, 2020.

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

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

The following table shows the Group's exposure to credit risk at December 31, 2020 compared with the balance at December 31, 2019.

	12.31.2020	12.31.2019
Non-current financial assets	24,428	24,920
Doubtful debt provision	-	(8)
Non-current financial assets net of doubtful debt provision	24,428	24,912
Other receivables and non-current assets	-	7,251
Other receivables and non-current assets net of doubtful debt provision	-	7,251
Current financial assets	227,463	252,226
Doubtful debt provision	(271)	(407)
Current financial assets net of doubtful debt provision	227,192	251,819
Current trade receivables	199,081	208,770
Doubtful debt provision	(16,193)	(16,948)
Current trade receivables net of doubtful debt provision	182,888	191,822
Other receivables and current assets	55,956	62,662
Doubtful debt provision	(689)	(481)
Other receivables and current assets net of doubtful debt provision	55,267	62,181
Cash and cash equivalents	123,948	182,305
Doubtful debt provision	(87)	(153)
Cash and cash equivalents	123,861	182,152
Total exposure net of doubtful debt provision *	613,636	720,137

* the item excludes tax receivables.

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

Non-current financial assets include loans and receivables from Related parties and third parties, the decrease in the financial year is attributable to repayments received partially offset by payments made and to interest accrued in the financial year 2020.

Other non-current assets and receivables as of December 31, 2019 included the credit, over 12 months, for state contributions to plant related to the purchase of trains of the metro line 1 under the “*Accessibilità Fiera Milano*”. project. The credit, which expires in 2021, guarantees the loan granted by “Cassa Depositi e Prestiti”, which is recorded for an equal amount among the liabilities. The change is related to the collection of the maturing credit in connection with the payment of the corresponding maturing debt.

The decrease in the provision for the write-down of trade receivables is linked to the dynamics connected to the uses and releases made during the year in order to adjust the value to the change in expected losses (for further details, see Note 19 - Trade receivables), of which the main ones refer to the release of the provision for bad debts towards the parent company Municipality of Milan for Euro 424 thousand and to third-party customers for Euro 450 thousand in part offset by the provision made against probable risks towards third-party customers for Euro 141 thousand. The following tables show the exposure to credit risk by counterparty, in absolute value and in percentage value, shown excluding Cash and cash equivalents, as well as current and non-current financial assets:

	12.31.2020	12.31.2019
Municipality of Milan	121,882	126,042
Receivables from tax authorities	2,899	2,913
Receivables from entities (State, Region, Province)	48,574	61,503
Receivables from third party customers	58,037	61,063
Receivables from associates	2,722	4,063
Receivables from other debtors	3,794	5,016
Receivables from subsidiaries of parent companies	247	654
Total exposure of trade receivables, other current and non-current receivables	238,155	261,254

	Inc. % 2020	Inc. % 2019
Municipality of Milan	51.2%	48.2%
Receivables from tax authorities	1.2%	1.1%
Receivables from entities (State, Region, Province)	20.4%	23.5%
Receivables from third party customers	24.4%	23.4%
Receivables from associates	1.1%	1.6%
Receivables from other debtors	1.6%	1.9%
Receivables from subsidiaries of parent companies	0.1%	0.3%
Total exposure of trade receivables, other current and non-current receivables	100.0%	100.0%

It should be noted that a significant part of trade receivables and other current and non-current receivables is attributable to the Municipality of Milan. The amount of financial assets considered to be of doubtful recoverability and of an insignificant amount is covered by appropriate provisions to the doubtful debt provision, which also takes into account the general risk of bad debts of

receivables not yet due, determined based on historical experience, in compliance with the requirements of IFRS 9.

The following tables provide a breakdown of financial assets at December 31, 2020 and December 31, 2019, net of the provision for bad debts, grouped by expired and exposed excluding Cash and cash equivalents, as well as current and non-current financial assets.

	12.31.2020	Not expired	0-180	180-360	360-720	over 720
Municipality of Milan (gross)	124,944	36,587	57,236	8,405	9,690	13,026
Doubtful debt provision	(3,062)	(67)	(75)	(11)	(9)	(2,900)
Municipality of Milan (Netto)	121,882	36,520	57,161	8,394	9,681	10,126
Receivables from tax authorities (gross)	2,899	2,899				
Doubtful debt provision						
Receivables from tax authorities (net)	2,899	2,899				
Receivables from entities (gross)	48,574	48,574				
Doubtful debt provision	-					
Receivables from entities (net)	48,574	48,574				
Receivables from customers (gross)	71,160	33,520	20,277	5,087	375	11,900
Doubtful debt provision	(13,123)	(528)	(128)	(229)	(375)	(11,863)
Receivables from customers (net)	58,037	32,992	20,149	4,858	-	37
Receivables from associates (gross)	2,730	2,554	123	116	169	
Doubtful debt provision	(8)	(8)				
Receivables from associates (net)	2,722	2,546	123	(116)	169	
Receivables from other debtors (gross)	4,483	3,794		208		481
Doubtful debt provision	(689)			(208)		(481)
Receivables from other debtors (net)	3,794	3,794		-		-
Receivables from subsidiaries of parent companies (gross)	247	30	87	48	39	43
Doubtful debt provision						
Receivables from subsidiaries of parent companies (net)	247	30	87	48	39	43
Total exposure of trade receivables, current and non-current receivables net of doubtful debt provision	238,155	127,355	77,520	13,184	9,889	10,206

	12.31.2019	Not expired	0-180	180-360	360-720	over 720
Municipality of Milan (gross)	129,528	58,510	56,664	6,648	2,817	4,889
Doubtful debt provision	(3,486)	(82)	(79)	(9)	(2,591)	(725)
Municipality of Milan (net)	126,042	58,428	56,585	6,639	226	4,164
Receivables from tax authorities (gross)	2,913	2,913				
Doubtful debt provision						
Receivables from tax authorities (net)	2,913	2,913				
Receivables from entities (gross)	61,503	54,252			7,251	
Doubtful debt provision						
Receivables from entities (net)	61,503	54,252			7,251	
Receivables from customers (gross)	74,490	46,029	12,628	1,514	609	13,710
Doubtful debt provision	(13,427)	(404)	(452)	(424)	(382)	(11,765)
Receivables from customers (net)	61,063	45,625	12,176	1,090	227	1,945
Receivables from associates (gross)	4,092	2,362	173	191	1,336	30
Doubtful debt provision	(29)	(5)	(1)		(2)	(21)
Receivables from associates (net)	4,063	2,357	172	191	1,334	9
Receivables from other debtors (gross)	5,497	5,016			481	
Doubtful debt provision	(481)				(481)	
Receivables from other debtors (net)	5,016	5,016			-	
Receivables from subsidiaries of parent companies (gross)	660	404	189	6	13	48
Doubtful debt provision	(6)	(2)				(4)
Receivables from subsidiaries of parent companies (net)	654	402	189	6	13	44
Total exposure of trade receivables, current and non-current receivables net of doubtful debt provision	261,254	168,993	69,122	7,926	9,051	6,162

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

Impairment of financial assets

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

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

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

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

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

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

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

The following tables show the ECL (“*expected Credit Loss*”) values as at December 31, 2020 and December 31, 2019:

	12.31.2020	Expected Credit Loss		
		Stage 1 ECL 12 months	Stage 2 ECL Lifetime	Stage 3 ECL Lifetime
Cash and cash equivalents	84	84		
Financial assets Held to Collect & Sell	271	271		
Loan commitments	2	2		
Financial guarantees	16	16		
Tax receivables	-	-		
Trade receivables	16,193	16,193		
Other receivables	689	689		
Total	17,255	17,255	-	-

	12.31.2019	Expected Credit Loss		
		Stage 1 ECL 12 months	Stage 2 ECL Lifetime	Stage 3 ECL Lifetime
Cash and cash equivalents	153	153		
Financial assets Held to Collect & Sell	407	407		
Loan commitments	5	5		
Financial guarantees	17	17		
Tax receivables	1	1		
Trade receivables	16,948	16,948		
Other receivables	481	481		
Total	18,012	18,012	-	-

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

2) Liquidity risk

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

The Group manages liquidity risk by maintaining adequate reserves, *committed* lines and has the capital capacity to obtain additional *funding*, both through access to the capital market and by leading financial institutions, including supranational ones. Risk management is carried out in the first instance through continuous monitoring of expected and current cash flows and the correlation of the maturity profiles of financial assets and liabilities.

The following tables provide a detail of the residual maturity of medium-long-term financial liabilities based on the undiscounted cash flows, based on the first maturity at which the Group will be required to repay them. The amounts include both the cash flows relating to the repayment of the principal amount and the interest flows. In the case that interest flows are at a variable rate, the

non-discounted value of the same is estimated by applying, for subsequent maturities, the last variable rate applied by the lending institution in 2020.

	12.31.2020	Contractual cash flows	0 -3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Bonds	69,929	75,254	-	-	1,313	1,313	72,629	-
Bank loans	220,805	248,259	-	6,898	14,387	13,788	41,339	171,848
Total*	290,734	323,513	-	6,898	15,700	15,100	113,967	171,848

* financial liabilities deriving from the application of IFRS 16 are not included

	12.31.2019	Contractual cash flows	0 -3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Bonds	69,771	76,570	-	-	1,316	1,313	73,941	-
Bank loans	238,604	271,671	-	6,896	14,389	21,280	43,511	185,596
Total *	308,375	348,241	-	6,896	15,705	22,593	117,452	185,596

* financial liabilities deriving from the application of IFRS 16 are not included

The Group is able to satisfy its payment obligations both through the generation of cash flows from operating activities, and through the use of available, wide and diversified liquidity. Cash and financial assets in the portfolio, which can be liquidated as they are listed on regulated markets, exceed the medium/long-term debt stock, and in addition to the above, the Company can count on *lines of credit committed* for a total of Euro 97.5 million at December 31, 2020.

During the year, two withdrawals of Euro 35 million were made for the purpose of an adequate balancing of sources and short-term loans from a prudential point of view and to prevent possible contingencies related to the framework of uncertainty arising from the health emergency.

Moreover, the capital structure as described above was the subject of a positive assessment by the FitchRatings Agency during the periodic review of the rating.

In 2021, the Group adopted a “RAF – Risk Appetite Framework” policy and the related KRIs (Key Risk Indicators) aimed at defining maximum risk assumption thresholds that do not affect the financial balance and the prospective capital strength.

1) Default risk and debt covenants

The default risk consists in the possibility that upon the occurrence of specific circumstances, included in the loan agreements or in the settlement of the bonds, the lenders are entitled to activate contractual protections that may go as far as the early repayment of the loan, thus generating a potential liquidity risk.

At December 31, 2020, the parent company had loan agreements in place with the European Investment Bank and a bond loan in Eurobond format, whose repayment is expected to be repaid in a single installment in 2024.

The loan agreements, as well as the bond loan, in line with international practice for similar transactions, generally provide for the lender's right to request the repayment of his credit by terminating the relationship with the debtor in advance, in all cases in which the latter is declared

insolvent and/or is subject to bankruptcy proceedings, or has started a liquidation procedure or another procedure with similar effects.

In particular, the loan agreements and the regulation of the bond loan, as normally happens on the market, contain a series of typical clauses whose violation causes the issuer of the obligation to immediately repay the issued bonds. These include the main: (i) *negative pledge* clauses, as a result of which the financed company undertakes not to constitute collateral on the assets of the ATM Group in favor of new lenders, beyond a specifically identified threshold; (ii) *cross default / cross acceleration* clauses that entail the obligation of immediate repayment of the debt upon the occurrence of serious defaults which are justified or entitled in other loan agreements; (iii) clauses that oblige ATM to reserve to lenders a treatment similar to that due to other unsecured creditors (*pari passu*).

Specifically, the contracts also provide for compliance with financial *covenants*:

- the loans granted by the EIB provide for the obligation to comply, for the entire duration of the loans, pre-established levels of financial ratios such as (i) the ratio between consolidated net equity and Group debt greater than 2, (ii) the ratio between operating cash flows before changes in CCN and Annual Debt Service greater than 3 and (iii) the ratio between real and personal guarantees given and the Group's consolidated shareholders' equity less than or equal to 15%;
- the bond involves the obligation to respect, for the entire duration of the debt, a ratio between consolidated net equity and debt of the Group greater than two.

ATM is also required to ensure, for the duration of the loans and the bond loan, that the debt of the Subsidiaries is less than 10% of the Group's debt.

Failure to comply with the clauses described above, after an observation period during which the violations can be remedied, would constitute a violation of the contractual obligations and the Company can be called upon to pay the residual debt.

Compliance with these *covenants* is monitored by the Group every six months. At the current state, the Group is not aware of the existence of any situation of default or non-compliance with *covenants*.

- 4) Risk deriving from exposure to fluctuations in interest rates, exchange rates, fluctuations in the price of commodities and the downgrading of the rating on the medium/long-term debt.

Interest rate risk

The risk of changes in interest rates is linked to fluctuations in interest rates that affect the market value of the Group's financial assets and liabilities and the level of net financial charges. In particular, the ATM Group is exposed to fluctuations in the interest rate (mainly Euribor and IRS) on financial assets and to a marginal extent on loans payable, considering that approximately 96% of medium/long-term financial debt is indexed at a fixed rate.

The following table shows the medium/long-term loans at variable and fixed rates.

	12.31.2020	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	Over 5 years
Variable rate	11,911	12,556	751	747	2,217	8,841
Fixed rate	278,823	311	22	14	112	163
Total *	290,734	12,867	773	762	2,329	9,004

* Financial liabilities arising from the application of IFRS 16 are not included

	12.31.2019	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	Over 5 years
Variable rate	12,591	13,261	750	746	2,216	9,548
Fixed rate	295,784	334,980	21,850	21,847	115,236	176,048
Total *	308,375	348,241	22,600	22,593	117,452	185,596

* Financial liabilities arising from the application of IFRS 16 are not included

The *sensitivity analysis* on financial liabilities below illustrates the effects determined on the Income Statement by a hypothetical translation of the rate curves of +50 or -50 basis points with respect to the levels actually applied in 2020 and 2019:

2020	Shift + 50 bps	Shift - 50 bps
Higher/(lower) interest expense on variable interest loans	63	(63)
Total	63	(63)

2019	Shift + 50 bps	Shift - 50 bps
Higher/(lower) interest expense on variable interest loans	66	(66)
Total	66	(66)

With reference to financial assets, the following table shows the subdivision of government bonds and corporate bonds at a fixed rate and variable rate based on the undiscounted repayment flows of the nominal value of the instruments at the respective due dates:

	12.31.2020	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	Over 5 years
Variable rate	31,386	31,300	6,900	9,500	14,900	-
Fixed rate	59,643	59,150	4,163	11,250	21,190	22,547
Total	91,029	90,450	11,063	20,750	36,090	22,547
	12.31.2019	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	Over 5 years
Variable rate	37,233	37,143	3,250	6,900	21,993	5,000
Fixed rate	74,695	72,716	3,453	4,275	31,832	33,156
Total	111,928	109,859	6,703	11,175	53,825	38,156

To complete the analysis, the *sensitivity analysis* on the bond portfolio carried out by using the *modified duration* of the individual securities in the portfolio as a reference parameter is reported, assuming an increasing change of 50, 150 and 250 in interest rates, respectively. The assumption of the analysis is the linear relationship between the prices of the securities and the relative returns.

Coupon flows have not been taken into account, since, considering the significant component of floating-rate indexed securities and the expected slight change in future rate levels, as can be deduced from the projections of the market curves, any projections on these bases would be unreliable.

	12.31.2020	Sensitivity Analysis		
		0.50%	1.50%	2.50%
Bond Securities	91,029	86	(2,495)	(5,075)
Total	91,029	86	(2,495)	(5,075)

	12.31.2019	Sensitivity Analysis		
		0.50%	1.50%	2.50%
Bond Securities	111,927	(1,574)	(4,869)	(8,164)
Total	111,927	(1,574)	(4,869)	(8,164)

As regards the assets invested in OICR, a parametric sensitivity is reported against a hypothetical change of +/- 10% of the market value at December 31, 2020 and December 31, 2019.

	12.31.2020	Sensitivity Analysis	
		+10%	-10%
OICR	126,110	12,611	(12,611)
Total	126,110	12,611	(12,611)

	12.31.2019	Sensitivity Analysis	
		+10%	-10%
OICR	139,891	13,989	(13,989)
Total	139,891	13,989	(13,989)

Despite the strong volatility that occurred on the financial markets in the first half of 2020, financial management has nevertheless ensured the preservation of the invested capital and has also generated a positive return.

The Group has not put into place financial derivatives on “interest rates” after the closing of financial statements, nor financial derivatives on “commodities”.

Exchange rate risk

The Group operates in the domestic market and in Denmark; it holds financial assets denominated in foreign currency and is therefore exposed to the exchange risk deriving from fluctuations in exchange rates.

	12.31.2020			
	USD	AUD	TRY	DKK
Bond Securities	6,074	-	-	6,957
Total	6,074	-	-	6,957

	12.31.2019			
	USD	AUD	TRY	DKK
Bond Securities	9,266	-	-	6,896
Total	9,266	-	-	6,896

The following table details the Group's *sensitivity analysis* to a hypothetical change of +10 or -10 *basis points* in the exchange rates applied to financial assets at December 31, 2020 and December 31, 2019:

	12.31.2020	
	Shift + 10 bps	Shift - 10 bps
Change in value of financial assets in foreign currency	(549)	633
Total	(549)	633

	12.31.2019	
	Shift + 10 bps	Shift - 10 bps
Change in value of financial assets in foreign currency	(848)	998
Total	(848)	998

There is no material exchange risk for trade receivables and payables.

Commodity price risk

The ATM Group is exposed to the price risk of energy commodities, that is to say electricity and petroleum products, since supplies are affected by fluctuations in the prices of these commodities directly or through indexing formulas. Furthermore, since some contracts contain the exchange rate with other currencies within the price indexing formulas, the Group is also exposed to exchange rate risk.

The Group's policy is aimed at minimizing the need to resort to financial markets for hedges, which are addressed only if the coverage is deemed appropriate and convenient, both for oil products and for the supply of electricity of traction.

For the latter, the Group completes the supply through tender procedures aimed at finalizing fixed price contracts. The tenders are held once a year for the following year.

The trend in *baseload* prices of electricity is monitored on a daily basis on the markets for the negotiation of futures contracts and in the financial derivatives markets and tenders are called in periods that are more favorable. The fixed price allows to stabilize the cost and to formulate a certain annual budget.

Downgrading of the medium/long-term debt rating

Without prejudice to the “credit linkage” with the State and, consequently, with the Municipality of Milan, the sole shareholder, the ATM Group constantly monitors the performance of the indicators underlying the rating assessment, as well as the evolution of the Group's capital structure, in order to maintain the judgment assigned by the rating company.

In view of the growing interest in ESG issues and taking into account the transition plan of the fleet to full electric, the Group will be able to evaluate, also with a view to transparency towards the market, the adoption of qualitative rating criteria linked to environmental sustainability factors.

Financial assets and liabilities by category

Complementing the disclosure on financial risks, the following table shows a reconciliation between financial assets and liabilities as reported in the statement of financial position and the categories of financial assets and liabilities identified based on the requirements of IFRS 7:

12.31.2020	Financial assets and liabilities at amortised cost	Financial assets and liabilities at fair value	Non-financial assets and liabilities	Total
Non-current financial assets	24,428			24,428
Other receivables and non-current assets	-			-
Current financial assets		227,192		227,192
Current trade receivables	182,888			182,888
Other receivables and current assets	55,267			55,267
Non-current financial liabilities	276,310			276,310
Current financial liabilities	56,396			56,396
Trade payables	252,231			252,231
Other payables and current liabilities	134,097			134,097

12.31.2019	Financial assets and liabilities at amortised cost	Financial assets and liabilities at fair value	Non-financial assets and liabilities	Total
Non-current financial assets	24,912			24,912
Other receivables and non-current assets	7,251			7,251
Current financial assets		251,819		251,819
Current trade receivables	191,822			191,822
Other receivables and current assets	62,181			62,181
Non-current financial liabilities	294,820			294,820
Current financial liabilities	20,811			20,811
Trade payables	294,644			294,644
Other payables and current liabilities	132,172			132,172

Determination of fair value

The *fair value* of financial assets and liabilities is determined in accordance with IFRS 13, which requires that these values be classified on the basis of a hierarchy of levels, which reflects the characteristics of the inputs used in determining *fair value*:

- Level 1: valuations made based on prices quoted on active markets for financial assets and liabilities identical to those being valued;
- Level 2: valuations made on the basis of inputs, different from the listed prices referred to in level 1, which for the financial asset or liability are observable either directly (prices) or indirectly (price derivatives);
- Level 3: assessments that refer to parameters that cannot be observed on the market.

Referring to the aforementioned classification, valuation procedures have been carried out for the fair value of the assets and liabilities outstanding at December 31, 2020 and December 31, 2019 with reference to observable market parameters:

- *the fair value* of financial assets and liabilities with standard terms and conditions listed on an active market is measured with reference to the prices published on the market by leading market contributors (Bloomberg info provider);
- *the fair value* of other financial assets and liabilities is measured, where the conditions exist, by applying the discounted cash flow method, using the reference values for prices recognized for recent market transactions by leading market contributors for similar tools. In particular, for the valuation of some investments in bonds, in the absence of a regular functioning of the market, or of a sufficient and continuous number of transactions and a sufficiently low bid/offer spread, the determination of the fair value is carried out with reference to specific quotations of primary contributors issued at the Group's request;
- in the valuation of investments in funds, *the fair value* is determined on the basis of the NAV communicated by the relevant *fund administrators* at the reporting date. In the event that this information is not available at the date of preparation of the financial statements, the last available official communication is used, in any case not earlier than one month from the closing date of financial statements.

The following table shows the financial assets measured at *fair value*, and classified according to the hierarchy of levels defined above:

	12.31.2020	Fair value at the reporting date		
		Level 1	Level 2	Level 3
Financial assets HTC&S	79,256	79,256	-	-
Government Securities	7,967	7,967	-	-
Bond securities	71,289	71,289	-	-
Other financial assets	137,883	131,148	6,735	-
Bond securities	11,773	11,773	-	-
OICR	126,110	119,375	6,735	-
Total	217,139	210,404	6,735	-

	12.31.2019	Fair value at the reporting date		
		Level 1	Level 2	Level 3
Financial assets HTC&S	99,586	99,586	-	-
Government Securities	7,729	7,729	-	-
Bond securities	91,857	91,857	-	-
Other financial assets	152,233	144,163	8,070	-
Bond securities	12,342	10,167	2,174	-
OICR	139,891	133,996	5,896	-
Total	251,819	243,749	8,070	-

In line with the provisions of IFRS 13, the fair value of financial liabilities at December 31, 2020 and December 31, 2019, including the bond loan, measured in the financial statements at amortized cost, is reported for information purposes.

	12.31.2020	12.31.2019
Bonds	70,900	69,431
Bank loans	225,760	221,353
Total	296,660	290,784

7. Operating trend – Sector analysis

The main areas of activity in which the Group is organized are:

Local Public Transport and complementary services

The area of activity relating to LPT and complementary services includes the local public transport services carried out:

- the Service Contract stipulated with the Municipality of Milan and the connected and complementary services to the LPT service such as on-street parking, car parks and towing management. The area of activity in question also includes the management of Area B and C and of the Traffic and Territory Control System, rents of commercial areas in the underground, management of advertising spaces and other residual and complementary activities;
- the single management contract for the metro line 5 between ATM S.p.A. and the concessionaire Metro 5 S.p.A. The contract regulates the management activities entrusted to ATM S.p.A. and those related to the same for the entire duration of the concession until 2040.

The main revenue items of the business area refer to the Service Contract with the Municipality of Milan for Euro 663,636 thousand, the revenues of the complementary services refer to Euro 9,497 thousand for the on-street parking revenue, Euro 3,996 thousand for the parking revenues, Euro 2,134 thousand for the towing services, as well as the single contract for the management of the M5 metro line for Euro 23,640 thousand.

The costs mainly refer to personnel expenses totaling Euro 477,289 thousand, as well as services costs for Euro 219,649 thousand, including Euro 113,014 thousand for maintenance activities, and Euro 38,287 thousand for electricity consumption.

Depreciation and impairment losses discount the non-recurring effect of the write-down carried out on the residual value of the rolling stock, in particular 6 trains of the M2 metro line and 3 trains of the M3

metro line which, in consideration of their technological obsolescence, they are no longer used in the transport service.

Intercity Local Public Transport

This activity is based on the service contracts, under the net cost regime (as better defined in the Management Report), between the subsidiary NET S.r.l. and the Local Public Transport Agency of the Basin of the Metropolitan City of Milan, Monza Brianza, Lodi and Pavia (“Basin Agency”) for the management of the suburban bus service. During 2017, the Agency sub-entered into the previous local entrusted bodies (Municipality of Monza, Metropolitan City of Milan and Province of Monza-Brianza) and, with Directive no. 62 of December 30, 2020, extended the current contracts to the end of December 31, 2021. In order to guarantee the continuity of the public service provided, it is considered reasonable to consider that further extensions are foreseeable pending the invitation to tender. The decrease in revenues is mainly due to restrictions related to the provisions of the authorities during the emergency linked to the COVID-19 pandemic. As regards costs, the most significant changes concerned the purchase costs of Raw materials (mainly related to purchases of diesel for vehicles), costs for services, in particular for the cost of distribution of travel tickets and costs for subcontracted transport services, and costs for employee benefits.

Management of the Copenhagen metro

The area of activity in question refers to the Service Contract for the management by the Danish subsidiary Metro Service A/S. The company is controlled by the sub Holding International Metro Service S.r.l. and is responsible for the operation and maintenance of the Copenhagen metro. The current contract, which refers to the management and maintenance of the M1 and M2 metro lines, expires on September 29, 2027, in addition Metro Service A/S has completed the *mobilization* of the M3 and M4 metro lines (Cityringen) inaugurating the business and management of the M4 line on September 29, 2019 and March 28, 2020 respectively. The latter are governed by an additional subcontracting agreement entered into with Hitachi Rail STS which also expires on September 29, 2027.

Other activities

The activities refer to ancillary and complementary services undertaken by the companies of the ATM Group, ATM Servizi Diversificati S.r.l., Rail Diagnostics S.p.A. and Gesam S.r.l, in the sectors of claims settlement, maintenance and diagnostics on armament and of diversified services.

The following tables summarize the economic trends of 2020 and 2019 in the sectors in which the ATM Group operates:

2020	Local Public Transport And Complementary Services	Local public Transportation in Interurban Areas	Copenhagen Metro Management	Other Activities	Intercompany	Consolidated
Operating Revenues	822,690	24,991	116,565	6,876	-13,175	957,947
Operating Costs	-774,754	-23,575	-105,800	-5,816	13,175	-896,770
Gross Operating Margin	47,936	1,416	10,765	1,060	-	61,177
Amortization and impairment	-105,120	-1,428	-936	-1,067	-	-107,123
Operating Result	-57,184	-12	9,829	-7	-	-47,374
Financial income and expenses						1,566
Share of profit from equity investments recognized under the equity method						2,546
Pre-Tax result						-43,262
Income Taxes						-21,231
Net Loss						-64,493

2019	Local Public Transport And Complementary Services	Local public Transportation in Interurban Areas	Copenhagen Metro Management	Other Activities	Intercompany	Consolidated
Operating Revenues	868,407	29,077	89,025	9,067	-14,829	980,747
Operating Costs	-769,726	-25,702	-79,904	-6,676	14,829	-867,179
Gross Operating Margin	98,681	3,375	9,121	2,391	-	113,568
Amortization and impairment	-102,966	-2,462	-826	-1,05	-	-107,304
Operating Result	-4,285	913	8,295	1,341	-	6,264
Financial income and expenses						3,701
Share of profit from equity investments recognized under the equity method						1,359
Pre-Tax result						11,324
Income Taxes						-2,127
Net Profit						9,197

8. Workforce

The average number of employees increased from 10,275 in 2019 to 10,364 in 2020.

International Metro Service S.r.l. does not have employees and for the performance of its activities, it avails itself of the services provided by the Parent Company, ATM S.p.A.

The workforce at the end of the year registered the following changes:

Description	12.31.2019	Hires (+)	Leaves (-)	Intercompany Transfers	12.31.2020
ATM	9,396	505	(442)	1	9,460
ATM Servizi Diversificati	5				5
Gesam	14		(1)		13
Metro Service A/S	552	103	(73)		582
Net	276	14	(16)	(1)	273
Rail Diagnostics	32		(1)		31
Total	10,275	622	(533)	-	10,364

The number of employees at December 31, 2020 was 10,364, compared with 10,275 at December 31, 2019. The net change is mainly attributable to 622 hires and 533 departures. The departures are in line with those of recent financial years and include all causes related to the termination of employment relationship; Among these, the most frequent are the retirement and the spontaneous resignations and therefore, limited to the companies operating in Italy, during the period under review the Companies have not made any objective redundancies in accordance with the provisions of Law Decree No. 137/2020, cd. "Ristori Decree" and its subsequent amendments. With particular reference to the Danish subsidiary Metro Service A/S (+ 30 units), the increase refers to the staff hired to manage the business of the M4 line, which was inaugurated on March 28, 2020.

Notes to consolidated statement of financial position

Assets

9. Property, plant and equipment

The value of “*Property, plant, and equipment*” at December 31, 2020 amounted to Euro 1,299,209 thousand net of accumulated depreciation, capital grants and accumulated write-downs.

	12.31.2020	12.31.2019
Plant and machinery	854,193	803,356
Land and buildings	363,163	368,261
Industrial and commercial equipment	12,733	14,197
Other assets	6,194	3,772
Assets in progress	62,926	86,882
Total	1,299,209	1,276,468

This item refers to:

- “*plant and machinery*”, for Euro 854,193 thousand relating to line rolling stock and the transport system plant owned by the Group;
- “*Land and buildings*”, for Euro 363,163 thousand mainly related to deposits for rolling stock and office buildings. This item includes “*investment property*” represented by non-instrumental property, leased for commercial purposes whose net book value as at December 31, 2020 was Euro 12,017 thousand (Euro 12,175 thousand at December 31, 2019);
- “*Industrial and commercial equipment*”, for Euro 12,733 thousand mainly related to auxiliary vehicles;
- “*other assets*”, for Euro 6,194 thousand;
- “*assets in progress*”, for Euro 62,926 thousand.

the component “*Assets on progress*” refers to advances paid to suppliers for supplies and to investments for fixed assets which at the closing date of the financial statements have not yet been completed and entered into operation. The following are the main components:

- Renewal or expansion of the fleet including:
 - electric buses for Euro 27,495 thousand and minibuses of 8 meters for Euro 951 thousand;
 - “Leonardo” model trains for the M2 metro line for Euro 8,956 thousand;
 - 20 two-way urban trams for Euro 4,027 thousand and 10 two-way intercity trams for Euro 2,014 thousand;
 - trolleybus for Euro 1,538 thousand;
 - revamping tramway carriages type “4900”, general overhaul of “1928” for special services and “4700” for Euro 1,440 thousand;
 - general review and modernization of the traditional M3 metro line trains for Euro 1,154 thousand;
 - service vehicles for Euro 641 thousand;
- Modernization of plants and infrastructures including:
 - realization of power supply/charging systems for electric vehicles at the depots and terminal in the city for Euro 4,357 thousand;

- reconstruction of power supply and electric traction systems for the enhancement of the M2 metro line for Euro 2,602 thousand;
- extraordinary maintenance costs of company deposits for Euro 817 thousand;
- magnetic-electronic ticketing system, for Euro 785 thousand;
- modernization of the network for the metro lines M1, M2 and M3 metro lines for Euro 660 thousand;

The following table shows the movements during the year and in the previous year.

Property, plant and equipment	Property, plant and equipment					Total
	Plant and machinery	Land and buildings	Industrial and commercial equipment	Other assets	Assets in progress and advances	
Historical cost	2,866,834	504,774	72,339	46,236	90,285	3,580,468
Accumulated depreciation	(1,570,783)	(115,683)	(58,142)	(38,809)	-	(1,783,417)
Cumulative grants	(471,232)	(17,803)	-	(3,655)	(337)	(493,027)
Cumulative impairment	(21,463)	(3,027)	-	-	(3,066)	(27,556)
Net book value as at 12.31.2019	803,356	368,261	14,197	3,772	86,882	1,276,468
Historical cost						
<i>Investments and acquisitions of the year</i>					138,692	138,692
<i>Transfers to finished plant</i>	154,838	1,226	1,989	4,357	(162,410)	-
<i>Disposals, sales and reclassifications</i>	(108,567)	-	(898)	(201)	-	(109,666)
Accumulated Depreciation						
<i>Depreciation of the year</i>	(111,737)	(6,742)	(3,458)	(2,756)	-	(124,693)
<i>Disposals, sales and reclassifications</i>	93,688	-	903	205	-	94,796
Grants						
<i>Increases</i>	(9,461)	-	-	(396)	(566)	(10,423)
<i>Amount accrued in the year</i>	35,130	392	-	1,213	-	36,735
<i>Disposals, sales and reclassifications</i>	(300)	-	-	-	328	28
Impairment						
<i>Increases</i>	(17,129)	-	-	-	-	(17,129)
<i>Cumulative impairment on disposal</i>	14,375	-	-	-	-	14,375
<i>Utilizations of accumulated depreciation</i>	-	26	-	-	-	26
<i>Disposals, sales and reclassifications</i>						
Historical cost	2,913,105	506,000	73,430	50,392	66,567	3,609,494
Accumulated depreciation	(1,588,832)	(122,425)	(60,697)	(41,360)	-	(1,813,314)
Cumulative grants	(445,863)	(17,411)	-	(2,838)	(575)	(466,687)
Cumulative impairment	(24,217)	(3,001)	-	-	(3,066)	(30,284)
Net book value as at 12.31.2020	854,193	363,163	12,733	6,194	62,926	1,299,209

Property, plant and equipment	Property, plant and equipment					Total
	Plant and machinery	Land and buildings	Industrial and commercial equipment	Other assets	Assets in progress and advances	
Historical cost	2,897,343	502,468	70,354	44,158	82,920	3,597,243
Accumulated depreciation	(1,596,780)	(109,010)	(55,891)	(36,143)	-	(1,797,824)
Cumulative grants	(486,391)	(18,195)	-	(4,355)	(622)	(509,563)
Cumulative impairment	(33,915)	(2,966)	-	-	(2,000)	(38,881)
Net book value as at 12.31.2018	780,257	372,297	14,463	3,660	80,298	1,250,975
Historical cost						
<i>Investments and acquisitions of the year</i>					154,123	154,123
<i>Transfers to finished plant</i>	138,103	2,305	3,807	2,515	(146,730)	-
<i>Disposals, sales and reclassifications</i>	(168,611)	-	(1,822)	(436)	(27)	(170,896)
Accumulated Depreciation						
<i>Depreciation of the Year (Note 37)</i>	(107,931)	(6,673)	(3,734)	(3,100)	-	(121,438)
<i>Disposals, sales and reclassifications</i>	133,930	-	1,483	434	-	135,847
Grants						
<i>Increases</i>	(23,598)	-		-	(20)	(23,618)
<i>Amount accrued in the year</i>	34,718	391		1,528	-	36,637
<i>Disposals, sales and reclassifications</i>	4,038	-		(827)	305	3,516
Impairment						
<i>Increases</i>	(21,463)	(86)			(1,066)	(22,615)
<i>Cumulative impairment on disposal</i>	30,822	-			-	30,822
<i>Utilizations of accumulated depreciation</i>	3,093	26			-	3,119
<i>Disposals, sales and reclassifications</i>	-	-			-	-
Historical cost	2,866,834	504,774	72,339	46,236	90,285	3,580,468
Accumulated depreciation	(1,570,783)	(115,683)	(58,142)	(38,809)	-	(1,783,417)
Cumulative grants	(471,232)	(17,803)	-	(3,655)	(337)	(493,027)
Cumulative impairment	(21,463)	(3,027)	-	-	(3,066)	(27,556)
Net book value as at 12.31.2019	803,356	368,261	14,197	3,772	86,882	1,276,468

As it can be deduced from the tables of movements, investments were undertaken during the year relating to the item “Property, plant, and equipment” for Euro 138,692 thousand. The main investments for the year include:

- The renewal or extension of the fleet, including:
 - purchase of electric buses, for Euro 46,530 thousand, of which Euro 5,316 thousand funded through ministerial resources;
 - purchase of “Leonardo” trains for M2 metro lines for Euro 39,485 thousand;
 - purchase of trolleybuses, for Euro 7,610 thousand;
 - purchase of bi-directional trams for urban service, for Euro 4,027 thousand, of which Euro 2,416 thousand funded through ministerial resources and purchase of bi-directional trams for

interurban service, for Euro 2,014 thousand, of which Euro 1,600 thousand funded through regional resources;

- general review of metropolitan vehicles, for Euro 5,693 thousand;
 - revamping of “4900” tram carriages and general overhaul of “1928” carriages for special services and “4700”, for Euro 4,560 thousand;
 - purchase of diesel-electric hybrid buses, for Euro 1,057 thousand, of which Euro 197 thousand funded by regional tenders;
 - new service vehicles for Euro 1,010 thousand;
 - purchase of 8-meter minibuses for Euro 951 thousand;
 - extraordinary maintenance of Rail Diagnostics S.p.A. operating vehicles, for Euro 295 thousand;
- The modernization of plants and infrastructures including:
- upgrading of the M2 metro line – rebuilding of power supply and electric traction systems, amounting to Euro 6,766 thousand, of which Euro 3,924 thousand funded by ministerial resources;
 - construction of power supply/charging systems for electric vehicles at the depots and terminals in the city, for Euro 6,711 thousand;
 - extraordinary maintenance of deposits, for Euro 2,384 thousand;
 - modernization and upgrading of the network and IT equipment, for Euro 2,002 thousand;
 - new equipment for the magnetic - electronic ticketing system, for Euro 879 thousand;
 - modernization of TVCC and AVM systems installed on board surface vehicles, amounting to Euro 705 thousand, of which Euro 211 thousand funded from regional resources;
 - evolutionary maintenance and new functions of the MM Operations Room for Euro 611 thousand;
 - signaling /cbct systems for Leonardo M1 trains, for Euro 492 thousand;
 - passenger counting system with infrared sensors type T.O.F. for Euro 265 thousand;
 - underfloor wheel lathes for reprofiling wheels Gallarate warehouse for Euro 244 thousand.

During the year, assets with a historical cost of Euro 109,666 thousand and an accumulated depreciation fund of Euro 94,796 thousand were sold/disbarred. The capital gains realized during the period amounted to Euro 89 thousand, mainly related to the sale of 27 Solaris trolleybuses.

In view of the disposals of metropolitan trains no longer used in the transport service, the doubtful debt provision recorded in previous years was used for an amount of Euro 14,375 thousand. The transaction did not have any effect on the income statement as described under “*Other operating costs and charges*” (Note 36) since the accumulated depreciation was used for the same amount regarding the recognition of the impairment loss of Euro 14,375 thousand.

During the financial year of 2020, the analyzes on the technological obsolescence of the rolling stock continued and in consistence with the renewal and exit programs of some rolling stock, *the impairment analysis was carried out* on the metropolitan rolling stock. The analysis showed that 6 trains on the M2 metro line and 3 trains on the M3 metro line can no longer be used in the transport service and therefore a write-down of Euro 17,129 thousand was recorded. The non-recurring effect of the provision was recognized in the income statement under “*Depreciation and impairment losses*” (Note 37).

In addition, the provision of “*land and buildings*” was used against depreciation of Euro 26 thousand over the period.

The “*depreciation*” recognized in the income statement is adjusted by the grants received to cover the investments for the financial year, amounting to a total of Euro 36,735 thousand.

The details of these grants by contributing authorities is as follows:

- Euro 12,950 thousand by the State;
- Euro 13,877 thousand by the Lombardy Region;
- Euro 676 thousand by the Metropolitan City;
- Euro 9,227 thousand by the Municipality of Milan;
- Euro 5 thousand by private parties.

The “*Property, plant and equipment*” purchased with regional co-financing are constrained by non-disposal restrictions pursuant to Regional Decree No. 14795/2003 and subsequent amendments and supplements. The details of the restrictions required by the regulation is as follows:

- urban buses: 8 years;
- suburban and intercity buses: 10 years;
- trolley buses: 15 years;
- metro trains and trams: 30 years;
- technologies: 7 years;
- infrastructure: 30 years.

For the automotive rolling stock material co-financed by the Lombardy Region with the 2009 relaunch plan, pursuant to Laws No. 296/2006 and 133/2008, the restrictions on disposal refer to the entire useful life of the buses fixed, where not otherwise established by the service contracts, as 15 years by Regional Decree No. IX/4619 of December 28, 2012.

The net residual value of “*Property, plant and equipment*” held under lease agreements amounted to Euro 10,085 thousand (Euro 10,232 thousand as at December 31, 2019).

Taking into account that the properties are valued at the restated *fair value* criterion the Management has entrusted a primary independent third party operator, also for the year 2020, with the task of carrying out an analysis aimed at providing an update on the performance of the real estate market. The analysis carried out, highlighted the absence of significant changes in the individual reference markets, taking into account the intended uses to which the individual buildings of the Company belong. In addition, the Group has noted that *the impairment test*, described below, has highlighted the book values of the associated assets.

As already indicated, the COVID-19 pandemic represented an exogenous trigger event to the ATM Group which made it necessary to carry out *an impairment test*, as recommended by ESMA and in accordance with the requirements of the International Accounting Standards IAS 36 concerning the recoverability of net invested capital. *The impairment test* was carried out on *the cash generating units* that were most affected by the pandemic, such as “*Local public transport and complementary services*”, “*Intercity Local public transport*” and “*Other activities*” as defined in Note 7 “*Operating trend – sector analysis*”.

In particular, for *the cash generating unit* relating to “*local public transport and complementary services*” – relating to the activities carried out by ATM S.p.A. – it should be noted that the recoverable amount, considered as value in use, is determined by the application of a multi-scenario analysis which considered three alternative scenarios, with a different degree of probability of occurrence:

- First scenario, based on the assumption of an extension of the current service contract until the end of 2022 and subsequent continuation of the concession activities following the award of the LTP tender according to three different developments: (i) perpetual renewal, (ii) renewal for a period of only 15 years and subsequent disposal of the assets and liabilities for their net book value (iii) renewal for a period of 15 years plus further 15 years and subsequent disposal of the assets and liabilities for their net book value. The expected future cash flows used for this scenario have been taken from the Industrial Plan 2021 – 2037 (period corresponding to the extension of the service contract or the expected renewal in continuity of concession and more detailed in the management report referred to), which it includes – in addition to the effects of COVID–19 – prudent assumptions of revenue and cost evolution on the basis of historical trends and with the introduction of certain expected effects of operating leverage efficiency that are reasonably achievable.
- Second scenario, based on the assumption of an extension of the service contract until the end of 2022 and its interruption in the event of the award of the LTP tender to a third party. This scenario assumes the perpetual rent to the new operator of the fixed-driving rolling stock, of the plants and the sale of the buses.
- Third scenario, based on the assumption of an extension of the service contract until the end of 2022 and its interruption in the event of the award of the LTP tender to a third party. This scenario assumes the disposal of assets and liabilities for their net book value outstanding at December 31, 2022.

This procedure for the determination of losses in the value of net invested capital, tangible and intangible assets and investments involved – in estimating the value in use – the definition of the multi-scenarios mentioned above and the use of the Industrial Plan, which are based on a set of assumptions and hypothesis on future events and actions of the administrative bodies and the relevant regulatory bodies of the LTP services, which will not necessarily occur.

In fact, the assumptions concerning future trend and the consequent forecast data used for the execution of the impairment test are characterized, given their predictive nature, by a certain degree of uncertainty and, therefore, it cannot be excluded that the occurrence of future results other than those estimated may require any adjustment of the value of tangible, intangible and financial assets recognized in the financial statements. In this context, the sensitivity analysis – carried out with reference both to flow discount rates, to volumes and margins, as well as to the probabilization of scenarios – highlights possible write-downs as a function of a worsening of these variables.

It should also be noted that the post-tax WACC, which takes into account the specific risks of the asset and reflects current market valuations of the cost of money, has been used as the discount rate for the discounting of future cash flows, on the basis of a weighting between the cost of debt and the cost of equity, elaborated in accordance with the values of comparable groups and which are subject to impairment as they operate in the same business sector. The WACC value thus determined was 4.17%.

In particular, on April 21, 2021, the Board of Directors approved the assumptions, scenarios and results deriving from *the impairment test* determined from the Industrial Plan 2021 – 2037 (the “industrial Plan”), built in accordance with the Strategic Plan of the Group 2021 – 2025 (The “Strategic Plan”) approved by the Board of Directors in the meeting of March 25, 2021. On the basis of the Industrial Plan and the probable multi-scenarios, prepared according to the expectations of the management, economic and financial projections consistent with medium to long term investment planning have been developed. These projections have been revisited on the basis of the events already recorded and of the

the impacts that are believed to be derivig in the short to medium term and which by their nature are necessarily uncertain.

The impairment test confirmed the book value of the net invested capital in the consolidated annual financial statements at December 31, 2020; the *cover test* made it possible to consider reasonably recoverable the aforementioned book value even in the event of divergence of the final data with respect to the forecasts within ranges of variability confirmed by historical experience.

Moreover, for *the cash generating unit* relating to “*Intercity local public transport*” – relating to the activities carried out by NET S.r.l. – it is noted that the recoverable amount, considered as the value in use, is determined on the basis of two alternative scenarios with different degree of probability of occurrence. In particular, the first scenario envisages a renewal of the contract for a further period of nine years until 2030, while the second scenario provides the termination of the service contract as a basis for 2022, assuming that the disposal value of the assets is equal to the net book value of the assets and liabilities outstanding at December 31, 2022, increased by investments, decreased by depreciation and discounted. The expected future cash flows used in this analysis were simulated as a function of the time development of each of the scenarios. The impairment test developed confirmed the book value of the net invested capital in the consolidated annual financial statements at December 31, 2020. On March 10, 2021, the above was presented to the Sole Adiministrator who approved the assumptions, the scenarios and the results of *the impairment test*. The *cover test* reached has allowed to reasonably consider the above mentioned book value also in case of divergence of the final data with respect to the forecasts within ranges of variability confirmed by historical experience.

Finally, for *the cash generating unit* relating to “*Other activities*” – which are primarily related to the activities carried out by Rail Diagnostics S.r.l. – it is noted that the recoverable amount, considered as the value in use, it is determined by a single scenario and the expected future cash flows used in this analysis have been simulated as a function of its temporal development. The impairment test developed confirmed the book value of the net invested capital in the consolidated annual financial statements at December 31, 2020.

On March 1, 2021, the above was presented to the Sole Adiministrator who approved the assumptions, scenarios and results of *the impairment test*.

The *cover test* reached has allowed to reasonably consider the above mentioned book value also in case of divergence of the final data with respect to the forecasts within ranges of variability confirmed by historical experience.

10. Intangible assets

The value of “intangible assets” at December 31, 2020 amounted to Euro 3,822 thousand, consisting of:

	12.31.2020	12.31.2019
Goodwill	472	472
Software Licenses	3,350	3,456
Total	3,822	3,928

The following table illustrates the movements during the year and the previous one.

Intangible assets	Intangible assets			Total
	Goodwill	Software Licenses	Intangible assets in progress	
Historical cost	5,968	9,780	-	15,748
Accumulated amortisation	(5,496)	(6,323)	-	(11,819)
Net book value as at 12.31.2019	472	3,457	-	3,929
Historical cost				
<i>Investments and acquisitions of the year</i>	-	-	1,232	1,232
<i>Transfers to finished plant</i>	-	1,232	(1,232)	-
Accumulated Amortisation				
<i>Amortisation of the year</i>	-	(1,339)	-	(1,339)
Historical cost	5,968	11,012	-	16,980
Accumulated amortisation	(5,496)	(7,662)	-	(13,158)
Net book value as at 12.31.2020	472	3,350	-	3,822

Intangible assets	Intangible assets			Total
	Goodwill	Software Licenses	Intangible assets in progress	
Historical cost	5,968	8,318	154	14,440
Accumulated amortisation	(5,496)	(4,968)	-	(10,464)
Net book value as at 12.31.2018	472	3,350	154	3,976
Historical cost				
<i>Investments and acquisitions of the year</i>		-	1,288	1,288
<i>Transfers to finished plant</i>		1,468	(1,468)	-
<i>Disposals, sales and reclassifications</i>		(7)	26	19
Accumulated Amortisation				
<i>Amortisation of the year</i>		(1,361)	-	(1,361)
<i>Disposals, sales and reclassifications</i>		6	-	6
Historical cost	5,968	9,779	-	15,747
Accumulated amortisation	(5,496)	(6,323)	-	(11,819)
Net book value as at 12.31.2019	472	3,456	-	3,928

The “Goodwill” recognized for Euro 472 thousand refers to the residual difference between the purchase cost and the present value of the identifiable assets and liabilities acquired with reference to

Rail Diagnostics S.p.A. and has been the subject of *impairment tests* – together with the tangible assets and the other intangible assets – as described in Note 9 above.

“*Software licenses*” equal to Euro 3,350 thousand relate to operational management systems.

During the year, there were made investments in "*Intangible assets*" for Euro 1,232 thousand related to the software purchase.

11. Rights of use for leased assets

During the year, rights of use for leased assets were recorded for Euro 5,906 thousand, detailed below.

	12.31.2020	12.31.2019
Equipment	186	259
Buildings	516	797
Vehicles	4,492	4,887
IT equipment	685	434
Others	27	292
Total	5,906	6,669

The following table shows the changes during the year and the previous one.

Rights of use for leased assets	Rights of use for leased assets					
	Equipment	Buildings	Vehicles	IT equipment	Other assets	Total
Historical cost	332	1,271	5,708	468	535	8,315
Accumulated amortisation	(73)	(473)	(821)	(35)	(244)	(1,646)
Net book value as at 12.31.2019	259	797	4,887	434	292	6,669
Historical cost						
<i>Rights of use acquired during the year</i>	-	108	937	345	-	1,390
Accumulated Amortisation						
<i>Amortisation of the year</i>	(73)	(389)	(1,332)	(94)	(263)	(2,151)
Historical cost	332	1,379	6,645	813	535	9,704
Accumulated amortisation	(146)	(863)	(2,153)	(128)	(508)	(3,798)
Net book value as at 12.31.2020	186	516	4,492	685	27	5,906

Rights of use for leased assets	Rights of use for leased assets					
	Equipment	Buildings	Vehicles	IT equipment	Other assets	Total
Registration of rights of use for leased assets on 01.01.2019	332	1,262	198	448	101	2,341
Historical cost						
<i>Rights of use acquired during the year</i>	-	9	5,510	20	435	5,974
Accumulated Amortisation						
<i>Amortisation of the year</i>	(73)	(473)	(821)	(35)	(244)	(1,646)
Historical cost	332	1,271	5,708	468	535	8,315
Accumulated amortisation	(73)	(473)	(821)	(35)	(244)	(1,646)
Net book value as at 12.31.2019	259	797	4,887	434	292	6,669

12. Investments

The amount of Euro 27,748 thousand refers to the following investments:

	12.31.2020	12.31.2019
Consorzio SBE	48	48
CO.MO Fun&Bus S.c.a r.l.	4	4
Metro 5 S.p.A.	19,589	18,035
Movibus S.r.l.	3,392	1,619
SP M4 S.C.P.A in liquidation	-	25
SPV Linea M4 S.p.A.	4,715	4,736
Total	27,748	24,467

The following is a list of the Group's equity investments and their changes, with the effects of the valuation with Equity method as regards Movibus S.r.l., Metro 5 S.p.A. and SPV Linea M4 S.p.A.

	12.31.2019	Increases	Decreases	Valuation by equity	12.31.2020
Consorzio SBE	48				48
CO.MO Fun&Bus S.c.a r.l.	4				4
Metro 5 S.p.A.	18,035			1,554	19,589
Movibus S.r.l.	1,619	360		1,413	3,392
SP M4 S.C.P.A in liquidation	25		(25)		-
SPV Linea M4 S.p.A.	4,736	339		(360)	4,715
Total	24,467	699	(25)	2,607	27,748

The increases in the period refer to:

- for Movibus S.r.l. to the restoration, within the limits of the original purchase cost, of the value of the investment to the representative value of the net equity owned by ATM S.p.A. for Euro 360 thousand;
- for SPV Linea M4 S.p.A. to the capital increases paid on January 30 and October 19, 2020 respectively.

The decrease in the period refers to the investment in the M4 Consortium Project Company, which, following the conclusion of the liquidation process, on September 10, 2020 provided the reinbursement of the invested share capital.

The 2020 adjustment share of the book value of the investments recognized in the consolidated comprehensive income statement is positive and equal to Euro 61 thousand, while the share recognized in the income statement is positive and equal to Euro 2,546 thousand, before tax effects.

The recoverability of the book value of the equity investments – in particular for Metro 5 S.p.A. and SPV Linea M4 S.p.A. – has been the subject of *impairment tests in the context of the cash generating unit* relating to the LTP and the complementary services, as described in Note 9 “*Property, plant and equipment*” to which reference should be made.

As regards the information relating to the subsidiaries, whose financial statements refer to the last available financial statements prepared in accordance with Italian accounting principles, please refer to the information contained in Note 10 of the Explanatory Notes to the separate Financial Statements of ATM S.p.A.

13. Non-current financial assets

	12.31.2020	12.31.2019
Loans and receivables	24,428	24,912
Metro 5 S.p.A.	12,603	17,262
SPV Linea M4 S.p.A.	8,809	5,845
Coop S.E.D. ATM/S.C.C.A.T.I.	1,085	1,162
Financial receivables from third parties	1,931	643
Total	24,428	24,912

The “*loans and receivables*” at December 31, 2020 are as follows:

- Subordinated shareholders’ loan for Euro 12,603 thousand granted to Metro 5 S.p.A., of which Euro 12,231 thousand in principal, Euro 486 thousand in interest and Euro 114 thousand of cumulative negative effect linked to the measurement at *fair value*. On April 29, 2020, Metro 5 S.p.A. repaid Euro 5,418 thousand in total as principal and interest repayment. The share of interest accrued in 2020 is equal to Euro 808 thousand and the effect of the *fair value measurement* was negative and equal to Euro 50 thousand;
- Subordinated shareholders’ loan for Euro 8,809 thousand, granted to SPV Linea M4 S.p.A., of which Euro 7,023 thousand in principal, Euro 1,026 thousand in interest and Euro 760 thousand of cumulative positive effect linked to the measurement at *fair value*. In 2020, the interest accrued amounted to Euro 352 thousand and the effect of the fair value measurement was positive and equal to Euro 534 thousand. Interest on the subordinated loan will be collected, as contractually agreed, in accordance with the economic and financial plan approved in September 2019;
- Loan for Euro 1,085 thousand granted to the SED-ATM and SCCATI building cooperatives for the construction of social housing projects, of which Euro 1,232 thousand in principal and Euro 147 thousand of cumulative negative effect linked to the measurement at *fair value*. In 2020, the effect of the *fair value measurement* was positive and amounted to Euro 23 thousand;

- advances paid to suppliers for works for Euro 1,931 thousand paid pursuant to art. 35 Law Degree 50/2016.

The following are the movements of the year:

	12.31.2019	Repayments	Payments	Accrued interests	IFRS 9	12.31.2020
Metro 5 S.p.A.	17,262	(5,418)		808	(49)	12,603
SPV Linea M4 S.p.A.	5,845		2,077	352	534	8,809
Coop S.E.D. ATM/S.C.C.A.T.I.	1,162	(100)			23	1,085
Third parties	643		1,288			1,931
Total	24,912	(5,518)	3,365	1,160	508	24,428

The effects, related to the *impairment test* of the "Non-current financial assets", gross of the tax effect, are shown below.

	Equity as at 01.01.2019	Economic result 2019	Total
Metro 5 S.p.A.	107	(171)	(64)
SPV Linea M4 S.p.A.	40	186	226
Coop S.E.D. ATM/S.C.C.A.T.I.	(194)	24	(170)
Total	(47)	39	(8)

	Equity as at 01.01.2020	Economic result 2020	Total
Metro 5 S.p.A.	(64)	(50)	(114)
SPV Linea M4 S.p.A.	226	534	760
Coop S.E.D. ATM/S.C.C.A.T.I.	(170)	23	(147)
Total	(8)	508	499

14. Deferred tax assets

	12.31.2020	12.31.2019
Deferred tax assets	57,364	73,595
Total	57,364	73,595

Deferred tax assets of Euro 57,364 thousand are calculated in relation to the amount of temporary differences with reference to taxed funds. As illustrated and justified in the Management Report in the course of the financial year 2020, deferred tax assets were issued on tax losses of previous years for a total of Euro 13,610 thousand and deferred tax assets relating to provisions for tax risks allocated in previous years for a total of Euro 4,870 thousand, on the basis of new and more up-to-date assessments, positive tax charges are not expected for the years 2021 and 2022, also as a result of the effects of COVID-19.

The nature of the temporary differences, which generated the deferred tax assets, are illustrated below:

	Deferred tax assets as at 12.31.2019	Recognized in P&L	Recognized in Equity	Deferred tax assets as at 12.31.2020
Tax losses	13,610	(13,610)	-	-
Provisions for risks	56,397	(4,870)	-	51,527
Employee termination indemnities valuation	2,101	(17)	2,646	4,730
<i>Fair Value Financial Assets</i>	(39)	(38)	(88)	(165)
<i>Impairment Financial Assets</i>	(95)	(33)	(88)	(216)
<i>Impairment Financial Receivables</i>	15	12	-	27
<i>Impairment Commitments and Securities</i>	5	(1)	-	4
<i>Impairment Cash and Cash Equivalents</i>	36	(16)	-	20
Plants and machinery	1,526	(254)	-	1,272
Total	73,595	(18,789)	2,558	57,364

The value of the IRES tax losses of ATM S.p.A. resulting from the last declaration submitted, tax year 2019, is equal to Euro 864,382 thousand fully deductible and Euro 52,066 thousand deductible to a limited extent.

Even considering the taxes for 2020, the value of the losses carried forward for the tax year 2020 does not change, as the recognized losses flow into the Consolidated Statements on the basis of the existing Group contract.

15. Other receivables and non-current assets

At December 31, 2020, no receivables due for more than 12 months were recorded. As of December 31, 2019, the item included the amount of more than 12 months of the credit for State grants for plants related to the acquisition of trains of the M1 metro line under the “*Accessibilità Fiera Milano*” project. The credit guarantees the loan provided by the “Cassa Depositi e Prestiti” for an equal amount of liabilities under “*Non-current and current financial liabilities*” (Note 20) and expires on December 31, 2021. The residual credit at December 31, 2020 is shown under “*other receivables and current assets*” (Note 24).

16. Inventories

The balance of the item “Inventories” as at December 31, 2020 is as follows:

	12.31.2020	12.31.2019
Consumable maintenance materials	125,102	116,004
Diesel	699	767
Other materials	1,031	946
Total inventory	126,832	117,717
Inventory obsolescence provision	(35,045)	(29,916)
Total net inventory	91,787	87,801
Advances	1,230	977
Total	93,017	88,778

Inventories, gross of “*advances*” and the “inventory obsolescence provision”, increased by Euro 9,115 thousand compared to December 31, 2019; the variation is mainly attributable to the increase in the inventories of metro and tramway material necessary for the internalization program of maintenance activities on the metro trains. Consumables are mainly represented by the stocks necessary for maintenance and repair of rolling stock.

Following the process of recognition of the assets in stock, obsolete assets were disposed of for Euro 1.214 thousand and, consequently, the “*Inventory obsolescence provision*” established in previous years for this purpose was used for the same amount. Moreover, at December 31, 2020, in order to adjust the value of the provision to the varying consistency of inventories, a provision of Euro 6,343 thousand was made, taking into account, on one hand, the assets with a low turnover rate and on the other hand, the results of the analyzes carried out to evaluate the obsolescence of the materials in warehouse to be disposed, with reference mainly to the vehicles for which the disposal from the service is assumed and in coherence with the maintenance requirements.

The movements in the “*Inventory obsolescence provision*”, are shown below.

	12.31.2019	Increases	Decreases	12.31.2020
Inventory obsolescence provision	29,916	6,343	(1,214)	35,045
Total	29,916	6,343	(1,214)	35,045

The provision to “*Inventory obsolescence provision*” is included in the income statement “*Purchases of goods and changes in inventories*” (Note 32).

17. Current financial assets

	12.31.2020	12.31.2019
Current financial assets	227,192	251,819
Total	227,192	251,819

Current financial assets at December 31, 2020 are as follows:

- “*Held to Collect & Sell*” government securities classified as FVTOCI for Euro 7,968 thousand whose changes in *fair value* continue to be recognized with a contra-entry to the equity reserve (recognized in the OCI) until they are realized or reclassified;
- “*Held to Collect & Sell*” corporate bonds classified as FVTOCI for Euro 71,289 thousand whose changes in *fair value* continue to be recognized with a contra-entry to the reserve of equity (recognized in the OCI) until they are realized or reclassified;
- “*Other*” corporate bonds classified as FVTPL for Euro 11,772 thousand whose changes in *fair value* are recognized in the income statement and contribute to the formation of consolidated economic result;
- “*Other*” shares of OICR classified as FVTPL for Euro 126,110 thousand whose changes in *fair value* are recognized in the income statement and contribute to the formation of consolidated economic result.

The item also includes the investment in a Savings Bond of Euro 10,053 thousand, including interest accrued in the period of Euro 53 thousand.

The net change compared to December 31, 2019 is attributable to the movements of the portfolio of invested assets and to the management of the portfolio. The analysis of portfolio movements is presented in the Cash Flow Statement to which reference should be made.

18. Current tax assets

	12.31.2020	12.31.2019
Withholding taxes	16,262	15,822
IRAP receivable from IRES Law Degree 211/2011	-	563
Receivables for advanced taxes (IRAP)	2,362	2,269
Total	18,624	18,654

The “Withholding taxes”, equal to Euro 16,262 thousand, related to withholding taxes incurred by ATM S.p.A. and by companies within the scope of tax consolidation.

The “IRAP receivable from IRES Law Degree 201/2011”, referring to the recognition of the deductibility for IRES purposes of the IRAP quota relating to expenses for employees and assimilated, pursuant to Law Degree 201/2011, and to the corresponding claim for reimbursement submitted for the years 2007/2011, it was fully received during the first half of 2020.

The “Receivables for advanced taxes (IRAP)” amounting to Euro 2,362 thousand refer to the amount of advances paid in excess of the tax accruing in 2020.

19. Trade receivables

The item “Trade receivables” at December 31, 2020 amounts to Euro 182,888 thousand composed as follows:

	12.31.2020	12.31.2019
Receivables from third parties	58,037	61,063
Receivables from related parties	124,851	130,759
<i>Receivables from parent</i>	<i>121,882</i>	<i>126,042</i>
<i>Receivables from associates</i>	<i>2,722</i>	<i>4,063</i>
<i>Receivables from subsidiaries of parent</i>	<i>247</i>	<i>654</i>
Total	182,888	191,822

The “Receivables from third parties” refer mainly to receivables toward Italian and European Union entities and refer to services provided for advertising, sponsorship and rental of the commercial premises of the metropolitan stations. The decrease of Euro 3,026 thousand is mainly due to the lower receivables for the transfers of IVOL and IVOP by Trenord S.r.l. partially offset by the higher credits attributable to Metro Service A/S as a result of *the mobilization* and the subsequent start of management of the M3 and M4 lines of the Copenhagen metro (Cityringen).

The receivables are recognized net of the specific doubtful debt provision, which at December 31, 2020 amounted to Euro 13,123 thousand (Euro 13,427 thousand at December 31, 2019), set up to cover specific doubtful receivables and receivables for which currently legal actions have been undertaken.

The movement of doubtful debt provision is as follows:

	12.31.2019	Increases	Releases	12.31.2020
Doubtful debt provision	13,427	146	(450)	13,123
Total	13,427	146	(450)	13,123

During the year, the provision was adjusted to Euro 146 thousand, and released for Euro 450 thousand against new and more complete information regarding the status of some creditors, with these amounts included under “*Other operating costs and charges*” (Note 36).

“*Receivables from related parties*” include:

- “*Receivables from parent*” for Euro 121,882 thousand (Euro 126,042 thousand euros at December 31, 2019) net of the specific doubtful debt provision, which at December 31, 2020 amounted to Euro 3,062 thousand. This item refers mainly to receivables from the Municipality of Milan, for invoices issued for the consideration of the Local Public Transport Service Contract (LTP) of December 2020 (Euro 52,970 thousand), as well as to the withholding taxes, as a guarantee of the aforementioned contract equal to 5% for the month of June 2020 (Euro 3,067 thousand) and for invoices to be issued for the same case for the months from July to December 2020 (Euro 16,727 thousand). In addition, receivables for invoices issued or to be issued in respect of work carried out on metropolitan and tramway infrastructures and other services, including the implementation of the traffic control system, are included.

At the date of preparation of this financial report, the receivable to the Municipality of Milan relating to the consideration of the LTP Service Contract is collected for the amount of Euro 55,758 thousand.

The movements in the bad debt provision towards parent companies are shown below:

	12.31.2019	Increases	Releases	12.31.2020
Bad debt provision to parent company	3,487	-	(425)	3,062
Total	3,487	-	(425)	3,062

During the year, the provision was released for Euro 425 thousand based on new and more complete information on certain specific positions, including these amounts under “*Other operating costs and charges*” (Note 36).

- “*Receivables from associates*” for Euro 2,722 thousand (Euro 4,063 thousand at December 31, 2019), relating to services and services rendered under existing contracts. The balance is composed as follows:

	12.31.2020	12.31.2019
Co.Mo. Fun&Bus S.c.a r.l.	355	261
Consorzio SBE	7	7
Metro 5 S.p.A.	2,342	3,757
Movibus S.r.l.	26	67
Total	2,730	4,092
Bad debt provision	(8)	(29)
Total	2,722	4,063

The receivables toward Metro 5 S.p.A. are significantly reduced both for the lower maintenance services carried out in 2020 and for the collection, following the signing on February 13, 2020 of the “Second report with a proposal for a benevolent agreement pursuant to art. 28.1 of the tender contract for the unitary management of the M5 line of the Milan automatic metro”, of invoices for extraordinary maintenance services issued in previous years.

During the year, the “*Bad debt provision to associates*” was adjusted by releasing the amount of Euro 21 thousand against the receipts received from Movibus S.r.l. with the recognition of these amounts under “*Other operating costs and charges*” (Note 36).

The movements of the year are shown below:

	12.31.2019	Increases	Releases	12.31.2020
Bad debt provision to associates	29	-	(21)	8
Total	29	-	(21)	8

- “*Receivables from subsidiaries of parent*”, amounting to Euro 247 thousand (Euro 654 thousand at December 31, 2019). Receivables refer to services and services rendered under existing contracts and the decrease compared to the previous year is related to lower performance rendered.

During the year, the “*Bad debt provision to subsidiaries of parent*” was adjusted by releasing the amount of Euro 6 thousand with the inclusion of these amounts under “*Other operating costs and charges*” (Note 36).

20. Other receivables and current assets

The item “Other receivables *and current assets*” at December 31, 2020 shows a balance of Euro 55,267 thousand net of the specific provision for bad debts, which at December 31, 2020 was equal to Euro 689 thousand.

	12.31.2020	12.31.2019
VAT Receivable	1,473	60
Grants	48,574	54,252
Other tax receivables	1,426	2,853
Prepayments	1,941	2,266
Other receivables	1,853	2,750
Total	55,267	62,181

The most significant reduction, compared to December 31, 2019, relates to “grants” due to lower regional plant grants, in particular with regard to the purchase of hybrid buses.

The following is a detail of the item “Grants”:

- Euro 27,868 thousand (Euro 33,465 thousand at December 31, 2019) for grants requested against investments contributed by public bodies. The contributions recorded refer to Euro 23,335 thousand for receivables relating to investments financed by the State, including Euro 9,501 thousand for rolling stock, Euro 3,724 thousand for safety projects and Euro 10,110 thousand for infrastructure; Euro 4,500 thousand for receivables financed by the Lombardy Region, of which Euro 3,506 thousand for the purchase of buses and Euro 994 thousand for safety systems on board buses and Euro 33 thousand for the bike sharing project financed by the Municipality of Milan;
- Euro 13,455 thousand (Euro 13,770 thousand as at December 31, 2019) relating to Euro 12,533 thousand for grants to the reimbursement of CCNL renewals pursuant to L.47/2004, L. 58/2005 and L.296/2006, for Euro 398 thousand to the free movement cards issued to the entitled people and for Euro 524 thousand to the second advance of the contributions provided for by the “Ristori Decree” on article 44 of the Law Degree 104/2020;
- Euro 7,251 thousand (Euro 7,017 thousand at December 31, 2019) for the current share of State grants for plants related to the acquisition of trains on the metro line 1, under the project “Accessibilità Fiera Milano” project.

The “Other tax receivables” refer to the credit for diesel excise duty still to be collected for the fourth quarter of 2020 for Euro 1,172 thousand, and to the tax credits provided by art. 1 paragraphs from 184 to 194 L. 160 of December 27, 2019 for Euro 229 thousand and for Euro 25 thousand to the tax credits provided for by art. 125 Law Degree n. 34 May 19, 2020 “Urgent measures in the field of health, support for work and the economy, as well as social policies related to the epidemiological emergency by COVID-19”.

The “prepayments” refer to insurance premiums and maintenance services for the following year, whose financial presentation took place in 2020.

The “Other receivables” refer to advances paid to personnel in injury on behalf of INAIL, receivables from employees for subscriptions issued to family members and deposits made to different entities.

During the year, against doubtful receivables of Euro 689 thousand, an amount of Euro 207 thousand was set aside in the specific bad debt provision with a contra entry in the income statement under the component “*Other operating costs and charges*” (Note 34).

21. Cash and cash equivalents

	12.31.2020	12.31.2019
Cash and cash equivalents	123,861	182,152
Total	123,861	182,152

The balance includes current account balances, cash funds, balances of prepaid company credit card, as well as the endowments to the tellers and ticketing machines.

All the accounts are denominated in Euro, with the exception of the Danish Crown current account held by the subsidiary Metro Service A/S for a total value of Euro 9,712 thousand (Euro 9,353 thousand at December 31, 2019).

The item “*Cash and cash equivalents*” is recorded net of the related provision to cover losses totaling Euro 87 thousand. In 2020, the fund was released for Euro 66 thousand.

The decrease in Cash and cash equivalents in 2020 was related to investments and operating expenses incurred during the year which were not fully balanced by the margin generated and the short-term availability draft (“hot money”) for Euro 35 million completed in the year.

22. Discontinued Operations

No discontinued operations were detected during the financial year 2020.

23. Equity

The “*Share capital*” amounts to Euro 700,000 thousand and consists of n. 70,000,000 ordinary shares with a nominal value of Euro 10 each. It is fully subscribed and paid and no changes occurred during the year and the previous one. The Municipality of Milan is the sole shareholder of the Parent Company ATM S.p.A.

The “*Other Reserves*” component includes the “*Actuarial gains/(losses) reserve of defined benefit plans*” which includes the effects of accounting for the “*Other components of the comprehensive income*” of the profits/(losses) of defined benefit plans at net of the related tax effect.

The changes indicated in the statement of the other components of the consolidated income statement are detailed and described in the “*Statement of Changes in Consolidated Equity*”.

The quota of the First Time Adoption reserve made available is equal to Euro 126,483 thousand.

The reconciliation statement of consolidated equity and of the parent company is shown below:

	Capital and reserves as at 12.31.2019	Result as at 12.31.2020	Change in OCI components	IFRS 9 impacts	Dividends distribution	Other movements	Capital and reserves as at 12.31.2020
ATM S.p.A. Equity	1,182,556	(70,360)	(9,054)	(136)	-	-	1,103,006
Investments elimination	(29,937)						(29,937)
IAS 19 Reserve	(332)						(332)
Equity of consolidated companies	93,399	15,433	(57)				108,776
Financial assets impairment	(10)						(10)
Dividends	(40,079)	(12,080)			(3,920)		(56,079)
Equity valuation of associated companies	6,627	2,514	62				9,203
Consolidation adjustments	14,505					20	14,525
Total equity	1,226,729	(64,493)	(9,049)	(136)	(3,920)	20	1,149,151
Group equity	1,209,904	(68,082)	(9,049)	(136)	-	20	1,132,657
Equity of third parties	16,825	3,589	-	-	(3,920)	-	16,494

24. Non-current and current financial liabilities

	12.31.2020	12.31.2019
Non-current financial liabilities	276,310	294,820
Current financial liabilities	56,396	20,811
Total	332,706	315,631

The breakdown of financial liabilities by nature and by maturity is as follows:

	Within 12 months	Among 1 year and 5 years	Over 5 years	Total
Financing				
<i>Bei Mortgage</i>	10,923	45,149	157,482	213,554
<i>Bonds</i>		69,404		69,404
<i>Hot money</i>	35,000			35,000
<i>Cassa Depositi e Prestiti</i>	7,251			7,251
Total financing	53,174	114,553	157,482	325,209
Interest rates				
<i>Bonds</i>	525			525
<i>Hot money</i>	10			10
Total interest rates	535			535
Payables for Leasing Liabilities IFRS 16	2,687	4,275		6,962
TOTAL	56,396	118,828	157,482	332,706

The amount of Euro 332,706 thousand refers to:

- Euro 213,553 thousand (of which Euro 10,923 are current and Euro 202,631 are not current) at the start-ups, net of repayments, under the loan agreement of a total of Euro 250,000 thousand signed with the European Investment Bank for the financing of the new M1 and M2 metro trains. The loan agreement places on the Company the obligation to comply with certain parameters of an equity and financial nature. As at December 31, 2020, as in previous years, *the covenants* contractually established by the loan agreement were respected. The debt fully expires on June 30, 2038 and is therefore mainly recorded under “*Non-current financial liabilities*”;
- Euro 69,929 thousand to the bond loan placed on August 8, 2017 by the Company (of which Euro 69,404 thousand relating to the principal amount of the bond loan and Euro 525 thousand relating to interest rate in the period to be settled at the maturity date), unsecured and intended only for qualified investors with a total nominal value of Euro 70 million. The bonds expire on August 8, 2024 and the interest is calculated at the fixed annual rate of 1.875 %. The stock is listed on the Dublin Stock Exchange (ISIN code XS1653969953). On May 8, 2020, the international agency Fitch Ratings, as an automatic consequence of the lowering of the rating of the Italian Republic to BBB- “stable outlook”, also adjusted to the sovereign level the long-term rating of ATM – Azienda Trasporti Milanesi, placing it at the same level as “BBB-”, together with the short-term valuation of F3. This assessment was reconfirmed at the end of January 2021. The bond loan is valued at the amortized cost, which has therefore taken into account the expenses incurred and the release discounts. The actual and fixed interest rate for the entire duration of the loan shall be considered representative of the market conditions as at December 31, 2020. At the end of the financial year, the Company has the financial resources necessary for the full repayment of the loan as can be seen in the balance of the Cash and cash equivalents and securities;
- Euro 35,010 thousand for the drawing of a short-term “hot money” line, including interest of Euro 10 thousand;
- Euro 7,251 thousand for the loan with Cassa Depositi and Prestiti for the acquisition of trains of the M1 metro line in the “*Accessibilità Fiera Milano*” project. The loan, which expires in 2021, is fully guaranteed by the State; a receivable of the same amount is therefore recorded in the “Other receivables and current assets”;
- Euro 6,962 thousand to the value of the lease liability recorded following the entry into force of IFRS 16 *Leases from 2019* (of which Euro 2,687 thousand expiring within 12 months and Euro 4,275 thousand over 12 months). During the year, the item moved as a result of the registration of new contracts for Euro 1,338 thousand, the recognition of the interest involved for Euro 97 thousand and the payment of fees in the amount of Euro 1,782 thousand.

With regard to the loans disbursed by the European Investment Bank (EIB), the Group has subscribed loans totaling Euro 250,000 thousand, of which Euro 235,367 thousand at a fixed rate.

The details of EIB disbursements are as follows:

	Drawdown date	Currency	Initial amount of debt	Amount of repayable debt as at 12/31/2020	Interest rate as at 12/31/2020	Maturity
Withdraw 1	11/29/2013	Euro	14,633	11,911	0.594% (*)	06/30/2038
Withdraw 2	11/28/2014	Euro	40,000	33,787	1.99%	06/30/2038
Withdraw 3	04/23/2015	Euro	55,367	45,912	0.96%	06/30/2038
Withdraw 4	03/15/2017	Euro	70,000	61,004	1.45%	06/30/2038
Withdraw 5	01/31/2018	Euro	40,000	34,823	1.37%	06/30/2038
Withdraw 6	01/31/2018	Euro	30,000	26,117	1.37%	06/30/2038
Totals			250,000	213,554		

(*) Withdraws indexed to variable interest rate

The drawdowns are recognized at amortised cost representative of the nominal value as there are no contractual transaction costs, and the effective interest rate was considered for each drawdown, fixed for the entire duration of the loan, representative of the market conditions at December 31, 2020. Similarly, the variable interest rate tranche was recognized for the nominal value as with reference to the *forward* interest rates, in the medium-term the rate is considered representative of the market conditions.

25. Employee benefits

The defined benefit plans are calculated estimating, with technical actuaries, the amount of the future benefit which the employees matured in the current period and in previous years. The calculation is made by an independent actuary utilizing the "Projected Unit Credit Method". For the purposes of the calculation of the interest rate or discounting utilised this was taken from the prices at December 31 of each year of the benchmark iBoxx Corporate EUR index with 7-10 year duration and AA rating.

"Employee benefits" include the "Employee Termination Indemnities" ("TFR").

	12.31.2020	12.31.2019
Employee termination indemnities (TFR)	125,664	125,694
Total	125,664	125,694

The TFR, governed by art. 2120 of the Civil Code, includes the estimate of the obligation relating to the amount to be paid to employees upon the termination of employment relationship. The indemnity, paid in the form of capital, is equal to the sum of accruals calculated on the salary items paid in dependence on the employment relationship and revalued until the moment of termination of the employment relationship. As a result of the legislative changes introduced from January 1, 2007, for enterprises with more than 50 employees, the accruing termination indemnity is classified as a defined contribution plan, since the enterprise's obligation is exclusively the payment of contributions to pension funds, or to the INPS. The liability related to the termination indemnity prior to January 1, 2007 represents a defined benefit plan to be assessed according to actuarial techniques. The Employee Termination Indemnity is part of the "unfunded" defined benefit plans and therefore there are no assets to serve the plan.

The following changes took place in the "TFR" during the year:

	Change
Opening balance	125,694
Service cost	27
Interest cost	444
Actuarial (gains)/losses	11,024
Paid benefits	(11,525)
Closing balance	125,664

The amount of employee termination indemnities calculated according to the provisions of Article 2120 of the Civil Code is equal to Euro 108,008 thousand.

The actuarial loss for the period, equal to Euro 11,024 thousand, was recorded under other items in the Comprehensive income statement, adjusting the balance of the Employee Termination Indemnities with a contra-entry in an equity reserve and is composed as follows:

	Change
Actuarial (earnings)/losses due to changes in the financial assumptions	2,693
Actuarial (earnings)/losses due to experience	8,331
Closing balance	11,024

With reference to “TFR”, the valuations undertaken by the actuary were made based on the economic/financial and demographic assumptions summarised in the table below:

12.31.2020	ATM S.p.A.	ATM SERVIZI DIVERSIFICATI S.r.l.	GESAM S.r.l.	NET S.r.l.	RAIL DIAGNOSTICS S.p.A.
Mortality rate	IPS55 tables	IPS55 tables	IPS55 tables	IPS55 tables	IPS55 tables
Invalidity rates	INPS-2000 tables	INPS-2000 tables	INPS-2000 tables	INPS-2000 tables	INPS-2000 tables
Employee turnover rate	5.81%	3.20%	4.08%	6.90%	4.53%
Discount rate*	(0.02%)	(0.02%)	(0.02%)	(0.02%)	(0.02%)
Increase in salaries	1.50%	1.50%	1.50%	1.50%	1.50%
Rate of advances	0.64%	0.00%	5.07%	0.90%	2.99%
Inflation rate	0.50%	0.50%	0.50%	0.50%	0.50%

*Listing on 12/31/2020 of the iBoxx Corporate Euro benchmark index with duration 7-10 and AA rating

The sensitivity analysis on the discount rate represents the change in the value of the actuarial liability that is obtained with the year-end valuation data, varying the discount rate, without prejudice to the other assumptions:

	0.50%	-0.50%
Employee Termination Indemnities	(6,408)	7,192

26. Provisions for risks and charges

	12.31.2020	12.31.2019
Provision for disputes and environmental risks	49,668	48,003
Provision for damages/claims settlements	17,543	17,775
Other provisions	9,574	3,574
Total	76,785	69,352

The most significant items contributing to the formation of the balance are:

- From the “Provision for disputes and environmental risks” for Euro 49,668 thousand, referred to contingent liabilities for suppliers, customers, third parties, workers, related parties and the environment, deriving from the ordinary business management.

During the year, the provision’s balance was updated on the basis of the expected effects of the ongoing disputes and the outcome of those concluded as well as on the basis of the revision of estimates, determining provisions for Euro 2,236 thousand, uses of Euro 546 thousand and releases for Euro 25 thousand, as specified below.

Provisions of Euro 2,236 thousand were made in 2020, of which:

- Euro 2,003 thousand for the ongoing dispute with Caronte, of which extensive information was given in the Management Report in the section of “Main disputes pending”;
- Euro 160 thousand relating to disputes with personnel;
- Euro 53 thousand related to the definition of penalties and adjustments for less journeys relating to service contracts for the years 2015 to 2020 of the subsidiary NET S.r.l.;

- Euro 20 thousand relating to a dispute with a supplier.

The main movements in the use of the provision for Euro 546 thousand refer to:

- Euro 371 thousand for the use for specific maintenance operations carried out in some company sites and plants;
- Euro 83 thousand for the use following the definition of disputes with suppliers;
- Euro 34 thousand for the use relating to the closure of disputes with staff;
- Euro 58 thousand for the use for the definition of penalties and kilometric adjustments related to the service contract of the subsidiary NET S.r.l.

Furthermore, in view of the review of the estimates for the events of the year and in consideration of new and more complete information than that available at the time the original estimates were made, the provision was issued for Euro 25 thousand as regards the definition of penalties and kilometric adjustments relating to the service contract of the subsidiary NET S.r.l.

- The “*Provision for damages/claims settlements*” for Euro 17,543 thousand, whose value is commensurate with the estimate of the compensation to be settled in the coming financial years for damages/claims related to the circulation of the scheduled cars, limited to the risk range not covered by the insurance policies stipulated with the various companies. The assessment of non-performing claims was carried out through the examination of the individual cases as at December 31, 2020.
- “*Other provisions*”: The item refers mainly to the “*Provision for restoration costs*” and is attributable to the costs that Metro Service A/S will have to bear, as required by the Service Contract stipulated with the Municipality of Copenhagen, to return to their State of use the goods received when the management of the metropolitan lines is started. The provision has been reviewed against contractual forecasts.

These provisions include the best estimates of the legal expenses related to the disputes.

The following table shows changes in the provisions for risks and charges:

	12.31.2019	Increases	Utilisations	Releases	12.31.2020
Provision for disputes and environmental risks	48,003	2,236	(546)	(25)	49,668
Provision for damages/claims settlements	17,775	2,207	(2,420)	(19)	17,543
Other provisions	3,574	6,166	(162)	(4)	9,574
Total	69,352	10,609	(3,128)	(48)	76,785

For considerations on the estimation processes underlying the valuation of disputes and contingent liabilities, reference should be made to Note 5 "Use of estimates".

27. Deferred tax liabilities

	12.31.2020	12.31.2019
Deferred tax liabilities	46,702	47,664
Total	46,702	47,664

The nature of the temporary differences which generated deferred taxes is summarized below:

	Deferred tax liabilities at 12.31.2019	Recognized in P&L	Recognized in Equity	Deferred tax liabilities at 12.31.2020
Land and buildings - IAS 16	40,495	(716)	-	39,780
Fair value rolling stock and financial leases	6,884	(413)	-	6,471
Fair value financial assets	205	134	-	339
Investments	80	32	-	112
Total	47,664	(963)	-	46,702

28. Current income tax liabilities

	12.31.2020	12.31.2019
IRES	-	127
IRAP	-	68
Income taxes Metro Service A/S	1,990	615
Total	1,990	810

This item refers to the current tax payable of the Danish subsidiary Metro Service A/S, since no taxes are recorded for IRES and IRAP purposes for Italian companies.

29. Trade payables

	12.31.2020	12.31.2019
Payables – third parties	224,183	232,144
Payables to related parties	28,048	62,500
<i>Payables to parent</i>	23,207	60,901
<i>Payables to associates</i>	3,436	781
<i>Payables to subsidiaries of parent</i>	1,405	818
Total	252,231	294,644

The amount of Euro 224,183 thousand for “*payables - third-parties*” (Euro 232,144 thousand at December 31, 2019) includes payables for invoices not yet paid and payables for invoices to be received for the purchase of capitalized materials, services and goods, mainly from Italian and European Union suppliers. The decrease of Euro 7,961 thousand is attributable to the lower transfers of STIBM to some carriers compared to the amount due in the previous year.

“Payables to related parties” mainly include “payables to parent”, which at December 31, 2020 have a balance of Euro 23,207 thousand (Euro 60,901 thousand at December 31, 2019) and are entirely attributable to the Municipality of Milan. The decrease is related to the trend of revenues for travel tickets and therefore lower payables for transfer relating to December 2020 compared to the same period of 2019 are recorded.

These payables refer to:

- Euro 12,475 thousand (Euro 49,025 thousand at December 31, 2019) to the payable for the transfer to the Municipality of Milan of the revenues deriving from the sale of tickets in December 2020;
- Payables for the transfer of the on-street parking revenues remained to the Municipality as defined in the “on-street parking agreement” of April 27, 2017, of which Euro 4,878 thousand referring to 2018 and Euro 4,830 thousand referring to 2019. For the year 2020, no payables for on-street parking revenues to be paid to the Municipality are recorded, since the amount of on-street parking revenues made in 2020 was less than the minimum amount guaranteed to ATM S.p.A. equal to Euro 18.5 million;
- Penalties for the Service Contract for non-compliance with certain quality standards as contractually provided, of which Euro 241 thousand for the year 2018 and Euro 704 thousand for the year 2019;
- Euro 23 thousand for the sponsorship of the Mi-Emob event and Euro 52 thousand for the sponsorship of the Milan initiative to read 2019;
- Euro 4 thousand to the payables for the transfer of the revenues of Area C in December 2020.

The “Payables to associates” are detailed below:

	12.31.2020	12.31.2019
Co. Mo. Fun&Bus S.c.a.r.l.	18	16
Consorzio SBE	81	10
Metro 5 S.p.A.	1	14
Movibus S.r.l.	3,336	741
Total	3,436	781

The most significant change compared to the previous year refers to payables for transfers from STIBM to Movibus S.r.l.: The increase is due to the invoices relating to the payments received by the associated company and not yet paid as of December 31, 2020.

The “Payables to subsidiaries of parent” of Euro 1,405 thousand refer mainly to the payable for the provision of services by MM S.p.A. for Euro 1,414 thousand.

30. Other payables and current liabilities

	12.31.2020	12.31.2019
Employee payables	49,744	48,619
Payables to parent - Dividends	-	-
Payables to subsidiaries for withholding taxes	-	-
Payables to social security institutions	38,346	38,752
Vacation days not taken	25,339	22,748
Other tax liabilities	14,156	11,852
Other payables	5,492	3,165
Tarsu	214	277
VAT payable	206	1,494
Accruals and deferred income	600	1,343
Other current liabilities	-	3,922
Total	134,097	132,172

The item “*Other payables and current liabilities*” amounted to Euro 134,097 thousand at December 31, 2020. The main changes are related to the increase in the item “*Employee payables*” which includes the redundancy incentive program for employees close to the maturity of retirement rights and to the item “*Other current liabilities*” which decrease as a result of the collection of plant grants for which in financial statements drawn up at December 31, 2019, there was a determining amount of grants from the Authority.

In addition, the changes referred to the item “*Vacation days not taken*” to the payables deriving from the economic valuation of the vacations not taken by employees, as well as the value of the overtime worked, which can be used as paid permits and at the date of preparation of the financial statements not yet used, are reported, and the item “*other payables*” that includes payables for 2020 adjustments for travel tickets under STIBM to be paid to other carriers.

Here are the main components of this item:

- Euro 49,744 thousand, from payables to employees whose change is due to the increase in employees but also to the above-mentioned redundancy incentive program;
- Euro 38,346 thousand from payables to INPS, Previdai, INAIL and to category pension funds and were settled according to legal deadlines in the first months of 2021;
- Euro 25,339 thousand, from the economic value of the vacations not taken by employees, and from the equivalent of the overtime worked, which can be used as paid permits, which have not yet been used;
- Euro 14,156 thousand from IRPEF withholding made by the Group as a substitute for tax on employee income;

- Euro 5,492 thousand , from payables of various kinds including the payables for security deposits of Euro 2,102 thousand and the payable to the ATM Foundation for contributions and payments of services provided for Euro 325 thousand. In addition, the item includes Euro 1,729 thousand relating to adjustments to be paid, referring to payables for travel tickets as described above;
- Euro 600 thousand , from deferred income relating to revenues invoiced during the year and attributable to 2021.

Notes to the consolidated income statement

31. Revenues and other operating income

The value of “*Revenues and other operating income*” consists mainly of:

- “*Core business revenue*”, which refer to the revenues generated by the Service Contract for the Management of the Local Public Transport Service (LPT) concluded with the Municipality of Milan, the revenues for the management of the Copenhagen metro lines, with consideration of the contract for the management of the M5 metro line with Metro 5 S.p.A., the revenues relating to the management of on-street parking, parking and towing services and custody and , residually, the revenues relating to other transport services, including the management of the Como-Brunate funicular and the POMA 2000 light metro service;
- “*Other revenues*”, which include revenues from advertising, rental of properties, revenues from works on municipal property, including maintenance services on infrastructure, Area C and Area B;
- “*Other income*”, which mainly includes operating grants, reimbursements for damages and penalties charged to suppliers.

Revenues are realized in Italy and in the European Union.

	2020	2019
Core business revenue	827,347	837,741
Other revenue	58,374	66,809
Other income	72,226	76,197
Total	957,947	980,747

The details of “Core business revenues” are shown below:

	2020	2019
Revenue from LPT	811,633	807,938
<i>Corresponding Service Contract Municipality of Milan</i>	663,636	668,483
<i>Corresponding Service Contract Copenhagen</i>	98,349	80,376
<i>Corresponding Service Contract Interurban area</i>	19,221	19,028
<i>Corresponding Management Contract line 5</i>	23,640	23,881
<i>Income from fees - interurban area</i>	6,085	13,593
<i>Special/dedicated transport services</i>	702	2,577
Revenues from management of on – street parking services	9,497	18,491
Revenues from parking management	3,996	8,629
Revenues from car removal management	2,134	2,632
Other revenues	87	51
Total	827,347	837,741

“Revenues from LPT” amounted to Euro 811,633 thousand (Euro 807,938 thousand in the previous year) and increased by Euro 3,695 thousand.

The main changes in the item “Revenues from LPT” refer to:

- “Corresponding Service Contract Municipality of Milan” decreased for Euro 4,847 thousand compared to 2019;
- “Corresponding Service Contract Copenhagen”: higher revenues of Euro 17,973 thousand for the start-up of the commercial activities of the M3 (Cityringen) and M4 lines of the Copenhagen Metro, starting from September 29, 2019 and March 28, 2020 respectively;
- “Corresponding Service Contract Interurban Area”: more activities for Euro 193 thousand requested by the Authority for the development of school services;
- “Corresponding Management Contract line 5”: the decrease compared to the previous year is due to fewer activities for Euro 102 thousand and to the settlement in 2019 of the dispute with Metro 5 S.p.A. for Euro 139 thousand;
- “Income from fees - Interurban area”: lower revenues for Euro 7,508 thousand due, mainly, to lower passenger traffic revenues (tickets and subscriptions) for Euro 5,691 thousand of NET S.r.l., lower revenues for the management of the Como – Brunate Funicular for Euro 1,647 thousand and lower revenues for the management of the POMA 2000 light metro system for Euro 285 thousand. These changes are the direct consequence of the reduction in the sales volumes of travel tickets due to restrictions on the mobility of people and the limitations on the capacity of vehicles imposed by the Italian Government during the whole emergency phase;
- “Special/dedicated transport services”: reduced revenues for Euro 1,875 thousand due to the interruption of the commercial activities of “Tram Restaurant” and “Historic Tram” carried out by the subsidiary ATM Servizi Diversificati S.r.l. and to the minor special services provided in 2020 for events or exhibitions.

To complete the analysis of “Revenues from LPT”, it is noted that the complementary services to the Service Contract with the Municipality of Milan decreased by a total of Euro 14,125 thousand due to the

decline in users due to the limitations on the mobility of people and municipal initiatives, who have suspended payment of the fees for the services. In particular, the most significant changes refer to:

- “*Revenues from management of on-street parking services*”, which decreased by Euro 8,994 thousand, were affected by the two suspensions, the first from March 12 to June 14, 2020 and the second from November 5, 2020, of the paid on-street parking scheme;
- “*Revenues from parking management*”, decreased by Euro 4,633 thousand since during the lockdown period only multi-storey parkings with rates of use close to zero were active;
- “*Revenues from car removal management*”, decreased by Euro 498 thousand, due to the reduction in the volumes of removal activities.

The “*Other revenues*” are composed as follows:

	2020	2019
Service revenues	40,044	34,673
Advertising and sponsorship revenues	9,919	18,590
Commercial leases metro stations	5,237	6,353
Other revenues	3,174	7,193
Total	58,374	66,809

The “*Other revenues*” decreased by a total of Euro 8,435 thousand.

The details of the items in analysis are as follows:

- “*Service revenues*” increased by Euro 5,371 thousand compared to the previous year. The incremental services provided by the Danish subsidiary Metro Service A/S to the entrusted entity Metroselskabet, which has granted the company with the reimbursement of the higher costs incurred for the communication, surveillance and cleaning activities carried out following the COVID-19 pandemic; the increase compared to the year 2019 was Euro 6,879 thousand. This increase in revenues related to activities abroad is partly offset by the lower revenues realized in Milan and related to maintenance activities on municipal-owned infrastructures, for the construction and management of the payment system for Area B and C and the system of traffic and territory control, as well as the unscheduled maintenance activities on the M5 line;
- “*Advertising and sponsorship revenues*” decreased by Euro 8,671 thousand following the revision of the terms of the contract with the company that manages advertising;
- “*Commercial leases metro stations*” decreased by Euro 1,116 thousand, due to the revision of the rents due for the 3rd and 4th quarters to compensate for the interruptions of commercial activities following government measures in Italy;
- “*Other revenues*” decreased by Euro 4,019 thousand. The decrease is mainly due to the lower revenues for the sale of magnetic cards for Euro 2,708 thousand as a result of the decrease in sales of travel documents due to the COVID-19 pandemic, the transfer of travel tickets from paper to electronic and the lower revenues for the sale of operating materials for Euro 1,007 thousand.

Below is the detail of the item “*Other income*”, decreased by Euro 3,971 thousand compared to last year:

	2020	2019
Insurance receivables and costs undertaken for third parties	4,351	11,331
Income for penalties invoiced to suppliers	6,027	4,963
Gains on fixed asset sales	89	145
Grants	54,204	51,831
Other income	7,555	7,927
Total	72,226	76,197

The item “*Insurance receivables and costs undertaken for third parties*” decreased by Euro 6,980 thousand. The decrease mainly refers to lower commissions on the sale of travel tickets as a result of the decrease in sales volumes in 2020.

The item “*Income for penalties invoiced to suppliers*” increased by Euro 1,064 thousand, as a result of the definition of two settlement agreements with companies supplying metro and tram material.

The item “*Gains on fixed asset sales*” refers to the sale of disused trolleybuses for Euro 89 thousand (Euro 145 thousand at December 31, 2019).

The item “*Grants*” increased by Euro 2,373 thousand. The increase is mainly linked to the grants relating to the “Ristori Decrees” (Law Degree 34/2020 and Law Degree 104/2020), which have been extensively highlighted in the Management Report in the chapter “*the ATM Group and the COVID-19 emergency*”. In particular, grants from NET S.r.l. were registered for Euro 1,534 thousand and Euro 381 thousand by ATM S.p.A. in relation to the management of the Como - Brunate Funicular. The item also refers to the grants for CCNL for the year for Euro 50,190 thousand, the amount of which is unchanged from the previous year, allocated by Law No 47 of February 27, 2004 to cover the charges arising from the renewal of the collective employment contract for the two-year period 2002/2003, with Law n° 58 of April 22, 2005 to cover the charges deriving from the renewal of the CCNL two-year period 2004/2005 and with Law n° 296 of December 27, 2006 (Finanziaria 2007) to cover the charges of the renewal of the CCNL two-year period 2006/2007. Finally, the item under analysis includes grants for the production of electricity through photovoltaic systems and grants for the training of personnel.

The decrease in the “*Other income*” item refers to the lower passenger fines for Euro 372 thousand due to the restrictions on citizens’ mobility imposed by the authorities’ measures during the COVID-19 emergency.

32. Costs for the purchase of goods and changes in inventories

	2020	2019
Purchases of goods	81,994	84,153
Change in inventories	(3,960)	(5,630)
Consumption of raw materials for internal work	(4,054)	(6,888)
Total	73,980	71,635

The item, equal to a total of Euro 73,980 thousand, includes the purchase costs for the materials necessary for the maintenance of vehicles and systems, for diesel fuel and for travel and parking tickets, as well as the change in inventories net of uses and provisions made at the “*obsolescence provision*”.

The value is adjusted for the consumption of materials for internal work related to extraordinary maintenance on the fleet of metropolitan trains for Euro 4,054 thousand (Euro 6,888 thousand in 2019).

33. Service Costs

	2020	2019
Maintenance and cleaning costs	138,360	101,657
Electric traction power	51,833	48,690
Subcontracted transport services	24,985	24,599
Utilities	16,441	18,685
Production and distribution of travel tickets	5,663	11,940
Insurance	6,526	6,508
Customer services, advertising and marketing	3,428	4,638
Personnel services	3,735	4,163
Miscellaneous services	5,694	7,390
Professional services	5,879	7,165
Security costs	4,740	5,901
Total	267,284	241,336

The item "Maintenance and cleaning costs", an increase of Euro 36,703 thousand compared to 2019, refers to the interventions of third companies aimed at ordinary and extraordinary maintenance for Euro 104,566 thousand (Euro 74,009 thousand in 2019) and Euro 33,794 thousand (Euro 27,648 thousand in 2019) for cleaning operations carried out on plants, warehouses, offices and vehicles during the year.

The increase in maintenance costs incurred during the year, amounting to a total of Euro 30,557 thousand, is affected on the one hand, the non-recurring effect that occurred in 2019, relating to the release of the specific environmental provision set aside in previous years for Euro 10 million, and on the other hand, the increased costs incurred for the maintenance of the rolling stock by the Danish subsidiary Metro Service A/S and the Parent Company ATM S.p.A.

For Metro Service A/S, the increase in maintenance costs is due to the start-up of the new M3 (Cityringen) and M4 metro lines in Copenhagen, starting from September 29, 2019 and March 28, 2020 respectively, while for ATM S.p.A. the internalization of the maintenance activities of rolling stock on road and rail as a consequence of the end of the term of *the full service* maintenance contracts included in the purchase contracts that were held by the suppliers of the vehicles. Moreover, the item discounts the higher charges for the period related to the maintenance interventions carried out on the metro and tram armament, hardware and software.

The increase in cleaning costs incurred in the year, amounting to a total of Euro 6,146 thousand, refers to the higher costs incurred for the sanitization and sanitation of the vehicles put in place following the COVID-19 pandemic. With regard to the latter point, it should be noted that if the higher costs for the management of the pandemic in Italy have been borne economically and financially by ATM, in Denmark, the entrusted body Metroselskabet, in order to comply with all the provisions of the Danish

authorities, it has been recognized the Danish subsidiary Metro Service A/S with higher revenues to meet higher costs, as fully described in Note 31.

In 2020, in response to specific maintenance interventions carried out, the provision for environmental risks set up in previous years was used for Euro 371 thousand, and the Danish subsidiary Metro Service A/S's restoration charges of Euro 162 thousand were used and Euro 6,143 thousand were set aside.

The item "Electric traction power", an increase of Euro 3,143 thousand compared to 2019, is mainly due to the higher charges incurred by Metro Service A/S for Euro 5,873 thousand. In fact, in 2020, the new *Cityringen line*, which is entirely discounted, was fully operational in September 2019, as well as the start of the M4 line. These higher charges were partially offset by the lower charges of Euro 2,730 thousand incurred by the Parent Company ATM S.p.A. deriving on the one hand from the reduction in the cost of electricity and on the other hand the less journeys made during the lockdown period in Italy.

The item "Subcontracted transport services" includes the fees paid to subcontractors of transport services in the Milan urban area and the removal service, the increase is attributable to the increased services required according to the operating program and the strengthening of the service on the occasion of the opening of school education activities in the presence.

The item "Utilities" decreased by Euro 2,244 thousand compared to 2019, mainly due to the lower costs incurred as a result of the closure of the offices and the use of smartworking and the reduction in the costs of supplying services.

The item "Production and distribution of travel tickets" refers to the remuneration payable to retailers for the sale of travel tickets, on-street parking and parking tickets, Area B and Area C. The decrease in the item, equal to Euro 6,277 thousand compared to 2019, is the consequence of the reduction in sales volumes due to restrictions on the mobility of people and limitations on the capacity of the vehicles imposed by the Italian Government during the whole emergency phase.

The item "Insurance" refers to the costs inherent in the insurance branch: the savings realized are the result of the reductions achieved during the tender.

The item "Customer services, advertising and marketing" mainly refers to expenses incurred for communication and information to customers and decreased by Euro 1,210 thousand compared to 2019. The decrease is linked to lower activities for customer support services carried out through the toll-free number, call center and lower charges related to the bike sharing service. The costs incurred for the production, purchase and application of information material and for the communication and information initiatives implemented in 2020 in order to promote separation and compliance with behavioral norms during the COVID-19 emergency amount to Euro 1,410 thousand.

The item "Personnel services" decreased by Euro 428 thousand compared to 2019 and mainly refers to medical expenses incurred for legal obligations and for health checks for Euro 1,937 thousand (Euro 1,667 thousand in 2019) and training costs of Euro 1,198 thousand (Euro 1,543 thousand in 2019). The decrease is due, on the one hand, to the lower costs incurred in the period for *"The training of personnel"* reduced by Euro 345 thousand for the lower training activities carried out, for the *"Nursery management"* decreased by Euro 118 thousand in consideration of the closing period of the company nurseries during the lockdown period and for the *"Travel expenses"* decreased by Euro 249 thousand. The costs incurred in the COVID-19 health emergency are Euro 202 thousand and relate to the carrying out of serological tests on traveling personnel.

The item “Miscellaneous services” decreased by Euro 1,696 thousand compared to 2019 and mainly refers to charges for bank commissions of Euro 2,991 thousand (Euro 4,374 thousand in 2019), Euro 1,381 thousand (Euro 1,841 thousand in 2019) related to transport, material handling and waste disposal services. The decrease in the item concerned is mainly due to the reduction in bank commissions applied to the sale of travel tickets by electronic payments as a result of the lower sales volumes of travel tickets as a result of the decline in passengers.

The item “Professional services” refers to services provided by third parties in the IT, legal, corporate and engineering fields.

The item “Security costs” decreased by Euro 1,161 thousand compared to 2019 and refers to the value of transport service and security services carried out in order to combat acts of vandalism and to guarantee the safety of passengers on board vehicles. During 2020, in view of the decrease in passengers’ flow and the consequent reduction in revenue from travel tickets, the collection and transport services of valuables were reduced.

34. Operating leasing costs

	2020	2019
Rental charges	202	1,452
Vehicle hire	451	890
Plant and equipment hire	1,365	1,263
Total	2,018	3,605

The significant reduction of this item, equal to Euro 1,587 thousand, is attributable for Euro 1,169 thousand to the non-recognition of the entrusted body – Municipality of Milan – of the parking aerea management fee, as a consequence of the lower parking revenues obtained during 2020 due to the lockdown period. The further decrease of Euro 371 thousand derives from the application of IFRS 16 leases to long-term rental contracts for company vehicles entered into after December 31, 2019; these contracts replaced those which expired in 2019, which were not considered in the first application of that principle.

35. Personnel expenses

	2020	2019
Wages and salaries	393,177	398,198
Social security charges	108,279	103,437
Post-employment benefits	23,126	22,829
Other costs	20,620	20,979
Personnel costs for internal works	(3,610)	(4,154)
Total	541,592	541,289

The “Personnel expenses” of Euro 541,592 thousand include costs incurred for wages and social security charges, provisions required by law and pursuant to category contracts, as well as the costs for holidays and deductible hours accrued but not used in the year. Overall, the item increased by Euro 303 thousand but is related to two main opposing effects: on the one hand, lower wages and salaries for Euro 5,021 thousand and, on the other, higher social security charges for Euro 4,842 thousand.

The minors “Wages and salaries” are mainly linked to a reduction in remuneration for overtime, for variable compensation (PDR, MBO) and the use of the Bilateral Public Transport Solidarity Fund during *the lockdown period* in March and April 2020, which resulted in a non-recurring benefit of Euro 2,443 thousand. These effects were offset in part by the increases in salary linked to the staff movement and the redundancy incentive program for the staff close to the maturation of retirement rights, which resulted in a non-recurring cost of Euro 3,916 thousand.

The effects described above have also led to a proportional reduction in the contribution components related to wages and salaries; however, *the item “Social security charges”* increased compared to the previous year, since, in 2019, it was influenced by the non-recurring effect of the recognition, at the time of the contribution payment, of the reimbursement of sickness charges for 2013 for Euro 5,603 thousand.

It should be noted that in the year 2020, in implementation of the provisions of the National Collective Agreement (art. 38 letter b A.N.28.11.2015), the process of the establishment of the LPT HEALTH Provision has been completed, and a cost relating to the year 2020 and previous years for Euro 362 thousand has been reported.

The costs are recognized net of the capitalized personnel costs for internal works for Euro 3,610 thousand (Euro 4,154 thousand euros in 2019) and refer to the share of capitalized personnel costs for the extraordinary maintenance works carried out on the fleet of metro trains and trams.

The staff at December 31, 2020 was 10,364 resources (10,275 at December 31, 2019).

Type of contract	12.31.2019	Hires	Departures	Other changes	12.31.2020
Executives	38	1	(2)	0	37
Managers	352	5	(8)	12	361
Clerks	908	39	(41)	8	914
Operational workers	8,977	577	(482)	(20)	9,052
Total	10,275	622	(533)	0	10,364

In 2020, the employment trend recorded an overall increase of 90 units, the increases in the period net of the normal turnover refer, as regards the staff of the Parent Company ATM S.p.A. (+ 64 units), to the operating sectors: among these, bus, tram and trolleybus drivers, station agents, security personnel, other support staff for operational management, while as regards the Danish subsidiary Metro Service A/S (+ 31 units), the increase refers to the staff employed to start the business of the M4 line of the Copenhagen Metro, as from March 28, 2020.

It should be noted that the change in the number of personnel departures concerns voluntary resignations and therefore no objective redundancies have been made during the period considered in accordance with the provisions of Law Degree No. 137/2020, cd. “Ristori Decree” and its subsequent amendments.

36. Other operating costs and charges

	2020	2019
Municipal taxes	5,700	5,776
LPT claims management	2,465	2,116
Prior year charges	549	92
Taxes and duties	650	633
Other operating charges	1,116	1,438
Losses on receivables	-	744
Reversal of doubtful debts provision	(549)	(1,508)
Accrual/(release) provisions for risks and charges	1,965	23
Total	11,896	9,314

The “*Other operating costs and charges*” show an increase of Euro 2,582 compared to the previous year, mainly due to the provision made for Euro 2,003 thousand in relation to the ongoing dispute with Caronte, of which extensive information has been disclosed in the Management Report in the section on the “*Main disputes in progress*” and the higher period charges related to the management of damages from LPT for Euro 349.

The most important cost items include:

- “*Municipal taxes*” which refer mainly to the charge for Tarsu for Euro 3,847 thousand and IMU for Euro 1,832 thousand;
- “*LPT claims management*” relating to Euro 2,576 thousand to the charge borne for the settlement of damages related to the movement of vehicles and Euro 121 thousand for automotive practices, as well as for Euro 2,207 thousand to provisions, for Euro 2,420 thousand for uses and Euro 19 thousand for the releases of the specific provision included in the “*Provisions for risks and charges*” (Note 26);
- “*Other operating charges*” relate mainly to membership of associations, expenses for the endorsement of notarial documents, representation expenses, and expenses of various kinds. It should be noted that, in view of the sale of metropolitan trains written down in the previous year as they are no longer used in the public transport, a capital loss of Euro 14,375 thousand was recognized, entirely offset by the use of the provision for the depreciation of fixed assets as shown in Note 9 – “*Property, plant, and equipment*”;
- “*Accrual/(release) for doubtful debt provisions*” refers to the release of provisions for bad debts for Euro 902 thousand and to provisions for Euro 353 thousand made to cover the risks on the credits recorded in the financial statements, of which Euro 146 thousand for “*Receivables from third-parties*” and Euro 207 thousand for “*Different receivables*”. Please refer to Note 19 - *Trade receivables* and Note 20 - “*Other receivables and current assets*” of these explanatory notes for the comments on the constituent elements, respectively;
- “*Accrual/(release) provisions for risks and charges*” which refer to provisions made to adjust the “*Provisions for risks and charges*” (Note 26) following the review of the estimates and against the events of the period and considering new and more complete information than those available at the time when the original estimates were made.

37. Amortisation, depreciation and impairments

	2020	2019
Depreciation - property, plant and equipment	124,667	118,319
<i>Plants and machinery</i>	111,711	104,812
<i>Buildings</i>	6,742	6,673
<i>Industrial and commercial equipment</i>	3,458	3,734
<i>Other assets</i>	2,756	3,100
Plant capital grants	(36,735)	(36,637)
Amortisation - intangible assets	1,339	1,361
<i>Software licenses</i>	1,339	1,361
Amortisation of the right of use for leased assets	2,151	1,646
<i>Equipment</i>	73	73
<i>Buildings</i>	389	473
<i>Vehicles</i>	1,332	821
<i>IT equipment</i>	94	35
<i>Others</i>	263	244
Write-down of fixed assets	17,129	22,615
Total	108,551	107,304

“Amortisation, depreciation and impairments” for a total of Euro 108,551 thousand are charged to the year, adjusted for the portion pertaining to the year for Euro 36,735 thousand relating to the contributions received in respect of the investments made. The write-downs recorded in the period under review, for Euro 17,129 thousand, refer to the residual value of 6 trains of the metro line M2 and 3 trains of the metro line M3 which, in view of their technological obsolescence, are no longer used in the transport service. Please refer to the Management Report for a description of the non-recurring components that affect this item.

38. Financial income and expenses

	2020	2019
Financial income	8,081	12,689
<i>Interest income</i>	2,337	2,649
<i>Gains on securities</i>	2,669	4,746
<i>Income from fair value adjustment</i>	2,578	3,314
<i>Others</i>	497	1,980
Financial expenses	(6,515)	(8,988)
<i>Interest on employee defined benefits</i>	(444)	(1,429)
<i>Interest expense on loans and bond issues</i>	(4,349)	(4,470)
<i>Other interest expenses</i>	(241)	(86)
<i>Losses on securities</i>	(424)	(1,183)
<i>Fair value adjustments</i>	(510)	(1,326)
<i>Impairment of financial assets</i>	206	(36)
<i>Others</i>	(654)	(380)
<i>Interest expense IFRS 16</i>	(99)	(78)
Total	1,566	3,701

The interest income item consists of:

	2020	2019
Interest on deposits and current accounts	-	24
Interest income on securities	1,177	1,376
Interest on loans to associates	808	959
Interest income from parent's subsidiaries	352	290
Total	2,337	2,649

“*Interest income on securities*” of Euro 1,177 thousand (Euro 1,376 thousand at December 31, 2019) refers to interest on government securities and bond loans.

“*Interest on loans to associates*” of Euro 808 thousand (Euro 959 thousand at December 31, 2019) refers to interest accrued on loans granted to Metro 5 S.p.A.

“*Interest income from parent's subsidiaries*” of Euro 352 thousand (Euro 290 thousand at December 31, 2019) refers to interest accrued on loans granted to SPV Linea M4 S.p.A.

“*Gains on securities*” amounting to Euro 2,669 thousand (Euro 4,746 thousand at December 31, 2019) refer to gains realized with reference to securities trading.

“*Income from fair value adjustment*” refer to Euro 558 thousand to the fair value measurement of financial receivables from the subsidiary of the parent company SPV Linea 4 S.p.A. and for the construction cooperatives SED-ATM and SCCATI and for Euro 2,020 thousand for the income from the fair value measurement of the designated financial instruments FVTPL. It is noted that overall the net income statement effect from the designated FVTPL securities was positive and amounted to Euro 2,068 thousand (positive in 2019 and equal to Euro 1,988 thousand).

The item "Other" refers mainly to the restoration, within the limits of the original purchase cost, of the value of the investment held in Movibus S.r.l to the representative value of the share of equity attributable to ATM S.p.A. for Euro 360 thousand (in the 2019 financial statements, the restoration of the value of the investment held in the associated company Movibus S.r.l. was equal to Euro 1,632 thousand), for Euro 97 thousand to miscellaneous income and for Euro 40 thousand at amortized cost of the designated securities HTC&S.

"Financial expenses" refer mainly to "Interest on employee defined benefits" of Euro 444 thousand, "Interest expense on loans and bond issues" recognized under payables equal to Euro 4,349 thousand and "Losses on securities" equal to Euro 424 thousand.

"Fair value adjustments" refer to the fair value measurement of financial receivables from the associated company Metro 5 S.p.A. for Euro 50 thousand and to the fair value measurement charges of the designated financial instruments FVTPL for Euro 460 thousand.

"Interest expense IFRS 16" resulting from the application of IFRS 16 Leases amounted to Euro 99 thousand.

39. Net result of companies valued under the equity method

The economic effect of the valuation of the investment in Metro 5 S.p.A. with the equity method was positive and amounted to Euro 2,684 thousand. The economic impact of the valuation of the investment in SPV Linea M4 S.p.A. with the equity method was negative and amounted to Euro 138 thousand (Note 12).

40. Income taxes

	2020	2019
Current income taxes	3,561	2,330
IRES	137	634
IRAP	12	170
Income tax Metro Service A/S	3,531	2,033
Income (charges) from tax consolidation	(119)	(507)
Prior year taxes	(156)	(41)
IRES	(144)	(39)
IRAP	(12)	(2)
Deferred tax charge	17,826	(162)
Total	21,231	2,127

The Group has adhered to the National Tax Consolidation; it follows that the Group's taxable income is determined as the algebraic sum of the results of the individual member companies, deducted from the reported tax losses, within the limit of 80%.

"Income from tax consolidation" refer to the transfer to the parent company of the IRES of the individual companies that adhered to the tax consolidation, within the limit of 80%.

"Deferred tax charge" mainly refers to the release of deferred tax credits registered against previous losses and taxed risk provisions. The prepaid taxes and deferred taxes reversed to the income statement respectively amounted to Euro 18,789 thousand and Euro 963 thousand as detailed in Note 14 and Note

27. Deferred taxes reversed into the income statement refer mainly to the non-recurring effect of Euro 13,610 thousand on the issue of deferred taxes on tax losses accrued in previous years in respect of the years 2021 and 2022 and for Euro 6,273 thousand in respect of the issue deferred taxes on risk provisions whose recoverability was not considered probable in the next financial year. The effects of the COVID-19 pandemic significantly affected the aspects of short-term scenarios (12 – 24 months) such that taxable profits are not expected to absorb such tax losses within a reasonable time horizon and therefore the estimate of the deferred tax recorded on the financial statements has been updated.

The following table shows the reconciliation between the theoretical tax and the effective tax.

THEORETICAL TAX CHARGE	ATM GROUP		
	IRES	IRAP	FOREIGN TAX
VALUE OF PRODUCTION		841,382	116,565
COST OF PRODUCTION		(898,674)	(106,646)
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION		(57,292)	9,919
PERSONNEL EXPENSES (NOT DEDUCTIBLE FOR IRAP PURPOSES)		492,639	-
PRE-TAX PROFIT/ LOSS	(52,760)		9,498
THEORETICAL TAX RATE	24.00%	4.20%	22.00%
THEORETICAL TAX BASE	(52,760)	435,347	9,498
THEORETICAL TAX CHARGE	(12,662)	18,285	2,090
NON-DEDUCTIBLE COSTS – EXEMPT REVENUES	IRES	IRAP	FOREIGN TAX
CO-ORDINATED AND ONGOING / OCCASIONAL COLLABORATIONS	-	23	-
NON- DEDUCTIBLE TAXES	704	1,832	-
PHONES	121	121	-
OTHER NON-DEDUCTIBLE COSTS			
- <i>personnel</i>	17,694	-	-
- <i>amortisation/depreciation</i>	2,584	7,988	-
- <i>provisions non required by Tuir/L.446/97</i>	10,832	10,973	-
- <i>other non-deductible costs</i>	8,096	8,310	-
EXEMPT REVENUES			
- <i>release/utilisation non-deductible provisions</i>	(4,227)	(5,090)	-
- <i>personnel</i>	(16,737)	-	-
- <i>other exempt income</i>	(15,961)	(4,485)	-
TOTAL INCREASES (+)	3,106	19,672	-
DEDUCTED COSTS – IRAP DIFFERENT ASSESSABLE BASE	IRES	IRAP	FOREIGN TAX
IFRS	(3,808)		
INAIL		6,993	-
COSTS FOR DISABLED PERSONNEL		7,229	-
CIRCULAR TAX AUTHORITY NO. 22/E OF 09/06/2015 AND VARIOUS		467,823	-
TAX WEDGE (CUNEO FISCALE)		978	-
ADDITIONAL DEDUCTION / EMPLOYMENT INCREASE		16	-
SUPER DEPRECIATION	218		
DEDUCTION OF PAYMENT FOR SUPPLEMENTARY PENSION SCHEMES	572		
ECONOMIC GROWTH HELP (ACE)	178		
PREVIOUS YEARS' COSTS ADMITTED AS A DEDUCTION	5		
TAX FUND ROUNDING	(59)	-	-
TOTAL DECREASES (-)	(2,894)	483,039	-
EFFECTIVE TAX CHARGE	IRES	IRAP	FOREIGN TAX
ASSESSABLE EFFECTIVE TAX CHARGE/INCOME	(37,240)	305	0
EFFECTIVE TAX CHARGE	137	12	3,531
EFFECTIVE FISCAL INCOME	(119)	0	0
EFFECTIVE TAX CHARGE RATE	(0.26%)	0.00%	37.18%

41. Remuneration of directors and Audit Committee Board

According to the law, the remuneration of the directors and the statutory auditors is reported, it should be noted that the amount is exposed gross of any contribution charges and ancillary charges.

	2020	2019
Directors fees	197	205
Audit Committee fees	238	241
Total	435	446

42. Statutory Auditor fees

The fees paid by the companies of the ATM Group to the auditing firm Deloitte & Touche S.p.A. and to the Danish auditing firm Deloitte Statsautoriseret Revisionspartnerselskab for the financial year 2020 amounted to a total of Euro 507 thousand for the activities related to the statutory audit, of which Euro 215 thousand related to the fees for the audit of the financial statements of Metro Service A/S, and Euro 35 thousand for verification services aimed at issuing other certificates. Deloitte & Touche S.p.A. and the companies belonging to its network have not provided services other than auditing or certifications.

Type of services	Subject that provided the service	Recipient/ Receiver	Fees
Audit			507
<i>Statutory audit of the financial statements and the consolidated financial statements, periodic checks on the regular bookkeeping of the accounts</i>	<i>Auditor of the Parent Company</i>	<i>Parent company</i>	145
<i>Limited audit of the consolidated half-year report, prepared on a voluntary basis, of ATM Group companies from 06.30.2018 to 06.30.2025</i>	<i>Auditor of the Parent Company</i>	<i>Parent company</i>	37
<i>Integration of fees to the audit procedures due to Covid-19 on the separate and consolidated financial statements at 12.31.2019</i>	<i>Auditor of the Parent Company</i>	<i>Parent company</i>	28
<i>Integration of fees to the audit procedures related to the impairment test in respect of the semi-annual consolidated financial statements at 06.30.2020</i>	<i>Auditor of the Parent Company</i>	<i>Parent company</i>	22
<i>Statutory audit of the financial statements, periodic checks on the regular bookkeeping of accounts</i>	<i>Auditor of the Parent Company</i>	<i>Subsidiaries</i>	60
<i>Statutory audit of the financial statements</i>	<i>Network of the Parent Company's auditor</i>	<i>Subsidiary Metro Service A/S</i>	215
Certification services			35
<i>Annual and semi-annual certification of Covenants to the European Investment Bank</i>	<i>Auditor of the Parent Company</i>	<i>Parent company</i>	13
<i>Signing of the certificates/certifications required by the laws and regulations currently in force. Contributions to medical charges 2019</i>	<i>Auditor of the Parent Company</i>	<i>Parent company and Subsidiaries</i>	9
<i>Signing of the certificates/certifications required by the laws and regulations currently in force. Compensation of tax credits and debts.</i>	<i>Auditor of the Parent Company</i>	<i>Parent company and Subsidiaries</i>	8
<i>Signing of the certificates/certifications required by the laws and regulations currently in force. Shift 2 Rail project</i>	<i>Auditor of the Parent Company</i>	<i>Parent company</i>	5
Total			542

43. Intercompany transactions and transactions with related parties

ATM S.p.A., as the Parent Company, carries out operations with the subsidiaries that essentially concern the provision of services and the provision and use of financial resources. The relationships are strictly of a commercial and financial nature, so they do not include atypical and/ or unusual transactions and are regulated by contracts at conditions in line with those of the market.

ATM S.p.A. adheres to the tax consolidation together with the following subsidiaries: ATM Servizi Diversificati S.r.l., GeSAM S.r.l., International Metro Service S.r.l., NET S.r.l., Rail Diagnostics S.p.A.

The contract provides, in the case of transfer of positive taxable income, that the consolidated company is debtor to the consolidating company of an amount equal to the results of the application of the IRES tax rate to the transferred taxable amount. On the other hand, in the event of a negative taxable transfer, the consolidating company will be recognized as a debtor to the consolidated company for an amount equal to the results of the IRES rate appliance to the transferred tax loss.

ATM S.p.A. also opted to apply the application of the Group VAT system with the following subsidiaries: ATM Servizi Diversificati S.r.l., GeSAM S.r.l., NET S.r.l., Rail Diagnostics S.p.A.

This agreement provides for the transfer of the monthly VAT balance to the Parent Company, which is therefore the only company debtor to the Tax Authority.

RECEIVABLES	Trade *	Financial	Contributions	12.31.2020
- Parent				
Municipality of Milan	121,882		33	121,915
- Associates				
Consorzio SBE	7			7
Co.mo. Fun&Bus S.c.a r.l.	350			350
Metro 5 S.p.A.	2,339	12,603		14,942
Movibus S.r.l.	26			26
- Other companies				
Fondazione Teatro alla Scala	16			16
Scuole Civiche Milano	2			2
Metropolitana Milanese S.p.A.	174			174
SEA S.p.A.	3			3
SPV Linea M4 S.p.A.	24	8,809		8,833
Milano Ristorazione S.p.A.	3			3
Agenzia TPL del Bacino città Metropolitana	25			25
- Other transactions with Related Parties				
Coop S.E.D. ATM/S.C.C.A.T.I.		1,085		1,085
Total	124,851	22,497	33	147,381

* Trade receivables from associates are expressed net of the specific bad debt provision.

PAYABLES	Trade	Financial	12.31.2020
- Parent			
Municipality of Milan	23,207		23,207
- Associates			
Co.mo. Fun&Bus S.c.a r.l.	18	103	121
Consorzio SBE	81		77
Metro 5 S.p.A.	1	401	402
Movibus S.r.l.	3,336		3,336
- Other companies			
Metropolitana Milanese S.p.A.	1,398	44	1,442
SPV Linea M4 S.p.A.	7		7
Total	28,048	548	28,592

INCOME STATEMENT TRANSACTIONS	Core Business Revenue	Other Revenue	Other Income	Financial Income
- Parent				
Municipality of Milan	663,742	23,053	1,072	-
- Other companies				
Metropolitana Milanese S.p.A.	31	86	-	-
SPV Linea M4 S.p.A.	-	-	43	352
- Associates				
CO.MO. Fun&Bus S.C.a R.L.	557	11	-	-
Metro 5 S.p.A.	23,669	795	77	808
SP M4 S.C.P.A in liquidation	-	-	3	-
Movibus S.r.l.	-	55	223	-
Consorzio SBE	-	-	7	-
Total	687,999	24,000	1,425	1,160

INCOME STATEMENT TRANSACTIONS	Service costs	Operating lease costs	Employee benefits costs	Other operating costs and charges
- Parent				
Municipality of Milan		(106)		
- Other companies				
Metropolitana Milanese S.p.A.	(1,778)	(11)		3
Fondazione Piccolo Teatro di Milano - Teatro d'Europa			(31)	
SPV Linea M4 S.p.A.	(13)			
- Associates				
CO.MO. Fun&Bus S.C.a R.L.		(210)		
Metro 5 S.p.A.		(148)		
Movibus S.r.l.	(268)			(7)
Consorzio SBE				(81)
Total	(2,059)	(475)	(31)	(85)

44. Commitments, guarantees and potential liabilities not recognized in the Financial Statements

The item, which at December 31, 2020 has a balance of Euro 5,288,280 thousand, is composed as follows:

	12.31.2020	12.31.2019
Assets in use	4,984,453	4,973,234
Guarantees of which:	313,390	362,473
- Guarantees in favour of third parties	26,406	58,344
- Guarantees given to third parties	267,618	265,665
- Guarantees to investees	19,366	38,464
Total	5,297,843	5,335,707

The item includes guarantees, commitments and third-party assets held by the Group and Group assets held by third parties.

The guarantees are recognized for a value equal to that of the guarantee given or, if not determined, to the best estimate of the risk taken in consideration of the existing situation. Commitments are recognized for a value equal to the nominal value while any non-quantifiable commitments are commented on the Explanatory Note. Third-party assets held by the Group are recognized at nominal value, current market value or value derived from existing documentation depending on the type of assets.

The adequacy of the amounts recognized for commitments and guarantees in the Explanatory Note is revalued at the end of each year.

The amount of Euro 4,984,453 thousand for “Assets in use” mainly refers to:

- Euro 4,826,804 thousand to the value of the assets in use by the Municipality of Milan for the operation of the LPT service;
- Euro 154,765 thousand for the value of the on-street parking areas and parking areas in use under service contracts;
- Euro 2,673 thousand for the materials owned by Metro 5 S.p.A. received for the maintenance activities under warranty.

The “Guarantees in favour of third parties”, equal to Euro 26,406 thousand, refer to guarantees issued in favour of third parties.

The “Guarantees given to third parties” of Euro 267,618 thousand refer to guarantees or securities issued by third parties in favour of the Group.

The “*Guarantees to associates and subsidiaries of the parent companies*” amounting to Euro 19,366 thousand refer to:

- For a total of Euro 12,096 thousand for the pledge registered on 106,600 shares of Metro 5 S.p.A. and the pledge registered on 13,720 shares of SPV Linea M4 S.p.A. in favor of a pool of financial banks in the context of the related projects for the construction and management of the new M5 And M4 lines;
- Euro 5,473 thousand for co-obligations and guarantees for the subsidiary Metro 5 S.p.A. and SPV Linea M4 S.p.A.;
- Euro 1,797 thousand for commitments to SPV Linea M4 S.p.A.

The value of contractual commitments for investment supply contracts is Euro 181,603 thousand.

45. Information on public disbursements - article 1, paragraphs from 125 to 129 of law n. 124/2017

The amounts of contributions collected in the 2020 financial year by nature and entity are displayed below:

- CCNL contributions, paid by the Region of Lombardy through the LPT Agency for Euro 50,880 thousand, of which Euro 13,225 thousand for the financial year 2019 and Euro 37,655 thousand for the financial year 2020, gross of 4% withholding tax;
- Euro 3,126 thousand for the implementation of interventions to ensure safety in the metro, paid by the State;
- Contributions for the purchase of buses, paid by the Lombardy Region for Euro 8,535 thousand;
- Contribution for the bike sharing system, paid by the Municipality of Milan for Euro 440 thousand;
- Contributions “Ristori Decree”, Law Degree 34/2020 art. 200, paid by the State through the LPT Agency, gross of the withholding tax 4%, for Euro 1,208 thousand;
- Non-repayable contributions paid by the State pursuant to Law Degree no. 34 of 2020 art. 25 (non-repayable contribution proportionate to the loss of turnover suffered in April) for Euro 11 thousand;
- Non-repayable contributions paid by the State pursuant to Law Degree no. 137 of 2020 art. 1 for Euro 11 thousand (non-repayable grant to VAT operators in the economic sectors covered by the new restrictive measures);
- Tax recievable for the purchase DPI Covid-19 for Euro 12 thousand registered pursuant to art. 125 Law Degree 34/2020, subsequently redetermined by the Act of Revenue Agency of 12/16/2020 according to the Law Degree 104/2020 converted into Law n. 126/2020, compensated in tax payments for the year;
- Non-repayable contributions paid by the State pursuant to Law Degree no. 104 of 2020 art. 59 (non-repayable grant for economic and commercial activities in historical centers) for Euro 3 thousand.

FINANCIAL POSITION OF ATM S.P.A.

	Notes	12.31.2020	12.31.2019
Assets			
Property, plant, and equipment	7	1,281,151,746	1,258,154,245
Intangible assets	8	2,365,880	2,281,602
Right of use for leased assets	9	5,765,644	6,501,972
Investments	10	32,622,687	31,949,393
Non-current financial assets	11	24,426,326	24,911,555
<i>Of which: Related Parties</i>	40	22,495,701	24,268,995
Deferred Tax Assets	12	52,986,313	70,621,406
Other receivables and non-current assets	13	-	7,251,054
Non-current assets		1,399,318,596	1,401,671,227
Inventories	14	84,377,683	84,171,513
Current financial assets	15	221,218,802	247,989,974
<i>Of which: Related Parties</i>		984,359	3,067,179
Tax receivables	16	17,813,115	16,935,745
Trade receivables	17	151,003,723	165,322,075
<i>Of which: Related Parties</i>	40	129,809,729	136,937,208
Other receivables and current assets	18	52,649,709	57,641,813
Cash and cash equivalents	19	112,845,502	169,715,005
Current assets		639,908,534	741,776,125
Discontinued Operations	20	-	-
Total assets		2,039,227,130	2,143,447,352

FINANCIAL POSITION OF ATM S.P.A.

	Notes	12.31.2020	12.31.2019
Equity			
Share capital		700,000,000	700,000,000
Legal reserve		140,000,000	140,000,000
Other reserves		279,497,066	288,687,647
Retained earnings		53,868,390	52,907,983
(Loss)/profit for the year		(70,359,522)	960,407
Total Equity	21	1,103,005,934	1,182,556,037
Liabilities			
Non-current financial liabilities	22	276,205,131	294,761,252
Employee benefits	23	121,605,385	121,436,919
Provision for risks and charges	24	65,694,835	64,190,455
Deferred tax liabilities	25	46,311,156	47,310,480
Non-current liabilities		509,816,507	527,699,106
Current financial liabilities	22	65,777,249	28,604,082
<i>Of which: Related Parties</i>	40	9,424,899	7,903,714
Current income tax liabilities	26	-	126,800
Trade payables	27	242,025,297	283,349,899
<i>Of which: Related Parties</i>	40	32,833,824	68,215,438
Other payables and current liabilities	28	118,602,143	121,111,428
Current liabilities		426,404,689	433,192,209
Discontinued operations	20		
Total liabilities		936,221,196	960,891,315
Total equity and liabilities		2,039,227,130	2,143,447,352

INCOME STATEMENT OF ATM S.P.A.

	Notes	2020	of which related parties	2019	of which related parties
Revenue and other operating income					
Core Business Revenue	29	713,377,316	693,331,327	735,265,305	696,370,162
Other revenue	29	45,207,603	24,565.316	60.651.483	24.934.391
Other income	29	64.106.593	1.685.619	72.487.120	5.482.004
Total revenues and other operating income		822,691,512	719,582,262	868,403,908	726,786,557
Costs and other operating charges					
Purchases of goods and changes in inventory	30	(64,706,211)		(63,958,258)	
Service costs	31	(219,653,268)	(8,926,427)	(213,340,558)	(9,814,949)
Operating leasing costs	32	(1,802,380)	(594,535)	(3,421,309)	(1,856,147)
Personnel expenses	33	(477,287,154)	(30,500)	(480,465,568)	(1,750)
Other costs and operating charges	34	(11,303,940)	(86,642)	(8,534,856)	(272,623)
Total costs and operating charges		(774,752,953)	(9,638,104)	(769,720,549)	(11,945,469)
Ebitda		47,938,559		98,683,359	
Ammortisation, depreciation and write-downs					
Depreciation - Property, plant and machinery	35	(105,123,846)		(102,966,282)	
Plant capital grants		35,599,995		35,581,284	
Amortization - Intangible assets		(920,684)		(998,275)	
Depreciation of right of use for leased assets		(2,026,003)		(1,542,536)	
Write down of fixed assets		(17,129,248)		(21,393,263)	
Ebit		(57,185,287)		(4,282,923)	
Financial Income		12,124,029	5,284,935	13,663,419	2,577,266
Financial Expenses		(6,081,130)	(135)	(8,685,953)	
Financial income and expenses	36	6,042,899	5,284,800	4,977,466	2,577,266
Pre-tax result		(51,142,388)		694,543	
Income taxes	37	(19,217,134)		265,864	
Net (Loss)/profit of the year		(70,359,522)		960,407	

STATEMENT OF COMPREHENSIVE INCOME OF ATM S.P.A.

	Note	2020	of which related parties	2019	of which related parties
(Loss)/profit for the year		(70,359,522)		960,407	
Consolidated other comprehensive income statement items					
Items which may not be reclassified subsequently in the P&L account					
Revaluations of net liabilities for defined benefits	21	(10,947,913)		(2,426,133)	
Income taxes on items which may not be reclassified subsequently in the P&L account	21	2,627,499		582,272	
Total items which may not be reclassified subsequently in the P&L account		(8,320,414)		(1,843,861)	
Items which may be reclassified subsequently in the P&L account					
Financial Assets Held to Collect and Sale	21	(645,850)		4,191,359	
Income taxes on items which may be reclassified subsequently in the P&L account	21	(88,171)		(852,675)	
Total items which may be reclassified subsequently in the P&L account		(734,021)		3,338,684	
Total consolidated other comprehensive income statement items		(9,054,435)		1,494,823	
Total comprehensive profit (loss)		(79,413,957)		2,455,230	

STATEMENT OF CHANGES IN EQUITY OF ATM S.P.A.

Equity	12.31.2018	Allocation of Profit	Other changes	Other Comprehensive Income Items	Net Profit	12.31.2019
Share capital	700,000,000					700,000,000
Legal reserve	140,000,000					140,000,000
Other reserves	287,054,949		137,875	1,494,823		288,687,647
<i>Conferment reserve</i>	19,689,557					19,689,557
<i>Extraordinary reserve</i>	5,763,772					5,763,772
<i>Rounding reserve</i>	(2)		1			(1)
<i>FTA reserve</i>	155,710,246					155,710,246
<i>Actuarial Losses reserve</i>	(2,887,262)			(1,843,861)		(4,731,123)
<i>Property, Fair value revaluation reserve</i>	110,598,645					110,598,645
<i>Held to Collect and Sell reserve</i>	(2,088,894)			3,338,684		1,249,790
<i>OCI reserve</i>	268,887		137,874			406,761
Retained earnings (loss)	50,568,663	2,339,320				52,907,983
Net Profit of the year	2,339,320	(2,339,320)			960,407	960,407
Total Equity	1,179,962,932	-	137,875	1,494,823	960,407	1,182,556,037

Equity	31.12.2019	Allocation of Profit	Other changes	Other Comprehensive Income Items	Net Loss	12.31.2020
Share capital	700,000,000					700,000,000
Legal reserve	140,000,000					140,000,000
Other reserves	288,687,647		(136,146)	(9,054,435)	-	279,497,066
<i>Conferment reserve</i>	19,689,557					19,689,557
<i>Extraordinary reserve</i>	5,763,772					5,763,772
<i>Rounding reserve</i>	(1)		1			-
<i>FTA reserve</i>	155,710,246					155,710,246
<i>Actuarial Losses reserve</i>	(4,731,123)			(8,320,414)		(13,051,537)
<i>Property, Fair value revaluation reserve</i>	110,598,645					110,598,645
<i>Held to Collect and Sell reserve</i>	1,249,790			(734,021)		515,769
<i>OCI reserve</i>	406,761		(136,147)			270,614
Retained earnings (loss)	52,907,983	960,407				53,868,390
Net Profit / (loss) of the year	960,407	(960,407)			(70,359,522)	(70,359,522)
Total Equity	1,182,556,037	-	(136,146)	(9,054,435)	(70,359,522)	1,103,005,934

CASH FLOW STATEMENT OF ATM S.P.A.

	2020		2019
A Cash flows from operating activities			
Net Profit/(loss) of the period		(70,359,522)	960,407
Income taxes	19,217,134		(265,864)
Interest income/expense net of impairment of financial activities and dividends and interest expense as per IFRS 16	(1,758,914)		(4,070,654)
Dividends	(4,080,000)		(1,020,000)
(Gains)/losses on sale of assets	(87,697)		(34,390)
1. Profit/(loss) of the year before taxes, interest, dividends and gains/(losses) from disposals		(57,068,999)	(4,430,501)
<i>Non-cash adjustments not impacting working capital</i>			
Changes in provisions for risk and charges	4,319,766		(9,094,457)
Changes in employee benefits	(1)		2,211,408
Changes in the provision for impairment on cash and cash equivalents	(63,941)		(99,315)
Amortisation	87,994,598		81,573,019
Adjustments to fixed assets value	17,129,248		21,393,263
Impairment on financial assets	(203,985)		36,884
Other changes	(136,146)		(3,218,061)
<i>Total non-cash adjustments</i>		<i>109,039,539</i>	<i>92,802,741</i>
2. Cash flow before working capital changes		51,970,540	88,372,240
<i>Change in net working capital:</i>		<i>(45,469,381)</i>	<i>28,054,011</i>
Inventories	(206,170)		(3,915,581)
trade receivables	11,763,228		(4,173,789)
intercompany trade receivables	2,084,581		12,271,127
other receivables	(1,062,745)		9,268,227
other receivables intercompany	470,533		(130,277)
accrued income and prepaid expenses	334,463		(375,223)
trade payables	(61,777,193)		35,342,764
Short-term payables for IFRS 16 leasing	(203,553)		(327,696)
intercompany trade payables	1,635,883		2,094,352
other payables	2,041,293		(9,278,760)
other payables intercompany	190,358		(535,213)
accrued expenses and deferred income	(740,069)		(185,920)
Payables due to shareholders for dividends	-		(12,000,000)
<i>Changes in assets not included in the net working capital</i>			
3. Cash flow after net working capital changes		6,501,159	116,426,251
<i>Other adjustments</i>		<i>(12,380,746)</i>	<i>(15,934,323)</i>
interest collected/(paid)	(2,342,829)		668,915
Interest collected/(paid) on leased assets as per IFRS 16 (paid income taxes)	(94,578)		(76,304)
dividends collected	4,080,000		1,020,000
(utilisation of provision for risk and charges)	(2,815,386)		(8,024,389)
(utilisation of provision for employee benefits)	(11,207,953)		(9,522,545)
Cash flow of income management (A)		(5,879,587)	100,491,928

CASH FLOW STATEMENT OF ATM S.P.A.

	2020	2019
B Cash flows from investment/divestment		
<i>Property, plant & equipment</i>		
(Investments)	(135,609,820)	(147,715,553)
Sales price of disposals	590,605	4,179,282
<i>Intangible assets</i>		
(Investments)	(1,004,962)	(678,216)
Sales price of disposals	-	(27,320)
Increase/(decrease) in trade payables for fixed assets	18,933,160	(27,171,526)
<i>Financial fixed assets</i>		
(Investments)	(4,063,459)	(1,627,609)
Sales price of disposals	5,543,604	114,001
<i>Current financial assets</i>		
(Investments)	(116,693,050)	(94,610,897)
Sales price of disposals	144,474,221	108,862,952
Changes in plant capital grants	10,927,017	13,928,642
Cash flow of investment/divestment activity (B)	(76,902,684)	(144,746,244)
C Cash flows from financing activities		
<i>Third party funds</i>		
Increase(decrease) short-term loans to banks	35,000,000	
New loans		
Repayment of loans	(10,781,559)	(10,642,128)
Reimbursement of share capital loans on IFRS 16 leased assets	(1,658,599)	(1,032,869)
Increase(decrease) of Cash Pooling	3,604,005	(117,085)
<i>Own funds</i>		
Paid Dividends (and advances in dividends)	-	-
Cash flows from financing activities (C)	26,163,847	(11,792,082)
Exchange rate effect	(315,020)	20,907
Increase/(decrease) in cash and cash equivalents and current securities	(56,933,444)	(56,025,491)
Cash and cash equivalents at the beginning of the year *	169,861,711	225,887,202
Cash and cash equivalents at year end*	112,928,267	169,861,711

(*) Gross of the provision for liquidity write-downs

1. General information

ATM S.p.A. (hereinafter also the “Company” or “ATM”) is a company established and domiciled in Milan and organized according to the legal order of the Italian Republic. The Company has its registered office in Milan – Foro Buonaparte, 61. The Company manages the public transport service for urban and long-distance areas of Milan and Monza, the management of car parks, on-street parking and towing, Area B and C, as well as the integrated maintenance of vehicles and infrastructures.

The publication of this Financial Statements was authorized by the Directors on April 21, 2021 and will be submitted to the Shareholders’ Meeting for approval and subsequent filing, within the terms required by law. The Shareholders’ Meeting has the power to make changes to these Financial Statements.

Deloitte & Touche S.p.A. is responsible for the statutory audit of the accounts.

In the preparation of this Financial Statements, the same accounting principles were applied as those adopted in the preparation of the Financial statements for the year ended December 31, 2019 were applied, supplemented by the provisions described in the paragraph “Accounting principles, International Financial Reporting Standards and IFRIC amendments and interpretations approved by the European Union, applied by the Company since January 1, 2020”.

2. Basis of Presentation of the Financial Statements

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

It should also be noted that these financial statements were prepared based on the best knowledge on the IAS-IFRS Standards and taking into account best practice; any further orientations and interpretative updates will be reflected in subsequent years, in accordance with the provisions of the accounting standards.

The financial statements have been prepared on a going concern basis, in accordance with paragraphs 24 and 25 of IAS 1, since the Directors have verified that there are no financial, management, operating or other factors that could indicate critical issues regarding the Company’s ability to meet its obligations in the foreseeable future and in particular in the next 12 months, taking into account the high levels of capitalization, cash and cash equivalents and access to the financial market. This assessment also takes into account what is described in the Management Report in the section “Going concern and contractual framework” which illustrates the existence of a time period after the end of the current expiry date for the extension of the Service Contract with the Municipality of Milan (December 31, 2021).

When preparing the 2019 financial statements, the health emergency induced by COVID-19 was considered by the subjects applying international accounting standards as a “*non-adjusting*”

event” in accordance with IAS 10, as an event that occurred after the end of the financial year, of which to give evidence in terms of disclosure, but had not resulted in corrections on the closure of financial statements at 31 December 2019. In line with the guidelines of the Public Statement “*implications of the COVID -19 outbreak on the half early financial reports*” issued by ESMA on May 20, 2020, of the Public statements “*European common enforcement priorities for 2020 annual financial reports*” issued by ESMA on October 28, 2020, Of the Consob attention Recall No. 8/20 of July 16, 2020 and finally of the attention recall Consob n. 1/21 of February 16, 2021 and in application of the provisions of IAS 34 in paragraphs 15 to 15C with reference to *the “significant events”* of the period, in the following paragraphs provide specific considerations on the areas of balance sheet that are potentially impacted by COVID-19.

In particular, specific thematic areas have been identify for the financial statements for the year ended 31 December 2020 with reference to the individual International Financial Reporting Standards, summarized below:

- the application of IAS 1 “Presentation of Financial Statements”, with reference to the criticalities connected with the existence of the "going concern" assumption, the causes of uncertainty in accounting estimates, and the representation of items impacted by COVID-19, of which information is given in the Management Report in the parts relating to “*business continuity and contractual framework*”, “*industrial strategic plan*” and “*foreseeable evolution of management*”;
- “Impairment of Assets” (IAS 36): The COVID-19 pandemic was a significant exogenous event at ATM that required *the impairment test*, as recommended by ESMA and in accordance with the requirements of the International Standard IAS 36. The *impairment test* carried out, as described later in this Illustrative Note, confirmed the keeping of the book values of the assets of the analyzed lines of business (see in this regard the following Note 4 - “*use of estimates*”).
- In the notes n. 29 “*revenues and other operating income*”, no. 31 “*costs for services*” and n. 33 “*Employee benefit costs*” is provided specific information on the costs incurred as a result of the state of emergency related to the COVID-19 pandemic.

A description of the ways in which the Company manages financial risks is illustrated in Note 5 below – “*Financial risk Management*”.

The Financial Statements consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flows Statement and the related Explanatory Note.

In particular, the Statement of Financial Position has been prepared in accordance with the format that shows the breakdown of “current/non-current” assets and liabilities as permitted by IAS 1. An asset/liability is classified as current when it meets one of the following criteria:

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

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

The Income Statement was prepared in accordance with the format used to classify revenues and costs by nature, indicating the interim results relating to EBITDA, EBIT and profit before taxes, in order to provide a better representation of normal operating performance. The form chosen complies with internal reporting and business management methods, is in line with international practice and is therefore considered more representative than the presentation by destination, providing more reliable and more performance indications for the sector. Revenue and cost items also detail the values related to the relationship with related parties. The costs and revenues to related parties are also detailed by counterparty in the table in Note 40.

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

The Statement of changes in equity has been defined in accordance with IAS 1 and outlines the changes to the equity accounts concerning:

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

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

The financial report also includes the Management Report which comprises the financial statements. Moreover, in compliance with the requirements introduced by Law Decree no. 254 of December 30, 2016 implementing Directive 2014/95/EU, and in accordance with *the GRI Sustainability Reporting Standards*—published by *the Global Reporting Initiative (GRI)* the Company has prepared the Consolidated Non-Financial Report to ensure an understanding of the Company's business and performance, its results and impact from the same product, covering the 5 relevant areas: environment, social aspects, personnel management, human rights and the fight against corruption. The Company has therefore benefited from the exemption from the provision of the Non-Financial Declaration for its business in the presence of the publication of the Consolidated Declaration. For further information, please refer to the separate document from this dossier, “Consolidated Declaration of a Non-Financial character 2020” also available on the website www.atm.it.

The Company's functional currency is the euro, which is the basis for the presentation of the Financial Statements, representing the currency of the country in which the Company operates; the Financial Statements and all amounts included in the tables in the Notes to the Financial Statements, unless otherwise indicated, are expressed in units of euro.

The financial statements were prepared applying the historical cost method, taking in consideration where appropriate value adjustments, with the exception of the financial statements accounts which according to IAS-IFRS principles must be recognized at fair value, as indicated in the accounting policies

and without prejudice to the cases in which the IAS-IFRS standards permit a different valuation criteria and this alternative criteria to the cost has been adopted (in this case the valuation of the real estate portfolio at fair value).

No events occurred after the end of the financial year that modify conditions already existing at the financial statement date and require changes in the values of assets and liabilities and in the economic result at the end of the financial year. For subsequent events at the closing date of the financial statements, for which there is no impact on the income statement, balance sheet and financial position, please refer to the specific paragraph in the Management Report.

3. Valuation criteria

Property, plant, and equipment

Property, consisting of land, warehouses and offices (excluding warehouses sold off from the production process and those for which restoration and upgrading are planned) are measured at fair value, which allows the value of the asset to be recalculated periodically so as to align it with its fair value at the date of recalculation, net of accumulated depreciation and any impairment losses.

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

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

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

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

The estimated useful lives are as follows:

	Useful life years
Property, plant, and equipment	
Buildings	50
Plants and machinery	
- Line plant	
- Depot fixed plant	20
- Refueling plant	9
- Line switch plant	10
- Industrial plant	17
- Signalling plant	25
- Operating offices	17
- Substation power	17
- Localisation	17
- Magnetic-electronic ticketing	10
- Line rolling stock	
- Rail rolling stock	30
- Road rolling stock	7 ÷ 13
Industrial and commercial equipment	
- Auxiliary vehicles	5 ÷ 13
- Other equipment	5 ÷ 10
Other assets	5 ÷ 8

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

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

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

In the event of the sale of the property, the possible higher price collected with respect to the value of the property is recognized in the net equity under “other reserves” which also includes the residual share of OCI attributable to the property or land transferred.

Intangible Fixed assets

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

Amortization begins when the asset is available for use, according to the intentions of the management, and is recognized on a straight-line basis in relation to the residual possibility of use and thus over the estimated useful life of the asset

In particular, the cost of software license, including expenses incurred to make the software ready for use, are amortized on a straight-line basis over five years, while software programs maintenance costs are charged to the income statement when incurred.

Intangible fixed assets with a definite useful life are tested for losses in value when there is an indication that the asset may have incurred a loss in value. Reference should be made to the paragraph below “Impairments of assets” for impairment criteria.

Assets held under lease agreements

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

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

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

Investments in subsidiaries, associates and other companies

Investments in subsidiaries, associates and other companies are valued at the purchase cost (including the ancillary costs of direct charges), which may be reduced due to losses of value. Reference to the following paragraph “Impairment of assets” for the criteria to determine any write-downs.

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

Investments in subsidiaries, associates and other companies are tested for impairment annually or more frequently if necessary. If there is evidence that these investments have incurred an impairment loss, the loss is recorded in the Income Statement. Where the share of losses pertaining to the Company in the investment exceeds the book value of the investment and the Company has an obligation to cover such loss, the value of the investment is written down and the share of further losses is recognized as a provision for risks and charges under liabilities in the statement of financial position. If an impairment loss is subsequently reversed, the increase in book value (up to a maximum of purchase cost) is recognized through the income statement.

Impairments of assets

- *Tangible and intangible assets with a definite useful life and investments*

At each reporting date, an assessment is made to establish whether there are indicators that tangible, intangible assets (including rights of use, the impairment of which is linked to the emergence of terms of use on the basis of an onerous contract under IAS 37) and investments may be impaired and whether, with reference to the value of land and buildings, the fair value may be different from the cost restated at fair value at the reference date of the assessment (i.e. including accumulated depreciation recognized between the two fair value measurement dates). For this purpose, both internal and external sources of information are considered. With regard to the former (internal sources), the following are considered: the obsolescence or physical impairment of the asset, any significant changes in the use of the asset and the economic performance of the asset with respect to expectations. With regard to external sources, the following are considered: the trend in the market prices of the assets, any technological, market or regulatory discontinuity, the trend in market interest rates or the cost of capital used to evaluate investments.

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

A loss of value is recognized in the income statement when the book value of the asset, or of the relative cash *generating unit* to which it is allocated, is higher than its recoverable value. Impairment of the *cash generating unit* is recognized as a reduction of the asset, in proportion to its book value and within the limits of the relative recoverable value, including the rights of use. When the reasons for the write-down no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would be recognized if no write-down had taken place and amortization or depreciation had been recognized.

See the following Note 4 “use of estimates” for a more detailed discussion of the impairment test results as at December 31, 2020.

- *Land and buildings valued at cost restated at fair value*

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

Financial assets

Financial assets are classified into the following three categories: (I) financial assets measured at amortized cost; (ii) financial assets measured at *fair value* with recognition of the effects among the

other components of comprehensive income (hereinafter also FVTOCI); (iii) Financial assets measured at *fair value* with recognition of the effects in the income statement (hereinafter also FVTPL).

The initial recognition of financial assets is at *fair value*.

(i) *financial assets measured at amortized cost*

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

(ii) *financial assets measured at fair value with recognition of the effects among the other components of comprehensive income (hereinafter also FVTOCI)*

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

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

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

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

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

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

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

- Stage 1: Includes (i) newly originated or acquired credit exposures, (ii) exposures that have not suffered a significant deterioration in credit risk with respect to the date of initial recognition and (iii) exposures with low credit risk (“low credit risk exemption”).
- Stage 2: Includes credit exposures which, although not impaired, undergone a significant deterioration in credit risk compared to the date of initial recognition.
- Stage 3: Includes impaired credit exposures. For exposures belonging to stage 1 the total value adjustments are equal to the expected loss calculated over a time horizon of up to one year. For exposures belonging to stages 2 or 3 the total value adjustments are equal to the expected loss calculated over a time horizon equal to the entire duration of the relative exposure.

The Company has developed specific models for the calculation of expected loss based on the parameters of probability of insolvency (“PD”), loss considered insolvency (“LGD”) and exposure at the insolvency date (“EAD”) used for regulatory purposes and to which specific corrections are made in order to ensure full consistency with accounting legislation. In this context, (“*forward looking*”) information was also included through the development of specific scenarios.

Inventories

The stock inventories relating to materials to be used for maintenance activities of the rolling stock - are recorded at the lowest between the purchase cost (including ancillary costs) and the net realizable value. The cost is determined according to the weighted average cost method. The net realizable value is represented by the replacement cost.

Obsolete and/or slow-return inventories are written down in relation to its expected future utilization or future realization through the recognition of an obsolescence provision. The devaluation is eliminated in subsequent periods if the reason for the depreciation is lost.

Trade and other receivables

Trade and other receivables are recognized initially at *fair value* and subsequently measured according to the amortized cost method net of doubtful debt provision. When there is an indication of a reduction in value, the asset is reduced to the value of the discounted future cash flows obtainable. Indicators of loss in value is verified by considering, among other, significant contractual non-compliance, significant financial difficulties and the risk of insolvency of the counterparty. Receivables are reported net of doubtful debts. When in subsequent periods the reduction in the value of the asset is confirmed, the doubtful debt provision is utilized; otherwise, where the reasons for the previous write-downs no longer exist, the value of the assets is reversed up to the recoverable amount derived from applying the amortized cost method where no write down had been made.

Cash and cash equivalents

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

Financial liabilities

Loans, trade payables and other financial liabilities are initially entered at *fair value*, net of directly allocated accessory costs, and subsequently recognized at amortized cost, using the effective interest rate criteria. When there is a change in the estimate of expected cash flows, the value of liabilities is recalculated to reflect this change based on the present value of the new expected cash flows and the

actual internal rate initially determined. Loans, trade payables and other financial liabilities are classified as current liabilities, except where the contractual maturity is beyond 12 months compared to the reporting date and when the Group has an unconditional right to defer their payment for 12 months after the reporting date. Loans, trade payables and other financial liabilities are derecognized from the financial statements when they are settled and when the company has transferred all risks and charges related to the instrument.

Employee benefits

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

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

A defined benefit plan is a plan that cannot be classified as a defined contribution plan. In the defined benefit plans, the amount of benefit to be paid to the employee is quantifiable only after the termination of the employment relationship, and is linked to one or more factors such as age, years of service and remuneration. The obligations for defined benefit plans are therefore determined by an independent actuary using the “*projected unit credit method*”. The present value of the defined benefit plan is determined by discounting future cash flows at an interest rate equal to the obligations (high-quality corporate) issued in the currency in which the liability will be settled and taking into account the duration of the relevant pension plan. The profits and losses arising from the actuarial calculation entirely recognized under equity in the year, in the reference period, taking into account the relative deferred tax effect.

In particular, it should be noted that the company operates a defined benefit plan, represented by the Employment Termination Indemnities (“TFR”). “TFR” is obligatory for Italian companies under Art. 2120 of the Civil Code; it is a form of deferred remuneration and is related to the duration of the employment service and to the remuneration received during the period of service provided. From January 1, 2007, Law No 296 of 27 December 2006 (“Financial Law 2007”) and subsequent decrees and regulations introduced significant changes to the TFR framework, including the choice of the employee to allocate maturing benefits to supplementary pension funds or the “Treasury Funds” managed by INPS. Therefore, the obligations with INPS and the complementary pension contributions, in accordance with IAS 19 “Employee benefits” are considered defined contribution plans, while the amounts recognized in the Employee Termination Indemnities at January 1, 2007 are considered defined benefit plans.

Provisions for risks and charges

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

and the specific risk related to the obligation. The increase in the value of the provision from changes in the cost of money in the period is recognized as interest expense.

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

Revenue recognition

Revenues are recognized for the amount equal to *the fair value* of the consideration received or to be received, to the extent that the economic benefits flow to the Company and are determined reliably.

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

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

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

Public Grants

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

- Capital grants

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

- Operating grants

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

Recognition of costs

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

Dividends

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

Financial income

Financial income are recognized by competence and includes interest income on the financial assets invested, gains on the sale of financial assets and foreign currency gains. Interest income is recognized in the income statement at the time of maturity, considering the effective yield.

Financial expenses

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

Income taxes

Current Income taxes are calculated on the basis of assessable income for the period, applying the tax rates in force at the balance sheet date. Deferred taxes are calculated against all differences between the assessable amount of an asset or liability and its book amount.

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

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

The Company applied the National Tax Consolidation of the ATM Group as the consolidating company; this allows the IRES to be determined on the algebraic sum of the taxable amount of the individual participants. The economic relations, responsibilities and reciprocal obligations between the consolidating company (ATM S.p.A.) and the companies of the ATM Group within the National Tax Consolidation are defined in the “Agreement concerning the joint exercise of the option for the national consolidation by the companies belonging to the ATM Group”.

The IRAP is determined exclusively with reference to the Company.

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

Conversion of Accounts in Foreign Currencies

Transactions in currencies other than functional currency are recognized at the exchange rate in place at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the euro are subsequently adjusted to the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in currencies other than the euro are recorded at the historical cost utilizing the exchange rate on the initial recognition of the transaction. Any emerging exchange-rate differences are reflected in the income statement.

Accounting standards, International Financial Reporting Standards and IFRIC amendments and interpretations approved by the European Union, applied by the Company from 1 January 2020.

The following International Financial Reporting Standards Accounting Standards, amendments and interpretations were applied for the first time by the Company from 1 January 2020:

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

On 31 October 2018, the IASB published the document “*Definition of material (Amendments to IAS 1 and IAS 8)*”. The document introduced a change to the definition of “relevant” in IAS 1 *Presentation of Financial statements* and IAS 8 *Accounting Policies, changes in Accounting estimates and errors*. The purpose of this amendment is to make the definition of “relevant” more specific and to introduce the concept of “*obscured information*” alongside the concepts of missing or incorrect information already contained in the two principles being modified. The amendment makes it clear that information is “*obscured*” if it has been described in such a way as to produce for the primary readers of a budget an effect similar to that which would have been produced if such information had been omitted or incorrect.

The adoption of this amendment did not affect the Company's financial statements at December 31, 2020.

References to the conceptual framework in International Financial Reporting Standards

On March 29, 2018, the IASB published an amendment to the “*References to the conceptual framework in International Financial Reporting Standards*”. The amendment is effective for periods beginning on or after January 1, 2020, but early application is allowed.

The conceptual framework defines the fundamental concepts for financial reporting and guides the Council in developing International Financial Reporting Standards. The document helps to ensure that Standards are conceptually consistent and that similar transactions are treated in the same way, in order to provide useful information to investors, lenders, and other creditors.

The conceptual framework supports companies in the development of accounting policies when no International Financial Reporting Standards apply to a particular transaction and, more generally, helps stakeholders understand and interpret the Standards.

The adoption of this amendment did not affect the Company's financial statements at December 31, 2020.

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

On September 26, 2019, the IASB published the amendment called “*Amendments to International Financial Reporting Standards 9, IAS 39 and International Financial Reporting Standards 7: Interest Rate Benchmark reform*”. The same changes IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* as well as IFRS 7 *Financial Instruments: Disclosures*. In particular, the amendment modifies some of the requirements required for the application of hedge accounting by providing for temporary derogations from hedge accounting, in order to mitigate the impact of the uncertainty of the (still ongoing) IBOR reform on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information on their

hedging reports in the financial statement which are directly affected by the uncertainties generated by the reform and to which the derogations apply.

The adoption of this amendment did not affect the Company's financial statements at December 31, 2020.

Definition of a business (Amendments to IFRS 3)

On October 22, 2018, the IASB published the document “*Definition of a Business (Amendments to International Financial Reporting Standards 3)*”. This document provides some clarification on the definition of *business* for the correct application of the International Financial Reporting Standards 3 principle. In particular, the amendment makes it clear that while a business usually produces output, the presence of output is not strictly necessary to identify in the business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of business, an integrated set of activities/processes and assets must include, at a minimum, substantial input and process that together contribute significantly to the ability to create output. To this end, the IASB replaced the term “ability to create output” with “ability to contribute to creating output” to make it clear that a business can exist even without all the inputs and processes needed to create output.

The amendment also introduced a test (“*concentration test*”), which is optional for the entity, to determine whether a set of assets/processes and purchased assets is not a business. If the test is successful, the set of assets/processes and assets purchased does not constitute a business and the standard does not require further verification. If the test fails, the entity will need to perform further analysis of the purchased assets/processes and assets to identify the presence of a business. To this end, the amendment added several illustrative examples to the International Financial Reporting Standards 3 standard in order to make it clear the practical application of the new business definition in specific cases. The changes apply to all *business combinations* and business acquisition after January 1, 2020, but early application is allowed.

The adoption of this amendment did not affect the Company's financial statements at December 31, 2020, since the Company did not set up *business combination operations in the financial year*.

Covid-19 related rent concessions (Amendment to International Financial Reporting Standards 16)

On May 28, 2020, the IASB published an amendment called “Covid-19 related rent concessions (Amendment to International Financial Reporting Standards 16)”, approved by the European Commission on October 12, 2020. The document provides for lessees the right to account for reductions in fees related to Covid-19 without having to assess, through the analysis of contracts, whether the definition of lease modification of IFRS 16 is respected. Therefore, lessees who apply this option will be able to account for the effects of the reductions in rent directly to the income statement on the date of the reduction.

The adoption of this amendment did not affect the Company's financial statements as at December 31, 2020.

Accounting standards, amendments and interpretations International Financial Reporting Standards and IFRIC approved by the European Union, not yet mandatory and not adopted in advance by the Company as at December 31, 2020

Extension of the temporal exemption from applying International Financial Reporting Standards 9 (Amendments to International Financial Reporting Standards 4)

On May 28, 2020, the IASB published an amendment called “Extension of the temporary exemption from applying International Financial Reporting Standards 9 (Amendments to International Financial Reporting Standards 4)”. The amendments allow the temporary exemption from the application of IFRS 9 to be extended until January 1, 2023 for insurance. These changes will enter into force on January 1, 2021.

At the moment, the directors are considering the possible effects of the introduction of this amendment on the Company's financial statements.

Interest Rate Benchmark reform—phase 2

On August 27, 2020, the IASB published, in the light of the reform on interbank interest rates such as 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 changes will take effect on January 1, 2021.

At the moment, the directors are considering the possible effects of the introduction of this amendment on the Company's financial statements.

Accounting Standards, International Financial Reporting Standards amendments and interpretations not yet approved by the European Union

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

Amendments to IAS 1 Presentation of Financial statements: Classification of liabilities as current or non-current

On January 23, 2020, the IASB published an amendment called “*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 debts and other short-term or long-term liabilities. The amendments will start being applied on January 1, 2022 but the IASB has issued an *exposure draft* to postpone their entry into force until January 1, 2023; however, advance application is permitted.

At the moment, the directors are considering the possible effects of the introduction of this amendment on the Company's financial statements.

Amendments to International Financial Reporting Standards 3 Business combinations Amendments to IAS 16 Property, Plant and Equipment Amendments to IAS 37 Provisions, Contingent liabilities and Contingent assets Annual improvements 2018-2020

On May 14, 2020, the IASB published the following amendments:

“*Amendments to International Financial Reporting Standards 3 Business combinations*”: the purpose of the amendments is to update the reference in IFRS 3 to the revised “conceptual framework” without any change to the provisions of International Financial Reporting Standards 3.

“*Amendments to IAS 16 property, plant and Equipment*”: the purpose of the modifications is not to allow the amount received from the sale of goods produced in the testing phase of the asset to be deducted from the cost of the tangible assets. These sales revenues and related costs will therefore be recognized in the profit and loss account.

“*Amendments to IAS 37 provisions, Contingent Liabilities and Contingent assets*”: the amendment clarifies that in the estimate of the possible oneness of a contract, all costs directly attributable to the contract must be taken into account. Consequently, the assessment of the possible oneness of a contract includes not only incremental costs (such as the cost of the direct material used in the processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as: the share of the cost of personnel and depreciation of the machinery used for the performance of the contract).

“*Annual improvements 2018-2020*”: changes were made to all IFRS1 “*First-time Adoption of International Financial Reporting Standards*”, IFRS 9 “*Financial Instruments*”, IAS 41 “*Agriculture*” and Illustrative Examples of IFRS 16 “*Leases*”.

All changes will take effect on January 1, 2022. At present, the directors are considering the possible effects of the introduction of these amendments on the Company's financial statements.

4. Use of estimates

The application of the IAS-IFRS principles for the preparation of financial statements entails the making, by the directors, of accounting estimates, often based on complex and/or subjective assessments, based on past experience and assumptions considered reasonable and realistic in relation to the information known at the time of the estimate, also with the support of experts. The use of these estimates is reflected in the carrying amount of assets and liabilities and the disclosure of assets and Contingent liabilities at the date of the financial statements, as well as the amount of income and costs in the accounting period represented. Actual results may differ from those estimated due to uncertainty characterizing assumptions and conditions on which estimates are based; In particular, during 2020,

the national and international scenario was characterized by the spread of COVID-19 and the consequent restrictive measures for its containment, put in place by the public authorities of the countries concerned. These circumstances, extraordinary in nature and in scope, have had direct and indirect repercussions on economic activity and have created a context of general uncertainty, with regard to which changes and their effects are not foreseeable. For this reason, estimates and assumptions are periodically reviewed and the effects of any change are reflected in the income statement.

For a better understanding of the budget, below are the most significant estimates of the budgetary process because they involve a high use of subjective judgments, assumptions and estimates relating to issues of an uncertain nature. Changes in conditions based on judgments and assumptions could have a significant impact on subsequent results.

Recoverability of the value of tangible, intangible assets and investments

As already indicated, the COVID-19 pandemic was a trigger event of an exogenous nature to the Company, such as to make it necessary to carry out *an impairment test* concerning the recoverability of the net invested capital entered in the financial statements as at December 31, 2020.

The impairment test was carried out by considering the Company as a single *cash generating unit* (CGU) relating to “*local public transport and complementary services*” relating to the activities carried out by ATM S.p.A. The recoverable amount, considered as value of use, it is determined by applying an analysis that considered three alternative scenarios, with a different degree of probability of occurrence:

- First scenario, based on the assumption of an extension of the current service contract until the end of 2022 and subsequent continuation of the concession activities following the award of the TPL tender according to three different developments: (I) perpetual renewal, (ii) renewal for a period of only 15 years and subsequent disposal of the assets and liabilities for their net carrying amount (iii) renewal for a period of 15 years plus further 15 years and subsequent disposal of the assets and liabilities for their net carrying amount. The expected future cash flows used for this scenario have been taken from the Industrial Plan 2021-2037 (period corresponding to the extension of the service contract or the expected renewal in continuity of concession and more detailed in the management report to which reference is made), which includes in addition to the Covid effects–19 prudent assumptions of trends in revenues and costs on the basis of historical trends and with the introduction of certain expected effects of operating lever efficiency that are reasonably achievable.
- Second scenario, based on the assumption of an extension of the service contract until the end of 2022 and its interruption for the award of the TPL tender by a third party. This scenario assumes the perpetual rent to the new operator of the fixed-driving rolling stock, of the installations and the sale of the buses.
- Third scenario, based on the assumption of an extension of the service contract until the end of 2022 and its interruption by the award of the TPL tender by a third party. This scenario assumes the disposal of assets and liabilities for their net carrying amount outstanding as at December 31, 2022.

This procedure for determining the loss of value of tangible and intangible assets and equity investments involved in estimating the value of use the definition of the multi-scenarios mentioned above and the use of an industrial plan which are based on a set of assumptions and assumptions relating to future

events and actions of the administrative bodies and the relevant regulatory bodies of the TPL services, which will not necessarily take place.

In fact, the assumptions concerning future developments and the consequent forecast data used for the execution of *the impairment test* are characterized, given their predictive nature, by a certain degree of uncertainty and, therefore, it cannot be excluded that the occurrence of future results other than those estimated may require any adjustment of the value of tangible, intangible and financial assets entered in the balance sheet. In this context, *the sensitivity analysis* carried out with reference both to flow discount rates, to volumes and margins, as well as to the probability of scenarios highlights possible devaluations as a function of a worsening of these variables.

It is also recalled that the post-tax WACC, which takes account of the specific risks of the asset and reflects current market assessments of the cost of money, has been used as the discount rate for the discounting of future cash flows, on the basis of a weighting between the cost of debt and the cost of equity, based on the values of comparable groups and which are subject to impairment as they operate in the same sector of activity. The WACC value thus determined was 4.17%.

On April 21, 2021, the Board of Directors approved the assumptions, scenarios and results deriving from *the impairment test* determined from the Industrial Plan 2021–2037 (the “Industrial Plan”), built in accordance with the Group Strategic Plan 2021–2025 (the “Strategic Plan”) approved by the directors in the meeting of 25 March 2021. On the basis of the industrial plan and the probable multi-scenarios, prepared according to the expectations of the management, economic and financial projections consistent with medium to long term investment planning have been developed. These projections have been revisited on the basis of the events already recorded and of the impacts that are believed to result in the short to medium term and which by their nature are necessarily uncertain.

The impairment test confirmed the value of the net invested capital in ATM S.p.A. financial statements’ at December 31, 2020; the *test cover* reached makes it possible to reasonably consider the aforementioned entry value recoverable even in the event of divergence of the final data with respect to the forecasts within ranges of variability confirmed by historical experience.

Cost restated to the fair value of land and buildings

The Fair Value measurement of land and buildings used as a reference for the periodic cost restatement of the cost is a complex estimation process which depends on the characteristics of the property, on the identification criteria of the market parameters used for the evaluation, as well as on the methodological approach adopted in determining the portfolio discount.

Useful life of tangible and intangible assets

Tangible and intangible assets with a defined useful life are amortized over the estimated useful life of the related assets. The economic useful life of the assets is determined by the directors at the time the asset was purchased; it is based on historical experience for similar fixed assets, market conditions and advances on future events that could have an impact on useful life. Therefore, the actual economic-technical life may differ from estimated useful life. The Company periodically evaluates technological and sector changes to update the remaining useful life. This periodic update could lead to a change in the period of Amortization and therefore also in Amortization's share of future periods. It should be noted that, at the time of the first adoption of the IAS-IFRS standards, updates were made of the useful lives relating to metropolitan and tramway rolling stock, whereas in the year 2018, a new economic-technical life of the buildings subject to fair value measurement was defined.

It is also noted that following the carrying out of an analysis of the recoverability of the values entered in the balance sheet, with reference to the metropolitan rolling stock, consequent to the taking of action of the exit from the production cycle of some rotables for technological obsolescence, The depreciation of 6 trains used on line M2 and of 3 additional trains of line M3 no longer used in the transport service, the capital and economic effects of which are described in Note 9, has been entered.

Recoverability of warehouse inventories

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

Recoverability of deferred tax assets

Deferred tax assets are recorded in the Financial Statements, mainly related to income components with deferred tax deductibility, for an amount whose recovery in future periods is considered highly probable. Significant judgments by the Directors are required to determine the amount of prepaid taxes that can be recognized in the Financial Statements based on the timing and amount of future taxable income. In particular, it should be noted that in the financial statements for the financial year 2019, deferred tax assets were recorded on the previous tax losses of the Parent Company for the portion that the Directors believe is recoverable against the future taxable income, the assumptions of which were lost as a result of the effects of the COVID-19 pandemic, these have led to a change in public mobility and have significantly affected short-term scenarios (12-24months) both in terms of the editorial and regulatory aspects of public transport service contracts.

The forecast has led to an adjustment of the values of the deferred tax already recorded in the financial statement as at December 31, 2020 in respect of past losses, resulting in the need for the 2021 and 2022 annual installments to be issued in the profit and loss account for the financial year for a total of EUR 13,610 thousand, Entered in previous years, as the directors did not expect taxable profits to absorb these tax losses -within a reasonable time frame.

In addition, It should be noted that in this financial statements advanced taxes have been entered for income components with deferred tax deductibility for the portion that the directors consider recoverable against future taxable income assumed having a time horizon after the end of the current term of the Service Contract with The Municipality of Milan is extended until December 31, 2021.

Processes for estimating funds for risks and charges

The Company is subject to legal and tax causes as well as environmental risks that may arise from complex and difficult issues, which are subject to a different degree of uncertainty, including the facts and circumstances inherent in each cause, jurisdiction, and different applicable laws. Given the uncertainties inherent in these issues, it is difficult to predict with certainty the outlay that might arise from such disputes. Consequently, the Directors, having heard the opinion of their consultants and experts in legal, tax and environmental matters, ascertain a liability against these disputes when they believe it is probable that a financial outlay will occur and when the amount of the losses that will derive from them can be reasonably esteemed. This estimate involves the adoption of assumptions that depend on factors that may change over time and that could therefore have significant effects compared to the current estimates made by the directors for the preparation of the Company's financial statements.

Demonstration of this uncertainty is represented by the significant impacts recorded in the 2020 financial statements due to the redefinition of certain estimates in light of new and relevant information.

Factors for assessing employee benefits

Liabilities for Employee benefit are valued with an actuarial method that requires the use of estimates and assumptions to determine the value of the obligation. The estimates and assumptions inherent in the actuarial valuation concern exogenous factors such as the discount rate and subjective factors such as the rate of increase in future wages, mortality and resignation.

Determination of the fair value of financial assets

The fair value of certain financial assets that are not listed on asset markets is determined using valuation techniques. The Company uses valuation techniques that use inputs directly or indirectly observable from the market at the end of the financial year, related to the activities that have been assessed. While considering the estimates of the aforementioned fair values reasonable, possible changes in the estimation factors on which the calculation of the above values is based could produce different valuations.

5. Financial risk management

This section summarizes the Company's policies for managing and controlling financial risks to which it is exposed:

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

During the 2020 financial year – as in the previous year – the Company did not make use of derivative financial instruments to cover the effects of the aforementioned risks, with the exception of the associated companies Metro 5 S.p.A. and SPV Linea M4 S.p.A.

1) Credit risk

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

For counterparty credit risk deriving from the use of instruments, the Company adopts procedures and tools for the evaluation and selection of counterparties on the basis of *credit standing* (explicit ratings, monitoring of CDS – Credit Default Swaps), continuous exposure monitoring and adoption of *stress test scenarios*.

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

The Company is, moreover, exposed to credit risk in relation to financial guarantees (pledges on shares) issued in favor of lenders on *project finance transactions* for the associated companies Metro 5 S.p.A. and SPV Line M4 S.p.A. The maximum exposure of the Company is equal to the value of the shares of the two project companies pledged for a total of 12,095,700 euros at December 31, 2020.

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

With regard to its business counterparts, ATM has provided itself with internal methods for the selecting and evaluation of the economic and financial reliability of customers and suppliers as well as external sources for monitoring their credit situation. The continuous monitoring of exposure to various counterparties and the implementation of appropriate mitigation actions also include the adoption of credit collection measures.

The table below illustrates credit risk of the company as at December 31, 2020 compared with the balance at December 31, 2019.

	12.31.2020	12.31.2019
Non-current financial assets	24,426,326	24,919,840
Doubtful debt provision	-	(8,285)
Non-current financial assets net of doubtful debt provision	24,426,326	24,911,555
Other receivables and non-current assets	-	7,251,054
Other receivables and non-current assets net of doubtful debt provision	-	7,251,054
Current financial assets	221,489,417	248,396,735
Doubtful debt provision	(270,615)	(406,761)
Current financial assets net of doubtful debt provision	221,218,802	247,989,974
Current trade receivables	167,188,904	182,262,062
Doubtful debt provision	(16,185,181)	(16,939,987)
Current trade receivable net of doubtful debt provision	151,003,723	165,322,075
Other current assets and receivables	53,338,403	58,123,283
Doubtful debt provision	(688,694)	(481,470)
Others receivables and current assets net of doubtful debt provision	52,649,709	57,641,813
Cash and cash equivalents	112,928,267	169,861,711
Doubtful debt provision	(82,765)	(146,706)
Cash and cash equivalents	112,845,502	169,715,005
Total exposure net of doubtful debt provision*	562,144,062	672,831,476

* The items exclude tax receivables.

The change in current financial assets and Cash and Cash Equivalents reflects the effect of the contraction in operating margin that characterized the financial year 2020.

Non-current financial assets include loans and receivables from related parties and third parties, the decrease in the year is due to reimbursements received partially offset by payments made and to interest accrued in the financial year 2020.

Other non-current assets and receivables as of December 31, 2019 included the receivables over 12 months for government grants for plant related to the purchase of trains of the metro line 1 under the “*Accessibility Fiera Milano*” project. The credit, maturing in 2021, is to guarantee the loan granted by Cassa Depositi e Prestiti (CDP), recorded for an equal amount under liabilities. The change is related to the collection of receivables maturing in connection with the payment of the related debt.

The decrease in the Allowance for doubtful accounts is due to the dynamics related to the use and releases made during the year (for more details see Note 17– *Trade receivables*), the main ones refer to the release of the write downs of trade receivables due from the parent company, the Municipality of Milan, for euro 424,491 and third-party customers for euro 449,672 partly compensated by the provision made against probable risks to third-party customers for euro 141,023.

The following tables show the exposure to credit risk by counterparty, in absolute value and as a percentage, excluding cash and cash equivalents and equivalent as well as current and non-current financial assets:

	12.31.2020	12.31.2019
Receivables from subsidiaries	4,960,533	6,172,267
Receivables from tax authorities	2,509,095	2,495,818
Receivables from entities (State, Region, Province)	46,390,296	58,974,361
Receivables from third party customers	21,193,994	28,384,867
Receivables from associates	2,720,151	4,063,531
Receivables from other debtors	3,750,318	3,422,688
Municipality of Milan	121,882,599	126,042,010
Receivables from subsidiaries of parent companies	246,446	659,400
Total exposure of trade receivables, current and non-current receivables	203,653,432	230,214,942

	Inc. % 2020	Inc. % 2019
Receivables from subsidiaries	2.4%	2.7%
Receivables from tax authorities	1.2%	1.1%
Receivables from entities (State, Region, Province)	22.8%	25.6%
Receivables from third party customers	10.4%	12.3%
Receivables from associates	1.3%	1.8%
Receivables from other debtors	1.9%	1.5%
Municipality of Milan	59.9%	54.7%
Receivables from subsidiaries of parent companies	0.1%	0.3%
Total exposure of trade receivables, from other current and non-current receivables	100.0%	100.0%

It should be noted that a significant part of trade receivables and other current and non-current receivables are attributable to receivables to the Municipality of Milan, its controlling entity. The amount of the financial assets considered to be of doubtful recoverability and of a non-significant amount is covered by appropriate provisions to the doubtful debt provision, which also takes into account the general risk of write-downs for the non-expired receivables, determined on the basis of historical experience, in accordance with IFRS 9.

The following tables provide a breakdown of financial assets at December 31, 2020 and at December 31, 2019, net of the doubtful debt provision, grouped by overdue period and excluding cash and cash equivalents as well as current and non-current financial assets:

	12.31.2020	Not expired	0-180	180-360	360-720	over 720
Receivables from subsidiaries (gross)	4,960,533	4,931,602	-	22,964	5,967	-
Doubtful debt provision	-	-	-	-	-	-
Receivables from subsidiaries (Net)	4,960,533	4,931,602	-	22,964	5,967	-
Receivables from tax authorities gross)	2,509,095	2,509,095	-	-	-	-
Doubtful debt provision	-	-	-	-	-	-
Receivables from tax authorities (Net)	2,509,095	2,509,095	-	-	-	-
Receivables from entities (gross)	46,390,296	46,390,296	-	-	-	-
Doubtful debt provision	-	-	-	-	-	-
Receivables from entities (Net)	46,390,296	46,390,296	-	-	-	-
Receivables from third party customers (gross)	34,307,665	15,412,377	6,070,434	550,776	374,268	11,899,810
Doubtful debt provision	(13,113,671)	(524,580)	(128,345)	(223,344)	(374,268)	(11,863,134)
Receivables from third party customers (Net)	21,193,994	14,887,797	5,942,089	327,432	-	36,675
Receivables from associates (gross)	2,729,050	2,553,806	122,481	(116,185)	168,948	-
Doubtful debt provision	(8,899)	(7,727)	(775)	92	(490)	-
Receivables from associates (Net)	2,720,151	2,546,080	121,706	(116,093)	168,458	-
Receivables from other debtors (gross)	4,439,012	3,750,318	-	207,224	-	481,470
Doubtful debt provision	(688,694)	-	-	(207,224)	-	(481,470)
Receivables from other debtors (Net)	3,750,318	3,750,318	-	-	-	-
Municipality of Milan (gross)	124,944,887	36,587,152	57,235,922	8,405,957	9,690,135	13,025,721
Doubtful debt provision	(3,062,287)	(66,939)	(75,552)	(11,096)	(9,076)	(2,899,624)
Municipality of Milan (Net)	121,882,599	36,520,212	57,160,370	8,394,861	9,681,059	10,126,097
Receivables from subsidiaries of parent companies (gross)	246,769	29,642	86,783	47,897	39,495	42,954
Doubtful debt provision	(323)	(36)	(115)	(63)	(52)	(57)
Receivables from subsidiaries of parent companies (Net)	246,446	29,606	86,668	47,833	39,443	42,897
Total exposure of trade receivables, current and non-current receivables net of doubtful debt provision	203,653,432	111,565,006	63,310,833	8,676,997	9,894,927	10,205,669

	12.31.2019	Not expired	0-180	180-360	360-720	over 720
Receivables from subsidiaries (gross)	6,172,267	6,104,528	1,186	31,631	34,922	-
Doubtful debt provision	-	-	-	-	-	-
Receivables from subsidiaries (Net)	6,172,267	6,104,528	1,186	31,631	34,922	-
Receivables from tax authorities (gross)	2,495,818	2,495,818	-	-	-	-
Doubtful debt provision	-	-	-	-	-	-
Receivables from tax authorities (Net)	2,495,818	2,495,818	-	-	-	-
Receivables from entities (gross)	58,974,361	51,723,307	-	-	7,251,054	-
Doubtful debt provision	-	-	-	-	-	-
Receivables from entities (Net)	58,974,361	51,723,307	-	-	7,251,054	-
Receivables from third party customers (gross)	41,807,188	22,440,810	5,604,120	1,370,291	584,923	11,807,044
Doubtful debt provision	(13,422,321)	(404,256)	(451,483)	(422,697)	(379,353)	(11,764,532)
Receivables from third party customers (Net)	28,384,867	22,036,554	5,152,637	947,594	205,570	42,512
Receivables from associates (gross)	4,093,327	2,362,319	174,111	190,780	1,336,207	29,910
Doubtful debt provision	(29,796)	(5,268)	(1,218)	(267)	(2,033)	(21,010)
Receivables from associates (Net)	4,063,531	2,357,051	172,893	190,513	1,334,174	8,900
Receivables from other debtors (gross)	3,904,158	3,422,688	-	-	481,470	-
Doubtful debt provision	(481,470)	-	-	-	(481,470)	-
Receivables from other debtors (Net)	3,422,688	3,422,688	-	-	-	-
Municipality of Milan (gross)	129,528,788	58,510,361	56,663,582	6,647,656	2,816,724	4,890,465
Doubtful debt provision	(3,486,778)	(81,797)	(79,216)	(9,293)	(2,591,585)	(724,887)
Municipality of Milan (Net)	126,042,010	58,428,563	56,584,366	6,638,363	225,139	4,165,578
Receivables from subsidiaries of parent companies (gross)	660,491	403,671	188,762	5,561	12,785	49,712
Doubtful debt provision	(1,091)	(671)	(324)	(8)	(18)	(70)
Receivables from subsidiaries of parent companies (Net)	659,400	403,000	188,438	5,553	12,767	49,642
Total exposure of trade receivables, from other current and non-current receivables net of doubtful debt provision	230,214,942	146,971,509	62,099,520	7,813,654	9,063,626	4,266,632

During the year, the write-down provisions were adjusted according to the risk recognized for each type of credit. Please refer to the comment sections of the explanatory note for details regarding the movement of funds.

Impairment of financial assets

At each reporting date, financial assets other than those measured at *fair value* with impact to income statement (FVTPL) and the equity securities designated by FVTOCI are subject to an assessment to verify the existence of events which may make the value of the assets not entirely recoverable. A similar analysis is also carried out for current account and cash balances, trade receivables, commitments to lend to third parties, and for guarantees issued within the scope to *be paid under IFRS 9*.

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

- in Stage 1, financial assets that have not undergone a significant deterioration in creditworthiness with respect to that found at the time of initial recognition in the Financial Statements, except for a deteriorated financial asset at the time of purchase or origin, are classified. The retention of investment grade status, as defined by the ECB accredited rating agencies, is deemed a discriminating factor. Regarding the exposures included in this category), the Company assesses the provision of loss coverage in an amount equal to the expected losses on loans arising from a possible default event in the following 12 months (12-months expected credit-ECL);
- in Stage 2, financial assets for which a significant increase in credit risk has occurred with respect to the initial recognition date, regardless of whether a specific loss event has already occurred. Despite this, financial assets are considered performing but their quality is lower than those of stage 1. Regarding the exposures included in this category, the Company assesses the provision to the fund for an amount equal to the losses expected over the entire life of the financial instrument (expected losses on the residual life - lifetime expected credit losses - ECL). We therefore proceed from the estimate of the expected loss over a period of 12 months to an estimate that takes into consideration the entire residual life of the financial asset;
- in Stage 3, on the other hand, on the other hand, the impaired financial assets are classified, i.e. assets for which a loss event has occurred that definitively deteriorates the creditworthiness. Similarly to the assets classified in Stage 2, the Group assesses the provision to the fund for an amount equal to the losses expected over the entire life of the financial instrument (expected losses on the residual life - lifetime expected credit losses ECL-).

The following table shows the values of ECL (“*expected Credit Loss*”) at December 31, 2020 and December 31, 2019:

	12.31.2020	Expected Credit Loss		
		Stage 1 - 12m ECL	Stage 2 - ECL Lifetime	Stage 3 - ECL Lifetime
Cash and cash equivalents	82,766	82,766		
Financial assets held to Collect & Sell	270,615	270,615		
Loan commitments	2,372	2,372		
Financial guarantees	15,966	15,966		
Tax receivables	-	-		
Trade receivables	16,185,181	16,185,181		
Other receivables	688,694	688,694		
Total	17,245,594	17,245,594	-	-

	12.31.2019	Expected Credit Loss		
		Stage 1 - 12m ECL	Stage 2 - ECL Lifetime	Stage 3 - ECL Lifetime
Cash and cash equivalents	146,706	146,706		
Financial assets held to Collect & Sell	406,761	406,761		
Loan commitments	5,415	5,415		
Financial guarantees	16,821	16,821		
Tax receivables	788	788		
Trade receivables	16,939,986	16,939,986		
Other receivables	481,470	481,470		
Total	17,997,947	17,997,947	-	-

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

2) Liquidity risk

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

The Company manages the liquidity risk through the maintenance of adequate reserves, *committed lines* and has capital capacities to obtain additional *funding*, both through access to the capital market and through recourse to primary financial institutions, including supranational ones. Risk management is carried out in the first instance through the continuous monitoring of expected and current cash flows and the correlation of maturity profiles of financial assets and liabilities.

The following tables provide a detail of the residual maturity of the medium-long-term financial liabilities based on non-discounted cash flows, based on the first maturity date at which the Company will be required to repay them. In the case in which the interest flows are at a variable rate, the non-discounted value of the same is estimated by applying, for subsequent maturities, the last variable rate applied by the lending institution in 2020.

	12.31.2020	Contractual cash flows	0 -3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Bonds	69,929,312	75,253,596	-	-	1,312,500	1,312,500	72,628,596	-
Bank loans	220,804,727	248,259,430	-	6,897,771	14,387,497	13,787,754	41,338,831	171,847,579
Total *	290,734,039	323,513,026	-	6,897,771	15,699,997	15,100,254	113,967,426	171,847,579

* Financial liabilities arising from the application of IFRS are not included 16

	12.31.2019	Contractual cash flows	0 -3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Bonds	69,770,688	76,569,692	-	-	1,316,096	1,312,500	73,941,096	-
Bank loans	238,602,990	271,670,936	-	6,895,715	14,388,556	21,280,269	43,510,756	185,595,640
Total *	308,373,678	348,240,627	-	6,895,715	15,704,652	22,592,769	117,451,852	185,595,640

* Financial liabilities resulting from the implementation of IFRS 16 are not included.

The Company is able to meet its payment obligations both by generating cash flows from operating activities and by using the available, wide and diversified liquidity. Cash and financial assets in the portfolio, both liquid as they are as listed on regulated markets, exceed the medium/long-term debt stock, and in addition to the above, the Company can count on *lines of committed credit* for a total of Euro 97.5 million as at December 31, 2020.

In the course of the year, two drawdowns for Euro 35 million were made for the purpose of a proper balance of sources and short-term lending from a prudential point of view and to prevent *possible contingencies* correlated to the uncertainty arising from the health emergency.

Moreover, the capital structure as described above was the subject of a positive evaluation by the FitchRatings Agency in the periodic review of the rating assessment.

In 2021, the Company adopted a Policy of “RAF – risk appetite Framework” and the related KRI (Key risk Indicators) at Group level aimed at defining maximum risk-taking thresholds that do not compromise the financial balance and the prospective capital strength.

3) Default risk and *covenants* on debt

The risk of default consists in the possibility that, on the specific circumstances, included in the loan agreements or in the settlement of the bonds, the lenders are entitled to activate contractual protections that may go as far as the early repayment of the loan, thus generating a potential liquidity risk.

As of December 31, 2020, the Company had loan agreements in place with the European Investment Bank and a bond loan in Eurobond format, whose repayment is expected to be repaid in a single installment in 2024.

The loan agreements, as well as the bond loan, in line with international practice for similar transactions, generally provide for the lender’s right to request the repayment of his credit by terminating the relationship with the debtor in advance, in all cases in which the latter is declared insolvent and / or is subject to bankruptcy proceedings, or has started a liquidation procedure or another procedure with similar effects..

In particular, loan agreements and the regulation of the bond loan, as is normally happens on the market, contain a series of typical clauses whose violation causes the issuer of the obligation to

immediately repay the issued bonds. These include the main: (I) *negative pledge clauses*, as a result of which the financed company undertakes not to constitute real guarantees on the assets of the ATM Group in favor of new lenders, beyond a specifically identified threshold; (ii) *cross-default/cross acceleration clauses* that entail the obligation of immediate repayment of the debt upon the occurrence of serious non-fulfillment which find reason or title in other loan agreements; (iii) clauses that oblige ATM to reserve to lenders a treatment similar to that due to other unsecured creditors (*pari passu*).

Specifically, the contracts also provide for compliance with financial covenants:

- the loans granted by the EIB provide for the obligation to respect, for the entire duration of the loans, pre-established levels of financial ratios such as (i) a ratio between consolidated net equity and Group debt greater than 2, (ii) a ratio of cash flows operating before changes in CCN to Annual Debt Service greater than 3 and (iii) a ratio between real and personal guarantees given and the Group's consolidated shareholders' equity less than or equal to 15%;
- The bond involves the obligation to respect, for the entire duration of the debt, a ratio between consolidated net equity and debt of the Group greater than two.

ATM is also required to ensure, for the duration of the loans and the bond loan, that the debt of the Subsidiaries is less than 10% of the Group's debt.

Failure to comply with the provisions described above, after a period of observation during which violations can be remedied, would constitute a violation of the contractual obligations and the Company may be called upon to pay the remaining debt.

The Company monitors the compliance with these covenants on a semi-annual basis. At present, the Company is unaware of the existence of any default or non-compliance with *covenants*.

- 4) Risk arising from exposure to fluctuations in interest rates, exchange rates, commodity price variations and the downgrade of medium/long-term debt

Interest rate risk

The risk of interest rate changes is related to interest rate fluctuations that effect the market value of the Company's financial assets and liabilities and the level of net financial charges. In particular, the Company is exposed to fluctuations in interest rates (mainly Euribor and IRS) on financial assets indexed at a variable rate and marginally on loans, considering that approximately 96% of medium/long-term financial debt is indexed at a fixed rate.

The following table presents the variable rate and fixed rate of medium/long-term loans.

	12.31.2020	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	over 5 years
Variable rate	11,910,585	12,556,398	751,303	747,204	2,217,182	8,840,709
Fixed rate	278,823,454	310,957	21,846	14,353	111,750	163,007
Total *	290,734,039	12,867,355	773,150	761,557	2,328,932	9,003,716

* Financial liabilities arising from the application of IFRS16 are not included

	12.31.2019	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	over 5 years
Variable rate	12,591,189	13,261,041	750,306	746,304	2,216,210	9,548,221
Fixed rate	295,782,489	334,979,586	21,850,060	21,846,464	115,235,643	176,047,419
Total *	308,373,678	348,240,627	22,600,367	22,592,769	117,451,852	185,595,640

* Financial liabilities arising from the application of IFRS16 are not included

The *sensitivity analysis* below illustrates the effects determined on the Income Statement by a hypothetical translation of the rate curves of +50 or -50 *basis points* with respect to the levels actually applied in 2020 and 2019:

2020	Shift + 50 bps	Shift - 50 bps
Higher/(lower) interest expense on variable interest loans	63,136	(63,136)
Total	63,136	(63,136)

2019	Shift + 50 bps	Shift - 50 bps
Higher/(lower) interest expense on variable interest loans	66,411	(66,411)
Total	66,411	(66,411)

With reference to financial assets, the following table shows the subdivision of government bonds and corporate bonds at a fixed rate and variable rate based on the non-discounted repayment flows of the nominal value of the instruments at the respective due dates:

	12.31.2020	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	over 5 years
Variable rate	31,386,282	31,300,000	6,900,000	9,500,000	14,900,000	-
Fixed rate	52,685,608	52,400,000	1,850,000	11,250,000	18,500,000	20,800,000
Total	84,071,890	83,700,000	8,750,000	20,750,000	33,400,000	20,800,000

	12.31.2019	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	over 5 years
Variable rate	37,233,026	37,143,000	3,250,000	6,900,000	21,993,000	5,000,000
Fixed rate	67,798,395	66,073,950	3,452,711	2,235,232	29,475,387	30,910,620
Total	105,031,421	103,216,950	6,702,711	9,135,232	51,468,387	35,910,620

To complete the analysis, *the sensitivity analysis* on the bond portfolio carried out using *the modified duration* of the individual securities in the portfolio as a benchmark, assuming an increase of 50, 150 and 250 *basis points* of interest rates, respectively. The assumption of the analysis is the linear relationship between bond prices and relative yields.

Coupon flows have not been taken into account, since, considering the significant component of floating-rate indexed securities and the expected slight change in future rate levels, as can be deduced from the projections of the market curves, any projections on these bases would be unreliable.

	12.31.2020	Sensitivity Analysis		
		0.50%	1.50%	2.50%
Bond Securities	84,071,890	244,654	(2,017,690)	(4,280,034)
Total	84,071,890	244,654	(2,017,690)	(4,280,034)

	12.31.2019	Sensitivity Analysis		
		0.50%	1.50%	2.50%
Bond Securities	105,031,421	(1,370,408)	(4,257,431)	(7,144,454)
Total	105,031,421	(1,370,408)	(4,257,431)	(7,144,454)

As for the assets invested in OICR are subject to a parametric sensitivity against a hypothetical +/- 10% change in market value at December 31, 2020.

	12.31.2020	Sensitivity Analysis	
		+10%	-10%
OICR	126,110,000	12,611,000	(12,611,000)
Total	126,110,000	12,611,000	(12,611,000)

	12.31.2019	Sensitivity Analysis	
		+10%	-10%
OICR	139,891,374	13,989,137	(13,989,137)
Total	139,891,374	13,989,137	(13,989,137)

Despite the strong volatility that occurred on the financial markets in the first half of 2020, financial management has nevertheless ensured the preservation of the invested capital and has also generated a positive return.

ATM did not put in place derivative financial instruments on “interest rates” after the end of the reporting period, nor derivative financial instruments on “commodities”.

Currency risk

The Company operates on the domestic market and holds financial assets denominated in foreign currency and is therefore exposed to currency risk arising from fluctuations in exchange rate.

Equivalent value in Euro	12.31.2020		
	USD	AUD	TRY
Bond Securities	6,074,483	-	-
Total	6,074,483	-	-

Equivalent value in Euro	12.31.2019		
	USD	AUD	TRY
Bond Securities	9,266,278	-	-
Total	9,266,278	-	-

The following table details the company's *sensitivity analysis* to a hypothetical change +10 or -10 basis points in exchange rates applied to financial assets at December 31, 2020 and December 31, 2019:

	12.31.2020	
	Shift + 10 bps	Shift - 10 bps
Variation in exchange rate	(457,726)	538,948
Total	(457,726)	538,948

	12.31.2019	
	Shift + 10 bps	Shift - 10 bps
Variation in exchange rate	(757,414)	905,448
Total	(757,414)	905,448

There are no exchange risks for trade receivables and payables.

Commodity price risk

The Company is exposed to the price risk of energy commodities, i.e. electricity and petroleum products, since supplies are affected by fluctuations in the prices of these commodities directly or through indexation formulas. Moreover, since some contracts contain exchange rates with other currencies within the price indexing formulas, the Company is also exposed to exchange rate risk.

The Company's policy is aimed at minimizing the need to resort to financial markets for hedges, which are addressed only if the cover is considered appropriate and convenient, both for oil products and for the supply of electricity of traction.

For the latter, the Company completes the supply through tender procedures aimed at finalizing fixed-price contracts.

The tenders are called once a year for the following year.

The trend in baseload prices of electricity on the markets where futures contracts are traded and in the financial derivatives markets is followed on a daily basis and tenders are called in periods that are more favorable. The fixed price allows to stabilize the cost and to formulate a certain annual budget.

Downgrade of debt rating on medium/long-term

Except for the "credit linkage" with the State and Municipality of Milan, the only shareholder, ATM constantly monitors the performance of the indicators underlying the rating assessment, as well as the evolution of the Group's capital structure, in order to maintain the rating assigned by the rating company.

With increasing interest in ESG issues and taking into account the plan for the transition of the fleet to full electric, the Group will be able to assess, also with a view to transparency towards the market, the adoption of qualitative rating criteria linked with factors of environmental sustainability.

Financial assets and liabilities by category

As supplementary disclosure on the financial risks, the following table shows a reconciliation between financial assets and liabilities as reported in the statement of financial position and the categories of financial assets and liabilities identified based on the requirements of IFRS 7:

12.31.2020	Financial assets and liabilities at amortized cost	Financial assets and liabilities at fair value	Non-financial assets and liabilities	Total
Non-current financial assets	24,426,326			24,426,326
Other receivables and non-current assets	-			-
Current financial assets	984,359	220,234,443		221,218,802
Current trade receivables	151,003,723			151,003,723
Other receivables and current assets	52,649,709			52,649,709
Non-current financial liabilities	276,205,131			276,205,131
Current financial liabilities	65,777,249			65,777,249
Trade payables	242,025,297			242,025,297
Other payables and current liabilities	118,602,143			118,602,143

12.31.2019	Financial assets and liabilities at amortized cost	Financial assets and liabilities at fair value	Non-financial assets and liabilities	Total
Non-current financial assets	24,911,555			24,911,555
Other receivables and non-current assets	7,251,054			7,251,054
Current financial assets	3,067,179	244,922,795		247,989,974
Current trade receivables	165,322,075			165,322,075
Other receivables and current assets	57,641,813			57,641,813
Non-current financial liabilities	294,761,252			294,761,252
Current financial liabilities	28,604,082			28,604,082
Trade payables	283,349,899			283,349,899
Other payables and current liabilities	121,111,427			121,111,427

Determination of fair value

The *fair value* of financial assets and liabilities is determined in accordance with IFRS 13 which requires that these values be classified on the basis of a hierarchy of levels, which reflects the characteristics of the inputs used in determining *fair value*:

- Level 1: valuations made based on prices quoted on active markets for financial assets and liabilities identical to those being valued;

- Level 2: valuations made on the basis of inputs, different from the listed prices referred to in level 1, which for the financial asset or liability are observable either directly (prices) or indirectly (price derivatives);
- Level 3: assessments that refer to parameters that cannot be observed in the market.

Referring to the aforementioned classification, valuation procedures have been carried out for the fair value of the assets and liabilities outstanding as at December 31, 2020 and December 31, 2019 with reference to observable market parameters:

- *the fair value* of financial assets and liabilities with standard terms and conditions listed in an active market is measured with reference to prices published on the market by leading market contributors (Bloomberg info providers);
- *the fair value* of other financial assets and liabilities is measured, where the conditions exist, by applying the discounted cash flow method, using the reference values for prices recognized for recent market transactions by leading market contributors for similar tools. In particular, for the valuation of some investments in bonds, in the absence of a regular functioning of the market, or of a sufficient and continuous number of transactions and a sufficiently low bid/offer spread, the determination of the fair value is carried out with reference to specific quotations of primary contributors issued at the Company's request;
- *in the valuation of investments in funds*, the *fair value* is determined on the basis of the NAV communicated by the relevant fund *administrators* at the reporting date. In cases where this information is not available at the date of preparation of the financial statement, the last available official communication is used, but not earlier than one month from the date of the balance sheet.

The following table shows the financial assets and liabilities measured at *fair value*, and classified according to the hierarchy of levels defined above:

	12.31.2020	Fair value at the reporting date		
		Level 1	Level 2	Level 3
Financial Assets HTC&S	79,256,338	79,256,338	-	-
Government Securities	7,967,253	7,967,253	-	-
Bond securities	71,289,085	71,289,085	-	-
Other Financial Assets	130,925,552	124,190,848	6,734,704	-
Bond securities	4,815,552	4,815,552	-	-
OICR	126,110,000	119,375,296	6,734,704	-
Total	210,181,890	203,447,186	6,734,704	-

	12.31.2019	Fair value at the reporting date		
		Level 1	Level 2	Level 3
Financial Assets HTC&S	99,585,564	99,585,564	-	-
Government bonds	7,728,765	7,728,765	-	-
Bond securities	91,856,799	91,856,799	-	-
Other Financial Assets	145,337,231	137,267,073	8,070,158	-
Bond securities	5,445,857	3,271,535	2,174,322	-
OICR	139,891,374	133,995,538	5,895,836	-
Total	244,922,795	236,852,637	8,070,158	-

In accordance with the provisions of International Financial Reporting Standards 13, the *fair value* of financial liabilities as at December 31, 2020 and December 31, 2019, is reported for information purposes, among which the bond is valued at amortized cost:

	12.31.2020	12.31.2019
Bonds	70,899,958	69,431,015
Bank loans	225,760,454	221,353,311
Total	296,660,412	290,784,326

6. Workforce

The average headcount, broken down by category, had the following changes compared to the previous year:

Type of contract	12.31.2020	12.31.2019	Changes
Executives	29	28	1
Managers	312	314	(2)
Clerks	791	785	6
Operational workers	8,255	8,205	50
Total	9,387	9,332	55

The following changes in the workforce were recorded at the end of the year:

	12.31.2019	Hire (+)	Leaves (-)	Other changes	12.31.2020
Workforce	9,396	505	(442)	(1)	9,460

The workforce at December 31, 2019 numbered 9,460 employees compared to 9,396 as of December 31, 2019. The net change is mainly attributable to 505 new hires and 442 departures. The number of departures is in line with that of recent financial years and includes all the reasons related to termination of employment; Among these, the most frequent are the retirements and the spontaneous resignation and therefore during the period under consideration the Company did not make any objective redundancies in accordance with the provisions of Legislative Decree No. 137/2020, cd. "Ristori Decree" and its subsequent amendments.

Notes to the balance sheet and financial statements

Assets

7. Property, plant, and equipment

The value of the “*Property, plant, and equipment*” at December 31, 2020 amounted to Euro 1,281,151,746 euros net of accumulated depreciation, capital grants and accumulated write-downs.

	12.31.2020	12.31.2019
Plant and machinery	847,025,062	795,627,043
Land and buildings	359,752,457	364,849,758
Industrial and commercial equipment	8,939,042	10,082,726
Other assets	2,513,167	2,241,019
Assets in progress	62,922,018	85,353,699
Total	1,281,151,746	1,258,154,245

This item refers to:

- “*plant and machinery*”, for Euro 847,025,062 relating to rolling stock and transport service equipment owned by the Company;
- “*Land and buildings*”, for Euro 359,752,457 mainly relating to rolling stock depots and office buildings. This item also includes “*investment property*” represented by non-instrumental property leased for commercial purposes whose net carrying amount as at December 31, 2020 was equal to Euro 12,016,984 (Euro 12,174,593 as at December 31, 2019);
- “*Industrial and commercial equipment*”, for Euro 8,939,042 mainly related to auxiliary vehicles;
- “*other assets*”, for Euro 2,513,167 ;
- “*Assets in progress*”, for Euro 62,922,018.

The item “*Assets in progress*” refers to advances paid to suppliers for supplies and investments for tangible assets that at the balance sheet date have not yet been completed and ready to be operational. The following are the main components:

- Fleet renewal or expansion, including:
 - Purchase of electric buses for Euro 27,495,000 and 8 meters minibuses for Euro 951,000;
 - Purchase of “Leonardo” trains for the M2 line for Euro 8,956,129;
 - 20 two-way urban trams for Euro 4,027,280 and 10 two-way intercity trams for Euro 2,013,640;
 - Purchase of trolley buses, for Euro 1,537,800 ;
 - Revamping of “4900” tramway carriages and general overhaul of “1928” and “4700” cars for Euro 1,439,841 ;
 - General overhaul and transformation of M3 line trains, for Euro 1,153,783 euros.
 - Service vehicles, for Euro 640,791;
- Modernization of installations and infrastructures including:
 - realization of power/charging systems for electric vehicles at the warehouses and terminal in the city for Euro 4,357,346;
 - Power supply and electric traction systems for the upgrading of the M2 line for Euro 2,601,979;
 - extraordinary maintenance of the various company deposits, for Euro 817,413;
 - magnetic-electronic ticketing system, for Euro 784,723;

- Modernization of the network for the M1, M2 and M3 lines for Euro 659,618.
- Other investments including:
 - purchase of pit lathe for Euro 244,404;
 - New bike-sharing stations within the project “P.O.N. Metro” for Euro 109,500;
 - other tangible fixed assets in progress for Euro 615,919.

The table below illustrates the movements during the year and in the previous year.

Property, plant, and equipment	Plant and machinery	Land and buildings	Industrial and commercial equipment	Other assets	Assets in progress and advances	Total
Historical cost	2,827,804,995	499,530,416	58,876,753	41,122,249	85,373,392	3,512,707,805
Accumulated depreciation	(1,544,724,619)	(115,682,801)	(48,794,027)	(35,228,116)	-	(1,744,429,563)
Cumulative grants	(466,060,070)	(17,803,159)	-	(3,653,114)	(19,693)	(487,536,036)
Cumulative impairment	(21,393,263)	(1,194,698)	-	-	-	(22,587,961)
Net book value as at 12.31.2019	795,627,043	364,849,758	10,082,726	2,241,019	85,353,699	1,258,154,245
Historical cost						
<i>Investments and acquisitions in the year</i>					135,609,820	135,609,820
<i>Transfers to finished plant</i>	153,059,528	1,227,585	1,405,224	1,803,335	(157,495,672)	-
<i>Disposals, sales and reclassifications</i>	(108,299,575)		(776,056)	(225,022)		(109,300,653)
Accumulated Depreciation						
<i>Depreciation of the year (note 35)</i>	(109,037,706)	(6,742,178)	(2,548,908)	(2,344,714)		(120,673,506)
<i>Disposals, sales and reclassifications</i>	93,423,215		776,056	223,318		94,422,589
Grants						
<i>Increases</i>	(8,998,969)			(399,000)	(565,522)	(9,963,491)
<i>Amount accrued of the year (note 35)</i>	33,994,072	391,692		1,214,231		35,599,995
<i>Disposals, sales and reclassifications</i>	11,546				19,693	31,239
Impairment						
<i>Increases</i>	(17,129,248)					(17,129,248)
<i>Cumulative impairment on disposal</i>	14,375,156					14,375,156
<i>Utilizations of accumulated depreciation</i>		25,600				25,600
Historical cost	2,872,564,948	500,758,001	59,505,921	42,700,562	63,487,540	3,539,016,972
Accumulated depreciation	(1,560,339,110)	(122,424,979)	(50,566,879)	(37,349,512)	-	(1,770,680,480)
Cumulative grants	(441,053,421)	(17,411,467)	-	(2,837,883)	(565,522)	(461,868,293)
Cumulative impairment	(24,147,355)	(1,169,098)	-	-	-	(25,316,453)
Net book value as at 12.31.2020	847,025,062	359,752,457	8,939,042	2,513,167	62,922,018	1,281,151,746

Property, plant, and equipment	Plant and machinery	Land and buildings	Industrial and commercial equipment	Other assets	Assets in progress and advances	Total
Historical cost	2,865,016,241	497,225,616	56,998,754	39,464,390	76,402,214	3,535,107,215
Accumulated depreciation	(1,573,226,996)	(109,010,177)	(46,689,025)	(32,919,299)	-	(1,761,845,497)
Cumulative grants	(483,159,454)	(18,194,852)	-	(4,354,744)	-	(505,709,050)
Cumulative impairment	(33,915,049)	(1,220,298)	-	-	-	(35,135,347)
Net book value as at 12.31.2018	774,714,746	368,800,290	10,309,728	2,190,347	76,402,214	1,232,417,325
Historical cost						
<i>Investments and acquisitions in the year</i>					147,715,553	147,715,553
<i>Transfers to finished plant</i>	131,399,552	2,304,800	2,927,631	2,085,072	(138,717,055)	-
<i>Disposals, sales and reclassifications</i>	(168,610,798)		(1,049,632)	(427,213)	(27,320)	(170,114,963)
Accumulated Depreciation						-
<i>Depreciation of the year (note 35)</i>	(105,427,192)	(6,672,624)	(2,885,390)	(2,732,237)		(117,717,443)
<i>Disposals, sales and reclassifications</i>	133,929,569		780,388	423,420		135,133,377
Grants						
<i>Increases</i>	(20,599,362)				(19,693)	(20,619,055)
<i>Amount accrued in the year (note 35)</i>	33,661,246	391,692		1,528,346		35,581,284
<i>Disposals, sales and reclassifications</i>	4,037,500			(826,716)		3,210,784
Impairment						
<i>Increases</i>	(21,393,263)					(21,393,263)
<i>Cumulative impairment on disposal</i>	30,836,697					30,836,697
<i>Utilizations of accumulated depreciation</i>	3,078,352	25,600				3,103,952
Historical cost	2,827,804,995	499,530,416	58,876,753	41,122,249	85,373,392	3,512,707,805
Accumulated depreciation	(1,544,724,619)	(115,682,801)	(48,794,027)	(35,228,116)	-	(1,744,429,563)
Cumulative grants	(466,060,070)	(17,803,159)	-	(3,653,114)	(19,693)	(487,536,036)
Cumulative impairment	(21,393,263)	(1,194,698)	-	-	-	(22,587,961)
Net book value as at 12.31.2019	795,627,043	364,849,758	10,082,726	2,241,019	85,353,699	1,258,154,245

As illustrated in the table above, investments were undertaken in the year relating to “*Property, plant, and equipment*” for Euro 135,609,820. The main investments of the year concerned:

- The renewal or extension of the fleet, including:
 - purchase of electric buses, for Euro 46,530,400, of which 5,316,239 financed through ministerial resources and purchase of 8 meters minibuses, for Euro 951,000;
 - Purchase of “Leonardo” trains for the M2 metro line, for Euro 39,485,854;
 - purchase of trolley buses, for Euro 7,610,100;
 - purchase of bi-directional trams for urban service, for Euro 4,027,280, of which Euro 2,416,368 is financed through ministerial resources and purchase of bi-directional trams for interurban service, for Euro 2,013,640, of which Euro 1,600,038 is financed through regional resources;
 - The general revision and modernization of the traditional trains of the M3 metro line, amounting to Euro 5,692,759;

- revamping “4900” tramway carriages and general overhaul of “1928” and “4700” tramway carriages for Euro 4,559,950;
 - purchase of hybrid diesel-electric buses, for Euro 1,057,170 , of which Euro 197,500 financed by regional calls;
 - service vehicles for Euro 1,010,380;
- The modernization of installations and infrastructures including:
- Renovation of power supply and electric traction systems for the upgrading of the M2 metro line, for Euro 6,765,943, of which Euro 3,923,540 funded through ministerial resources;
 - realization of power/charging systems for electric vehicles at the warehouses and terminal in the city, for Euro 6,711,016;
 - extraordinary maintenance interventions of the depots, for Euro 2,384,126;
 - modernization and upgrading of network and computer equipment, for Euro 2,002,211;
 - new equipment for the magnetic - electronic ticketing system, for Euro 878,752;
 - Modernization of TVCC and AVM systems installed on board ground vehicles., for Euro 704,647, of which Euro 211,095 funded through ministerial resources;
 - Evolutionary maintenance and new features operating room MM for Euro 611,185
 - Signaling /cbct systems for Leonardo M1 trains, for Euro 492.141;
 - Passenger counting system with infrared sensors type T.O.F. for Euro 264,760;
 - Pit lathe for reprofiling wheels deposit Gallarate for Euro 244,404;

During the year, assets with an historic cost of Euro 109,300,653 and an accumulated depreciation of Euro 94,422,589 were disposed/written-off. The capital gains realized during the period amounted to Euro 87,698 and mainly related to the sale of 27 trolley buses Solaris. In relation of the disposal of metropolitan trains no longer used in the transport service, the allowance for doubtful accounts recorded in the previous years for Euro 14,375,156 was write-downs. The transaction did not have any effect on the income statement as described under the item “*other operating costs and charges*” (Note 34) since due to the recognition of losses on 14,375,156 Euros it was write-down the allowance for doubtful accounts for the same amount.

In the course of the financial year 2020, the analyzes on the technological obsolescence of the rolling stock continued and consistent with the renewal and exit programs of some rolling stock, *the impairment analysis was carried out* on the metropolitan rolling stock. The analysis showed that 6 trains on the M2 metro line and 3 trains on the M3 metro line can no longer be used in the transport service and therefore a depreciation of Euro 17,129,248 has been recorded. The non-recurring effect of the provision was recognized in the income statement under “*depreciation and impairment losses*” (Note 35).

In addition, the “*land and buildings*” fund was used to cover Amortization's shares in the period of Euro 25,600 euro.

The “Depreciation” recorded in the Income Statement is adjusted by the portion of grants to cover investments for the year, amounting to Euro 35,599,995.

The plant grants per financing body are detailed as follows:

- Euro 13,418,007 from the Lombardy Region;
- Euro 12,949,919 from the State;
- Euro 9,226,579 from the Municipality of Milan;
- Euro 5,490 from private parties.

The “*Property, plant and equipment*” purchased with regional cofinancing are subject to requirements of inalienability pursuant to Presidential Decree 14795/2003 and subsequent amendments and additions. The following is a detail of the restrictions provided by the legislation:

- city buses: 8 years;
- suburban and intercity buses: 10 years;
- trolley buses: 15 years;
- underground trains and trams: 30 years;
- technologies: 7 years;
- infrastructure: 30 years.

For the automotive rolling stock co-financed by the Lombardy Region with the 2009 allocation plan, pursuant to Laws no. 296/2006 and no. 133/2008, the inalienability requirements refer to the entire useful life of the bus set, unless otherwise stated in the Service Contracts, in 15 years as specified by D.G.R. no. IX/4619 of December 28, 2012.

The residual net value of the “*Property, plant, and equipment*” recorded in respect of financial leasing contracts is equal to Euro 10,085,516 (Euro 10,231,683 as at December 31, 2019).

Given that the properties are valued at the restated *fair value criteria*, management has entrusted a leading independent third-party operator, also for the financial year 2020, with the task of carrying out an analysis aimed at providing an update on the development of the real estate market. The analysis showed that there were no significant changes in the individual reference markets, taking into account the use destinations to which the individual properties of the Company belong. In addition, the Company has noted that the exercise of the *impairment* test described below has shown the record keeping of the book values of the associated assets.

As already mentioned, the COVID-19 pandemic was an exogenous trigger event for the Company to make it necessary to carry out an *impairment test*. As recommended by ESMA and in accordance with the requirements of the International Accounting Standard IAS 36 concerning the recoverability of net invested capital. The *impairment test* was carried out, with reference to the financial statements of ATM S.p.A., considering the Company as a single *cash generating unit* related to “*local public transport and complementary services*”. The recoverable amount, considered as value of use, is determined by the application of a multi-scenario analysis that considered three alternative scenarios, with a different degree of probability of occurrence, while the expected future cash flows used in this analysis were derived from the Industrial Plan 2021 – 2037:

- First scenario, based on the assumption of an extension of the current service contract until the end of 2022 and subsequent continuation of the concession activities following the award of the TPL tender according to three different developments: (I) perpetual renewal, (ii) renewal for a period of only 15 years and subsequent disposal of the assets and liabilities for their net carrying amount (iii) renewal for a period of 15 years plus further 15 years and subsequent disposal of the assets and liabilities for their net carrying amount. The expected future cash flows used for this scenario have

been taken from the Industrial Plan 2021 – 2037 (period corresponding to the extension of the service contract or the expected renewal in continuity of concession and more detailed in the management report referred to), This includes – in addition to the effects COVID-19 – prudent assumptions of revenue and cost developments on the basis of historical trends and with the introduction of certain expected effects of operating lever efficiency that are reasonably achievable.

- Second scenario, based on the assumption of an extension of the service contract until the end of 2022 and its interruption in the event of the award of the TPL tender to a third party. This scenario assumes the perpetual rent to the new operator of the fixed-driving rolling stock, of the installations and the sale of the buses.
- Third scenario, based on the assumption of an extension of the service contract until the end of 2022 and its interruption in the event of the award of the TPL tender to a third party. This scenario assumes the disposal of assets and liabilities for their net carrying amount outstanding as at December 31, 2022.

This procedure for the determination of the losses of value of tangible and intangible assets and investments involved – in estimating the value of use – the definition of the multi-scenarios mentioned above and the use of the industrial plan, which are based on a set of assumptions and assumptions relating to events Future actions and actions of the administrative bodies and the competent regulatory bodies of the TPL services, which will not necessarily take place.

In fact, the assumptions concerning future developments and the consequent forecast data used for the execution of *the impairment test* are characterized, given their predictive nature, by a certain degree of uncertainty and, therefore, it cannot be excluded that the occurrence of future results other than those estimated may require any adjustment of the value of tangible, intangible and financial assets entered in the balance sheet. In this context, *the sensitivity analysis*– carried out with reference both to flow discount rates, to volumes and margins, as well as to the probabilization of scenarios – highlights possible devaluations as a function of a worsening of these variables.

It is also recalled that the post-tax WACC, which takes account of the specific risks of the asset and reflects current market assessments of the cost of money, has been used as the discount rate for the discounting of future cash flows, on the basis of a weighting between the cost of debt and the cost of equity, based on the values of comparable groups and which are subject to impairment as they operate in the same sector of activity. The WACC value thus determined was 4.17%.

On April 21, 2021, the above was presented to the Board of Directors, which approved the assumptions, scenarios and results of *the impairment test*. On the basis of this industrial plan and the multi-probabilized scenarios prepared according to the expectations of the management, economic and financial projections consistent with medium-long-term investment planning have been developed. These projections have been revisited on the basis of the events already recorded and of the impacts that are believed to result in the short to medium term and which by their nature are necessarily uncertain. *The impairment test* confirmed the entry value of the net invested capital in the separate annual financial statements as at December 31, 2020; the *test cover* reached makes it possible to consider reasonably recoverable the aforementioned entry value even in the event of divergence of the final data with respect to the forecasts within areas of variability confirmed by historical experience.

8. Intangible assets

The value of “*intangible assets*” as at December 31, 2020 amounted to Euro 2,365,880 and is detailed as follows:

	12.31.2020	12.31.2019
Software Licenses	2,365,880	2,281,602
Total	2,365,880	2,281,602

The following table shows the changes during the year and in the previous year.

Intangible assets	Software Licenses	Intangible assets in progress	Total
Historical cost	6,403,599	-	6,403,599
Accumulated amortisation	(4,121,998)	-	(4,121,998)
Net book value as at 12.31.2019	2,281,602	-	2,281,602
Historical cost			-
<i>Investments and acquisitions in the year</i>		1,004,962	1,004,962
<i>Transfers to intangible assets</i>	1,004,962	(1,004,962)	-
Accumulated Amortisation			
<i>Amortisation of the year (note 35)</i>	(920,684)		(920,684)
Historical cost	7,408,561	-	7,408,561
Accumulated amortisation	(5,042,681)	-	(5,042,681)
Net book value as at 12.31.2020	2,365,880	-	2,365,880

Intangible assets	Software Licenses	Intangible assets in progress	Total
Historical cost	5,543,869	154,194	5,698,063
Accumulated amortisation	(3,123,723)	-	(3,123,723)
Net book value as at 12.31.2018	2,420,147	154,194	2,574,341
Historical cost			-
<i>Investments and acquisitions of the year</i>		678,216	678,216
<i>Transfers to intangible assets</i>	859,730	(859,730)	-
<i>Disposals, sales and reclassifications</i>		27,320	27,320
Accumulated Amortisation			
<i>Amortisation of the Year (Note 35)</i>	(998,275)		(998,275)
Historical cost	6,403,599	-	6,403,599
Accumulated amortisation	(4,121,998)	-	(4,121,998)
Net book value as at 12.31.2019	2,281,602	-	2,281,602

Software licenses amounting to Euro 2,365,880 relate to operational management systems.

During the year, investments related to “*intangible assets*” amounted to Euro 1,004,962 and related entirely to the purchase of software.

For the analysis of the recoverability of intangible assets, see note 7 above.

9. Right of use for leased assets

During the year, rights of use for leased assets were recorded for Euro 5,765,644, as detailed below.

	12.31.2020	12.31.2019
Equipment	185,442	258,616
Buildings	517,072	706,658
Vehicles	4,350,798	4,811,074
IT equipment	684,959	434,571
Others	27,373	291,053
Total	5,765,644	6,501,972

The following table shows the changes during the financial year and the previous one.

Rights of use for leased assets	Rights of use for leased assets					
	Equipment	Buildings	Vehicles	IT equipment	Other assets	Total
Historical cost	331,790	1,089,642	5,618,922	468,690	535,465	8,044,509
Accumulated Amortisation	(73,174)	(382,983)	(807,848)	(34,120)	(244,412)	(1,542,537)
Net book value as at 12.31.2019	258,615	706,659	4,811,074	434,570	291,053	6,501,972
Historical cost						
<i>Right of use acquisitions of the year</i>		108,984	836,106	344,586		1,289,676
Accumulated Amortisation						
<i>Amortisation of the year (note 35)</i>	(73,174)	(298,570)	(1,296,382)	(94,198)	(263,679)	(2,026,003)
Historical cost	331,790	1,198,626	6,455,028	813,276	535,465	9,334,185
Accumulated Amortisation	(146,348)	(681,554)	(2,104,230)	(128,317)	(508,092)	(3,568,541)
Net book value as at 12.31.2020	185,442	517,072	4,350,798	684,959	27,373	5,765,644

Rights of use for leased assets	Rights of use for leased assets					
	Equipment	Buildings	Vehicles	IT equipment	Other assets	Total
Recording of rights of use for leased assets as at 01.01.2019	331,790	1,080,721	197,647	448,824	101,025	2,160,007
Historical cost						
<i>Right of use acquisitions of the year</i>		8,921	5,421,275	19,866	434,440	5,884,502
Accumulated Amortisation						
<i>Amortisation of the Year (Note 35)</i>	(73,174)	(382,983)	(807,848)	(34,120)	(244,412)	(1,542,537)
<i>Disposals, sales and reclassifications</i>						-
Historical cost	331,790	1,089,642	5,618,922	468,690	535,465	8,044,509
Accumulated Amortisation	(73,174)	(382,983)	(807,848)	(34,120)	(244,412)	(1,542,537)
Net book value as at 12.31.2019	258,616	706,659	4,811,074	434,570	291,053	6,501,972

10. Investments

The “Investments” amounts to Euro 32,622,687 as at December 31, 2020 and are detailed as follows:

	12.31.2019	Increases	Decreases	12.31.2020
Subsidiaries				
ATM Servizi Diversificati S.r.l.	100,000			100,000
GE.SAM S.r.l.	20,000			20,000
International Metro Service S.r.l.	357,000			357,000
Nord Est Trasporti S.r.l.	715,631			715,631
Rail Diagnostics S.p.A.	13,000,000			13,000,000
Total subsidiaries	14,192,631	-	-	14,192,631
Associates				
CO.MO Fun&Bus S.C.A.R.L	4,000			4,000
Consorzio SBE	45,000			45,000
Metro 5 S.p.A.	10,660,000			10,660,000
Movibus S.r.l.	1,618,562	359,694		1,978,256
Total associated	12,327,562	359,694	-	12,687,256
Other companies				
SPV Linea M4 S.p.A.	5,404,000	338,800		5,742,800
SPM4 S.c.p.A. in liquidazione	25,200		(25,200)	-
Total other companies	5,429,200	338,800	(25,200)	5,742,800
Total	31,949,393	698,494	(25,200)	32,622,687

The increases for the period refer to the following:

- For Movibus S.r.l. to the restoration, within the limits of the original purchase cost, of the value of the investment representing the share of equity owned to ATM S.p.A. for Euro 359,694;
- For SPV line 4 S.p.A. to the capital increases paid on January 30 and October 19, 2020 respectively.

The decrease in the period refers to the investment in the Consortile project for shares M4 which, following the conclusion of the liquidation process, on September 10, 2020 repaid the paid-up share capital.

The recoverability of the value of the investments in Metro 5 S.p.A. and SPV Line M4 S.p.A. has been the subject of *impairment tests* in the context of the TPL cash generating unit and the complementary activities, as described in Note 7. As regards the recoverability of the value of the equity investments in Net S.r.l. and Rail Diagnostics S.p.A., these two values were the subject of a specific *impairment test* in the context of the cash generating unit relating to the TPL of the long-distance area and the cash generating unit relating to the other activities, respectively.

The following is information on the investee companies, whose financial statements figures to the latest available financial statements (in thousands of euros):

Group Company	Registered Office	Group Holding %	Book Value	Equity share	Equity	Profit/Loss	Equity share pertaining to the group
ATM Servizi Diversificati S.r.l.	Milan, Foro Bonaparte, 61	100	100	100	430	(282)	430
GE.SAM S.r.l.	Milan, Foro Bonaparte, 61	100	20	20	515	41	515
International Metro Service S.r.l.	Milan, Via Monte Rosa, 89	51	357	700	4,869	7,821	2,483
Nord Est Trasporti S.r.l.	Milan, Via Monte Rosa, 89	100	716	925	6,126	217	6,126
Rail Dignostics S.p.A.	Milan, Via Teodosio, 125	97,27	13,000	5,500	12,843	274	12,492
Metro 5 S.p.A.	Milan, Via Adige, 19	20	10,660	53,300	(9,429)	2,061	(1,886)
SPV Linea M4 S.p.A. *	Milan, Piazza Castello, 3	2,33	5,404	58,800	203,251	1,011	4,736
CO.MO. Fun&Bus S.c.a.r.l	Como, Via Asiago, 16/18	20	4	20	20	-	4
Consorzio SBE	Milan, Piazzale Cadorna, 14	45	45	100	100	-	45
Metrofil S.c.a.r.l.	Rome, Via Genova, 23	25,44	-	10	-	-	-
Movibus S.r.l.	Milan, Piazza Castello, 1	26,18	1,978	780	12,956	1,374	3,392

* for all companies, the values refer to the financial statements for the year 12.31.2020 with the exception of SPV line M4 S.p.A., the values of which refer to the financial statements for the year 12.31.2019, since the company has benefited from the possibility of approving the 2020 financial statements within the period of 180 days.

ATM Servizi Diversificati S.r.l.

The company is responsible for the management of transport services for people and goods both by road and by rail in the rental and diversified services sector such as restaurant trams and tourist services.

Partners

ATM S.p.A.	Percentage of ownership	100%
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Book Value Euro 100,000

Income statement

Loss of year Euro (281,762)

Balance sheet

ASSETS		EQUITY & LIABILITIES	
Net Fixed Assets	211,086	Equity	430,181
Inventory	-	Provisions	4,448
Receivables	378,858	Employee termination indemnities	116,429
Financial assets that do not constitute Fixed Assets	853,235	Payables	893,057
Cash and cash equivalents	927		
Accruals and Deferrals	9	Accruals and Deferrals	-
Total Assets	1,444,115	Total Equity & Liabilities	1,444,115

It should be noted that the Company's balance sheet, equal to Euro 430,181 and including the loss of the year of Euro 281,762, does not comply within the scope of Article 2482 bis of the Civil Code.

GeSAM S.r.l.

The company offers consulting services in the insurance sector, including all related specialist assistance intended for the investigation and settlement of claims, excluding insurance brokerage activities.

Partners

ATM S.p.A.	Percentage of ownership	100%
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Book Value Euro 20,000

Income statement

Profit for the year Euro 41,161

Balance sheet

ASSETS		EQUITY & LIABILITIES	
Net Fixed Assets	-	Equity	514,819
Inventory	-	Provisions	-
Receivables	107,762	Employee termination indemnities	185,944
Financial assets that do not constitute Fixed Assets	755,062	Payables	166,103
Cash and cash equivalents	500		
Accruals and Deferrals	3,542	Accruals and Deferrals	-
Total Assets	866,866	Total Equity & Liabilities	866,866

International Metro Service S.r.l.

The company is responsible for the management of transport services for people and goods with the related planning and operational organization activities, all in order to execute contracts for the operation and maintenance of metro systems.

Partners

ATM S.p.A.	Percentage of ownership	51%
Hitachi Rail STS S.p.A.	Percentage of ownership	49%

Book Value Euro 357,000

Income statement

Profti for the year Euro 7,821,026

Balance sheet

ASSETS		EQUITY & LIABILITIES	
Net Fixed Assets	4,260,854	Equity	4,689,657
Inventory	-	Provisions	-
Receivables	6,021	Employee termination indemnities	-
Financial assets that do not constitute Fixed Assets	-	Payables	158,146
Cash and cash equivalents	578,684		
Accruals and Deferrals	2,244	Accruals and Deferrals	-
Total Assets	4,847,803	Total Equity & Liabilities	4,847,803

Net S.r.l.

The company is responsible for the management of transport services for people, goods and information with the related planning and operative organization activities, as well as the services related and connected to the transport activity and mobility in general.

Partners

ATM S.p.A.	Percentage of ownership	100%
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Book Value	Euro 715,631
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Income statement

Profit for the year	Euro 216,655
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Balance sheet

ASSETS		EQUITY & LIABILITIES	
Net Fixed Assets	10,789,586	Equity	6,125,986
Inventory	49,261	Provisions	1,517,248
Receivables	10,036,319	Employee termination indemnities	2,740,844
Financial assets that do not constitute Fixed Assets	-	Payables	10,737,547
Cash and cash equivalents	332,903		
Accruals and Deferrals	846	Accruals and Deferrals	87,290
Total Assets	21,208,915	Total Equity & Liabilities	21,208,915

Rail Diagnostics S.p.A.

The Company's main activity is the design, construction, maintenance and integrated diagnostics of plants and tramway control systems.

Partners

ATM S.p.A.	Percentage of ownership	97.27%
SIAI Real Estate Agricultural and Fish Services S.r.l.	Percentage of ownership	2.73%

Book Value Euro 13,000,000

Income statement

Profit for the year Euro 274,409

Balance sheet

ASSETS		EQUITY & LIABILITIES	
Net Fixed Assets	3,208,221	Equity	12,842,675
Inventory	-	Provisions	13,867
Receivables	3,265,286	Employee termination indemnities	684,440
Financial assets that do not constitute Fixed Assets	7,816,602	Payables	1,148,435
Cash and cash equivalents	389,475		
Accruals and Deferrals	9,833	Accruals and Deferrals	-
Total Assets	14,689,417	Total Equity & Liabilities	14,689,417

As previously mentioned the book value of the subsidiary is higher than its share of equity in view of the profitability prospects of the subsidiary and is based on the results of the impairment test carried out.

11. Non-current financial assets

“Non-current financial assets” amounted to Euro 24,426,326 as at December 31, 2020 and are entirely represented by “Loans and receivables”:

	12.31.2020	12.31.2019
Loans and receivables	24,426,326	24,911,555
Metro 5 S.p.A.	12,602,508	17,261,985
SPV Linea M4 S.p.A.	8,808,611	5,845,227
Coop S.E.D. ATM/S.C.C.A.T.I.	1,084,582	1,161,783
Financial receivables from third parties	1,930,625	642,560
Total	24,426,326	24,911,555

The “loans and receivables” as at December 31, 2020 are as follows:

- Subordinated shareholder’s loan for Euro 12,602,508 granted to Metro 5 S.p.A, of which Euro 12,230,357 in principal, Euro 485,673 in interest and Euro 113,522 of cumulative negative effect related to the valuation at *fair value* measurement. On April 29, 2020, Metro 5 S.p.A. repaid Euro 5,418,404 in full as principal and interest repayment. In 2020, the interest accrued amounted to Euro 808,165 and the effect related to the *fair value* measurement was negative and equal to Euro 49,238.
- Subordinated shareholder’s loan for Euro 8,808,611, paid to SPV line M4 S.p.A, of which Euro 7,023,154 in principal, Euro 1,025,108 euros in interest and Euro 760,349 in cumulative positive effect related to the *fair value* measurement. In 2020, the interest accrued amounted to Euro 352,349 and the effect related to the *fair value* measurement was positive and equal to Euro 534,135. Interest on the subordinated loan will be collected, as contractually agreed, as defined in the economic and financial plan approved in September 2019;
- Loans for Euro 1,084,582 granted to construction cooperatives SED-ATM and SCCATI for social housing projects; of which Euro 1,232,000 in principal and Euro 147,418 in cumulative negative effect related to the *fair value* measurement. In 2020, the effect related to the *fair value* measurement was positive and equal to Euro 22,799;
- advances paid to suppliers for works of Euro 1,930,625 paid pursuant to art. 35 of Legislative Decree 50/2016.

Changes during the year are listed below:

	12.31.2019	Repayments	Payemnts	Accrued interests	IFRS 9	12.31.2020
Metro 5 S.p.A.	17,261,985	(5,418,404)		808,165	(49,238)	12,602,508
SPV Linea M4 S.p.A.	5,845,227		2,076,900	352,349	534,135	8,808,611
Coop S.E.D. ATM/S.C.C.A.T.I.	1,161,783	(100,000)			22,799	1,084,582
Third parties	642,560		1,288,065			1,930,625
Total	24,911,555	(5,518,404)	3,364,965	1,160,514	507,696	24,426,326

The following table shows the cumulative gross tax effect of the non-current financial assets impairment:

	Equity at 01.01.2019	Economic Result 2019	Total
Metro 5 S.p.A.	107,464	(171,747)	(64,283)
SPV Linea M4 S.p.A.	39,872	186,342	226,214
Coop S.E.D. ATM/S.C.C.A.T.I.	(194,466)	24,249	(170,217)
Total	(47,130)	38,844	(8,286)

	Equity at 01.01.2020	Economic Result 2020	Total
Metro 5 S.p.A.	(64,283)	(49,238)	(113,522)
SPV Linea M4 S.p.A.	226,214	534,135	760,349
Coop S.E.D. ATM/S.C.C.A.T.I.	(170,217)	22,799	(147,418)
Total	(8,286)	507,696	499,409

12. Deferred Tax assets

	12.31.2020	12.31.2019
Deferred Tax Assets	52,986,313	70,621,406
Total	52,986,313	70,621,406

Deferred tax assets of Euro 52,986,313 are calculated in relation to the amount of temporary differences with reference to taxed funds. As explained and motivated in the Management Report, in the course of 2020, advance taxes on tax losses in previous years were issued for a total of Euro 13,610,000 and advance taxes on tax risk funds allocated in previous years for a total of Euro 6,272,894, since on the basis of new and more up-to-date assessments, no positive tax charges are expected for the years 2021 and 2022, also as a result of the effects of COVID-19. The temporary differences, which generated the deferred tax assets, are illustrated below:

	Deferred tax assets as at 12.31.2019	Recognized in P&L	Recognized in Equity	Deferred tax assets as at 12.31.2020
Tax Losses	13,610,000	(13,610,000)		-
Provisions for risks	53,502,520	(6,272,894)		47,229,626
Employee termination indemnities valuation	2,021,427	-	2,627,499	4,648,926
Fair value Financial Assets	(39,237)	(37,077)	(88,171)	(164,485)
<i>Impairment Financial Assets</i>	(95,401)	(32,675)	(88,171)	(216,247)
<i>Impairment Financial Receivables</i>	15,428	12,068		27,497
<i>Impairment Commitments and Securities</i>	5,337	(936)		4,401
<i>Impairment Cash and Cash Equivalents</i>	35,210	(15,346)		19,864
<i>Impairment of Trade Receivables</i>	189	(189)	-	-
Plant and Machinery	1,526,695	(254,449)		1,272,246
Total	70,621,406	(20,174,421)	2,539,328	52,986,313

The IRES (corporate income tax) losses of ATM S.p.A. resulting from the last tax return submitted, tax year 2019, amounted to Euro 864,382, which can be fully deducted, and Euro 52,066 thousand, which can be partially deducted.

Even considering the taxes attributable to 2020, the value of the losses carried forward for the tax year 2020 does not change, as the losses reported are transferred to the Consolidated Financial Statements according to the existing Group contract.

13. Other receivables and non-current assets

At December 31, 2020, no receivables due for more than 12 months were recorded. As of December 31, 2019, the item included the debt of more than 12 months for State grants for installations related to the acquisition of trains of the M1 underground line under the “*Accessibilità Fiera Milano*” project. The receivables, maturing in 2021, is a guarantee of the loan granted by the Cassa Depositi e Prestiti, recorded for an equal amount under liabilities “*Non-current and current financial liabilities*” (Note 22). The residual credit as at December 31, 2020 is exposed under “*other receivables and current assets*” (Note 18).

14. Inventory

The balance of “*inventory*” as at December 31, 2020 is as follows:

	12.31.2020	12.31.2019
Consumable maintenance materials	116,510,772	111,466,804
Fuel	649,862	698,183
Other materials	1,031,674	946,041
Total Inventory	118,192,308	113,111,028
Inventory obsolescence provision	(35,044,590)	(29,916,290)
Total Net Inventory	83,147,718	83,194,738
Advances	1,229,965	976,775
Total	84,377,683	84,171,513

Inventory, gross of “*supplier advances*” and “*obsolescence provision*”, increased by Euro 5,081,280 compared to December 31, 2019; the change is mainly due to the increase in metro-travel equipment material necessary for the internalization program of maintenance activities on underground trains. Consumables materials mainly concern supplies required for maintenance and repair on the rolling stock.

Following the process of recognition of the assets in stock, obsolete assets were disposed of for Euro 1,214,209 and the “*Inventory obsolescence provision*” established in previous years for this purpose was utilized for the same amount. As at December 31, 2020, in order to adjust the value of the provision to the changed inventories, a provision of Euro 6,342,510 was recognized, having considered on the one hand the goods with a low turnover rate and on the other the results of the analyzes carried out in order to evaluate the obsolete stock for disposal to be put in alienation with reference mainly to the vehicles for which it is assumed the disposal from the service and in coherence with the maintenance requirements.

The movements in the “obsolescence provision” are shown below.

	12.31.2019	Increases	Decreases	12.31.2020
Inventory obsolescence provision	29,916,290	6,342,510	(1,214,209)	35,044,590
Total	29,916,290	6,342,510	(1,214,209)	35,044,590

The provision of “Inventory obsolescence provision” is included in the income statement’s account “Purchases of goods and changes in inventory” (Note 30).

15. Current financial assets

	12.31.2020	12.31.2019
Current financial assets	221,218,802	247,989,974
Total	221,218,802	247,989,974

Current financial assets as at December 31, 2020 are composed as follows:

- “Held to collect & Sell” government securities classified as FVTOCI for Euro 7,967,253 whose *fair value* changes continue to be recognized with a contra-entry in the equity reserve (recognized in the OCI) until they are realized or reclassified;
- “Held to collect & Sell“ corporate bonds classified as FVTOCI for Euro 71,289,085 whose changes in *fair value* continue to be recognized in return for the reserve of net assets (recognized in the OCI) until they are realized or reclassified;
- “Other” Corporate bonds classified as FVTPL for Euro 4,815,552 whose changes in *fair value* are recognized in the income statement and contribute to the economic result of the year;
- “Other” Shares of OICR classified as FVTPL for Euro 126,110,000 whose changes in *fair value* are recognized in the Income Statement and contribute to the economic result for the year.

The item also includes the investment in a Savings Coupon for Euro 10,052,553, including interest accrued in the period of Euro 52,553 and the credit to the subsidiary Net S.r.l. for Euro 984,359, represented by *cash pooling* credit in the context of the cash management of the ATM Group for a maximum ceiling of Euro 20 million.

The net change from December 31, 2019 is attributable to the movements of the portfolio of invested assets and to the management of the portfolio. The analysis of portfolio movements is presented in the Statement of cash flows to which reference is made.

16. Current Tax Assets

The balance of the item “Current Tax Assets” as at December 31, 2020 is composed as follows:

	12.31.2020	12.31.2019
Receivables from Withholding Taxes	15,566,962	14,126,846
IRAP Receivable from IRES DL 211/2011	-	562,746
Receivables for advanced Taxes (IRAP)	2,246,153	2,246,153
Total	17,813,115	16,935,745

The “Receivables from withholding tax”, of Euro 15,566,962 refers to receivables for withholding tax incurred.

The “IRAP Receivable from IRES D.L. 201/2011”, refers to the recognition of the deductibility for IRES purposes of the IRAP to expenses for employees and equivalent, pursuant to D.L. 201/2011, and to the related refund request submitted for the years 2007/2011, was fully collected during the first half of 2020.

“Receivables for advances on taxes (IRAP)” are equal to Euro 2,246,153 and refer to the amount of advance payments in excess the income tax matured in the year 2020.

17. Trade receivables

“Trade receivables” as at December 31, 2020 has a balance of Euro 151,003,723 euro composed as follows:

	12.31.2020	12.31.2019
Receivables from third parties	21,193,994	28,384,867
Receivables from related parties	129,809,729	136,937,208
Receivables from <i>parent company</i>	121,882,599	126,042,010
Receivables from <i>subsidiaries</i>	4,960,533	6,172,267
Receivables from <i>associates</i>	2,720,151	4,063,531
Receivables from <i>subsidiaries of the parent company</i>	246,446	659,400
Total	151,003,723	165,322,075

The “Receivables from third parties” mainly refer to receivables from Italian and European Union entities and refer to services provided for advertising, sponsorship and rental of the commercial spaces in metro stations. The decrease compared to December 31, 2020 of Euro 7,190,873 is mainly due to lower credit claims for IVOL and IVOP by Trenord S.r.l.

The receivables are shown net of the specific provision for doubtful debts, which at December 31, 2020 amounted to Euro 13,113,671 (Euro 13,422,321 as at December 31, 2019), allocated to cover doubtful debts and receivables on which legal action has been taken

Movements in the Allowance for doubtful accounts are as follows:

	12.31.2019	Increases	Utilisations	12.31.2020
Doubtful debt provision	13,422,321	141,022	(449,672)	13,113,671
Total	13,422,321	141,022	(449,672)	13,113,671

During the financial year, the provision was adjusted by Euro 141,022 and released to Euro 449,672 for new and more complete information on the status of some creditors, with the inclusion of these amounts under “*other operating costs and charges*” (Note 34).

“*Receivables from related parties*” include:

- “*receivables from parent company*” for Euro 121,882,599 (Euro 126,042,010 as at December 31, 2019) net of the specific doubtful provision which, at December 31, 2020 amounted to Euro 3,062,287. This item in question refers to receivables from the Municipality of Milan, mainly for invoices issued for the consideration of the Local Public Transport Service Contract (TPL) for the months of December 2020 (Euro 52,969,697) and as well as to the guarantee withholdings of the aforementioned contract equal to 5% of the consideration for the month of June 2020 (Euro 3,066,667) and for invoices to be issued for the same case from July to December 2020 (Euro 16,727,273). In addition, credits for invoices issued or to be issued in respect of work carried out on metropolitan and tramway infrastructure and other services, including the implementation of the traffic control system, are included.

At the date of preparation of this financial report, the amount receivable from the Municipality of Milan for the LPT Service Contract has been collected in the amount of Euro 55,757,576.

The changes in “Doubtful debt provision to Parent Company” are reported below:

	12.31.2019	Increases	Utilisations	12.31.2020
Doubtful debt provision to parent company	3,486,778	-	(424,491)	3,062,287
Total	3,486,778	-	(424,491)	3,062,287

During the financial year, the “*Doubtful Debt Provision to parent company*” was provisioned for Euro 424,491 due to new and more precise information on certain specific positions, with recognition of these amounts under “*other operating costs and charges*” (Note 34).

- “*receivables from subsidiaries*” for Euro 4,960,533 (Euro 6,172,267 as at December 31, 2019) which refer to services provide under existing contracts.

	12.31.2020	12.31.2019
ATM Servizi Diversificati S.r.l.	357,414	732,279
GeSAM S.r.l.	51,998	67,475
International Metro Service S.r.l.	83,950	14,603
Metro Service A/S	36,571	61,361
Nord Est Trasporti S.r.l.	4,109,628	5,020,193
Rail Diagnostics S.p.A.	320,972	276,356
Total	4,960,533	6,172,267

- “*receivables from associates*” for Euro 2,720,151 (Euro 4,063,530 as at December 31, 2019) net of the specific write-down provision, which amounted as at December 31, 2020 to Euro 8,899 (Euro 29,796 as at December 31, 2019). The balance is composed as follows:

	12.31.2020	12.31.2019
Co.Mo. Fun&Bus S.c.a.r.l	354,461	262,046
Consorzio SBE	7,000	7,000
Metro 5 S.p.A.	2,341,833	3,757,147
Movibus S.r.l.	25,756	67,133
Total	2,729,050	4,093,326
Doubtful debt provision	(8,899)	(29,796)
Total	2,720,151	4,063,530

Receivables refer to services provided under existing contracts. The receivables toward Metro 5 S.p.A. are significantly reduced both for the lower maintenance services carried out in 2020 and for the collection, following the signature on 13 February 2020 of the “second minutes with proposal for a friendly agreement ex art. 28.1 of the contract for the unit management of the automatic subway of the M5 line of the Milan”, and invoices for extraordinary maintenance services issued in previous years.

During the financial year the “*Doubtful debt provisions vs associates*” was adjusted by releasing the amount of Euro 20,897 due to the collected past due receivables from Movibus S.r.l.. Changes during the year are shown below:

	12.31.2019	Releases	12.31.2020
Doubtfull debt provision vs associates	29,796	(20,897)	8,899
Total	29,796	(20,897)	8,899

The provision of the fund for Euro 114 and the release of Euro 21,011 were posted to the income statement under “*Other operating costs and expenses*” (Note 34).

- “*receivables from subsidiaries of parent companies*” of Euro 246,446 (Euro 659,400 as at December 31, 2019) net of provisions for doubtful accounts, which amounted to Euro 323 as at December 31, 2020. In order to adjust the value of the Allowance for doubtful accounts due from subsidiaries of the parent company, an amount of Euro 768 was been provisioned with counter-entry to the Income Statement under “*Other operating costs and expenses*” (Note 34). The receivables refer to services provided under existing contracts and the decrease compared to the previous year is related to lower performance provided.

18. Other receivables and current assets

The item “Other current receivables *and assets*” as at December 31, 2020 shows a balance of Euro 52,649,709 net of the specific provisions for doubtful accounts, which amounts to euro 688,694 as at December 31, 2020.

	12.31.2020	12.31.2019
Receivables for VAT	1,472,645	-
Receivables for contributions	46,390,296	51,723,307
Other tax Receivables	1,036,450	2,495,818
Prepayments	1,924,453	2,258,916
Other receivables	1,825,865	1,163,772
Total	52,649,709	57,641,813

The most significant reduction, compared to December 31, 2019, is related to “Receivables for *contributions*” following the collection of regional contributions to plants relating to the purchase of hybrid buses.

Below is the details of the item “*Receivables for contributions*”:

- for Euro 26,956,242 (Euro 31,872,537 as at December 31, 2019) to grants by public instructions requested for investments. The grants refer for Euro 23,334,926 for loans and for investments financed by the State, including Euro 9,501,000 for rolling stock, Euro 3,723,709 for safety projects and Euro 10,110,217 for infrastructure; Euro 3,588,816 to receivables financed by the Lombardy Region, of which Euro 2,595,300 for the purchase of buses and Euro 993,516 for on-board safety systems and Euro 32,500 for the bike sharing project financed by the Municipality of Milan;
- Euro 12,183,001 (Euro 12,834,068 as at December 31, 2019) relating to Euro 12,115,780 for contributions to the reimbursement of CCNL renewals ex L.47/2004, L. 5/2005 and L.296/2006, for Euro 63,604 to the “free movement” cards issued to the entitled persons and for Euro 3,617 to the second advance of the contributions provided for in the Decree on the Italian Law 44 of the Italian Legislative Decree 104/2020;
- Euro 7,251,053 (Euro 7,016,702 as at December 31, 2019) to the current quota regarding the state capital plant grant for the purchase of trains on the metro line 1, within the “Milan Trade Fair Accessibility” project.

“*Other tax receivables*” refer to the receivable for fuel excise duty still to be collected for the fourth quarter of 2020 for Euro 897,538 and for Euro 120,000 to the tax receivables due to Art. 1 comms from 184 to 194 L. n. 160 of December 27, 2019 and for Euro 18,912 to tax receivables due to art. 125 Legislative Decree of May 19, 2020 No 34 “*urgent measures in the field of health, support for work and the economy, and social policies related to the epidemiological emergency by COVID-19*”.

“*Prepayments*” refer to insurance premiums and fee-based maintenance services pertaining to the following year, whose financial manifestation took place in the 2020 financial year.

“*Other receivables*” refer to advances paid for injuries on behalf of INAIL, to receivables to employees for subscriptions to members of the family and deposits paid to various entities.

In the course of the year, due to doubtful receivables amounted to Euro 688,694, were provisioned Euro 207,224 in the provision for doubtful accounts with a counter-entry on the Income Statement under “Other operating costs and expenses” (Note 34).

19. Cash and cash equivalents

	12.31.2020	12.31.2019
Cash and cash equivalents	112,845,502	169,715,005
Total	112,845,502	169,715,005

The balance includes current account balances, cash funds, balances of the prepaid company credit card balances, as well as the endowments to the tellers and ticketing machines.

The amounts of “Cash and cash equivalents” are expressed net of the related provision to cover losses amounting to Euro 82,765. In 2020, the provision was released for Euro 63,941.

The decrease in Cash and cash equivalents in 2020 was related to investments and operating expenses incurred in the year which were not fully balanced by the margin generated and the short-term availability draft (“hot money”) for Euro 35 million completed in the year.

20. Discontinued Operation

There were no discontinued operations during the financial year 2020.

21. Equity

The “*Issued Capital*” amounts to Euro 700,000,000 and consists of n. 70,000,000 ordinary shares with a nominal value of 10 euros each. It is fully subscribed and paid. There were no changes during the year and in the previous year and the Municipality of Milan is the sole shareholder.

The item “*Other reserves*” includes the “*Reserve for actuarial gains/(losses) of defined benefit plans*” which includes the effects of the recording in “*other components income*” of net tax effects of the gains/(losses) on defined benefit plans.

The changes shown in the Statement of Other Components of the Income Statement are detailed and described in the “*Statement of Changes in Shareholders’ Equity*”.

It should be noted that the Shareholders’ Meeting of April 15, 2020, approved to carry forward the profit for the year 2019.

The composition of equity with reference to availability and distributability is as follows:

Equity	12.31.2019	12.31.2020	
Share Capital	700,000,000	700,000,000	
Legal Reserve	140,000,000	140,000,000	B
Other Reserves	288,687,647	279,497,066	
<i>Conferment Reserve</i>	19,689,557	19,689,557	A, B, C
<i>Extraordinary Reserve</i>	5,763,772	5,763,772	A, B, C
<i>Rounding Reserve</i>	(1)	-	
<i>FTA Reserve</i>	155,710,246	155,710,246	
<i>Acturial Losses Reserve</i>	(4,731,123)	(13,051,537)	
<i>Property, fair value valuation Reserve</i>	110,598,645	110,598,645	
<i>Held to Collect and Sell Reserve</i>	1,249,790	515,769	
<i>OCI Reserve</i>	406,761	270,614	
Retained Earnings	52,907,983	53,868,390	A, B, C
Net (Loss)/profit of the year	960,407	(70,359,522)	
Equity	1,182,556,037	1,103,005,934	

(*) A: For capital increase; B: For cover losses; C: For distribution to shareholders

The amount of the First Time Adoption Reserve that became available during the year is equal to Euro 126,483,207.

22. Non-current and current financial liabilities

	12.31.2020	12.31.2019
Non-current financial liabilities	276,205,131	294,761,252
Current financial liabilities	65,777,249	28,604,082
Total	341,982,380	323,365,334

The breakdown of financial liabilities by nature and by maturity is as follows:

	Within 12 months	Between 1 year and 5 years	Over 5 years	Total
Financing				
<i>Loan Bei</i>	10,923,043	45,149,211	157,481,420	213,553,674
<i>Bonds</i>		69,404,311		69,404,311
<i>Hot money</i>	35,000,000			35,000,000
<i>Cassa Depositi e Prestiti</i>	7,251,054			7,251,054
Total Financing	53,174,097	114,553,522	157,481,420	325,209,039
Interest rates				
<i>Bonds</i>	525,000			525,000
<i>Hot money</i>	9,842			9,842
Total interest rates	534,842			534,842
Payables for Leasing Liabilities IFRS 16	2,643,411	4,170,189		6,813,600
Payables per Cash Pooling	9,424,899			9,424,899
TOTAL	65,777,249	118,723,711	157,481,420	341,982,380

The amount of Euro 341,982,380 refers to:

- Euro 213,553,674 (of which Euro 10,923,043 current and Euro 202,630,631 not-current) to the drawdowns, net of reimbursements, activated pursuant to the loan agreement for a total of Euro 250,000 thousand underwritten by the European Investment Bank for the financing of the new metro trains of the lines 1 and 2. The loan agreement requires the Company to comply with certain capital and financial parameters. As at December 31, 2019, as in previous years, the *covenants* contractually set by the loan agreement were fully respected. The debt expires entirely on June 30, 2038 and is therefore recorded under the “*Non-current financial liabilities*”;
- Euro 69,929,311 for the bond issued on 8 August 2017 by the Company (of which Euro 69,404,311 relating to the principal portion of the bond issued and Euro 525,000 relating to interest accrued in the period that will be paid at the maturity date), unguaranteed and destined only to qualified investors for a total nominal value of Euro 70 million. The bonds mature on August 8, 2024 and interest is calculated at the fixed annual rate of 1.875 %. It is listed on the Dublin Stock Exchange (ISIN code XS1653969953). On May 8, 2020 the international agency Fitch Ratings, as an automatic consequence of the lowering of the rating of the Italian Republic to BBB- “stable outlook”, also adjusted to the sovereign level the long-term rating of ATM – Azienda Trasporti Milanese, confirmed a long-term rating at ‘BBB’ with a negative outlook and a short-term rating of F3. This assessment was reconfirmed at the end of January 2021. The bond is valued at the amortized cost, which has therefore taken account of the costs incurred and the release costs. The actual and fixed interest rate for the entire duration of the loan shall be considered representative of the market conditions as at December 31, 2020. At the end of the financial year, the Company has the financial resources necessary for the full repayment of the loan as shown in the balance of the Cash and cash equivalents and securities;
- Euro 35,009,842 for the drawing of a short-term “hot money” line, including interest of Euro 9,842;
- Euro 7,251,054 to the loan with Cassa Depositi e Prestiti for aimed at the acquiring the metro line 1 trains within the “*Accessibilità Fiera Milano*” project. The loan, maturing in 2021, is fully

- guaranteed by the State; therefore receivable of the same amount is recorded under “Assets”, which as at December 31, 2020, is fully included in the “*other current assets and receivables*”;
- Euro 6,813,600 as the value of the lease liability recorded the entry into force from 2019 of IFRS 16 *Leases* (of which Euro 2,643,411 due within 12 months and Euro 4,170,189 due over 12 months). During the financial year, the change was due to the entry of new contracts for Euro 1,237,180, the recognition of interest involved for Euro 94,454 and the payment of fees for Euro 1,658,599.
 - Euro 9,424,899 to the debit balance of the cash pooling current account with subsidiaries as illustrated in the table below:

	12.31.2020	12.31.2019
ATM Servizi Diversificati S.r.l.	853,235	1,477,807
GeSAM S.r.l.	755,062	351,052
Rail Diagnostics S.p.A.	7,816,602	6,074,855
Total	9,424,899	7,903,714

For further details about the composition and nature of the receivables, reference is made to Note 40 “*Information concerning intercompany and Related parties relations*”.

With regard to the financing provided by the European Investment Bank (EIB), the Company has subscribed a loan for a total of Euro 250,000,000, of which Euro 235,366,996 at a fixed rate.

The details of EIB drawdowns are shown below:

	Drawdown date	Currency	Initial amount of debt	Amount of repayable debt as of 31/12/2020	Interest rate at 31/12/2020	Maturity
Withdraw 1	29/11/2013	EUR.	14,633,004	11,910,585	0.594% (*)	30/06/2038
Withdraw 2	28/11/2014	EUR.	40,000,000	33,786,831	1.99%	30/06/2038
Withdraw 3	23/04/2015	EUR.	55,366,996	45,912,031	0.96%	30/06/2038
Withdraw 4	15/03/2017	EUR.	70,000,000	61,003,973	1.45%	30/06/2038
Withdraw 5	31/01/2018	EUR.	40,000,000	34,823,002	1.37%	30/06/2038
Withdraw 6	31/01/2018	EUR.	30,000,000	26,117,252	1.37%	30/06/2038
Totals			250,000,000	213,553,674		

(*) variable rate indexed disbursement

The Withdraws are recognized at amortized cost representative of the nominal value as there are no contractual transaction costs, and the effective interest rate was considered for each drawdown, fixed for the entire duration of the loan, representative of the market conditions at December 31, 2020. Similarly, the variable interest rate tranche was recognized for the nominal value as with reference to the forward interest rates, in the medium-term the rate is considered representative of the market conditions.

23. Employee benefits

The defined benefit plans are calculated estimating, with technical actuaries, the amount of the future benefit which the employees matured in the current period and in previous years. The calculation is made by an independent actuary utilizing the “Projected Unit Credit Method”. For the purposes of the calculation of the interest rate or discounting utilized this was taken from the prices at December 31 of each year of the benchmark iBoxx Corporate EUR index with 7-10 year duration and AA rating.

	12.31.2020	12.31.2019
Employee termination indemnities (TFR)	121,605,385	121,436,919
Total	121,605,385	121,436,919

The “TFR”, governed by Article 2120 of the Civil Code, refers to the estimate of the liability, relating to the amount to be paid to employees on the termination of employment. The indemnity, paid in the form of capital, is equal to the sum of the provisions calculated on the remuneration salary accounts based on the employment contract and revalued until the termination of service. Due to the legislative amendments introduced from January 1, 2007 for companies with more than 50 employees, the employee termination indemnity maturing is classified as a defined contribution plan as the obligation of the company is exclusively represented by the payment of the contributions to the pension fund or to the INPS fund. The liability relating to the employee termination indemnities prior to January 1, 2007 represents a defined benefit plan measured based on actuarial techniques. The “TFR” is an unfunded defined benefit plan and therefore there are no assets to service the plan.

The following changes took place in the “TFR” during the year:

	Change
Opening balance	121,436,919
Interest Cost	428,507
Actuarial (gains)/ losses	10,947,913
Paid benefits	(11,207,954)
Closing balance	121,605,385

The amount of employee termination indemnities TFR calculated according to the provisions of Article 2120 of the Civil Code is equal to Euro 104,281,330.

The actuarial loss for the period, equal to Euro 10,947,913, was recorded under other items in the Comprehensive income statement, adjusting the balance of the Employee Termination Indemnities with a contra-entry in an equity reserve and is composed as follows:

	Change
Actuarial (gains)/ losses due to changes in financial assumptions	2,640,594
Actuarial (gains)/ losses due to experience	8,307,318
Total change	10,947,913

With reference to “TFR”, the valuations undertaken by the actuary were made based on the economic/financial and demographic assumptions summarized in the table below:

12.31.2020	
Mortality rate	IPS55 tables
Invalidity rates	INPS-2000 tables
Employee turnover rate	5.81%
Discount rate*	(0.02%)
Increase in salaries	1.50%
Rate of advances	0.64%
Annual inflation rate	0.50%

* Listing on 31/12/2020 of the iBoxx Corporate EUR benchmark index with duration 7-10 and AA rating

The sensitivity analysis on the discount rate represents the change in the value of the actuarial liability obtained with the measurement data at year-end, altering the discount rate, with the other assumptions remaining unchanged:

	0.50%	-0.50%
Employee termination indemnities (TFR)	(6,284,682)	7,062,023

24. Provisions for risks and charges

	12.31.2020	12.31.2019
Provision for disputes and environmental risks	48,380,159	46,657,949
Damage/claims settlement provision	17,296,338	17,510,270
Other provisions	18,338	22,236
Total	65,694,835	64,190,455

Most significant items composing the balance are shown below:

- the “*Provision for disputes and environmental risks*” of Euro 48,380,159, relating to potential liabilities to suppliers, customers, third parties, workers, related parties and the environment, arising from the ordinary management of the company.

During the year, the amount of the provision was updated based on the expected impact of pending disputes and the outcome of completed disputes, as well as a revision of estimates of future environmental charges, resulting in additions of Euro 2,183,112, utilizations for Euro 460,902, as specified below.

Provisions were made in 2020 for:

- Euro 2,003,219 for the ongoing dispute with the carrier Caronte, of which extensive information was given in the Management Report to the section on “*principal outstanding disputes*”;
- Euro 159,893 relating to disputes with employees;
- Euro 20,000 for a dispute with a supplier.

The main movements of use of the provision referto:

- Euro 370,889 for the use for specific maintenance operations carried out at certain company sites and plants;
 - Euro 83,811 t for utilization relating to the settlement of disputes with suppliers;
 - Euro 6,203 for the use relating to the settlement of disputes with employees.
- From the “*claims settlement provision*” for Euro 17,296,338, the value of which is commensurate with the estimate of the compensation to be settled in the coming financial years for damages/claims related to the circulation of the scheduled cars, limited to the risk band not covered by the insurance policies stipulated with the various companies. The assessment of loss-making claims was carried out through the examination of the individual practices as at December 31, 2020.

The value of the provisions indicated above includes the best estimate of legal costs related to litigation.

Changes in provisions for risks and charges are shown below:

	12.31.2019	Increases	Utilisations	Release	12.31.2020
Provision for disputes and environmental risks	46,657,949	2,183,112	(460,902)	-	48,380,159
Damage/claims settlement provision	17,510,270	2,159,066	(2,354,485)	(18,513)	17,296,338
Other provisions	22,236	-	-	(3,898)	18,338
Total	64,190,455	4,342,178	(2,815,387)	(22,411)	65,694,835

Reference should be made to Note 4 “Use of estimates” for considerations on the underlying estimation processes regarding uncertainties on disputes and potential liabilities.

25. Deffered Tax Liabilities

	12.31.2020	12.31.2019
Deferred tax liabilities	46,311,156	47,310,480
Total	46,311,156	47,310,480

The temporary differences giving rise to deferred tax liabilities are summarized below:

	Deferred tax as at 12.31.2019	Recognized in P&L	Recognized in Equity	Deferred tax as at 12.31.2020
Land and buildings - IAS 16	40,495,603	(715,512)	-	39,780,090
Fair value Rolling Stock	6,609,628	(417,475)	-	6,192,153
Fair value Financial Assets	205,249	133,664	-	338,913
Total	47,310,480	(999,323)	-	46,311,156

26. Current Income Tax Liabilities

	12.31.2020	12.31.2019
IRES	-	126,800
Total	-	126,800

At December 31, 2020 no taxes were recorded for IRES and IRAP purposes, while in the previous year the item referred to the IRES payable resulting from the Fiscal Consolidation regime.

27. Trade payables

	12.31.2020	12.31.2019
Payable – third parties	209,191,473	215,134,461
Payable to related parties	32,833,824	68,215,438
<i>Payables to parent company</i>	23,207,193	60,900,908
<i>Payables to subsidiaries</i>	4,784,327	5,723,225
<i>Payables to associates</i>	3,432,747	770,865
<i>Payables to subsidiaries of parent companies</i>	1,409,557	820,440
Total	242,025,297	283,349,899

The amount of Euro 209,191,473 for “Payables to *third parties*” (Euro 215,134,461 as at December 31, 2019) includes payables for invoices not yet settled and payables for invoices to be received for the purchase of materials, services and capitalized assets, mainly to Italian and European Union suppliers. The decrease is mainly due to lower repayments STIBM to some transporters than was due in the previous year.

“*Payables to Related parties*” mainly include “*liabilities to parent companies*”, which at December 31, 2020 had a balance of Euro 23,207,193 (Euro 60,900,908 euro as at December 31, 2019) and are entirely payable to the Municipality of Milan. The decrease is caused by the trend of revenues for travel securities and therefore lower payables for repayments relating to December 2020 compared to the same period of 2019 are recorded.

The balance of the item “*Payables to parent companies*” refers to:

- Euro 12,475,161 (Euro 49,024,614 as at December 31, 2019) to the payable for the repayment to the Municipality of Milan of the revenues deriving from the sale of tickets for the month of December 2020;
- payables for the repayment of the revenues remained to the municipality as defined in the “Sosta Agreement” of April 27, 2017 of which Euro 4,878,573 referred to 2018 and Euro 4,829,715 referred to 2019. For the year 2020, no debt for repayments to the municipality is recorded, since the amount of repayments made in 2020 was less than the minimum amount guaranteed to ATM S.p.A. equal to Euro 18.5 million ;
- penalties on the Service Contract refer to the failure to comply with certain quality standards set as per the contract, of which Euro 241,000 for the year 2018 and Euro 703,695 for the year 2019;
- Euro 22,763 for the sponsorship of the MI-Emob 2018 initiative and Euro 52,496 for the sponsorship of the “Milan to read 2019” initiative;
- Euro 3,799 to the payables for the repayment of Area C revenues for December 2020.

The “*payables to subsidiaries*” showed a balance of Euro 4,784,327 as at December 31, 2020 (Euro 5,723,255 as at December 31, 2019). Amounts refer to services performed under existing contracts. The most significant change compared to the previous year refers to the lower payables for repayments STIBM to the company Nord Est Trasporti S.r.l.

	12.31.2020	12.31.2019
ATM Servizi Diversificati S.r.l.	344,426	251,324
GeSAM S.r.l.	28,164	249,057
International Metro Service S.r.l.	5,098	1,098
Nord Est Trasporti S.r.l.	1,372,099	2,484,220
Rail Diagnostics S.p.A.	3,034,540	2,737,552
Total	4,784,327	5,723,251

“*Payables to associates*” are detailed below:

	12.31.2020	12.31.2019
Co.Mo. Fun&Bus S.c.a.r.l.	18,306	16,221
Consorzio SBE	77,015	-
Metro 5 S.p.A.	1,944	13,827
Movibus S.r.l.	3,335,482	740,817
Total	3,432,747	770,865

They relate to services and services provided under existing contracts. The most significant change compared to the previous year relates to payables for repayments STIBM to Movibus S.r.l.: The increase is due to the invoices relating to the adjustment received from associated companies and not yet paid as at December 31, 2020.

“*Payables to subsidiaries of the parent companies*” amounted to Euro 1,409,557 mainly refer to the payable for the provision of services by MM S.p.A. for Euro 1,402,804.

28. Other payables and current liabilities

	12.31.2020	12.31.2019
Employee payables	46,882,544	44,824,877
Payable to social security authorities	36,264,655	37,309,385
Vacation days not taken	18,692,934	17,709,604
Other tax liabilities	10,587,473	11,191,463
Other payables	5,399,398	3,129,336
Tarsu	214,039	276,805
VAT payable	48,361	1,495,620
Accruals and deferred income	512,739	1,252,808
Other current liabilities	-	3,921,530
Total	118,602,143	121,111,428

The item “*other payables and current liabilities*” amounts to Euro 118,602,143 as at December 31, 2020. The main changes are related to the increase in the item “*employees payables*” which includes the

exodus incentive program for employees close to the maturity of retirement rights and to the item “*other current liabilities*” which decrease as a result of the collection of contributions on behalf of facilities for which in Financial statements drawn up at December 31, 2019 there was a determining amount of contributions from the Authority.

In addition, the changes referred to the item “*vacation days matured but not taken*” to the payables deriving from the economic valuation of the leave not taken by employees, as well as the equivalent of the extraordinary hours worked, which can be used as paid permits and the date of the preparing of the balance sheet not yet used, are reported, and under the item “*other payables*” that includes the 2020 liabilities for travel securities under STIBM to be repaid to other transporters.

Below are the main components of this item:

- For Euro 46,882,544 from payables to employees, the change in which is a consequence of the increase in the number of employees but also to the above-mentioned exodus incentive program;
- For Euro 36,264,655 for payables to INPS, Previdai, INAIL as well as sector pension funds and paid in accordance with normal legal provisions in the initial months of 2021;
- For Euro 18,692,934 employee vacation days matured but not yet taken, as well as the value of extraordinary hours worked, utilizable as leave, not yet taken;
- For Euro 10,587,473 IRPEF withholdings made by ATM as substitute taxes on employee income;
- For Euro 5,399,398 from debts of various kinds including the payables for deposits of Euro 2,102,238 and the payable to the ATM Foundation for contributions and payments of services provided for Euro 325,181. In addition, the item includes Euro 1,729,069 relating to outstanding adjustments to be paid relating to the payables for travel documents as described above;
- Euro 512,739 from deferred income relating to revenues invoiced during the year and pertaining to 2021.

Notes to the income statement

29. Revenue and other income

The value of “*revenues and other income*” is mainly made up of the following items:

- “*Core Business Revenue*” refer to the revenues generated by the Service Contract for the management of the Local Public Transport (TPL) service contracted with the Municipality of Milan, the revenue from the contract for the management of the M5 metro line with Metro 5 S.p.A., revenues from the management of on-street parking and parking areas, towing and custody services; revenues related to other transport services, including the management of the Como–Brunate funicular and THE POMA 2000 light rail service;
- “*Other revenues*”, which include revenues from advertising, property rentals, revenues from services on municipal property, including maintenance services on infrastructure, Area C and Area B;
- “*Other income*”, which mainly includes operating grants, refunds for damages and penalties charged to suppliers.

Revenues are generated in the Italian territory.

	2020	2019
Core business revenue	713,377,316	735,265,305
Other revenue	45,207,603	60,651,483
Other income	64,106,593	72,487,120
Total	822,691,512	868,403,908

The details of “*Core business revenue*” are shown below:

	2020	2019
Revenues from TPL	692,331,265	699,732,915
<i>Corresponding Service Contract Municipality of Milan</i>	663,636,364	668,482,692
<i>Corresponding Service Contract Interurban area</i>	3,681,095	3,628,077
<i>Corresponding Management Contract line 5</i>	23,639,802	23,881,556
<i>Income from fees-interurban area</i>	1,083,663	3,035,992
<i>Special/dedicated transport services</i>	290,341	704,598
Revenues from management of on-street parking services	9,496,716	18,490,000
Revenues from parking management	3,995,744	8,629,689
Revenue from car removal management	2,133,615	2,632,411
Other revenues	5,419,976	5,780,290
Total	713,377,316	735,265,305

“Revenues from *TPL*” amounted to Euro 692,331,265 (Euro 699,732,915 as at December 31, 2019) and decreased by Euro 7,401,650 compared to the previous year.

The main changes in the item “Revenues from TPL” refers to:

- “Corresponding Service Contract Municipality of Milan” down from 2019 for Euro 4,846,328;
- “Line 5 management contract fee”: The decrease compared to the previous year is linked to lower activities of Euro 102,547 and to the definition in 2019 of the dispute with Metro 5 S.p.A. for Euro 139,207;
- “Income from fees-interurban area”: the decrease of Euro 1,952,329 compared to the previous year is linked to lower revenues for the management of the Como – Brunate funicular for Euro 1,647,037 and lower revenues for the management of the light rail system POMA 2000 for Euro 284,834. These variations are the direct consequence of the reduction in sales volumes of travel licenses due to restrictions on the mobility of persons and limitations on the capacity of means imposed by the Italian Government during the whole emergency phase;
- “Special/dedicated transport services”: The reduction of Euro 414,257 is due to the smaller special services provided in 2020 than in the previous year for events or exhibitions.

To complete the analysis of the “revenues from TPL”, it is noted that the services complementary to the Service Contract with the Municipality of Milan decrease by a total of Euro 14,126,025, due to the decline in users caused by the limitations on the mobility of persons and municipal initiatives that suspended the payment of the fees of the services themselves. In particular, the “revenues from management of on-street parking services”, which decreased by Euro 8,993,284, was affected by the two suspensions, the first from March 12 to June 14, 2020 and the second from November 5, 2020 of the paid on-street parking regime. The “revenues from parking management” decrease by Euro 4,633,945 since during the lockdown period only multi-story parking with rates of use close to zero were active; Lastly, there was a reduction in the volumes of the removal activities, which resulted in a reduction in “revenues from car removal management” of 498.796 euros.

The “other revenues” are composed as follows:

	2020	2019
Service revenues-third parties	27,033,459	28,746,918
Advertising and sponsorship revenues	9,837,187	18,448,374
Commercial leases metro stations	5,499,769	6,614,560
Other revenues	2,837,188	6,841,631
Total	45,207,603	60,651,483

“Other revenues” decreased by Euro 15,443,880 compared to the previous year. In particular:

- The “Service revenues-third parties” decrease by Euro 1,713,459 for the lower services carried out for the payment system of Area B and C and the traffic and territory control system;
- The “advertising and sponsorship revenues” decrease by Euro 8,611,187 mainly due to the revision of the terms of the contract with the company that manages the advertising space;
- The “Commercial leases metro station” decreased by Euro 1,114,791 for the revision of the fees due for the 3rd and 4th quarters to compensate for the interruptions of commercial activities as a result of government measures;
- “other revenues” decreased by Euro 4,004,443. The decrease is mainly due to the lower revenues for the sale of magnetic cards of Euro 2,707,623 as a result of both the decrease in sales

of travel licenses due to the COVID–19 pandemic and the transfer of travel licenses from paper to electronic and lower revenues for sale of operating equipment for Euro 1,002,240.

Below is a detail of the item “*other income*”, down by Euro 8,380,527 compared to last year.

	2020	2019
Insurance receivables and costs undertaken for third parties	4,228,592	11,625,467
Income from penalties invoiced to suppliers	6,027,429	4,922,659
Gains on fixed asset sales	87,698	114,460
Grants	51,051,722	50,210,538
Other income	2,711,152	5,613,996
Total	64,106,593	72,487,120

The item “Insurance receivables and costs undertaken for third parties” decreases by Euro 7,396,875. The decrease mainly refers to lower commissions on the sale of travel licenses as a result of the decrease in sales volumes in 2020.

The item “Income from penalties invoiced to suppliers” increases by Euro 1,104,770, as a result of the definition of two settlement agreements with companies supplying of metro and trolley buses material.

The item “Gains on fixed asset sales” refers mainly to the capital gain from the sale of decomposed trolleybuses equal to Euro 87,698 (Note 7).

The item “Grants” for Euro 48,643,855 refers to the contributions for CCNL for the financial year, the amount of which is unchanged from the previous financial year, in accordance with Law No 47 of 27 February 2004 to cover the costs arising from the renewal of the collective employment contract for the two-year period 2002/2003, With Law n° 58 of 22 April 2005 to cover the charges deriving from the renewal of the CCIL two-year period 2004/2005 and with Law n° 296 of December 27, 2006 (Finanziaria 2007) to cover the charges of the renewal of the CCIL two-year period 2006/2007. The residual part, equal to Euro 2,407,867 (Euro 1,635,246 in the previous year), refers to grants for the production of electricity by means of photovoltaic systems and to contributions for the training of personnel and also to the share of contributions relating to the “Ristori Decreti” (D.L. 34/2020 and D.L. 104/2020). For the management of the Como – Brunate Funicular for Euro 381,400.

The decrease in the “*other income*” item, totaling Euro 2,902,844 compared to the previous year, mainly refers to the lower penalties imposed on passengers in 2020 for Euro 1,831,204 and in 2019 for Euro 4,574,758. The reduction is due to restrictions on citizens’ mobility imposed by the measures taken by the authorities during the COVID–19 emergency.

30. Purchases of goods and changes in inventory

	2020	2019
Purchase of goods	68,711,615	76,223,062
Change in inventory	47,019	(5,377,127)
Raw material consumption internal work	(4,052,423)	(6,887,677)
Total	64,706,211	63,958,258

The item, totaling in Euro 64,706,211, includes the purchase costs for the materials required to maintain vehicles and plants, for automotive diesel and travel and parking tickets, as well as changes in inventories net of utilizations and provisions made to the “*Inventory obsolescence provision*”.

The value is adjusted for the consumption of materials for internal work related to extraordinary maintenance interventions on the metro and tram fleet for Euro 4,052,423 (Euro 6,887,677 in 2019).

31. Service Costs

	2020	2019
Maintenance and cleaning costs	113,016,851	91,357,069
Electric traction power	38,287,569	41,016,928
Subcontracted transport services	20,472,047	19,935,218
Utilities	16,058,920	18,455,509
Production and distribution travel tickets	5,663,693	11,903,085
Insurance	6,478,676	6,626,660
Customer services, advertising and marketing	3,206,526	3,826,429
Personnel services	3,177,373	3,434,290
Miscellaneous services	6,110,047	7,630,059
Professional services	4,863,074	6,249,885
Security costs	2,318,492	2,905,426
Total	219,653,268	213,340,558

The item “*Maintenance and cleaning costs*”, increased for Euro 21,659,782 compared to 2019, refers to the interventions of third companies for ordinary and extraordinary maintenance of Euro 83,557,041 (Euro 64,528,340 in 2019) and cleaning services for Euro 29,459,810 (Euro 26,828,729 in 2019) carried out on plants, warehouses, vehicles and offices during the financial year.

The increase in maintenance costs incurred in the year, amounting to a total of 19,028,701 euros, on the one hand, the non-recurring effect of 2019 on the release of the specific environmental fund set aside in previous financial years for euro 10 million, and on the other, on the higher costs incurred for the maintenance of rubber and iron-on-wheels, increased from the year 2019 by euro 5,896,162 as a result of the internalization of maintenance activities following the end of *the full service* maintenance contracts that were owned by the vehicle suppliers and included in the purchase contracts. In addition, the item includes the higher period costs related to maintenance operations carried out on the armament, increased by euro 3,797,371 euros, and the higher costs related to hardware and software maintenance, increased by euro 1,715,313, these were offset in part by the lower costs incurred for interventions on electrical installations, down by euro 1,866,284 compared to the year 2019.

As regards cleaning operations, the most significant increase refers to vehicle cleaning, increased for Euro 2,662,773. This increase is linked to the cleaning, sanitizing and hygienisation of the vehicles that ATM S.p.A. has undertaken since the first days of the COVID-19 pandemic.

In 2020, in response to specific maintenance operations carried out, the specific provisions for environmental risks recorded in previous financial years for Euro 370,889 was used.

The lower charges for “*electric traction power*” equal to Euro 2,729,359, are due both to the lower journeys made during *the lockdown period* and to the lower supply costs.

The item “*subcontract transport services*” includes the fees granted to subcontractors of transport services in the urban area of Milan and the towing service, the increase was due to higher services required according to the operating schedule and to the strengthening of the service during the opening of school education activities in the presence.

The lower charges for “*users*” of Euro 2396,589 are due to lower costs incurred as a result of the closure of offices and *the use of smartworking* and a reduction in the costs of supplying services.

The item “*production and distribution of travel tickets*” refers to the compensation payable to retailers for the sale of travel, parking and parking tickets, Area B and Area C. The decrease in the item, equal to Euro 6,239,392 compared to 2019, is the consequence of the reduction in sales volume due to restrictions on the mobility of persons and limitations on the capacity of the vehicle imposed by the Italian Government throughout the emergency phase.

The item “*Insurance*” refers to the costs related to the insurance business: The savings realized are the result of the reductions achieved during the tender.

The item “*customer services, advertising and marketing*” mainly refers to expenses incurred for communication and information to customers and decreases by Euro 619,903 compared to 2019. The decrease is linked to lower activities for customer support services carried out by toll-free number, call center and lower costs related to the *bike sharing* service. The costs incurred for the production, purchase and application of information material and for the communication and information initiatives implemented in 2020 in order to promote separation and compliance with behavioral norms during the COVID-19 emergency are equal to Euro 1,410,094.

The item “*Personnel Services*” decreased by Euro 256,917 compared to 2019 and refers mainly to costs incurred for medical expenses for legal obligations and for health checks for Euro 1,883,785 (Euro 1,599,164 in 2019) and to costs for training for Euro 754,156 (Euro 1,010,419 in 2019). The decrease is linked, on the one hand, to the lower costs incurred in the period for “*the training of personnel*” reduced by Euro 256,263 for the lower training activities carried out, for the “*Nursery Management*” decreased by Euro 118,757 in consideration of the closing period of the “*Nursery*” in the lockdown period and for travel expenses decreased for euro 181,605. The costs incurred in the context of the health emergency by COVID-19 for Euro 201,638 refer to the carrying out of serological tests for traveling personnel.

The item “*Other Services*” decreased by Euro 1,520,012 compared to 2019 and mainly refers to cost for bank commission of Euro 2,950,085 (Euro 4,325,026 in 2019), to costs for seconded personnel of the Group Companies for Euro 1,174,477 (Euro 1,127,506 in 2019) and to transport and material waste disposal services for Euro 960,095 (Euro 1,390,832 in 2019). The decrease in the item is mainly due to the reduction in bank commissions applied to the sale of travel licenses by electronic payments as a result of the lower sales volumes of travel licenses as a result of the decline in passengers.

The item “*Professional Services*” mainly refers to professional services provided by third parties in the IT, legal, corporate and engineering fields.

The item “*Security Costs*” decreased by Euro 586,934 compared to 2019 and refers to security service incurred to prevent vandalism and ensure the safety of passengers on board the vehicles. During the

financial year 2020, in view of the decline in passengers flow and the consequent reduction in revenue from travel licenses, the collection and transport services of valuables were reduced.

32. Operating leasing costs

	2020	2019
Rental charges	152,577	1,375,186
Vehicle hire	288,621	820,477
Plant and equipment hire	1,361,182	1,225,646
Total	1,802,380	3,421,309

The significant reduction of this item, equal to Euro 1,618,929, it is due to the lack of recognition of the rent for Euro 1,168,750 for management of staging areas to the Board – Municipality of Milan – as a result of the lower parking income in 2020 due to *the lockdown period*. The further decrease of Euro 531,856 derives from the application of IFRS 16 *Leases* to long-term rental contracts for company vehicles concluded after December 31, 2019; these contracts replaced those expiring in the financial year 2019, which were not considered in the first application of this Standard.

33. Personnel expenses

	2020	2019
Wages and salaries	340,918,683	348,202,227
Social security contributions	102,143,312	98,195,792
Post-employment benefits	22,441,481	22,134,473
Other costs	15,393,923	16,087,333
Personnel costs for internal work	(3,610,245)	(4,154,257)
Total	477,287,154	480,465,568

The “*Personnel expenses*” amounted to Euro 477,287,154 include the costs incurred for salaries and social charges, legal provision pursuant to the category contracts, as well as the costs for vacation and hours at the time accrued, but not used in the exercise. The overall decrease of Euro 3,178,414 is due to two main opposing effects: On the one hand, the lower “salaries and wages” for Euro 7,283,544 and, on the other, the higher “social security contributions” for Euro 3,947,520.

The lower “*salaries and wages*” are mainly linked to a reduction in overtime payments, for variable compensation (PDR, MBO) and the use of the bilateral Public Transport Solidarity Fund during *the lockdown period* in March and April 2021, which resulted in a non-recurring benefit of Euro 2,414,472. These effects were offset in part by the increases in remuneration linked to the staff movement and the redundancy incentive program for staff close to the maturation of retirement rights, which resulted in a non-recurring cost of Euro 3,720,214.

The effects described above have also led to a proportional reduction in the contribution components linked to salaries and wages; However, the item “social security contributions” is increased compared to the previous year, since, in 2019, it was influenced by the non-recurring effect of the recognition, in the contribution payment, of the reimbursement of sickness costs for the year 2013 for Euro 5,354,762.

It should be noted that in the year 2020 in implementation of the provisions of the National collective Agreement (art. 38 letter b A.N.28.11.2015), the path to the establishment of the TPL HEALTH Fund has been completed, and a cost relating to the year 2020 and previous years for Euro 352,357 has been reported.

Costs are recognized net of capitalized personnel costs for internal work of Euro 3,610,245 (Euro 4,154,275 in 2019) and refer to the portion of personnel costs capitalized for the extraordinary maintenance carried out on the subway train fleet and trams.

The headcount as at December 31, 2020 was at 9,460 resources (9,396 at December 31, 2019).

ATM	12.31.2019	Hires	Departures	Other changes	12.31.2020
Executives	30	1	(3)		28
Managers	315	3	(8)		310
Clerks	795	19	(40)		774
Operational workers	8,256	482	(391)	(1)	8,348
Total	9,396	505	(442)	(1)	9,460

In 2020 the occupational recorded an overall increase of 266 people, the increases in the period net of normal turnover refer to the operating sectors: among these, bus, tram and trolley bus drivers, station agents, security personnel, other operational management support positions. In addition, new resources were added to the maintenance departments and to improve structures in the Information Technology department, as well as aimed interventions in staff functions.

It should be noted that the change in the number of personnel departures concerns voluntary resignation and therefore no objective redundancies have been made during the period considered in accordance with the provisions of D. Lgs. No. 137/2020, cd. "Ristori Decree" and its subsequent amendments.

34. Other operating costs and charges

	2020	2019
Municipal taxes	5,524,612	5,629,948
TPL claim Management	2,406,558	2,007,557
Prior year charges	538,821	92,299
Taxes and duties	615,765	600,777
Other operating charges	743,335	890,681
Losses on receivables	-	659,913
Reversal of doubtful debts provision	(548,370)	(1,381,347)
Accrual/(release) provisions for risks and charges	2,023,219	35,028
Total	11,303,940	8,534,856

"Other operating costs and charges" show an increase of Euro 2,769,084 compared to the previous year, mainly due to the provision made for Euro 2,003,219 in relation to the ongoing dispute with the carrier Caronte, of which extensive information was given in the Management Report in the part relating to the "Principal disputes" and to the higher period costs related to the settlement of damages from LPT for Euro 399,001.

The most significant cost items include:

- “Municipal taxes” which mainly refer to the charge for Tarsu for Euro 3,736,218 and IMU for Euro 1,767,589;
- “LPT claims Management” relating to Euro 2,510,609 the charge for the settlement of damages related to the movement of vehicles and Euro 109,881 for automotive practices, as well as Euro 2,159,066 to provisions, Euro 2,354,485 to uses and Euro 18,513 for the release of the specific provision recorded under “Provision for risk and charges” (Note 24);
- “Other operating charges” mainly relate to membership of associations, costs on the endorsement of notarial documents, representation expenses, and miscellaneous expenses. It should be noted that, in view of the sale of underground trains devalued in the previous year as they are no longer used in public transport, a minimum value of Euro 14,375,156 was recognized, entirely offset by the use of the fixed assets depreciation provision as shown in Note 7 – “Property, plant, and equipment”;
- “Accruals (release) of doubtful debts provision” refers to the release of bad debt provision for Euro 896,616, to provisions for Euro 348,246 made to cover risks on receivables recorded in the financial statement, of which Euro 141,022 for “Receivables from third parties” and Euro 207,224 for “Other receivables”. Please refer to Note 17 – “Trade receivables” and Note 18 – “Other receivables and current assets” for comments on the constituent elements;
- “Provision/(release) provisions for risks and charges” refer to provisions made to adjust the “provisions for risks and charges” (Note 24) following the revising of the estimates and in the light of the events of the period and considering new and more complete information than those available at the time when the original estimates were made.

35. Amortization, depreciation and impairments

	2020	2019
Depreciation - property, plant and equipment	120,647,906	114,613,492
<i>Plant and machinery</i>	109,012,106	102,323,241
<i>Buildings</i>	6,742,178	6,672,624
<i>Industrial and commercial equipment</i>	2,548,908	2,885,390
<i>Other assets</i>	2,344,714	2,732,237
Plant capital grants	(35,599,995)	(35,581,284)
Amortisation	920,684	998,275
<i>Software Licenses</i>	920,684	998,275
Depreciation right of use for leased assets	2,026,003	1,542,536
<i>Equipment</i>	73,174	73,174
<i>Buildings</i>	298,570	382,983
<i>Vehicles</i>	1,296,382	807,848
<i>Computer equipment</i>	94,198	34,119
<i>Others</i>	263,679	244,412
Write-down of fixed assets	17,129,248	21,393,263
Total	105,123,846	102,966,282

For the year, “Amortization, depreciation and impairment losses” amounted to Euro 105,123,846, adjusted for the amount pertaining to the year of Euro 35,599,995 relating to grants received for investments made.

The write-downs recognized in the period for Euro 17,129,248 refer to the residual value of 6 trains of the M2 line and 3 trains of the M3 line which, in consequence of their closure due to technological obsolescence, and therefore no longer used in the transport service.

Please refer to the Management Report for a description of the non-recurring components that affect this entry.

36. Financial income and expenses

	2020	2019
Financial income	12,124,029	13,663,419
<i>Interest income</i>	2,302,464	2,607,914
<i>Gains on securities</i>	2,669,939	4,745,745
<i>Income from fair value adjustment</i>	2,578,051	3,313,306
<i>Other</i>	4,573,575	2,996,454
Financial expenses	(6,081,130)	(8,685,953)
<i>Interest on employee defined benefits</i>	(428,507)	(1,380,689)
<i>Interest expense on loans and bond issues</i>	(4,348,703)	(4,470,141)
<i>Other interest expense</i>	(25,351)	(2,582)
<i>Losses on securities</i>	(424,113)	(1,183,464)
<i>Fair value adjustments</i>	(447,232)	(1,228,672)
<i>Impairment of financial assets/activity</i>	203,985	(36,884)
<i>Other</i>	(516,631)	(307,217)
<i>Interest expense IFRS 16</i>	(94,578)	(76,304)
Total	6,042,899	4,977,466

Interest income item consist of:

	2020	2019
Interest on deposits and current accounts	939	24,299
Interest income on securities	1,096,756	1,274,612
Interest income from subsidiaries	44,255	59,931
Interest on loans to associates	808,165	959,497
Interest income from parent’s subsidiaries	352,349	289,575
Total	2,302,464	2,607,914

“*Interest income on securities*” of Euro 1,096,756 (Euro 1,274,612 as at December 31, 2019) to interest on government securities and bonds.

“*Interest income from subsidiaries*” of Euro 44,255 (Euro 59,931 as at December 31, 2019) refers to interest accrued under the cash pooling agreement.

“Interest income on loans to associates” of Euro 808,165 (Euro 959,497 as at December 31, 2019) refer to interest matured on loans granted to the company Metro 5 S.p.A.

“Interest on loans to subsidiaries of the parent” of Euro 352,349 (Euro 289,575 as at December 31, 2019) refer to interest matured on loans granted to the company SPV Linea M4 S.p.A.

“Gains on securities” of Euro 2,669,939 (Euro 4,745,745 as at December 31, 2019) refer to gains realized on the sale of securities.

“Income from fair value adjustment” refers for Euro 557,979 for the fair value measurement of financial receivables from the subsidiary of the parent company SPV Linea 4 S.p.A. and from SED-ATM and SCCATI cooperatives and for Euro 2,020,072 to Income from the fair value measurement of the designated financial instruments FVTPL. Please note that overall the net effect on the income statement of FVTPL designated securities was positive and equal to Euro 2,130,819 euros (positive in 2019 and equal to Euro 2,084,634).

The item “Other” mainly refers to the dividend received from the subsidiary International Metro Service S.r.l. amounting to Euro 4,080,000 and to the restoration, within the limits of the original purchase cost, of the value of the investment in Movibus S.r.l to the value representing ATM S.p.A.’s share of equity for Euro 359,694 (in the 2019 Financial Statements, the restoration of the value of the investment held in the associated company Movibus S.r.l. was equal to Euro 1,631,563) and for Euro 39,875 to the valuation at amortized cost of securities designated HTC&S.

“Financial expense” mainly refers to “Interest on defined-benefit plans for employees” for Euro 428,507, “Interest expense on loans and bond issues” recognized under payables for Euro 4,348,703 and “Losses on securities” for Euro 424,113.

“Fair value adjustment expenses” refer for Euro 50,284 to the fair value measurement of financial receivables from the associated company Metro 5 S.p.A. and for Euro 396,948 to the fair value measurement of financial instruments designated FVTPL.

“Interest expense” resulting from the application of IFRS 16 Leases amounted to Euro 94,578.

37. Income taxes

The taxes for the year were recorded as detailed below:

	2020	2019
Current income taxes	161,074	(507,200)
Income (charges) from tax consolidation	161,074	(507,200)
Prior year taxes	(119,037)	(4,974)
IRES	(119,037)	(4,852)
IRAP	-	(122)
Deferred tax charge	19,175,097	246,310
Total	19,217,134	(265,864)

There are no IRES and IRAP taxes for the year.

“Income from tax consolidation” refers to the transfer of IRES (corporate income tax), within the limits provided for by current legal regulations, by the companies included in the National Tax Consolidation.

“Deferred taxes” mainly include the release of deferred tax credits recognized for prior-period losses and provisions for risks. Tax advances and deferred taxes recognized in the income statement are equal to Euro 20,174,421 and Euro 999,323 respectively, are provided in Note 12 and Note 25. Tax advances mainly refer to the non-recurring effect of Euro 13.610 thousand related to the release of advanced taxes on tax losses accrued in previous years with reference to the years 2021 and 2022 and for Euro 6,272,894 to the release of advanced taxes on risk funds whose recoverability does not it was considered likely in the next financial year. The effects of the COVID–19 pandemic significantly affected the aspects of short-term scenarios (12–24months) such that taxable profits are not expected to absorb such tax losses within a reasonable time frame and therefore the estimate of the deferred tax recorded on the balance sheet has been updated.

A reconciliation between the expected tax and the actual tax is provided below:

THEORETICAL TAX CHARGE	ATM	
	IRES	IRAP
VALUE OF PRODUCTION		822,692
COST OF PRODUCTION		(879,877)
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION		(57,185)
PERSONNEL EXPENSES (NON-DEDUCTIBLE FOR IRAP PURPOSES)		477,287
PRE-TAX PROFIT/(LOSS)	(51,142)	
THEORETICAL TAX RATE	24.00%	4.20%
THEORETICAL TAX BASE	(51,142)	420,102
THEORETICAL TAX CHARGE	(12,274)	17,644
NON-DEDUCTIBLE COSTS- EXEMPT REVENUES	IRES	IRAP
CO-ORDINATED AND ONGOING / OCCASIONAL COLLABORATIONS		23
NON-DEDUCTIBLE TAXES	673	1,768
PHONES	117	117
OTHER NON-DEDUCTIBLE COSTS		
- personnel	17,406	
- amortisation/depreciation	2,584	7,988
Provisions not permitted as per TUIR/L.446/97	10,732	10,873
- other non-deductible costs	7,934	8,149
EXEMPT REVENUES		
- release/utilization non-deductible provision	(4,063)	(4,926)
- personnel	(16,438)	
- other exempt income	(7,694)	(3,818)
TOTAL INCREASES (+)	11,252	20,174
DEDUCTED COSTS-IRAP DIFFERENT ASSESSABLE BASE	IRES	IRAP
IFRS	(3,808)	(5,728)
INAIL		6,756
COSTS FOR DISABLED PERSONNEL		6,995
CIRCULAR TAX AUTHORITY NO.22/E OF 09/06/2015 AND VARIOUS		454,392
DEDUCTION OF PAYMENT FOR SUPPLEMENTARY PENSION SCHEMES	554	
PREVIOUS YEAR COSTS DEDUCTED	5	
TOTAL DECREASES (-)	(3,249)	462,415
EFFECTIVE TAX CHARGE	IRES	IRAP
ASSESSABLE EFFECTIVE TAX CHARGE/INCOME	(36,642)	(22,139)
EFFECTIVE TAX CHARGE	(161)	0
EFFECTIVE FISCAL INCOME		0
EFFECTIVE TAX CHARGE RATE	0.00%	0.00%

38. Remuneration of directors and Audit Committee Board

In accordance with current legislation we report Directors and Statutory Auditors remuneration below, it is pointed out that the amounts are expressed gross of any contribution and ancillary charges.

	2020	2019
Director fees	196,660	204,967
Audit Committee fees	139,648	142,860
Total	336,308	347,827

The Board of Directors is composed of five members, including the President; the Board of Statutory Auditors is composed of three standing members, one of whom is the President. The remuneration paid to the directors is expressed gross of social security deductions of Euro 11,477 and amounts to Euro 185,183 as per the shareholders' deliberation of April 15, 2020. The expenses for travel of the President of the Board of Directors in respect of the performance of his duties amount to Euro 4,795.

39. Statutory Auditor fees

The fees recognized by ATM S.p.A. to the independent auditors Deloitte & Touche S.p.A. for the financial year 2020 amounted to Euro 232,125 for the activities related to the statutory audit of the accounts and Euro 26,206 for audit services aimed at issuing other certificates.

Type of services	Subject that provided the service	Recipient	Fees
Audit			232,125
<i>Statutory audit of the financial statements and the consolidated financial statements, periodic checks on the regular bookkeeping of the accounts</i>	<i>Auditor of the Parent Company</i>	<i>Parent company</i>	<i>145,000</i>
<i>Limited audit of the consolidated half-year report, prepared on a voluntary basis, of the ATM Group Companies from 30.06.2018 to 30.06.2025</i>	<i>Auditor of the Parent Company</i>	<i>Parent company</i>	<i>37,125</i>
<i>Integration of review procedures due to COVID-19 on the Financial statements and consolidated financial statements as of 12.31.2019</i>	<i>Auditor of the Parent Company</i>	<i>Parent company</i>	<i>28,000</i>
<i>Integration of the review procedures related to the impairment test In respect of the half-year consolidated financial statements as of 30.06.2020</i>	<i>Auditor of the Parent Company</i>	<i>Parent company</i>	<i>22,000</i>
Certification Services			26,206
<i>Annual and semi-annual certification of Covenants to the European Investment Bank</i>	<i>Auditor of the Parent Company</i>	<i>Parent company</i>	<i>12,706</i>
<i>Subscription of claims/certifications required by current regulations and pro tempore regulations. Contributions sickness charges 2019</i>	<i>Auditor of the Parent Company</i>	<i>Parent company</i>	<i>4,500</i>
<i>Subscription of claims/certifications required by current regulations and pro tempore regulations. Compensation of tax credits and debts.</i>	<i>Auditor of the Parent Company</i>	<i>Parent company</i>	<i>4,500</i>
<i>Subscription of claims/certifications required by current regulations and pro tempore regulations. Shift 2 Rail project</i>	<i>Auditor of the Parent Company</i>	<i>Parent company</i>	<i>4,500</i>
Total			258,331

Deloitte & Touche S.p.A. and the companies belonging to its network, have not provided services other than auditing or certification.

40. Information relating to intercompany transactions and transactions with related parties

The relationships with related parties with which the Company has commercial and financial relationships at conditions in line with those of the market are summarized pursuant to art.2427 of the Italian Civil Code, number 22-bis.

The “*trade receivables from parent companies*” refer to receivables for services and services rendered to the Parent Company as part of the Local Public Transport Service Contract and for parking, parking and car removal services with the Municipality of Milan and to works credits made on municipally owned assets. The value of the receivables is adjusted by the allowance for doubtful accounts amounting to Euro 3,062,288 set up in order to align the value of the receivables with the presumed realizable value.

“*Trade receivables from subsidiaries*” refer to receivables for services and services provided to companies within the scope of consolidation, for which ATM S.p.A. performs service activities.

The “*financial receivables from subsidiaries*” refer to the active balances of the cash pooling current accounts at December 31, 2020. The accrued interest is recognized in the line “*Net financial income*” of the income statement.

The “*tax receivables from subsidiaries*”, as described in another part of this document, relate to the receivable deriving from the contracts stipulated with the subsidiaries for the accession to the National Tax Consolidation and the Group VAT scheme.

“*Trade receivables from associates*” refer to receivables for services and services rendered under existing contracts. The value of the receivables is adjusted by the bad debt provision amounting of Euro 8,899 set up in order to align the value of the receivables with the presumed realizable value.

“*Trade receivables from subsidiaries of the parent companies*” refer to receivables for services and services rendered under existing contracts.

RECEIVABLES	Trade	Financial	Contributions	Tax *	12.31.2020
- Parent					
Municipality of Milan	121,882,599		32,500		121,915,099
- Subsidiaries					
ATM - Servizi Diversificati S.r.l.	359,728			(2,314)	357,414
Gesam S.r.l.	34,006			17,992	51,998
International Metro Service S.r.l.	14,050			69,900	83,950
Metro Service A/S	36,571				36,571
Nord Est Trasporti S.r.l.	4,091,421	984,359		18,207	5,093,987
Rail Diagnostics S.p.A.	268,088			52,884	320,972
- Associates**					
Co.mo. Fun&Bus S.c.a.r.l	349,144				349,144
Metro 5 S.p.A.	2,338,742	12,602,508			14,941,250
Movibus S.r.l.	25,370				25,370
Consorzio SBE	6,895				6,895
- Subsidiaries of parent companies ***					
Fondazione Teatro alla Scala	15,516				15,516
Scuole Civiche Milano	2,255				2,255
Metropolitana Milanese S.p.A.	173,273				173,273
SEA S.p.A.	3,240				3,240
SPV Linea M4 S.p.A.	24,344	8,808,611			8,832,955
Agenzia Mobilità Ambiente e Territorio S.r.l.	(100)				(100)
MilanoSport S.p.A.	(2)				(2)
Milan Ristorazione S.p.A.	3,254				3,254
Agenzia TPL del Bacino città	24,666				24,666
- Other transactions with related parties					
Coop S.E.D.		1,084,582			1,084,582
ATM/S.C.C.A.T.I.					
Total	129,653,060	23,480,060	32,500	156,669	153,322,289

* Tax receivables from subsidiaries represent the total exposure of the Parent Company to subsidiaries.

** Trade receivables to associates are expressed net of the specific Doubtful Accounts provision.

*** Trade receivables from other companies with negative balance represent credit notes to be received.

The “*trade payables to parent companies*” refer to payables for services and services rendered under the Local Public Transport Service Contract and the parking, parking and car removal management services with the Municipality of Milan.

“*Trade payables to subsidiaries*” refer to payables for services and services rendered by subsidiaries under existing contracts.

“*Financial payables to subsidiaries*” refer to the balances payable by current accounts in cash pooling as of December 31, 2020. Accrued interest is recognized in the line “*Net Financial income*” of the income statement.

PAYABLES	Trade	Financial	Tax	12.31.2020
- Parent				
Municipality of Milan	23,207,193			23,207,193
- Subsidiaries *				
ATM Servizi Diversificati S.r.l.	236,431	853,235	107,995	1,197,661
Gesam S.r.l.	28,164	755,062		783,226
International Metro Service S.r.l.			5,098	5,098
Nord Est Trasporti S.r.l.	1,192,099		283,257	1,475,356
Rail Diagnostics S.p.A.	3,034,545	7,816,602	(5)	10,851,142
- Associates				
Como. Fun&Bus S.c.a.r.l	18,306			18,306
Metro 5 S.p.A.	1,944			1,944
Movibus S.r.l.	3,335,482			3,335,482
Consorzio SBE	77,015			77,015
- Other companies				
Metropolitana Milanese S.p.A.	1,402,804			1,402,804
SPV Linea M4 S.p.A.	6,753			6,753
Total	32,540,736	9,424,899	396,345	42,361,980

* Tax liabilities to subsidiaries represent the total exposure of the Parent Company to subsidiaries.

The “*tax payables to subsidiaries*”, as described in another part of this document, relate to the withholding taxes incurred, transferred by the subsidiaries to ATM S.p.A. following the adhesion to the National Tax Consolidation.

“*Trade payables to associates*” refer to payables for services and services provided by the associates pursuant to existing contracts.

The “*trade payables to subsidiaries of the parent companies*” refer to payables for services and services rendered by the companies to ATM S.p.A. under the existing contracts.

INCOME STATEMENT TRANSACTIONS	Core Business Revenue	Other revenue	Other income	Financial income
- Parent				
Municipality of Milan	663,742,277	23,053,119	1,071,510	
- Subsidiaries				
ATM – Servizi Diversificati S.r.l.	272,969	96,826	8	
Gesam S.r.l.	342,375	60,847	10	
International Metro Service S.r.l.	14,048		2	4,080,000
Metro Service A/S	333,433		22	
Nord Est Trasporti S.r.l.	3,926,613	354,000	260,256	44,255
Rail Diagnostics S.p.A.	443,694	53,646	10	
- Subsidiaries of Parent Company				
Metropolitana Milanese S.p.A.	30,794	86,166	347	
SEA S.p.A.			26	
SPV Linea M4 S.p.A.			43,065	352,349
- Associates				
CO.MO. Fun&Bus s.c.a.r.l	556,597	11,196		
Metro 5 S.p.A.	23,668,527	794,932	76,843	808,165
SP M4 S.C.P.A in liquidazione			3,356	
Movibus S.r.l.		54,584	223,164	
Consorzio SBE			7,000	166
Total	693,331,327	24,565,316	1,685,619	5,284,935

INCOME STATEMENT TRANSACTIONS	Costs for services	Operating lease costs	Employee benefits costs	Other operating costs and charges	Financial charges
- Parent					
Municipality of Milan		(106,250)		(150)	(1)
- Subsidiaries					
ATM – Servizi Diversificati S.r.l.	(177,285)	(119,420)		(23)	
Gesam S.r.l.	(860,444)			(4)	
Metro Service A/S				(2)	
Nord Est Trasporti S.r.l.	(919,219)			(2)	
Rail Diagnostics S.p.A.	(4,910,327)				
- Other companies					
Metropolitana Milanese S.p.A.	(1,778,264)	(10,500)		(260)	(134)
Fondazione Piccolo Teatro di Milano - Teatro d'Europa			(30,500)		
SPV Linea M4 S.p.A.	(13,200)				
- Associates					
CO.MO. Fun&Bus s.c.a.r.l		(210,240)			
Metro 5 S.p.A.		(148,125)		(492)	
Movibus S.r.l.	(267,688)			(8,694)	
Consorzio SBE				(77,015)	
Total	(8,926,427)	(594,535)	(30,500)	(86,642)	(135)

41. Commitments, guarantees and potential liabilities not recognized in the accounts

Broken down as below the account's details:

	12.31.2020	12.31.2019
Assets in use	4,984,453,059	4,973,235,317
Guarantees of which:	305,565,228	355,261,995
- Guarantees in favor of third parties	24,724,658	56,530,619
- Guarantees given to third parties	261,475,582	260,267,562
- Guarantees to investees	19,364,988	38,463,814
Total	5,290,018,287	5,328,497,312

The amount of Euro 4,984,453, relating to “assets in use” refers to:

- For Euro 4,826,803,626 to the value of the assets in use by the Municipality of Milan for the management of the TPL service;
- for Euro 154,765,832 to the value of parking areas and parking lots in use pursuant to the Service Contracts;
- for Euro 2,673,289 to materials owned by Metro 5 S.p.A. received for warranty maintenance activities;
- for Euro 210,312 to the value of assets in use by the Municipality of Milan (works of art).

“Guarantees in favor of third parties” amounting to Euro 24,724,658 refer to guarantees issued for third parties.

“Third Party guarantees”, amounting to Euro 261,475,582, refer to sureties or guarantees issued by third parties in favor of the Company..

The “*guarantees to investee companies*”, amounting to Euro 19,364,988, refer to:

- for a total of Euro 12,095,700 to the pledge registered on 106.600 shares of Metro 5 S.p.A. and to the pledge registered on 13.720 shares of SPV Linea M4 S.p.A. in favor of a pool of financial banks in the context of the related projects for the construction and management of the new M5 and M4 lines;
- for Euro 5,472,441 to co-obligations and guarantees given to the subsidiary Metro 5 S.p.A. and SPV Line M4 S.p.A.;
- for Euro 1,796,847 to commitments made in favor of SPV line M4 S.p.A.

The value of contractual commitments for the supply contracts for investments is equal to Euro 180,615,899

42. Information on public disbursements - Article 1, paragraphs 125 to 129 of the Law no. 124/2017

The amounts collected in the 2020 financial year by way of contribution are set forth by nature and by body:

- National Collective Labor Contracts, disbursed by the Lombardy Region through the TPL Agency for Euro 49,253,039, of which Euro 12,757,433 pertaining to the financial year 2019 and Euro 36,495,606 pertaining to the financial year 2020, gross of 4% withholding tax;
- Euro 3,125,620 for contributions for the implementation of measures to guarantee the security in the metro area, granted by the State;
- Contributions for the purchase of buses, provided by the Lombardy Region for Euro 7,392,673 ;
- Contribution for the bike sharing system, provided by the Municipality of Milan for Euro 439,961 ;
- Contributions “Decree Ristori”, Decree Law 34/2020 art. 200, granted by the State through the LTP Agency, gross of 4% withholding tax, for Euro 253,262;
- Tax receivables for the purchase of DPI COVID-19 for Euro 9,385 registered ex art. 125 D.L. 34/2020, subsequently redetermined by the Act of Revenue Agency of 16/12/2020 according to the D.L. 104/2020 converted into Law n. 126/2020, offset in tax payments for the year.

Assembly Deliberations

Mr. Shareholder,

We submit for your approval the financial statements of ATM S.p.A. closed at December 31, 2020, which show a loss of Euro 70,359,522 and we propose to cover the loss of the year for:

- Euro 53,868,390 with “*Retained earning (loss)*”;
- Euro 16,491,132 with the conferment reserve recorded under the account “*Other Reserves*” which appears capacious.

Milan, April 21, 2021

For the Board of Directors

The Chairperson
Gioia Maria Ghezzi

ATM S.p.A.
Company Trasporti Milanesi S.p.A.
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**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Sole Shareholders of
Azienda Trasporti Milanesi S.p.A.**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Azienda Trasporti Milanesi S.p.A. (hereinafter the "Company"), which comprise the statement of financial position as at December 31, 2020, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Non-current assets valuation

Description of the key audit matter	The year 2020 was characterized by the spread of the Covid-19 pandemic and its consequences on the socio-economic context, with particular implications also on the local public transport sector ("TPL").
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Company's economic and financial results as at December 31, 2020 reflect to a relevant extent the pandemic context in terms of both a significant reduction in the TPL ancillary revenues, such as the parking of vehicles on the road and the renting of commercial and advertising space, and a relevant increase in the costs of sanitation rolling stocks and stations, the purchase of individual protection equipment and periodic employees screening, and the management of communication and social distance, in order to comply with national and regional regulations on public health protection.

According to the Company's Management, the effects of the Covid-19 pandemic have represented an exogenous trigger event which has made necessary the exercise of an impairment test on the recoverability of net invested capital, as recommended by the European Securities and Markets Authority (ESMA) and in accordance with the requirements of IAS 36.

The impairment test was carried out by the Directors, considering the Company as a single cash generating unit ("CGU") relating to "Local public transport and complementary services", comparing the recoverable amount of the CGU, determined by the estimate of the value in use, with the carrying amount of the CGU. The value in use determined by the Management is based on assumptions regarding, among others, (i) the estimate of the cash flows inferable from the Business Plan 2021 – 2037, prepared consistently to the Strategic Plan 2021 – 2025 and both approved by the Board of Directors of the Company, (ii) medium – long term investments planning, (iii) degree of probability associated to each considered scenario, in accordance with Management expectations regarding the tender for the win of TPL services, and (iv) the determination of an appropriate discount rate (WACC) and of long-term growth (g-rate). The determination of value in use is also based on assumptions influenced by future expectations and external variables, the latter including the short-term evolution of the pandemic framework and medium and long term evolution of the demand for mobility services.

Impairment test result confirmed the value of the net invested capital recorded in ATM S.p.A.'s financial statements as at December 31, 2020.

In consideration of the relevance of the amount of non-current assets recognized in the financial statements and the subjectivity of the estimates related to the determination of cash flows and other key variables described above, we considered the impairment test as a key audit matter of Company's financial statement.

The paragraph "Recoverability of the value of tangible, intangible assets and investments" of note 4 "Use of estimates" and note 7 "Property, plant and equipment" of the notes to the financial statements disclose information regarding the methodology and results of the impairment test.

Audit procedures performed

In the context of the audit on the financial statements, also supported by experts from the Deloitte network, we have carried out the following main audit procedures:

- examination of the methods used by the Management for the determination of the value in use, by analyzing methods and assumptions used for the development of the impairment test;
- understanding of the relevant controls put in place by the Company on the process of carrying out the impairment test;
- reasonableness analysis of the main assumptions underlying the Business Plan prepared by the Management of ATM S.p.A., also through discussions with the dedicated business functions;
- regular meetings with the Company's Management in order to share the progress of the activities related to the call for tender for TPL services by the *Agenzia di Bacino*, in order to confirm the reasonableness of the weighting of the different scenarios included as basis for the impairment test;
- critical reading of the minutes of the meetings of the Board of Directors;
- assessment of the reasonableness of the discount rate (WACC) and long-term growth rate (g-rate);
- verification of the arithmetic accuracy of the model used for the determination of the CGU's value in use;
- verification of the correct determination of the carrying amount of the CGU and its comparison to the value in use resulting from the impairment test;
- sensitivity analysis on certain variables in the Business Plan and verification of the recoverable amount – considered as value in use – of the net invested capital analyzed;
- verification of the accuracy and completeness of the information provided 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 and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 28/05 and within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's

report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Azienda Trasporti Milanesi S.p.A. has appointed us on November 9, 2017 as auditors of the Company for the years from December 31, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Azienda Trasporti Milanesi S.p.A. are responsible for the preparation of the report on operations, including some specific information set forth in art. 123-bis, paragraph 2 (b) of the Company as at December 31, 2020, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations, including some specific information contained set forth in art. 123-bis, paragraph 2 (b) of Legislative Decree 58/98 with the financial statements of Azienda Trasporti Milanesi S.p.A. as at December 31, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations, including some specific information set forth in art. 123-bis, paragraph 2 (b) is consistent with the financial statements of Azienda Trasporti Milanesi S.p.A. as at December 31, 2020 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by

Matteo Bresciani

Partner

Milan, Italy

May 28, 2021

*This report has been translated into the English language solely
for the convenience of international readers.*

**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Sole Shareholders of
Azienda Trasporti Milanesi S.p.A.**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Azienda Trasporti Milanesi S.p.A. and its subsidiaries (hereinafter the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Azienda Trasporti Milanesi S.p.A. (hereinafter the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Non-current assets valuation

Description of the key audit matter

The year 2020 was characterized by the spread of the Covid-19 pandemic and its consequences on the socio-economic context, with particular implications also on the local public transport sector (“TPL”).

Group's economic and financial results as at December 31, 2020 reflect to a relevant extent the pandemic context in terms of both a significant reduction in the TPL ancillary revenues, such as the parking of vehicles on the road and the renting of commercial and advertising space, and a relevant increase in the costs of sanitation rolling stocks and stations, the purchase of individual protection equipment and periodic employees screening, and the management of communication and social distance, in order to comply with national and regional regulations on public health protection.

According to the Company's Management, the effects of the Covid-19 pandemic have represented an exogenous trigger event which has made necessary the exercise of an impairment test on the recoverability of net invested capital, as recommended by the European Securities and Markets Authority (ESMA) and in accordance with the requirements of IAS 36.

The impairment test was carried out by the Directors on the cash generating units “Local public transport and complementary services”, “Local public transport in the Interurban area” and “Other assets”, comparing the recoverable amounts of the CGUs, determined by the estimate of the value in use, with the carrying amount of the CGUs. The value in use determined by the Management is based on assumptions regarding, among others, (i) the estimate of the cash flows as inferable from the Business Plan 2021 – 2037, prepared consistently to the Strategic Plan 2021 – 2025 and both approved by the Board of Directors of the Company, with reference to the CGU “Local Public Transport and complementary Services”, from the Business Plan 2021 – 2030 approved by the Sole Director of Nord Est Trasporti S.r.l., with reference to the CGU “Local Public Transport in the Interurban Area” and from the Business Plan 2021 – 2023 approved by the Sole Director of Rail Diagnostics S.p.A., with regards to the CGU “Other activities”, (ii) medium – long term investments planning, (iii) degree of probability associated to each considered scenario in accordance with Management expectations regarding the tender for the win of TPL services, and (iv) the determination of an appropriate discount rate (WACC) and of long-term growth (g-rate). The determination of value in use is also based on assumptions influenced by future expectations and external variables, the latter including the short-term evolution of the pandemic framework and the medium and long term evolution of the demand for mobility services.

Impairment test result confirmed the value of the net invested capital recorded in Group consolidated financial statements as at December 31, 2020.

In consideration of the relevance of the amount of non-current assets recognized in the consolidated financial statements and the subjectivity of the estimates related to the determination of cash flows and other key variables described above, we considered the impairment test as a key audit matter of the Group consolidated financial statement.

The paragraph "Recoverability of the value of tangible, intangible assets and investments" of note 5 "Use of estimates" and note 9 "Property, plant and equipment" of the notes to the consolidated financial statements disclose information regarding the methodology and results of the impairment test.

Audit procedures performed

In the context of the audit on the financial statements, also supported by experts from the Deloitte network, we have carried out the following main audit procedures:

- examination of the methods used by the Management for the determination of value in use, by analyzing methods and assumptions used for the development of the impairment test;
- understanding of the relevant controls put in place by the Group on the process of carrying out the impairment test;
- reasonableness analysis of the main assumptions underlying the Business Plan prepared by the Management of ATM S.p.A. and of its subsidiaries, also through discussions with the dedicated business functions;
- regular meetings with the Company's Management in order to share the progress of the activities related to the call for tender for TPL services by the *Agenzia di Bacino*, in order to confirm the reasonableness of the weighting of the different scenarios included as basis for the impairment test;
- critical reading of the minutes of the meetings of the Board of Directors;
- assessment of the reasonableness of the discount rate (WACC) and long-term growth rate (g-rate);
- verification of the arithmetic accuracy of the model used for the determination of the CGUs value in use;
- verification of the correct determination of the carrying amount of the CGUs and the comparison to the value in use resulting from the impairment test;
- sensitivity analysis of certain variables in the Business Plan and verification of the recoverable amount – considered as value in use – of the net invested capital analyzed;

- verification of the accuracy and completeness of the information provided 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 and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Azienda Trasporti Milanesi S.p.A. has appointed us on November 9, 2017 as auditors of the Company for the years from December 31, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Azienda Trasporti Milanesi S.p.A. are responsible for the preparation of the report on operations, including some specific information set forth in art. 123-bis, paragraph 2 (b), of Azienda Trasporti Milanesi Group as at December 31, 2020, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations, including some specific information contained set forth in art. 123-bis, n. 2 (b) of Legislative Decree 58/98, with the consolidated financial statements of Azienda Trasporti Milanesi Group as at December 31, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations, including some specific information set forth in art. 123-bis, paragraph 2 (b) is consistent with the consolidated financial statements of Azienda Trasporti Milanesi Group as at December 31, 2020 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Azienda Trasporti Milanesi S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Matteo Bresciani
Partner

Milan, Italy
May 28, 2021

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for the convenience of international readers.*

ATM