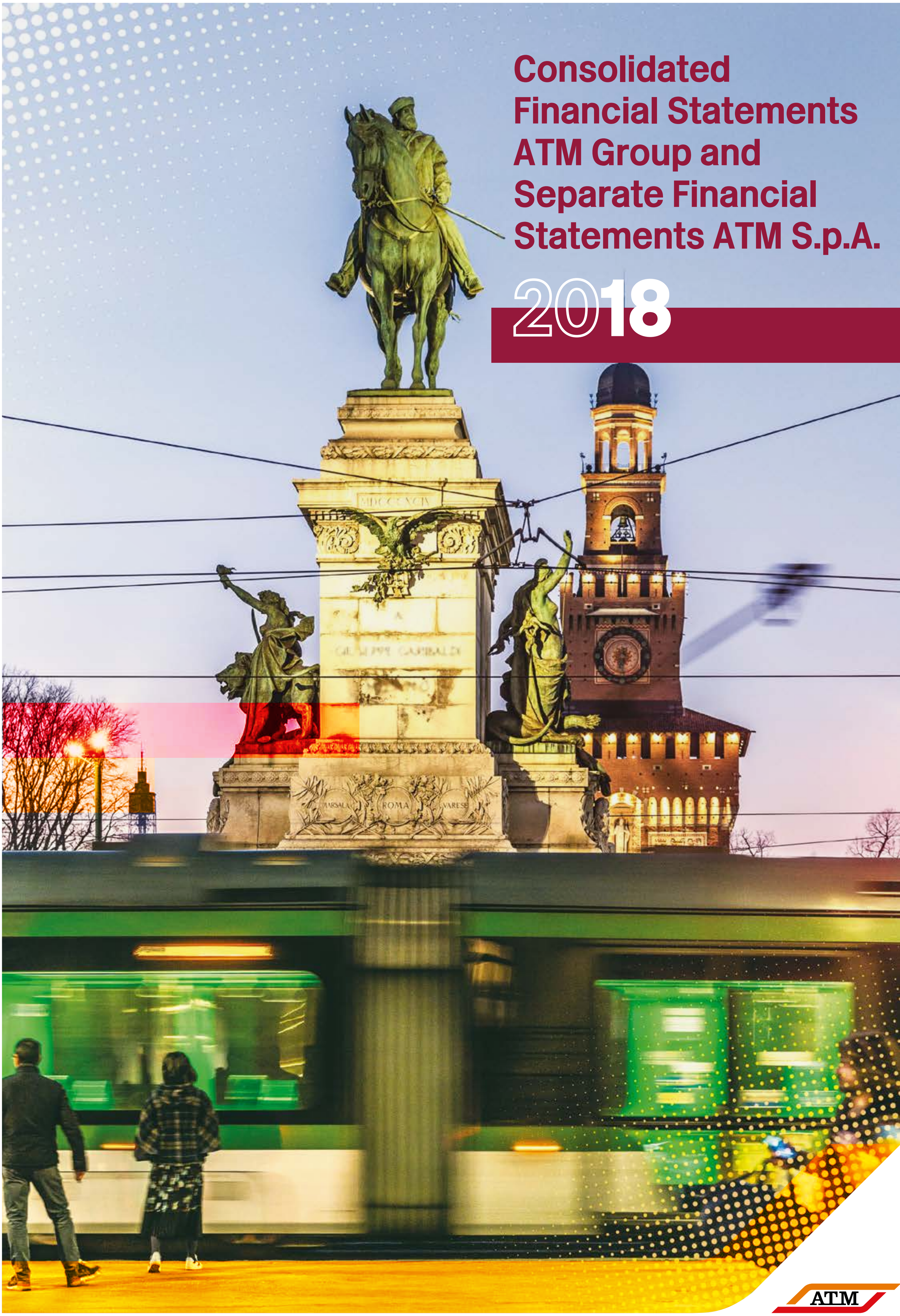
Consolidated Financial Statements ATM Group and Separate Financial Statements ATM S.p.A.

2018



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

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

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

Contents

Management report

Consolidated Financial Statements of the ATM Group

Separate Financial Statements of ATM S.p.A.

Letter to the Shareholders

Dear Shareholders,

2018 as a financial year represents an important step for the development of your company. The positive operating and economic results, as well as the solid financial position, confirm the trends of last year: together with the deep-rooted competence and the continuous motivation to improve the service, that are the determining factors that make ATM's ambition credible and concrete as a key player in the integrated mobility of Milan and the Metropolitan City.

The dialogue with the Municipal Administration, with the Institutions and the entire industrial and entrepreneurial factors that revolve around Milan is intensified; thus the will of ATM to adhere to the "Milan System" is confirmed, contributing to a design of social and economic growth of a territory that goes beyond simple administrative boundaries.

The shared vision of the Smart City concept and the rapid development of digitization in the metropolis puts ATM at the center of a process that requires acceleration on all topics related to technological innovation, also through cutting-edge experiments. Technology offers possibilities that were unimaginable only a few years ago: ATM's specialized culture and skills make it possible to guide this evolution, to the benefit of customer service.

The public debate has recently focused on the interaction between urbanization processes, demographic changes and pollution problems. ATM therefore confirms sustainability as a necessary and irreplaceable way of responding. Above all ATM cares about environmental sustainability but also focuses - being a publicly-owned company – on social, economic and institutional sustainability.

In the course of 2018 ATM has committed on all these fronts, with concrete projects and laying the foundations for an evolution of the public transport service that will have to be radical. The convinced and structured adoption of sustainable behavior will increase the value of the Company to the benefit of Shareholders and the Community.

From an operational point of view, 2018 confirmed the constant trend of growth in the number of passengers: overall, in contrast with the national context of the sector, the number of passengers on the entire network served by ATM in the metropolitan area registered an increase of 5%: 789 million people were transported, compared to 750 million in 2017. In the metro, passengers were 369 million, with an increase of 21 million, equal to 6% more than in 2017, which was already a record year that exceeded the extraordinary numbers of Milan Expo 2015.

Even in the presence of this appreciable increase in customers and therefore of a clear greater use of public transport - in line with what the Municipal Administration also promotes - ATM's performance levels are positive: the regularity on the metro was 99%, on the surface network 82% of runs respected the scheduled frequency.

The good quality of the service offered is also proved by the results of the customer satisfaction survey envisaged by the Service Contract: an annual independent certified report carried out in 2018 showed an average score of 7.2 and a general satisfaction level on ATM of 97%.

Some critical issues that emerged during the year, unavoidable in the context of such a complex service, were addressed by the Company with seriousness, determination and professionalism, tapping on the well-established experience that constitutes one of the great strengths of ATM.

The joint work with the Municipal Administration has led to the adoption of measures aimed at further developing the service: some network extensions have been implemented, with the aim of "shortening distances" with neighborhoods and new residential areas. Furthermore, to meet the needs of a metropolis in full evolution in terms of habits and professional needs, two new night lines have been introduced, in addition to those already in service on weekdays and during the weekend.

The fight against fare evasion continued intensively. In particular, also thanks to the recruitments in the control and security sectors, teams composed of security guards and client assistants have constantly and massively guarded the metro stations, as well as itinerant mixed teams dedicated for whole days to particularly sensitive surface lines. The results are the following: passengers checked in 2018 increased by 60% compared to the previous year, from 2.3 million to 3.7 million. The fines have increased by 33%.

The number of the Group employees (9,884) remained substantially stable: 578 hired during the year more than compensated the 492 who left. In the context of company personnel development policies, particular attention was paid to training, a key factor for professional development: in 2018, 310,000 training hours were offered (190,000 in 2017).

The 2018 financial statements here presented, consistent with last year, have been prepared in accordance with the IAS/IFRS standards. During the year, to give evidence of the actual size of its assets, the Group opted for the valuation of its lands and buildings at fair value, rather than at historical cost, as was the case until the end of 2017. Therefore, the comparative data for 2017 have been restated, as required by the accounting standard IAS 8. The consistency of shareholders' equity as at December 31st, 2018 is equal to Euro 1,204.9 million, with an increase of 110.6 million euros due to the aforementioned change in the criteria of property valuation.

"Revenues and other operating income" in 2018 amounted to Euro 962.7 million and show a net increase of Euro 38.3 million.

"Operating costs and other charges" amounted to Euro 838.6 million with an increase of Euro 36.1 million; a large part of this increase derives from the increase in personnel costs due to the contract renewal and the increased staff of the Danish subsidiary Metro Service A/S in preparation for the launch of the new Copenhagen metro lines.

The 2018 operating result is equal to 36.9 million euros, with an increase of 6.4 million euros compared to 2017. This result is particularly significant in light of the fact that also in 2018 ATM has provided a greater number of kilometers of travel to the Municipality of Milan, maintaining the value of the fee unchanged, thus demonstrating the capacity to make the management of the operations more efficient.

The Group's operating profit amounted to Euro 18.5 million, compared to Euro 38.7 million in 2017; however the profit for the year adjusted for non-recurring effects amounted to Euro 14.6 million compared to Euro 9.0 million in 2017.

Net invested capital went from Euro 1,274.6 million to Euro 1,302.1 million as at December 31st, 2018, 93% of which is covered by equity, which benefited from the aforementioned effect of the change in the valuation criteria of the properties from historical cost to fair value.

The Group's subsidiaries have all reached a trend budget balance.

The most strategic chapter for long-term development is that of investments. In 2018 ATM made investments for 173.1 million euros (139.9 million in 2017), of which 152 million were allocated to the renewal of the company fleet.

In particular, a fourth contract, under a framework agreement, was signed for the supply of further 12 Leonardo trains for the M2 metro line. Also within the framework agreement with the supplier, the delivery of 16 Leonardo trains was completed, of which two trains for line 1 and fourteen for line 2. The replacement of line 2 trains has become particularly important also in view of the large renewal project which includes, among other things, a new signaling system.

For the surface fleet, 2018 marks a stage of true revolution. Following the announcement of the Full Electric project in December 2017 - which in fact promptly adopted and implemented what was ratified by the Mayor of Milan at the C40 Together for Climate Summit in October 2017 in Paris - the Company has launched the plan that will lead to the total conversion of the fleet from diesel to electric by 2030. This project is based on well-developed business skills: in fact, 70% of ATM journeys are already carried out by electric vehicles.

Consistent with the conscious choice of environmental sustainability, ATM has continued to purchase only electricity produced from certified renewable sources.

The first 25 electric buses are already in service. To ensure the achievement of the ambitious goal of a fleet without diesel, in 2018 ATM launched a tender for the purchase of 250 electric buses, for a total investment of 210 million euros, with a first supply contract of 40 vehicles.

The total conversion to the electric network requires huge investments not only for the purchase and replacement of vehicles, but also for the construction of four new depots and the restructuring of three existing ones, according to a global revision of the business model. The new structures will be built, in fact, according to the most advanced concepts, with spaces dedicated to the sheltering and management of vehicles in the basement floor, an area above dedicated to public space and a green space available to the district, residents, citizens, visitors.

Still on the subject of sustainable mobility, ATM launched a tender for 80 new bi-directional trams and in May 2018 a framework agreement was signed for 80 new trolleybuses. Both the new trams and the new trolleybuses will offer a greater level of comfort, silence, safety and accessibility, with a simultaneous energy saving, thanks to the braking energy recovery system.

During the 2018 financial year, some important extraordinary maintenance works were completed for the tramway network of the Municipality of Milan: the redesign of the tracks and the technological upgrade will make the system more reliable and efficient, as well as reducing noise emissions and wear downs. The construction site that had the greatest impact on the city was that of Piazza 5 Giornate, whose work was completed, as scheduled, on 2 September 2018, giving citizens a completely renewed square.

The total revamping of the “4900 series” tramway vehicles is being completed: an additional 11 trams have been put into service, for a total of 44 vehicles out of 51 involved.

Also in the 2018 financial year important works were carried out on the infrastructure of the M2 line. These works are necessary for the introduction of a new signaling system, put to tender in March 2019. The new signaling, fully covered by government financing, will guarantee the line - which is registering the highest growth rates - better performance in terms of efficiency, raising capacity by 30%, from 40 thousand to 52 thousand passengers per hour.

Another fundamental driver of development is technological innovation, the paradigm and catalyst for any change in this era of accelerations. In ATM, technology is an element that runs through all business processes and will result in better usage and access to services and information from customers.

Among the most significant initiatives in terms of user experience there is certainly the introduction of contactless credit card payments on the metro, a project launched in June 2018 and which now has an average of 60,000 transactions per day. ATM is the first company in Italy and among the top ten in the world to offer its customers this technology which, in addition to the practicality of use, allows the automatic calculation of the cheapest fare, the so-called “best fare”. The launch of contactless payments represents a concrete step in the digital transformation process that began in 2015 with the introduction of the ATM App and the sale of travel tickets via SMS.

ATM also participates in the 5G technology testing projects underway in Milan. The introduction of this technology will allow in the future to effectively extend the same mode of payment with contactless cards also on surface vehicles, thus achieving the objective of progressively dematerializing all travel tickets.

Following the in-depth review already begun in 2017, the Board of Directors of ATM implemented a series of initiatives during 2018 to further strengthen corporate governance processes. Among the most relevant: the introduction, in July, of a new integrated procedure for managing whistle-blowing reports; the transition to a new Anti-corruption Model adopted on a voluntary basis and integrated with the updated Model 231; the adoption of the guidelines of the Internal Control and Risk Management System.

On the organizational side, the Board of Directors introduced the redesign of the Audit and Internal Control Department and the Compliance system, led by a new Internal Auditor with proven experience and professionalism; the creation of a new Risk Management function with the appointment of the company Chief Risk Officer on the subject of risk management, a complex Enterprise Risk Management project ("ERM") was launched; and lastly, the creation of a "Coordination Team" between all the internal control functions and the so-called company assurance providers, an innovation that places ATM at the frontier of best practices.

All these initiatives aim to make ATM a "best-in-class" company also in terms of corporate governance, an increasingly important factor in the assessment of any company and particularly relevant in light of the public nature of your company.

Finally, it is worth mentioning the renewal of the Supervisory Board, replacing the previous one that remained in office for two three-year terms.

From the corporate point of view, the merger between ATM S.p.A. and ATM Servizi S.p.A. became effective, with accounting and tax effects starting from January 1st, 2018. The transaction confirmed the premises of cost-effectiveness and efficiency, for which it was approved in December 2017.

In April 2018, the extension until October 31st, 2020 of the LPT Service Contract and the Supplementary Services Contract were signed.

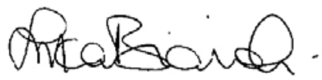
Even in this transitory framework for the choices of trust in the management of LPT, with a long-term view, in October 2018 the strategic industrial plan of the ATM Group was approved, then presented on April 1st, 2019 to the Ordinary Shareholders' Meeting of ATM S.p.A. for the approval of strategic guidelines.

In particular, some key dimensions have been taken into consideration: the growing of the mobility sector in favor of collective and shared transport, the change in the habits of the consumers of Milan, the technological macro-trends with impact on transport, the issue of sustainability as a key factor to development and livability. On these key dimensions, 40 operational projects have been defined to make ATM a digital champion, an industry benchmark, also extracting the full potential from all the non-core assets of the company and enhancing the human resources of the Company as true drivers of change.

Dear Shareholders, 2018 was a decisive year to put into practice what we had committed to do. ATM continues to express its vocation for service and the will to look ahead, even in an extremely ambitious way, to contribute to raising the quality of life of the citizens of Milan, city users and the ever-increasing number of tourists: customers all to whom we must offer the best vision of an ever more attractive, welcoming, competitive Milan.

Milan, April 1st, 2019

For the Board of Directors
The Chairman
Luca Bianchi



Our profile

With over 9,800 employees, ATM manages public transport and integrated mobility services in the city of Milan and in 95 municipalities in Lombardy, on a territory that affects over 2.5 million inhabitants.

In Milan, the network operated by ATM includes four underground lines for a total extension of almost 100 km, with 2,300 runs a day, to which are added 24,000 runs of the 19 tram lines on 180 km of network, 158 bus lines and four trolleybus lines covering over 1,550 km.

ATM also manages the BikeMi bike sharing service, the light rail that connects the Milan network to the San Raffaele Hospital, the Como-Brunate funicular, 23 parking lots, the control of parking areas and payment systems of the layover and the payment system and control of Area C.

Since 2008, through its subsidiary Metro Service A/S, ATM manages the Copenhagen metro, one of the first fully automated in Europe. Also in the Danish capital, ATM has recently been awarded the 5-year contract with an option to extend it for further 3 years, for the management of the two new metro lines, which are expected to start in 2019, and the new line of light rail.

The Company is characterized by a strong vocation to technological innovation: from 2015 it started a process of dematerialisation of tickets with the creation of dedicated Apps and mobile ticketing systems with innovative ways to purchase tickets from smartphones and text messages. ATM was also among the first international operators to offer, from 2018, the contactless payment system on the metro; a new, fundamental step in the digital transformation that ATM is taking to further raise the level of service offered and to improve the travel experience of passengers, while making their operating processes more efficient.

All this is possible thanks to the skills and professionalism of the ATM employees who are committed every day to guarantee an efficient, sustainable and customer-oriented public transport service, taking on the transformations and challenges of the future.

Significant events in 2018
that occurred after the approval of the 2017 financial statements

February 21

Passengers passing through the platforms and mezzanine floors of the Duomo station M1 and M3 can count on free Wi-Fi connection. This is possible thanks to a first experimentation in order to improve the passengers' user experience, offering unlimited navigation for four hours a day and information on the status of the local public transport network.

March 27

The first electric bus of the 25 purchased from ATM was put into service, for an investment of 14 million euros. This was an accelerator in the path of renewal and conversion of the surface fleet to electricity. This is the first real stage of the ambitious full electric plan.

April 12

The contract is signed for a framework agreement of 80 new trolleybuses - following a public tender procedure - to the Polish company Solaris Bus & Coach SA, for a total investment value of 61.5 million euros. The first application contract consists of the supply of 30 18-meter trolleybuses, to be carried out by 2020, thus continuing to work towards an increasingly sustainable urban transport system.

May 28

The free Wi-Fi service on the metro was expanded. After Duomo, free internet access is also available at the Cadorna and San Babila stations, to further enhance travel experiences.

May 28

The new ATM behavior campaign is launched, which aims to make passengers aware of the rules of coexistence and ensure that good habits also help improve the service offered by ATM. There are four subjects which became present with a new tone and a game of roles, invite us to reflect on our attitudes on public transport.

June 11

ATM's behavioral campaign comes alive with the launch of the #cedilposto week. In fact, for seven days, the company invited its customers to "look around", an initiative that included the participation of well-known testimonials. The "Give me a seat please" pin, dedicated to passengers with the need to travel seated, was also made available free of charge.

June 28

Inauguration of the contactless service: the digital transformation of Milanese public transport is at a turning point in the area of ticketing. ATM is the first company in Italy and among the top ten in the world to offer its customers the opportunity to travel by underground directly accessing contactless payment cards enabled with EMV technology, thanks to the collaboration of partners Mastercard and Visa.

July 5

The international agency FitchRatings has confirmed the long-term rating of ATM S.p.A. to "BBB" with stable prospects and a short-term valuation of "F2". The confirmation of the evaluation already obtained in 2017 is the result of an analysis of the main balance sheet quantities of ATM, such as the constant ability to generate resources for the self-financing of the investment plan, the ability to attract service demand, the growing operational successes abroad (in Copenhagen), as well as strict cost control and the low level of debt.

July 10

The plan to combat tariff evasion continues: even in the stations of the M2 and Lambrate M2 stations the exit turnstiles are closed with the obligation to validate the ticket, bringing to 106 the stations affected by the measure, out of a total of 113 stations. The Company's commitment in the fight against tax evasion is increasingly intense, thanks also to the increase in the number of controllers.

Customer care **Innovation** **Sustainability**

September 6

The international agency FitchRatings has confirmed the rating evaluation for ATM S.p.A. to “BBB” but has revised, as an automatic consequence to the revision of the perspective for the Sovereign rating, and in an identical measure, the prospective assessment for ATM from “stable” to “negative”, confirming at the same time the short-term valuation at “F2 “. The action therefore reflects the credit link of ATM with the national public sector and in particular with the Municipality of Milan.

October 1

The plan to fight tariff evasion intensifies: new initiatives for checking tickets and passes have started. In particular, itinerant teams composed of security guards, client assistants and underground operators begin to guard the stations of the four metro lines at the entrance to the turnstiles, and no longer only at the exit or in the interchange corridors.

October 15

Work continues on modernizing the M2 with the start of works for the renewal of the aerial supply network in the section between Cascina Gobba and Gessate.

November 11-25

ATM actively participated in the initiative of the Municipality of Milan “Neighborhood Plan”, with the presence of managers and technicians for three consecutive Sundays, at schools in all the municipalities of the city, monitoring and responding to the citizens on the public transport service.

December 3

It was the 10 year anniversary of BikeMi. There are 650 thousand registered users of the sharing service, with 23 million uses and more than 46 thousand km traveled. For the occasion: ten days of special rates, seven new stations and 150 new electric bicycles with child seats.

Activities in Italy

- on 24 and 26 April 2018 respectively, the extensions relating to the LPT Service Contract and the complementary services were signed. Previously, with resolution n. 647 of April 13, 2018, the Municipality of Milan had already resolved that "pending the definition of the path for the completion of the procedure for public evidence by the Basin Agency, in light of the timing related to the activities for which the Agency is responsible , it was necessary to guarantee the continuation of the public transport service, given its nature as an essential public service - as well as those connected and complementary which are functionally connected to the Local Public Transport service". Therefore, the Municipality of Milan authorized, with the resolution of the Council on April 13, 2018, the "continuation of the current Service Contract until 31.10.2020, availing itself of the faculty to extend the period of continuation for a period exceeding 12 months for reasons related to non-reliance ", as provided for by the art. 3, paragraph 2, of the "Local Public Transport Service Contract" and of the "Paid service contract on the territory of the Municipality of Milan and removal and custody of vehicles". This deadline will allow the Basin Agency to conclude the tender and provisional award activities and is consistent with the provisions of art. 4.4 of CE Regulation 1370/2007.
- on April 1st, 2018 became effective the merger by incorporation between ATM S.p.A. and ATM Servizi S.p.A. with accounting and tax effects from January 1st, 2018 The operation pursued a purpose of optimization and industrial rationalization, favoring the simplification of Governance and allowing savings in administrative and management costs for the company resulting from the merger. Through the corporate reorganization we wanted to optimize the management of the Group's human resources, through greater flexibility in using them and simplifying the management of industrial processes, considering the fact that the resources constitute, together with the rolling stock, the priority factor of production. There are some non-negligible synergies associated to the merger deriving from the elimination of duplication and overlapping of administrative activities, with consequent simplification of contractual flows and consequent obligations.

  In summary, therefore, the benefits deriving from the transaction were as follows:

  - industrial optimization and rationalization;
  - simplification of "Governance" and internal processes, with consequent greater risk control;
  - lower administrative and management costs;
  - greater ability to compete in the specific sector of activity;
  - improvement of service quality thanks to greater integration and fluidization of processes.

  The operation therefore aimed to strengthen the solidity and competitiveness of the company resulting from the merger, also in view of the aforementioned procedure for awarding the tender for the Local Public Transport management service that the Basin Agency will launch.

  The project has followed the following steps:

  - on January 5, 2018: The Shareholders' met to approve the merger project, with subsequent registration in the competent Business Register. From that moment the term of 60 days has expired, foreseen by the art. 2503 of the Italian Civil Code, within which each creditor could make an opposition action.
  - on January 22, 2018: The City Council approved the project for the merger of ATM Servizi into ATM S.p.A., ratifying what had already been approved by the City Council and the Boards of Directors of the respective companies in the previous days.
  - on March 22, 2018: Stipulation of the merger agreement before the Notary and simultaneous filing and registration of the merger in the competent Business Register.
  - on April 1st, 2018: Starting date of the merger.
- on September 24, 2018, the Code of Ethics introduced in 2007 was updated, to implement the provisions on civic access and whistle-blowing, in line with the Anti-corruption and Transparency Model.
- in October 2018, the Board of Directors approved the strategic industrial plan of the ATM Group 2019 - 2025. Thanks to its implementation, the Company hopes to be a promoter of the change in Milan, of its evolution into a more livable, sustainable and smart city , aims to be an international excellence for mobility management, through a technologically advanced, sustainable

and environmentally friendly, efficient and high quality service, and aims to promote the enhancement of its human resources through the development of new skills and attraction and growth of talent. The fundamental "pillars" of the Plan, through which over 40 projects of strategic importance have been developed, have reconciled the objectives of becoming a digital sample to increase the level of passenger service, to become a sector benchmark for sustainability, to be a leader of cost in the operational management of the sector, to extract the full potential from all the non-core assets of the Company and finally to attract, develop and enhance the human resources of the Company. Furthermore, the Municipality of Milan, together with ATM and a private economic operator, applied for co-financing from the European Union CEF funds, for the financing of the "SNAP-BUS" project. The objective of this project is to foster the development in the Core Urban Node of Milan of an alternative, innovative and sustainable transport system, based on autonomous driving vehicles linking via Ripamonti to piazzale Lodi, along a reserved route in the context of the Porta Romana railway station.

- in December 2018, the updated 231 Model of the Parent Company ATM S.p.A. was approved, addressing its subsidiaries to update their models and International Metro Service S.r.l. and ATM Servizi Diversificati S.r.l. to adopt the Organization, Management and Control Model pursuant to the Legislative Decree 231/2001. The 231 Model of the Parent Company ATM S.p.A. transposes the regulatory updates related to the Law 199/2016 "Illegal mediation and labor exploitation", Legislative Decree 38/2017 "Instigation to corruption among private parties", to Law 161/2017 "Strengthening of sanctions relating to employment of illegally staying citizens of third countries" and "Racism and xenophobia", to the Law 179/2017 also on the introduction of the Whistle-blowing system in the 231 Models. Furthermore, it incorporates the organizational changes, first of all the merger by incorporation of ATM Servizi S.p.A. in ATM S.p.A., effective form April 1st, 2018.

Activities abroad

- on January 1st, 2018, the Metro Service A/S contract entered into force for the operation and maintenance of the Copenhagen M1 and M2 underground lines. The contract awarded on December 15, 2017 will have a duration of five years and will end in July 2024 with an extension option for a maximum of another 5 years.

  In January 2018 Metro Service A/S was awarded the tender for the contract with Hovedstadens Letbaneselskabet for the mobilization, management and maintenance of the light rail (The Greater Copenhagen Light Rail). The start of commercial operations is currently scheduled for 2025 and the contract will last 15 years, ending in 2040.

  Also in January, Metro Service A/S started the mobilization activities of the M3 and M4 (Cityringen) metro lines, which will end in July 2019; in the following months the commercial activity will start which will have a duration of 5 years with an option of extension for further 3 years. This is the subcontract with Ansaldo STS for the management and maintenance of the M3 and M4 lines of the Copenhagen metro (Cityringen).

Other relevant events

- ATM operates in practice by applying a rigorous ethics of legality and transparency. To this end, from September 15, 2018 it adopted an Anti-corruption and Transparency Model ("ACT Model") on a voluntary basis. This Model aims to base the work of the Company to the ratio and the inspiring principles underlying the rules on transparency and anti-corruption (including Legislative Decree 33/2013 and Law 190/2012) and to ensure, as compatible, the substantial implementation.

  In October 2018 ATM S.p.A. received the OHSAS 18001 certification of the Occupational Health and Safety System.

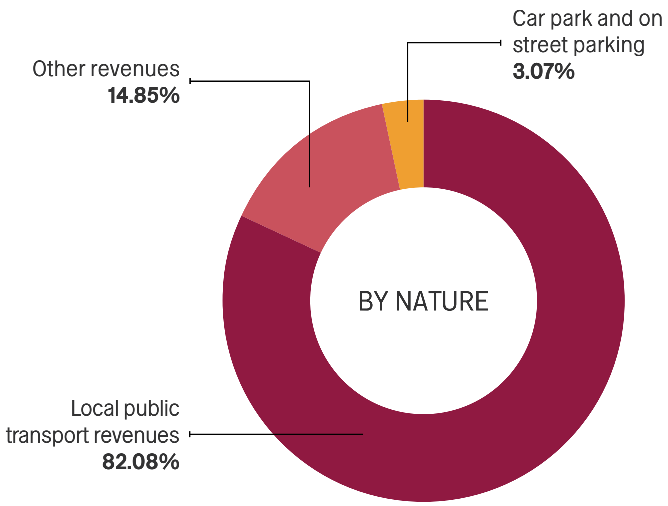
  The annual surveillance was carried out, with positive results, on the Quality and Environment certifications according to ISO 9001 (Quality) and ISO 14001 (Environment) standards for ATM S.p.A. and, where required, for the subsidiaries.

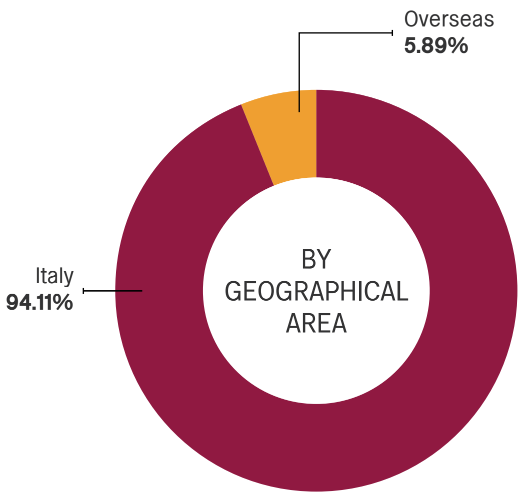
Financial Highlights

Main economic indicators (millions of euros)

	2018	2017 (*) Restated	2017	2016
Revenues and other operating income	**962.7**	924.4	924.4	938.7
Costs and other operating charges	**838.6**	802.5	802.5	790.5
EBITDA	**124.1**	121.9	121.9	148.2
% of "Revenues and other income"	**12.9%**	*13.2%*	*13.2%*	*15.8%*
EBIT	**36.9**	30.5	31.3	13.8
% of "Revenues and other income"	**3.8%**	*3.3%*	*3.4%*	*1.5%*
Net Profit	**18.5**	38.7	39.3	9.3
% of "Revenues and other income"	**1.9%**	*4.2%*	*4.3%*	*1.0%*

2018 Revenues





Key equity indicators (millions of euro)

	2018	2017 (*) Restated	2017	2016
Fixed assets (tangible and intangible)	**1,255.0**	1,205.2	1,052.1	1,010.9
Equity	**1,219.7**	1,205.6	1,095.6	1,081.8
Net Financial Position	**(184.3)**	(215.9)	(215.9)	(249.2)
Investments	**173.1**	139.9	139.9	76.8

Key financial indicators (millions of euro)

	2018	2017 (*) Restated	2017	2016
ROI	**2.8%**	2.4%	2.8%	1.2%
Net Invested Capital	**1,301.0**	1,273.5	1,120.3	1,135.3
EBIT	**36.9**	30.5	31.3	13.8
ROE	**1.5%**	3.2%	3.6%	0.9%
Equity	**1,219.7**	1,205.6	1,095.6	1,081.8
Net Profit	**18.5**	38.7	39.3	9.3

(*) Values restated compared to those of the Financial Statements approved by the Shareholders' Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which governs the methods of representation deriving from changes in accounting standards or retrospective effects from the adoption of new accounting principles; Note 4 illustrates which financial statement items have been adjusted and the related quantitative impacts.

Operational Highlights

ITALY

Total network[1]

1,083	96	789.1	164.7
Area served (km^2)	Municipalities served	Passengers transported (mln)	Km travelled (mln)

Metropolitan network

4	96.8	215.9	1,029
Number of metro lines	Network length (km)[2]	Plant length (km)[3]	Vehicle fleet (Engines & carriages)[4]

Vehicle network

158	1,551.5	1,500	9.9
Number of lines	Network length (km)[2]	Vehicle fleet[4]	Average age of the fleet in use (years)

Tram network[5]

19	180.2	285.1	493
Number of lines	Network length (km)[2]	Plant length (km)[3]	Vehicle fleet[4]

Trolleybus network

4	38.8	85.8	137
Number of lines	Network length (km)[2]	Plant length (km)[3]	Vehicle fleet[4]

1. Figures concern the service carried aut by ATM in the Metropolitan City of Milan, with the Como cable car and by NET in the Metropolitan City of Milan, and in the Provinces of Monza and Brianza, Bergamo and Lecco
2. Network length is the total length of individual lines in operation
3. Planti line in operation and air netowork are considered
4. Owned vehicles
5. The temporarily suspended Intercity Milan - Desio line is also considered (replacemente bus October 2011)

Service carried out in the Metropolitan city of Milan, provinces of Monza e Brianza, Bergamo e Lecco [6]

Area served (km²)	662.7	Number of lines	27
Municipalities served	59	Network length (km)[2]	395.9
Passengers transported (mln)	11.1	Vehicle fleet	101
Km travelled (mln)	7.8		

Car parks [7] & on street parking

Number	23	Entries	6,295,412
Car spaces	18,988	Car spaces	90,401

Como - Brunate cable car

Network length (km)[2]	1.1	Km travelled	51,821.6
Passengers transported (mln)	1.2		

Cascina Gobba - H. San Raffaele Minimetro

Network length (km)[2]	0.7	Km travelled	84,284.0

Operational Highlights

OVERSEAS

Metro Copenhagen

Area served (km²)	162	Number of lines	2
Municipalities served	3	Network length (km)[2]	21
Passengers transported (mln)	64.8	Vehicle fleet[4]	34
Km travelled (mln)	15.0		

6. Service executed by Net. Figures stated already in the "Total network" table.
7. The Novara-Trenno park is also considered, with 1,613 places

Audit Committee and Directors Boards

Board of Directors [1]

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

Audit Committee Board [2]

Chairman	Stefano Poggi Longostrevi
Audit Committee Board	Gaetano Frigerio Maria Luisa Mosconi
Alternate Auditors	Daniela Pasquarelli Domenico Salerno

Independent Audit Firm [3]

	Deloitte & Touche S.p.A.

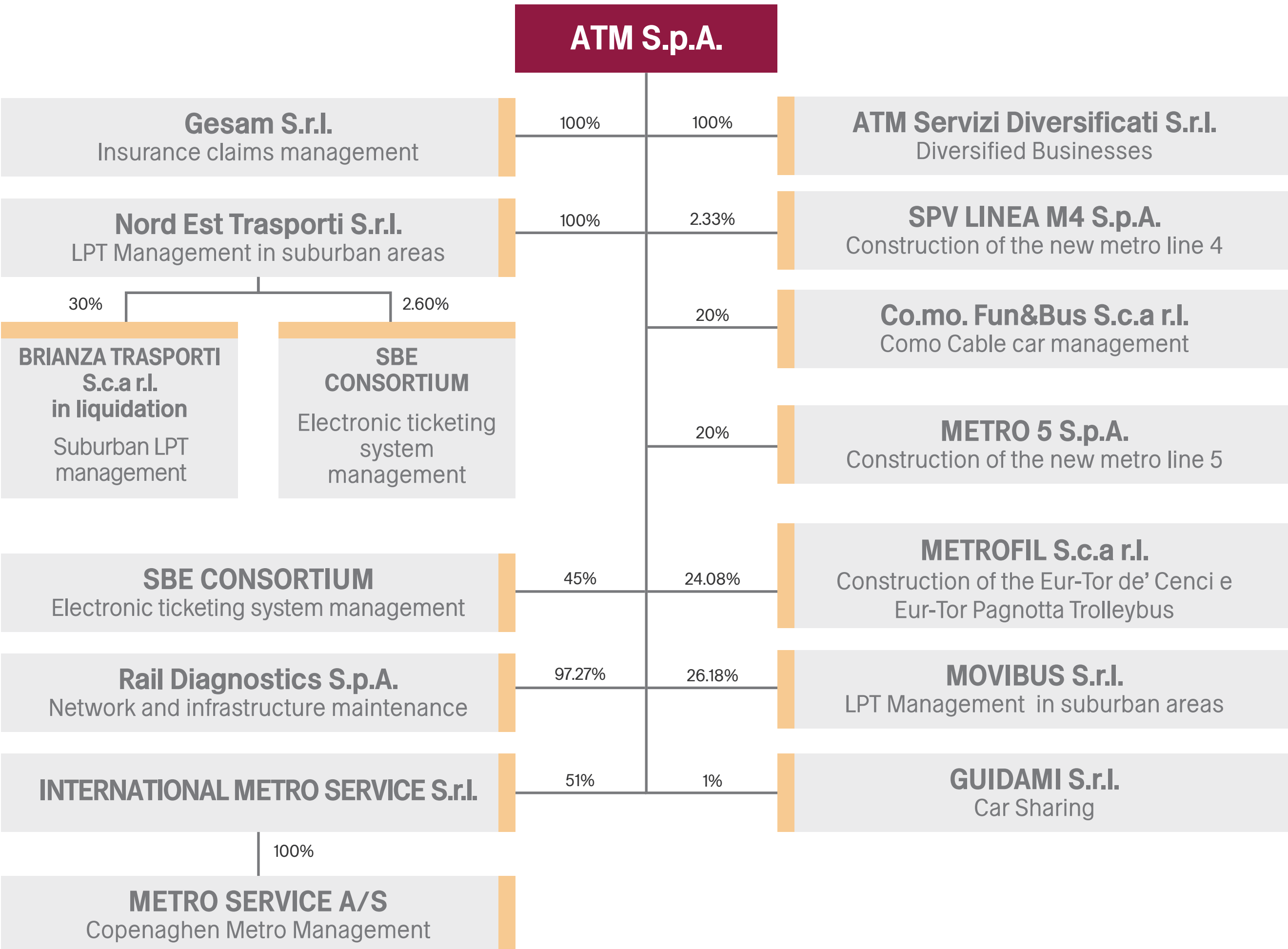
1. The five-member Board of Directors was appointed by the Shareholders' Meeting on March 30, 2017 and will remain in office until the approval of the 2019 financial statements. The Director Mr Pareglio was appointed by the Shareholders' Meeting of November 9, 2017 and will remain in office until the approval of the 2019 financial statements.
2. The Audit Committee Board was appointed by the Shareholders' Meeting of April 29, 2016 and will remain in office until the approval of the 2018 financial statements.
3. In view of acquisition of the status of "public interest entity" pursuant to Legislative Decree No. 39/2010, on November 9, 2017 the Shareholders' Meeting resolved to grant a nine-year mandate to Deloitte & Touche S.p.A., set to expire upon the approval of the 2025 financial statements.

Group structure as at December 31st, 2018

ATM S.p.A. ("ATM", the "Company" or the "Parent Company") carries out the management of transport services in any form and by any means, including rail services, as well as related services connected to the activity of transporting people, things and information and mobility, including parking lots and on-street parking.

The Company manages the light rail service from Cascina Gobba to San Raffaele Hospital. Fully owned by the Municipality of Milan, it is the Parent Company of the Azienda Trasporti Milanesi Group (the "Group" or "ATM Group") and is responsible for the management and coordination of its subsidiaries pursuant to art. 2497 and subsequent of the Italian Civil Code. The Company's registered office is in Foro Buonaparte 61, Milan.

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



Merger by incorporation of ATM Servizi S.p.A. in ATM S.p.A.

On April 1st, 2018 the merger of ATM Servizi S.p.A. (100% controlled) in ATM S.p.A. became effective. Please refer to the description in the section "Significant events of 2018" for further information and to the Explanatory Notes for the accounting aspects of the transaction.

Subsidiaries and their activities:

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

Associates:

- **Movibus S.r.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 manager of lot 6 of the provincial sub-network of Milan West.
- **Metrofil S.c.a r.l.:** incorporated on April 2nd, 2009. ATM S.p.A. holds 24.08% of the share capital. The company was established for the purpose of fulfilling the obligations deriving from the assignment of the contract concerning the executive design and construction of the public transport system on its own trolleybus-type seat serving the EUR-Tor de Cenci corridor and EUR Laurentina-Tor Pagnotta entered into with Roma Metropolitane S.r.l.
- **Metro 5 S.p.A.:** incorporated on June 5, 2006. ATM S.p.A. holds 20% of the share capital. The company is responsible for final and executive designs, expropriation, project management, execution of civil works and technological installations, supply of rolling stock and subsequent management of the new metro line 5 and any extensions.
- **Co.mo. Fun&Bus S.c.a r.l.:** incorporated on June 9, 2006. ATM S.p.A. holds 20% of the share capital. The company supports local public transport service in the Municipality of Como and management of the Como-Brunate cable car system.
- **Brianza Trasporti S.c.a r.l. in liquidation:** incorporated on October 23, 2007. ATM S.p.A. holds through the subsidiary Nord Est Trasporti S.r.l. 30% of the share capital. The company has a consortium purpose represented by the operation of Local Public Transport on the northern sub-lot assigned by the Province of Milan to the consortium members united in a temporary association of the company. Since the company had fulfilled its consortium purposes, on November 29, 2017 the Extraordinary Shareholders' Meeting resolved to place it in liquidation.
- **S.B.E. Consortium:** incorporated on January 28, 2015. ATM S.p.A. directly holds 45% and, indirectly, through its subsidiary Nord Est Trasporti S.r.l., 2.6% of the share capital. The Consortium is the owner of the asset represented by the central platform of the electronic ticketing system and of the asset management activities in addition to the management of clearing activities, and accounting streams for Sitam tickets and regional tickets.

Other companies

- **SPV Linea M4 S.p.A.**: incorporated on December 16, 2014. ATM S.p.A. holds 2.33% of the share capital. The corporate purpose, granted by the Municipality of Milan, is the construction, maintenance of the Milan metro line 4 and the provision of the related public transport service.
- **Guidami S.r.l.**: incorporated on May 21, 2004. ATM S.p.A. holds 1% of the share capital. The corporate purpose is the improvement of the conditions of mobility and the offer of vehicles for the transport of people and goods, bookable and usable for certain periods of time by the members of this service called "car sharing". On January 18, 2019, ATM sold its stake to ACI GLOBAL SERVIZI S.p.A.

Share capital structure

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

Our business

Segment	Management of the Local Public Transport	LPT accessory and complementary operations	Other
ITALY	LPT in the Milan and urban area	On-street parking in the Milan territory and in the 23 interchange parking lots inside and outside the Milan area	S5 link management
	Milan metro line 5	Removal and custody of vehicles on the municipal territory	Tram restaurant in the city of Milan, tram rental
	LPT automotive Municipality of Monza, Province of Monza- Brianza, Bergamo, Lecco and Metropolitan City of Milan	C Area	Maintenance and integrated diagnostics of metro and tram installations and systems
	On-demand urban and urban area services in the municipalities of Peschiera Borromeo and Basiglio	Traffic Control and Territory System	Insurance claims management
	Como-Brunate cable car	Bike sharing	
OVERSEAS	Copenhagen Metro		


ELECTRIC bus

Management Report

Corporate Governance Report

Introduction

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

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

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

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

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

Ethics Code: principles, values and social responsibility

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

These values that ATM recognizes as fundamental to its business operations, and which are shared at all levels of the organization, are outlined in the **Ethics Code**, introduced in 2007 and last updated on September 24, 2018, to incorporate the provisions of civic access and whistleblowing, in line with the Anti-corruption and Transparency Model.

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

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

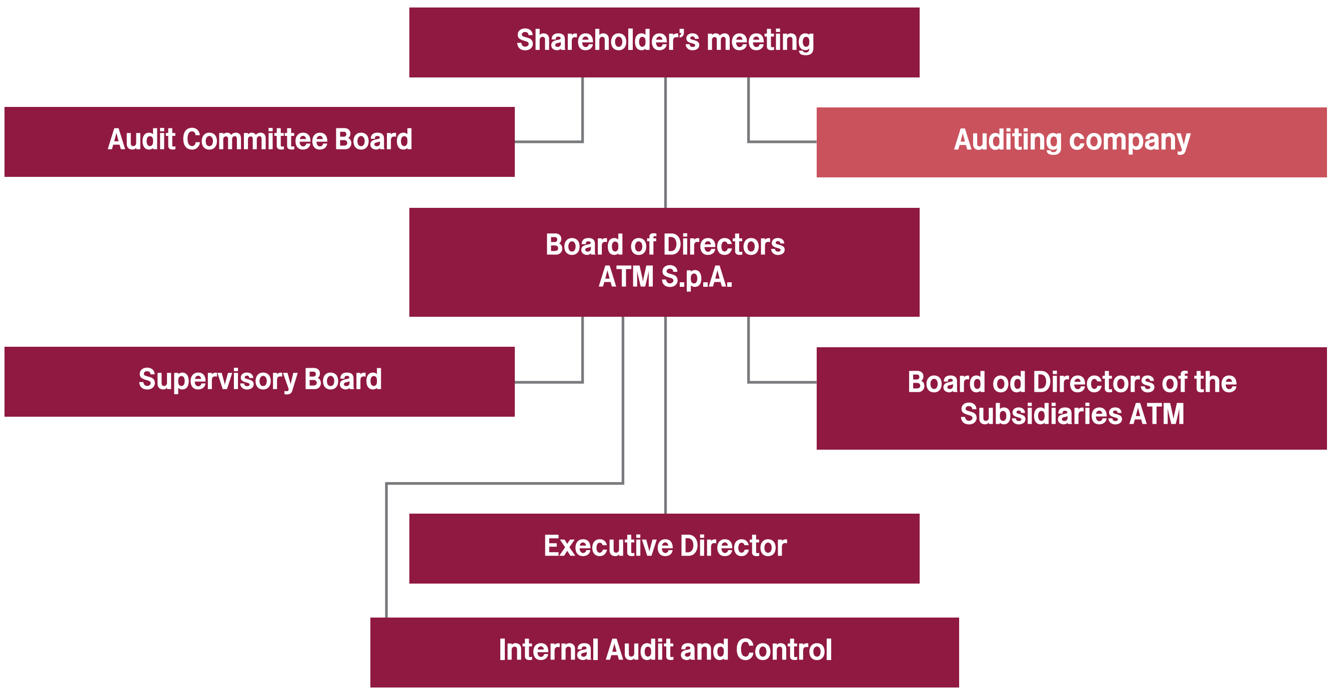
ATM has held since 2012 **SA8000 Certification**, the international standard improving working conditions and standards of company procurement, unifying the standards set out under international documents: the United Nations Declaration on Universal Human Rights, the United Nations Convention on the Rights of Children, the ILO (International Labour Organisation) Conventions and Recommendations and the United Nations Conventions to eliminate all forms of discrimination. Under the internal control system, the maintenance of the certification and the periodic assessment of the company performance in this regard is based on continuous monitoring, internal audits by the various company departments and audits carried out by the Social Performance Team on the basis of reports from the worker representatives. For this purpose, in 2018 newly hired personnel continued to be trained according to the SA8000 and the Internal Social Responsibility Management System.

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

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

The Corporate Governance Model

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



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

Appointed to monitor the compliance with the law and the articles of association and compliance with the principles of correct administration and adequacy of the organizational structure, the **Audit Committee Board** is ATM's Control Board. The Audit Committee Board is responsible for the effective functioning of the control system regulated by Law 231/2001 and subsequent amendments and the **Supervisory Board**.

The accounting control functions, in terms of the legally-required audit of the accounts, were assigned to the **Independent Audit Firm** Deloitte & Touche S.p.A., by Shareholders' Meeting of November 9, 2017, for the duration of nine financial years from 2017 to 2025, given the classification of the company as a Public Interest Entity (PIE).

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

The Internal Control and Risk Management System

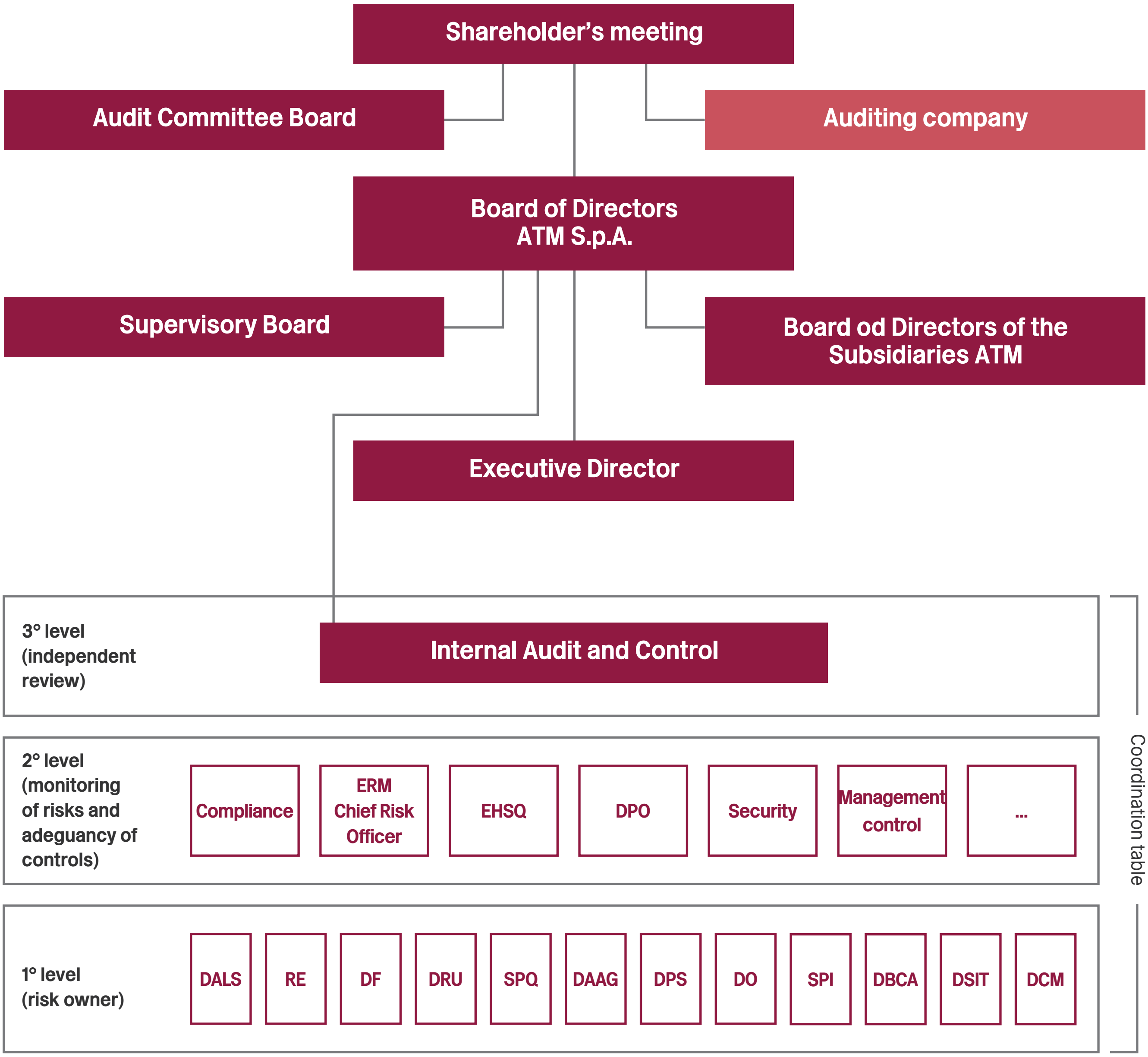
The **Internal Control and Risk Management System** ("ICRMS") of ATM represents a **fundamental element of Corporate Governance**. The ICRMS consists of the set of rules, procedures and organizational structures aiming to enable the identification, measurement, management and monitoring of the main risks.

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

ATM has adopted an **internal control and risk management system** to protect the business value and achieve the objectives defined by the Board of Directors, which is responsible for the system itself; this system also includes the monitoring to guarantee **reliable and accurate financial and non-financial information**.

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

Each actor in the corporate governance structure has specific duties and responsibilities relevant to the ICRMS. The System, in accordance with the relevant regulations and best practices, gives all company departments a clear position within three lines of defense.


Shareholder's meeting
Audit Committee Board
Auditing company
Board of Directors ATM S.p.A.
Supervisory Board
Board od Directors of the Subsidiaries ATM
Executive Director
3° level (independent review)
Internal Audit and Control
2° level (monitoring of risks and adeguancy of controls)
Compliance
ERM Chief Risk Officer
EHSQ
DPO
Security
Management control
...
1° level (risk owner)
DALS
RE
DF
DRU
SPQ
DAAG
DPS
DO
SPI
DBCA
DSIT
DCM
Coordination table

The acronyms regarding the business functions used within the ATM Group are the following.

Acronym	Function
PRES	Chairman
DG	General Direction
DACI	Audit and Internal Control
DALS	Legal and Corporate Affairs
DCBA	Control, Financial Statements and Administration
RE	External Relations and Infomobility
DF	Finance, Tax, Insurance and Risk Management
DRU	Human Resources, Organization and General Services
SPQ	Safety, Prevention, Environment and Quality
DAAG	Purchases, Procurement and Tenders
DPS	Service programming
DSIT	Information Systems, TLC, Production and Securities Warehouse
DCM	Commercial and Marketing
DO	Operations
DSCP (DO)	Stops, Controlling and Parking
DMOS (DO)	Rubber Workshop Maintenance

The Audit and Internal Control Department, the Risk Management, all the functions that carry out a specific control activity, the independent Audit Firm and the Supervisory Board, work together to carry out their respective tasks. These structures and functions ensure adequate collaboration, including information, to the Board of Directors and the Audit Committee Board, for the performance of their respective duties and responsibilities.

The components of the Internal Control and Risk Management System of ATM are coordinated and interdependent among themselves and the system, includes the administrative structures, the supervisory and control bodies, with different roles and according to the logic of collaboration and coordination the company management: the assignment of roles and responsibilities, according to a functional segregation, the procedural body, the systems and information flows, the monitoring activities underlying the internal control and risk management system of ATM aim to guarantee the compliance with the laws, regulations, bylaws and internal regulations, in compliance with the criteria of efficiency and effectiveness, for the reliability, accuracy and timeliness of financial information.

Participants

- Internal Audit and Control
- Risk Management
- Management and ATM employees
- Supervisory Board

Governance tools

- GuideLine ICRMS
- GuideLine ERM
- Model 231
- Anti-corruption and Trasparency model
- Regulations and procedures
- Terms of the Coordination Table
- Whistleblowing

ICRMS GUIDELINES

Participants and tasks

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

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

Audit and Internal Control

The monitoring process of the controls, implemented to mitigate the previously identified risks, both at the level of the individual company and of the process, is the responsibility of the **Audit and Internal Control Department**, which is responsible for verifying their effectiveness and adequacy. The annual audit plan for the Parent Company and for the companies of the Group is progressively evolving towards a risk based model, which integrates the requirements of an operational, security and reliability nature of information systems and compliance with Legislative Decree 231/2001 and the Anti-corruption and Transparency Model. This plan is prepared by the head of the Audit and Internal Control Department, also considering any critical issues that emerged from the audits carried out previously. Finally, the plan is approved by the Board of Directors of the Parent Company for the entire Group.

Risk Management

With particular reference to the monitoring and management of business risks, ATM - in line with the best practices, and in particular with the reference models COSO Framework and

ISO31000, and related updates, introduced and will maintain a dynamic Enterprise Risk Management process ("ERM") - which has a special organizational structure in charge of risk management. In June 2018, he assigned the *Chief Risk Officer.* The structure that refers to the **Chief Risk Officer** has the purpose of supporting and implementing the strategies, policies and operational plans that aim to identify and manage the risks and missed opportunities that may threaten the achievement of the established business objectives.

The establishment of a structured enterprise risk management process guarantees the use of a common language, a standardized and structured approach to risk management, and the adoption of objective risk measurement metrics. The primary objective of ATM's ERM process is to identify the broad portfolio of potential external and internal risks to which the Company and the Group may be exposed. Through the establishment of a ***risk assessment*** process, activities that aim to identify risk factors, assessing them in terms of probability and impact of occurrence were carried out, also in consideration of the existing mitigation actions, to reporting and risk monitoring. The work developed so far has led ATM to equip itself with a system that assigns to function responsibles, for specific skills, roles of risk owner/risk manager, with the aim of periodically updating risk mapping and related management plans.

Management and all the ATM employees

All ATM employees, in the context of the tasks entrusted to them in the company organization, are engaged in defining and actively participating in the correct functioning of the internal control system, as part of their responsibility in achieving the objectives. The responsibility for implementing an effective internal control system is common to every level of the organization.

All ATM employees, therefore, must have the necessary knowledge, preparation and ability to act and operate within the ICRMS and must be allowed to fulfill the tasks consequent to their role.

Supervisory Board as per Legislative Decree 231/2001

The Supervisory Board, currently composed of 3 members (2 of which are external to the Company) alternated in February 2019 with the previous structure, which remained in force for two terms. In accordance with the past, the external members of the Supervisory Board have been identified among academics and professionals of proven competence and experience in economics, business organization and administrative responsibility. The internal member of the Supervisory Board has been identified as the Audit and Internal Control Director.

The Supervisory Board monitors the application of the ATM Model 231 and the implementation methods and updating activities. The Board also approves the annual program of supervisory activities. The supervisory activity is organized on the basis of a three-year plan, which envisages interventions to be carried out over the three-year period so at least one check on each sensitive activity identified in the 231 Model is made. For some areas - "Management of Financial Flows" and "Procurement of Goods and Services" - interventions are scheduled on an annual basis. For other areas - "Health and Safety at Work" and "Environment" - audits are scheduled every six months. The Supervisory Boards of the Group companies are required to provide, as per the regulation, a six-monthly report on their work to the respective Boards of Directors.

During 2018, the Supervisory Boards of the Group companies, in continuity with the activity carried out in the previous three years, continued to exercise the functions of verification and supervision over the effective functioning and compliance with the organizational Model 231 adopted by the Parent Company ATM S.p.A. and by subsidiaries. They used the Audit and Internal Control Department on an ongoing basis and encountered, among other things, other social control structures during the year.

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

In 2018 the training of employees in relation to 231 continued: the training of top managers was carried out through classroom sessions with the contribution of external experts, focusing on the analysis of specific areas of relevance 231 as well as on most recent case law.

Governance Tools

Guidelines for the Internal Control and Risk Management System

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

The **Board of Directors** of ATM has defined the ***ICRMS Guideline*** which represents the guidelines of the Internal Control and Risk Management System so that the main risks are correctly identified, as well as adequately measured, managed and monitored, also determining the degree of compatibility of these risks with a management of the company consistent with the corporate objectives.

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

Enterprise Risk Management Guideline

ATM has adopted the ***Enterprise Risk Management Guideline***, as a fundamental tool to support risk management.

The primary objective of the ERM model implemented at ATM is to identify the broad **portfolio of potential external and internal risks** to which the Company may be exposed. Within the framework of the model, a specific risk register is established and updated by the ERM department in which the data necessary for the identification, measurement, management and monitoring of risks are recorded.

The ERM model provides for an integrated, transversal and dynamic risk assessment that enhances the risk management systems already existing in the individual company processes, and is subjected to periodic updates in order to continuously have an effective risk management model.

The risk assessment has an annual update/revision frequency.

Regulations and operating procedures

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

- ***the Group's regulation,*** which governs the Group's operating methods and intercompany relations and which is updated in 2018 as a result of the evolution of the organizational structure and of the regulatory changes regarding transparency and anti-corruption;
- the **regulation for the assignment of contracts**, issued in the updated version in April 2018, which governs the procedures for the award of contracts relating to works contracts, the purchase of goods and service contracts for all Group companies;
- the **sales regulation**, which governs the procedures for the sale of goods, materials and services and the awarding of contracts for the commercial exploitation of areas and spaces to guarantee the maximum economic return, in a perspective of rationalizing and efficient management of resources and company assets;
- the **procedures and operating instructions**, which describe and regulate the company processes and which guarantee, among other things, the functioning of the quality and environment management system, certified according to the UNI EN ISO 9001, UNI EN ISO 14001 and, from November 2018, UNI EN ISO 18001.

Terms of the Coordination Body

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

- elimination of overlaps or duplications between the various control functions and, therefore, sharing, where possible, of the methods with which the various functions carry out assessments, of their work plans/verifications, of the results deriving from the respective activities;
- improvement of communication between the control functions among themselves and the governance structures;
- mitigation and risk management of insufficient, partial or misaligned information;
- effective follow-up activities and decision-making based on correct information.

The main moments of coordination and collaboration between the control functions are:

- the annual activity planning phase;
- the periodic meetings of the Coordination Table;
- participation in meetings with the 231 Supervisory Boards and/or with the Audit Committee Board and/or any other committees and/or working groups established from time to time.

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

One of the main internal control tools implemented by ATM is the **Organisational and Management Model** pursuant to Legislative Decree 231/2001. This model was adopted by the Parent Company ATM S.p.A. in 2008 and later that year, also by the subsidiaries ATM Servizi S.p.A. and Rail Diagnostics S.p.A. NET S.r.l. and Gesam S.r.l. adopted the model in 2011. It is expected that in 2019 the model will also be adopted by ATM Servizi Diversificati S.r.l. and International Metro Service S.r.l.

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

The Model, **constantly updated** based on the **regulatory changes** that from time to time introduce new types of offenses, as approved by the Boards of Directors of each company, includes the following constituent elements:

- the identification process of corporate activities wherein the offences referred to in Legislative Decree No. 231/2001 may be committed;
- the provision of control standards for the sensitive activities identified;
- the identification process of suitable methods for managing financial resources to prevent offences;
- the management of information flows from and to the Supervisory Board and specific disclosure requirements in relation to the Supervisory Board;
- a disciplinary system to penalise the violation of provisions contained in the Model;
- a training and communications plan for employees and other parties interacting with the company;
- update and adaptation criteria for the 231 Model to cover developments in regulations and in line with organisational changes;
- ethics Code;
- 231 Code of Conduct.

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

Risk management

During 2018, the Group initiated the review of the Enterprise Risk Management (ERM) system with a purpose to develop the risk assessment and management system in favor of greater integration and enhancement of the specific risk controls already in existence in different organizational areas, starting from those related to the safety of the operation and the protection of company assets, to the prevention of fraud and corruption, to health, safety, environment and quality. The model being implemented provides an integrated and homogeneous approach for the identification and assessment of risks that could threaten the achievement of strategic objectives and business continuity, lead to violations of laws or regulations, compromise corporate reputation, adversely affect the company and on stakeholders, as well as negatively affecting the current and future economic, equity and financial situation.

The Board of Directors of the Parent Company ATM S.p.A., on January 28, 2019, approved the Guidelines of the Enterprise Risk Management which establish the principles on which the model must be based, which is structured as follows:

	Macro-areas		Key elements	Description
1	Governance Risk Management System	A	Risk Governance & Organization	**Role** of the Risk Management function within the framework of the **Internal Controls**
		B	Risk Appetite	**Risk limits** that result in the scope of the managment for the action of defining the strategy
2	Measuring methods	A	Taxonomy	Risk **Taxonomy** is **unique and shared** in order to ensure uniformity of the terms in the Company
		B	Risk Assessment	
			Identification	**Identification** of risks by combining internal, external and prospective view
			Prioritization	**Prioritization** of identified risks and definition of a risk map
			Measurement	**Measurement** of possible **impact** of priority risks on multiple areas (eg, economics, reputation,..)
			Control	Risk **management** with possible identification of **mitigation leverage**
3	IT Systems and Change Management	A	Reporting	**IT Systems** and standard **reporting** in the Company to ensure **transparency and risk monitoring**
		B	Education	**Training** of people in the company to ensure **awareness**

Enterprise Risk Management Framework to support business decisions in a risk-based perspective to be applied in three areas:

- **Strategic**
- **Operating**
- **New Initiatives**

Particular attention is paid to the assessment of the inherent risk, mitigation actions and the adequacy of the control system and the qualitative and quantitative risk monitoring system.

The management involved in the ERM process is required to use a common methodology to measure and assess specific risk events in terms of “Probability of occurrence” and “Impact” and the level of adequacy of the existing control system. In accordance with the new model defined in the Guidelines in 2018, the review of the risk register was initiated, to allow updating of the registry of the most significant risk factors, reassessing the impacts and adopting additional instruments capable of anticipating, mitigating or managing the relevant exposures. This process will be completed during 2019.

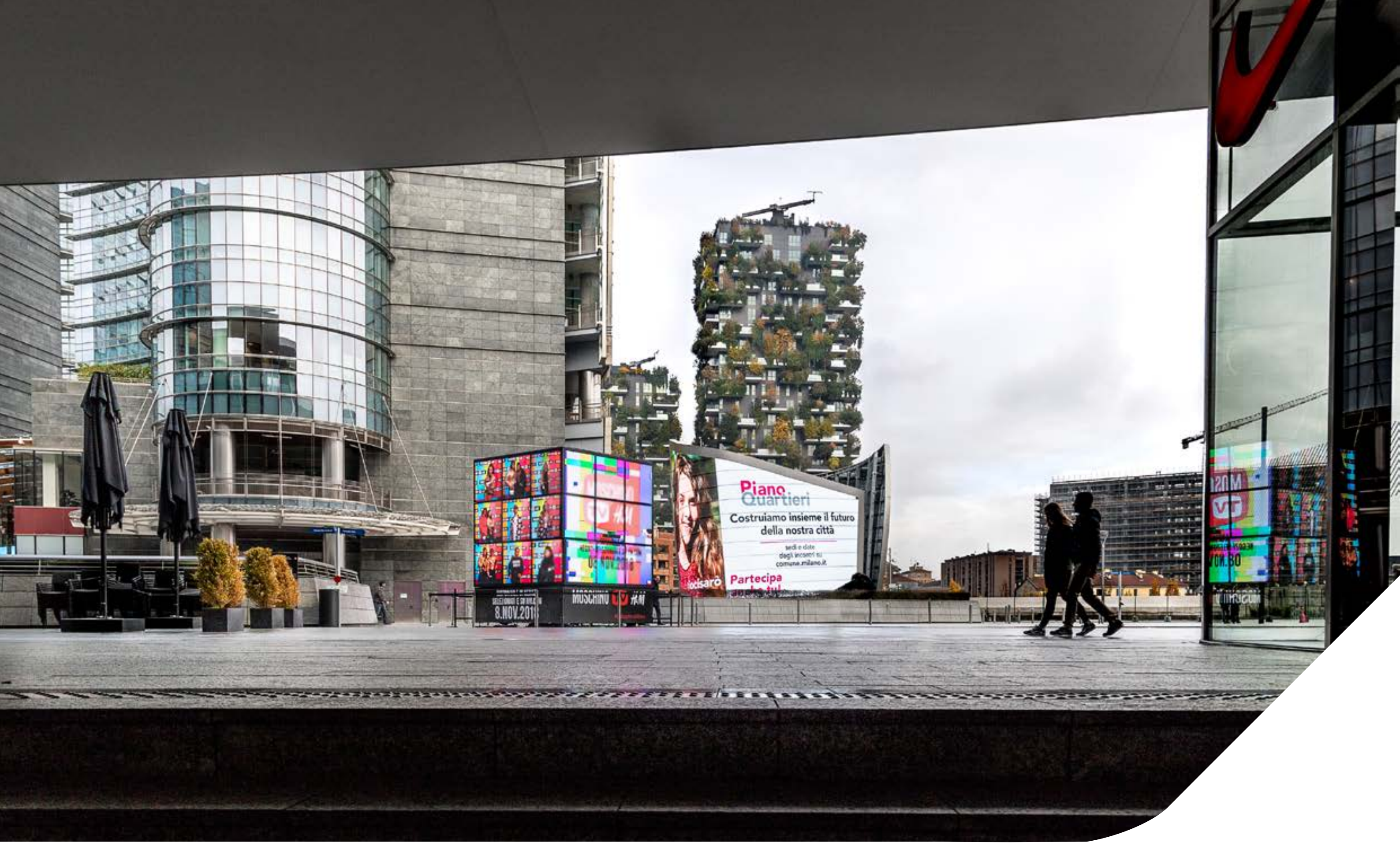
The identification of risk scenarios and contro ls is carried out using a unique risk taxonomy and frames the individual risks in the main groups as detailed below.

Risk classification

STRATEGIC	FINANCIAL	OPERATING
Stakeholder expectations/CSR	Raw material price volatility	Service production
Strategic customers and business partners	Interest rate volatility	Supply Chain (logistics)
Regulatory and legislative developments	Exchange rate volatility	Procurement
Technological and behavioral evolution	Financial instruments	Commercial
Governance and organizational framework	Liquidity risk/CCN	Information Technology
Implementation of strategic objectives	Credit risk	Execution of contracts
Capex-referring to the investment programs	Funding capital market	Environment
M&A JV and external growth	Financial counterparties	Health & Safety
	Capex contributions	Human resource
		Security
		Outsourcing

EXTERNAL EVIRONMENT	LEGAL AND COMPLIANCE	PLANNING AND REPORTING
Macroeconomic context/competitive/demand	Compliance of legislation and regulations	Strategic planning and budgeting
Catastrophic events	Compliance of ethical code, Policies, procedures and other internal regulations	Financial planning
Acts of terrorism	Legal	Tax
Cyber attack	Conduct risk	Budget and management control
		Financial reporting

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



Responsible management and stakeholder relations

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

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

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

The company has supported and actively participated in numerous initiatives promoted by the Municipality of Milan and other territorial institutions. These include Milan Digital Week, Milan Bike City, Book City Milan, Piano City.

Furthermore, over the course of 2018, ATM made its contribution to the main events on sustainable mobility and technological innovation, including the *National Electric Mobility Conference - E-MOB 2018, Citytech* and, internationally, *IT Trans and World Metro & Light Rail Congress*.

Our customers

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

ATM handles the ticket sales and distribution network on behalf of the Municipality of Milan, with constant attention to extending and upgrading sales channels in line with the latest technological developments. Customers can make purchases through multiple sales outlets comprehensively covering the surface rail and metro networks (resellers, ATM points, vending machines, parking meters and home banking) and through virtual purchase and payment channels (mobile ticketing systems). Alongside the aforementioned consolidated sales channels, in 2018, ATM introduced the new access system to metro turnstiles through contactless bank cards belonging to the EMV circuit (Europay Mastercard & VISA) - "Your Card Is Your Ticket".

ATM believes that the monitoring of perceived quality, or customer satisfaction, is an important lever for listening to its customers to ensure a constant improvement of the service. The annual survey, carried out in May 2018 on a sample of 3,348 units through face-to-face interviews on board of the vehicles, at surface stops and in subway stations, shows a certainly positive result: the general satisfaction for the ATM service has an average of 7.2 (on a rating scale of 1 to 10), while the satisfaction area, that is, those who say they are very or fairly satisfied (the percentage of those who express a rating between 6 and 10) is equal to 97%.

The informative offer of ATM to the customer is wide and diversified thanks to the multiplicity of dedicated tools. The website www.atm.it offers information on the service (schedules, tickets, season tickets, traffic info) and on ATM initiatives, allows travel planning through the various features of GiroMilano, online recharge of season tickets (weekly, monthly and annual); the GiroMilano application has been optimized to facilitate greater accessibility by specifying information on the presence of lifts and stair lifts and their position relative to the surface for each subway line stop. A version accessible to people with visual impairments has been implemented that works with the main screen readers.

In 2018 the Milan ATM app was updated: on the home page there are both quick access to the most used functions such as geolocation, routes, lines, research, the presence of elevators and stair lifts at the metro stops and the purchase of tickets both real-time information such as the status of the subway lines, the time remaining for validated tickets, tweets, traffic info, the scheme of the underground network, favorites and access to content for traveling on the vehicles of ATM. In particular, a development project concerned the availability of information on sharing services: on the maps there are the positions of the vehicles of car sharing, the bike sharing stalls with an indicator of the availability of bicycles, the tracks of the cycle paths, the departures and arrivals at railway stations and airports.

The customer can consult online at www.atm.it the thematic brochures dedicated to fare reductions for families, season tickets for seniors, season tickets for young people and students, offers reserved for companies, municipalities and schools, the bicycle transport on public means, all downloadable and free of charge at the ATM POINT where the map of the ATM network is available free of charge, also distributed in the underground at the Station Operator's cabins.

On the occasion of interventions on the network such as the establishment of new lines, changes to timetables and routes and on the occasion of new services offered, ATM informs its customers through campaigns that in 2018 concerned, in particular, the temporary reconfiguration of the routes of the lines of trams and buses involved in the Piazza V Giornate construction site, access to the subway by credit card, renewal of student passes, electronic invoicing, paid parking on the street, ticket purchase via SMS and App. In order to make passengers aware of the rules of coexistence, the Company has carried out a behavioral campaign spread online, at stops and on board of the surface vehicles, on trains and in subway stations and has chosen, which behaviors to promote in the experience of the journey, that of giving the place to sit to the elderly, to pregnant women and to those most in need, not to speak loudly, especially on the mobile phone, to let the other passengers get out before getting on the train.

The informative mini-videos presented daily through the monitors in the subway stations and on the buses are dedicated to respect the travel rules: the latest rules concern the transport of the backpack, the prohibition of smoking, the transport of dogs at the station and means, the respect of reserved seats on board of the vehicles, the correct use of escalators on the subway.

An important development activity was dedicated to the realization of the liveries of the new electric buses and of the electric charging stations.

As far as fixed communication is concerned, signage at stations and at stops is at the center of constant renewal and adaptation work; in 2018 the regulations for passengers were revised both in terms of content and graphics in order to make them more accessible to customers.

The Company has implemented initiatives to enhance its corporate reputation with customers, to promote knowledge of services and the main projects in the field of sustainable mobility and technological innovation. Among these, the ATM Digital event, on the occasion of the European Mobility Week, which had the partecipation of Milan high school students directly in the main subway stations to illustrate the digital services of the Company, as part of a project of school-work alternation.

In 2018 ATM intervened radically in its own way of giving information in real time to customers, considering the activity of info-mobility as an integral part of the service and no longer exclusively ancillary.

A new communication method was implemented, aimed at clarity, simplicity and timeliness, with a more friendly and transparent tone and language: in the announcements on the underground and on the Twitter channel (which counts almost 300 thousand subscribers) were also inserted service messages related for example to the new ticket purchase channels, to control activities and suggestions to improve the coexistence of everyone on public transport.

To shorten the distances between ATM and passengers, new, more inclusive methods have also been introduced in the relationship with the customer, through less bureaucratic methods, greater customization of responses to customer comments, involvement in corporate public events and sending of information dedicated to customers. In particular, three focus groups were organized with passengers on some sensitive issues, to intercept the needs in direct contact and respond with concrete actions. Furthermore, in-depth and follow-up initiatives were developed on specific situations reported by the customers. ATM provides an Infoline telephone service, active every day from 7.30 am to 7.30 pm and until midnight to assist passengers with disabilities. In the 2018 financial year, the Infoline responded to approximately 150 thousand phone calls.

Our suppliers

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

The Quality, Environment and Social Responsibility Policy states that the Group’s sustainable development strategies presuppose, among other things, the commitment to continuous improvement of the environmental, health and safety aspects related to the workplace activities, focusing the attention on all interested parties, including the performance of its suppliers.

During 2018, 1,657 procurement procedures were launched, substantially in accordance with 2017, highlighting a continuous attention by ATM in proceeding to rationalize the entire purchase process; this purpose is also pursued with the continuous review process of the Purchasing and Training Regulations aimed at all those involved in the purchasing process.

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

In compliance with the provisions of the legislation, the entire purchasing process is now developed on IT platforms, thus confirming the full trace-ability of the authorization process and further ensuring full compliance with the principles of transparency and equal treatment of all interested parties.

Our people

Workforce

The headcount at December 31st, 2018 was 9,884 (9,9798 at December 31st, 2017).

Breakdown by contract	31.12.2017	Hires	Leave	Other Changes	31.12.2018
Executives	26	1	(3)	11	35
Transport personnel	9,416	417	(442)	(2)	9,389
Others	356	160	(47)	(9)	460
Total	**9,798**	**578**	**(492)**	**-**	**9,884**

The overall workforce remained substantially unchanged, as the hires made covered the terminations registered during the year.

The hires made particularly concerned the operating personnel for no. 236 units and the maintenance sector for n. 71 agents. These hires were carried out both on a full-time and part-time basis as they allow greater organizational flexibility to ensure better coverage of scheduled services; furthermore, they concern a permanent contract in 26% of the cases, whereas in the previous year they were almost exclusively hired with a fixed-term contract of variable duration.

Personnel employed on a fixed-term contract were, however, largely confirmed with conversion to a permanent contract: the percentage of employees on permanent contracts rose from 93.6% to 97.7%.

Human capital, resource and leverage for development

The attention of ATM to its human capital continues, in the belief that it represents one of the cornerstones for achieving the Group's strategic development objectives. To this end, in 2018 was operated on two levels. On the one hand, we proceeded with the running management of key processes of the personnel development: performance and skills assessment, weighting of positions, benchmarks and salary management and development of replacement tables. At the same time, processes were initiated to redefine the objectives, processes and tools of development of Human Resources, inserted as one of the Pillars constituting the new Group Plan.

Internal communication is one of the main levers to encourage participation in the life of the company. **The Group intranet** is an information tool addressed to all personnel who, in addition to making all the reference documents available for the correct conduct of the business, constantly update on the evolution of management and on the main events of the Group, with insights on issues of particular relevance. This communication tool is supplemented by publications, such as the NoiATM house organ, to also involve personnel not reachable through the computer network.

Furthermore, ATM, aware of the close correlation between individual well-being and organizational well-being, confirmed for 2018 its economic and organizational commitment to maintain and improve the **corporate welfare system**.

Some figures on services offered in 2018:

- 265 counselling sessions held at different company premises;
- 98 children welcomed in 2018 (of which 4 are grandchildren of 3 grandparents employed) for the two educational years, compared to a maximum availability per educational year of n. 68 children. Since 2015, employees can also enroll their second-degree grandchildren;

- 42 people involved in vertical managerial laboratories inside the surface operations room;
- 9 people involved in maternity staff coaching;
- 16 people involved in the career path of the over-50s;
- 280 people involved in the classroom dedicated to healthy eating and emotion management (operators and station agents).

Courses were also held on healthy eating for chefs in company canteens, posture courses, nutrition and stress management (Legislative Decree 81).

The Work Health Place Award ("WHP") was granted to the Lombardy Region.

Training is also considered a strategic lever: the guidelines and management are developed centrally by the Parent Company ATM S.p.A. through a dedicated structure. In 2018, in front of a high number of hires, one of the most significant activities was the training and of the personnel entering the company, with diversified interventions depending on the tasks assigned (insertion, support, training).

A second activity of particular importance, in accordance with the current regulations and company policies on this issue, was training for safety in the workplace, both through periodic updates and through interventions intended for specific categories of workers (supervisors, users of specific equipment, emergency teams). The goal is for every ATM worker to become more and more aware of the fact that the level of safety of vehicles, activities and services offered to the city depends above all on his actions.

In addition, front line personnel were able to take advantage of specific training relating to the correct relationship with customers, while managers were involved in training activities for supporting employees in managing complexity. Finally, in 2018, the line drivers took part in the courses planned for the renewal of the Driver Qualification Card, DQC, with a five-year frequency.

In total, 310,368 hours of training were provided, of which 26,452 on health and safety at work, 15,125 hours dedicated to specialist technical training and 20,650 hours of behavioral and managerial training. 248,141 hours of driving training were also provided, including 116,591 hours for vehicle driving qualifications and 131,250 hours for DQC renewals, in addition to 300 hours for the training of external personnel operating on the underground.

The classroom activities supporting the groups were accompanied by targeted coaching and counseling interventions. The use of the Interprofessional Funds "Fonservizi" and "Fondirigenti", through a rigorous internal administrative discipline, ensured also in 2018 the total coverage of training costs.

One of the drivers of 2018 was the development of the management plan for age management and the creation of an age team and related data dashboard, which monitors indicators such as absenteeism, use of leave and laws 104, accident data, health prescriptions, unsuitability, analyzed for age cycles. The issue of population aging has been addressed by including in the mandatory training on health and safety interventions aimed at these issues and summarized above.

Added to this are career budgeting activities for the over-55s, nutrition campaigns and digital citizen courses for the reduction of the digital divide that sees senior generations at risk of digital incompetence. For the aspects of prevention and culture of active aging, information and training meetings were held on the subject of the health of people in the company and in private life, fundamental for the well-being of the community of people who make up the company.

Industrial relations

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

In ATM, the relationship levels are defined not only by the National Collective Labor Agreement (NCLA), but also by a company framework agreement and a specific industrial relations protocol, signed by the trade unions of NCLA.

At ATM the freedom of the individual to join a trade union organization is fully assured. The percentage of employees enrolled in the Trade Unions was approximately 64% in 2018.

2018 was distinguished by the election for the renewal of the company's trade union representation (TUR) which had the participation of over 70% of the employees who elected, in the various workplaces, 132 representatives, who in turn elected their own executives and the company's TUR coordination, owner of contractual relations with ATM.

Among the agreements signed during 2018, it is noted the agreement relating to the merger by incorporation of ATM Servizi S.p.A. in ATM S.p.A. which involved over 6000 employees and the agreement relating to the performance bonus of the 2018 financial year (disbursement in 2019), confirmed by the parties as an "instrument" for involving employees to achieve a greater productivity, quality and competitiveness. A comparison was also activated on the Result Bonus for subsequent years with a purpose to including specific welfare elements in the agreement.

At a national level, it should be noted that the NCLA expired on December 31st, 2017 and, from the first informal contacts between the trade associations and the trade union counterparty, there was a difficult negotiation comparing to the previous one, which lasted 7 years. Expectations and availability are high on both sides. The financial statements include the estimate of the additional cost related to the contractual renewal referring to financial years prior to December 31st, 2018 carried out based on the best available estimates of the evolution of the negotiations.

Protection of assets and people safety

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

There was a significant reduction in the number of attacks on frontline ATM staff (-22.7% compared to 2017), the number of underground train smudges (-20% compared to 2017) and vandalism on the underground and on the surface.

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

It should also be noted that in mid-October 2018, ATM coordinated and organized, at its headquarters in Via Monte Rosa, a significant international workshop concerning the security issues of assets and customers on the transport networks of large metropolitan areas: at this meeting , which saw the participation of the heads of security of the major companies operating public transport in Europe, to the extent of 30 participants, also contributed by the national police forces represented by high regional officials who followed the two days of work.

With the increase in personnel, the upgrading of technologies serving the Security Operational Center will also be completed and its simultaneous transfer to the complex of the Metropolitan and surface Operational Centers. At the same time, the qualification process will be completed for the personnel in charge of monitoring and managing the more than 6,000 cameras and over 4,000 alarms that guarantee the Security ATM employees support 24 hours a day, 7 days a week.

Health, safety and environment

The attention to the environmental sustainability and to the protection of health and safety was reinforced by the new **Quality, Environment and Safety Policy Document** of January 10, 2018, in which the President, with the full support of the Board of Directors, of the General Manager and of the Management is committed to ensure that ATM is a reference point for integrated mobility, ensuring Quality, Safety and Competitiveness of services, in full accordance with the Environment, Sustainability and all interested parties.

In compliance with the provisions of the document, in 2018 ATM has continued its activities aimed at protecting the environment, health and safety of its employees, also referring to the corporate responsibility for workplace safety and environmental crimes covered by the Legislative Decree 231/2001, having as objectives the improvement of its environmental quality and safety management systems and maintaining a high level of environmental and social responsibility.

The management of activities related to the protection of the environment, health and safety in the company is in line with the values and objectives of the company, with constant attention to the implementation of processes and strategies inspired by the improvement of safety and health on work and environmental sustainability.

In order to pursue the aforementioned objectives, activities continued in 2018:

- identifying and assessing any risks for occupational health and safety, including in non-standard or emergency conditions, and adopting suitable prevention measures;
- enhancing training programmes on safety in order to involve everyone at different organizational levels, and ensuring that responsibilities and operating procedures are clearly defined and communicated appropriately;
- communicating information concerning health, occupational and environmental safety to internal and external stakeholders;
- optimizing the consumption of energy resources to prevent pollution, monitoring and minimizing the environmental impact of processes.

As a result of the merger by incorporation of ATM Servizi S.p.A. in ATM S.p.A., in 2018 the system of delegations regarding safety and the environment was appropriately updated. Consistently with the functional organization charts in place, the necessary delegations were assigned regarding the protection of health and safety in the workplace, pursuant to Article 2, Legislative Decree 9 April 2008, No. 81. Likewise, the new duties as Environmental Manager were also defined in compliance with the provisions of current legislation on environmental protection, including the obligations set by Legislative Decree 152/2006.

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

During the year were carried out activities to confirm the compliance with international voluntary standards; the audits by the certification board found that ATM S.p.A. has been able to respond to the demands of the context and of the interested parties, as well as during all the extraordinary events corollary, implementing a strategic planning, a timely monitoring and guaranteeing the quality parameters, contractually provided, even in exceptional situations. The compliance with ISO 9001: 2015 and 14001: 2015 standards for ATM and operating subsidiaries was confirmed. As planned, during the 2018 financial year, ATM obtained the certification of the safety management system according to the BS OHSAS 18001 standard. The validity of the certificate is three years.

Regarding to the environmental protection activities, approximately 6,000 linear meters of insulation in asbestos-containing material were cleaned in the company offices during 2018. During the year, the costs incurred for the aforementioned activities were used to fund the activities described above. The commitment to minimize the vibro-acoustic impact during the operation of trams and metropolitan cars is constant. New friction moderation devices have been installed on the tram network as is the maximum attention to the maintenance of the existing equipment.

To ensure that there are no impacts to the soil and subsoil component has continued the work on renewing the underground diesel fuel tanks for haulage and remaking parts of the yards of some deposits.

The actions provided by the improvement plan for health and safety continued regarding to the reduction of the risk of falling and improvement/adaptation of plants with attention to the air conditioning and lighting of the company offices.

During 2018, the number and severity of accidents at work substantially confirmed a positive trend for the recent years. The indicators relating to operational events are decreased; the number of “in itinere” events remains practically constant. Each direction systematically analyzes the accident events that have occurred and provides corrective actions in accordance with the provisions of the OHSAS 18001 safety management system.

The catalog of company protection devices is constantly updated based on the needs of the departments, acknowledged by the respective risk assessment documents and according to the technological progress offered by the suppliers.

Regarding to the recognition of occupational diseases, during the year all requests for information from the relevant boards were processed within the required time. Health surveillance was performed according to the established programs without reports of particulate critical issues.

The development of firefighting system upgrade projects was carried on for some company sites. Regarding to the fire-fighting systems of the underground railways, as far as their competence is concerned, are made further studies with the relevant boards and the new specific training of the personnel has continued too.

The Anti-corruption Transparency model

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

The ATM ACT Model aims to base the work of the Company on the rationale and principles inspiring the rules on transparency and anti-corruption (including Legislative Decree No. 33/2013 and Law No. 190/2012) and to ensure, as compatible, substantial implementation. The Company has also identified the Anti-corruption Coordinator, in the person of the Audit and Internal Control Director who works for the Company and for all the subsidiaries of the Group. Through the Group Anti-Corruption Coordinator, the Company actively connects with the Anti-corruption Plan Manager of the sole shareholder Municipality of Milan. The ACT Model contains first of all a map with the most exposed to the risk of corruption activities of the ATM and also the provision of the instruments that ATM intends to adopt for the management of this risk.

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

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

The reporting systems (whistleblowing)

ATM has adopted **an integrated and systematic approach to the management of violations reports** and/or offenses received in accordance with the internal and external regulations.

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

ATM, also through the adoption of specialized IT tools, adopts suitable and effective measures so that confidentiality is always guaranteed regarding the identity of the reporting person or of who transmits useful information to identify behavior that break the provisions of the legislation and of the Group ICRMS, without prejudice to legal obligations and the protection of the rights of the Company or of persons accused wrongly and/or in bad faith.

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

Operating overview

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

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

	Route	Year	Lenght	Stations
M1	Sesto 1º Maggio FS ⟷ Rho Fieramilano / Bisceglie	1964	26,70 Km	38
M2	P.za Abbiategrasso Chiesa Rossa / Assago Milanofiori Forum ⟷ Cologno Nord / Gessate	1969	39,88 Km	35
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 network is structured as follows:

Type	Number Lines	Note
Vehicle network	79 city 52 suburbans 27 provincial	Includes local radiobus services (operating in 14 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
Trolleybus network	4 city	

In 2018, changes and improvements were undertaken on surface lines, with restructuring in coordination with the Municipal Administration, to improve the frequencies of the means of transport and some city routes.

The ongoing action of adapting the service also continued in relation to the necessary road access changes linked to the construction sites of the new M4 line. Links to the areas affected by the works were established, while attempting to minimize the inconvenience for citizens.

Going concern and contractual framework

Services performed by ATM for the Municipality of Milan through the subsidiary company ATM Servizi S.p.A. are governed by the "Contract for the local public transport service and connected and complementary services".

The current contract expires on October 31, 2020, following the signing of the Deed of Continuation on April 24 and 26, 2018 for the assignment of the LPT Service Contract and complementary services; as a result of this assignment, the business continuity issue was resolved, which characterized the preparation of the 2017 financial statements and of previous years due to the management of the service with an annual extension.

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

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

Furthermore, the new regulatory framework establishes that the procedures for awarding the Local Public Transport service are assigned to the Basin Agency which started its activities in 2017.

In 2018, the Local Public Transport Agency of the Metropolitan City of Milan, Monza and Brianza, Lodi and Pavia launched preliminary activities for the call for tenders and, pursuant to Regional Law 6 of 2012, called the Local Public Transport Conference on May 7, 2018. During the conference, the steps and the timeframes leading to the tender's award were explained. These timeframes include the preparation by the same agency of the Services Program for the Area and the Integrated Tariff System for the Mobility Area (STIBM) in 2018, while the commencement of the award procedures is envisaged to take place between late 2019 and 2020.

On January 10, 2019, the Local Public Transport Agency Meeting of the Metropolitan City of Milan, Monza, Lodi and Pavia approved, at the end of the process, the drafting of the "Area Service Program" document that will form the basis for the tenders in terms of volumes and expected quality of the service. The document relating to the "Integrated Tariff System of the Mobility Basin (STIBM)" is still in the approval phase.

As part of the existing contractual relationships, other than those dealt with so far, are of particular importance the service contracts, in a net cost regime, between the subsidiary Nord Est Trasporti S.r.l. and the Local Public Transport Agency of the Metropolitan City of Milan, Monza Brianza, Lodi and Pavia for the management of the extra-urban automotive service. With Determination n. 39 of December 27, 2018, the Basin Agency has extended the expiry of the contracts currently in force until December 31st, 2019. Considering the complexity of the procedure for awarding the services, which is intended to be awarded through a single procedure divided into several assignment lots, Nord Est Trasporti S.r.l. has estimated that the going concern assumption exists, as it has no elements that suggest that the service itself is not reconfirmed even beyond December 31st, 2019 and until the new award is granted, which can reasonably not take place before the second half of 2020; the start of the awarding procedures between 2019 and 2020, in fact makes it presumable that, in order to guarantee the continuity of the public service, the LPT Agency will proceed to a further extension of the management in extension to the same current contractual conditions.

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

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

The operator receives a fee commensurate with the actual service production. This is re-evaluated each year on the basis of inflation.

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

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

***Net cost* -** is both the industrial and commercial risk borne by the operator, who is the beneficiary of revenues from the sale of travel tickets and receives a fee calculated to cover theoretical production costs from the Granting Authority.

Services covered by the service contract with the Municipality of Milan under the gross cost system include the management of intermodal Local Public Transport (metro, trams, buses and trolleybuses), demand responsive transport, ancillary activities such as the distribution of travel tickets, associated information to customers and the control of fare evasion. With regard to the risk of tariff evasion, the Group, although not directly involved in it as a service provider under a gross cost contract, provides all the measures necessary to combat tariff evasion in order to maximize revenue for the entity. In this context, in February 2018 disciplinary measures were taken against disloyal employees identified in previous years, with the help of internal control procedures, counterfeiting of travel tickets and the improvement of control procedures to further reduce the risk of fraud.

The contract regulates the obligations and responsibilities of ATM and the Municipality of Milan:

- ATM is responsible for the management of transport and ancillary services on the basis of the guidelines and directives from the Municipality of Milan, which is responsible for planning;
- the Municipality of Milan, the beneficiary of the revenues deriving from the sale of travel tickets, is responsible for the

definition and structuring of the tariff system; in this context, ATM plays a strategic role as the sales network operator on behalf of the Municipality. Investment for the development and maintenance of the public transport network and associated infrastructures are the responsibility of the Municipality of Milan as the owner.

In addition to transport services, ATM manages, by virtue of the same contract, services that are ancillary to Local Public Transport, such as road and indoor parking and the towing and impounding of vehicles pursuant to the Highway Code. The tariff policy for parking is incumbent upon the Municipality, while revenues are the responsibility of ATM which pays a predetermined fee to the Municipality.

Existing contracts of particular relevance, over and above those discussed herein, include:

- the single management contract of metro line 5 between ATM S.p.A. and the license holder Metro 5 S.p.A. The contract governs the management activities awarded to ATM S.p.A. and related services for the entire duration of the concession until 2040;
- the Service Contracts, under the net cost regime, between the subsidiary NET S.r.l. and the local public transport Agency for the Metropolitan City of Milan, Monza Brianza, Lodi and Pavia for the management of the suburban bus service. During 2017 the Agency sub-entered into the previous local entities contracts (Municipality of Monza, Milan Metropolitan City and Province of Monza-Brianza) and, with Directive No. 39 of December 27, 2018, extended the current contracts until December 31st, 2019 and it is reasonable also in this case to expect, in order to ensure public service continuity, further extensions while awaiting the induction of the tender process;
- the service contract, under the gross cost regime, undertaken by the Danish subsidiary Metro Service A/S for the management, exercise and maintenance of the Copenhagen metro. The current contract expires on December 31st, 2018 while in December 2017 the contract for the period 2019-2024 was awarded to Metro Service A/S.

Economic overview

General economic environment

In 2018, in the presence of a positive growth in the main advanced economies, despite moderate inflation, global trade tensions intensified. The repercussions of the protectionist measures implemented or even announced by the United States have led the export-oriented manufacturing sector to more conservative revisions of the investment plans for 2019.

The consequent apprehensions of a slowdown in global economic growth, including the settlement of monetary policy and the gradual drainage of liquidity by the Fed (the Central American Bank) have generated marked increases in volatility on financial markets, particularly in the most exposed sectors to the effects of commercial tensions.

The limited progress made in the negotiations on the United Kingdom's exit from the EU (c. "Brexit") have also contributed to increasing uncertainty about the evolution of economic relations between the United Kingdom and the European Union.

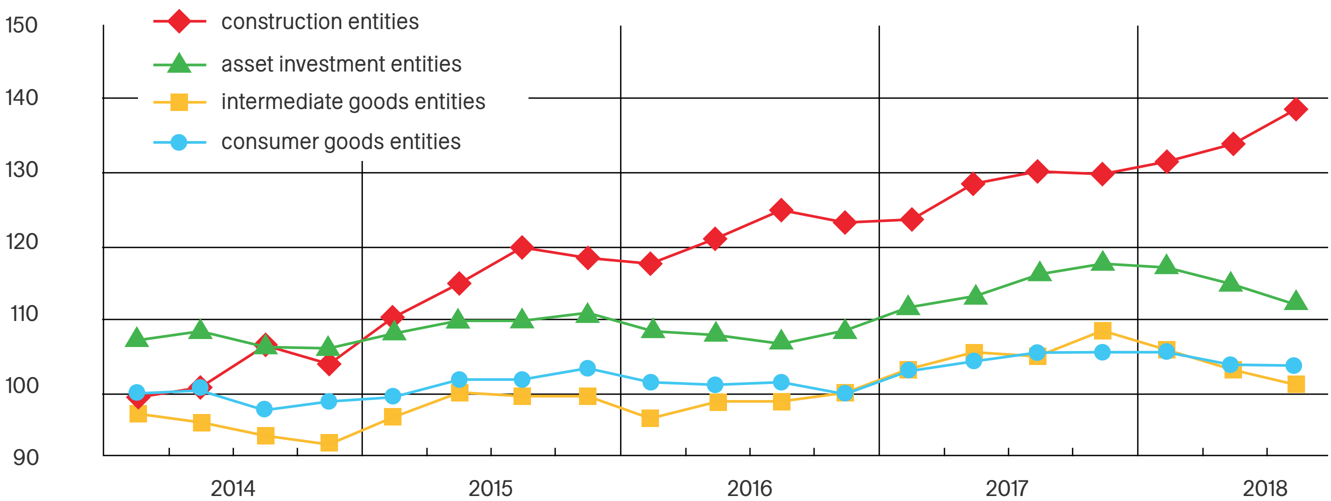
In the Eurozone, GDP moderately expanded in the first part of the year (+ 0.4% in the first part of the year), then progressively slowed down. The main support for growth is due to domestic demand, while the slowdown in world trade was followed by a weakness in foreign demand. Inflation remained at around 2%, mainly sustained by the more volatile components such as energy, while the "core inflation" remained at around 1%. The European Central Bank has begun the process of settlement of monetary policy, communicating the intention to terminate the purchase of financial assets at the end of the year.

In the second half of the year, Italy suffered phenomena of aversion to "country risk", which were reflected in a significant expansion of the "spread" with respect to German securities.

In the final months of the year, the Gross Domestic Product slowed, bringing the average trend of economic activity in real terms for 2018 (according to ISTAT estimations) to + 1.1%, down compared to + 1.6% in 2017. Exports also followed a similar trend, due to the weakness of international trade.

According to ISTAT surveys, companies reported less optimism about the evolution of demand, also following the intensification of international trade tensions, as illustrated in figure 1.

Figure 1
trust ratios of industrial companies [1]
(levels; ratios: 2010=100)



Source: Bank of Italy Economic Bulletin 4/2018. Elaborations on ISTAT data.
(1) Average level in the reference quarter.

The Local Public Transport sector and the raw materials market

The urban mobility sector at global level is affected by profound transformation dynamics, driven by the processes of growing urbanization and digitalization of metropolitan areas, phenomena that are orienting policy choices towards the promotion of sustainable mobility, which it assigns to Local Public Transport a strategic role.

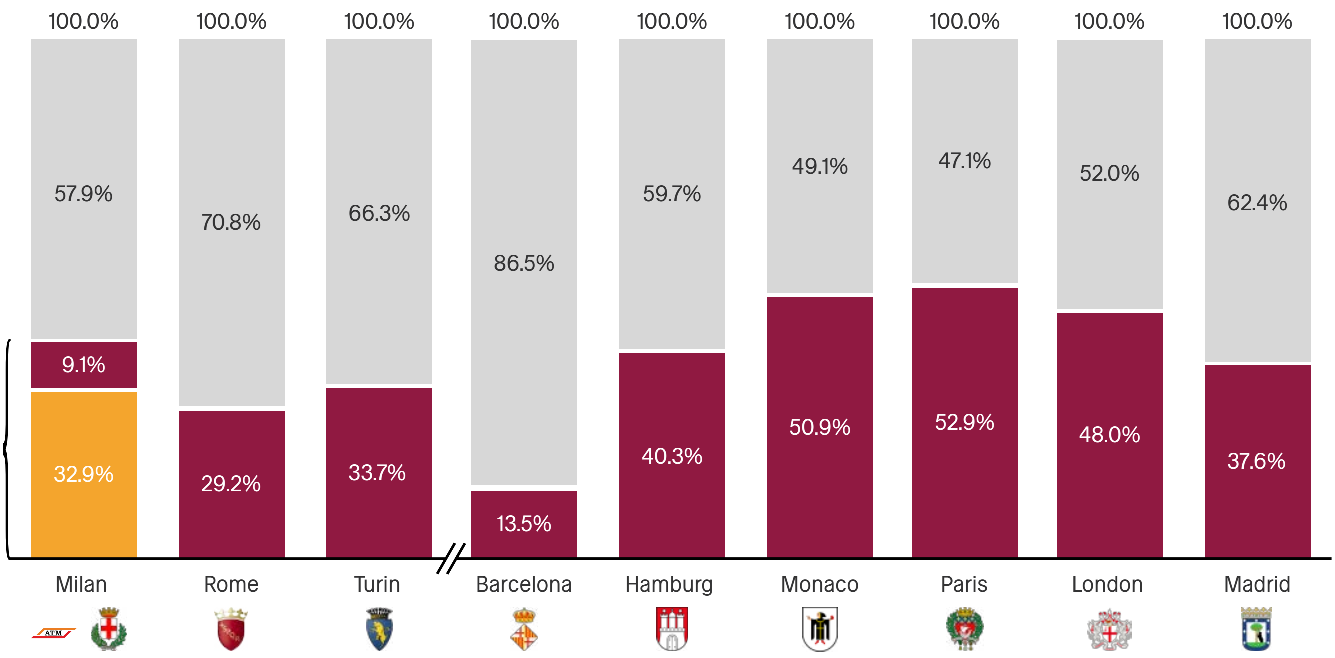
The Italian LPT market ranks fourth in the EU in terms of economic size, with a turnover of around 12 billion euros: it has 5 billion passengers a year, includes more than 1,000 operators and involves over 120,000 employees.

In recent years, the country has begun to benefit from a complex and organic reform and relaunching action carried out by the Central Government, linked in particular to the phase of expansion of public investments in LPT.

Over the next few years, technological evolution will have significant impacts on mobility, in particular driven by trends such as autonomous driving, vehicle electrification, shared mobility. The necessity therefore arises to organize the Company to be ready to respond to technological and competitive changes while also taking into account the changing habits of Milanese consumers. The increase of the number of tourists (+ 15% of arrivals between 2013 and 2016), part of the youth (+ 8% from 2013 to 2017) and foreign students' population (+ 32% in the period 2011 - 2016), and of nightlife-related businesses (number of restaurants increased by 35% between 2013 and 2017), present the necessity to increase the flexibility of the overall offer to match the growing demand with a different mix.

ATM is the best benchmark operator at national level in terms of revenue/vehicle-km ratio (+ 12% compared to benchmark), as well as Milan has a higher LPT share on total passenger/km compared to the main Italian cities (42%), although still lower than European peers (Monaco 51%, Paris 53%, London 48%) (see figure 2) hence the need to improve operational efficiency with the aim of supporting the progressive modal shift of the Milan area.

Figure 2
Pax-km, %

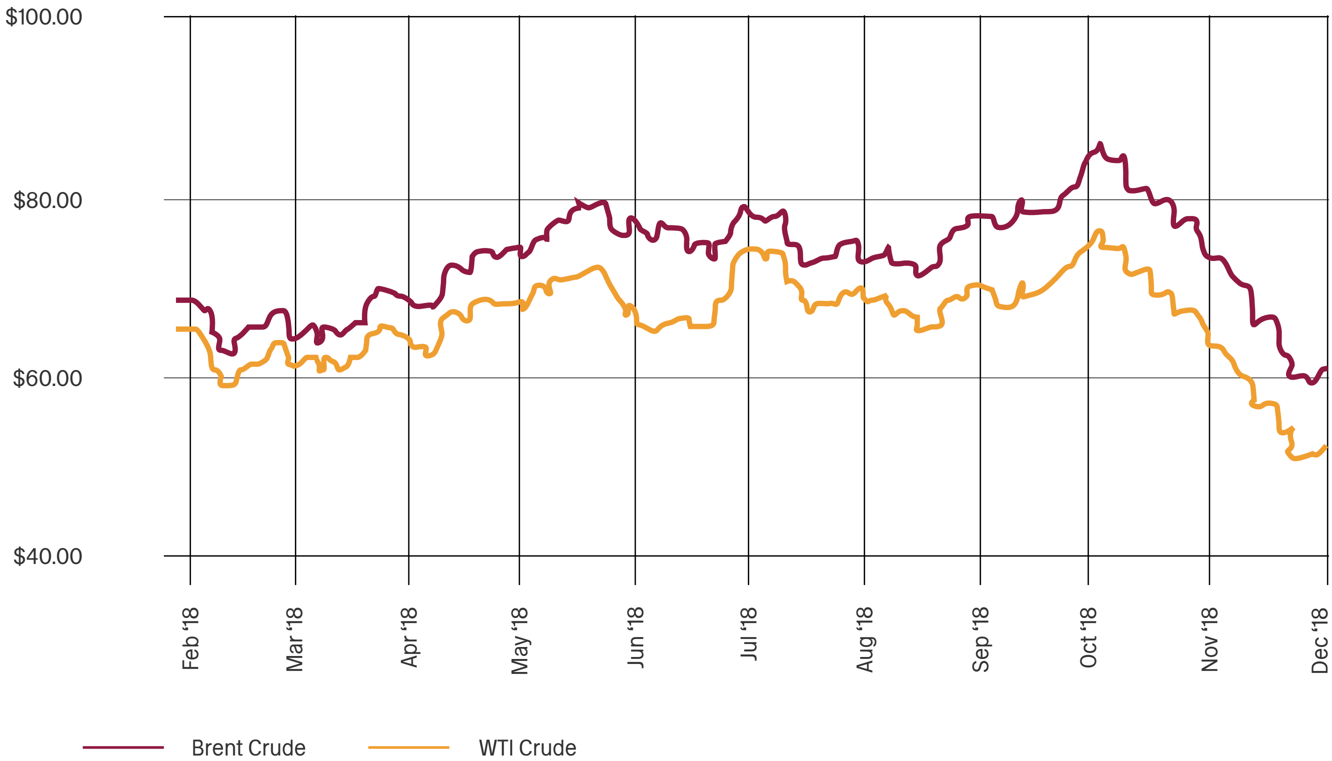


Source: ATM, PUMS Milano, Corporate site

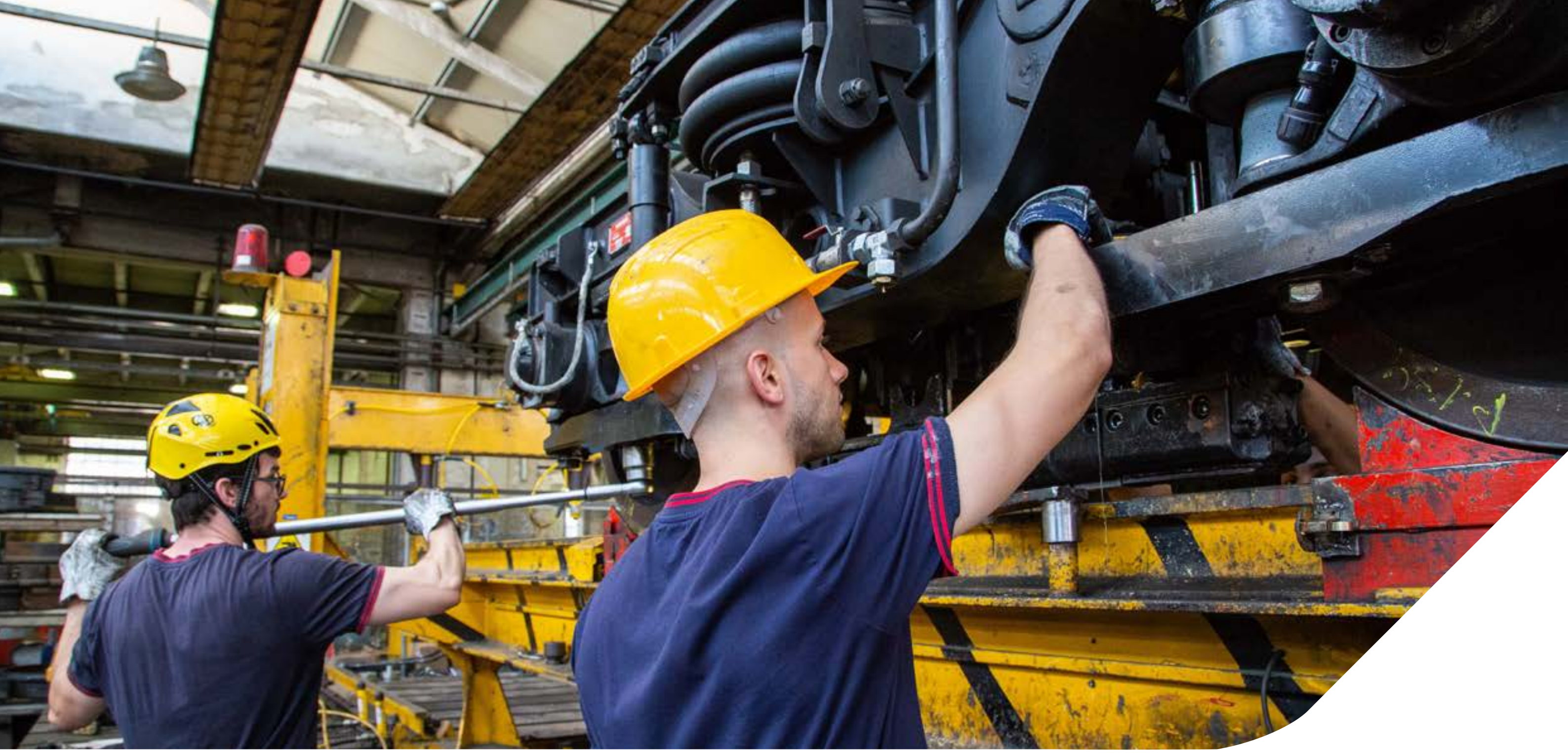
In 2018, the trend in oil prices was affected by geopolitical tensions, starting with the unexpected announcement of new sanctions on Iran by the US administration in May. This action including the production cuts at the end of 2016 by the "OPEC +", contributed to the reduction of global stocks, in the presence of limited spare capacity among world producers, concerning a production deficit. The oil price has reached its peak in the last four years at the beginning of October 2018 (in particular for the "Brent"). In the last part of the year there was a downward correction in prices, (see figure 3) caused by a series of factors such as the acceleration of Saudi, Russian and US production including concessions of American administration of exceptions to the aforementioned sanctions.

The average price trend for Brent in 2018 was US $ 71.7, compared to US $ 50.8 in 2017.

Figure 3



The trend has generated negative economic impacts in the sector, at least for the road transport component. As far as electric segment is concerned, the impact for ATM was relatively minor due to the tender procedures for the purchase of the supply carried out in the previous year for current consumption.



Operating performance

The 2018 was characterized by the continuity in the positive levels of performance achieved during the previous years, both on the metro service and on the surface trips: the frequency regularity value in the metro service was 99%; on the surface trips 82% meeting the scheduled frequency, with an increase compared to 2017, respectively equal to 0.05% and 0.4%.

The constant trend of growth in the number of passengers was confirmed. Passengers transported by metro service in 2018 were 369 million with an increase of about 21 million passes (+ 6%) compared to 2017, a year that had already set a record having exceeded the extraordinary value of 346 million in 2015 when Milan hosted Expo. Overall, over the entire ATM network, passengers numbered over 789 million with growth of more than 5% compared to both 2017 (750 million customers) and the previous years (2016 with 728 million and 2015 year of Expo with 736 million).

During 2018, various measures were implemented to improve and further strengthen the public transport service offered to the citizens and the numerous city users of Milan. The main actions promoted to limit disparities and imbalances between the different parts of the city as much as possible, consistently with the commitments undertaken by the Municipal Administration, have mainly affected urban areas. Some extensions of the metro network and services reaching the new districts have been improved in order to be in the same frequency with the renewed mobility necessities of the population, with particular attention to the categories in need. The public transport system have a particular capacity aimed at greater territorial cohesion overcoming the borders that still separate some decentralized neighborhoods. In addition, two new night lines have been established, the first, which, covering the entire Bastion circle, connects the Central FS M2 M3 station to Cadorna FN M1 M2, the second active in the nights between Friday and Saturday and between Saturday and Sunday in the summer period, to connect the Idroscalo with the P.ta Vittoria FS station.

The work of extending the network to the external Municipalities continued in order to reduce the private traffic that enters the city on a daily basis. Among the most important interventions, there is the extension of tram 15 towards Rozzano sud, which was followed by a simultaneous control of all the urban area lines operating in the neighboring municipalities south of Milan.

In general, throughout the year, service enhancement plans were implemented by the municipal administration to deal with particularly important events such as trade fairs, concerts held at the San Siro stadium, the Assago Forum and at the Expo site and sportspeople including the 2018 World Championships for men's volleyball.

In 2018, as part of the improvements on facilities and infrastructures, ATM implemented the program to improve the accessibility of metro stations with an escalator replacement program (91 from 2013 to date), with the implementation of new elevators in the M1 and M2 line to overcome architectural barriers and work was carried out to replace the aeration grid of the M2 line located in via Panzacchi, on the corner of via Carducci, on behalf of the Municipality of Milan, at the resolution of one dispute of the same with the inhabitants of the buildings.

During the year, preliminary and design activities were completed replacing all the stair lifts on the M1 and M2 line, whose installation will start in 2019, when the architectural barriers of 10 stops are overcome external section of the M2 line. Furthermore, the project started, financed by the Ministry of the Environment, to replace traditional lighting systems in the main M1 line stations, with new low energy consumption LED systems and containment of $CO2$ emissions. For the modernization works of the M2 line, during 2018, it was necessary the evening closure of external section of the Cascina Gobba - Gessate, from October 15 during a period of one month, replaced by a bus service.

In 2018, the process for the award reclamation contract for the construction of the tunnel between the Piola station and the Lambrate station of the M2 line was completed, work starting in the early months of 2019.

Regarding the urban tram network, as part of the services for the Municipality of Milan, work continued on the renewal and technological upgrading of the infrastructure, including the application on exchanges and switches of a remote monitoring system and a program preventive maintenance, in order to reduce noise emissions and reduce wear and tear. The interventions led to temporary changes to the routes, replacements with buses and significant organizational and service impacts. The most complex site was that of piazza Cinque Giornate, whose works had begun during the summer period of 2017 and completed between the months of June and September 2018.

At the end of 2018, the redevelopment works for some tramlines started to speed up the service. The works are related to the adjustment of the tram stations and the improvement of accessibility for passengers. The redevelopment project will be completed over the next three years.

Work continued on "Expansion of the Bisceglie interchange car park", which will be completed in the first few months of 2019 and also the "Restoration works and rehabilitation of flooring at the San Carlo hospital car park" were planned.

In addition, significant interventions were made in the decor project, which involved the rebuilding of the facades of the Teodosio workshop and the building in Viale Monte Rosa, the skylights, the roof and the relaxation room of the Ticino warehouse. Renovation and refurbishment work involved the porter's lodge and the flooring of the office corridors of the Theodosius depot, the changing rooms at the Novara depot, and the toilets at the Palmanova depot. Restoration work was carried out on the ditches in the Baggio and Palmanova warehouses.

There was a significant change in the management methods of the maintenance and engineering processes, in line with the progressive renewal of the fleet and the placing in service of trains that are technologically more advanced than conventional trains that date back to the first supply batches in the 1960s.

The internalisation of maintenance activities for the 46 trains of the Meneghino fleet, which began in May 2016, has now been consolidated in 2018, with the acquisition of the relative experiences, to enhance the know-how developed over the years by ATM workshops in the area of train maintenance.

Only the proprietary activities of the suppliers on patented technologies or structural interventions on the coffers remained to third parties, for which there are no particular returns of experience in the company's core business.

The complete renewal program of the "4900" series tram cars continued in 2018 and 11 cars were put into service, out of 44 trams completed, against the 51 involved in the revamping program.

Operating activities overseas: the success of Copenhagen

Metro Service A/S has three active contracts:

- Management and maintenance contract for the Copenhagen metro lines M1 and M2. The new contract signed with Metroselskabet I/S, in continuity with the contract that expired on December 31st, 2018, has a five-year duration and its effective starting from January 1st, 2019 with the possibility of an extension for a maximum period of a further 5 years.
- Subcontract with Ansaldo STS, for a 5 year period with an option to extend for a further 3 years, for the management and maintenance of the M3 and M4 lines of the Copenhagen metro (Cityringen). Metro Service A/S has begun the optimization of the M3 and M4 (Cityringen) underground lines, an activity that will end in July 2019 and in the following months the commercial and management activities will start;
- Contract with Hovedstadens Letbaneselskabet (The Greater Copenhagen Light Rail), Metro Service A/S carries out the pre-mobilization activity of the Greater Copenhagen Light Rail (light rail), a service for the suburban area west of Copenhagen. The management and maintenance contract, which lasts 15 years, provides that once the line construction works are completed, the line's commercial and operating activities begin in 2025.

The 2018 results relating to the management of the M1 and M2 lines of the Copenhagen metro were of absolute importance. In fact, service availability was 99.2%, a result in line with what was achieved in 2017, the passenger volume of 2018, equal to 67 million travelers, was the highest in history, the costumer satisfaction survey found a percentage of satisfied customers equal to 95.4%. Furthermore, in 2018 the interval of 112 seconds between one train and the next during morning and afternoon rush hours was introduced and new PIDs (Passenger Information Displays) were installed in the stations.

On January 1st, 2019 Metro Service began managing the M1 and M2 lines, which includes several important investment programs by the owner, including an investment in 8 new trains that will go into service in 2020, the extension of deposits and a Midlife modernization program for the current 34 trains.

The opening of the Cityring's commercial activities is scheduled for July 23, 2019, and the extension of the Nordhavn line is scheduled for May 2020. In addition to the Nordhavn line, a further extension (of Sydhavn) planned for 2024. A total of 24 stations will be added to the 22 current existing stations.

The main investments that will be made in 2019 will concern activities for customer information, the replacement of diesel service cars with electric cars, and the purchase of digital screens for advertising on all four subways lines.

In addition to this, investments will be made in communication media (tablet computers) for technical and front-line personnel (stewards).

Investments

During 2018, ATM invested approximately Euro 173.1 million, of which Euro 152 million were earmarked for the fleet's modernization.

As part of the framework agreement with Hitachi Rail Italy for the supply of Leonardo trains, in 2018, deliveries of the M2 line trains for the second application contract (last 5 trains of 15) and the third application contract (9 trains) were completed, in addition, two M1 line trains were delivered within this contract; to complete the supply, the next 4 trains will be delivered in 2019.

As part of the aforementioned framework agreement, a fourth application contract was signed in 2018 for the supply of 12 additional M2 line trains, which will enter into service consistently with the times determined by the project for complete renewal of the M2 line which provides, among other things, the adoption of a new signaling system.

With reference to surface vehicles, within the projects aimed at the gradual replacement of all diesel vehicles with hybrid buses and Full Electric, the three-year period started in 2018, with regard to the renewal of the bus fleet.

It is recalled that, with the actions and projects undertaken, ATM anticipates what was established and ratified by the Mayor of Milan at the Paris Summit, "Together 4 Climate" promoted by the C40 Cities network, which provides for the purchase of zero-emission buses only starting from 2025. ATM, or the eventual successful tenderer which will be announced by the Mobility Agency, must also ensure the objectives of efficiency and environmental quality established by the Urban Sustainable Mobility Plan (PUMS) of the Municipality of Milan and by the Plan Action for Sustainable Energy (PAES), an initiative signed within the framework of the Covenant of Mayors promoted by the European Commission.

Currently, 96.5% of the bus fleet is composed of diesel vehicles. As of 2018, ATM will no longer purchase any conventional diesel vehicles. From 2020, diesel will make up 60%, hybrid 25% and electric about 15% of the fleet. By 2028, the road fleet will be 100% sustainable: (80%) full electric and (20%) hybrids, to proceed in the immediate future towards 100% full electric transformation.

The goal is to have around 1,200 electric vehicles in circulation by 2030 in order to establish a Zero Emission Zone extended to the suburbs; in concert, there will be lower diesel consumption estimated at approximately 30 million liters per year and a reduction in polluting emissions, with a CO2 decrease of about 75,000 tons per year.

In 2018 the first 14 fully electric 12-meter buses (of which 12 began service) were delivered, relating to the framework agreement signed in 2017 for the supply of 25 vehicles, including the full service of maintenance for five years, for a total amount of Euro 15.3 million. The delivery of the 11 remaining buses will be completed in early 2019.

A tender is also underway for the assignment of a framework agreement for the supply of 250 electric buses, with a first application contract of 40, which also includes full service maintenance for the entire life of the vehicle (12 years) and the supply of traction batteries, whose performance is expected to be about half the life of the vehicle. The total tender amount is Euros 210.8 million.

For the Full Electric project, which will still have to be guaranteed also by the eventual new contractor of the Milan LPT contract in 2020, the investments are considerable and will concern not only the supply of 12 and 18 meter vehicles, but also the construction of four new warehouses, the renovation of three existing warehouses, their equipment with recharging columns, the installation of recharging facilities at the terminal and the new maintenance equipment.

At the beginning of 2018, charging stations were installed at the San Donato depot for the first 25 electric buses. Considering that with the Full Electric Bus project a significant amount of energy will be required, the fact that ATM has signed a contract for the supply of electricity produced from renewable sources, certified Green Energy with a Guarantee of Origin, and therefore the means becomes of considerable importance. Electric energy will be completely supplied with sustainable energy: in particular, CO_2 emissions will be reduced by 100,000 tons a year, in addition to the reduction already mentioned for the discontinuation of diesel fuel for vehicles.

In the transition from diesel vehicles to electric, given the impossibility of the vehicle manufacturing industry to meet such a wide demand for the purchase of electric buses, we will continue with the inclusion of hybrid buses that, compared to the same traditional vehicles, allow sensitive reductions in both fuel consumption and CO_2 emissions.

Within the framework agreement for the supply of 120 18-meter hybrid buses, after the first 27 vehicles, deliveries continued in 2018 with the arrival of the first 9 vehicles of the third application contract, which provides for the purchase of 93 buses, whose deliveries will be completed in early 2019.

During 2018, the authorization procedure was also approved for the signing of a framework agreement for the supply of 150 12-meter hybrid buses, including full maintenance service extended to the entire life of the vehicle (12 years), for an amount total of Euro 72 million, the public tender was announced at the beginning of 2019.

In October 2018 a contract was also formalized for the supply of 25 12-meter hybrid buses, including full service maintenance extended to the entire life of the vehicle (12 years), for an amount of Euro 10.6 million; to take advantage of the opportunity of a ministerial loan subordinated for the acquisition of vehicles by means of the CONSIP agreement, in favor of the successful bidder identified through a tender carried out by CONSIP.

With regard to the renewal of the NET bus fleet, to be highlighted in 2018 the delivery of 15 12-meter buses and 10 18-meter buses (long-distance service and Monza urban service).

Contracts for the supply of 14 12-meter buses signed in 2018, to take advantage of the opportunity of ministerial financing subordinated to the acquisition of vehicles through the CONSIP convention.

The arrival of these new buses will allow an update of the NET fleet, for the assignment of the tender for the service and the disposal of obsolete vehicles, still with Euro 3 engines.

Regarding the subject of electric mobility, a tender is underway for a framework agreement for the supply of 80 bi-directional 25-meter long trams, with a low floor only in the area of the access doors, to be used for the urban and interurban network. Scheduled deliveries starting within 24 months from the signing of the first application contract for 30 vehicles.

In May 2018, a framework agreement was awarded for the supply of 80 trolleybuses, with a value of over Euro 61 million. As part of this agreement, the first application contract for 30 trolleybuses was signed and delivery of the first vehicle is scheduled for June 2019. These are 18-metre articulated vehicles that will replace all the 12 and 18-metre older vehicles, thus supplanting the trolleybus fleet until the average vehicle age of 4 years is reached.

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

Regarding the renewal of the vehicle fleet and with a view to sustainability, a project is underway for the replacement of 83 diesel service cars with electric cars, to be used for assistance with on-line vehicles, and the control of the maintenance work on metropolitan and tram systems.

As part of the contract for the Cityringen (Copenhagen M3 and M4 lines), in 2018 the Danish subsidiary Metro Service incurred investments for electric service vehicles, for updating the ERP system and for the purchase of a new simulator to reduce the cost of training stewards and control room staff.

In 2018, the M2 metro line's upgrading project was confirmed, 60% of which was co-financed by the State, and which saw ATM taking over from the Municipality of Milan for the financing of the remaining share: the modernization of traction and power plants is scheduled and will be completed with measures to overcome architectural barriers in the metro.

In relation of this project, in 2018 the first phase of the modernization of the traction and feeding systems continued.

During 2018, the final design of the new M2 line signaling system was also validated by a certified body identified by tender, which will be put out with public tender at the beginning of 2019.

This complete redesign of the signaling, fully financed by ministerial grants, will guarantee a safer and more efficient management of the service, reaching a train passing frequency of up to 90 seconds, instead of the current 120/150 seconds, thus allowing an increase in the capacity of 30% transport, from 40,000 to 52,000 passengers transported per hour.

During 2018, ATM joined the European project called "people mover symbiosis" which involves the construction of an innovative transport system based on the experimental use of autonomous electric "shuttles" for the connection between Piazzale Lodi M3 and Via Ripamonti.

This form of transport will offer a different opportunity to link a redeveloped area with new activities in the tertiary sector and the metropolitan network.

ATM is the leader in the ticketing revolution in Local Public Transport.

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

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

Industrial strategic plan 2019 – 2025

In October 2018, the Board of Directors, approving the strategic industrial plan of the ATM Group, highlighted the intention to launch an important investment plan of 1.5 billion euros.

The strategic plan guidelines are based on the assumption of business continuity, which can be pursued, in consideration of the expiry of the concession contract on October 31, 2020, entrusted to the Company for the management of public transport in the city of Milan, through an innovative and wide-ranging project.

ATM, with the help of external advisors, has prepared a project, for the benefit of the community, aimed at improving the Local Public Transport service and, more generally, the overall mobility. In particular, the analysis concerns the design and implementation of significant investments in mobility, the environment, safety, and the management of integrated mobility services.

On April 1st, 2019 the Ordinary Shareholders' Meeting of ATM S.p.A. for the presentation of the strategic industrial plan 2019 - 2025 and for the approval of the strategic guidelines took place.

The aforementioned project was approved in the Board of Directors meeting held on April 1st, 2019, following the Shareholders' Meeting.

Technological innovation

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

Several projects were executed in 2018 for the purposes of technological innovation directed towards both internal and external customers.

- EMV - Your Card Is Your Ticket: introduction of the new access system to metro turnstiles through contactless bank cards based on the EMV circuit (Europay Mastercard & VISA). The system allows access to the 4 lines of the entire metro network, guaranteeing the passenger a quick, safe and convenient payment. Through the use of this payment system, the passenger is always guaranteed the application of the most convenient rate ("best-do" logic), based on the number and type of trips made within 24 hours of the first validation of the day. The system launched on an experimental basis on June 28, 2018, and will gradually be extended to the entire urban and interurban area network.
- ONE App: introduction, starting from the end of 2018, of a new application called "ONE App" designed and built internally. This application is designed and usable in multi-device mode (Totem, Tablet and company PC columns) and is a new IT monitoring tool to support maintenance processes at ATM warehouses and materials management in ATM warehouses. The diffusion will continue also in 2019 with the extension to other company maintenance departments pursuing the path of standardization of processes and tools to support them.
- opening of fault events from the periphery: classification of catalogs of the "facility" plants and subsequent implementation within the SOMD application (Metro Operating Room Diary) of what is necessary to allow the insertion of the events and warnings of failure of the plants by the agents of station without the intermediation of the Operations Room. The system is active at the Amendola Fiera station and will be extended to other stations in the coming months.
- parking payment by SMS: introduction of a new payment program for parking on blue lines, based on the use of SMS for the opening and closing of parking events. The payment is made directly by scaling the customer's telephone credit by an amount equal to the amount to be paid based on the duration, place and tariff discipline in force in the rest area used.
- payment from parking meter on license plate: implementation of the software solution for the integration of parking meters from parking meters with validity detection systems via palmtop, through payment on a license plate basis. The customer who chooses to open the parking through the parking meter is invited to enter the license plate of his vehicle before paying. This feature allows you to check the validity of the parking via palmtop without having to present any coupon on the windshield of the vehicle, actively contributing to the dematerialization of all collection and control processes and enabling the use of automatic payment tracking systems, via cameras for the recognition of parking plates and will be tested in the coming months.
- ticket sales with NUGO: implementation of the services necessary for the sale of the ordinary urban ticket for a single journey in QR Code format, through the NUGO application (Trenitalia group company). This is the first experience of selling an ATM security through a third-party mobile application that provided useful elements for the possibility of extending this specific payment system to other entities. The issue and validation flow of the security remains the prerogative of ATM information systems although the titles are available to customers who use an APP other than the company one. The computer system thus created can be reused to integrate other resellers interested in entering this business model in the future.

ATM Group operating performance

The 2018 financial statements are prepared in accordance with the IAS/IFRS standards.

During the year the Group, to give evidence of the actual size of its assets related to the significant financing operations of the 1.5 billion euro investment plan for the implementation of the guidelines of the strategic investments plan approved on April 1st, 2019 , opted for the valuation of owned land and buildings at the cost restated at Fair Value, modifying the valuation criteria of the same with respect to the historical cost, in the context of what is permitted by IAS 16 Property, Plant and Equipment. Following the change in the valuation criteria, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimations and Errors, the 2017 comparative data must be restated; with reference to the change in the valuation criteria from the historical cost to the Fair Value, therefore, with the transition date January 1st, 2017, the Company restated the 2017 figures, as you can see in the column "2017 Restated"; the effects of these transactions are detailed in the Explanatory Note. The Fair Value measurement of the buildings stock took place on the basis of an appraisal prepared by a third party real estate advisor.

It should also be noted that IFRS 9, a new accounting standard governing the valuation of financial assets, entered into force in 2018; as envisaged by the aforementioned principle, the effects of first-time adoption were recognized as at January 1st, 2018, with a change in the net equity at December 31st, 2017, already adjusted due to the previously mentioned "Reassessment" following the change in the property valuation criteria.

- EBIT in 2018 amounts to Euro 36,880 thousand, an increase compared to the 2017 restated figure of Euro 6,424 thousand (Euro 5,570 thousand compared to 2017 originally approved)..
- group net profit amounts to Euro 18,486 thousand, a decrease compared to the 2017 figure Restated of Euro 20,244 thousand (Euro 20,857 thousand compared to 2017 originally approved).
- current assets went from Euro 395,086 thousand to Euro 427,446 thousand. The increase is mainly linked to trade receivables from the parent company and is connected to the redefinition of the methods for regulating receivables and payables (from the adjustment of the balance to the monthly net receivables payables to a separate regulation of receivables and payables) deriving from the service contract and is reflected in an increase in payables to the parent company. These effects were partly offset by the collection of the VAT credit for which reimbursement was requested for Euro 30,798 thousand.
- current liabilities increased from Euro 371,174 thousand to 428,130 thousand euro. The increase is essentially due to the joint effect of payables to the parent company, already explained in the previous paragraph, and the increase in trade payables associated with the supply of metropolitan and automotive rolling stock for 11,889 thousand euros.
- the net cash position, there was a decreased from Euro 215,868 thousand at December 31, 2017 to Euro 184,280 thousand at December 31st, 2018.
- the net capital employed increased from Euro 1,273,492 thousand to Euro 1,301,039 thousand at December 31, 2018, and 93% of which is covered by equity, which benefited from the effect of the change in the valuation criteria of properties from cost to Fair Value for Euro 110,599 thousand partly offset by the application of the new accounting standard IFRS 9 which determined a decrease of Euro 2,367 thousand.

Consolidated income statement

	2018	2017(*) restated values	Change
Revenues and other operating income			
Core Business Revenue	819,387	793,205	26,182
Local Public Transport revenues of which:	*789,787*	*764,188*	*25,599*
Service contract Municipality of Milan	*669,340*	*665,324*	*4,016*
Service contract Copenhagen	*56,734*	*46,408*	*10,326*
Service contract Intercity	*17,458*	*19,025*	*(1,567)*
Service contract M5 Line	*30,311*	*16,212*	*14,099*
Ticket sales - Intercity	*12,391*	*12,819*	*(428)*
Special/dedicated transport services	*3,553*	*4,400*	*(847)*
On-street parking management fees	*18,490*	*18,490*	
Car parking management fees	*8,439*	*7,866*	*573*
Vehicle towing management fees	*2,586*	*2,620*	*(34)*
Other core business revenues	*85*	*41*	*44*
Other revenue	60,511	55,476	5,035
Other income of which:	82,765	75,711	7,054
NCLA Grants	*50,190*	*50,190*	
Total revenues and other operating income	**962,663**	**924,392**	**38,271**

	2018	2017(*) restated values	Change
Costs and other operating charges			
Purchases of goods and changes in inventories	(73,927)	(78,211)	4,284
Service costs	(214,637)	(208,505)	(6,132)
Maintenance and cleaning costs	*(86,147)*	*(85,858)*	*(289)*
Electric traction power	*(44,924)*	*(43,804)*	*(1,120)*
Sub-contracted transport services	*(23,746)*	*(23,890)*	*144*
Utilities	*(17,518)*	*(16,746)*	*(772)*
Production & distribution travel tickets	*(11,669)*	*(11,178)*	*(491)*
Insurance	*(7,541)*	*(7,592)*	*51*
Customer services, advertising and marketing	*(4,453)*	*(4,347)*	*(106)*
Personnel services	*(4,450)*	*(3,195)*	*(1,255)*
Miscellaneous services	*(6,059)*	*(5,406)*	*(653)*
Professional services	*(6,048)*	*(4,319)*	*(1,729)*
Security costs	*(2,082)*	*(2,170)*	*88*
Operating leasing costs	(5,526)	(5,922)	396
Personnel expenses	(517,279)	(497,305)	(19,974)
Salaries and wages	*(379,754)*	*(359,667)*	*(20,087)*
Social security charges	*(101,997)*	*(101,066)*	*(931)*
Post-employment benefits	*(23,275)*	*(22,059)*	*(1,216)*
Other costs	*(16,748)*	*(17,592)*	*844*
Personnel costs for internal works	*4,495*	*3,079*	*1,416*
Other costs and operating charges	(27,198)	(12,579)	(14,619)
Total costs and other operating charges	**(838,567)**	**(802,522)**	**(36,045)**
Ebitda	**124,096**	**121,870**	**2,226**

	2018	2017(*) Restated values	Change
Amortization, depreciation and write-down	(87,216)	(91,414)	4,198
Depreciation – Property, plant and equipment	(123,865)	(129,645)	5,780
Plant and machinery	*(109,584)*	*(116,223)*	*6,639*
Buildings	*(6,821)*	*(6,550)*	*(271)*
Industrial and commercial equipment	*(3,801)*	*(3,687)*	*(114)*
Other assets	*(3,659)*	*(3,185)*	*(474)*
Plant capital grants	37,949	39,794	(1,845)
Amortization – Intangible assets	(1,188)	(1,190)	2
Software licenses	*(1,188)*	*(1,190)*	*2*
Write down - Property, plant and equipment	(112)	(373)	261
Ebit	**36,880**	**30,456**	**6,424**
Financial income	*5,590*	*6,573*	*(983)*
Financial expenses	*(14,032)*	*(4,908)*	*(9,124)*
Net financial income	**(8,442)**	**1,665**	**(10,107)**
Share of the result of companies measured under the equity method	2,222	1,532	690
Pre-tax profit	**30,660**	**33,653**	**(2,993)**
Income taxes	(12,174)	5,077	(17,251)
Net profit	**18,486**	**38,730**	**(20,244)**
Profit attributable to:			
Owners of the parent	10,909	35,096	(24,187)
Non-controlling interests	7,577	3,634	3,943
Total	**18,486**	**38,730**	**(20,244)**

(*) Values restated compared to those of the Financial Statements approved by the Shareholders' Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which governs the methods of representation deriving from changes in accounting standards or retrospective effects from the adoption of the new accounting principles; the Note to the Note 4 illustrates which financial statement items have been adjusted and the related quantitative impacts.

(**) 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.

For a better understanding of the operating performance and to permit comparability of the 2018 and 2017 financial statements which include significant non-recurring items, the Directors considered it appropriate to illustrate the effects of the non-recurring items in order to report the "adjusted" operating performance; in accordance with the ESMA recommendation the accounts included in the reconciliation are illustrated below.

	2018	2017(*) restated values
Net Profit	**18,486**	**38,730**
Core business revenue	(7,212)	6,521
Other Income	(5,206)	-
Personnel expenses	(6,815)	(11,028)
Other operating costs and income	15,353	(4,954)
Income taxes	-	(20,270)
Total non-recurring effects	**(3,880)**	**(29,731)**
Adjusted net profit	**14,606**	**8,999**

(*) Values restated compared to those of the Financial Statements approved by the Shareholders' Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which governs the methods of representation deriving from changes in accounting standards or retrospective effects from the adoption of the new accounting principles; the Note to the Note 4 illustrates which financial statement items have been adjusted and the related quantitative impacts.

The "Core business revenues" component refers to the non-recurring effect related to the recalculation of revenue adjustments of previous years against contractual penalties estimated with reference to the service contract with Metro 5; in particular, compared to an estimation of about 10 million euros, of which 6.5 million euros set aside in 2017, thanks to more complete information than those available when the original estimations had been made, in the current year it is the release of a portion of revenue adjustments for approximately 7.2 million euros, deemed to be in excess of the redefined requirements.

The "Other Income" component refers to the non-recurring effect connected to the collection by the subsidiary Metro Service A/S, of fines issued and not collected in previous years against users of the Copenhagen metro line.

The "Personnel expenses" component refers for Euro 5.3 million to the non-recurring effect connected to the recognition by the Ministry of Labor, in 2018, of the request for contributions for sickness charges referring to the year 2012 and the authorization by the Social Security Institute for their compensation on contribution payments for the year as well as, for Euro 1.5 million, to the release of provisions for previous years following the review of estimation related to the unforeseeable outcome of personnel disputes concluded in 2018, or the review of risk estimation still in place following new and more complete information than those available at the time the original estimation had been made.

The "Other operating costs and income" component refers to the non-recurring effect connected to the redetermination of risk provisions set aside in previous years, against more complete information than those available at the time they were original estimation were made and new risk provisions for non-recurring events for the year were allocated; in 2018, on the other hand, a provision was made against contractual guarantees for Euro 15.4 million, issued in relation to future investment projects. Please refer to Note 25 of the Explanatory Note for comments and the movement of risk provisions.

The "Income taxes" component, recorded in 2017, refers to the non-recurring effect connected to the release of the risk provision set aside in previous years, in relation to a dispute with the tax administration regarding the failure to submit IRAP to the contributions related to employees established during the year.

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

"Core business revenues" in 2018 amounted to Euro 819,387 thousand and show a net increase of Euro 26,182 thousand.

The event of greatest importance is represented, as already mentioned, by the signing on April 24, 2018 and April 26, 2018 of the extension of the award of the LPT Service Contract and complementary services. The LPT Service contract provides a fee for the years 2018 and 2019 equal to Euro 736 million, which is in line with 2017 with an incremental offer for 2018 of 0.9 million cars * Km compared to 2017 and for 2019 of 1 million cars * km compared to 2018. For 2020 the determination of the fee will be based on the 2020 Exercise Plan.

Although the ATM Group must guarantee an incremental production for the same fee, the marginality of the service will be guaranteed through investments in new rolling vehicles stock, which will allow a reduction in the maintenance area in the consumption of energy sources (diesel and electricity) as a consequence the renewal of the depreciation age of the fleet as well as the investment in new technologies such as hybrid and full electric buses, and in low-consumption systems/systems (LED lighting, energy recovery systems produced by the Trains in the phase of braking) . In particular, the main types of revenue from ordinary operations are as follows:

"LPT revenues" achieved in 2018 amounted to Euro 789,787 thousand and increased by Euro 25,599 thousand as follows:

- revenues related to the "Service Contract Fee with the Municipality of Milan" amounting to Euro 669,340 thousand, increased by Euro 4,016 thousand compared to 2017 for the greater transporting frequency relative to upgrades and extensions requested by the Entity during the year;
- revenues related to the "Compensation of the Copenhagen service contract" amounted to Euro 56,734 thousand and increased by Euro 10,326 thousand. The increase is linked to the fees for the mobilization activities of the Cityring of Copenhagen as well as the inflation adjustment of the management contract for lines 1 and 2;
- revenues related to the "Compensation of the management contract of Metro 5", as previously highlighted, increased by Euro 14,099 thousand due to the non-recurring effect connected to the recalculation of the estimated contractual penalties, which led to a non-recurring positive effect in 2018 of Euro 7.2 million, while in 2017 the adjustment was a negative of Euro 6.5 million.

Revenues from the management of the "On-street parking, Car Parks and Towing" amounted to Euro 29,515 thousand and increased by Euro 539 thousand with respect to those realized in the previous year.

Costs and other operating charges

"Other operating costs and charges" amounted to Euro 838,567 thousand and show a net increase of Euro 36,045 thousand.

The main variations can be analyzed as follows:

- "Personnel expenses" amounted to Euro 517,279 thousand and has a net increase of Euro 19,974 thousand compared to 2017. The net increase due to the increment of number of employees, contract renewal, of the higher charges for the personnel of the Danish subsidiary Metro Service A/S as well as the provisions for the period relating to unused holiday entitlements and for the renewal of the contract expired on December 31st, 2017, partially offset by the reimbursement of the 2012 sickness charges, previously commented on between the non-recurring items, and the release of the provision relating to the PDR (Result Bonus) and MBO accrual to 2017 and paid in 2018 for an amount lower than estimated.
- "Service costs", amounting to Euro 214,637 thousand, shows a net increase of Euro 6,132 thousand, mainly due to higher maintenance and cleaning costs for 289 thousand euros, professional services for Euro 1,729 thousand, services for personnel employee for Euro 1,255 thousand, costs for traction

electricity for Euro 1,120 thousand, other utilities for Euro 772 thousand.

- "Other operating costs and income" reflect a net increase of Euro 14,619 thousand compared to 2017. The effects of non-recurring items, as previously commented, mainly refer to the movement of risk provisions for Euro 11,746 thousand for the purpose of adjustment of the value to the new and more complete information available than those available at the time of the initial estimation. While in the 2018 financial year, the losses deriving from the disposal of metropolitan rolling stock amount to 864 thousand euros and the receivables write-downs amount to Euro 4,731 thousand (Note 18).

"Amortization, depreciation and losses due to impairment" show a net reduction from Euro 91,414 thousand to Euro 87,216 thousand (of which Euro 5,253 thousand related to the Fair Value measurement of the real estate portfolio). The change is mainly due to the impact of lower amortization on improvements to third-party assets partly offset by higher capitalizations for the period. The extension of the Service Contract for the management of LPT services and complementary activities throughout October 31, 2020 has involved the revision and extension of the useful life of the improvements on municipally owned assets, leading to lower amortization for the period of Euro 9,572 thousand. The change in the useful life of the buildings in the context of the expert evaluation that was used to modify the property valuation criterion, on the other hand, determined a reduction in depreciation compared to the pre-existing situation of Euro 4,399 thousand.

"Net financial expenses" amounted to Euro 8,442 thousand, while in 2017 they had a net income of Euro 1,665 thousand. The effect is linked to the increase in interest expense of Euro 1,799 thousand, mainly due to the recording of interest expense on the bond loan for Euro 788 thousand and the new drawdowns of the EIB loan for Euro 1,011 thousand (Note 37), on the other hand to the review of the evaluation and classification criteria of financial assets, following the entry into force of IFRS 9, which generated impacts related to the recognition of changes in the Fair Value of financial assets classified as Other, of the loans granted to the SPV Linea M4 S.p.A. project companies and M5 S.p.A., towards the cooperatives S.E.D. and S.C.A.A.T.I., reclassified under financial assets measured at Fair Value with adjustment to the income statement with a negative impact of Euro 6,434 thousand. Further impacts were generated by trading in the current financial assets portfolio, as can be seen in the Explanatory Notes.

The "Share of the result of companies measured at equity method", amounting to Euro 2,222 thousand, includes the valuation of the companies associated with the net equity method.

"Income taxes" refer to IRAP and IRES, calculated on the positive taxable amount for the year and determined in accordance with current regulations. The 2017 figure was influenced by a non-recurring income of Euro 20,270 thousand for the release of the provision for risks accrued in previous years, in relation to a dispute with the tax administration regarding the failure to submit the contributions related to the IRAP to IRAP Employees, which were established during 2017. In 2018, due to the extension of the duration of the service contract, the deferred tax assets on tax losses of previous periods carried forward with a net effect of Euro 1,139 thousand.

The "Net profit" amounts to Euro 18,486 thousand, including minority interests of Euro 7,577 thousand. The contribution to the formation of the operating result of the foreign subsidiary Metro Service A/S is equal to Euro 13,401 thousand.

Statement of Financial Position

"Net capital employed" at December 31st, 2018 amounted to Euro 1,301,039 thousand and increased by Euro 27,547 thousand compared to December 31st, 2017.

"Fixed capital" at December 31st, 2018 amounted to Euro 1,301,279 thousand. During the year, investments were made for Euro 173,148 thousand; depreciation, amortization and net impairment recognized in the income statement amounted to Euro 125,165 thousand (before the effect of capital grants amounting to Euro 37,949 thousand). The incremental effect of the value of tangible assets, deriving from the valuation of the properties recalculated cost at Fair Value (of Euro 154,037 thousand recorded at January 1st, 2017) is respectively Euro 153,183 thousand and Euro 147,930 thousand at December 31st, 2017 and 2018 due to the depreciation in 2018 of Euro 5,253 thousand.

"Working capital" at December 31st, 2018, had a negative balance of Euro 684 thousand, which is an improvement of 24,596 thousand euro compared to December 31st, 2017. The dynamics of variation in the various components of working capital are better analyzed in the Explanatory Notes.

	31.12.2018	31.12.2017(*) restated values	01.01.2017(*) restated values
NET CAPITAL EMPLOYED			
Property, plant and equipment	1,250,975	1,202,100	1,162,072
Intangible assets	3,976	3,138	2,898
Financial fixed assets	46,328	44,342	37,439
A. FIXED CAPITAL	**1,301,279**	**1,249,580**	**1,202,409**
Trade receivables	191,625	142,919	119,017
Other current assets	151,207	172,516	210,228
Inventories	84,614	79,651	72,775
B. CURRENT ASSETS	**427,446**	**395,086**	**402,020**
Trade payables	286,038	245,248	188,229
Other current liabilities	142,092	125,926	139,963
C. CURRENT LIABILITIES	**428,130**	**371,174**	**328,192**
D. WORKING CAPITAL (D=B-C)	**(684)**	**23,912**	**73,828**
E. NET CAPITAL EMPLOYED (E=A+D)	**1,300,595**	**1,273,492**	**1,276,237**
Assets and liabilities from discontinued operation	444	-	13,098
TOTAL NET INVESTED CAPITAL AND DISCONTINUAL ACTIVITIES AND LIABILITIES	**1,301,039**	**1,273,492**	**1,289,335**

(*) Values restated compared to those of the Financial Statements approved by the Shareholders' Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which governs the methods of representation deriving from changes in accounting standards or retrospective effects from the adoption of the new accounting principles; the Note to the Note 4 illustrates which financial statement items have been adjusted and the related quantitative impacts.

The “Net financial position” at December 31st, 2018 amount to Euro 184,280 thousand, decreased by Euro 31,588 thousand compared to December 31st, 2017 due to the prevalent effect of higher financial payables against the latest disbursements of loan agreements with the European Investment Bank for Euro 70,000 thousands, net of repayments made during the year for Euro 10,504 thousand.

	31.12.2018	31.12.2017(*) Restated values	01.01.2017(*) Restated values
Bonds-non current	69,094	68,946	-
Bank loans-non current	238,603	189,014	133,111
Other receivables and non-current assets	(14,268)	(21,058)	(27,631)
Loans for guaranteed CDP financing- non-current	*(14,268)*	*(21,058)*	*(27,631)*
Non-current financial assets	-	(285,699)	(247,281)
Non-current financial position	**293,429**	**(48,797)**	**(141,801)**
Bank loans-current	17,432	14,097	10,879
Other payables and current liabilities	12,000	26,000	38,575
Payables to parent - Dividends	*12,000*	*26,000*	*38,575*
Other receivables and current assets	(6,790)	(6,571)	(6,359)
Loans for guaranteed CDP financing- current	*(6,790)*	*(6,571)*	*(6,359)*
Current financial assets	(260,690)	(24,028)	(41,682)
Cash and cash equivalents	(239,661)	(176,569)	(108,860)
Current financial position	**(477,709)**	**(167,071)**	**(107,447)**
Net Financial Position	**(184,280)**	**(215,868)**	**(249,248)**

(*) Values restated compared to those of the Financial Statements approved by the Shareholders’ Meeting of April 11, 2018, pursuant to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” which governs the methods of representation deriving from changes in accounting standards or retrospective effects from the adoption of the new accounting principles; the Note to the Note 4 illustrates which financial statement items have been adjusted and the related quantitative impacts.

	31.12.2018	31.12.2017(*) Restated values	01.01.2017(*) Restated values
SOURCES OF FUNDING			
Financial payables	337,129	298,057	182,563
Financial receivables	(21,058)	(27,629)	(33,988)
Cash and cash equivalents and securities	(500,351)	(486,296)	(397,823)
F. NET FINANCIAL POSITION	**(184,280)**	**(215,868)**	**(249,248)**
Employee benefits	131,712	142,663	152,448
Provisions for risks and charges	133,949	141,078	193,754
G. NON-CURRENT LIABILITIES	**265,661**	**283,741**	**346,202**
H. EQUITY	**1,204,959**	**1,196,537**	**1,186,936**
- Share Capital	700,000	700,000	700,000
- Reserves	418,740	421,326	420,857
- Retained earnings	86,219	75,175	66,079
I. NON-CONTROLLING INTERESTS	**14,699**	**9,082**	**5,445**
L. SOURCES OF FUNDING (L=F+G+H+I)	**1,301,039**	**1,273,492**	**1,289,335**

(*) Values restated compared to those of the Financial Statements approved by the Shareholders' Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which governs the methods of representation deriving from changes in accounting standards or retrospective effects from the adoption of the new accounting principles; the Note to the Note 4 illustrates which financial statement items have been adjusted and the related quantitative impacts.

"Group equity" as at December 31st, 2018 it is equal to Euro 1,204,959 thousand, increased by Euro 8,420 thousand. In particular, the impact of the valuation at the recalculated Fair Value of the real estate assets determined an increase of Euro 110,599 thousand in shareholders' equity at January 1st, 2017 compared to that which would have been recorded with a valuation of the properties at historical cost. The net increase in the aforementioned shareholders' equity also includes the result for the year Euro 10,909 thousand and other changes in the comprehensive income statement which led to an overall decrease of Euro 3,520 thousand, of which Euro 871 thousand related to the valuation of the Employee termination indemnities according to actuarial methodology determined by IAS 19 and Euro 2,367 thousand euro for the valuation of the securities portfolio pursuant to the new IFRS 9.

The "Consolidated operating cash flow" in 2018 it is equal to Euro 126,955 thousand; an increase compared to 2017 of Euro 37,364 thousand. The reduction in amortization carried out during the year, as well as the change in the consistency of the risk provisions as a result of the settlement of disputes over local taxes and levies contributed to the formation of the cash flow. This flow guaranteed coverage for approximately 73% of the investment requirements (Euro 173,148 thousand net of disposals).

"Net cash flow in the year" of Euro 63,345 thousand mainly includes the liquidity deriving from the drawdown of two further trances with the European Investment Bank, in addition to the payment of dividends to the Municipality of Milan for Euro 14,000 thousand and to Ansaldo STS S.p.A. approved by International Metro Service S.r.l. for Euro 1,960 thousand. The value of cash and cash equivalents increased to Euro 239,661 thousand compared to Euro 176,569 thousand at December 31st, 2017.

Consolidated Cash Flow Statement	2018	2017(*) Restated values	Change
Consolidated net profit	**18,486**	**38,730**	**(20,244)**
Adjustments to reconcile net profit to operating net cash flow:			
- amortization, depreciation and write-downs and from consolidation	86,818	91,917	(5,099)
- net gain on asset disposals	433	(1,514)	1,947
- income taxes, interest, dividends	20,548	(6,742)	27,290
- financial asset impairment	68	-	68
Change in net working capital	20,736	4,061	16,675
Change in provisions for cash and cash equivalents	253	-	253
Non-current liabilities (Changes in risks provisions and TFR)	(17,848)	(20,557)	2,709
Income taxes paid, interest (paid)/received, dividends received	(2,539)	(16,304)	13,765
Consolidated cash flow from operating activities	**126,955**	**89,591**	**37,364**
Investments			
Net capital expenditure	(173,148)	(139,852)	(33,296)
Proceeds from technical disposals	888	3,666	(2,778)
Change in supplier payables for capital expenditure	16,060	40,099	(24,039)
Investments in financial assets	39,133	(27,667)	66,800
Changes in plant capital grants	9,865	6,019	3,846
Consolidated free cash flow	**19,753**	**(28,144)**	**47,897**
Changes in current and non-current financial payables	59,495	134,428	(74,933)
Cash flow from own capital (dividends paid)	(15,960)	(38,575)	22,615
Exchange rate effect	57	-	57
Consolidated net cash flow in the year	***63,345***	***67,709***	***(4,364)***

(*) Values restated compared to those of the Financial Statements approved by the Shareholders' Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which governs the methods of representation deriving from changes in accounting standards or retrospective effects from the adoption of the new accounting principles; the Note to the Note 4 illustrates which financial statement items have been adjusted and the related quantitative impacts.

ATM S.p.A. operating performance

The separate income statement results are illustrated below compared with the previous year:

	2018	2017(*) restated	Change
Revenues and other operating income			
Core Business Revenue	743,215	457,915	285,300
Local Public Transport revenues of which:	*707,387*	*21,326*	*686,061*
Service contract Municipality of Milan	*669,340*	*-*	*669,340*
Service contract Intercity	*3,589*	*2,116*	*1,473*
Service contract M5 Line	*30,311*	*16,212*	*14,099*
Ticket sales - Intercity	*2,905*	*2,794*	*111*
Special/dedicated transport services	*1,242*	*204*	*1,038*
On-street parking, parking and vehicles towing management fees	*29,516*	*-*	*29,516*
Revenues and services from Group Companies	*6,312*	*436,589*	*(430,277)*
Other Revenue	55,628	30,336	25,292
Other Income of which:	74,058	27,947	46,111
NCLA Grants	*48,575*	*16,580*	*31,995*
Total revenues and other operating income	**872,901**	**516,198**	**356,703**

	2018	2017(*) restated	Change
Costs and other operating charges			
Purchases of goods and changes in inventories	(67,613)	(76,316)	8,703
Service costs	(199,339)	(175,889)	(23,450)
Maintenance and cleaning costs	*(82,836)*	*(78,549)*	*(4,287)*
Electric traction power	*(38,783)*	*(37,750)*	*(1,033)*
Sub-contracted transport services	*(19,357)*	-	*(19,357)*
Utilities	*(17,313)*	*(16,557)*	*(756)*
Production & distribution travel tickets	*(11,670)*	*(10,552)*	*(1,118)*
Insurance	*(7,844)*	*(7,887)*	*43*
Customer services, advertising and marketing	*(3,703)*	*(2,467)*	*(1,236)*
Personnel services	*(3,899)*	*(2,678)*	*(1,221)*
Miscellaneous services	*(6,807)*	*(9,552)*	*2,745*
Professional services	*(5,071)*	*(7,750)*	*2,679*
Security costs	*(2,056)*	*(2,147)*	*91*
Operating leasing costs	(5,258)	(4,265)	(993)
Personnel expenses	(470,954)	(148,405)	(322,549)
Salaries and wages	*(342,741)*	*(101,697)*	*(241,044)*
Social security charges	*(96,956)*	*(29,911)*	*(67,045)*
Post-employment benefits	*(22,570)*	*(6,848)*	*(15,722)*
Other costs	*(13,191)*	*(12,274)*	*(917)*
Personnel costs for internal works	*4,504*	*2,325*	*2,179*
Other costs and operating charges	(26,678)	(32,775)	6,097
Municipal taxes	*(5,505)*	*(3,977)*	*(1,528)*
LPT claims management	*(2,730)*	*(3,033)*	*303*
Prior year charges	*(39)*	*(500)*	*461*
Taxes and duties	*(628)*	*(99)*	*(529)*
Other operating charges	*(1,964)*	*(699)*	*(1,265)*
Losses on receivables	*(283)*	*(185)*	*(98)*
Accrual/(release) doubtful debt provision	*(3,783)*	*616*	*(4,399)*
Accrual/(release) provisions for risks and charges	*(11,746)*	*(24,898)*	*13,151*
Total costs and other operating charges	**(769,842)**	**(437,650)**	**(332,192)**
EBITDA	**103,059**	**78,548**	**24,511**
Amortization, depreciation and write-downs	(86,460)	(84,109)	(2,351)
EBIT	**16,599**	**(5,561)**	**22,160**
Financial income	7,553	6,576	977
Financial expenses	(13,784)	(4,043)	(9,741)
Net financial income	**(6,231)**	**2,533**	**(8,765)**
Pre-tax profit	**10,368**	**(3,028)**	**13,396**
Income taxes	(8,029)	15,626	(23,655)
Net profit	**2,339**	**12,598**	**(10,259)**

(*) Values restated compared to those of the Financial Statements approved by the Shareholders' Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which governs the methods of representation deriving from changes in accounting standards or retrospective effects from the adoption of the new accounting principles; the Note to the Note 3 illustrates which financial statement items have been adjusted and the related quantitative impacts.

The 2018 financial statements have been prepared in accordance with the IAS/IFRS standards. During the year the Company, to give evidence of the actual size of its assets related to the significant financing operations of the 1.5 billion euro investment plan approved on April 1st 2019, opted for the assessment of land and buildings owned at Fair Value, modifying the evaluation criteria of the same in the context of what is allowed by IAS 16 Property, Plant and Equipment. Following the change in the valuation criteria, in accordance with the provisions of IAS 8 Accounting Policies, Changes in Accounting Estimations and Errors, the 2017 comparative figures have been restated; with reference to the change in the valuation criteria from the historical cost to the cost recalculated at Fair Value, therefore, with the transition date January 1st, 2017, the Company recalculated the 2017 figures, showing them in the column “2017 Restated Data”; the effects of these transactions are detailed in the Explanatory Note.

It should also be noted that IFRS 9, a new accounting standard governing the valuation of financial assets, entered into force in 2018; as envisaged by the aforementioned principle, the effects of first-time adoption were recognized as at January 1st, 2018 with a change in the net equity at December 31st, 2017 already adjusted due to the previously mentioned “Reassessment” following the change in the property valuation criteria.

Furthermore, due to the incorporation of ATM Servizi S.p.A. in the Explanatory Note, the pro-forma 2017 income statement was prepared to highlight the effect of the incorporation of ATM Servizi S.p.A. on the changes in the items of the comparative income statement 2017.

For a better understanding of the economic trend and to allow the comparability of the 2018 and 2017 financial statements characterized by significant non-recurring economic effects, the Directors decided to highlight the effects of non-recurring items to identify the trend “Adjusted” of the economic result; as required by the ESMA recommendation, the indications related to the nature of the items considered in the reconciliation are provided.

	2018	**2017(*) Restated values**
Net profit	**2,339**	**12,598**
Core business revenue	(7,212)	6,521
Personnel expenses	(6,577)	(3,935)
Other operating costs and income	15,353	19,184
Income taxes	-	(20,270)
Total non-recurring effects	**1,564**	**1,500**
Adjusted net profit	**3,903**	**14,098**

(*) Values restated compared to those of the Financial Statements approved by the Shareholders’ Meeting of April 11, 2018, pursuant to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” which governs the methods of representation deriving from changes in accounting standards or retrospective effects from the adoption of the new accounting principles; the Note to the Note 3 illustrates which financial statement items have been adjusted and the related quantitative impacts.

The "Core business revenues" refers to the non-recurring effect related to the recalculation of revenue adjustments of previous years against contractual penalties estimated with reference to the service contract with Metro 5; in particular, compared to an estimation of about Euro 10 million, of which Euro 6.5 million have been set aside in 2017, thanks to more complete information than those available when the original estimations had been made. In the current exercise a portion of the provision for risks and charges was released for around Euro 7.2 million, which deemed to be in excess of the redefined requirements.

The "Personnel expenses" component refers for 5.1 million euro to the non-recurring effect connected to the recognition by the Ministry of Labor, in 2018, of the request for contributions for sickness charges referring to the year 2012 and the authorization by the Social Security Institute for their compensation on contribution payments for the year as well as, for 1.5 million euro, to the release of provisions for previous years following the review of estimation related to the unforeseeable outcome of personnel disputes concluded in 2018, or the review of risk estimation still in place following new and more complete information than those available at the time the original estimation had been made.

The "Other operating costs and income" component refers to the non-recurring effect connected to the redetermination of risk provisions set aside in previous years, against more complete information than those available at the time they were original estimation were made and new risk provisions for non-recurring events for the year were allocated; in 2018, on the other hand, a provision was made against contractual guarantees for 15.4 million euro, issued in relation to future investment projects. Please refer to Note 23 of the Explanatory Note for comments and the movement of risk provisions.

The "Income taxes" component, recorded in 2017, refers to the non-recurring effect connected to the release of the risk provision set aside in previous years, in relation to a dispute with the tax administration regarding the failure to submit IRAP to the contributions related to employees established during the year.

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

"Core business revenue" in 2018 amounted to Euro 743,215 thousand and increased by Euro 285,300 thousand. Following the merger of ATM Servizi S.p.A. in ATM S.p.A. the company's core business has shifted from Service to Group companies to managing the LPT Service Contract with the Municipality of Milan. The "pro-forma" change in the item "Revenues from LPT" compared to the 2017 budget amounted to Euro 18,262 thousand. The net increase is attributable for 4,016 to the "Service Contract Fee with the Municipality of Milan" and for 14,099 thousand euro to the "Contract Fee for the management of Metro 5" which, as previously highlighted, increase due to the effect not applicant connected to the redetermination of the estimated contractual penalties, which led to a positive revenue adjustment of Euro 7,212 thousand in 2018, while in 2017 the adjustment was negative for Euro 6,521 thousand.

Costs and other operating charges

"Costs and other operating charges" amount to Euro 769,842 thousand and show a net increase of Euro 332,192 thousand compared to 2017. The main changes refer to "Costs for employee benefits" amounting to Euro 470,954 thousand and increased to Euro 322,549 thousand compared to December 31st, 2017. The net increase is the effect of the increase in personnel following the merger of ATM Servizi S.p.A. with ATM S.p.A., the contract renewal as well as the provisions for the period relating to the leave not taken and for the renewal of the contract expired on December 31st, 2017, partially offset by the reimbursement of the 2012 sickness charges, previously found among the non-recurring items, and the release of the amount set aside in relation to the PDR (Performance Bonus) and MBO accrual to 2017 and paid in 2018 for a lower amount than estimated.

The other items that show significant changes are the "Costs for the purchase of goods and the change in inventories" which decreased by Euro 8,703 thousand for recognition to ATM S.p.A. of the reimbursement of the excise tax on diesel fuel which in the previous year was the responsibility of ATM Servizi S.p.A.

"Service Costs" increased of Euro 23,450 thousand compared to 2017 mainly due to the costs for subcontracted LPT services for Euro 19,357 thousand as a result of the acquisition of the management of the service contract with the Municipality of Milan following the merger with ATM Servizi S.p.A. Other incremental costs are maintenance and cleaning for Euro 4,287 thousand, higher consumption of traction energy for Euro 1,033 thousand, offset by lower charges for professional services for Euro 2,679 thousand and for miscellaneous services for Euro 2,745 thousand.

“Other operating costs and income” amounting to Euro 26,678 thousand reflect a net reduction compared to the previous year of Euro 6,097 thousand. The net change is due to the effects of the non-recurring items explained in another part of the document. In particular, during the year, the net change in the for risks provisions was greater for Euro 11,746 thousand compared to Euro 24,898 thousand in 2017, due to the updating of the estimates following more complete information than those available when the original estimation had been made. In addition to the effects on non-recurring items, municipal taxes increased by Euro 1,527 thousand, as a result of the merger with ATM Servizi S.p.A. and provision was made for the receivable write-down risks of Euro 4,718 thousand (Note 16).

“Amortisation, depreciation and impairment” increased from Euro 84,109 thousand in 2017 to Euro 86,460 thousand. The amortization charge related to the Fair Value measurement of the real estate assets is equal to Euro 5,253 thousand (unchanged compared to the restated figure of 2017). The change in the useful life of the buildings in the context of the expert appraisal that was used to modify the property valuation criteria, on the other hand, resulted in a reduction in depreciation compared to the pre-existing situation of Euro 4,399 thousand.

“Net financial expenses” amounted to Euro 6,231 thousand, while in 2017 they had a net income of Euro 2,533 thousand. The effect is related to the increase in interest expense of Euro 1,799 thousand, mainly due to higher financial payables and latest disbursements by the European Investment Bank (Note 35), and on the other hand due to the review of the criteria for valuation and classification of financial assets, following the entry into force of IFRS 9, which led to the recognition in the income statement, with a negative impact of Euro 6,434 thousand, of changes in the Fair Value of financial assets classified as Other, and of active loans to project companies as SPV Linea M4 S.p.A. and M5 S.p.A. and towards the cooperatives S.E.D. and S.C.A.A.T.I..

“Income taxes” refer to IRAP and IRES, calculated on the positive taxable amount for the year and determined in accordance with current regulations. The 2017 figure is influenced by a non-recurring income of Euro 20,270 thousand for the release of the risk provision accrued in previous years, in relation to a dispute with the tax administration regarding the failure to subject the contributions related to the IRAP to IRAP Employees were favorably established during 2017. In 2018, due to the extension of the duration of the Service Contract, the prepaid taxes on tax losses of previous years that can be carried forward were restated with a net effect of Euro 1,139 thousand.

“Net Profit” amounted to Euro 2,339 thousand has decreased compared to the previous year by Euro 10,259 thousand at 2017.

Statement of Financial Position

“Net capital employed” as at December 31st, 2018, amount to Euro 1,278,629 thousand and shows a net increase of Euro 58,007 thousand compared to December 31st, 2017.

“Fixed capital” as at December 31st, 2018 it is equal to Euro 1,287,418 thousand. During the year, investments were made for Euro 164,038 thousand; the amortization and write-downs recognized in the income statement amounted to Euro 123,539 thousand (before the effect of capital grants amounting to Euro 37,079 thousand). The effect of the valuation of the properties at Fair Value (of Euro 154,037 thousand recorded at January 1st, 2017) is respectively Euro 153,183 thousand and Euro 147,930 thousand as at December 31st, 2017 and 2018 due to the depreciation in 2018 of Euro 5,253 thousand.

“Working capital” as at December 31st, 2018, it had a negative balance of Euro 8,803 thousand, which is an improvement of Euro 26,224 thousand compared with December 31st, 2017, mainly attributable to the change in trade receivables and payables for debt for investments amounting to Euro 46.495 thousand (Euro 38,776 thousand at December 31st, 2017). The dynamics of variation of the various components of working capital are better analyzed in the Explanatory Notes.

	31.12.2018	31.12.2017(*) Restated values	01.01.2017(*) Restated values
NET CAPITAL EMPLOYED			
Property, plant & equipment	1,232,417	1,146,311	1,126,304
Intangible assets	2,574	2,187	1,878
Financial fixed assets	52,427	54,703	51,055
A. FIXED CAPITAL	**1,287,418**	**1,203,201**	**1,179,237**
Trade receivables	173,289	96,980	113,172
Other receivables	144,971	142,258	166,720
Net inventory	80,256	76,217	69,474
B. CURRENT ASSETS	**398,516**	**315,455**	**349,366**
Trade payables	275,536	254,188	230,190
Other payables	131,783	43,846	55,156
C. CURRENT LIABILITIES	**407,319**	**298,034**	**285,346**
D. WORKING CAPITAL (D=B-C)	**(8,803)**	**17,421**	**64,020**
E. NET CAPITAL EMPLOYED (E=A+D)	**1,278,615**	**1,220,622**	**1,243,257**
Discontinued assets and liabilities	14	-	13,098
TOTAL NET INVESTED CAPITAL AND DISCONTINUAL ACTIVITIES AND LIABILITIES	**1,278,629**	**1,220,622**	**1,256,355**

(*) Values restated compared to those of the Financial Statements approved by the Shareholders' Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which governs the methods of representation deriving from changes in accounting standards or retrospective effects from the adoption of the new accounting principles; the Note to the Note 3 illustrates which financial statement items have been adjusted and the related quantitative impacts.

"Net financial position" as at December 31st, 2018 amount to Euro 158,406 thousand, an improvement compared to the value at December 31st, 2017 of Euro 87,209 thousand, mainly due to the merger with ATM Servizi S.p.A. which led to the elimination of "Financial payables to subsidiaries" for Euro 112,890 thousand. The balance includes higher financial payables, against the latest disbursements of loan agreements with the European Investment Bank for Euro 70,000 thousand, net of repayments made during the year for Euro 10,504 thousand. They also contribute to the formation of the balance payable to cash pooling subsidiaries for Euro 6,691 thousand (Euro 118,238 thousand at December 31st, 2017).

	31.12.2018	**31.12.2017(*) Restated values**	**01.01.2017(*) Restated values**
Bonds-non current	69,094	68,946	-
Bank loans-non current	238,603	189,014	133,111
Other receivables and non-current assets	(14,268)	(21,058)	(27,631)
Loans for guaranteed CDP financing-non current	*(14,268)*	*(21,058)*	*(27,631)*
Non-current financial assets	-	(281,326)	(245,991)
Non-current financial position	**293,429**	**(44,424)**	**(140,511)**
Bank loans-current	17,433	14,097	10,877
Other payables and current liabilities	18,691	144,238	205,734
Financial liabilities to subsidiary companies	*6,691*	*118,238*	*167,159*
Payables to parent – Dividends	*12,000*	*26,000*	*38,575*
Other receivables and current assets	(6,790)	(6,571)	(6,359)
Loans for guaranteed CDP financing- current	*(6,790)*	*(6,571)*	*(6,359)*
Current financial assets	(255,528)	(20,668)	(43,248)
Financial receivables to subsidiary companies	*(1,738)*	--	-
Cash and cash equivalents	(225,641)	(157,869)	(98,576)
Current financial position	**(451,835)**	**(26,773)**	**68,428**
Net Financial Position	**(158,406)**	**(71,197)**	**(72,083)**

(*) Values restated compared to those of the Financial Statements approved by the Shareholders' Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which governs the methods of representation deriving from changes in accounting standards or retrospective effects from the adoption of the new accounting principles; the Explanatory Note to Note 3 illustrates which financial statement items have been adjusted and the relative quantitative impacts connected to the entry into force of IFRS9.

"Equity" as at December 31st, 2018 it is equal to Euro 1,179,963 thousand. The increase is due to in addition to the effect of Euro 70,860 thousand of the merger with ATM Servizi S.p.A. in ATM S.p.A. which led to the recognition of the profit reserves referring to previous years recorded in the subsidiary's net equity, to the impact of the Fair Value valuation of the real estate assets which determines an increase of Euro 110,599 thousand in the net equity at December 31st, 2018 compared to what would have been detected with a valuation of the properties at historical cost. The net increase in the aforementioned shareholders' equity also includes the result for the year, net of the distribution of dividends to the Shareholder for Euro 2,339 thousand, and the other changes in the comprehensive income statement that determine a decrease of Euro 831 thousand connected the valuation of severance indemnity according to the actuarial method established by IAS 19 and the valuation of the securities portfolio pursuant to the new IFRS 9 for Euro 2,367 thousand.

	31.12.2018	31.12.2017(*) Restated values	01.01.2017(*) Restated values
SOURCES OF FUNDING			
Financial payables	343,821	416,295	349,721
Financial receivables	(22,795)	(27,629)	(37,674)
Cash and cash equivalents and securities	(479,432)	(459,863)	(384,130)
F. NET FINANCIAL POSITION	**(158,406)**	**(71,197)**	**(72,083)**
Post-employment benefits	127,367	51,601	55,032
Other provisions	129,705	130,740	150,023
G. NON-CURRENT LIABILITIES	**257,072**	**182,341**	**205,055**
H. EQUITY	**1,179,963**	**1,109,478**	**1,123,383**
- Share Capital	700,000	700,000	700,000
- Reserves	427,055	409,456	409,958
- Retained earnings	52,908	22	13,425
I. SOURCES OF FUNDING (I=F+G+H)	**1,278,629**	**1,220,622**	**1,256,355**

(*) Values restated compared to those of the Financial Statements approved by the Shareholders' Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which governs the methods of representation deriving from changes in accounting standards or retrospective effects from the adoption of the new accounting principles; the Note to the Note 3 illustrates which financial statement items have been adjusted and the related quantitative impacts.

Reference should be made to the statement of cash flows for a detailed analysis of cash flow, it should be noted here that the "operating cash flow" in 2018 amounted to Euro 119,427 thousand. The change in the consistency of the risk funds contributed to the formation of the result, mainly due to the settlement of disputes on local taxes and levies. This flow guaranteed coverage for approximately 73% of the requirements deriving from the investment activity (Euro 164,038 thousand net of disposals).

"Net cash flow in the year" of Euro 62,318 thousand mainly includes the liquidity deriving from the drawdown of two further trances with the European Investment Bank net of the repayment of a portion thereof, in addition to the payment of dividends to the Municipality of Milan for Euro 14,000 thousand. The value of cash and cash equivalents increased to Euro 225,641 thousand compared to Euro 157,869 thousand at December 31st, 2017.

Cash Flow Statement	2018	2017(*) Restated values	Variazione
Net profit	**2,339,320**	**12,597,718**	**(10,258,398)**
Adjustments to reconcile net profit to operating net cash flow:			
- amortisation, depreciation and impairment of fixed assets	85,833,944	83,606,869	2,227,075
- net gain on asset disposal	448,184	(24,726)	472,910
- income taxes, interest, dividends	14,184,868	(18,158,490)	32,343,358
- financial asset impairment	75,314	-	75,314
Change in net working capital	30,499,880	29,584,505	915,375
Change in provisions for cash and cash equivalents	246,021	-	246,021
Non-current liabilities (Changes in risks provisions and TFR)	(13,943,731)	19,964,932	(33,908,663)
Income taxes paid, interest (paid)/received, dividends received	(256,812)	(16,110,427)	15,853,615
Cash flow from operating activities	***119,426,988***	***111,460,381***	***7,966,607***
Fixed asset investments			
Net capital expenditure	(164,037,646)	(105,475,384)	(58,562,262)
Proceeds from technical disposals	445,893	931,737	(485,844)
Change in supplier payables for capital expenditure	11,889,124	21,702,385	(9,813,261)
Investments in financial assets	40,808,687	(20,088,439)	60,897,126
Changes in plant capital grants	8,613,220	142,864	8,470,356
Free cash flow	**17,146,266**	**8,673,544**	**8,472,722**
Changes in current and non-current financial payables	59,100,277	89,193,839	(30,093,562)
Cash flow from own capital (dividends paid)	(14,000,000)	(38,574,567)	24,574,567
Exchange rate effect	71,578	-	71,578
Net cash flow in the year	***62,318,121***	***59,292,816***	***3,025,305***

(*) Values restated compared to those of the Financial Statements approved by the Shareholders' Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which governs the methods of representation deriving from changes in accounting standards or retrospective effects from the adoption of the new accounting principles; the Note to the Note 3 illustrates which financial statement items have been adjusted and the related quantitative impacts.

Risks and uncertainties

The main operational risks to which the Group is exposed in ordinary operations, as well as financial risks, for which over the years specific controls have been developed aimed at managing and limiting the impact on the economic-financial balance.

Strategic risks

A potential source of uncertainty for ATM derives from the constant evolution of the regulatory and reference context, with effects on the future methods of assigning services, on tariff plans, on the quality levels of the service requested and on the assumptions of risk, especially commercial.

The regulatory discontinuity is followed by a strong uncertainty regarding the resources at the service of the development of Local Public Transport related to the current management, to the coverage of infrastructure projects as well as fleet renewal plans.

ATM monitors the evolution of laws and judgments, and maintains a continuous and constructive dialogue, also through the trade association, with Authorities and Institutions.

A further risk factor, which also represents an opportunity, is the possible evolution of LPT in relation to the future development of mobility in the cities and to new technologies and applications that are entering the market for greater environmental sustainability.

Continuous dialogue with universities and research centers encourages constant technological updating, which is fundamental for the correct planning of future investments.

Financial Risks

For more details on financial risks, in addition to what it follows in this section, please refer to what is reported for the purposes of IFRS 7 in the Explanatory Note, section 6 of the Consolidated Financial Statements.

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, as well as by financial counterparties in relation to the portfolio of financial assets, deposits with banks and capital contributions also in the form of financing granted to other Group companies.

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. Risk management is carried out through continuous monitoring of expected and current cash flows and the correlation of the maturity profiles of financial assets and liabilities.

Default risk

Loan agreements with the European Investment Bank are subject to compliance (covenants) typical of international market practices such as, by way of example, negative pledge clauses, pari passu, limitations on the indebtedness of subsidiary companies' debt and commitments of financial nature.

Negative pledge clauses aim to restrict the possibility of the company and the other Group companies, of establishing personal and collateral securities on their assets in favor of third parties beyond a pre-determined threshold equivalent to 15% of the Group's consolidated shareholders' equity.

The company must ensure, for the entire duration of the loans, that subsidiary companies' debt is less than 10% of Group debt.

Financial commitments provide for the obligation to comply, for the entire duration of the loans, with financial ratio levels such as (i) a ratio between the consolidated shareholders' equity and Group debt of higher than two and (ii) a ratio between operating cash flows before changes in the Net Working Capital and the Annual Debt Service of higher than 3.

ATM also has a bond loan, in place as at December 31st, 2018, for which there are contractual clauses in line with those applied by the European Investment Bank, with reference to negative pledges, pari passu and limitations on subsidiary companies' debt. Particularly with reference to commitments of a financial nature, compliance with a ratio between consolidated shareholders' equity and Group debt of higher than two is provided for the loan's entire duration.

Failure to comply with the above clauses on the expiry of the observation period, during which violations can be remedied, would constitute a breach of contractual obligations and the company may be called upon to pay the outstanding debt.

Compliance with these covenants is monitored by the Group every six months; these covenants were fully complied with at December 31st, 2017 and, it is expected that these indicators will also be met during the remaining 2019 quarters.

Downgrading of the m/l term debt rating

Not considering the "credit linkage" with the State and, consequently, with the Municipality of Milan, sole 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 assigned judgment.

Commodity price risk

The ATM Group is exposed to the price risk of energy commodities, electricity and petroleum products, supplies are affected by fluctuations in the prices of these commodities directly or through indexing formulas. The Group is also exposed to exchange rate risk since some contracts contain exchange rates with other foreign currencies within the price in indexing formulas.

The Group's policy is aimed to minimize the need for financial markets, which are addressed only if the coverage is considered appropriate and convenient, both for oil products and for the supply of electricity.

Operating risks

Operating risks mainly refer to risks generated within the organization by current management and company processes; the main cases are highlighted below.

Malfunction and the unexpected interruption of service

Any malfunction and interruption of service caused by accidental events and extraordinary events could cause damage to people and/or things, and have a significant economic impact.

In general, the internal control system and the action plans implemented by ATM are aimed to ensure continuity and security of the service and safeguarding the company's assets. It supports business continuity with an adequate IT architecture, which is being developed through the adoption of systems in line with market best practices.

Insurance active coverages guarantees the transfer to the market and the further mitigation of the aforementioned risks, both referred to civil liabilities and the protection of assets.

Environmental, health and safety risks

The historical background of certain departments and regulatory developments necessitate the prompt and effective monitoring of environmental components at risk, in particular with reference to the soil and subsoil.

ATM regularly monitors environmental risk factors linked to each process in line with regulatory developments, in order to prevent and promptly intervene in any activity that could have a significant impact both internally and externally.

Accidents and occupational diseases are the principal risk factors; investment is fundamentally important for the management of operations targeting continuous improvement, accident prevention and the maintenance of adequate standards.

In relation to current operations, ATM incurs charges and costs for the actions necessary to ensure full compliance with prevention obligations, as per applicable regulations for occupational health and safety.

The enactment of further provisions or amendments to existing legislation could lead to ATM adopting more stringent standards, with potential costs to adapt the corporate organization, information systems and production sites.

Human resources

ATM's ability to operate effectively also depends on the skills and performance of its staff. Loss of "key" personnel or inability to attract, train or retain qualified personnel or situations in which the ability to operate in the medium to long term is negatively affected due to any significant disputes with the staff, could have an adverse effect on the production of the service and on operating results.

ATM carefully plans the needs and activates market-mapping processes for recruiting the necessary personnel figures. In addition, a series of initiatives is active aimed at both technical and managerial development to ensure the retention of key personnel.

Specific operating risks

With regard to specific risks on the M5 line in relation to the abnormal wear and tear of the tracks and train wheels, which has been evident since 2014 and has still not been resolved, ATM, in line with the Safety Committee's recommendations, also carried out extraordinary maintenance in 2017 that was over and above the baseline maintenance plans. This activity is communicated in advance and is reported to the license holder Metro 5 S.p.A. every six months, with associated costs being recharged periodically to the license holder.

The above obstacles contribute to the early deterioration of the rolling stock, necessitating the additional scheduling of extraordinary works that are quantified and presented to Metro 5 S.p.A. under the amicable settlement procedure initiated pursuant to Art. 28 of the management contract.

Moreover, as regards the infrastructure, several malfunctions and stair breakages occurred on the escalators in the M5 Garibaldi - San Siro Stadio rail section; ATM therefore referred to Metro 5 S.p.A. for immediate checking and repair works which commenced on all escalators of the section in question.

External risks

Cyber attack

ATM carries out its activity using a complex IT architecture, which may be subject to the risk of external attack attempts in various forms and can compromise the functioning of the systems. The Group constantly updates its cyber attack protection strategies in accordance with the main standards on the subject and with specific attention to regulatory changes.

Legal and compliance risks

The legal and compliance risk concerns the failure to comply, in whole or in part, with the rules and regulations at European, national, regional and local level which ATM must comply with in relation to its activities. Violation of the rules and regulations may result in criminal, civil and/or administrative penalties, as well as financial, economic and/or reputational damages.

This category includes Legislative Decree 231/01 which provides for the company's responsibility for offenses committed by management or third parties in relation to certain cases (corruption, fraud, health and safety of workers, environment), as well as the Legislative Decree 81/08 (health and safety of workers), and Legislative Decree 152/06 (environment).

ATM is strongly committed to pursuing a corruption prevention policy, seeking to identify potential vulnerabilities and provide for their removal, strengthening controls and constantly working to increase staff awareness on how to identify and prevent corruption. The obligation of adhesion of the entire organization as well as of all those who have relations with the companies of the Group to the Code of Ethics represents one of the fundamental pillars of the system of prevention of non-compliant behavior.

The companies of the Group constantly update the 231 models and protocols, periodically adopting awareness-raising initiatives and training of personnel on the subject. The reports received through the channels provided by the reporting procedure are also analyzed and punctually assessed.

With regard to environmental and health and safety issues, ATM has adopted and maintains Health, Safety and Environment management systems certified according to ISO14001 and OHSAS18001 standards.

The full entry into force in May 2016 of the new European Regulation 679/2016 on the protection of personal data (GDPR - General Data Protection Regulation), required the adaptation of business processes to the new regime by May 25, 2018, date beyond which sanctions could also be significant. ATM has activated what is necessary to guarantee the adequacy of the organization to the new provisions on the subject and has adopted the figure of the DPO within the organization.

Planning and reporting risks

Planning and reporting risks are related to the negative effects that any relevant, untimely or incorrect information could have on the Group's strategic, operational and financial decisions. In order to contain these risks, ATM has adopted adequate planning and reporting systems.

Main disputes in progress

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 existence at December 31st, 2018.

Unless otherwise specified, in the various disputes currently in progress no elements have emerged to date that may lead us to believe an exposure to potential liabilities or consistency losses such as to have an appreciable impact on the equity, economic and financial position of ATM.

In detail:

- in relation to disputes and proceedings brought against ATMs by employees, it is noted that there were 45 disputes during 2018: the number of cases concerning the termination of the employment relationship (or failure to hire) were 20, while the number of disputes concerning the request for a higher qualification or an alleged professional demotion were 5; the remaining cases concerned trade union issues (2 cases), mobbing (5 lawsuits), joint and several liability (2 lawsuits), conservative sanctions (4 lawsuits), occupational diseases (1 cause) or other more specific individual issues (part-time , accident compensation, etc.). Among the lawsuits concerning the termination of the employment relationship, we note, in particular, the dismissal of some former employees employed at the ATM Points and involved in facts with respect to which ATM has decided to present a formal complaint (which was in the investigation phase). Some of the aforementioned former employees have challenged the withdrawal immediately before the Labor Court. The decisions of the Court that, to date, have closed the disputes and confirmed the legitimacy of the corporate actions, rejecting the workers' appeals. No cause, however, has yet to become final.
- related to the criminal litigation, during 2018 ATM established as civil party in n. 81 criminal proceedings for the purpose of obtaining compensation for the damage suffered as a result of crimes committed by third parties, attributed in the aforementioned proceedings.
- in relation to the dispute pertaining to the civil court (courts, courts of appeal, offices of the Justice of Peace), is substantiated in both out-of-court and judicial disputes related to the figure of ATM as Manager of the Local Public Transport service and complementary activities (for example, requests for compensation for damages caused by transport; claims for damages caused by interruption of public service; recovery of credits; rental reports, contracts): specifically, as of December 31st, 2018, appear to have been handled (both in judicial and extrajudicial phases) n. 355 civil law positions.

  Among the causes concerning the Public Transport Service, the one with the company Caronte S.r.l. for the period October 1997-2010, based on the assumption that the urban lines managed by the company were part of the SITAM system. Currently the case is pending before the Court of Milan, which has appointed over the years two separate Technical Consultants (CTU). The sentence should be issued in the first half of 2019. In relation to disputes and passive lawsuits concerning civil liability (road accidents, transport accidents, liability for things in custody), the exposure and the possible risk for the Company is covered by risks and charges funds, estimated by the Insurance Strategies Department, from which the practices originate in the out-of-court phase, which updates the economics of each of them, also considering the progress of the judgments in progress; while, with reference to disputes of a different nature (debt collection, contracts, etc.), the Legal Department acts on the basis of a constant flow of information, in synergy with the Departments concerned for the purpose of quantifying the risk, depending on cases.

- in synergy with the outsourcing legal, litigation will be followed in front of the Administrative Judge (TAR and Council of State) concerning, for the most part, the methods of awarding contracts for the supply of goods, works and services necessary for ATM to pursue its corporate purpose in the best possible way, on a daily basis.
- there are no criminal proceedings against ATM pursuant to Legislative Decree no. 231/2001, the Supreme Audit Institution (or before the national or community authorities.
- during 2018, the criminal proceeding no. 41767/2015 established at the Milan Criminal Court against the former General Manager of ATM, dott. Elio Gambini, held responsible, according to the accusatory hypothesis, for having caused the death and/or injuries of employees and former employees "in violation of the safety/hygiene regulations at work regarding asbestos"; ATM was sued by the injured parties as responsible. The proceeding ended with sentence n. 12319/18 with which the Court pronounced sentence of acquittal. The first instance sentence was challenged, and therefore the appeal judgment is currently pending.

Subsequent events

- On January 1st, 2019, the obligation of electronic invoicing entered into force, ATM made an important investment aimed at complying with the regulatory deadline. Right from the start ATM managed to correctly manage the billing flows to and from the interchange system managed by the revenue agency, accrediting with it, its own communication channel and managing the electronic invoicing process from its ERP management system.
- the Board of Directors on January 28, 2019 approved the SCIGR Guidelines and ERM Guidelines. In January 2019, the three-year training program on Anti-Corruption and Transparency was completed in accordance with the previous PTPCT, with special sessions, in the classroom, for officials and managers, with the aim also of illustrating the transition to the new ACT Model adopted on a voluntary basis.
- from February 25, 2019, the Municipality of Milan has activated a limited traffic zone on its territory c.d. AREA B with prohibition of access and circulation of the most polluting vehicles. The Municipality of Milan has entrusted ATM with the management of the control system and the adjustment of the IT system for managing transit.
- on April 1st, 2019, the Shareholders' Meeting of ATM S.p.A. took place for the presentation of the strategic industrial plan 2019 - 2025 and the approval of the strategic guidelines. The project for the development of the Strategic Industrial Plan was approved in the Board of Directors following the Shareholders' Meeting.

In the first months of 2019, the administrative procedure started by the relevant bodies (LPT Agency of the Basin, Municipality of Milan, Lombardy Region) to reach the implementation of the new Integrated Tariff System of the Mobility Basin (STIBM), which will lead to a complete reform of the rules and tariff levels also in the Milan area where ATM operates. The new system will be the basis for future assignments of Local Public Transport services, but preparatory activities are underway, aimed at its early and experimental activation on the area where the Sitam system currently operates, with possible implementation date starting from July 2019. The process was carried out only partially, both from the administrative point of view and from that of operational and planning compliance, showing significant uncertainties regarding the outcome and the timing of implementation.

Outlook

Core operations in 2018 will principally focus on the commitment to ensure high levels of customer service, notwithstanding the assumed reduction in the Municipality of Milan's service contract fee under the expected new Service Contract extension.

Metro Service A/S starting from January 1st, continued to carry out management and maintenance activities on the M1 and M2 lines of the Copenhagen metro on the basis of the new contract stipulated with Metroselskabet I/S. It will also continue to carry out mobilization activities for the start-up of the management and maintenance of the M3 and M4 lines of the Copenhagen metro (Cityringen) and the pre-mobilization activities for the light rail.

In the first part of the year, the first 25 electric buses will be delivered, as part of a procedure started in 2018. A tender for a further 250 electric buses is being awarded, the first deliveries of which will take place in 2020.

The fleet of 120 18-meter hybrid buses will be completed in the first six months of 2019.

As for the 12-meter hybrids, a first contract for the purchase of 25 vehicles, stipulated in the second half of 2018, foresees the arrival of the vehicles starting from June. The tender for the assignment of a framework contract for 150 vehicles is also in progress.

Starting from June, deliveries will begin for the first batch of 30 trolleybuses purchased under the 80-vehicle framework contract.

The tender for the supply of 80 new generation bi-directional trams, for which the contract is expected to be signed in summer and partially financed by MIT, is being awarded.

The plan for commissioning the Leonardo M1 and M2 trains purchased with the third application contract will be completed, while the fourth contract, relating to M2 trains, will produce its effects starting from the second half of the year. ATM is totally financing the trains supply mentioned.

These purchases, made possible by the release of public grants, which have remained frozen for a long time and by the additional financial effort that the Company has decided to take even for the new surface vehicles, always through an effective provision policy, based on the use of competitive and open procedures.

These actions mark the progressive renewal of the fleet under the sign of sustainability.

In 2019 ATM will continue its journey to better affront participation in the tender relating to its area of competence, as well as, with focus on consolidation and development of the business, it will oversee the competitive procedures for the assignment of LPT services that will be launched in the Lombardy Region, with particular attention to the areas in which the Group is already present or to the nearby basins.

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

Starting from April 1st, 2019, following the approval of the strategic guidelines aimed at improving the Local Public Transport service and, more generally, the mobility as a whole, the Group will focused on activating all the actions necessary for its realization.

Other information

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

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

- due to the nature of operations, the Group has not undertaken any research and development in 2018;
- 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;
- even in 2018, the Group has not made use of derivative financial instruments in the context of financial and asset management and the financial results for the year.

Information relating to intercompany transactions and transactions with related parties

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

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

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

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

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

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

Point 42 of the ATM Group's Notes to the Financial Statements, information on related parties is provided based on the nature of the service.

Milan, April 1st, 2019

For the Board of Directors
The Chairman
Luca Bianchi


Sirietto
7615

Consolidated Financial Statements of the ATM Group

Consolidated Financial Statements of the ATM Group

Consolidated statement of financial position

	Note	31.12.2018	31.12.2017 Restated values (*)	01.01.2017 Restated values (*)
Assets				
Property, plant and equipment	9	1,250,975	1,202,100	1,162,072
Intangible assets	10	3,976	3,138	2,898
Investments	11	23,350	20,844	16,324
Non-current financial assets	12	22,978	309,197	268,294
Of which: Related Parties	*42*	*22,500*	*23,498*	*21,013*
Deferred tax assets	13	74,740	85,149	101,061
Other receivables and non-current assets	14	14,268	21,058	27,731
Non-current assets		**1,390,287**	**1,641,486**	**1,578,380**
Inventories	15	84,614	79,651	72,775
Current financial assets	16	260,690	24,028	41,682
Tax receivables	17	17,384	15,338	10,171
Trade receivables	18	191,625	142,919	119,017
of which: Related Parties	*42*	*139,634*	*104,840*	*80,529*
Other receivables and current assets	19	65,919	78,634	105,374
Cash and cash equivalents	20	239,661	176,569	108,860
Current assets		**859,893**	**517,139**	**457,879**
Assets related to discontinued operations	21	444	-	13,098
Total assets		**2,250,624**	**2,158,625**	**2,049,357**

(*) Restated values compared to those of the Financial Statements approved by the Shareholders Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which defines the methods of representation deriving from changes in the accounting standards or from the retrospective effects from the adoption of the new accounting principles. The Explanatory Note in the Note 4 illustrates which of the financial statements accounts have been adjusted and the related quantitative impacts.

	Note	31.12.2018	31.12.2017 Restated values (*)	01.01.2017 Restated values (*)
Equity				
Share Capital		700,000	700,000	700,000
Legal reserve		140,000	140,000	140,000
Other Reserves		278,739	281,362	280,857
Retained earnings		75,311	40,079	58,948
Net profit for the year		10,909	35,096	7,131
Group Equity		**1,204,959**	**1,196,537**	**1,186,936**
Non-controlling interest equity		**14,699**	**9,082**	**5,445**
Total Equity	**22**	**1,219,658**	**1,205,619**	**1,192,381**
Liabilities				
Non-current financial liabilities	23	307,697	257,960	137,629
Employee benefits	24	131,712	142,663	152,448
Provision for risk and charges	25	85,191	90,891	138,118
Deferred tax liabilities	26	48,758	50,187	55,636
Non-current liabilities		**573,358**	**541,701**	**483,831**
Current financial liabilities	23	17,957	14,097	6,359
Current income tax liabilities	27	770	449	1,213
Trade payables	28	286,038	245,248	188,229
Of which: Related Parties	*42*	*50,423*	*9,680*	*6,249*
Other Payables and current liabilities	29	152,843	151,511	177,344
Of which: Related Parties	*42*	*12,000*	*26,000*	*38,575*
Current liabilities		**457,608**	**411,305**	**373,145**
Liabilities related to discontinued operations		-	-	-
Total liabilities		**1,030,966**	**953,006**	**856,976**
Total equity & liabilities		**2,250,624**	**2,158,625**	**2,049,357**

(*) Restated values compared to those of the Financial Statements approved by the Shareholders Meeting of April 11, 2018, pursuant to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” which defines the methods of representation deriving from changes in the accounting standards or from the retrospective effects from the adoption of the new accounting principles. The Explanatory Note in the Note 4 illustrates which of the financial statements accounts have been adjusted and the related quantitative impacts.

Consolidated income statement

	Note	2018	of which related parties	2017 Restated (*)	of which related parties
Revenues and other operating income					
Core Business Revenue	30	819,387	700,262	793,205	689,178
Other revenue	30	60,511	21,084	55,476	16,013
Other Income	30	82,765	4,357	75,711	6,157
Total revenues and other operating income		**962,663**	**725,703**	**924,392**	**711,348**
Costs and other operating charges					
Purchases of goods and changes in inventories	31	(73,927)	-	(78,211)	(8)
Service costs	32	(214,637)	(1,367)	(208,505)	(2,111)
Operating leasing costs	33	(5,526)	(1,828)	(5,922)	(1,730)
Personnel expenses	34	(517,279)	(8)	(497,305)	-
Other costs and operating charges	35	(27,198)	(3,459)	(12,579)	(1,132)
Total costs and other operating charges		**(838,567)**	**(6,662)**	**(802,522)**	**(4,981)**
Ebitda		**124,096**		**121,870**	
Ammortisation, depreciation and write-downs	**36**	**(87,216)**		**(91,414)**	
Depreciation - Property, plant and equipment	36	(123,865)		(129,645)	
Plant and machinery		*(109,584)*		*(116,223)*	
Buildings		*(6,821)*		*(6,550)*	
Industrial and commercial equipment		*(3,801)*		*(3,687)*	
Other assets		*(3,659)*		*(3,185)*	
Plant capital grants	36	37,949		39,794	
Amortization – Intangible assets	36	(1,188)		(1,190)	
Software licenses		(1,188)		(1,190)	
Write down of fixed assets	36	(112)		(373)	
Ebit		**36,880**		**30,456**	
Financial Income	37	5,590	1,158	6,573	1,206
Financial Expenses	37	(14,032)		(4,908)	
Net financial income		**(8,442)**	**1,558**	**1,665**	**1,206**
Share of the result of the companies measured under the equity method	38	2,222		1,532	
Pre-tax profit		**30,660**		**33,653**	
Income taxes	39	(12,174)		5,077	
Net profit		**18,486**		**38,730**	
Profit attributable to:					
Owners of the parent		10,909		35,096	
Non-controlling intrests		7,577		3,634	
Total		**18,486**		**38,730**	

(*) Restated values compared to those of the Financial Statements approved by the Shareholders Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which defines the methods of representation deriving from changes in the accounting standards or from the retrospective effects from the adoption of the new accounting principles. The Explanatory Note in the Note 4 illustrates which of the financial statements accounts have been adjusted and the related quantitative impacts.

Consolidated statement of comprehensive income

	Note	2018	of which related parties	2017 Restated (*)	of which related parties
Net profit		**18,486**		**38,730**	
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	22	(1,146)		(895)	
Income taxes on items which may not be reclassified subsequently in the P&L account	22	275		216	
Total items which may not be reclassified subsequently in the P&L account		**(871)**		**(679)**	
Items which may be reclassified subsequently in the P&L account					
Equity investments at equity – Cash Flow Hedge Reserve	22	284		1,723	
Income taxes on items which may be reclassified subsequently in the P&L account	22	(3)		(20)	
AFS financial assets – Available For Sale Reserve	22	-		(906)	
Financial Assets Held to Collect and Sale	22	(3,115)			
Income taxes on items which may be reclassified subsequently in the P&L account	22	748		399	
Total items which may be reclassified subsequently in the P&L account		**(2,086)**		**1,196**	
Total consolidated other comprehensive income statement items		**(2,957)**		**517**	
Total comprehensive income		**15,529**		**39,247**	
Total comprehensive income attributable to:					
Owners of the parent		7,952		35,613	
Non-controlling interests		7,577		3,634	
Total		**15,529**		**39,247**	

(*) Restated values compared to those of the Financial Statements approved by the Shareholders Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which defines the methods of representation deriving from changes in the accounting standards or from the retrospective effects from the adoption of the new accounting principles. The Explanatory Note in the Note 4 illustrates which of the financial statements accounts have been adjusted and the related quantitative impacts.

Statement of changes in consolidated equity

Equity	01.01.2017 Restated Values (*)	Allocation of Profit	Distributed Dividends	Other changes	Other comprehensive income items	Net Profit	31.12.2017 Restated Values (*)
Share Capital	700.000						700.000
Legal Reserve	140.000						140.000
Other Reserves	280.857	-	-	(12)	517	-	281.362
Conferment reserve	*19.690*						*19.690*
Extraordinary reserve	*5.764*						*5.764*
Rounding reserve	*6*			*(10)*			*(4)*
First Time Adaption reserve	*154.105*						*154.105*
Actuarial Losses reserve	*(1.582)*			*(2)*	*(679)*		*(2.263)*
Available For Sale reserve	*717*				*(507)*		*210*
Cash Flow Hedge reserve	*(8.442)*				*1.703*		*(6.739)*
Property revaluation reserve - FTA	*110.599*						*110.599*
Retained earnings	58.948	7.131	(26.000)				40.079
Net profit for the year	7.131	(7.131)				35.096	35.096
Group Equity	**1.186.936**	**-**	**(26.000)**	**(12)**	**517**	**35.096**	**1.196.537**
Non-control. Int. equity	**5.445**	**-**	**-**	**3**	**-**	**3.634**	**9.082**
Share capital	572						572
Retained earnings	2.714	2.159		3			4.876
Net profit for the year	2.159	(2.159)				3.634	3.634
Total Equity	**1.192.381**	**-**	**(26.000)**	**(9)**	**517**	**38.730**	**1.205.619**

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

(*) Restated values compared to those of the Financial Statements approved by the Shareholders Meeting of April 11, 2018, pursuant to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” which defines the methods of representation deriving from changes in the accounting standards or from the retrospective effects from the adoption of the new accounting principles. The Explanatory Note in the Note 4 illustrates which of the financial statements accounts have been adjusted and the related quantitative impacts.

Consolidated cash flow statement

		2018		2017 Restated values (*)	
A	**Cash flow from operating activities**				
	Net Profit		**18,486**		**38,730**
	Income taxes	12,174		(5,077)	
	Interest income net of impairment of financial activities	8,374		(1,665)	
	(gains)/losses on sale of assets	433		(1,514)	
	1. Profit/(loss) for the year before taxes, interest, dividends and gains/(losses) from disposals		**39,467**		**30,474**
	Non-cash adjustments not impacting working capital				
	changes in provisions for risks and charges	(463)		25,796	
	changes in employee benefits	1,187		828	
	changes in the provision for impairment on cash and cash equivalents	253			
	amortization & depreciation	87,104		91,041	
	adjustmets to fixed asset values	112		373	
	impairment on financial assets	68			
	other changes	(398)		503	
	Total non-cash adjustments		*87,863*		*118,541*
	2. Cash flow before working capital changes		**127,330**		**149,015**
	change in net working capital:		*20,736*		*4,061*
	inventories	(5,393)		6,227	
	trade receivables	(48,684)		(23,873)	
	other receivables	41,166		26,159	
	accrued income and prepaid expenses	(229)		118	
	trade payables	24,728		16,920	
	other payables	10,775		(21,534)	
	Accrued expenses deferred income	(1,627)		44	
	3. Cash flow after net working capital changes		**148,066**		**153,076**
	Other adjustments		*(21,111)*		*(63,485)*
	Paid intrest	(814)		2,924	
	(paid income taxes)	(1,725)		(19,228)	
	(utilisation of provision for risk and charges)	(5,237)		(35,309)	
	(utilisation of provision for employee benefits)	(13,335)		(11,872)	
	Cash flow from operating activities (A)		***126,955***		***89,591***

		2018		2017 Restated earnings (*)	
B	**Cash flow from investment/divestment activities**				
	Property,plant & equipment				
	(Investments)	(171,134)		(138,422)	
	Sales price of disposals	900		3,666	
	Intangible assets				
	(Investments)	(2,014)		(1,430)	
	Sales price of disposals	(12)			
	Increase/(decrease) in trade payables for fixed assets	16,060		40,099	
	Financial assets				
	(Investments)	(2,470)		(27,869)	
	Sales price of disposals	908		202	
	Current financia assets				
	(Investments)	(67,757)			
	Sales price of disposals	108,452			
	Changes in plant capital grants	9,865		6,019	
	Cash flow from investment/disinvestment activities (B)		***(107,202)***		***(117,735)***
C	**Cash flow from financing activities**				
	Third party funds				
	New loans	70,000		138,946	
	Repayment of loans	(10,505)		(4,518)	
	Own funds				
	Paid Dividends (and advances in dividends)	(15,960)		(38,575)	
	Cash flow from financing activities (C)		***43,535***		***95,853***
	Exchange rate effect	57			
	Increase/(decrease) in cash and cash equivalents and current securities		63,345		67,709
	Cash and cash equivalents as at 31.12.2017		**176,569**		**108,860**
	Cash and cash equivalents as at 31.12.2018		**239,914**		**176,569**

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Notes to Financial Statements ATM Group

1. General Information

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

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

The publication of these Consolidated Financial Statements was authorized by the Directors on April 1st, 2019 and they will be presented to the Shareholders' Meeting for approval and subsequent filling within the terms required by law. The Shareholders' Meeting has the power to make amendments to these financial statements.

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

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 31st, 2017 were applied, supplemented by what is described in the paragraph "Accounting principles, amendments and interpretations applied from January 1st, 2018" (in particular with reference to IFRS9 and IFRS15 which came into force in 2018), modified with reference to the valuation at cost recalculated at the Fair Value of the Land and Buildings as permitted by IAS 16. Following the change in the valuation criteria, the consolidated financial statements as at December 31st, 2017 and January 1st, 2017, the 2017 consolidated income statement and other comprehensive income for 2017, the consolidated statement of changes in shareholders' equity from January 1st, 2017 to December 31st, 2017, and the consolidated cash flow statement for the year 2017, pursuant to IAS 1 par. 39 and 40, have been accordingly restated. In the paragraph "Comparability of financial statements: changes in valuation criteria" of Note 3 the effects resulting from the change in the Fair Value measurement of Land and Buildings are described and analyzed. The first application of IFRS 9 resulted in changes to the opening shareholders' equity without the need for restatement, as allowed by the provisions of the same principle with reference to the year of first application; the adoption of IFRS 15 had no impact on the comparative figures.

2. Basis of Presentation of the Consolidated Financial Statements

These Consolidated Financial Statements for the year ended December 31st, 2018 have been prepared in accordance with International Accounting Standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by the International Accounting Standards Board (IASB), and interpretations issued by the IFRS Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Union pursuant to European Regulation (EC) n. 1606/2002 of July 19, 2002 and in force at the reporting date (together these standards and interpretations defined hereafter as "IAS/IFRS Standards". In particular, Legislative Decree no. 38 of February 28, 2005, which governs this regulation in Italy, introduced the mandatory application to apply the IAS-IFRS Standards for the preparation of the separate and consolidated financial statements to the companies issuing financial instruments admitted for trading on regulated markets in any Member State of the European Union.

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

The consolidated financial statements were prepared on a going concern basis, pursuant to paragraphs 24 and 25 of IAS 1, as the Directors verified the absence of financial, management, operational and other factors that could indicate critical issues regarding capacity of the Group to meet its obligations in the foreseeable future and in particular in the next 12 months. This assessment also takes into account what is described in the Management Report regarding the signing of the extension until October 31, 2020 of the TPL Service Contract for ATM S.p.A. with the Municipality of Milan. Also the extension, up to December 31st, 2019, of the existing contracts between NET S.r.l. and the Local Public Transport Agency of the Metropolitan City Basin of Milan, Monza Brianza, Lodi and Pavia for the management of the extra-urban automotive service. Given the complexity of the procedure for entrusting services to NET Srl, which is intended to be carried out through a single procedure divided into several lots of assignment, there are currently no elements that suggest that the service itself is not reconfirmed even beyond December 31st, 2019 and up to the new awarding of the contract, which can reasonably not take place before the second half of 2020; the planned start of the awarding procedures between 2019 and 2020, in fact, presumes that, in order to guarantee the continuity of the public service, the TPL Agency will proceed to a further extension of the management in extension to the same current contractual conditions. This, moreover, is provided by the Service Contracts, which identify the possibility of an extension, pending awarding, for a time reasonably higher than twelve months compared to the closing date of these financial statements. Based on these considerations, despite the uncertainty deriving from the management of the TPL service carried out by NET S.r.l. in an extension that has not yet been confirmed, taking into account the level of capitalization of the ATM Group and its financial situation, and the need to guarantee the TPL public service by road, the Directors of the Parent Company believe that the Group, for which there are no uncertainties on the continuity except within the limits of what is specified for NET S.r.l, operates on a going concern basis and is able to meet obligations and commitments made over the next twelve months.

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

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

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

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

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

The consolidated income statement was prepared classifying revenues and costs by type, indicating the interim gross and net operating margin and the result before taxes, in order to better present the operating performance. The chosen format complies with internal reporting and business management practice, in addition to international best practice and is therefore considered more representative than presentation by destination, providing more reliable and relevant performance indicators for the sector. The revenues and costs also disclose the amounts with related parties. Revenues and costs with related parties are also illustrated in detail by counterparty in the table at Note 42.

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

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

- allocation of the consolidated result for the year;
- each profit and loss account, net of any tax effects which, as required by IAS/IFRS, are alternatively directly recognized to consolidated equity (actuarial profits and losses generated from the measurement of defined benefit plans, measurement of financial assets at Fair Value and measurement of derivative financial instruments at Fair Value held by associates measured under the equity method) or are recognized to an equity reserve, whose impact is therefore directly reflected in equity;
- the effect deriving from changes in accounting standards (in the case of these, represented, as anticipated, by the first adoption of IFRS 9 and the modification of the valuation criteria of properties from cost to Fair Value).

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

The Consolidated financial report includes the Directors' Report, which comprises the Consolidated Financial Statements. In addition, in compliance with the requirements introduced by Legislative Decree No. 254 of December 30, 2016 enacting Directive 2014/95/EU, and in compliance with the GRI Sustainability Reporting Standards - published by the Global Reporting Initiative (GRI) – the ATM Group prepared the Consolidated Non-Financial Report to ensure the dissemination of the activities of the Group, of its performance, of its results and of the impact produced, covering 5 significant areas: environment, social aspects, personnel management, human rights and the fight against corruption. For further details, reference should be made to the separate document "2018 Consolidated Non-Financial Report" available on the website www.atm.it.

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

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

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

3. Consolidation method and principles

Subsidiaries

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

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

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

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

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

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

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

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

receivables, costs and revenues, as well as financial income and expenses are also eliminated.

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

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

Associates

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

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

- the book value of the investments in associates is aligned with its Equity share, adjusted, where necessary, to the accounting policies adopted by the ATM Group and includes the recognition of the higher value attributed to the assets and liabilities and of any goodwill identified on acquisition;
- the ATM Group gains and losses of the associates are recognized at the date in which the significant influence begins and until the significant influence terminates; in the case where, due to losses, the companies measured under this method indicates negative equity, the carrying value of the investment is written down and any excess pertaining to the ATM Group, where this latter is committed to comply with legal or implicit obligations of the investee, or in any case to cover the losses, is recognized in a specific provision; the comprehensive income items measured under the equity method are recognized in separate equity reserves;
- the gains and losses not realised generated on operations between the Parent Company and subsidiary companies and investments valued under the equity method are eliminated based on the share pertaining to the ATM Group in the investee; the losses not realised are eliminated, except when they represent a reduction in value.

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

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

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

Reference should be made to Note 11 for information on the companies included in the consolidation scope, registered office, shareholding, type of control and consolidation method adopted.

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

- the assets and the liabilities are converted using the exchange rate at the balance sheet date;
- the costs and revenues are converted at the average exchange rate for the period;
- the translation reserve, included under consolidated equity, includes both the foreign exchange differences generated from the conversion of foreign currency transactions at a rate different than at the reporting date and those generated from the conversion of the opening equity at a different rate than that at the reporting date. This reserve is reversed to the income statement on the sale of the investment.

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

- historical exchange rate at December 31st, 2008 utilised for the conversion of the opening net equity: DKK 7,4428;
- exchange rate at December 31st, 2018 utilized for the conversion of assets and liabilities: DKK 7,4673 for 1 Euro (DKK 7,4449 as at December 31st, 2017);
- average exchange rate in 2018 utilized for the conversion of costs and revenues: DKK 7,4532 for 1 Euro (DKK 7,4387 for the year 2017).

4. Valuation Criteria

Comparability of financial statements: changes in valuation criteria

As anticipated in Note 1, the Parent Company has decided to modify the valuation criteria for Land and Buildings, adopting the valuation of cost recalculated at Fair Value instead of that at historical cost, in accordance with the options granted by IAS 16. Specifically, the motivation for the change in the evaluation criteria was determined by the need for a better explanation of the corporate assets consistency, in view of the financing operations necessary to carry out the investment program envisaged in the multi-year strategic development lines approved on April 1st, 2018; the change in the evaluation criteria involved the following types of assets: land, deposits, offices and real estate investments. The valuation criteria were not changed for deposits disposed of by the production process and those for which restructuring and redevelopment interventions are envisaged, the value of which was recognized in previous years of specific value adjustments. The valuation at Fair Value was carried out through an expert appraisal commissioned to a leading independent third party expert in the real estate market. In this context, a new economic-technical life was defined for the buildings subject to valuation at Fair Value.

Following the aforementioned change and in compliance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Group proceeded with the redetermination of the effects as of January 1st, 2017, which corresponds to the beginning of the first previous period set to comparison; consequently, the Consolidated Balance Sheet as at December 31st, 2017 and January 1st, 2017, Consolidated Income Statement for the year 2017, the Statement of Other Components of the Consolidated Statement of Comprehensive Income for 2017, the Consolidated Statement of Changes in Equity from January 1st, 2017 to December 31st, 2017, and the Consolidated Cash Flow Statement for 2017, pursuant to IAS 1 par. 39 and 40, have been correspondingly restated to reflect the effects of the change in the valuation criteria.

The effect of the change in the valuation criteria of the Land and Buildings as described above was recognized in a specific reserve of the consolidated net equity, called “Revaluation reserve at Fair Value of the buildings”, net of the related deferred tax effect, given the non-relevance for tax purposes of the valuation at market values of Land and Buildings.

The consolidated statement of financial position at December 31st, 2017 and January 1st, 2017 is shown below with evidence and quantification of the effect of the adoption of the Fair Value measurement criteria for Land and Buildings (IAS 16):

	01.01.2017	Modification with the *Fair Value* of the Land and buildings	01.01.2017 Restated values (*)
Assets			
Property, plant and equipment	1,008,035	154,037	1,162,072
Intangible assets	2,898		2,898
Investments	16,324		16,324
Non-current financial assets	268,294		268,294
Deferred tax assets	101,061		101,061
Other receivables and non-current assets	27,731		27,731
Non-current assets	**1,424,343**	**154,037**	**1,578,380**
Inventories	72,775		72,775
Current financial assets	41,682		41,682
Tax receivables	10,171		10,171
Trade receivables	119,017		119,017
Other receivables and current assets	105,374		105,374
Cash and cash equivalent	108,860		108,860
Current assets	**457,879**	**-**	**457,879**
Assets held-for-sale	13,098		13,098
Total assets	**1,895,320**	**154,037**	**2,049,357**

	01.01.2017	Modification with the *Fair Value* of the Land and buildings	01.01.2017 Restated values (*)
Equity			
Share Capital	700,000		700,000
Legal Reserve	140,000		140,000
Other Reserves	170,258	110,599	280,857
Retained earnings	58,948		58,948
Net profit for the year	7,131		7,131
Total Group Equity	**1,076,337**	**110,599**	**1,186,936**
Third-party Equity	**5,445**		**5,445**
Total Equity	**1,081,782**	**110,599**	**1,192,381**
Liabilities			
Non-current financial liabilities	137,629		137,629
Employee benefits	152,448		152,448
Provisions for risks and charges	138,118		138,118
Deferred tax liabilities	12,198	43,438	55,636
Non-current liabilities	**440,393**	**43,438**	**483,831**
Current financial liabilities	6,359		6,359
Current income tax liabilities	1,213		1,213
Trade payables	188,229		188,229
Other payables and current liabilities	177,344		177,344
Current liabilities	**373,145**	**-**	**373,145**
Liabilities Held-For-Sales	**-**	**-**	**-**
Total liabilities	**813,538**	**43,438**	**856,976**
Total equity & liabilities	**1,895,320**	**154,037**	**2,049,357**

(*) Restated values compared to those of the Financial Statements approved by the shareholders meeting of April 11, 2018, pursuant to IAS 8 " Accounting policies, changes in Accounting Estimates and Errors", which defines the methods of representation deriving from changes in Accounting policies.

	31.12.2017	Modification with the *Fair Value* of the Lands and Buildings	31.12.2017 Restated values (*)
Assets			
Property, plant and equipment	1,048,916	153,184	1,202,100
Intangible assets	3,138		3,138
Investments	20,844		20,844
Non-current financial assets	309,197		309,197
Deferred tax assets	85,149		85,149
Other receivables and non-current assets	21,058		21,058
Non-current assets	**1,488,302**	**153,184**	**1,641,486**
Inventories	79,651		79,651
Current financial assets	24,028		24,028
Tax receivables	15,338		15,338
Trade receivables	142,919		142,919
Other receivables and current assets	78,634		78,634
Cash and cash equivalents	176,569		176,569
Current assets	**517,139**	**-**	**517,139**
Assets held-for-sale	-		-
Total assets	**2,005,441**	**153,184**	**2,158,625**

	31.12.2017	Modification with the *Fair Value* of the Lands and Buildings	31.12.2017 Restated values (*)
Equity			
Share Capital	700,000		700,000
Legal Reserve	140,000		140,000
Other reserves	170,763	110,599	281,362
Retained earnings	40,079		40,079
Net profit for the year	35,709	(613)	35,096
Total Group Equity	**1,086,551**	**109,986**	**1,196,537**
Third-party Equity	**9,082**		**9,082**
Total Equity	**1,095,633**	**109,986**	**1,205,619**
Liabilities			
Non-current financial liabilities	257,960		257,960
Employee benefits	142,663		142,663
Provision for risks and charges	90,891		90,891
Deferred tax liabilities	6,989	43,198	50,187
Non-current liabilities	**498,503**	**43,198**	**541,701**
Current financial liabilities	14,097		14,097
Current income tax liabilities	449		449
Trade payables	245,248		245,248
Other payables and current liabilities	151,511		151,511
Current liabilities	**411,305**	**-**	**411,305**
Liabilities Held-For-Sale	-	-	-
Total liabilities	**909,808**	**43,198**	**953,006**
Total Equity & Liabilities	**2,005,441**	**153,184**	**2,158,625**

(*) Restated values compared to those of the Financial Statements approved by the shareholders meeting of April 11, 2018, pursuant to IAS 8 " Accounting policies, changes in Accounting Estimates and Errors", which defines the methods of representation deriving from changes in Accounting policies

The Income Statement as at December 31st, 2017 is shown below with evidence and quantification of the effect of the adoption of the Fair Value measurement criteria for Land and Buildings (IAS 16):

	2017	Modification with the *Fair Value* of the Lands and buildings	2017 Restated values (*)
Revenue and other operating income	924,392		924,392
Costs and other operating expenses	(802,522)		(802,522)
Ebit	**121,870**	**-**	**121,870**
Amortization, depreciation and write-downs	(90,560)	(854)	(91,414)
Operating Result	**31,310**	**(854)**	**30,456**
Net financial income	1,665		1,665
Net result as per equity method	1,532		1,532
Pre-tax profit	**34,507**	**(854)**	**33,653**
Income taxes	4,836	241	5,077
Net profit	**39,343**	**(613)**	**38,730**

(*) Restated values compared to those of the Financial Statements approved by the shareholders meeting of April 11, 2018, pursuant to IAS 8 “Accounting policies, changes in Accounting Estimates and Errors”, which defines the methods of representation deriving from changes in Accounting policies

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. Please refer to the previous paragraph “Comparability of financial statements: changes in measurement criteria”, for the considerations that led to the modification of the criteria for the valuation of the properties starting from this Annual Report at December 31st, 2018; with the change in the valuation criteria, the useful lives of the buildings themselves were recalculated.

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 the asset is available for use, according to the intentions of Management. Land is not depreciated.

The estimated useful lives are as follows:

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

(*) Restated useful life as better explained below

The useful life of tangible assets and their residual value are reviewed and updated, where necessary, at least at the end of each year. In particular, as indicated in the previous paragraph “Comparability of financial statements: changes in measurement criteria”, the useful life of buildings subject to Fair Value measurement (deposits, offices and non-instrumental buildings) was redefined on the basis of a new economic life -technique.

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.

Please refer to the previous paragraph “Comparability of financial statements: changes in measurement criteria”, for the considerations that led to change the valuation criteria of real estate investments starting from the present Financial Statements at December 31st, 2018.

Asset acquired under finance leases

Tangible assets held pursuant to finance leases (leases), through which the risks and benefits of ownership are substantially transferred to the Group, are recognized as assets of the Group at their current value on the date the contract is stipulated or, if lower, to the present value of the minimum payments due for the lease, including any amount to be paid for exercising the purchase option. The corresponding liability to the lessor is included in the financial statements under financial payables. The assets are depreciated applying the aforementioned criteria and rates. Leases in which the lessor substantially maintains the risks and benefits linked to ownership of the assets are classified as operating leases. The costs relating to operating leases, up until the entry into force of the new IFRS 16 scheduled for January 1st, 2019, are recognized on a straight-line basis in the income statement over the duration of the lease contract.

Intangible Fixed Assets

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

Amortization 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 amortized 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”.

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 amortised but is subject to an impairment test at least annually. Goodwill may not be restated in subsequent years.

Investments in 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 an impairment loss is subsequently reversed, the increase in book value (up to a maximum of purchase cost) is recognized through the income statement.

Impairments of assets

■ Tangible and intangible assets with definite useful lives

At each reporting date, a verification is made to establish whether there are indicators that tangible, intangible assets and investments may be impaired. 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.

Where these indicators exist, an estimate of the recoverable value of the above-mentioned assets is made (Impairment test), recognizing any write down compared to the relative book value in the income statement. The recoverable value of an asset is the higher between the Fair Value, minus costs to sell, and its value in use, where this latter is the present value of the estimated future cash flows for this asset. In defining the value in use, the expected future cash flows are discounted utilising a discount rate that reflects the current market assessment of the time value of money, and the specific risks of the asset. For an asset that does not generate independent cash flows, the recoverable value is determined in relation to the cash-generating unit (CGU) to which the asset belongs.

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

■ Goodwill and intangible assets not yet available for use

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

■ Land and buildings valued at cost restated at Fair Value

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

Financial assets

In line with the provisions of IFRS 9, financial assets are classified into the following three categories: (i) financial assets measured at amortized cost; (ii) financial assets measured at Fair Value with recognition of the effects among the other components of comprehensive income (hereinafter also FVTOCI); (iii) financial assets measured at Fair Value with recognition of the effects in the income statement (hereinafter also FVTPL).

The financial assets are initially recognized at *Fair Value*.

(i) financial assets measured at amortized cost

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

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

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

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

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

The assessment of the recoverability of financial assets not valued at Fair Value with effects on the income statement is made based on the so-called Expected Credit Losses model provided by IFRS 9; to this effect, see the paragraph "Accounting standards, amendments and IFRS interpretations approved by the European Union, applied by the Company from January 1st, 2018".

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 according to the logic established by IFRS9.

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

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

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

In order to respond to the requests of the principle, the 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 it's expected future utilisation through the recognition of an obsolescence provision. The write-downs made are restored in future years should the reason for the write-down no longer exist.

Trade and other receivables

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

Cash and cash equivalents

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

Non-current assets held for sale and discontinued operations

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

Financial liabilities

Loans, trade payables and other financial liabilities are initially recognized at Fair Value, net of directly allocated accessory costs, and subsequently recognized at amortized 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 (Trattamento di Fine Rapporto “TFR”). “TFR” is obligatory for Italian companies in accordance with Article 2120 of the Italian Civil Code; it is a form of deferred remuneration and is based on the period of employment service and the remuneration received for this period. From January 1st, 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 1st, 2007 are considered defined benefit plans.

The Group also has a defined benefit plan referring to the War Veterans Fund. The accounting treatment of the benefits from the War Veterans Fund and the effects deriving from the actuarial measurement are the same as those for the Employee Termination Indemnities.

Provisions for risks and charges

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

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

Revenue recognition

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

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

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

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

Public Grants

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

- **Capital grants**

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

- **Operating grants**

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

Recognition of costs

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

Dividends

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

Financial income

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

Financial expenses

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

Income taxes

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

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

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

From 2007 and for the three-year period 2016-2018 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 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 transfer of assessable income gives rise to a receivable from the company consolidated equal to the IRES corporate tax calculated on the assessable amount transferred by the consolidated company; vice versa, the transfer of an assessable loss obliges the consolidating company to recognize a payable to the consolidated company for an amount equal to the result of the application of the IRES corporate tax rate to the tax loss transferred. These amounts are eliminated within the consolidation process.

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

Conversion of Accounts in Foreign Currencies

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

IFRS and IFRIC standards, amendments and interpretations approved by the European Union applied from the Company since January 1st, 2018

IFRS 15 – Revenue from Contracts with Customers

On May 28, 2014, the IASB published "IFRS 15 Revenue from Contracts with Customers" which, together with additional clarifications published on April 12, 2016, replaces IAS 18 Revenue and IAS 11 Construction Contracts, in addition to the interpretations IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new revenue recognition model, which will apply to all contracts with clients, with the exception of those falling under the application of other IAS/IFRS such as leasing, insurance contracts and financial instruments. The essential issues for the recognition of revenues according to the new model are:

- the identification of the contract with the client;
- the identification of the performance obligations of the contract;
- the establishment of the price;
- the allocation of the price to the performance obligations of the contract;
- the recognition criteria of the revenue where the entity satisfies the performance obligations.

On the basis of the analyzes carried out, the application of IFRS 15 had no impact on the comparability with respect to the comparative exercise of the amounts entered as revenues and on the relative information reported in the consolidated financial statements of the Company. In particular, the Group's contracts with customers mainly refer to:

- local public transport services;
- parking, parking and car removal services;
- maintenance activities on third party infrastructures;
- rental of commercial spaces;
- sponsorships and advertising.

For each of the services promised to the customer, which are by their very nature capable of being distinguished, a specific list price is contractually provided which allows a timely allocation of the fees to the individual contractual obligation.

IFRS 9 – Financial Instruments

On November 22, 2016, EU Regulation n. 2016/2067 which implemented IFRS 9 "Financial Instruments" at EU level, which regulates the classification, measurement and cancellation of financial assets and liabilities, the reduction in value of financial instruments and the accounting for hedging transactions, is applicable for annual periods starting from January 1st, 2018.

During the current year, the Group applied IFRS 9 "Financial instruments" and the related consequent amendments to other IFRS standards applicable for the annual financial years starting from January 1st, 2018.

The transitional provisions of IFRS 9 allow a company not to restate its comparative data. The Group made use of this option; consequently:

- all differences between the book value of financial assets and liabilities at December 31st, 2017 and those at January 1st, 2018 are accounted for under opening equity;
- in the comparative period the financial instruments maintain the previous classification;
- the effects of the write-downs of financial assets are not calculated over the comparative period.

In addition, the Group applied the consequent amendments to IFRS 7 Financial instruments: disclosure with reference to the disclosures for the year 2018.

IFRS 9 introduces new requirements for:

1. the classification and measurement of financial assets and liabilities;
2. the impairment of financial assets;
3. hedge accounting.

The provisions of the aforementioned principle, as well as the related impacts on the Group's consolidated financial statements, are described below

1. Classification and evaluation of financial assets

The date of initial application is January 1st, 2018. As a result, the Group has applied the provisions of IFRS 9 to the instruments that are recognized as at January 1st, 2018 and has not applied them to assets that have already been derecognized at the date of initial application.

Specifically:

- debt instruments held within the framework of a business model whose objective is the possession of financial assets aimed at collecting contractual cash flows, and which have cash flows represented solely by payments of capital and interest on the amount of capital to be returned, they are valued at amortized cost;
- debt instruments held within the framework of a business model whose objective is achieved both through the collection of contractual cash flows and the sale of financial assets, and which have cash flows represented solely by payments of capital and interest on the amount of capital to be repaid, they are measured at Fair Value with changes recognized in the other components of the comprehensive income statement (FVTOCI);
- all other debt instruments and investments in equity instruments are measured at Fair Value, with changes recognized in profit (loss) for the year (FVTPL).

Notwithstanding the above, the Group may make the following irrevocable choice/classification upon initial recognition of a financial asset:

- the Group can make the irrevocable choice to present subsequent changes in the Fair Value of an investment in equity instruments that is neither owned for trading nor a contingent consideration recognized by a purchaser in a business combination transaction, in the other components of the comprehensive income statement;
- the Group can irrevocably designate an investment in debt instruments that meets the criteria of amortized cost or FVTOCI as measured at Fair Value with changes recognized in profit (loss) for the year (FVTPL), if doing so significantly eliminates or reduces an accounting asymmetry.

When an investment in a debt instrument valued as FVTOCI is realized, the cumulative profit (loss) previously recognized among the other components of the comprehensive income statement is reclassified from equity to profit (loss) through an adjustment from reclassification. On the contrary, when an investment in an equity instrument designated as valued by FVTOCI is realized, the cumulative profit (loss) previously recognized among the other components of the comprehensive income statement is subsequently recognized in the profits carried forward without passing through the income statement .

Debt instruments measured at amortized cost or FVTOCI are subject to impairment. See the following point (2).

To complete the classification of financial instruments in the new categories planned by IFRS 9, the analysis of the business model must be accompanied by an analysis of the contractual cash flows (so-called Solely Payment of Principal and Interest - SPPI test).

The SPPI test is carried out at the level of the single financial instrument at the time of registration in the financial statements and takes into consideration the characteristics of the instrument. After initial recognition and as long as it is recognized in the financial statements, the instrument is no longer subject to new assessments for the purposes of the SPPI Test.

The Directors reviewed and assessed the Group's financial assets as at January 1st, 2018 based on the facts and circumstances existing at that date and concluded that the initial application of IFRS 9 had the following impacts with regard to their classification and evaluation:

- the Group's investments in government bonds and corporate bonds that were classified as financial assets available for sale pursuant to IAS 39 were classified as FVTOCI financial assets because they are held within the framework of a business model whose objective is achieved both by collecting the contractual cash flows through the sale of the bonds, and because they have contractual cash flows consisting solely of payments of capital and interest on the amount of capital to be repaid. The changes in the Fair Value of these repayable bonds continue to be accumulated in the equity reserve (recognized in the OIC) until they are realized or reclassified;

- the Group's investments in UCITS units as well as the debt securities for which the SPPI Test was not exceeded, which were previously classified as financial assets available for sale and were measured at Fair Value on each date of Balance sheet reference based on IAS 39 have been designated as FVTPL. The changes in the Fair Value of these instruments are recognized in profit (loss) for the year;
- loans and financial receivables which based on IAS 39 were valued at amortized cost and which did not pass the SPPI Test were reclassified as FVTPL in consideration of the characteristics of their cash flows for which the conditions for a valuation at amortized cost.

During the current year, the Group has not identified any investments in debt instruments that meet the criteria of amortized cost or FVTOCI as measured at Fair Value recognized in profit (loss) for the year.

The following paragraph 2) Impairment of financial assets shows the changes in the classification of the Group's financial assets because of the adoption of IFRS 9 in tabular format.

None of the other reclassifications of financial assets had any impact on the financial position, profit (loss) for the year or on the comprehensive income statement of the Group in both years.

2. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires the application of a model based on expected credit losses, instead of the one based on the losses on receivables already incurred as required by IAS 39. The different model based on expected losses on receivables, the Group considers expected

credit losses and changes in such losses on receivables expected at each balance sheet date to reflect changes in credit risk arising from the initial recognition of financial assets. In other words, it is no

longer necessary for an event to occur that calls into question the recoverability of the credit before recognizing a loss on receivables.

IFRS 9 requires the Group to recognize a bad debt provision for expected credit losses with reference to:

1. investments in debt instruments subsequently measured at amortized cost or FVTOCI;
2. receivables for finance leases;
3. trade receivables and other assets deriving from contracts (contract assets);
4. commitments to the disbursement of loans and financial guarantee contracts to which the provisions on value reduction according to IFRS 9 apply.

In particular, IFRS 9 requires the Group to measure the provision to cover losses of a financial asset at an amount equal to the expected losses throughout the life of the credit (lifetime expected credit ECL) if the credit risk of such financial asset - measured with reference to external credit ratings - is significantly increased after the initial recognition, or if the financial instrument is a financial asset impaired at the origin or purchase. However, if the credit risk of a financial instrument has not increased significantly after initial recognition, (except for a deteriorated financial asset at the origin or purchase), the Group must evaluate the fund to cover losses for the instrument financial for an amount equal to the expected losses on credits coming from a default event of the following 12 months (12-months expected credit ECL). IFRS 9 also, in certain circumstances, provides for the adoption of a simplified method to measure the provision to cover expected losses for trade receivables, other assets deriving from the contract and receivables from financial leases by estimating expected losses throughout their life of credit.

The retrospective application of the provisions of the impairment model foreseen by IFRS 9 to all the activities subject to the IFRS 9 requirements on impairment, determined a negative impact on the results of previous years for 610 thousand euros with a consequent recognition in the Shareholders' equity initial date of January 1st, 2018 equal to 503 thousand euros (net of taxes).

Assets recognized as at 01.01.18 which are subject to IFRS 9 requirements on impairment losses	Note	Credit risk attributes as at 01.01.2018	Credit loss provisions as at 01.01.2018
Government and corporate bonds	16	These assets are deemed to present a low credit risk based on their respective external credit ratings. The company assesses that the risk relating to these financial instruments is not significantly increased by the initial recognition and, as permitted by IFRS9, recognizes the expected credit losses considering the default events expected in the following 12 months with reference to these assets.	262
Financing commitments	25	The expected loss is considered considering the default events expected in the following 12 months with reference to this activity.	(8)
Tax receivables	17	The expected loss is considered considering the default events expected in the following 12 months with reference to this activity.	(1)
Trade receivables	18	The Group applies the simplified method and recognizes the expected losses on the life of the receivable with reference to these assets.	564
Cash and current accounts	20	It is believed that these assets present a low credit risk based on the credit ratings of the banking counterparties with which the deposits are held.	(192)
Financial guarantees other than bank guaranty	25	Pledges on shares set up in favor of the lending banks on the M4 and M5 projects fall into this category. No significant increases in default risk were recognized from the time of initial recognition until 1st of January 2018. The Company therefore recognizes the expected credit losses considering the default events expected in the following 12 months with reference to this activity.	(15)
Total			610

The provision for bad debts on January 1st, 2018 was recognized as a contra entry for retained earnings net of the relative impacts of deferred taxation.

3. Accounting for hedging transactions ("Hedge Accounting").

The new requirements in terms of accounting for hedging transactions ("hedge accounting") confirmed the classification in three types of hedging foreseen by IAS 39. However, greater flexibility was introduced in the identification of transactions that qualify as transactions of coverage, specifically by expanding the types of instruments and the types of risk components relating to non-financial elements that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with an evaluation principle of the "economic relationship".

During the financial year 2018 - as in the previous year - the Group did not use derivative financial instruments. Exceptions are associates, Metro 5 S.p.A. and SPV Linea M4 S.p.A., consolidated using the equity method, which used derivative financial instruments to hedge the risk of changes in the interest rate on its financial liabilities.

Information regarding the initial application of IFRS 9

The table below provides information on the financial assets that have been reclassified following the transition to IFRS 9.

€/000	(i)	(ii)	(iii)	(iv) = (i) + (ii) + (iii)	(v) = (iii)
	IAS 39 carrying value as at 31.12.2017	Riclassification	Remeasurement	IFRS 9 carrying value as at 01.01.2018	Effect on retained earning as at 01.01.2018
Financial assets					
FVTPL					
From assets available for sale (IAS 39)		**201,614**		**201,614**	
Corporate bonds		11,138		11,138	
OICR		190,476		190,476	
From assets at depreciation cost (IAS 39) – Reclassification requested		**23,498**	**(471)**	**23,028**	**(471)**
Financing Metro 5 S.p.A.		19,414	(335)	19,080	(335)
Financing SPV Linea M4 S.p.A.		2,552	84	2,636	84
Financing Coop S.E.D. ATM/S.C.C.A.T.I.		1,532	(220)	1,312	(220)
Total		**225,112**	**(471)**	**224,642**	**(471)**
FVTOCI					
Government bonds	6,664			6,664	
Corporate bonds	112,588	(11,138)		101,450	
OICR	190,476	(190,476)			
Total	**309,728**	**(201,614)**		**108,114**	
Depreciation cost					
Financing Metro 5 S.p.A.	19,414	(19,414)			
Financing SPV Linea M4 S.p.A.	2,552	(2,552)			
Finanzing Coop S.E.D. ATM/S.C.C.A.T.I.	1,532	(1,532)			
Total	**23,498**	**(23,498)**			
Total financial liabilities, reclassifications and remeasurements	**333,226**		**(471)**	**332,755**	**(471)**
Financial liabilities					
Ammortization and depreciation					
Bond loans	68,946			68,946	
Bank loans	203,111			203,111	
Total	**272,057**			**272,057**	
FVTPL					
Total					
Total financial liabilities, reclassificiations and remeasurments	**272,057**	**-**	**-**	**272,057**	**-**

At the date of first application of IFRS 9, there were no financial assets or liabilities that the Group had previously designated as FVTPL based on IAS 39 that were reclassified or that the Group decided to reclassify following the application of IFRS 9.

Impact of the initial application of IFRS 9 on equity

The following table shows the effects of the first application of IFRS 9 on Group Net Equity at January 1st, 2018.

		FTA - 01.01.2018					Movements	
	Balance as at 31.12.2017	**Financial assets**	**Financial receivables**	**Commit-ments and guarantees**	**Cash and cash equivalents**	**Trade receivables**	**Financial Assets**	**Balance as at 31.12.2018**
Available For Sale reserve	210	(210)						
Held to Collect and Sell reserve		278					(2,367)	(2,089)
Gross effects		*366*					*(3,115)*	*(2,749)*
Prepaid taxes		*(88)*					*748*	*660*
Deferred taxes								
OCI Reserve		262					6	268
Gross effects		*262*					*6*	*268*
Tax effects								
Profit (loss) before the first time use of IFRS 9		(355)	250	(18)	(146)	405		136
Gross Effects		*(418)*	*329*	*(23)*	*(192)*	*564*		*260*
Prapaid taxes		*63*	*80*	*5*	*46*	*(159)*		*35*
Deferred taxes			*(159)*					*(159)*
Total	**210**	**(25)**	**250**	**(18)**	**(146)**	**405**	**(2,361)**	**(1,685)**
Total movements IFRS 9 on “Statement of changes in shareholders equity”		466						
Total movements IFRS 9 on Prepaid taxes (Note 11)		(53)						
Total Movements IFRS 9 on Deferred taxes (Note 24)		159						

Classification and measurement of share-based payment transactions (Amendments to IFRS 2)

On 20 June 2016, the IASB published the document "Classification and measurement of share-based payment transactions (Amendments to IFRS 2)" which contains amendments to the international accounting standard IFRS 2. As there are no remuneration plans included in this case, the principle is not applicable to the Group's consolidated financial statements.

"Annual Improvements to IFRSs: 2014-2016 Cycle"

On 8 December 2016, the IASB published the document "Annual Improvements to IFRSs: 2014-2016 Cycle" which partially integrates the preexisting principles in the annual improvement process. The main changes concern:

- short-term exemptions for first-time adopters. The amendment was applied starting January 1st, 2018 and relates to the elimination of some short-term exemptions set forth in paragraphs E3-E7 of Appendix E of IFRS 1 as the benefit of these exemptions is now considered out of date.
- IAS 28 Investments in Associates and Joint Ventures - Measuring investments at Fair Value through profit or loss: investment-by-investment choice or a consistent policy choice. The amendment clarifies that the option for a venture capital organization or other entity so qualified (such as a mutual fund or similar entity) to measure investments in associates and joint ventures valued at Fair Value through profit or loss (rather than through the application of the equity method) is carried out for each individual investment at the time of initial recognition.
- IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the Standard. The amendment clarifies the scope of application of IFRS 12 specifying that the information required by the standard, with the exception of that provided for in paragraphs B10-B16, applies to all the shares that are classified as held for sale, held for distribution to shareholders or discontinued operations in accordance with IFRS 5.

The adoption of these amendments had no effect on the Group's consolidated financial statements.

Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)

On 8 December 2016, the IASB published the document "Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)". The purpose of the interpretation is to provide guidelines for transactions carried out in foreign currencies where non-monetary advances or advances are recognized in the financial statements, prior to the recognition of the related asset, cost or revenue. This document provides indications on how an entity must determine the date of a transaction, and consequently, the spot exchange rate to be used when foreign currency transactions occur in which the payment is made or received in advance.

The interpretation clarifies that the transaction date is the earlier one between:

a. the date on which the advance payment or the advance payment received are entered in the entity's balance sheet;

b. the date on which the asset, the cost or the revenue (or part of it) is recognized in the financial statements (with the consequent reversal of the advance payment or the advance payment received).

If there are numerous payments or receipts in advance, a transaction date must be identified for each of them. IFRIC 22 was applied starting January 1st, 2018. The adoption of this interpretation had no effect on the Group's consolidated financial statements.

Transfers of Investment Property (Amendments to IAS 40)

On December 8 2016, the IASB published the document "Transfers of Investment Property (Amendments to IAS 40)" which contains amendments to the international accounting standard IAS 40. These amendments clarify the transfer of a property to, or from, real estate investment. In particular, an entity must reclassify a property between, or from, real estate investments only when there is evidence that a change in use of the property has occurred. This change must be traced back to a specific event that has occurred and must therefore not be limited to a change in the intentions of the Management of an entity. These amendments are applicable from January 1st, 2018.

The adoption of these interpretations had no effect on the Group's consolidated financial statements.

IFRS and IFRIC accounting principles, amendments and interpretations endorsed by the European Union, not yet mandatory and not adopted early by the Group from January 1st, 2018

IFRS 16 – Leases

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

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

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

The principle applies from January 1st, 2019 but early application is permitted.

The Company has completed the preliminary assessment project of the potential impacts arising from the application of the new standard on the transition date (January 1st, 2019). This process has been broken down into several phases, including the complete mapping of the contracts potentially suitable to contain a lease and the analysis of the same in order to understand the main relevant clauses for the purposes of IFRS 16. Furthermore, the process of implementation of the principle, which envisages the setting of the IT infrastructure aimed at the accounting management of the principle and the alignment of administrative processes and controls to oversee the critical areas on which the principle stands. This process is expected to be completed during the first few months of the 2019 financial year.

The Company has chosen to apply the principle with the modified retrospective method; in particular, the Company will account for lease contracts previously classified as operating:

a. a financial liability, equal to the present value of future payments remaining on the transition date, discounted using for each contract the incremental borrowing rate applicable at the transition date;

b. the right of use equal to the value of the financial liability at the transition date, net of any accrued income and prepaid expenses related to the lease and recognized in the balance sheet at the balance sheet date.

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

Euro/millions	**Impact as at the transition date (01.01.2019)**
ASSETS	
Non-current assets	
Buildings	1.17
Vehicles	0.17
Industrial equipment	0.34
IT equipment	0.47
Other	0.11
Total	**2.26**
EQUITY & LIABILITIES	
Non-current liabilities	**(1.86)**
Financial liabilities for non-current lease	(1.86)
Current liabilities	**(0.40)**
Financial liabilities for current lease	(0.40)
Total	**(2.26)**

In adopting IFRS 16, the Company intends to avail itself of the exemption granted by IFRS paragraph 16: 5 (a) in relation to short-term leases for the following asset classes:

- buildings;
- vehicles.

Furthermore, with regard to the case of vehicles, in August 2018 a contract was signed which provides for the supply of additional vehicles; however, the starting date of this contract is subject to the delivery date of the vehicles which, at the time of drafting this document, have not yet begun.

Likewise, the Company intends to avail itself of the exemption granted by IFRS 16: 5 (b) with regard to lease contracts for which the underlying asset is configured as a low-value asset (that is, the assets underlying the contract of leases do not exceed Euro 5,000 when new).

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

- Industrial Equipment;
- IT Equipment;
- other.

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

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

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

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

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

- classification of contracts that expire within 12 months of the transition date as a short-term lease. For these contracts the lease installments will be recognized in the income statement on a linear basis;
- exclusion of initial direct costs from the measurement of the right of use as of January 1st, 2019;
- use of the information present at the transition date for the determination of the lease term, with particular reference to the exercise of extension options and early closure.

Reconciliation with lease commitments

In order to help understand the impacts of the first application of the standard, the following table provides a reconciliation between future commitments relating to lease contracts, which are disclosed in Note 43 of these financial statements as at December 31st, 2018, and the expected impact of the adoption of IFRS 16 on January 1st, 2019.

Recognition of lease agreements

EUR million	**01.01.2019**
Operating lease agreement as at December 31st, 2018	**3.60**
Short term lease Payment (exemption)	(0.73)
Low-value lease Payment (exemption)	(0.63)
Other changes	0.05
Not-discounted financial liabilities for the lease as of January 1st, 2019	**2.29**
Discounting effect	(0.03)
Financial liabilities for the lease as at January 1st, 2019	**2.26**
Present value of financial lease liabilities as at December 31st, 2018	
Financial liabilities for additional leases due to the transition to IFRS 16 as at January 1st, 2019	**2,26**

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

On October 2017 the IASB published the document "Prepayment Features with Negative Compensation (Amendments to IFRS 9)". This document specifies that instruments that provide for early repayment could comply with the Solely Payments of Principal and Interest ("SPPI") test, even if the "reasonable additional compensation" to be paid in the event of early repayment is a "negative compensation" for the lender. The amendment applies from January 1st, 2019, but early application is permitted. The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of these amendments.

Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)

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

The new interpretation applies from January 1st, 2019, but early application is permitted. The Directors do not expect a significant effect on the consolidated financial statements of the Group from the adoption of this interpretation.

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

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

IFRS 17 – Insurance Contracts

On May 18, 2017, the IASB published IFRS 17 - Insurance Contracts which is intended to replace IFRS 4 - Insurance Contracts. The principle is not applicable to the Group.

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

On October 12, 2017 the IASB published the document "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". This document clarifies the need to apply IFRS 9, including the requirements related to impairment, to other long-term interests in associates and joint ventures for which the equity method is not applied. The amendment applies from January 1st, 2019, but early application is permitted. The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this principle.

Annual Improvements to IFRSs 2015-2017 Cycle

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

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that represents a joint operation, it must re-measure the interest previously held in that business. This process however is not, planned if joint control is obtained.
- IAS 12 Income Taxes: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified as part of equity) should be accounted for in a manner consistent with the transaction that generated these profits (Income statement, OCI or Equity).

- IAS 23 Borrowing costs: the amendment clarifies that in the case of loans that remain in place even after the reference-qualifying asset is ready for use or for sale, these become part of the set of loans used to calculate the financing costs.

The amendments apply from January 1st, 2019, but early application is permitted. The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of the applicable improvements.

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

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

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, which 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 1st, 2020, but early application is permitted.

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

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 Directors do not expect a significant effect on the Company's consolidated financial statements from the adoption of this amendment.

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

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

5. Use of estimates

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

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

Restated value of land and buildings at Fair Value

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

Impairment of assets

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

Useful life of tangible and intangible assets

Tangible and intangible assets with a definite useful life are amortized over the estimated useful life of the related assets. The Directors determine the economic useful life of the assets at the time the asset was acquired; it is based on historical experience for similar fixed assets, market conditions and advances regarding future events that could have an impact on the useful life. Therefore, the actual economic life may differ from the estimated useful life. The Group periodically assesses technological and sector changes to update the residual useful life. This periodic update could lead to a change in the depreciation period and therefore also to the depreciation charge for future years. It should be noted that last year, on the occasion of the first adoption of the IAS-IFRS Principles, the useful lives of the metropolitan and tramway rolling stock had been updated, while in the context of the modification of the Property valuation criteria (as specified in paragraph “Comparability of financial statements: changes in accounting policies” of this Note 4), a new economic-technical life of the buildings subject to Fair Value valuation has been defined.

Recoverability of inventories

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

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 tax assets

The consolidated financial statements include deferred tax assets, mainly related to the recognition of tax losses that can be used in subsequent years and to income components with deferred tax deductibility, for an amount whose recovery in future years is considered highly probable. The recoverability of the aforementioned deferred tax assets is subject to the achievement of sufficiently large future taxable profits to absorb the aforementioned tax losses or up to the amount of the deferred taxation related to other deferred tax assets. Significant judgments of the Directors are required to determine the amount of deferred tax assets that can be recognized in the financial statements based on the timing and amount of future taxable income. In particular, it should be noted that deferred tax assets have been recognized on previous tax losses of the Parent Company. For the estimated recoverable portion against future taxable income, in line with the information provided by the Directors regarding the extension of the Service Contract with the Municipality of Milan, reported in the Management Report. For this reason, as it is expected that taxable income will be achieved up to 2020, deferred tax assets will be recognized up to this taxable period.

Estimation processes for provisions for risks and charges

The Group is subject to legal and tax disputes that can derive from complex and difficult problems, which are subject to a different degree of uncertainty, including the facts and circumstances inherent to each case, the jurisdiction and the different applicable laws. Given the inherent uncertainties of these issues, it is difficult to predict with certainty the outlay that could arise from such disputes. Consequently, the Directors, having heard the opinion of their consultants and experts in legal and tax matters, ascertain a liability for such disputes when it considers it probable that a financial outlay will occur and when the amount of the resulting losses can be reasonably estimated . This estimate involves the adoption of assumptions that depend on factors that may change over time and which could therefore have significant effects compared to the current estimates made by the Directors for the preparation of the Group's consolidated financial statements. Demonstration of this estimation uncertainty is represented by the significant impacts recognized in the 2018 Financial Statements due to the positive definition of judgments subject to significant uncertainty in the outcome.

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, risk of non-compliance with the covenants on the debt and possible default;
3. risk deriving from exposure to fluctuations in interest rates, exchange rates and fluctuations in the price of commodities.

On January 28, 2019, the Board of Directors of the Parent Company approved the specific risk management policy for financial instruments ("Policy"). The Policy, which constitutes the operational declination of the Enterprise Risk Management Guidelines ("ERM"), establishes the fundamental principles governing the Group's financial risk appetite, management limits and the methods of measuring / mitigating financial risks to which the Group is exposed.

In particular ATM:

- has and intends to maintain a low risk profile;
- aims at the correct definition, at any time, of the optimal capital structure, and at the same time a management of investment and financing policies consistent with the evolution of the strategic plan and investments, as approved by the Board of Directors, and consequently with the liquidity needs generated by the management;
- ensures that sufficient amounts of liquidity are always available to meet its obligations, both commercial and financial (including debt service), when due.

The following paragraphs provide information on the Group's exposure to each of the risks listed above, the objectives, policies and processes for managing these risks and the methods used to evaluate them, in accordance with the provisions of IFRS 7.

During the financial year 2018 - 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 associated companies, Metro 5 S.p.A. and SPV Linea M4 S.p.A., consolidated using the equity method, which used derivative financial instruments to hedge the risk of changes in the interest rate on its financial liabilities.

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 and cash balances, the Policy defines:

- the minimum requirements of the financial counterparty in terms of creditworthiness and the relative concentration limits;
- the types of financial instruments that can be used.

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 11,81 million euros as at December 31st, 2018.

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

Concerning the risk of non-fulfillment by commercial counterparties, credit management is entrusted to the competent functions and the internal legal structure for debt collection activities and to the possible management of the dispute.

The table below illustrates the credit risk of the company as at December 31st, 2018 compared with December 31st, 2017.

	31.12.2018	31.12.2017 Restated values
Non-current financial assets	23,025	309,197
Doubtful debt provision	(47)	
Non-current financial assets net of doubtful debt provision	**22,978**	**309,197**
Other receivables and non-current assets	14,268	21,058
Doubtful debt provision		
Other receivables and non-current assets net of doubtful debt provision	**14,268**	**21,058**
Current financial assets	260,958	24,028
Doubtful debt provision	(268)	
Current financial assets net of doubtful debt provision	**260,690**	**24,028**
Current trade receivables	210,561	158,625
Doubtful debt provision	(18,936)	(15,706)
Current trade receivables net of doubtful debt provision	**191,625**	**142,919**
Other receivables and current assets	65,919	78,836
Doubtful debt provision		(202)
Others receivables and current assets net of doubtful debt provision	**65,919**	**78,634**
Cash and cash equivalent	239,914	176,569
Doubtful debt provision	(253)	
Cash and cash equivalents	**239,661**	**176,569**
Total exposure net of doubtful debt provison *	**795,141**	**752,402**

* The items exclude tax receivables and investments

The significant change in financial assets (current and non-current) reflects the impact of investment dynamics, the different classification according to the IFRS 9 compared to what is expected from the previous IAS 39 and the effects of applying the new principle, which for 2018 is equal to 268,887 euros.

The increase in the allowance for write downs of trade receivables, in addition to discounting the effect of the specific write-down of some items, among which the main one refers to receivables from the controlling entity Milan Municipality for Euro 3,729 thousand, of the dynamics related to uses / releases of which the main one refers to the release of the doubtful debt provision to the associated company Movibus Srl for Euro 653 thousand also the effects linked to the application of IFRS 9 for a total of Euro 435 thousand.

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

	31.12.2018	**31.12.2017 Restated values**
Municipality of Milan	123,342	88,287
Receivables from tax authorities	3,143	54,970
Receivables from public entities	72,625	40,849
Receivables from third party customers	51,991	38,079
Receivables from associates	16,080	15,290
Receivables from other debtors	4,419	3,873
Receivables from subsidiaries of parent companies	212	1,260
Total exposure of trade receivables, current and non current receivables	**271,812**	**242,608**

	Inc. %	**Inc. %**
Municipality of Milan	45.4%	36.4%
Receivables from tax authorities	1.2%	22.7%
Receivables from public entities	26.7%	16.8%
Receivables from third party customers	19.1%	15.7%
Receivables from associates	5.9%	6.3%
Receivables from other debtors	1.6%	1.6%
Receivables from subsidiaries of parent companies	0.1%	0.5%
Total exposure of trade receivables, current and non current receivables	**100.0%**	**100.0%**

It should be noted that a significant part of trade receivables and other current and non-current receivables is directly or indirectly attributable to the Municipality of Milan. The amount of financial assets considered to be of doubtful recoverability and of an insignificant amount is covered by appropriate provisions to the doubtful debt provision, which also takes into account expected losses, in compliance with the requirements of IFRS 9.

The tables below provide a breakdown of financial assets at December 31st, 2018 and at December 31st, 2017, net of the doubtful debt provision, by overdue period and excluding cash and cash equivalents as well as current and non-current financial assets (securities and OICR):

	31.12.2018	Not expired	0-180	180-360	360-720	over 720
Municipality of Milan (gross)	128,160	34,976	79,821	1,983	4,392	6,988
Doubtful debt provision	(4,818)	(3,757)	(117)	(3)	(10)	(931)
Milan Municipality (net)	**123,342**	**31,219**	**79,704**	**1,980**	**4,382**	**6,057**
Receivables from tax authorities (gross)	3,143	3,143				
Doubtful debt provision						
Receivables from tax authorities (net)	**3,143**	**3,143**				
Receivables from entities (gross)	72,625	58,357			14,268	
Doubtful debt provision						
Receivables from entities (net)	**72,625**	**58,357**			**14,268**	
Receivables from customers (gross)	65,420	32,682	13,402	558	3,128	15,650
Doubtful debt provision	(13,429)	(295)	(710)	(341)	(496)	(11,587)
Receivables from customers (net)	**51,991**	**32,387**	**12,692**	**217**	**2,632**	**4,063**
Receivables from associates (gross)	16,770	1,803	530	914	12,770	753
Doubtful debt provision	(690)	(40)	(1)	(1)	(9)	(639)
Receivables from associates (net)	**16,080**	**1,763**	**529**	**913**	**12,761**	**114**
Receivables from other debtors (gross)	4,419	4,419				
Doubtful debt provision						
Receivables from other debtors (net)	**4,419**	**4,419**				
Receivables from subsidiaries of parent companies (gross)	212	164	47	1		
Doubtful debt provision						
Receivables form subsidiaries of parent companies (net)	**212**	**164**	**47**	**1**		
Total exposure of trade receivables, current and non-current receivables net of doubtful debt provision	**271,812**	**131,452**	**92,972**	**3,111**	**34,043**	**10,234**

	31.12.2017 Restated values	Not expired	0-180	180-360	360-720	over 720
Municipality of Milan (gross)	89,195	44,139	18,443	15,168	8,639	2,806
Doubtful debt provision	(908)					(908)
Milan Municipality (net)	**88,287**	**44,139**	**18,443**	**15,168**	**8,639**	**1,898**
Receivables from tax authorities (gross)	54,970	54,970				
Doubtful debt provision						
Receivables from tax authorities (net)	**54,970**	**54,970**				
Receivables from entities (gross)	40,849	19,791			21,058	
Doubtful debt provision						
Receivables from entities (net)	**40,849**	**19,791**			**21,058**	
Receivables from customers (gross)	51,594	31,642	7,658	1,167	702	10,425
Doubtful debt provision	(13,515)		(1,971)	(708)	(575)	(10,261)
Receivables from customers (net)	**38,079**	**31,642**	**5,687**	**459**	**127**	**164**
Receivables from associates (gross)	16,573	224	15,114	66	53	1,116
Doubtful debt provision	(1,283)		(48)	(66)	(53)	(1,116)
Receivbales from associates (net)	**15,290**	**224**	**15,066**			
Receivables from other debtors (gross)	4,075	3,873				202
Doubtful debt provision	(202)					(202)
Receivables from other debtors (net)	**3,873**	**3,873**				
Receivables from subsidiaries of parent companies (gross)	1,263	205	276	260	5	517
Doubtful debt provision						
Receivables form subsidiaries of parent companies (net)	**1,263**	**205**	**276**	**260**	**5**	**517**
Total exposure of trade receivables, current and non-current receivables net of doubtful debt provision	**242,611**	**154,844**	**39,472**	**15,887**	**29,829**	**2,579**

The effects related to the adoption of IFRS9 led, at the date of first application at January 1st, 2018, to an adjustment of doubtful debt provision to loans of ordinary customers for a total of € 564 thousand (€ 435 thousand at December 31st, 2018).

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

Impairment of financial assets

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

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

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

Regarding the exposures included in this category, the 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-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 -).

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

	31.12.2018	Expected Credit Loss		
		Stage 1 ECL 12 months	**Stage 2 ECL Lifetime**	**Stage 3 ECL Lifetime**
Cash and cash equivalents	253	253		
Financial assets Held to Collect & Sell	268	268		
Loan commitments	7	7		
Financial Guarantees	17	17		
Tax receivables	1	1		
Trade receivables	435	435		
Total	**981**	**981**		

The change in credit risk was analyzed in the period between the date of initial recognition to the date of first application without finding significant increases.

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

2. Liquidity risk

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

The Group manages liquidity risk by maintaining adequate reserves, committed lines and has the capital capacity to obtain additional funding, both through access to the capital market and by leading financial institutions, including supranational ones. Risk management is carried out in the first instance through continuous monitoring of expected and current cash flows and the correlation of the maturity profiles of financial assets and liabilities.

The following tables provide a detail of the residual maturity dates of financial liabilities based on non-discounted cash flows, based on the first maturity date to which the Group will be required to repay them. The amounts include both the cash flows relating to the repayment of the principal and the flows relating to the interest. In the case in which the interest flows are at a variable rate, the non-discounted value of the same is estimated by applying, for subsequent maturities, the last variable rate applied by the lending institution in 2018.

	31.12.2018	Contractual cash flow	0 -3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Bonds	69,619	77,875	-	-	1,313	1,313	3,938	71,313
Bank loans	256,035	290,860	-	6,901	14,394	21,291	48,861	199,413
Total	**325,654**	**368,735**	**-**	**6,901**	**15,707**	**22,604**	**52,799**	**270,725**

	31.12.2017 Restated values	Contractual cash flow	0 -3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Bonds	68,946	79,188	-	-	1,313	1,313	3,938	72,625
Bank loans	203,111	231,615	-	4,939	12,432	17,366	44,580	152,298
Total	**272,057**	**310,803**	**-**	**4,939**	**13,744**	**18,679**	**48,518**	**224,923**

The Group believes it has the ability to meet its payment obligations by generating cash flows from operating activities and, alternatively, by using cash on hand and / or financial instruments in the portfolio, which can be liquidated. Moreover, the Group has committed credit lines of Euro 65 million on which no uses were made at both December 31st, 2018 and December 31st, 2017.

Default risk and debt covenants

The risk of default relates to the possibility that the loan agreements or the regulation of the bond loan, both held by ATM SpA, contain provisions that legitimize the counterparties, be they banks or bondholders, to ask the debtor, upon the occurrence of certain events, the immediate repayment of the sums lent (“acceleration”) thus generating a liquidity risk.

At December 31st, 2018, ATM had loan agreements in place with the European Investment Bank and a bond loan in Eurobond format, whose repayment is expected to be repaid in a single installment in 2024.

The loan agreements, as well as the bond loan, in line with international practice for similar transactions, generally provide for the lender’s right to request the repayment of his credit by terminating the relationship with the debtor in advance, in all cases in which the latter is declared insolvent and / or is subject to bankruptcy proceedings, or has started a liquidation procedure or another procedure with similar effects.

In particular, the loan agreements and the regulation of the bond loan, as normally happens on the market, contain a series of typical clauses whose violation causes the issuer of the obligation to immediately repay the issued bonds. These include the main: (i) negative pledge clauses, as a result of which the financed company undertakes not to constitute real guarantees on the assets of the ATM Group in favor of new lenders, beyond a specifically identified threshold; (ii) cross default / cross acceleration clauses that entail the obligation of immediate repayment of the debt upon the occurrence of serious non-fulfillment which find reason or title in other loan agreements; (iii) clauses that oblige ATM to reserve to lenders a treatment similar to that due to other unsecured creditors (pari passu).

Specifically, the contracts also provide for compliance with financial covenants:

- the loans granted by the EIB provide for the obligation to respect, for the entire duration of the loans, pre-established levels of financial ratios such as (i) a ratio between consolidated net equity and Group debt greater than 2, (ii) a ratio between cash flows operating before changes in CCN and Annual Debt Service greater than 3 and (iii) a ratio between real and personal guarantees given and the Group's consolidated shareholders' equity less than or equal to 15%;
- the bond involves the obligation to respect, for the entire duration of the debt, a ratio between consolidated net equity and debt of the Group greater than two.

ATM is also required to ensure, for the duration of the loans and the bond loan, that the debt of the Subsidiaries is less than 10% of the Group's debt.

Failure to comply with the clauses described above, after an observation period during which the violations can be remedied, would constitute a violation of the contractual obligations and the Company can be called upon to pay the residual debt.

The Group monitors compliance with these covenants every six months. At present, even estimating the potential effect of applying IFRS 16, the Group is not aware of the existence of any default situation or failure to comply with the covenants.

3. Interest rate risk

The ATM Group is exposed to fluctuations in the interest rate (mainly Euribor) on financial assets indexed at a variable rate and marginally on loans, considering that approximately 96% of medium / long-term financial debt is indexed at a fixed rate.

The following table presents the variable rate and fixed rate loans.

	31.12.2018	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	Over 5 years
Variable rate	13,272	14,089	761	757	2,246	10,325
Fixed rate	312,382	354,646	21,846	21,846	50,553	260,400
Total	**325,654**	**368,735**	**22,608**	**22,604**	**52,799**	**270,725**

	31.12.2017 Restated values	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	Over 5 years
Variable rate	13,952	14,853	766	761	2,258	11,068
Fixed rate	258,105	295,949	17,918	17,918	46,259	213,855
Total	**272,057**	**310,803**	**18,683**	**18,679**	**48,518**	**224,923**

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 2018 and 2017:

2018	**Shift + 50 bps**	**Shift - 50 bps**
Higher/(lower) interest expense on variable interest loans	70	(70)
Total	**70**	**(70)**

2017	**Shift + 50 bps**	**Shift - 50 bps**
Higher/(lower) interest expense on variable interest loans	73	(73)
Total	**73**	**(73)**

With reference to financial assets, the following table shows the subdivision of government bonds and corporate bonds at a fixed rate and variable rate based on the discounted repayment flows of the nominal value of the instruments at the respective due dates:

	31.12.2018	**Contractual cash flows**	**Current portion**	**1 and 2 years**	**2 and 5 years**	**Over 5 years**
Variable rate	43,200	44,645	4,200	8,156	25,289	7,000
Fixed rate	66,903	68,088	3,696	5,542	20,304	38,546
Total	**110,103**	**112,734**	**7,896**	**13,699**	**45,593**	**45,546**

	31.12.2017 Restated values	**Contractual cash flows**	**Current portion**	**1 and 2 years**	**2 and 5 years**	**Over 5 years**
Variable rate	49,374	48,467	17,621	6,200	17,646	7,000
Fixed rate	69,298	71,251	6,762	4,500	20,695	39,293
Total	**118,672**	**119,718**	**24,383**	**10,700**	**38,341**	**46,293**

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. 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.

The assets invested in UCITS, which represent approximately 59% of the total portfolio at December 31st, 2018, are excluded from the sensitivity analysis (an increase of 50, 75 and 100 basis points respectively in interest rates); this is because the incidence of asset classes and individual securities within each UCITS varies with high frequency, and each projection would be unreliable.

	31.12.2018	Sensitivity Analysis		
		0.50%	0.75%	1.00%
Bond Securities	110,103	(1,452)	(2,178)	(2,904)
Total	**110,103**	**(1,452)**	**(2,178)**	**(2,904)**

	31.12.2017 Dati rideterminati	Sensitivity Analysis		
		0.50%	0.75%	1.00%
Bond Securities	118.672	(483)	(1.199)	(1.903)
Total	**118.672**	**(483)**	**(1.199)**	**(1.903)**

Currency risk

The Group operates in the domestic market and in Denmark; it holds financial assets denominated in foreign currency and is therefore exposed to the exchange risk deriving from fluctuations in exchange rates.

	31.12.2018			
	USD	AUD	TRY	DKK
Bond Securities	6,714	490	-	6,901
Total	**6,714**	**490**	**-**	**6,901**

	31.12.2017 Restated values			
	USD	AUD	TRY	DKK
Bond Securities	7,949	540	1,344	7,735
Total	**7,949**	**540**	**1,344**	**7,735**

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 31st, 2018 and December 31st, 2017:

	31.12.2018	
	Shift + 10 bps	**Shift - 10 bps**
Change in value of financial assets in foreign currency	(658)	768
Total	**(658)**	**768**

	31.12.2017 Restated values	
	Shift + 10 bps	**Shift - 10 bps**
Change in value of financial assets in foreign currency	(680)	784
Total	**(680)**	**784**

There are no exchange risks for trade receivables and payables.

Commodity price risk

The ATM Group is exposed to the price risk of energy commodities, that is to say electricity and petroleum products, since supplies are affected by fluctuations in the prices of these commodities directly or through indexing formulas. Furthermore, since some contracts contain the exchange rate with other currencies within the price indexing formulas, the Group is also exposed to exchange rate risk.

The Group's policy is aimed at minimizing the need to resort to financial markets for hedges, which are addressed only if the coverage is deemed appropriate and convenient, both for oil products and for the supply of electricity of traction.

For the latter, the Group completes the supply through tender procedures aimed at finalizing fixed-price contracts.

The tenders are called once a year for the following year.

The trend in baseload prices of electricity on the markets where futures contracts are traded and in the financial derivatives markets is followed on a daily basis and tenders are called in periods that are more favorable. The fixed price allows to stabilize the cost and to formulate a certain annual budget.

Financial assets and liabilities by category

Complementing the disclosure on financial risks, the following table shows a reconciliation between financial assets and liabilities as reported in the statement of financial position and the categories of financial assets and liabilities identified based on the requirements of IFRS 7:

31.12.2018	**Financial assets and liabilities at amortized cost**	**Financial assets and liabilities at Fair Value**	**Non-financial assets and liabilities**	**Total**
Non-current financial assets	22,978			22,978
Other receivables and non-current assets	14,268			14,268
Current financial assets		260,690		260,690
Current trade receivables	191,625			191,625
Other receivables and current assets	65,919			65,919
Non-current financial liabilities	307,697			307,697
Current financial liabilities	17,957			17,957
Trade payables	286,038			286,038
Other payables and current liabilities	152,843			152,843

31.12.2017 **Restated values**	**Financial assets and liabilities at amortized cost**	**Financial assets and liabilities at Fair Value**	**Non-financial assets and liabilities**	**Total**
Non-current financial assets	23,498	285,699		309,197
Other receivables and non-current assets	21,058			21,058
Current financial assets		24,028		24,028
Current trade receivables	142,919			142,919
Other receivables and current assets	78,634			78,634
Non-current financial liabilities	257,960			257,960
Current financial liabilities	14,097			14,097
Trade payables	245,248			245,248
Other payables and current liabilities	151,511			151,511

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 31st, 2018 and December 31st, 2017 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 balance sheet date.

The following table shows the financial assets and liabilities measured at Fair Value, and classified according to the hierarchy of levels defined above:

	31.12.2018	*Fair Value* at the reporting date		
		Level 1	Level 2	Level 3
Financial assets HTC&S	**98,658**	**98,658**	**-**	**-**
Government Securities	8,179	8,179	-	-
Bond securities	90,479	90,479	-	-
Other financial assets	**162,032**	**154,070**	**7,962**	**-**
Bond securities	11,445	9,383	2,062	-
OICR	150,587	144,687	5,900	-
Total	**260,690**	**252,728**	**7,962**	**-**

	31.12.2018
Bonds	68,878
Bank loans	234,895
Total	**303,773**

In line with the provisions of IFRS 13, the Fair Value of financial liabilities at December 31st, 2018 is reported for information purposes, among which the bond is valued at amortized cost.

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 C and of the Traffic and Territory Control System, rents of commercial areas in the underground, management of advertising spaces and other residual and complementary activities;
- The single management contract for the metro line 5 between ATM S.p.A. and the concessionaire Metro 5 S.p.A. The contract regulates the management activities entrusted to ATM S.p.A. and those related to the same for the entire duration of the concession until 2040.

In addition to the local public transport services, the Group undertakes on-street parking, car parks and forced towing services, in addition to Area C and SCTT management services.

Core revenues refer to the service contract with the Municipality of Milan for Euro 669,340 thousand, while connected services refer for Euro 18,490 thousand to on-street parking, for Euro 8,439 thousand revenues to car parks, for Euro 2,586 thousand towing services, as well as the single management contract of metro line 5 for Euro 30,310 thousand.

Costs mainly refer to personnel expense totalling Euro 470,954 thousand, as well as service costs for Euro 199,339 thousand, which includes Euro 82,835 thousand for maintenance activities and Euro 38,738 thousand for electricity consumption.

Intercity Local Public Transport

This activity is based on the service contract, under the net cost regime (as outlined in greater detail in the Directors' Report), between the subsidiary NET S.r.l. and the local public transport Agency for the Metropolitan City of Milan, Monza Brianza, Lodi and Pavia for the management of the suburban bus service. During 2017, the Agency sub-entered into the previous local entities contracts (Municipality of Monza, Milan Metropolitan City and Province of Monza-Brianza) and, with Directive No. 37 of December 27, 2018, extended the current contracts until December 31st, 2019. To ensure the continuity of the public service awarded, it is considered reasonable to expect further extensions while awaiting the tender process. The decrease is mainly related to lower revenues referring to previous years, due to lower prior year income compared to the previous year, which featured the release of risk provisions. The most significant changes in costs related to the purchases of raw materials (mainly referring to the purchase of diesel for automotives). Compared to 2017 the increase in costs derives from the increase in the cost of automotive diesel.

Copenhagen metro management

This activity refers to the Service Contract for the management of the Copenhagen metro by the Danish subsidiary Metro Service A / S. The company is controlled by the sub-holding Inme S.r.l. and is responsible for the operation and maintenance of the Copenhagen metro. The current contract expires on December 31st, 2018 and Metro Service A / S, in December 2018, was also awarded the contract for the management of the period 2019 - 2024.

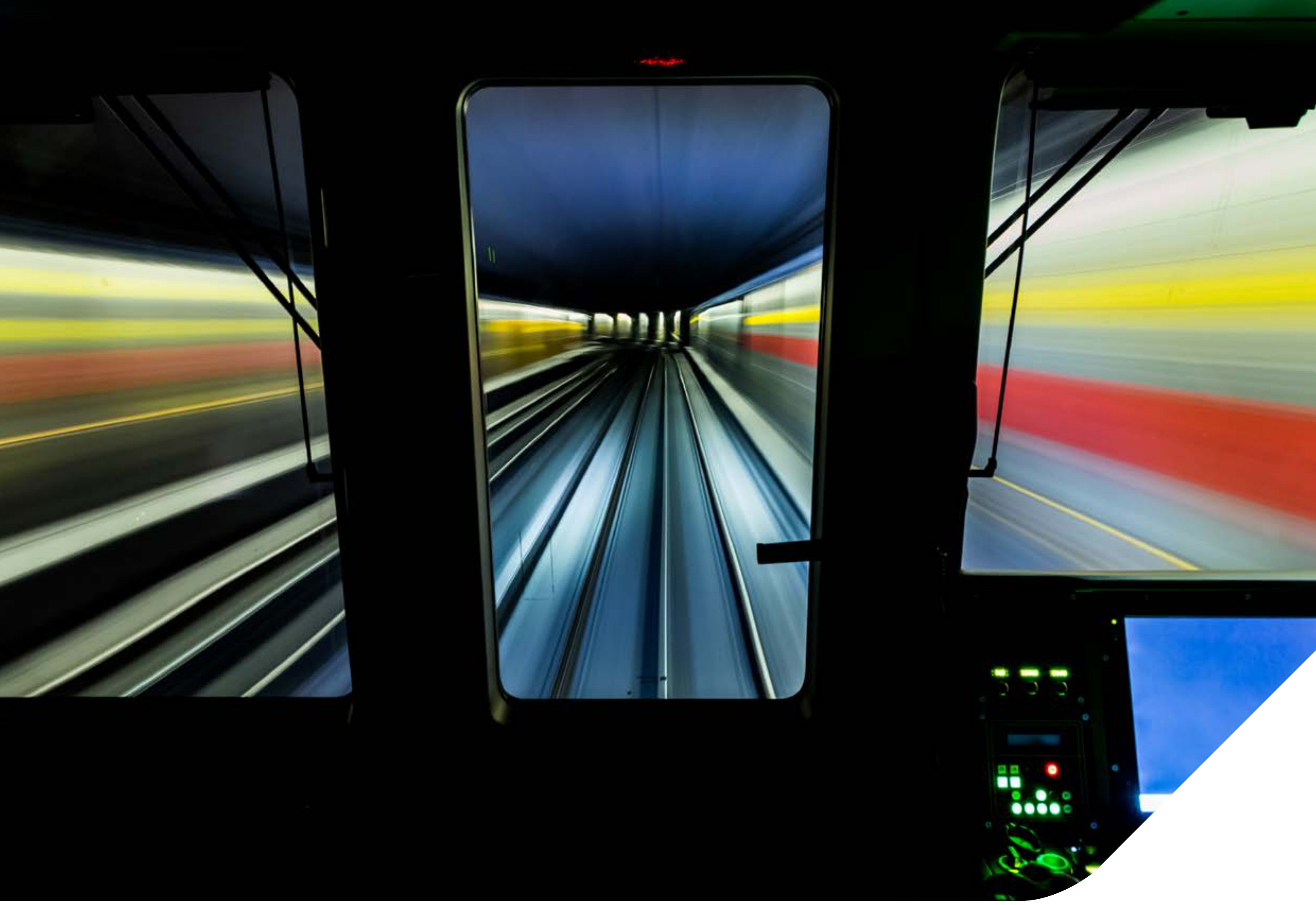
Other activities

The activities refer to accessory and connected services undertaken by the companies of the ATM Group, Servizi Diversificati S.r.l., Rail Diagnostics S.p.A. and Gesam S.r.l, in the sectors of claims settlement, maintenance and concrete diagnostics and of diversified services.

The following table summarizes the 2018 and 2017 economic trends in the sectors in which the ATM Group operates:

2018	Local Public Transport And Complementary Services	Local public Transportation in Interurban Areas	Copenhagen Metro Management	Other Activities	Intercompany	Consolidated
Operating Revenues						
Operating Costs						
Gross Operating Margin	**103,054**	**1,319**	**18,226**	**1,497**		**124,096**
Amortization and impairment	(84,266)	(1,085)	(644)	(1,221)		(87,216)
Operating Result	**18,788**	**234**	**17,582**	**276**		**36,880**
Financial income and expenses						(8,442)
Share of profit from equity investments						2.222
Pre-Tax result						**30,660**
Income Taxes						(12,174)
Net Profit						**18,486**

2017	Local Public Transport And Complementary Services	Local public Transportation in Interurban Areas	Copenhagen Metro Management	Other Activities	Intercompany	Consolidated
Operating Revenues	795,456	26,945	55,580	11,933	(15,712)	874,202
Operating Costs	(687,093)	(24,127)	(47,623)	(9,201)	15,712	(752,332)
Gross Operating Margin	**108,363**	**2,818**	**7,957**	**2,732**		**121,870**
Amortization and losses due to impairment	(87,709)	(892)	(664)	(1,295)		(90,560)
Operating Result	**20,654**	**1,926**	**7,293**	**1,437**		**31,310**
Financial income and expenses						1,665
Share of profit from equity investments						1,532
Pre-Tax result						**34,507**
Income Taxes						4,836
Net Profit						**39,343**



The consolidated gross operating margin increased by € 2,226 thousand. The increase is explained by the significant improvement in the management of the Copenhagen metro due to the increase in revenues linked to the fees related to the mobilization activities of the Cityring of Copenhagen, to the inflation adjustment of the management contract of lines 1 and 2 and to the non-recurring effect related to the forced collection by the subsidiary Metro Service A / S, of fines issued and not collected in previous years against users of the Copenhagen metro line, while, as regards the management of local public transport, the deterioration is due to an increase in costs. The decrease in the gross operating margin recognized in the other business segments is essentially linked, with regard to LPT management. to higher personnel costs due to the drag on contract renewal, provisions for the period relating to holidays not used and for the renewal of the contract expired on December 31st, 2017, partially offset by the repayment of the 2012 sickness charges and the release of the provision for deferred remuneration for 2017 paid in 2018 for an amount lower than estimated; in addition, to higher charges for provisions for risks relating to ongoing disputes; for the TPL in the inter-urban area, it is explained by the decrease in the fees for service contracts linked to the reduction of the Lot 3 operating program envisaged by the new determination agreed for in 2018; finally, as regards the decrease in the gross operating margin relating to the other operating segments, the decrease is linked to the lower revenues generated by the management of diversified services.

8. Workforce

The average number of employees rose from 9,633 in 2017 to 9,826 in 2018.

International Metro Service S.r.l. does not have employees and for the performance of its activities, it avails itself of the services provided by the Parent Company, ATM S.p.A.

The workforce at the end of the year registered the following changes:

Description	31.12.2017	Hires (+)	Leaves (-)	Intercompany Trasfers	Mergers	31.12.2018
ATM	2,759	384	(411)	13	6,385	9,130
ATM Services	6,385				(6,385)	
ATM Diversified Services	35			(14)		21
Gesam	16	2	(1)			17
Metro Service A/S	308	155	(43)			420
Net	264	34	(34)	1		265
Rail Diagnostics	31	3	(3)			31
Total	**9,798**	**578**	**(492)**	**-**	**-**	**9,884**

Employees numbered 9,884 at December 31st, 2018, compared with 9,798 at December 31st, 2017. The net change is mainly attributable to 578 new hires and 492 departures. The departures are in line with previous years and include all reasons for terminating employment; among these the most frequent concerned retirement and spontaneous resignation. The increase in the headcount of Metro Service A / S is due to the need to cope with the new activities of mobilization of the M3 and M4 (Cityringen) metro lines.

Notes to consolidated statement of financial position

Assets

9. Property, plant and equipment

The value of "Property, plant and equipment" amounted to Euro 1,250,975 thousand at December 31st, 2018 net of accumulated depreciation, capital grants and accumulated write-downs.

	31.12.2018	31.12.2017 Restated values
Plant and machinery	780,257	722,342
Land and buildings	372,297	378,249
Industrial and commercial equipment	14,463	15,363
Other assets	3,660	3,801
Assets in progress	80,298	82,345
Total	**1,250,975**	**1,202,100**

Compared to the balance as at January 1st, 2017, the item "Land and buildings" increased by Euro 154,037 thousand due to the recalculation of the data following the change in the measurement criteria from cost to cost adjusted to Fair Value.

This item refers to:

- "Plant and machinery", for Euro 780,257 thousand relating to line rolling stock and the transport system plant owned by the Group;
- "Land and buildings", for Euro 372,297 thousand mainly relating to rolling stock depots and office buildings; the recalculation of the cost at Fair Value amounts to Euro 153,183 thousand and Euro 147,929 thousand at December 31st, 2017 and 2018, respectively, due to the effect of the 2018 amortization charge of Euro 5,253 thousand;
- "Industrial and commercial equipment", for Euro 14,463 thousand mainly relating to auxiliary vehicles;
- "Other assets", for Euro 3,660 thousand;
- "Assets in progress", for Euro 80,298 thousand.

"Assets in progress" refer to advances and fixed assets among which:

- purchase of Leonardo trains for lines M1 and M2 lines, for Euro 49,044 thousand;
- revamping of "4900" tramway carriages and general overhaul of "1928" and "4700" tramway carriages, for Euro 7,835 thousand;
- electric supply and power plants for line M2, for Euro 6,236 thousand;
- purchase of diesel-electric hybrid buses for Euro 3,735

thousand;

- purchase of diesel buses for Euro 3,450 thousand;
- trolleybus purchase, for Euro 2,307 thousand;
- purchase of electric buses for Euro 1,124 thousand;
- new depot in Monza, via Pompei, for Euro 1,066 thousand;
- incremental maintenance of various company depots, for Euro 992 thousand;
- general revision of line M3 trains, for Euro 854 thousand;
- purchase of service rolling stock, for Euro 749 thousand;
- the extension of the IP-MPLS network to remote alarm / TLC underground installations, for Euro 373 thousand;

"Land and Buildings" include "Investment property", represented by non-core owned buildings subject to commercial leases. The net book value of investment property is reported below:

	31.12.2018	31.12.2017 Restated values
Property Investment	12,332	12,490

It is recalled that the Group has decided to modify the criteria for evaluating the Land and Buildings, adopting the valuation at cost recalculated at Fair Value instead of that at historical cost, as allowed by the options granted by IAS 16. See paragraph "Comparability of financial statements: changes in the valuation criteria" of Note 2 regarding the considerations and the effects of this change.

The table below illustrates the movements during the year and in the previous year.

	Property, plant and equipment					
Property, plant and equipment	**Plant & machinery**	**Land & buildings**	**Industrial and commercial equipment**	**Other assets**	**Assets in progress and advances**	**Total**
Historical cost	2,810,388	347,987	74,475	41,098	44,755	3,318,703
Accumulated depreciation	(1,508,955)	(93,983)	(53,576)	(29,879)		(1,686,393)
Cumulative grants	(520,343)	(19,084)		(6,965)		(546,392)
Cumulative impairment	(70,365)	(4,658)	(860)		(2,000)	(77,883)
Net book value as at 01.01.2017 Restated values	**710,725**	**230,262**	**20,039**	**4,254**	**42,755**	**1,008,035**
Revaluation effect		154,037				154,037
Net book value as at 01.01.2017 Restated values	**710,725**	**384,299**	**20,039**	**4,254**	**42,755**	**1,162,072**
Historical cost						
Investments and acquisitions in the year	*119*				*138,303*	*138,422*
Transfers to finished plant	*97,335*		*3,197*	*1,331*	*(98,713)*	*3,150*
Disposals, sales and reclassifications	*(11,260)*	*(34)*	*(7,513)*	*(412)*		*(19,219)*
Accumulated Depreciation						
Depreciation for the year	*(118,377)*	*(6,575)*	*(3,687)*	*(3,185)*		*(131,824)*
Disposals, sales and reclassifications	*9,759*	*36*	*2,467*	*397*		*12,659*
Grants						
Increases	*(5,876)*			*(142)*		*(6,018)*
Amount accrued in the year	*37,739*	*497*		*1,558*		*39,794*
Impairment						
Increases	*(373)*					*(373)*
Cumulative impairment on disposal	*397*		*860*			*1.257*
Utilizations of accumulated depreciation	*2.154*	*26*				*2.180*
Historical cost	2,896,582	501,990	70,159	42,017	84,345	3,595,093
Accumulated amortization	(1,617,573)	(100,522)	(54,796)	(32,667)		(1,805,558)
Cumulative grants	(488,480)	(18,587)		(5,549)		(512,616)
Cumulative impairment	(68,187)	(4,632)			(2,000)	(74,819)
Net book value as at 31.12.2017 Restated values	**722,342**	**378,249**	**15,363**	**3,801**	**82,345**	**1,202,100**

	Property, plant and equipment					
Property, plant and equipment	**Plant & machinery**	**Land & buildings**	**Industrial and commercial equipment**	**Other assets**	**Assets in progress and advances**	**Total**
Historical cost	2,896,582	501,990	70,159	42,017	84,345	3,595,093
Accumulated depreciation	(1,617,573)	(100,522)	(54,796)	(32,667)		(1,805,558)
Grants	(488,480)	(18,587)		(5,549)		(512,616)
Cumulative impairment	(68,187)	(4,632)			(2,000)	(74,819)
Net book value as at 01.01.2018	**722,342**	**378,249**	**15,363**	**3,801**	**82,345**	**1,202,100**
Historical cost						
Investments and acquisitions in the year					*171,134*	*171,134*
Transfers to finished plant	*166,839*	*478*	*2,904*	*2,331*	*(172,552)*	
Disposals, sales and reclassifications	*(166,078)*		*(2,709)*	*(190)*	*(7)*	*(168,984)*
Accumulated Depreciation						
Depreciation for the year	*(111,428)*	*(6,821)*	*(3,801)*	*(3,659)*		*(125,709)*
Disposals, sales and reclassifications	*132,221*	*(1,667)*	*2,707*	*183*		*133,444*
Grants						
Increases	*(33,867)*			*(500)*	*(622)*	*(34,989)*
Amount accrued in the year	*35,863*	*392*		*1,694*		*37,949*
Disposals, sales and reclassifications	*93*					*93*
Write-downs						
Increases	*112*					*112*
Cumulative impairment on disposal	*32,454*					*32,454*
Utilizations of accumulated depreciation	*1,818*	*26*				*1,844*
Disposals, sales and reclassifications	*(112)*	*1,640*				*1,528*
Historical cost	2,897,343	502,468	70,354	44,158	82,920	3,597,243
Accumulated depreciation	(1,596,780)	(109,010)	(55,891)	(36,143)		(1,797,824)
Cumulative Grants	(486,391)	(18,195)		(4,355)	(622)	(509,563)
Cumulative impairment	(33,915)	(2,966)			(2,000)	(38,881)
Net book value as at 31.12.2018	**780,257**	**372,297**	**14,463**	**3,660**	**80,298**	**1,250,975**

As illustrated in the table above, investments were undertaken in the year relating to "Property, Plant and Equipment" for Euro 171,134 thousand and assets sold/disposed of with an historical cost equal to Euro 168,984 thousand and an accumulated depreciation provision of Euro 133,444 thousand. The capital gains realized during the period amounted to Euro 431 thousand relating to the sale of 136 buses.

The principal investments in the year include:

- purchase of "Leonardo" trains for metro lines 1 and 2, for Euro 97,771 thousand;
- revamping of "4900" tramway carriages and general overhaul of "1928" and "4700" tramway carriages, for Euro 12,569 thousand;
- purchase of diesel-powered buses, for Euro 18,838 thousand, of which Euro 7,866 thousand financed through ministerial resources;
- purchase of electric buses, for Euro 7,924 thousand;
- purchase of diesel-electric hybrid buses, for Euro 6,225 thousand, of which Euro 3,073 thousand funded through ministerial resources;
- general overhaul of metropolitan carriages, for Euro 6,011 thousand;
- upgrading of metro line 2 - rebuilding of power supply and electric traction systems, for Euro 5,212 thousand, of which Euro 2,688 thousand financed through ministerial resources;
- extraordinary maintenance interventions of the depots, for Euro 3,081 thousand;
- trolleybus purchase, for Euro 2,307 thousand;
- electronic magnetic ticketing system, for Euro 1.986 thousand;
- purchase and installation of 300 parking meters (4th stage), for Euro 1,163 thousand;
- interventions on metro security, for Euro 1,122 thousand, of which Euro 73 thousand financed through ministerial resources;
- general revision and extraordinary maintenance of the operating resources of Rail Diagnostics S.p.A., for Euro 542 thousand;
- "bike sharing cities" project, for Euro 554 thousand, of which Euro 533 thousand financed through ministerial resources.

At December 31st, 2018 the cumulative write-downs for loss in value referred to:

- for Euro 33,915 thousand metro rolling stock materials for which early retirement from the production process against initial projections is expected. This is due to the progressive replacement of the trains following the supply contract signed in 2016 for additional "Leonardo" trains;
- for Euro 2,966 thousand some buildings, which for technical reasons were not utilised in the production process;
- for Euro 2,000 thousand the write-down of costs incurred for the engineering and construction of the Monza depot at via Pompei which currently comprises only office buildings.

During the year, the allowance for doubtful accounts recognized in previous years was used for Euro 32,454 thousand for the disposal of metropolitan trains no longer used in the transport service, with recognition of a capital loss, net of use of the allowance for doubtful accounts, recognized in the income statement under the item "Other operating costs and charges" (Note 35) for Euro 864 thousand and to use write-downs to adjust amortization for Euro 1,818 thousand relating to plant and machinery and Euro 26 thousand relating to land and buildings.

The depreciation recognized in the consolidated income statement for the year is adjusted by the grants received to cover investments, amounting to Euro 37,949 thousand. The breakdown of these grants by contributing body is as follows:

- euro 13,052 thousand by the State;
- euro 13,565 thousand by the Lombardy Region;
- euro 763 thousand by the Metropolitan City;
- euro 10,564 thousand by the Municipality of Milan;
- euro 5 thousand by private parties.

The net increase in depreciation reflected in the consolidated income statement for the 2018 financial year following the aforementioned change in the valuation criteria of properties from cost to cost at Fair Value was Euro 854 thousand, resulting in a net effect of Euro 5,253 thousandfor the increase in the value of the buildings and Euro 4,399 thousand for the redefinition of the economic-technical life of the respective buildings.

The net residual value of "Property, plant and equipment" held under lease agreements to which IAS 17 was applied amounted to Euro 9,816 thousand (Euro 12,393 thousand as at December 31st, 2017).

Management has not identified indicators to undertake and impairment test to verify the recoverability of the carrying amount of fixed assets.

The fixed assets 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;
- trolleybuses: 15 years;
- metro trains and trams: 30 years;
- technologies: 7 years;
- infrastructure: 30 years.

For the automotive rolling stock material cofinanced by the Lombardy Region with the 2009 relaunch plan, pursuant to Laws No. 296/2006 and 133/2008, the restrictions on disposal refer to the entire useful life of the buses fixed, where not otherwise established by the service contracts, as 15 years by Regional Decree No. IX/4619 of December 28, 2012.

10. Intangible assets

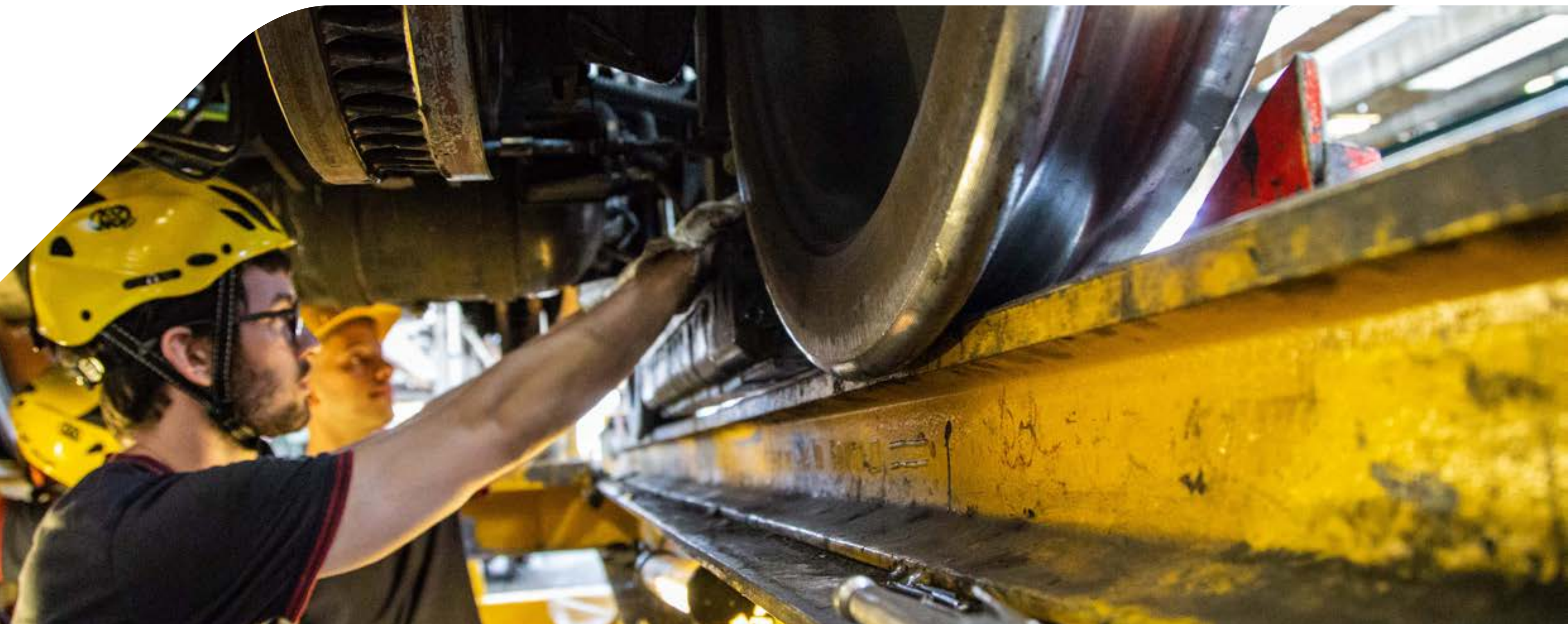
"Intangible assets" as at December 31st, 2018 amount to Euro 3,976 thousand, broken down as follows:

	31.12.2018	**31.12.2017 Restated values**
Goodwill	472	472
Software licenses	3,350	2,610
Intangible assets in progress	154	56
Total	**3,976**	**3,138**

The restated figure has not changed compared to the one approved last year.

The table below illustrates the movements during the year and in the previous year.

	Intangible assets				
Intangible assets	**Other intangible assets**	**Goodwill**	**Software licenses**	**Intangible assets in progress**	**Total**
Historical cost	606	5,968	7,569	25	14,168
Accumulated amortization	(606)	(5,496)	(5,168)		(11,270)
Net book value as at 01.01.2017	**.**	**472**	**2,401**	**25**	**2,898**
Historical cost					
Investments and acquisitions in the year				*1,430*	*1,430*
Transfers to intangible assets			*1,399*	*(1,399)*	
Disposals, sales and reclassifications			*(1,125)*		*(1,125)*
Accumulated Amortization					
Amortization for the year			*(1,190)*		*(1,190)*
Disposals, sales and reclassifications			*1,125*		*1,125*
Historical cost	606	5,968	7,843	56	14,473
Accumulated amortization	(606)	(5,496)	(5,233)		(11,335)
Net book value as at 31.12.2017	**.**	**472**	**2,610**	**56**	**3,138**



	Intangible assets				
Intangible assets	**Other intangible assets**	**Goodwill**	**Software licenses**	**Intangible assets in progress**	**Total**
Historical cost	606	5,968	7,843	56	14,473
Accumulated amortization	(606)	(5,496)	(5,233)		(11,335)
Net book value as at 01.01.2018	**-**	**472**	**2,610**	**56**	**3,138**
Historical cost					
Investments and acquisitions in the year				*2,014*	*2,014*
Transfers to intangible assets			*1,926*	*(1,926)*	
Disposals, sales and reclassifications	*(606)*		*(1,451)*	*10*	*(2,047)*
Accumulated Amortization					
Amortization for the year			*(1,188)*		*(1,188)*
Disposals, sales and reclassifications	*606*		*1,453*		*2,059*
Historical cost		5,968	8,318	154	14,440
Accumulated amortization		(5,496)	(4,968)		(10,464)
Net book value as at 31.12.2018	**-**	**472**	**3,350**	**154**	**3,976**

Goodwill recognized for Euro 472 thousand refers to the residual difference between the purchase cost and the present value of the identifiable assets and liabilities acquired with reference to Rail Diagnostics S.p.A. Pursuant to IAS 36, the Group carried out the impairment test which demonstrated the keeping of the goodwill's book value.

Software licenses totalling Euro 3,350 thousand relate to operational management systems.

During the year, there were made investments in "Intangible assets" for Euro 2,014 thousand and there were eliminated from the asset book entirely amortized intangible assets, with an historical cost of Euro 2,047 thousand.

Investments in the year related to the purchase of software amounted Euro 1,926 thousand.

Management has not identified indicators to undertake an impairment test for the recoverability of the carrying amount of intangible assets, other than goodwill.

11. Investments

The item amounts to Euro 23,350 thousand and refers to the following investments:

	31.12.2018	31.12.2017 Restated values
Consorzio SBE	48	48
Brianza Trasporti S.c.a r.l.	15	15
Co.mo. Fun&Bus S.c.a r.l	4	4
Metro 5 S.p.A.	18,987	16,481
SPV Linea M4 S.p.A.	4,271	4,271
SPM4 S.c.p.A. in liquidation	25	25
Total	**23,350**	**20,844**

The restated figure has not changed compared to the one approved last year.

The table below illustrates the investments of the Group and changes in the year deriving from the measurement under equity of Metro 5 S.p.A.

	31.12.2017 Restated values	Changes in equity	31.12.2018
Metro 5 S.p.A.	16,481	2,506	18,987
SPV Linea M4 S.p.A.	4,271	-	4,271
Total	**20,752**	**2,506**	**23,258**

The 2018 portion of the adjustment of the book value of the investments that has been recognized in the consolidated comprehensive income statement is equal to Euro 284 thousand while that recognized in the income statement is Euro 2,222 thousand, gross of the tax effects.

The value of the investment in SPV Linea M4 S.p.A. has not been adjusted to the value of the shareholders' equity at December 31st, 2018 as the company, on March 19, 2019, made use of the 180-day deadline for the approval of the financial statements. In light of the corporate evolution, subject to the signing of the first Supplement to the Convention on February 5, 2019,

it can be considered that the value of the equity investment recognized in the financial statements is not susceptible to impairment.

Management has not identified indicators to undertake an impairment test for the recoverability of the carrying amount of investments.

The table below illustrates the shareholdings and consolidation method of the companies of the Group:

Group company	Registered Office	Group holding %	Equity share	Consolidation method
ATM Servizi Diversificati S.r.l.	Milano, Foro Bonaparte, 61	100	298	Integrated
Ge.SAM S.r.l.	Milano, Foro Bonaparte, 61	100	448	Integrated
International Metro Service S.r.l.	Milano, Via Monte Rosa, 89	51	2,384	Integrated
Nord Est Trasporti S.r.l.	Milano, Via Monte Rosa, 89	100	5,382	Integrated
Rail Dignostics S.p.A.	Milano, via Teodosio, 125	97.27	11,718	Integrated
Metro 5 S.p.A. (Value sas at 31.12.2018 OIC)	Milano, Via Adige, 19	20	2,379	Equity
SPV Linea M4 S.p.A. (Value sas at 31.12.2017 OIC)	Milano, Piazza Castello, 3	2,33	2,969	Equity
CO.MO. Fun&Bus S.c.a r.l.	Como, Via Asiago, 16/18	20	4	Cost
Consorzio SBE	Milano, Piazzale Cadorna, 14	48	48	Cost
Metrofil S.c.a r.l. (Values as at 31.12.2017)	Roma, Via Genova, 23	24.08	2	Cost
Movibus S.r.l. (Values as at 31.12.2018)	Milano, Piazza Castello, 1	26.18	1,152	Cost
SPM4 S.c.p.A. in liquidation	Milano, Via dei Missaglia, 97	7	-	Cost

12. Non-current financial assets

	31.12.2018	31.12.2017 Restated values
Securities	-	285,699
Bond securities	-	*88,561*
OICR	-	*190,475*
Government securities	-	*6,663*
Loans and receivables	22,978	23,498
Metro 5 S.p.A.	*16,474*	*19,414*
SPV Linea M4 S.p.A.	*4,788*	*2,552*
Coop S.E.D. ATM/S.C.C.A.T.I.	*1,238*	*1,532*
Financial receivables from third parties	*478*	-
Total	**22,978**	**309,197**

Starting from January 1st, 2018, IFRS 9 “Financial Instruments” entered into force, introducing new requirements for the classification and measurement of financial assets and liabilities, entailing, in particular, a re-exposure of both financial instruments in the portfolio and of financial receivables.

Financial instruments in the portfolio, previously classified as “Available for sale” and recognized under current or non-current assets depending on their maturity, are only reported under current financial assets (see Note 16) in line with the portfolio management model of financial assets adopted by the Company.

“Loans and receivables” as at December 31st, 2018 are broken down as follows:

- subordinated shareholders’ loan for Euro 16,474 thousand granted to Metro 5 S.p.A., of which Euro 15,271 thousand in principal and Euro 1,096 thousand in interest. The interest accrued during the year amounts to Euro 953 thousand. During the year, interest was collected for Euro 4,000 thousand accrued in previous years. The effect of the valuation at Fair Value was positive and equal to Euro 107 thousand at December 31st, 2018;
- subordinated shareholders’ loan for Euro 4,788 thousand, granted to SPV Linea M4 S.p.A., of which Euro 4,365 thousand in principal and Euro 384 thousand in interest. Interest on the subordinated loan will be collected, as agreed contractually, based on the project economic and financial plan. The effect of the valuation at Fair Value was positive and equal to Euro 40 thousand at December 31st, 2018;
- loan of Euro 1,238 thousand paid to SED-ATM and SCCATI construction cooperatives for the construction of social housing. The effect on the valuation at Fair Value was negative and equal to Euro 194 thousand;
- advances paid to suppliers for Euro 478 thousand requested pursuant to Article 35 of the Legislative Decree 50/2016.

The following are the movements of the year:

			Increases			
	31.12.2017 Restated values	**Repayments**	**Payments**	**Accrued interests**	**Valuation at *Fair Value* (IFRS 9)**	**31.12.2018**
Metro 5 S.p.A.	*19,414*	*(4,000)*	*-*	*953*	*107*	*16,474*
SPV Linea M4 S.p.A.	*2,552*	*-*	*1,992*	*204*	*40*	*4,788*
Coop S.E.D. ATM/S.C.C.A.T.I.	*1,532*	*(100)*	*-*	*-*	*(194)*	*1,238*
Third parties	*-*	*-*	*478*	*-*	*-*	*478*
Total	**23,498**	**(4,100)**	**2,470**	**1,158**	**(47)**	**22,978**

The effects, related to the impairment test of the “non-current financial assets”, gross of the tax effect, on the Shareholders’ equity as of January 1st, 2018, and on the economic result of the 2018 financial year as required by IFRS 9 are shown below.

	Equity as at 01.01.2018	**Economic Result 2018**	**Total**
Metro 5 S.p.A.	*(335)*	*442*	*107*
SPV Linea M4 S.p.A.	*84*	*(44)*	*40*
Coop S.E.D. ATM/S.C.C.A.T.I.	*(220)*	*26*	*(194)*
Total	**(471)**	**423**	**(47)**

13. Deferred tax assets

	31.12.2018	**31.12.2017 Restated values**
Deferred tax assets	74,740	85,149
Total	**74,740**	**85,149**

The restated figure has not changed compared to the one approved last year.

Deferred tax assets of Euro 74,740 thousand are calculated in relation to the amount of the temporary differences and relate in particular non-deductible provisions and to tax losses carried forward, calculated with reference to a timeframe limited to 31 October 2020 for the Parent Company.

The temporary differences, which generated the deferred tax assets, are illustrated below:

	Deferred tax assets as at 01.01.2017 Restated values	Recognized in P&L	Recognized in Equity	Deferred tax assets as at 31.12.2017 Restated values
Tax Losses	18,739	(11,720)	-	7,019
Provisions for risks	78,390	(3,623)	-	74,767
Employee termination indemnities	1,559	(521)	216	1,254
Plant and Machinery	2,373	(264)	-	2,109
Total	**101,061**	**(16,128)**	**216**	**85,149**

	Deferred tax assets as at 31.12.2017 Restated values	Application Impacts IFRS 9 as at 01.01.2018	Recognized in P&L	Recognized in Equity	Deferred tax assets as at 31.12.2018
Tax Losses	7,019		(1,139)		5,880
Provisions for risks	74,767		(9,687)		65,080
Employee termination indemnities	1,254		(325)	275	1,204
Fair Value Financial Assets		*(53)*	*16*	*748*	*711*
Impairment Financial Assets		*(25)*	*2*	*748*	*725*
Impairment Financial Liabilities		*80*			*80*
Impairment Commitments and Securities		*5*			*5*
Impairment Cash and Cash Equivalents		*46*	*14*		*60*
Impairment Trade Payables		*(159)*			*(159)*
Plant and Machinery	2,109		(244)		1,865
Total	**85,149**	**(53)**	**(11,379)**	**1,023**	**74,740**

IRES corporate tax losses in the ATM Consolidated financial statements resulting from the last declaration presented - 2017 tax year - amount to Euro 650,187 thousand.

They would amount to Euro 657,898 thousand following the deduction of 2018 income taxes.

14. Other receivables and current assets

The item includes the receivable account, over 12 months, for state grants for assets of € 14,268 thousand regarding the purchase of trains on the metro line 1 as part of the "Fiera Milano Accessibility" project. The receivable maturing in 2021 is a guarantee of the loan granted by Cassa Depositi e Prestiti, recognized for an equal amount among the liabilities (Note 23).

The restated figure has not changed compared to the one approved last year.

15. Inventories

The balance of "Inventories" as at December 31st, 2018 is as follows:

	31.12.2018	31.12.2017 Restated values
Consumable maintenance materials	111,000	113,212
Diesel	555	540
Other materials	928	974
Total inventories	**112,483**	**114,726**
Inventories obsolescence provision	(30,308)	(36,101)
Total net inventories	**82,175**	**78,625**
Advances	2,439	1,026
Total	**84,614**	**79,651**

The restated figure has not changed compared to the one approved last year.

Inventories, gross of "supplier advances" and the "obsolescence provision", decreased compared to December 31st, 2017 by Euro 2,243 thousand; the change is mainly due to the decrease in metro and tramway material. Consumable materials mainly concern supplies required for maintenance and repair interventions on the rolling stock.

Following the process of recognition of the assets in stock, obsolete assets were disposed of for Euro 10,435 thousand and the "Inventories obsolescence provision", established in previous years for this purpose, was utilized for the same amount. At December 31st, 2018, an adjustment was made to the obsolescence provision amounting to Euro 4,642 thousand, considering assets with a low turnover rate and an analysis for obsolete stock for disposal.

The movements in the obsolescence provision are shown below.

	31.12.2017 Restated values	Increases	Decreases	31.12.2018
Inventories obsolescence provision	36,101	4,642	(10,435)	30,308
Total	**36,101**	**4,642**	**(10,435)**	**30,308**

The obsolescence provision is included in the account "Purchases of goods and changes in inventories".

16. Current financial assets

The change compared to December 31st, 2017 is due primarily to the new classification of financial instruments in the portfolio (Note 4) which provides for their classification among current financial assets only, in line with the financial asset management model adopted by the Group.

Current financial assets at December 31st, 2018 are as follows:

- "Held to Collect & Sell" government securities classified as FVTOCI for Euro 8,179 thousand, whose changes in Fair Value continue to be recognized with a contra-entry to the shareholders' equity reserve (recognized in the OCI) until they are realized or reclassified;
- "Held to Collect & Sell" corporate bonds classified as FVTOCI for Euro 90,479 thousand, whose changes in Fair Value continue to be recognized with a contra-entry to the

	31.12.2018	31.12.2017 Restated values
Current financial assets	260,690	24,028
Total	**260,690**	**24,028**

shareholders' equity reserve (recognized in the OCI) until they are realized or reclassified;

- "Other" corporate bonds classified as FVTPL for Euro 11,445 thousand, whose changes in Fair Value are recognized in the income statement and contribute to the formation of the consolidated economic result;
- "Other" quotas of UCIs classified as FVTPL for Euro 150,587 thousand, whose changes in Fair Value are recognized in the income statement and contribute to the formation of the consolidated economic result.

These assets, regardless of their maturity, are recognized as current financial assets. Previously they were classified as "Available for sale" and recognized under current assets for the equivalent value of the bonds, whose break-up value is expected within 12 months.

17. Current tax assets

	31.12.2018	31.12.2017 Restated values
Withholding taxes	14,493	12,761
IRAP receivable from IRES Legislative Decree 211/2011	563	762
Receivables for advanced taxes (IRAP)	2,328	1,815
Total	**17,384**	**15,338**

The restated figure has not changed compared to the one approved last year.

"Withholding taxes" amount to Euro 14,493 thousand and relate withholding taxes incurred by ATM S.p.A. and by companies within the scope of tax consolidation.

The "IRAP receivable from IRES Leg. Decree 201/2011" equal to Euro 563 thousand refers to the recognition of the deductibility for IRES purposes of the IRAP relating expenses for employees and similar personnel, pursuant to Legislative Decree No. 201/2011, and the relative reimbursement requested for the years 2007/2011. The credit was adjusted in order to take into account what was attested by the tax authorities.

"Receivables for payments on account (IRAP)" equal Euro 2,328 thousand and refer to the amount of payments on account exceeding the income tax matured in the year.

18. Trade receivables

"Trade receivables" at December 31st, 201 amount to Euro 191,625 thousand and are broken down as follows:

	31.12.2018	31.12.2017 Restated values
Receivables from third parties	51,991	38,079
Receivables from related parties	139,634	104,840
Receivables from parent	*123,342*	*88,287*
Receivables from associates	*16,080*	*15,290*
Receivables from subsidiaries	-	-
Receivables from subsidiaries of parent	*212*	*1,263*
Total	**191,625**	**142,919**

The restated figure has not changed compared to the one approved last year.

"Trade receivables from third parties" mainly refers to receivables in Italy and in the European Union and refer to services provided for advertising, sponsorship and commercial leases in the metro stations. The increase refers to greater receivables due from Trenord SpA for IVOL and IVOP travel tickets and to credits arising from the new Metro Service A / S relating to the mobilization, management and maintenance of the M3 and M4 lines of the Copenhagen metro (Cityringen).

These are recognized net of the specific doubtful debt provision which at December 31st, 2018 amounts to Euro 13,429 thousand (Euro 13,515 thousand at December 31st, 2017), set up to cover specific doubtful receivables and receivables for which currently legal actions have been undertaken.

The movement of doubtful debt provision during the year was as follows:

	31.12.2017 Restated values	IFRS 9	Increases	Utilizations	31.12.2018
Doubtful debt provision	13,515	(564)	761	(283)	13,429
Total	**13,265**	**(564)**	**761**	**(283)**	**13,429**

The effects linked to the adoption of IFRS 9 led, at the date of first application, to an adjustment of the doubtful debt provision for a total of Euro 564 thousand gross of tax effects with a contra entry to the Shareholders' equity at January 1st, 2018 (Note 4). During the year, the provision was adjusted by Euro 761 thousand and utilized for Euro 283 thousand against the change in expected losses, with recognition of these amounts under "Other operating costs and charges" (Note 35).

"Receivables from related parties" refer to:

- "Receivables from the Parent Company" for 123,342 thousand euro net of the specific doubtful debt provision, which, at December 31st, 2018, amounted to Euro 4,818 thousand (Euro 908 thousand at December 31st, 2017). The item in question refers to receivables due from the Municipality of Milan for invoices issued for the Local Public Transport Service Contract (LPT) in December and to withholding guarantees of the aforementioned contract equal to 5% of the fee for monthly payments from January to June 2018 and for invoices to be issued for the same case for monthly payments from July to December 2018. Receivables for invoices issued or to be issued relating to works performed on metropolitan and tram infrastructures and to various services are also included, along with the implementation of the traffic control system.

The increase is explained by the fact that starting from January 1st, 2018 the conditions for the regulation of the Service Contract with the Municipality of Milan have been modified. In fact, until December 31st, 2017, compensation was expected between the repayment of the LPT revenue and the invoicing of the Fee. Starting from that date, the credit and debit items are settled by separate payments.

The changes in "Doubtful debt provision to Parent Company" are reported below:

	31.12.2017 Restated values	**Increases**	**31.12.2018**
Doubtful debt provision to parent company	908	3,910	4,818
Total	**908**	**3,910**	**4,818**

In order to adjust the value of the "Doubtful debt provision to Parent Company", the amount of Euro 3,910 thousand was provisioned with a contra-entry in the income statement under "Other operating costs and charges" (Note 35).

- "Receivables from associated companies" for Euro 16,080 thousand, referring to services provided in accordance with contracts in place and are recognized net of the specific doubtful debt provision. The composition of the receivables does not show significant changes compared to the previous year, except for the receivables from Movibus S.r.l., which are reduced due to the collection of overdue receivables. Due to the movement in trade receivables, the specific doubtful debt provision fund movement was adjusted, as shown below.

The breakdown of "Receivables from associates" is shown below:

	31.12.2018	31.12.2017 Restated values
Brianza Trasporti S.c.a r.l.	124	123
Co.Mo. Fun&Bus S.c.a r.l.	197	213
Metro 5 S.p.A.	15,793	14,952
Movibus S.r.l.	656	1,285
Total	**16,770**	**16,573**
Doubtful debt provision to associated companies	(690)	(1,283)
Totale	**16,080**	**15,290**

The breakdown of "Doubtful debt provision" is reported below:

	31.12.2017 Restated values	Increases	Release	31.12.2018
Doubtful debt provision to associated companies	1,283	60	(653)	690
Total	**1,283**	**60**	**(653)**	**690**

The provision for Euro 60 thousand, as well as the related release of Euro 653 thousand, were recognized in the income statement under "Other operating costs and charges" (Note 35).

- "Receivables from subsidiaries", for Euro 212 thousand euro, refer to services provided in accordance with contracts in place.

19. Other receivables and current assets

	31.12.2018	31.12.2017 Restated values
VAT Receivable		51,964
Grants	58,357	19,791
Other tax receivables	3,143	3,006
Prepayments	2,376	2,147
Other receivables	2,043	1,726
Total	**65,919**	**78,634**

The restated figure has not changed compared to the one approved last year.

The most significant reduction, compared to December 31st, 2017, relates to the item "VAT Receivables" following the collection during the year of the claims for reimbursement requested.

"Receivables for grants" refer to:

- for Euro 30,111 thousand (Euro 0 thousand at December 31st, 2017) to grants by public institutions requested for investments. Grants for Euro 16,595 thousand refer to receivables for investments financed by the State, including Euro 4,515 thousand in rolling stock, Euro 6,849 thousand for safety projects and Euro 5,231 thousand for infrastructure; for Euro 12,984 thousand to loans financed by the Lombardy Region for the purchase of buses and for Euro 532 thousand to the "smart cities" and "junior-bike" bike sharing project financed by the Municipality of Milan;
- for Euro 21,456 thousand (Euro 13,220 thousand at December 31st, 2017) to grants on reimbursements as per the renewal of the Trade Union Agreement pursuant to Law 47/2004, Law 58/2005 and Law 296/2006. The increase is due to delays in the liquidation of the amounts by the Agency of Bacino as at December 31st, 2018, but whose collection took place in the first few months of the 2019 financial year;
- for Euro 6,790 thousand to the current quota regarding the state capital plant grant for the purchase of trains on the metro line 1, within the "Milan Trade Fair Accessibility" project.

"Other tax receivables" refer mainly to the receivable for diesel excise tax still to be collected for the 2nd and 4th quarter of 2018, and which was collected in the first months of 2019.

"Prepayments" refer to insurance premiums and fee-based maintenance services pertaining to the following year, whose financial manifestation took place in the 2018 financial year.

"Other receivables" refer to advances paid for injuries on behalf of INAIL, receivables from the Infrastructure Ministry relating to fees paid for the radio bridges and deposits paid to various entities. These are recognized net of the specific doubtful debt provision of Euro 202 thousand which did not change during the year. During the year, the provision, set aside in previous years, was used for Euro 202 thousand to cover losses doubtful of the same amount, recognized under the item "Other operating costs and charges" (Note 35).

20. Cash and cash equivalents

	31.12.2018	31.12.2017 Restated values
Cash and cash equivalents	239,661	176,569
Total	**239,661**	**176,569**

The restated figure has not changed compared to the one approved last year.

The balance includes the current account balances, cash funds, balances of the prepaid company credit cards, as well as the endowments to the tellers and ticketing machines.

All the accounts are denominated in Euro, with the exception of the Danish Crown current account held by the subsidiary Metro Service A/S for a total value of Euro 10,569 thousand (Euro 6,085 thousand as at December 31, 2017).

The increase in cash and cash equivalents mainly reflects the drawing of the last two tranches of EIB loans for a total of Euro 70,000 thousand, the collection of a VAT reimbursement credit of Euro 30,798 thousand, the receipt of interest income for Euro 4,000 thousand, applied to the shareholder loan to the associated company Metro 5 S.p.A., net of the payment of Euro 14,000 thousand in dividends to the Sole Shareholder of Milan Municipality

The adoption of the expected credit loss model pursuant to IFRS 9 led to an exposure of the values of "Cash and cash equivalents" net of the related provision for doubtful debts amounting to Euro 253 thousand, of which Euro 192 thousand recognized on first-time application with a contra-entry in shareholders' equity at January 1st, 2018, and Euro 61 thousand for adjustment of the provision during the year with a contra-entry in the income statement.

21. Assets related to discontinued operation

	31.12.2018	31.12.2017 Restated values
Discontinued Operations	444	-
Total	**444**	**-**

The amount recognized on December 31st, 2018 refers to the value of vehicles no longer used by the subsidiary ATM Servizi Diversificati S.r.l. in the context of the "Rental with Driver" and intended for disposal.

On 18 January 2019 the sale was finalized by ATM S.p.A. of the minority stake held in Guidami S.r.l.; in preparing the financial statements, the value of the investment was adjusted by Euro 14 thousand to the sales value and the value reclassified to discontinued operation.

22. Equity

“Share Capital” amounts to Euro 700,000 thousand and consists of n. 70,000,000 ordinary shares with a nominal value of 10 euros each. It is fully subscribed and paid and no changes occurred during the year and in the previous one. The Municipality of Milan is the sole shareholder of the Parent Company ATM S.p.A.

The 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 availability and distribution of equity is outlined in the following table:

Equity	01.01.2017 Restated values	31.12.2017 Restated values	
Share Capital	700,000	700,000	
Legal reserve	140,000	140,000	B
Other Reserves	280,857	281,362	
Conferment Reserve	*19,690*	*19,690*	*A, B, C*
Extraordinary Reserve	*5,764*	*5,764*	*A, B, C*
Rounding Reserve	*6*	*(4)*	
First Time Adoption Reserve	*154,105*	*154,105*	
Actuarial Losses Reserve	*(1,582)*	*(2,263)*	
Available For Sale Reserve	*717*	*210*	*A, B, C*
Cash Flow Hedge Reserve	*(8,442)*	*(6,739)*	
Property Fair Value valuation reserve FTA	*110,599*	*110,599*	
Retained earnings	58,948	40,079	A, B, C
Net profit for the year	7,131	35,096	
Equity	**1,186,936**	**1,196,537**	
Capital and reserves of non-controlling interest	**5,445**	**9,082**	
Share Capital	*572*	*572*	
Retained earnings	*2,714*	*4,876*	*A, B, C*
Profit for the year attributable to non-controlling interest	*2,159*	*3,634*	
Total Equity	**1,192,381**	**1,205,619**	

(*) A: for capital increase; B:to cover losses; C: for distribution to shareholders

Equity	**31.12.2017 Restated values**	**31.12.2018**	
Share Capital	700,000	700,000	
Legal reserve	140,000	140,000	B
Other Reserves	281,362	278,739	
Conferment reserve	*19,690*	*19,690*	*A, B, C*
Extraordinary reserve	*5,764*	*5,764*	*A, B, C*
Rounding Reserve	*(4)*	*(4)*	
Rounding reserve	*-*	*(2)*	
First Time Adoption Reserve	*154,105*	*154,105*	
Actuarial Losses Reserve	*(2,263)*	*(3,134)*	
Available For Sale Reserve	*210*		*A, B, C*
Cash Flow Hedge Reserve	*(6,739)*	*(6,458)*	
Property Fair Value valuation reserve FTA	*110,599*	*110,599*	
Held to Collect and Sell Reserve	*-*	*(2,089)*	
OCI Reserve	*-*	*268*	
Retained earnings	40,079	75,311	A, B, C
Net profit for the year	35,096	10,909	
Equity	**1,196,537**	**1,204,959**	
Capital and reserves of non-controlling interest	**9,082**	**14,699**	
Share Capital	*572*	*572*	
Retained earnings	*4,876*	*6,550*	*A, B, C*
Profit for the year attributable to non-controlling interest	*3,634*	*7,577*	
Total Equity	**1,205,619**	**1,219,658**	

(*) A: for capital increase; B:to cover losses; C: for distribution to shareholders

The amount of the First Time Adoption reserve available in the year is Euro 116,769 thousand.

The amount of the First Time Adoption reserve that has become available is equal to Euro 64,520 thousand.

The following is a reconciliation statement of consolidated net equity with that of the parent company:

	Equity and reserves as at 31.12.2017 Restated values	Impact IFRS 9	Result as at December 31st, 2018	Merger	Other movements	Change in OCI components	Distribution dividends	Equity and reserves as at 31.12.2018
Net Equity ATM S.p.A. as at 31/12/2018	1,109,478	476	2,339	70,861	7	(3,197)		1,179,963
Elemination of investments	(31,693)			1,756				(29,937)
Riserve IAS 19	(1,773)			1,567		(41)		(247)
Net equity from consolidated companies	133,099		16,499	(66,340)				83,258
Impairment financial assets		(10)						(10)
Dividends	(29,805)		(4,040)				(1,960)	(35,805)
Associated companies through equity method	5,500		2,195			281		7,976
Consolidation adjustments	20,814		1,493	(7,844)	(3)			14,460
Total Equity	1,205,620	466	18,486	-	4	(2,957)	(1,960)	1,219,658
Group Equity	1,196,538	466	10,909	-	4	(2,957)	-	1,204,959
Non-controlling interest	9,082		7,577	-	-	-	(1,960)	14,699

23. Non-current and current financial liabilities

	31.12.2018	31.12.2017 Restated
Non-current financial liabilities	307,697	257,960
Current financial liabilities	17,957	14,097
Total	**325,654**	**272,057**

The restated figure has not changed compared to the one approved last year.

The amount of Euro 325,654 thousand refers to:

- euro 234,977 thousand to the drawdowns, net of reimbursements, activated pursuant to the loan agreement for a total of Euro 250,000 thousand underwritten by the European Investment Bank for the financing of the new metro trains of lines 1 and 2. The loan contract establishes under the responsibility of the Parent Company ATM S.p.A. the obligation to comply with certain covenants of an equity and financial nature. At December 31st, 2018, as in previous years, the covenants contractually set by the loan agreement were fully respected. The 2019 budget projections, also estimating the potential effect of applying IFRS 16, confirm compliance with the covenants, also regarding the next measurement deadlines for the reference period. The debt expires entirely on June 30, 2038 and is therefore recorded under the "Non-current financial liabilities".
- euro 69,619 thousand for the bond issued on 8 August 2017 by the Parent Company ATM S.p.A. (of which Euro 69,094 thousand in principal of the bond and Euro 525 thousand in interest accrued in the period that will be paid at the maturity date), not secured by collateral and intended only for qualified investors for a total nominal value of Euro 70,000 thousand. The bond expires on 8 August 2024 and interest is calculated at the annual fixed rate of 1.875%. It is listed on the Dublin Stock Exchange (ISIN code XS1653969953). On July 5, 2018, the international agency Fitch Ratings confirmed the long-term rating of ATM - Azienda Trasporti Milanesi to "BBB" and revised, as an automatic consequence of the revision of the Sovereign rating, and in identical measure, the prospective evaluation for ATM from "stable" to "negative". The bond issue is valued at the amortized cost, which has therefore taken into account the expenses incurred and the issue discounts. The effective and fixed interest rate for the entire duration of the loan is considered representative of the market conditions as at December 31st, 2018. At the end of the year, the Group provides the financial resources necessary for full repayment of the loan, as can be seen from the balance of cash and cash equivalent and securities items;
- euro 21,058 thousand to the loan from Cassa Depositi e Prestiti for the purpose of acquiring metro line 1 trains within the "Fiera Milano Accessibility" project (of which Euro 6,790 thousand current and Euro 14,268 thousand non-current). The loan, maturing in 2021, is fully guaranteed by the State; therefore, a receivable of the same amount is recorded under "Assets" which, based on maturity, is divided into "Other receivables and current assets" for the portion due within 12 months and "Other receivables and non-current assets" for the portion due over 12 months.

The breakdown by maturity is shown below:

	Within 12 months	Between 1 - 5 years	Over 5 years	Total
Non-current and current financial liabilities	17,957	58,250	249,447	325,654

With reference to the loans disbursed by the European Investment Bank, the Group subscribed loans amounting to Euro 250,000 thousand, of which Euro 235,367 thousand at a fixed rate.

The details of EIB drawdowns are shown below:

	Drawdown date	Currency	Initial amount of debt	Amount of repayable debt as at 31.12.2018	Interest rate as at 31.12.2018	Maturity
Withdraw 1	29.11.2013	Eur	*14,633*	*13,272*	0.607% (*)	30.06.2038
Withdraw 2	28.11.2014	Eur	*40,000*	*36,955*	1.99%	30.06.2038
Withdraw 3	23.04.2015	Eur	*55,367*	*50,685*	0.96%	30.06.2038
Withdraw 4	15.03.2017	Eur	*70,000*	*67,045*	1.45%	30.06.2038
Withdraw 5	31.01.2018	Eur	*40,000*	*38,298*	1.37%	30.06.2038
Withdraw 6	31.01.2018	Eur	*30,000*	*28,722*	1.37%	30.06.2038
Totals			***250,000***	***234,977***		

(*) 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 31st, 2018. 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.

24. Employee benefits

The restated figure has not changed compared to the one approved last year.

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 31st of each year of the benchmark iBoxx Corporate EUR index with 7-10 year duration and AA rating.

"Employee benefits" include the "Employee Termination Indemnities" ("TFR") and the "War Veterans Provision":

	31.12.2018	31.12.2017 Restated values
Employee termination indemnitites (TFR)	131,160	142,080
War Veterans Provision	552	583
Total	**131,712**	**142,663**

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 1st, 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 1st, 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:

Opening balance as at 31.12.2017 Restated values	**142,080**
Service cost	40
Interest cost	1,192
Actuarial (gains)/losses	1,076
Paid benefits	(13,228)
Closing balance as at 31.12.2018	**131,160**

The amount of employee termination indemnities calculated according to the provisions of Article 2120 of the Civil Code is equal to Euro 124,932 thousand.

The actuarial loss in the year, equal to Euro 1,076 thousand, was recorded under other items in the Comprehensive income statement, adjusting the balance of the Employee Termination Indemnities with a contra-entry in an equity reserve and broken down as follows:

	Change
Actuarial gains due to changes in the financial assumptions	540
Actuarial gains due to experience	536
Total change	**1,076**

With reference to "TFR", the valuations undertaken by the actuary were made based on the economic/financial and demographic assumptions summarised in the table below:

31.12.2018	**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	5.07%	4.11%	2.08%	7.00%	5.21%
Discount rate	1.13%	1.13%	1.13%	1.13%	1.13%
Increase in salaries	1.50%	1.50%	1.50%	1.50%	1.50%
Rate of advances	1.32%	0.70%	4.88%	1.13%	2.76%
Annual inflation rate	1.50%	1.50%	1.50%	1.50%	1.50%

*Listing on 31.12.2018 of the iBoxx Corporate EUR benchmark index with duration 7-10 and AA rating

The "War Veterans Provision" decreased due to the benefits paid during the year and the actuarial gains:

	Change
Opening balance as at 31.12.2017 Restated values	**583**
Interest cost	5
Actuarial (gains)/losses	70
Benefits paid	(106)
Closing balance as at 31.12.2018	**552**

As regarding a reversible pension, for spouses which benefit from the reversible pension but which have not yet matured the right of reversibility, as the relative dates of birth are not available, an age equal to that of the husband reduced by five years was assumed. The assumptions underlying the actuarial calculation are as follows:

	31.12.2018	**31.12.2017**
Mortality rate	ANIA A62I Tables	ANIA A62I Tables
Increase in salaries	0.50%	0.50%
Discount rate	1.14%	0.85%

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)	(4,284)	4,524
War Veterans Provision	(13)	13

25. Provisions for risks and charges

	31.12.2018	**31.12.2017 Restated values**
Provision for disputes and environmental risks	64,522	67,520
Damages/claims settlement provision	18,389	17,728
Other provisions	2,280	5,643
Total	**85,191**	**90,891**

The restated figure has not changed compared to the one approved last year.

The "Provision for disputes and environmental risks" refers to the potential liabilities with suppliers, clients, third parties and related parties, deriving from the operational activities of the business, which are considered probable. During the year the amount of the fund was updated based on the assumed repercussions of the disputes in progress and the outcome of those concluded, determining provisions for Euro 16,763 thousand, utilization for Euro 2,044 thousand and releases for Euro 17,716 thousand. In 2018, provisions were made for Euro 15,353 thousand for contractual guarantees relating to future investment projects and Euro 1,410 thousand for disputes with suppliers and third parties following new and more precise assessments. The releases were made following the review of the estimates in relation to the events of the year and in consideration of new and more complete information with respect to those available at the time when the original estimates had been made. With particular reference to the fund for environmental risks, in view of the demolition and reconstruction of the Novara warehouse, the specific environmental fund set aside in previous years for Euro 4,533 thousand was partially released; in addition, during the year, against specific maintenance interventions carried out, the environmental risk fund set up for this purpose in previous years was used, for Euro 1,474 thousand. The residual amount of the releases of Euro 13,183 thousand refers to the contractual penalties estimated with reference to the management contract with Metro 5 for Euro 7,211 thousand, to the release of a fund for Euro 4,352 thousand set up against disputes with suppliers and third parties following new and more precise assessments and finally to release for release for Euro 1,620 thousand relating to provisions for previous years following the review of estimates connected to the unforeseeable outcome of personnel disputes concluded in 2018.

The “Damages/claims settlement provision” refers to the estimate of the damages to be paid in the coming years for damages/claims related to the circulation of transport vehicles and to the towing and parking service, limited to the amount of risk not covered by insurance policies with the various insurance companies. The assessment of the claims was made through a review of the individual cases pending at December 31st, 2018.

The item “Other provisions” refers to the “Provision for restoration costs” and is mainly attributable to the costs that Metro Service A / S will incur, as required by the Service Contract, to return the goods received at the start of management of the Copenhagen metro at their state of use. The fund was subject to revision in relation to updated contractual provisions.

These provisions include the best estimates of the legal expenses related to the disputes.

Changes in “Provision for risks and charges” were as follows:

	31.12.2017 Restated values	Valuation at *Fair Value* (IFRS 9)	Increases	Utilisations	Release	31.12.2018
Provision for disputes and environmental risks	67,519	-	16,763	(2,044)	(17,716)	64,522
Claims settlement provision	17,728	-	2,465	(1,709)	(95)	18,389
Other provisions	5,643	23	1	(1,484)	(1,903)	2,280
Total	**90,890**	**23**	**19,229**	**(5,237)**	**(19,714)**	**85,191**

Reference should be made to Note 5 “Use of estimates” for considerations on the underlying estimation processes regarding uncertainties on disputes and potential liabilities.

26. Deferred tax liabilities

	31.12.2018	31.12.2017 Restated values
Deferred tax liabilities	48,758	50,187
Total	**48,758**	**50,187**

The temporary differences giving rise to deferred tax liabilities are summarised below:

	Deferred tax as at 01.01.2017 Restated values	Recognized in P&L	Recognized in Equity	Reclassifications	Deferred tax as at 31.12.2017 Restated values
Fair Value Buildings-IAS 16	46,722	(3,525)			43,197
Fair Value Rolling Stock and Finance Leases	8,446	(2,075)	-	(97)	6,274
Fair Value Securities	436	608	(399)		645
Investments	32	18	20		70
Total	**55,636**	**(4,974)**	**(379)**	**(97)**	**50,187**

	Deferred tax as at 31.12.2017 Restated values	Impact Appliication IFRS 9 as at 01.01.2018	Recognized in P&L	Recognized in Equity	Deferred tax as at 31.12.2018
Fair Value Buildings – IAS1	43,197		(1,986)		41,211
Fair Value Rolling Stock and Finance Leases	6,274	-	1,014	-	7,288
Fair Value Securities	645	-	(645)	-	-
Fair Value Financial Assets	-	159	-	-	159
Investments	70	-	27	3	100
Total	**50,187**	**159**	**(1,590)**	**3**	**48,758**

27. Current income tax liabilities

	31.12.2018	31.12.2017 Restated values
IRES	39	353
IRAP	-	34
Income taxes Metro Service A/S	731	62
Total	**770**	**449**

The restated figure has not changed compared to the one approved last year.

The account relates to current income taxes, net of payments on account.

28. Trade payables

	31.12.2018	31.12.2017 Restated values
Payables – third parties	235,615	235,568
Payables to related parties	50,423	9,680
Payables to parent	*49,277*	*7,566*
Payables to associates	*736*	*949*
Payables to subsidiaries	*410*	*1,165*
Total	**286,038**	**245,248**

The restated figure has not changed compared to the one approved last year.

The amount of Euro 235,615 thousand for "Payables to third parties" includes the payables for invoices not yet paid and payables for invoices to be received deriving from the purchase of materials, services and assets capitalised, prevalently from Italian and European Union suppliers.

"Payables to related parties" mainly include "Payables to the parent company", which at December 31st, 2018 present a balance of Euro 49,277 thousand and are entirely attributable to the Municipality of Milan. These debts refer to:

- for Euro 43,188 thousand the repayment to the Municipality of Milan of the revenues deriving from the sale of tickets in December 2018. The increase is due to the fact that the conditions of financial regulation of the Service Contract with the Municipality have been modified. In fact, while until December 31st, 2017 the compensation between the repayment of the TPL receipts and the invoicing of the Consideration was envisaged, starting from January 1st, 2018 on the other hand, the credit and debit items are settled through separate payments;
- for Euro 4,879 thousand the payment of income from on-street parking to the Municipality as defined in the "Street Parking Agreement" of April 27, 2017 up until December 31st, 2018;
- for Euro 757 thousand income to be paid relating to the management of Area C;
- for Euro 241 thousand to penalties of 2018 on the ATM S.p.A. Service Contract;
- for Euro 212 thousand to debts for the fee on the management of on-street parking in the 4th quarter of 2018.

"Payables to related parties" are broken down as follows:

	31.12.2018	31.12.2017 Restated values
Brianza Trasporti S.c.a r.l.	20	1
Co.Mo. Fun&Bus S.c.a r.l.	18	18
Metro 5 S.p.A.	130	130
Movibus S.r.l.	568	799
Total	**736**	**949**

"Payables to subsidiaries of the parent" amounting to Euro 410 thousand (Euro 1,165 thousand at December 31st, 2017) and mainly refer to the payable for the provision of services by MM S.p.A.. The decrease relates to the lower payables to MM S.p.A. which decreased from Euro 1,028 thousand in 2017 to Euro 402 thousand in 2018.

29. Other payables and current liabilities

	31.12.2018	31.12.2017 Restated values
Employee payables	46,224	43,373
Payables to parent - Dividends	12,000	26,000
Payables to social security institutions	40,168	38,731
Vacation days not taken	20,580	20,744
Other tax liabilities	12,479	12,190
Other payables	9,186	4,896
Tarsu	4,247	1,289
VAT payable	1,122	902
Accruals and deferred income	1,759	3,386
Other current liabilities	5,078	-
Total	**152,843**	**151,511**

The restated figure has not changed compared to the one approved last year.

"Other payables and current liabilities" amount to Euro 152,843 thousand principally comprising:

- for Euro 46,224 thousand employee payables. The change compared to the previous year is due to the review of the estimate of deferred remuneration based on new and more complete information compared to that available on the initial recognition;
- for Euro 12,000 thousand payables for dividends to be paid to the sole shareholder Municipality of Milan, which was approved by the Shareholders' Meeting of December 21st, 2017 and which will be paid in 2019;
- for Euro 40,168 thousand for payables to INPS, Previndai, INAIL as well as sector pension funds and paid in accordance with normal legal provisions in the initial months of 2019;
- for Euro 20,580 thousand employee vacation days matured but not yet taken, as well as the value of extraordinary hours worked, utilisable as leave, not yet taken;
- for Euro 12,479 thousand IRPEF withholdings made by ATM as substitute taxes on employee income;
- for Euro 9,186 thousand miscellaneous payables, including payables for IVOL and IVOP travel subscriptions received but not repaid to other vectors for Euro 3,164 thousand, payables to the ATM Foundation for contributions and payments for services rendered for Euro 1,552 thousand. The change compared to the previous year is due to the payment of the IVOL and IVOP travel subscriptions following the settlement of the amounts due to counterparties;
- for Euro 1,759 thousand from deferred income which relate to revenues invoiced during the year and pertaining to 2019;
- for Euro 5,078 thousand from grants related to plants for which there is a determination of contributions by the Entity. At the balance sheet date, they have not yet been collected and the related investment has not yet shown any equity.

Notes to the consolidated income statement

30. Revenues and other operating income

The value of "Revenues and other operating income" is mainly made up of the revenues generated by the Service Contract for the management of LPT stipulated with the Municipality of Milan and by the revenues from the management of on-street parking and parking areas, towing and custody services; it also includes revenues for the management of lines 1 and 2 of the Copenhagen metro and for the management and maintenance of the Copenhagen light rail, the revenues deriving from the payment of the single management contract for the M5 metro line, revenues for works on goods of municipal ownership, including maintenance services on infrastructures, Area C and projects relating to safety on the metro, and, in a residual manner, revenues relating to other transport services, including the management of the Como - Brunate funicular and the POMA light rail service 2000.

Revenues are realized in Italy and in the European Union.

	2018	2017 Restated values
Core business revenue	819,387	793,205
Other revenue	60,511	55,476
Other income	82,765	75,711
Total	**962,663**	**924,392**

The restated figure has not changed compared to the one approved last year.

The details of "Core business revenues" are shown below:

	2018	2017 Restated values
Revenues from TPL	789,787	764,188
Corresponding Service Contract Municipality of Milan	*669,340*	*665,324*
Corresponding Service Contract Copenaghen	*56,734*	*46,408*
Corresponding Service Contract Interurban area	*17,458*	*19,025*
Corresponding Management Contract line 5	*30,311*	*16,212*
Income from fees - interurban area	*12,391*	*12,819*
Special/ dedicated transport services	*3,553*	*4,400*
Revenues from management of on – street parking services	18,490	18,490
Revenues from parking management	8,439	7,866
Revenues from car removal management	2,586	2,620
Other revenues	85	41
Total	**819,387**	**793,205**

“Core business revenue” refer to revenues from local public transport and revenues from on-street parking, parking areas and towing. As described in the Management Report, the item includes the non-recurring effect connected to the release of funds against contractual penalties estimated with reference to the Management Agreement with Metro 5; in particular, against an estimate of approximately Euro 10 million (of which Euro 6.5 euros provisioned in the previous year), against more complete information than those available at the time the original estimates were made , in 2018, a provision was made of approximately Euro 7.2 million, deemed to be in excess of the need.

“LPT revenues” achieved in 2018 amounted to Euro 789,787 thousand and increased by Euro 25,599 thousand. Revenue from the Service Contract with the Municipality of Milan of Euro 669,340 thousand increased by Euro 4,016 thousand compared to 2017. Revenues relating to the payment of the management contract for Metro 5 increased by Euro 14,099 thousand compared to 2017, due to the non-recurring effect of which has been written. Revenues generated by the management of the Copenhagen metro increased by Euro 10,326 thousand.

“Other revenues” are comprised of:

	2018	2017 Restated values
Service revenues - third parties	29,778	26,680
Advertising and sponsorship revenues	18,849	17,526
Commercial leases metro stations	6,241	6,579
Other revenues	5,643	4,691
Total	**60,511**	**55,476**

"Service revenues" refer to maintenance on municipality owned infrastructure, set up and management of the Area C payment system and of the Territorial and Traffic Control System, non-programmed extraordinary maintenance on line M5, services on behalf of other parties and rental of space for automatic ticketing machines. The increase of around Euro 4 million is explained by an increase in extraordinary maintenance carried out for the Municipality of Milan.

"Other revenues" mainly relate to the reimbursement of administration expenses for the sale of travel passes and magnetic support for the issue of passes.

The breakdown of the "Other income" is as follows:

	2018	2017 Restated values
Insurance receivables and costs undertaken for third parties	9,646	9,436
Adjustments to liabilities and release of funds	254	153
Income for penalties invoiced to suppliers	5,192	2,155
Gains on fixed asset sales	431	1,549
Grants	53,147	53,739
Other income	14,095	8,679
Total	**82,765**	**75,711**

"Insurance receivables and costs undertaken for third parties" refer to insurance reimbursements related to damages to transport vehicles and recoveries from third parties for costs already incurred.

The increase of approximately Euro 3.0 million euros in the item "Income from penalties invoiced to suppliers" is explained by the penalties issued against IRISBUS S.p.A., in the event of delays in the supply of buses.

The item "Gains on fixed assets sales" mainly refers to the capital gain deriving from the sale of 136 decommissioned buses for Euro 431 thousand (Note 9).

"Grants" refer for Euro 50,190 thousand to the contributions for CCNL accrued for the year in accordance with Law No.

47 of February 27, 2004 to cover the charges deriving from the renewal of the collective labour contract for the two-year period 2002/2003, with Law No. 58 of April 22, 2005 to cover the charges deriving from the renewal of the CCNL two-year 2004/2005 and with Law No. 296 of December 27, 2006 (2007 Finance Law) to cover the renewal charges of the CCNL two-year 2006/2007. The amount is unchanged on the previous year. The residual amount, equal to Euro 2,957 thousand (Euro 3,549 thousand in the previous year), refers to the contributions for investments from previous years, contributions for electricity production from photovoltaic plant and for employee training.

The item "Other income" mainly refers to the forced collection by the subsidiary Metro Service A / S of fines issued and not collected in previous years for users of the Copenhagen metro line for Euro 6,954 thousand and for Euro 5,628 thousand for fines imposed on passengers.

31. Purchases of goods and changes in inventories

	2018	2017 Restated values
Purchase of goods	82,641	89,144
Change in inventories	(3,780)	(7,573)
Raw materials consumption internal works	(4,934)	(3,360)
Total	**73,927**	**78,211**

The restated figure has not changed compared to the one approved last year.

The account, amounting to Euro 73,927 thousand includes the cost of material purchases for vehicle and plant maintenance, automotive diesel and travel and parking tickets as well as changes in inventories net of utilisations and provisions made to the "Inventories obsolescence provision".

The value was adjusted for consumable materials for internal works relating to extraordinary maintenance interventions on the metro and tram fleet.

32. Service Costs

	2018	2017 Restated values
Maintenance and cleaning costs	86,147	85,858
Electric traction power	44,924	43,804
Subcontracted transport services	23,746	23,890
Utilities	17,518	16,746
Production & distribution travel tickets	11,669	11,178
Insurance	7,541	7,592
Customer services, advertising and marketing	4,453	4,347
Personnel services	4,450	3,195
Miscellaneous services	6,059	5,406
Professional services	6,048	4,319
Security costs	2,082	2,170
Total	**214,637**	**208,505**

The restated figure has not changed compared to the one approved last year.

"Maintenance and cleaning costs" refers to external contractors for ordinary and extraordinary maintenance for Euro 60,995 thousand and cleaning services for Euro 25,152 thousand on plant, depots, offices and vehicles in the year.

In the context of environmental activities, it is specified that in anticipation of the demolition and reconstruction of the Novara warehouse, the specific environmental fund set aside in previous years for Euro 4,533 thousand was partially released. Furthermore, during the year, the provision for restoration costs of the Danish subsidiary Metro Service A / S was used for 3,387 thousand euro and, against specific maintenance interventions carried out, the environmental risks provision was used for this purpose established in previous years, for Euro 1,474 thousand. The increase in maintenance costs incurred during the year is linked to work done on company plants and deposits, to higher charges incurred for the full service of metropolitan trains and for the maintenance of road vehicles.

"Subcontracting transport services" includes the fees paid to the subcontractors of the Milan urban transport services and of the towing service.

"Production and distribution travel tickets" refers to the remuneration paid to resellers for the sale of travel and parking tickets and Area C tickets.

"Personnel services" mainly refers to medical expenses incurred for legal obligations and health checks for Euro 1,673 thousand and training expenses equal to Euro 1,911 thousand.

The item "Other Services" mainly refers to transport services and materials and waste disposal services for 1,808 thousand euro and charges for bank commissions for 3,229 thousand euro.

The item "Professional services" refers to services provided by third parties in the IT, legal, corporate and engineering fields.

33. Operating leasing costs

	2018	2017 Restated values
Rental charges	2,827	2,755
Vehicle hire	1,488	1,725
Plant and equipment hire	1,211	1,442
Total	**5,526**	**5,922**

The restated figure has not changed compared to the one approved last year.

34. Costi per benefici ai dipendenti

	2018	2017 Restated values
Wages and salaries	379,754	359,667
Social security charges	101,997	101,066
Post-employment benefits	23,275	22,059
Other costs	16,748	17,592
Personnel costs for internal works	(4,495)	(3,079)
Total	**517,279**	**497,305**

The restated figure has not changed compared to the one approved last year.

The "Costs for employee benefits" amounting to Euro 517,279 thousand 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 increase is due to the increase in personnel, the drag on contract renewal, higher charges relating to the personnel of the Danish subsidiary Metro Service A / S, provisions for the period relating to holidays not taken and for the renewal of the expired contract on December 31st, 2017, partially offset by the reimbursement of the 2012 sickness charges, previously commented on among the non-recurring items, and by the release of the provision relating to the PDR (Performance Bonus) and MBO competence of 2017 and paid in 2018 for an amount lower than estimated.

Costs are recognised net of capitalized personnel costs for internal work of Euro 4,495 thousand and refer to the portion of personnel costs capitalized for extraordinary maintenance work carried out on the metropolitan train fleet and trams.

The headcount as at December 31st, 2018 was 9,884 resources (9,798 as at December 31st, 2017).

Brakdown by contract type	31.12.2017	Hires	Departures	Other changes	31.12.2018
Executives	26	1	(3)	11	35
Transport personnel	9,416	417	(442)	(2)	9,389
Other	356	160	(47)	(9)	460
Total	**9,798**	**578**	**(492)**	**-**	**9,884**

In 2018 the workforce recorded an overall increase of 86 employees, as a result of the assumptions made by the Danish subsidiary Metro Service A / s aimed at meeting the new activities of mobilization of the M3 and M4 (Cityringen) and of a policy selective reintegration of resources to cover the turnover, with targeted interventions in the auxiliary and practice areas.

Please refer to the Management Report for a description of the non-recurring components that affect this item.

35. Other operating costs and charges

	2018	2017 Restated values
Municipal taxes	5,594	5,934
TPL claims management	2,806	3,277
Prior year charges	39	458
Taxes and duties	678	725
Other operating charges	2,256	1,389
Losses on receivables	485	264
Reversal of doubtful debts provision	3,594	(535)
Accrual/(release) provisions for risks and charges	11,746	1,067
Total	**27,198**	**12,579**

The restated figure has not changed compared to the one approved last year.

The most significant items in this account refer to:

- “Municipal taxes” which mainly refer to the Tarsu waste collection charge for Euro 3,882 thousand and IMU property tax for Euro 1,689 thousand;
- “LPT claims management” amounting to Euro 1,892 thousand refers to the charges incurred for the settlement of damages relating to the circulation of vehicles and of Euro 252 thousand for automative practices as well as Euro 2,465 for the provisions and utilisations of the specific provision recognised under “provision for risks and charges”;
- “Other operating expenses” mainly relate to the realized capital losses of the metropolitan trains no longer used for 864 thousand euros and for the remainder to penalties from suppliers, memberships to associations, entertainment expenses, and miscellaneous expenses;
- “Accruals (release) for doubtful debt provision” refers to € 653 thousand refers to the release of bad debt provision, € 485 thousand to the use of provisions to cover losses on receivables and € 4,731 thousand to provisions made to cover risks on receivables recorded in the financial statements, of which 761 thousand euros for “Receivables from third parties” (Note 18), 3,910 thousand euros for “Receivables from the parent company” (Note 18), 60 thousand euros for “Receivables from associates” (Note 18);
- “Accruals (release) of provision for risk and charges” refers to Euro 15,353 thousand euro for the provision made for contractual guarantees relating to future investment projects and to the release for Euro 3,607 thousand of a fund set up in previous years, for disputes with suppliers and third parties, following of new and more precise evaluations.

Please refer to the Management Report for a description of the non-recurring components that affect this item.

36. Amortization, depreciation and impairments

	2018	2017 Restated values
Depreciation – Property, plant and equipment	123,865	129,645
Plant and machinery	*109,584*	*116,223*
Buildings	*6,821*	*6,550*
Industrial and commercial equipment	*3,801*	*3,687*
Other assets	*3,659*	*3,185*
Plant capital grants	(37,949)	(39,794)
Amortization	1,188	1,190
Software licenses	*1,188*	*1,190*
Impairment of fixed assets	112	373
Total	**87,216**	**91,414**

The "Amortization, depreciation and impairment losses" for a total of € 87,216 thousand are charged to the financial year, an amount adjusted for the portion pertaining to the year of € 37,949 thousand relating to grants received for investments made.

The write-downs recognised in 2018 were applied on the residual value of the rolling stock owned by the subsidiary ATM Servizi Diversificati S.r.l., relating to the business of "Hire with driver", which in 2018 was abandoned by the company.

The extension of the Service Contract for the management of LPT services and complementary activities throughout October 31, 2020 has involved the revision and extension of the useful life of the improvements on municipally owned assets, leading to lower amortization for the period of € 9,572 thousand, neutralized by higher amortization linked to capitalisations for the period.

The net increase in depreciation reflected in the consolidated income statement for the 2018 financial year following the aforementioned change in the valuation criteria amounts to Euro 854 thousand, determined as the net effect of Euro 5,253 thousand due to the increase in property value and Euro 4,399 thousand due to the redefinition of the economic-technical life of the buildings themselves.

37. Financial income and expenses

	2018	2017 Restated values
Financial income	5,590	6,573
Interest income	*2,716*	*1,908*
Gains on securities	*1,464*	*4,538*
Income from Fair Value adjustment	*605*	*-*
Other	*805*	*127*
Financial expenses	(14,032)	(4,908)
Interest on employee defined benefits	*(1,197)*	*(1,259)*
Interest expense on loans and bond issues	*(4,535)*	*(2,769)*
Other interest expense	*(156)*	*(105)*
Losses on securities	*(1,188)*	*(515)*
Fair Value adjustments	*(6,434)*	*-*
Impairment of financial assets/activity	*(68)*	*-*
Other	*(454)*	*(260)*
Total	**(8,442)**	**1,665**

The item “Net financial income / charges” is affected by the new classification of financial instruments carried out pursuant to IFRS 9 (Note 3).

Interest income item consists of:

	2018	2017 Restated values
Interest on deposits and current accounts	32	105
Interest income on securities	1,526	562
Interessi su finanziamenti a terzi	-	35
Interest on loans to associates	953	1,084
Interest income from parent’s subsidiaries	205	122
Total	**2,716**	**1,908**

"Interest income on securities" amounts to Euro 1,526 thousand and refers to interest on government securities and bonds.

"Interest on loans to associates" amounts to Euro 953 thousand and refers to interest matured on loans granted to the company Metro 5 S.p.A..

"Interest on loans to subsidiaries of the parent" amount to Euro 205 thousand and refer to interest matured on loans granted to the company SPV Linea M4 S.p.A..

"Gains on securities" equal to Euro 1,464 thousand refers to gains realised on the sale of securities.

The "Income from Fair Value adjustment" refers for Euro 468 thousand to the Fair Value measurement of financial receivables from the associated company Metro 5 S.p.A. and to the SED-ATM and SCCATI cooperatives and for € 137 thousand to income from the Fair Value measurement of the designated financial instruments FVTPL.

"Financial expenses" mainly refer to "Interest on defined benefit plans for employees" amounting to € 1,197 thousand, "Interest expense on loans and bond issues" recognized under payables for € 4,535 thousand and "Losses on securities " for Euro 1,188 thousand.

The item "Fair Value adjustment expenses" refers to Euro 44 thousand to the Fair Value measurement of financial receivables from the subsidiary of the parent company SPV Linea M4 S.p.A. and to € 6,390 thousand to the Fair Value measurement of the FVTPL designated financial instruments.

38. Net result of companies valuated under the equity method

The economic effect of the valuation of the investment in Metro 5 S.p.A. under the equity method, amounted to euro 2,222 thousand.

39. Income taxes

	2018	2017 Restated values
Current income taxes	3,103	4,043
Ires	*204*	*1,167*
Irap	*136*	*2,332*
Income tax Metro Service A/S	*2,928*	*1,356*
Income (charges) from tax consolidation	*(165)*	*(812)*
Prior year taxes	(718)	(4)
Ires	*(332)*	*(4)*
Irap	*(386)*	-
Deferred tax charge	9,789	11,154
Utilization/release of tax risk provision	-	(20,270)
Provision for tax risks	-	-
Total	**12,174**	**(5,077)**

The Group has adhered to the National Tax Consolidation; it follows that the Group's taxable income is determined as the algebraic sum of the results of the individual member companies, deducted from the reported tax losses, within the limit of 80%.

"Tax consolidation revenues" refer to the transfer to the parent company of the IRES of the individual companies that adhered to the tax consolidation, within the limit of 80%.

In the 2017 financial year, following the settlement of the dispute with the tax administration, the "tax risk fund" was released for an amount of Euro 20,270 thousand for the part exceeding what was previously defined.

The following table shows the reconciliation between the theoretical tax and the effective tax.

THEORETICAL TAX CHARGE		**ATM Group**	
	IRES	**IRAP**	**FOREIGN TAXES**
VALUE OF PRODUCTION	-	893,690	68,973
COST OF PRODUCTION	-	(874,586)	(51,197)
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	-	19,104	17,776
PERSONNEL EXPENSES (NOT DEDUCTIBLE FOR IRAP PURPOSES)	-	487,640	-
PRE-TAX PROFIT/ LOSS	13,014	-	17,646
THEORETICAL TAX RATE	**24.00%**	**3.90%**	**22.00%**
THEORETICAL TAX BASE	**13,014**	**506,743**	**17,646**
THEORETICAL TAX CHARGE	**3,123**	**21,283**	**3,882**

NON-DEDUCTIBLE COSTS – EXEMPT REVENUES	**IRES**	**IRAP**	**FOREIGN TAXES**
NON- DEDUCTIBLE TAXES	5,188	1,882	-
PHONES	168	168	-
OTHER NON-DEDUCTIBLE COSTS			
- personnel	*22,230*	*1*	-
- amortisation/depreciation	*15,498*	*12,802*	-
- provisions not permitted as per CFA/Law 446/97	*27,780*	*28,587*	-
- extraordinary impairment/doubtful debt provision	*145*	*427*	-
- other non-deductible costs	*5,656*	*5,506*	-
EXEMPT REVENUES			
- release/utilisation non-deductible provisions	*(67,512)*	*(66,170)*	-
- personnel	*(20,844)*	*(85)*	-
- other exempt income	*(9,104)*	*(5,205)*	*(4,337)*
TOTAL INCREASES (+)	**(20,795)**	**(22,087)**	**(4,337)**

DEDUCTED COSTS – IRAP DIFFERENT ASSESSABLE BASE	**IRES**	**IRAP**	**FOREIGN TAXES**
IFRS	(910)	-	-
INAIL	-	217	-
COSTS INCURRED FOR DISABLED PERSONNEL	-	211	-
CIRCULAR TAX AUTHORITY NO. 22/E OF 09/06/2015 AND VARIOUS	-	479,502	-
TAX BURDEN	-	1,623	-
ADDITIONAL DEDUCTION / EMPLOYMENT INCREASE	-	16	-
SUPER DEPRECIATION	1	-	-
DEDUCTION OF PAYMENT FOR SUPPLEMENTARY PENSION SCHEMES	472	-	-
ECONOMIC GROWTH HELP (ACE)	161	-	-
TAX FUND ROUNDING	8	(1,090)	-
IRES DEDUCTION FOR IRAP PAID ON PERSONNEL COSTS	93	-	-
TOTAL DECREASES (-)	**(175)**	**480,479**	**-**

CHANGES FOR IRES PURPOSES	**IRES**	**IRAP**	**FOREIGN TAXES**
ADJUSTMENTS OF REVENUES	(47)	-	-
TOTAL CHANGES FOR IRES PURPOSES (-)	**(47)**	**-**	**-**

EFFECTIVE TAX CHARGE	**IRES**	**IRAP**	**FOREIGN TAXES**
ASSESSABLE EFFECTIVE TAX CHARGE/INCOME	**(16,146)**	**5,079**	**13,309**
EFFECTIVE TAX RATE	**204**	**136**	**2,928**
EFFECTIVE TAX CHARGE/ INCOME	**(165)**	**-**	**-**
EFFECTIVE TAX CHARGE RATE	**1.57%**	**0.03%**	**16.59%**

40. Remuneration of directors and Audit Committee Board

In accordance with current legislation we report Directors and Statutory Auditors remuneration below.

	2018	2017 Restated values
Directors fees	207	173
Audit Committee Board fees	244	274
Totale	**451**	**447**

The fees paid to the directors are expressed gross of social security withholdings of Euro 22 thousand and amount to Euro 185 thousand as per the shareholders' resolution of March 30, 2017.

41. Statutory Auditor fees

The fees paid by the company ATM S.p.A. and by its subsidiaries to the independent auditors Deloitte & Touche S.p.A. and to the subsidiaries resident in Italy for the year 2018 amount in total to Euro 542 thousand for the activities related to the statutory audit of the accounts, Euro 27 thousand for verification services aimed at the issue of other certifications and Euro 64 thousand to non audit service.

Type of services	Subject that provided the service	Recipient/ Receiver	Fees
Audit			**542**
Statutory audit of the financial statements and the consolidated financial statements, periodic checks on the regular bookkeeping of the accounts	*Auditor of the Parent Company*	*Parent Company*	*145*
Limited audit of the consolidated half-year report, prepared on a voluntary basis, of the ATM Group companies as at 06.30.2018	*Auditor of the Parent Company*	*Parent Company*	*37*
Audit fees for activities related to the FTA on the 2017 financial statements (First Time Adoption)	*Auditor of the Parent Company*	*Parent Company*	*75*
DNF "Non-Financial Data Report" - 2017	*Auditor of the Parent Company*	*Parent Company*	*43*
Integration of fees for activities related to the FTA - IFRS 9	*Auditor of the Parent Company*	*Parent Company*	*35*
Integration of fees for activities related to the FTA - IFRS 15	*Auditor of the Parent Company*	*Parent Company*	*6*
Integration of fees for activities related to the FTA - IFRS 16	*Auditor of the Parent Company*	*Parent Company*	*37*
Statutory audit of the financial statements, periodic checks on the regular bookkeeping of accounts	*Auditor of the Parent Company*	*Subsidiaries*	*57*
Statutory audit of the financial statements	*Network of the Parent Company's auditor*	*Subsidiary Metro Service A/S*	*36*
Integration of audit fees for activities related to the FTA on the 2017 financial statements and the FTA of IFRS 9, 15 and 16	*Network of the Parent Company's auditor*	*Subsidiary Metro Service A/S*	*35*
Limited audit of the consolidated half-year report, prepared on a voluntary basis, of the ATM Group companies as at 06.30.2018	*Network of the Parent Company's auditor*	*Subsidiary Metro Service A/S*	*36*
Certification services			**27**
Annual and semi-annual certification of Covenants to the European Investment Bank	*Auditor of the Parent Company*	*Parent Company*	*13*
Signing of the certificates / certifications required by regulations currently in force	*Auditor of the Parent Company*	*Parent Company*	*14*
Non Audit Service	*Network of the Parent Company's auditor*	*Subsidiary Metro Service A/S*	*64*
Total			**633**

Deloitte & Touche S.p.A. and companies belonging to its network, have not rendered services other than auditing or certification.

42. 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., Inmetro 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 Services Diversified srl, Gesam srl, NET srl, Rail Diagnostics S.p.A..

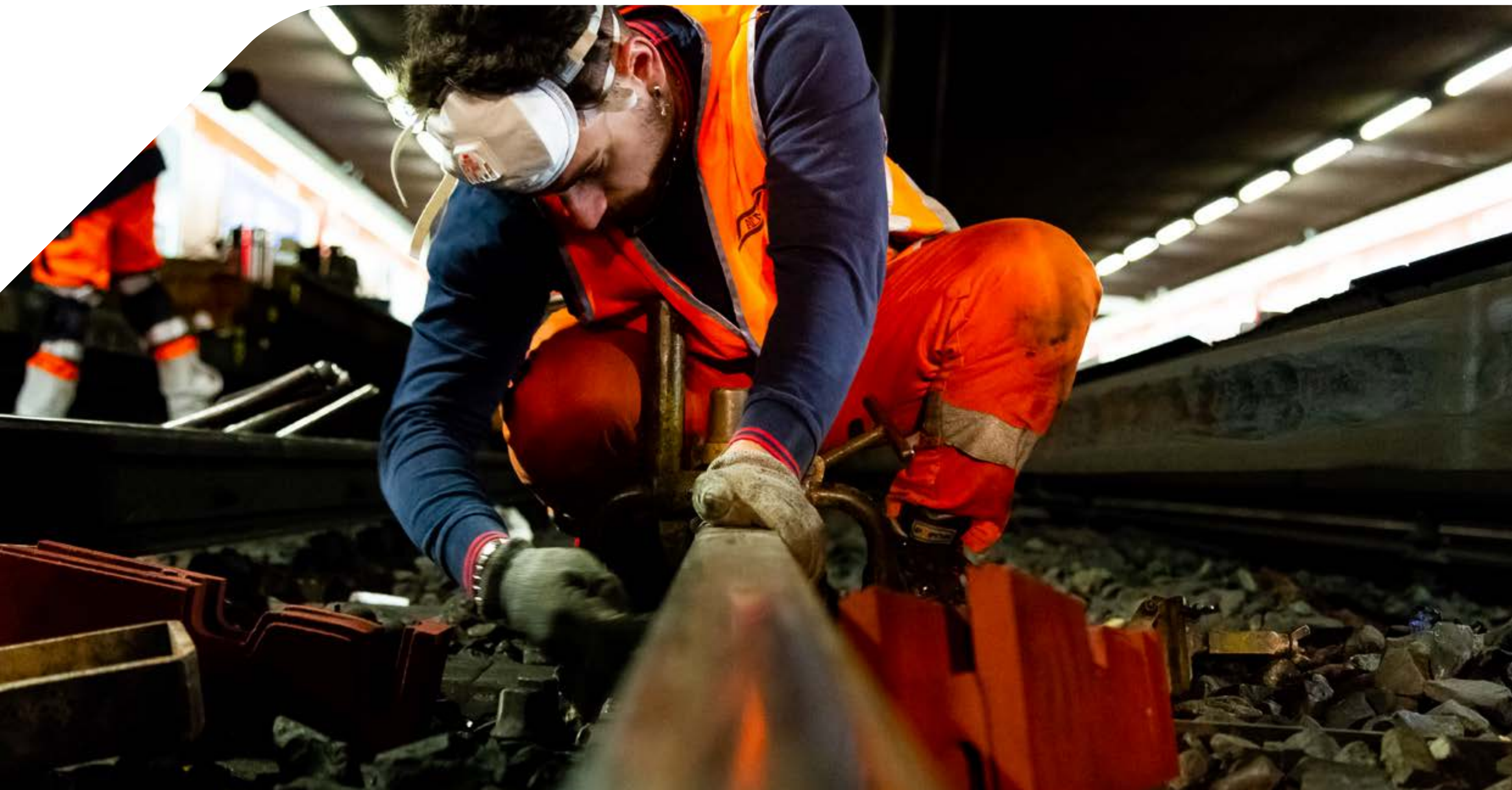
This agreement provides for the transfer of the monthly VAT balance to the Parent Company, which is therefore the only company debtor to the Tax Authority, while the subsidiaries enter the credit / debit relationships with the Parent Company in the Financial Statements.

	Trade	Financial	Dividends	31.12.2018
RECEIVABLES				
- Parent				
Municipality of Milan	123,342	532		123,874
- Associates				
Brianza trasporti S.c.a r.l. in liquidation	116			116
CO.MO. Fun&Bus S.c.a r.l.	194			194
Metro 5 S.p.A.	15,770			15,770
- Other Companies				
A2A S.p.A.	35			35
Fondazione Teatro alla Scala	17			17
Scuole Civiche Milano	2			2
Metropolitana Milanese S.p.A.	131			131
SEA S.p.A.	3			3
SPV Linea M4 S.p.A.	24			24
- Other transactions with Related Parties				
Coop S.E.D. ATM/S.C.C.A.T.I.		1,238		1,238

	Trade	Financial	Dividends	31.12.2018
PAYABLES				
- Parent				
Municipality of Milan	49,277		12,000	61,277
- Associates				
Brianza Trasporti S.c.a r.l. in liquidazione	20			20
Co.mo. Fun&Bus S.c.a r.l.	18			8
Metro 5 S.p.A.	130			130
Movibus S.r.l.	568			568
- Other Companies				
Metropolitana Milanese S.p.A.	402			402
SPV Linea M4 S.p.A.	8			8

INCOME STATEMENT TRANSACTIONS	Core Business Revenue	Other revenue	Other Income	Financial Income
- Parent				
Municipality of Milan	669,405	19,712	3,759	
- Subisidiaries				
La Scala Theatre Foundation		11	9	
Metropolitana Milanese S.p.A.		54		
Small Milano Theatre Foundation - Europe's Theatre		75		
SPV Linea M4 S.p.A.		95		205
- Associates				
CO.MO. Fun&Bus S.c.a r.l.	545	38	38	
Metro 5 S.p.A.	30,311	1,042	106	953
Movibus S.r.l.		57	447	

INCOME STATEMENT TRANSACTIONS	Service cost	Operating lease costs	Employee benefits costs	Other operating costs and charges
- Parent				
Municipality of Milan	(11)	(1,275)		(4,250)
- Subsidiaries				
Metropolitana Milanese S.p.A.	(1,004)	(87)		(3)
Small Milano Theatre Foundation - Europe's Theatre	(65)		(8)	(3)
SEA S.p.A.	(9)			
SPV Linea M4 S.p.A.	(8)			
- Associates				
Co.mo. Fun&Bus S.c.a r.l.	(3)	(207)		(3)
Metro 5 S.p.A.		(260)		
Movibus S.r.l.	(267)			637
Brianza Trasporti S.c.a r.l. in liquidation				(18)
- Other companies				
SIAI Servizi Immobiliari Agricoli e Ittici S.r.l.		(100)		



43. Commitments, guarantees and potential liabilities not recognized in the Financial Statements

The breakdown of the item, which as at December 31st, 2018 shows a balance of € 5,351,528 thousand, is reported below:

	31.12.2018	31.12.2017 Restated
1) Assets in use	4,964,159	4,904,873
2) Guarantees of which:	387,369	379,784
- Guarantees in favour of third parties	*83,950*	*95,860*
- Guarantees given to third parties	*260,906*	*245,480*
- Guarantees to investees	*42,513*	*38,444*
Total	**5,351,528**	**5,284,657**

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 in 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 recognised for commitments and guarantees in the Explanatory Note is revalued at the end of each year.

The amount of Euro 4,964,159 thousand relating to "assets in use" mainly refers to:

- € 4,817,490 thousand for the value of assets used by the Municipality of Milan for the operation of the LPT service;
- € 142,761 thousand for the value of on-street parking and parking areas in use pursuant to the Service Contracts;
- €3,698 thousand for materials owned by Metro 5 S.p.A. received for maintenance activities.

"Guarantees on behalf of third parties", amounting to € 83,950 thousand, refer to guarantees issued in favor of third parties.

"Guarantees to third parties", amounting to € 260,906 thousand, refer to guarantees or cautions issued by third parties in favor of the Group.

The "guarantees to investees" equal to Euro 42.513 thousand refers to:

- for a total of € 1,811 thousand to the pledge registered on 106,600 shares of the company Metro 5 S.p.A. and the pledge registered on 8,352 shares of the company SPV Linea M4 S.p.A. in favor of a pool of lending banks in the context of the related construction and management projects for the new lines M5 and M4;

- for € 26,246 thousand for co-obligations and guarantees given to the subsidiary Metro 5 S.p.A. and in favor of SPV Linea M4 S.p.A .;
- for Euro 4,456 thousand to commitments made in favor of SPV Linea M4 SpA.

The value of the contractual commitments for the supply contracts for investments is Euro 181,510 thousand and those relating to lease instalments is Euro 3,602 thousand.

44. Information on public disbursements - article 1, paragraphs from 125 to 129 of law n. 124/2017

The amounts collected in the 2018 financial year by nature and entity are displayed below:

- CCNL contributions, disbursed by the Lombardy Region through the LPT Agency for Euro 41,788 thousand, of which Euro 12,504 thousand pertaining to 2017 and Euro 29,284 thousand pertaining to the 2018 financial year, gross of 4% withholding tax ;
- contributions for the purchase of metropolitan trains, disbursed by the State for Euro 1,638 thousand;
- contributions for the purchase of buses, disbursed by the Lombardy Region for Euro 10,583;
- contributions for the bike sharing system, issued by the Municipality of Milan for Euro 581 thousand;
- reimbursement of sickness charges for 2012, paid by the Ministry of Labor for Euro 5,315 thousand.

Separate Financial Statements of ATM S.p.A.

Financial statements ATM S.p.A.

Statement of financial position of ATM S.p.A.

	Note	31.12.2018	31.12.2017 Restated (*)	01.01.2017 Restated (*)
Assets				
Property, plant and equipment	7	1,232,417,325	1,146,311,418	1,126,303,908
Intangible assets	8	2,574,341	2,187,074	1,878,054
Investments	9	29,448,431	31,204,838	29,940,038
Non-current financial assets	10	22,978,430	304,823,975	267,003,795
Of which: Related Parties	*39*	*22,500,079*	*23,498,150*	*21,012,771*
Deferred tax assets	11	72,224,200	70,140,463	76,024,973
Other receivables and non-current assets	12	14,267,756	21,057,848	27,730,716
Non-current assets		**1,373,910,483**	**1,575,725,616**	**1,528,881,484**
Inventories	13	80,255,932	76,217,287	69,474,036
Current financial assets	14	255,527,937	20,667,563	43,248,263
Tax receivables	15	17,302,147	13,176,043	7,473,671
Trade receivables	16	173,289,136	96,979,919	113,171,505
Of which: Related Parties	*39*	*145,932,441*	*79,701,398*	*93,813,716*
Other receivables and current assets	17	62,280,571	65,547,167	89,600,059
Cash and cash equivalents	18	225,641,181	157,869,222	98,576,406
Current assets		**814,296,904**	**430,457,201**	**421,543,940**
Assets related to discontinued operations	19	14,001	-	13,097,953
Total assets		**2,188,221,388**	**2,006,182,817**	**1,963,523,377**

(*) Restated values compared to those of the Financial Statements approved by the Shareholders Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which defines the methods of representation deriving from changes in the accounting standards or from the retrospective effects from the adoption of the new accounting principles. The Explanatory Note in the Note 3 illustrates which of the financial statements accounts have been adjusted and the related quantitative impacts.

	Note	31.12.2018	31.12.2017 Restated values (*)	01.01.2017 Restated values (*)
Equity				
Share Capital		700,000,000	700,000,000	700,000,000
Legal reserve		140,000,000	140,000,000	140,000,000
Other reserves		287,054,949	269,455,633	269,957,743
Retained earnings		50,568,663	(12,575,458)	22,348,311
Net profit for the year		2,339,320	12,597,718	(8,923,769)
Total Equity	**20**	**1,179,962,932**	**1,109,477,893**	**1,123,382,285**
Liabilities				
Non-current financial liabilities	21	307,697,350	257,960,103	137,628,807
Employee benefits	22	127,367,367	51,601,002	55,032,011
Provisions for risks and charges	23	81,309,301	80,822,852	94,684,360
Deferred tax liabilities	24	48,396,562	49,917,393	55,338,703
Non-current liabilities		**564,770,580**	**440,301,350**	**342,683,881**
Current financial liabilities	21	24,648,401	132,335,376	173,517,955
Of which: Related Parties	*39*	*6,691,181*	*118,238,414*	*167,158,902*
Current tax liabilities	25	39,300	896,548	1,391,945
Trade payables	26	275,535,596	254,187,916	230,189,957
Of which: Related Parties	39	54,860,217	64,160,181	68,404,229
Other payables and current liabilities	27	143,264,579	68,983,734	92,357,354
Of which: Related Parties	*39*	*12,000,000*	*26,000,000*	*38,574,367*
Current liabilities		**443,487,876**	**456,403,574**	**497,457,211**
Liabilities related to discouninued perations		-	-	-
Total liabilities		**1,008,258,456**	**896,704,924**	**840,141,092**
Total equity & liabilities		**2,188,221,388**	**2,006,182,817**	**1,963,523,377**

(*) Restated values compared to those of the Financial Statements approved by the Shareholders Meeting of April 11, 2018, pursuant to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” which defines the methods of representation deriving from changes in the accounting standards or from the retrospective effects from the adoption of the new accounting principles. The Explanatory Note in the Note 3 illustrates which of the financial statements accounts have been adjusted and the related quantitative impacts.

Income statement of ATM S.p.A

	Note	2018	Of which: Related parties	2017 Restated values (*)	Of which: Related parties
Revenues and other operating income					
Core Business Revenue	28	743,215,608	706,491,402	457,914,194	29,084,377
Other revenue	28	55,627,699	21,772,291	30,336,165	2,466,230
Other income	28	74,057,596	4,932,161	27,947,297	2,430,830
Total revenues and other operating income		**872,900,903**	**733,195,854**	**516,197,656**	**33,981,437**
Costs and other operating charges					
Purchase of goods and changes in inventories	29	(67,612,939)	(8,875)	(76,315,990)	(17,519)
Service costs	30	(199,338,023)	(8,983,089)	(175,888,661)	(8,281,265)
Operating leasing costs	31	(5,258,234)	(1,855,896)	(4,265,025)	(454,987)
Personnel expenses	32	(470,955,017)	(8,328)	(148,405,485)	-
Other costs and operating charges	33	(26,677,407)	(3,438,471)	(32,774,288)	54,006
Total costs and other operating charges		**(769,841,620)**	**(14,294,659)**	**(437,649,449)**	**(8,699,765)**
Ebitda		**103,059,283**		**78,548,207**	
Amortization, depreciation and write-downs	**34**	**(86,459,781)**		**(84,108,979)**	
Depreciation – Property, Plant and equipment	36	(122,589,956)		(113,786,074)	
Plants and machinery		(107,229,866)		(102,028,427)	
Buildings		(9,015,365)		(6,549,492)	
Commercial and industrial equipment		(3,016,998)		(2,456,624)	
Other goods		(3,327,727)		(2,751,531)	
Plant capital grants	34	37,079,269		31,054,064	
Amortization – Intangible assets	34	(949,094)		(1,004,425)	
Software Licenses		(949,094)		(1,004,425)	
Write-down of fixed assets	34	-		(372,544)	
Ebit		**16,599,502**		**(5,560,772)**	
Financial Income	35	7,552,951	3,210,525	6,576,249	1,242,232
Financial expenses	35	(13,783,906)	(37)	(4,042,826)	(7,454,608)
Net financial income		**(6,230,955)**		**2,533,423**	
Pre-tax profit		**10,368,547**		**(3,027,349)**	
Income taxes	36	(8,029,227)		15,625,067	
Net profit		**2,339,320**		**12,597,718**	

(*) Restated values compared to those of the Financial Statements approved by the Shareholders Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which defines the methods of representation deriving from changes in the accounting standards or from the retrospective effects from the adoption of the new accounting principles. The Explanatory Note in the Note 3 illustrates which of the financial statements accounts have been adjusted and the related quantitative impacts.

Statement of comprehensive income

	Note	2018	Of which: Related parties	2017 Restated Values (*)	Of which: Related parties
Net Profit		**2,339,320**		**12,597,718**	
Other comprehensive income statement items					
Items which may not be reclassified subsequently in the P&L account					
Revaluations of net liabilities for defined benefits	22	(1,093,294)		5,801	
Income taxes on items which may not be reclassified subsequently in the P&L account	22	262,391		(1,392)	
Total items which may not be reclassified subsequently in the P&L account		**(830,903)**		**4,409**	
Items which may be reclassified subsequently in the P&L account					
AFS financial assets-Available For Sale	22	-		(905,521)	
Financial assets - Held to Collect and Sell	22	(3,114,584)		-	
Income taxes on items which may be reclassified subsequently in the P&L account	22	747,500		399,002	
Total items which may be reclassified subsequently in the P&L account		**(2,367,084)**		**(506,519)**	
Total other comprehensive income statements items		**(3,197,987)**		**(502,110)**	
Total comprehensive income		**(858,667)**		**12,095,608**	

(*) Restated values compared to those of the Financial Statements approved by the Shareholders Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which defines the methods of representation deriving from changes in the accounting standards or from the retrospective effects from the adoption of the new accounting principles. The Explanatory Note in the Note 3 illustrates which of the financial statements accounts have been adjusted and the related quantitative impacts.

Statement of changes in equity of ATM S.p.A.

Equity	01.01.2017 Restated values (*)	Allocation of Profit	Divided deliberated	Other omprehensive income items	Net profit	31.12.2017 Restated values (*)
Share Capital	700,000,000					700,000,000
Legal reserve	140,000,000					140,000,000
Other Reserves	269,957,743			(502,110)		269,455,633
Conferment reserve	*19,689,557*					*19,689,557*
Extraordinary reserve	*5,763,772*					*5,763,772*
Roundings reserve	*1*					*1*
First time Adoption Reserve	*133,683,325*					*133,683,325*
Actuarial Losses Reserve	*(494,213)*			*4,409*		*(489,804)*
Available For Sale Reserve	*716,656*			*(506,519)*		*210,137*
Revaluation reserve	*110,598,645*					*110,598,645*
Retained earnings	22,348,311	(8,923,769)	(26,000,000)			(12,575,458)
Net profit for the year	(8,923,769)	8,923,769			12,597,718	12,597,718
Total Equity	**1,123,382,285**	**-**	**(26,000,000)**	**(502,110)**	**12,597,718**	**1,109,477,893**

Equity	**31.12.2017 Restated values (*)**	**Allocation of Profit**	**Fusion**	**Impacts FTA IFRS 9**	**Other Move-ments**	**Other prehensive income items**	**Net profit**	**31.12.2018**
Share capital	700,000,000							700,000,000
Legal reserve	140,000,000							140,000,000
Other Reserves	269,455,633		20,460,365	330,538	6,400	(3,197,987)		287,054,949
Conferment reserve	*19,689,557*							*19,689,557*
Extraordinary reserve	*5,763,772*							*5,763,772*
Rounding reserve	*1*		*(1)*		*(2)*			*(2)*
First time Adoption Reserve	*133,683,325*		*22,026,921*					*155,710,246*
Actuarial Losses Reserve	*(489,804)*		*(1,566,555)*			*(830,903)*		*(2,887,262)*
Available for sale Reserve	*210,137*			*(210,137)*				-
Property valuation reserve at Fair Value	*110,598,645*							*110,598,645*
Held to Collect and Sell Reserve				*278,190*		*(2,367,084)*		*(2,088,894)*
OCI Reserve				*262,485*	*6,402*			*268,887*
Retained earnings	(12,575,458)	12,597,718	50,400,154	146,249				50,568,663
Net profit for the year	12,597,718	(12,597,718)					2,339,320	2,339,320
Total Equity	**1,109,477,893**	**-**	**70,860,519**	**476,787**	**6,400**	**(3,197,987)**	**2,339,320**	**1,179,962,932**

(*) Restated values compared to those of the Financial Statements approved by the Shareholders Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which defines the methods of representation deriving from changes in the accounting standards or from the retrospective effects from the adoption of the new accounting principles. The Explanatory Note in the Note 3 illustrates which of the financial statements accounts have been adjusted and the related quantitative impacts.

Statement of cash flow of ATM S.P.A.

		2018		2017 Restated values (*)	
A.	**Cash flow from operating activities**				
	Net Profit		**2,339,320**		**12,597,718**
	Income taxes	8,029,227		(15,625,067)	
	(Net Interest income)	8,195,641		(2,533,423)	
	(Dividends)	(2,040,000)		-	
	(Gains)/losses on sale of assets	448,184		(24,726)	
	1. Profit/(loss) for the year before taxes, interest, dividends and gains/losses from disposals		**16,972,372**		**(5,585,498)**
	Non-cash adjustments not impacting working capital				
	Changes in provisions for risks and charges	1,038,245		51,273,939	
	Changes in employee benefits fund	1,093,295		(120,583)	
	Changes in the provision for impairment on cash and cash equivalents	246,021		-	
	Amortization	86,459,781		83,736,435	
	Adjustments to fixed asset values	-		372,544	
	Impairment on financial activities	75,314		-	
	Other changes	(625,837)		(502,110)	
	Total non-cash adjustments		*88,286,819*		*134,760,225*
	2. Cash flow before working capital changes		**105,334,505**		**129,174,727**
	Change in net working capital:		*30,499,880*		*29,584,505*
	Inventories	(4,038,645)		6,354,702	
	Trade receivables	(41,765,923)		3,782,827	
	Trade receivables intercompany	(1,252,829)		12,659,500	
	Other receivables	45,916,991		23,255,682	
	Other receivables intercompany	401,428		(250,741)	
	Prepayments and accrued income	(123,892)		89,451	
	Trade payables	24,066,193		5,813,207	
	Trade payables intercompany	637,412		(1,866,138)	
	Other payables	9,068,888		(18,563,745)	
	Other payables intercompany	(810,576)		(1,651,495)	
	Accrued liabilities and deferred income	(1,599,167)		(38,745)	
	3. Cash flow after net working capital changes		**135,759,071**		**158,759,232**
	Other adjustments		*(16,332,083)*		*(47,298,851)*
	Interest received/(paid)	(701,852)		2,989,938	
	(Income taxes paid)	(1,594,960)		(19,100,365)	
	Received dividends	2,040,000		-	
	(Utilization of provisions for risks and charges)	(3,718,175)		(27,421,483)	
	(Utilization post-employment benefit provision)	(12,357,096)		(3,766,941)	
	Cash flow from operating activities (A)		***119,426,988***		***111,460,381***

		2018		2017 Restated values (*)	
B	**Cash flows from investing/divestment activities**				
	Property, plant & equipment				
	(investments)	(162,711,853)		(104,161,938)	
	Sales price of disposals	456,460		931,737	
	Intangible assets				
	(Investments)	(1,325,793)		(1,313,446)	
	Sales price of disposals	(10,567)			
	Increase/(decrease) in trade payables for fixed assets	11,889,124		21,702,385	
	Financial fixed assets				
	(Investments)	(2,469,938)		(20,290,349)	
	Sales price of disposals	3,413,138		201,910	
	Financial intangible assets				
	(Investments)	(67,756,522)		-	
	Sales price of disposals	107,622,009		-	
	Changes in plant capital grants	8,613,220		142,864	
	Cash flow from investing/disinvestment activities (B)		***(102,280,722)***		***(102,786,837)***
C	**Cash flow from financing activities**				
	Third party fund				
	New loans	70,000,000		138,946,174	
	Repayment of loans	(10,504,722)		(4,517,916)	
	Increase (decrease) Cash Pooling	(395,001)		(45,234,419)	
	Own fund				
	Dividends (and advances on dividends) paid	(14,000,000)		(38,574,567)	
	Cash flow from financing activities (C)		***45,100,277***		***50,619,272***
	Exchange rate effect	71,578		-	
	Increase (decrease) in cash and cash equivalents and current securities		62,318,121		59,292,816
	Cash and cash equivalents at the beginning of the year ATM		**157,869,222**		**98,576,406**
	Cash and cash equivalents at the beginning of the year ATM SERVICES		**5,699,859**		
	Cash and cash equivalents at the end of the year **		**225,887,202**		**157,869,222**

(*) Restated values compared to those of the Financial Statements approved by the Shareholders Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which defines the methods of representation deriving from changes in the accounting standards or from the retrospective effects from the adoption of the new accounting principles. The Explanatory Note in the Note 3 illustrates which of the financial statements accounts have been adjusted and the related quantitative impacts.

(**) Over the gross value of the provision of the Cash and cash equivalents.

ATM S.p.A. Explanatory notes

1. General informations

ATM S.p.A. (hereafter “the Company” or “ATM”) is a limited liability company incorporated and domiciled in Milan according to Italian Law. The registered office of the company is in Milan – at Foro Buonaparte, 61.

On April 1st, 2019 the Directors authorizerd the publication of the following Financial Statemens and it will be submitted to the Shareholders’ meeting for approval and subsequent filing, within the deadlines set by law. The Assembly has the power to make changes to this Report.

The company Deloitte & Touche S.p.A. is in charge of the statutory audit of the accounts.

During the preparation of the Financial Statement the same accounting standards and valuation criteria adopted in the preparation of the Financial Statements as at December 31st, 2017 were applied, supplemented by what is described in the paragraph “Accounting principles, amendments and interpretations applied from January 1st, 2018. Particulary refering to IFRS9 and IFRS15 which became effective in 2018, modified with reference to the valuation at cost recalculated at the Fair Value of the Land and Buildings as permitted by IAS16. Following this change in the valuation criteria, the Financial Position Statement as at December 31st, 2017 and January 1st, 2017, the Income Statement for 2017, the statement of other components of the Income Statement for the year 2017, also the changes in equity from January 1st, 2017 to December 31st, 2017 and the cash flow statement for the year 2017 persuant to IAS 1 p.ar. 39 and 40 were respectively adopted. In the “comparability of Financial Statements paragraph: “Changes in valuation criteria” of Note 3 are described and analyzed the effects resulting from the change in the Fair Value measurement of Land and Building. The first application of IFRS 9 resulted in changes to the opening shareholders’ equity without the need for restatement, as allowed by the provisions of the same principle with reference to the year of first application; the adoption of IFRS 15 had no impact on the comparative data.

2. Editorial criteria for the Financial Statements

These Financial Statements for the year ended December 31st, 2018 were prepared in accordance with international accounting standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS). The International Accounting Standards Board (IASB) issues these standards, and the interpretations issued by the IFRS Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). In addition, the European Union pursuant to European Regulation (EU) endorsed these standards with reference 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 mandatory application of IAS/IFRS Standards for the preparation of separate and consolidated financial statements of companies issuing financial instruments admitted for trading on regulated markets in any member State of the European Union.

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

The financial statements were prepared in accordance with the going concern concept pursuant to paragraphs 24 and 25 of IAS 1, utilizing therefore accounting policies of an operating group. As fully reported in the Directors Report, the Company's Directors prepared the Financial Statements. The preparing took into consideration that as of April 1st, 2018, due to the merger by incorporation of the 100% subsidiary ATM Servizi S.p.A., ATM became the direct owner of the service contract (TPL) with the Municipality of Milan, with a deadline extended until October 31, 2020. This came following the signing of April 24, 2018 and April 26, 2018 of the deeds for the continuation of the extensions. The directors have verified the inexistence of financial, managerial, operational and other indicators that could indicate critical issues regarding the Company's ability to meet its obligations in the foreseeable future and particulary in the next 12 months. The description of the methods through which the Company manages the financial risks is contained in the following point no. 6 – 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 "Statement of cash flows" and the present "Explanatory notes".

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

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

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

The Income statement was prepared classifying revenues and costs by type, indicating the interim gross and net operating margin and the result before taxes, in order to better present the operating performance. The chosen format complies with internal reporting and business management practice, in addition to international best practice and is therefore considered more representative than presentation by destination, providing more reliable and relevant performance indicators for the sector. The revenues and costs also disclose the amounts with related parties. Revenues and costs with related parties are also illustrated in detail by counterparty in the table at Note 39.

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

The Statement of comprehensive income was drawn up as per IAS 1 and outlines the changes to the equity accounts concerning:

- allocation of the result for the year;
- each profit and loss account, net of any tax effects which, as required by IAS/IFRS, are alternatively directly recognized to equity (actuarial profits and losses generated from the

measurement of defined benefit plans, measurement of financial assets at Fair Value and measurement of derivative financial instruments at Fair Value held by associates measured under the equity method) or are recognized to an equity reserve, whose impact is therefore directly reflected in equity;

- the effect deriving from any changes in accounting standards or the introduction of new accounting standards (in the case of these, represented, as anticipated, by the first adoption of IFRS 9 and the modification of the valuation criteria of the asssets from cost to Fair Value).

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 effect on liquidity determined by the incorporation of ATM Servizi S.p.A. was presented in a separate section, different from the previouse ones, which are therefore adjusted for the impacts deriving from each incorporation of the ATM Servizi S.p.A..

The Financial report includes the Directors' Report, which comprises the Financial Statements. In addition, in compliance with the requirements introduced by Legislative Decree No. 254 of December 30, 2016 enacting Directive 2014/95/EU, and in compliance with the GRI Sustainability Reporting Standards - published by the Global Reporting Initiative (GRI) – the Company prepared the Consolidated Non-Financial Report to ensure the dissemination of the activities of the Group, of its performance, of its results and of the impact produced, covering 5 significant areas: environment, social aspects, personnel management, human rights and the fight against corruption. For further details, reference should be made to the separate document "2018 Consolidated Non-Financial Report" available on the website www.atm.it.

The functional currency of the Company is the Euro, which represents the basis of the financial statements, and represents the currency of the country in which the Company operates; the financial statements and all amounts included in the tables of the explanatory notes, unless otherwise indicated, are expressed in the Euro currency.

The financial statements have been prepared applying the historical cost method, taking into account appropriate value adjustments, with the exception of the items in the Financial Statement, which must be recognized at the Fair Value, as indicated in the criteria of valuation and without prejudice to the cases in which the IAS-IFRS standards allow a different valuation criteria and this alternative criteria to the cost has been adopted (in this case the valuation of the real estate portofolio at Fair Value).

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

3. Valuation criteria

Comparability of Financial Statements: Changes in the valuation criteria

As anticipated in Note 1, ATM has decided to modify the valuation criteria for Land and Buildings, adopting the valuation at cost recalculated at Fair Value instead of that of historical cost, in accordance with the options granted by IAS 16. Specifically, the motivation for the changes in the evaluation criteria was determined by the need for a better explanation of the corporate assets consistency, in view of the financing operations necessary to carry out the investment program predicted in the multi-year strategic development lines approved on April 1st, 2019; the change in the evaluation criteria involved the following types of assets: land, deposits, offices and real estate investments.

The valuation criteria were not edited for the deposits disposed of by the production process and those for which restructuring and redevelopment interventions are predicted, the value of which was recognized in previous years of specific value adjustments. The valuation at Fair Value was carried out through an expert appraisal commissioned to a leading independent third party expert in the real estate market. In this context, a new economic-technical life was defined for the buildings subject to valuation at Fair Value.

Following the aforementioned changes and in compliance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Company proceeded with the restatement of the effects as of January 1st, 2017, which corresponds to the beginning of the first previous period set to comparison; consequently, the statement of financial position at December 31st, 2017 and January 1st, 2017, the 2017 income statement, the statement of other components of the comprehensive income statement for 2017, the statement of changes in equity from January 1, 2017 to December 31st, 2017, and the 2017 Cash Flow Statement, pursuant to IAS 1 par. 39 and 40, have been correspondingly restated to reflect the effects of the changes in the valuation criteria.

The effect of the change in the measurement criteria of the Land and Buildings as described above was found in a specific equity reserve, called “Revaluation reserve at Fair Value of the buildings”, at the net value of the related deferred tax effect, given the absence of relevance for tax purposes of the valuation at market values of the Land and Buildings.

The statement of the financial position as at December 31st, 2017 and January 1st, 2017 is shown below, highlighting and quantifying the effect of the adoption of the Fair Value measurement criteria for the Land and Buildings (IAS16):

	01.01.2017	Modification with the *Fair Value* of the Land and buildings	01.01.2017 Restated values (*)
Assets			
Property, plant and equipment	972,266,798	154,037,110	1,126,303,908
Intangible assets	1,878,054		1,878,054
Investments	29,940,038		29,940,038
Non-current financial assets	267,003,795		267,003,795
Deferred tax assets	76,024,973		76,024,973
Other receivables and non-current assets	27,730,716		27,730,716
Non-current assets	**1,374,844,374**	**154,037,110**	**1,528,881,484**
Inventories	69,474,036		69,474,036
Current financial assets	43,248,263		43,248,263
Tax receivables	7,473,671		7,473,671
Trade receivables	113,171,505		113,171,505
Other receivables and current assets	89,600,059		89,600,059
Cash and cash equivalent	98,576,406		98,576,406
Current assets	**421,543,940**	**-**	**421,543,940**
Assets held-for-sale	13,097,953		13,097,953
Total assets	**1,809,486,267**	**154,037,110**	**1,963,523,377**

	01.01.2017	Modification with the *Fair Value* of the Land and buildings	01.01.2017 Restated values (*)
Equity			
Share Capital	700,000,000		700,000,000
Legal Reserve	140,000,000		140,000,000
Other Reserves	159,359,098	110,598,645	269,957,743
Retained earnings	22,348,311		22,348,311
Net profit for the year	(8,923,769)		(8,923,769)
Total Equity	**1,012,783,640**	**110,598,645**	**1,123,382,285**
Liabilities			
Non-current financial liabilities	137,628,807		137,628,807
Employee benefits	55,032,011		55,032,011
Provisions for risks and charges	94,684,360		94,684,360
Deferred tax liabilities	11,900,238	43,438,465	55,338,703
Non-current liabilities	**299,245,416**	**43,438,465**	**342,683,881**
Current financial liabilities	173,517,955		173,517,955
Current income tax liabilities	1,391,945		1,391,945
Trade payables	230,189,957		230,189,957
Other payables and current liabilities	92,357,354		92,357,354
Current liabilities	**497,457,211**	**-**	**497,457,211**
Liabilities Held-For-Sales			
Total liabilities	**796,702,627**	**43,438,465**	**840,141,092**
Total equity & liabilities	**1,809,486,267**	**154,037,110**	**1,963,523,377**

(*) Restated values comparing to those of the Financial Statements approved by the shareholders meeting of April 11, 2018, pursuant to IAS 8 " Accounting policies, changes in Accounting Estimates and Errors", which defines the methods of representation deriving from changes in Accounting policies.

	31.12.2017	Modification with the *Fair Value* of the Lands and Buildings	31.12.2017 Restated values (*)
Assets			
Property, plant and equipment	993,128,895	153,182,523	1,146,311,418
Intangible assets	2,187,074		2,187,074
Investments	31,204,838		31,204,838
Non-current financial assets	304,823,975		304,823,975
Deferred tax assets	70,140,463		70,140,463
Other receivables and non-current assets	21,057,848		21,057,848
Non-current assets	**1,422,543,093**	**153,182,523**	**1,575,725,616**
Inventories	76,217,287		76,217,287
Current financial assets	20,667,563		20,667,563
Tax receivables	13,176,043		13,176,043
Trade receivables	96,979,919		96,979,919
Other receivables and current assets	65,547,167		65,547,167
Cash and cash equivalents	157,869,222		157,869,222
Current assets	**430,457,201**	**-**	**430,457,201**
Assets held-for-sale	**-**	**-**	**-**
Total assets	**1,853,000,294**	**153,182,523**	**2,006,182,817**

	31.12.2017	Modification with the *Fair Value* of the Lands and Buildings	31.12.2017 Restated values (*)
Equity			
Share Capital	700,000,000		700,000,000
Legal Reserve	140,000,000		140,000,000
Other reserves	158,856,988	110,598,645	269,455,633
Retained earnings	(12,575,458)		(12,575,458)
Net profit for the year	13,211,312	(613,594)	12,597,718
Total Equity	**999,492,842**	**109,985,051**	**1,109,477,893**
Liabilities			
Non-current financial liabilities	257,960,103		257,960,103
Employee benefits	51,601,002		51,601,002
Provision for risks and charges	80,822,852		80,822,852
Deferred tax liabilities	6,719,921	43,197,472	49,917,393
Non-current liabilities	**397,103,878**	**43,197,472**	**440,301,350**
Current financial liabilities	132,335,376		132,335,376
Current income tax liabilities	896,548		896,548
Trade payables	254,187,916		254,187,916
Other payables and current liabilities	68,983,734		68,983,734
Current liabilities	**456,403,574**	**-**	**456,403,574**
Liabilities Held-For-Sale	**-**	**-**	**-**
Total liabilities	**853,507,452**	**43,197,472**	**896,704,924**
Total Equity & Liabilities	**1,853,000,294**	**153,182,523**	**2,006,182,817**

(*) Restated values comparing to those of the Financial Statements approved by the shareholders meeting of April 11, 2018, pursuant to IAS 8 " Accounting policies, changes in Accounting Estimates and Errors", which defines the methods of representation deriving from changes in Accounting policies.

The Income Statement as at December 31st, 2017 is shown below with evidence and quantification of the effect of the adoption of the Fair Value measurement criteria for the Land and Buildings (IAS 16):

	2017	Modification with the *Fair Value* of the Lands and buildings	2017 Restated values (*)
Revenue and othe operating income	516,197,656		516,197,656
Costs and other operating expenses	(437,649,449)		(437,649,449)
Ebit	**78,548,207**	**-**	**78,548,207**
Amortization, depreciation and write-downs	(83,254,391)	(854,588)	(84,108,979)
Operating Result	**(4,706,184)**	**(854,588)**	**(5,560,772)**
Net financial income	2,533,423		2,533,423
Pre-tax profit	**(2,172,761)**	**(854,588)**	**(3,027,349)**
Income taxes	15,384,073	240,994	15,625,067
Net profit	**13,211,312**	**(613,594)**	**12,597,718**

(*) Restated values comparing to those of the Financial Statements approved by the shareholders meeting of April 11, 2018, pursuant to IAS 8 " Accounting policies, changes in Accounting Estimates and Errors", which defines the methods of representation deriving from changes in Accounting policies.

Property, plant and equipment

Buildings consisting of land, warehouses and offices (with the exception of deposits disposed of by the production process and those for which restructuring and redevelopment are planned) are valued at the redefined Fair Value criteria, which allows the value asset to be periodically restated in order in can be aligned with a value equal to the Fair Value on the date of recalculation, net of accumulated depreciation and any impairment losses.

Please refer to the previous paragraph "Comparaibility of the Financial Statements: changes in the valuation creteria", for the considerations that led to the changes of the valuation criteria of the buildings starting from the present Financial Statements at December 31st, 2018; with the change in the valuation criteria, the useful lives of the buildings themselves were recalculated.

Property, plant and equipment (fixed assets) are recognized at purchase or production cost, net of accumulated depreciation and any impairments. The purchase or production cost includes charges directly incurred for bringing the asset to their condition for use, as well as dismantling and removal charges which will be incurred consequent of contractual obligations, which require the asset to be returned to its original condition.

The costs for improvements, modernisation 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 modernisation/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 modernisation/ upgrading. The capitalisation of the interventions described above relating to the expansion, modernisation 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 expensed to the income statement when they are incurred.

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

The estimated useful lives are as follows:

Property, plant and equipment	Useful life years
Buildings	50(*)
Plant and machinery	
Lines plant	
- Depot fixed plant	20
- Water supply plant	9
- Line switch plant	10
- Industrial plant	17
- Signaling plant	25
- Operating offices	17
- Power substation	17
- Autolocalisation	17
- Magnetic-eletronic ticketing	10
Line rolling stock	
- Rail rolling stock	30
- Road rolling stock	7 ÷ 13
Industrial and commercial equipment	
- Ancillary vehicles	5 ÷ 13
- Other equipment	5 ÷ 10
Other assets	5 ÷ 8

(*) Useful live redefined as better explained below.

The useful life of property, plant and equipment and their residual value are reviewed and updated, where necessary, at least at the end of each year. Particulary, as indicated in the previous paragraph “Comparability of the Financial Statements: changes in the valuation criteria”, the useful live of the buildings (deposits, offices and non-instrumental buildings) a new economic-technical life was established for the buildings subject to evaluation at Fair Value.

This account includes owned buildings not for operational use. Investment property is initially recognized at cost and subsequently measured utilising the amortised cost criteria, net of accumulated depreciation and losses in value. Referencing to the contents of the following paragraph “Impairment of Assets” for the of 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 to periodically restated 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 case of the sale of the properties, any higher price collected compared to the entry value of the property is credited to the net equity in the account “Other reserves” which also includes the residual portion of OCI attributable to the property or land transferred.

Please refer to the previous paragraph “Comparability of financial statements: changes in measurement criteria”, for the considerations that led to the modification of the valuation criteria of real estate investments starting from the present Financial Statements at December 31st, 2018.

Financial leasing assets

The tangible assets owned in the quality of the Financial Leasing contracts (financial leases), through which the risks and benefits of ownership are substantially transferred to the Company, are recognized as assets of the Company at their current value on the date the contract is stipulated or, if lower, to the present value of the minimum payments due for the lease, including any amount to be paid for exercising of the purchase option. The corresponding liability to the lessor is shown in the balance sheet under financial payables. The assets are depreciated applying the aforementioned criteria and rates. Leases in which the lessor substantially maintains the risks and benefits linked to the ownership of the assets are classified as operating leases. The costs relating to operating leases, up until the applying of the new IFRS 16 scheduled for January 1st, 2019, are recognized on a straight-line basis in the Income Statement over the duration of the lease contract.

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 license software, including expenses incurred to render the software ready for use, are amortised on a straight-line basis over five years, while software programme maintenance costs are expensed 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 “Impairment of assets” for the criteria of eventual write-downs.

Investments in associates and other companies

Investments in subsidiaries, associates and other companies are measured with the purchase cost (including directly attributable ancillary costs), which may be reduced for impairment in accordance with the IAS 36.

The positive difference, when emerging at the time of the purchase with third parties, between the acquisition cost and the portion of shareholders' equity at current values of the subsidiary pertaining to the Company is, therefore, included in the carrying value 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 carrying 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 an impairment loss is subsequently reversed, the increase in carrying amount (up to a maximum of purchase cost) is recognized through the income statement.

Assets value adjustments

A verification is carried out at each reporting date to establish whether there are indicators that tangible and intangible assets and investments may have incurred an impairment. 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.

Where these indicators exist, an estimate of the recoverable value of the above-mentioned assets is made (Impairment test), recognizing any write down compared to the relative book value in the income statement. The recoverable value of an asset is the higher between the Fair Value, less costs to sell, and its value in use, where this latter is the present value of the estimated future cash flows for this asset. In defining the value in use, the expected future cash flows are discounted utilising a discount rate that reflects the current market assessment of the time value of money, and the specific risks of the asset. For an asset that does not generate 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 carrying 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 carrying value and within the limit of the relative recoverable value. When the reasons for the write-down no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would be recognized if no write-down had taken place and amortisation or depreciation had been recognized.

- ***Land and buildings valued at cost restated at the Fair Value***

In the Fair Value recalculation exercise, the positive difference between the restated Fair Value and the recognition value (Fair Value at the previous adjusted depriciation) is recognized in equity meanwhile, in the event of a negative differential, it is recognized in the shareholders' equity (OCI) until the residual value of the Fair Value recalculation of each property and for the part exceeding the income statement.

Financial assets

Aligned with the IFRS 9 dispositions, the financial assets are classified into the following 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 refered as the FVTOCI); (iii) financial assets measured at Fair Value with recognition of the effects in the income statement (hereinafter refered as the FVTPL).

The initial recognition of the Financial Assets occurs considering the Fair Value.

(i) ***financial assets measured at the amortized cost***

After the initial recognition, the 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 the capital repayments, any write-downs and the amortization of the difference between the repayment amount and the initial recognition value. The 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 the amortized cost are reflected in the balance sheet as the 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 refered as the FVTOCI)***

The financial assets representing debt instruments whose business model foresees both the possibility of collecting contractual cash flows and the possibility of realizing capital gains on disposal (so-called business model held to collect and sell), are valued at Fair Value with attribution of the effects to OCI (hereinafter also FVTOCI). In this case, changes in the Fair Value of the instrument are recognized under shareholders' equity, among other components of comprehensive income. The cumulative amount of changes in the 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 the Fair Value with recognition of the effects in the income statement (hereinafter refered as the FVTPL)***

A financial asset that is not valued at the amortized cost or at FVTOCI is valued at Fair Value with the effects posted to the income statement (FVTPL); this category includes financial assets held for trading purposes as well as financial assets whose cash flows have characteristics do not meet the conditions for the evaluation at amortized cost or at FVTOCI.

The evaluation of the recoverability of the financial assets not valued at their Fair Value with effects on the income statement is made on the basis of the c.d. Expected Credit Losses model foreseed by IFRS 9; to this effect, see the paragraph "Accounting standards, amendments and IFRS interpretations approved by the European Union, applied by the Company from January 1st, 2018".

The 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.

Regarding the 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 according to the logic established by IFRS9.

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 regarding 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 suffered a significant deterioration in credit risk compared to that fo the initial date recognition;
- Stage 3: includes impaired credit exposures. For exposures belonging to stage 1 the total value of the 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 of the adjustments are equal to the expected loss calculated over a time horizon equal to the entire duration of the relative exposure.

In order to fulfill the principle's requisitions, the Company has developed specific models for the calculation of the expected loss that relies on the index of the insolvency (PD), a 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 the full consistency with the 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 are written down in relation to their expected future utilisation through the recognizing of an obsolescence provision. The write-downs made are restored in future years should the reason for the write-down no longer exist.

Trade and other receivables

Trade and other receivables are initially recognized at the Fair Value and subsequently measured based on the amortised cost method net of the doubtful debt provision. Whenever an indication of a reduction in value is identified, 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 at the net value of the provision for doubtful debts. When in subsequent periods the reduction in the value of the asset is confirmed, the doubtful debt provision is utilised; otherwise, where the reasons for the previous write-down no longer exist, the value of the asset is reversed up to the recoverable amount derived from applying the amortised cost method where no write down had been made.

Cash and cash equivalent

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

Non-current assets held for sale and discontinued operations

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

Financial liabilities

Loans, trade payables and other financial liabilities are initially recognized at Fair Value, net of directly allocated accessory costs, and subsequently recognized at amortised cost, using the effective interest rate criterion. 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 company has both defined contribution plans and defined benefit plans.

Defined contribution plans are managed by 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. For the defined contribution plans, the Company pays contributions, voluntary or established contractually, to public and private pension funds. The contributions are recognized as personnel expense in accordance with the accruals principle. The advanced contributions are recognized as an asset which will be repaid or offset against future payments where due.

A defined benefit plan is a plan not classified as a defined contribution plan. In the defined benefit plans the amount of the benefit to be paid to the employee is quantifiable only after the termination of the employment service period, and is related to one or more factors such as age, years of service and remuneration. The obligations for the defined benefit plans are therefore determined by an independent actuary utilising the projected unit credit method. 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 Employee Termination Indemnities (Trattamento di Fine Rapporto "TFR"). "TFR" is obligatory for Italian companies in accordance with Article 2120 of the 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 1st, 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 Post-Employment Benefit Provision at January 1st, 2007 are considered defined benefit plans.

The Group also has a defined benefit plan referring to the War Veterans Fund. The accounting treatment of the benefits from the War Veterans Fund and the effects deriving from the actuarial measurement are the same as those for the Post-Employment Benefit Provision.

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 consideration received from the service contract relating to the local public transport services is recognized in the income statement on an accruals basis of the journeys completed in the period, net of penalties, discounts, premiums, as well as direct taxes.

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

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

Public Grants

Government grants, in the presence of a formal attribution resolution, are recognized on an accrual basis in a direct correlation with the costs incurred. In the event of attribution uncertainty, they are recognized with the cash criteria in the year in which they are definitively 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.

Costs recognition

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 statement of comprehensive 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.

From 2007 and for the three-year period 2016-2018 ATM S.p.A. together with the subsidiaries, 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 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 transfer of assessable income gives rise to a receivable from the company consolidated equal to the IRES corporate tax calculated on the assessable amount transferred by the consolidated company; on the contrary, the transfer of an assessable loss obliges the consolidating company to recognize a payable to the consolidated company for an amount equal to the result of the application of the IRES corporate tax rate to the tax loss transferred.

IRAP is exclusively determined with reference to the Company.

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

Conversion of foreign currency items

Transactions in currencies other than the functional currency are recognized at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in currencies other than the euro are subsequently adjusted to the exchange rate prevailing on the balance sheet date. Non-monetary assets and liabilities denominated in currencies other than the euro are recognized at historical cost using the exchange rate in effect at the date of initial recognition of the transaction. Any foreign exchange differences arising are reflected in the income statement.

Use of estimates

The application of IAS-IFRS for the preparation of the 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 compared to the information known at the time of the estimate, even with the experts support. The use of these estimates is reflected into the carrying value of assets and liabilities and in the information relating to potential assets and liabilities at the date of the financial statements, as well as the amount of revenues and costs in the accounting period represented. Actual results may differ from those estimated due to the uncertainty that characterizes the assumptions and conditions on which the estimates are based. The estimates and assumptions are periodically reviewed and the effects of each change are reflected in the income statement.

For a better understanding of the Financial Statements, the most significant estimates of the financial statement drafting 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.

Land and buildings restated cost at Fair Value

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

Impairment of assets

Tangible and intangible assets with a defined useful life and equity investments are subject of verification in order to ascertain whether there has been a reduction in value, which must be recognized by means of a write-down, when there are indicators that indicate difficulties in recovering the relative net value accounting by use. The verification of the existence of the aforementioned indicators requires the Directors to make subjective assessments based on the information available within the Company and from the market, as well as from historical experience. Furthermore, if it is determined that a potential reduction in value may have been generated, the Company proceeds to determine the same using valuation techniques deemed appropriate. The correct identification of the indicators of the existence of a potential reduction in value, as well as the estimates for the determination of the same depend on factors that may vary over time, influencing the assessments and estimates made by the Directors.

Useful life of the tangible and intangible assets

Tangible and intangible assets with a defined useful life are amortized over the estimated useful life. The economic useful life of the assets is determined by the Directors at the time the asset is 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 Company periodically evaluates technological and sector changes in order to update the residual useful life. This periodic update could lead to a change in the depreciation period and therefore also to the depreciation and amortization charge for the future years. It should be noted that last year, on the occasion of the first adoption of the IAS-IFRS Standards, the useful lives of the metropolitan and tramway rolling stock were updated, while within the scope of the modification of the criteria for evaluating the Real Estate (as specified in paragraph "Comparability of financial statements: changes in accounting policies" of this Note 3), a new economic-technical life of the buildings subject to Fair Value valuation has been defined.

Inventories recoverability

The inventories evaluation 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 that varies over time and according to market conditions as well as the conditions of use of the different types of cars that make up the fleet.

The balance recoverability

The estimate of the outcome from 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 Milan municipality North Eastern Area 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.

Deferred taxes recoverability

In the Financial Statements there are included the deferred tax assets, mainly related to the recognition of tax losses that can be used in subsequent years and to income components with deferred tax deductibility, for an amount whose recovery in the future years is considered highly probable. The recoverability of the aforementioned deferred tax assets is subject to the achievement of sufficiently large future taxable profits to absorb the aforementioned tax losses or up to the amount of the deferred taxation related to other deferred tax assets. Significant judgments of the Directors are required to determine the amount of the deferred tax assets that can be recognized in the financial statements based on the timing and amount of future taxable income. In particular, it is noted that deferred tax assets have been recognized on previous tax losses for the estimated recoverable portion against future taxable income, aligned with the information provided by the Directors regarding the extension of the Service Contract, reported in the Management Report. For this reason, as it is expected that taxable income will be achieved up to 2020, deferred tax assets will be recognized up to this taxable period.

Risks and expenses provisions estimation process

The Company is subject to legal and fiscal cases 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 cause, the jurisdiction and the different applicable laws. Given the inherent uncertainties of these issues, it is difficult to predict with certainty the outlay that could arise from such disputes. Consequently, the Directors, having heard the opinion of their consultants and experts in legal and tax matters, ascertain a liability for such disputes when it considers the probability 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 Company's financial statements. The proof for this estimation uncertainty is represented by the significant impacts recognized in the 2018 Financial Statements due to the positive definition of judgments subject to significant uncertainty in the outcome.

Factors for the evaluation of the employee benefits

The liabilities for the 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.

Financial assets Fair Value determination

The Fair Value of certain financial assets that are not listed on active markets is determined using evaluation techniques. The Company 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.

IFRS accounting standards amendments and interpretations approved by the European Union applied by the Company from January 1st, 2018

IFRS 15 – Revenue from Contracts with Customers

On May 28, 2014, the IASB published "IFRS 15 Revenue from Contracts with Customers" which, together with additional clarifications published on April 12, 2016, replaces IAS 18 Revenue and IAS 11 Construction Contracts, in addition to the interpretations IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new revenue recognition model, which will apply to all contracts with clients, with the exception of those falling under the application of other IAS/IFRS such as leasing, insurance contracts and financial instruments. The essential issues for the recognition of revenues according to the new model are:

- the identification of the contract with the client;
- the identification of the performance obligations of the contract;
- the establishment of the price;
- the allocation of the price to the performance obligations of the contract;
- the recognition criteria of the revenue where the entity satisfies the performance obligations.

On the basis of the analyzes conducted, the application of IFRS 15 had no impact on the comparability with respect to the comparative exercise of the amounts entered as revenue and on the relative information reported in the Company's Financial Statements. In particular, the Company's contracts with customers mainly refer to:

- local public transport services;
- parking management, parking and car removal services;
- maintenance activities on third party infrastructures;
- commercial spaces rental;
- sponsorships and advertising.

For each of the services promised to the customer, which are by their very nature capable of being distinguished, a specific price list is contractually provided which allows a punctual allocation of the fees of each individual contractual obligation.

IFRS 9 – Financial Instruments

On November 22, 2016, The EU Regulation n. 2016/2067 which implemented IFRS 9 "Financial Instruments" at EU level, which regulates the classification, measurement and cancellation of financial assets and liabilities, the reduction in value of financial instruments and the accounting for hedging transactions, and is applicable for annual periods starting from January 1st, 2018.

During the current year, the Company has applied IFRS 9 "Financial instruments" and the related consequent amendments to other IFRS standards applicable for annual financial years starting from January 1st, 2018.

The transitional provisions of IFRS 9 allow a company not to restate its comparative data. The Company has availed itself of this faculty; as a result:

- all the differences between the carrying amount of the financial assets and liabilities at December 31st, 2017 and those at January 1st, 2018 are accounted for under opening equity;
- in the comparative period the financial instruments maintain the previous classification;
- the effects of the write-downs of financial assets are not calculated over the comparative period.

In addition, the Company has applied the consequent amendments to IFRS 7 Financial instruments: disclosure with reference to the disclosures for the year 2018.

The IFRS 9 introduces new requirements for:

1. grouping and measurement of the Financial Assets and Liabilities;
2. the impairment of the Financial Assets;
3. *hedge accounting*.

The provisions of the aforementioned principle as well as the related impacts on the Company's financial statements are describes as below:

1. ***Classification and evaluation of the Financial assets***

   The date of the initial application was January 1st, 2018. As a result, the Company has applied the provisions of IFRS 9 to the instruments that are recognized as at January 1st, 2018 and has not applied them to assets that have already been derecognized at the date of the initial application.

   Particularly:

   - debt instruments held within the framework of a business model whose objective is the possession of financial assets aimed at collecting contractual cash flows, and which have cash flows represented solely by payments of capital and interest on the amount of capital to be returned, they are valued at amortized cost;
   - debt instruments held within the framework of a business model whose objective is achieved both through the collection of contractual cash flows and the sale of financial assets, and which have cash flows represented solely by payments of capital and interest on the amount of capital to be repaid, they are measured at the Fair Value with changes recognized in the other components of the comprehensive income statement (FVTOCI);
   - all the other debt instruments and investments in equity instruments are measured at the Fair Value, with changes recognized in profit (loss) for the year (FVTPL).

Despite the foregoing, the Company may make the following irrevocable choice / classification upon initial recognition of a financial asset:

- the Company can make the irrevocable choice to present the subsequent changes in the Fair Value of an investment in equity instruments that is neither held for trading nor a contingent consideration recognized by a buyer in a business combination transaction, in the other components of the comprehensive income statement;
- the Company can irrevocably designate an investment in debt instruments that meets the criteria of amortized cost or FVTOCI as measured at Fair Value with changes recognized in profit (loss) for the year (FVTPL), if doing so eliminates or significantly reduces an accounting asymmetry.

When an investment in a debt instrument valued as FVTOCI is realized, the cumulative profit (loss) previously recognized among the other components of the comprehensive income statement is reclassified from equity to profit (loss) through an adjustment from reclassification. On the contrary, when an investment in an equity instrument designated as valued by FVTOCI is realized, the cumulative profit (loss) previously recognized among the other components of the comprehensive income statement is subsequently recognized in the profits carried forward without passing through the income statement .

Debt instruments measured at amortized cost or FVTOCI are subject to impairment. See the following point (2).

To complete the classification of the financial instruments in the new categories predefined by the IFRS 9, the analysis of the business model must be accompanied by an analysis of the contractual cash flows (so-called Solely Payment of Principal and Interest - SPPI test).

The SPPI test is carried out at the level of the single financial instrument at the time of registration in the financial statements and takes into consideration the characteristics of the instrument. After initial recognition and as long as it is recognized in the financial statements, the instrument is no longer subject to new assessments for the purposes of the SPPI Test.

The Directors reviewed and evaluated the financial assets of the Company in existence at January 1st, 2018 based on the facts and circumstances existing at that date and concluded that the initial application of IFRS 9 had the following impacts with regard to their classification and evaluation:

- the Company's investments in government securities and corporate bonds that were classified as financial assets available for sale based on IAS 39 were classified as FVTOCI financial assets because they are held within the framework of a business model whose objective is achieved both by collecting the contractual cash flows through the sale of the bonds, and because they have contractual cash flows consisting solely of payments of capital and interest on the amount of capital to be repaid. The changes in the Fair Value of these repayable bonds continue to be accumulated in the equity reserve (recognized in the OCI) until they are realized or reclassified;
- the Company's investments in OICR units as well as debt securities for which the SPPI Test was not exceeded, which were previously classified as financial assets available for sale and were measured at Fair Value at each date of Balance sheet reference based on IAS 39 have been designated as FVTPL. The changes in the Fair Value of these instruments are recognized in profit (loss) for the year;
- loans and financial receivables which on the basis of IAS 39 were valued at amortized cost and which did not pass the SPPI Test were reclassified as FVTPL in consideration of the characteristics of their cash flows for which were fulfilled the conditions for a valuation at amortized cost.

During the current year, the Company has not identified any investments in debt instruments that meet the criteria of amortized cost or FVTOCI as measured at Fair Value recognized in profit (loss) for the year.

The following paragraph 2) Impairments of the Financial Assets presents the changes in the classification of the Company's financial assets as a result of the adoption of IFRS 9 in tabulate form.

None of the other reclassifications of the financial position, profit (loss) for the year or on the comprehensive income statement of the Company in both years.

2. *Impairment of Financial Assets*

In relation to the impairment of financial assets, IFRS 9 requires the application of a model based on expected credit losses, instead of the one based on the losses on receivables already incurred as required by IAS 39. The different model based on expected losses on receivables expects the Company to consider the expected credit losses and the changes in these losses on receivables expected at each balance sheet date in order to reflect the changes in credit risk arising from the initial recognition of the financial asset. In other words, it is no longer necessary for an event to occur that puts in doubt the recoverability of the credit before recognizing a loss on receivables.

The IFRS 9 requires the Company to recognize a bad debt provision for the expected credit loss referred to one of the following:

1. investments in debt instruments subsequently measured at the amortized cost or FVTOCI;
2. financial leases receivables;
3. trade receivables and other assets deriving from contracts (contract assets);
4. loans disbursement commitments and financial guarantee contracts to which the provisions on value reduction according to the IFRS 9 apply.

Particularly, IFRS 9 requires from the Company to measure the provision to cover losses of a financial asset of an amount equal to the expected loss throughout the useful life of the credit (lifetime expected credit ECL) if the credit risk of such financial asset-measured with reference to external credit ratings-is significantly increased after the initial recognition or if the financial instrument is a financial asset deteriorated at the origin or purchase. However, if the credit risk of a financial instrument has not significantly increased after the initial recognition (except in cases of a deteriorated financial asset at the origin or purchase), the Company must evaluate the provision to cover losses from the financial instrument for an amount that equals the expected loss on credits coming from a default event of the following 12 months (12-months expected credit ECL). The IFRS 9, in certain circumstances, also provides the adoption of a simplified method of measuring the provision to cover expected losses for the Trade Receivables, other assets deriving from the contract and receivables from financial leases by estimating expected losses throughout their credit life.

The retrospective application of the provisions of the impairment model envisaged by the IFRS 9 to all the activities subject to the IFRS 9 requirements on impairment, determined a negative impact on the results of previous years for Euro 625,120 with a consequent recording in the initial Shareholders' equity on January 1st, 2018, equal to Euro 514,388 (net of prepaid taxes).

Assets recognized as of 01.01.18 which are subject to IFRS 9 requirements on impairment losses	Note	Credit risk attributes as of 01.01.2018	Credit loss provisions as of 01.01.2018
Government and corporate bonds	14	These assets are deemed to present a low credit risk based on their respective external credit ratings. The company assesses that the risk relating to these financial instruments is not significantly increased by the initial recognition and, as permitted by IFRS9, recognizes the expected credit losses considering the default events expected in the following 12 months with reference to these assets.	262,485
Financing commitments	23	The expected loss is considered considering the default events expected in the following 12 months with reference to this activity.	(8,033)
Tax receivables	15	The expected loss is considered considering the default events expected in the following 12 months with reference to this activity.	(596)
Trade receivables	16	The Company applies the simplified method and recognizes the expected losses on the life of the receivable with reference to these assets.	564,251
Cash and current accounts	18	It is believed that these assets present a low credit risk based on the credit ratings of the banking counterparties with which the deposits are held.	(178,268)
Financial guarantees other than bank guaranty	23	Pledges on shares set up in favor of the lending banks on the M4 and M5 projects fall into this category. No significant increases in default risk were recognized from the time of initial recognition until January 1st, 2018. The Company therefore recognizes the expected credit losses considering the default events expected in the following 12 months with reference to this activity.	(14,719)
Total			**625,120**

The bad debts provision on January 1st, 2018 was recognized as a counterpart of the Retained Earnings netted of the relative impacts of deferred taxation.

3. ***Hedging transactions accounting ("Hedge Accounting").***

   The new requirements in terms of accounting for hedging transactions ("Hedge Accounting") confirmed the classification in the three types of hedging envisaged by IAS 39. However, it was introduced a greater flexibility in the identification of transactions that qualify as hedging transactions, specifically by expanding the types of instruments and the types of risk components relating to non-financial elements that are eligible for "Hedge Accounting". In addition, the effectiveness test has been replaced with the evaluation principle of the "economic relationship".

   During the financial year 2018 – as in the previous year – the Company did not use derivative financial instruments.

Information regarding the initial application of the IFRS 9

The table shown below provides information on the financial assets that have been reclassified following the transition to IFRS 9:

Euro	(i)	(ii)	(iii)	(iv) = (i) + (ii) + (iii)	(v) = (iii)
	Values as per IAS 39 at 31.12.2017	Rlassifications	Remeasure-ments	Load values IFRS 9 at 01.01.2018	Effect on retailed earnings as of al 01.01.2018
Financial assets					
FVTPL					
From assets available for sale (IAS 39)	**-**	**193,879,649**	**-**	**193,879,649**	**-**
Corporate bonds	-	3,403,632	-	3,403,632	-
OICR	-	190,476,017	-	190,476,017	-
From assets at depreciation cost (IAS 39) – Reclassification requested	**-**	**23,498,147**	**(470,610)**	**23,027,537**	**(470,610)**
Financing Metro 5 S.p.A.	-	19,413,932	(334,402)	19,079,530	(334,402)
Financing SPV Linea M4 S.p.A.	-	2,552,214	83,992	2,636,207	83,992
Financing Coop S.E.D. ATM/S.C.C.A.T.I.	-	1,532,000	(220,200)	1,311,800	(220,200)
Total	**-**	**217,377,796**	**(470,610)**	**216,907,186**	**(470,610)**
FVTOCI					
Government bonds	6,663,800	-	-	6,663,800	-
Corporate bonds	104,853,571	(3,403,632)	-	101,449,939	-
OICR	190,476,017	(190,476,017)	-	-	-
Total	**301,993,388**	**(193,879,649)**	**-**	**108,113,739**	**-**
Depreciation cost					
Financing Metro 5 S.p.A.	19,413,932	(19,413,932)	-	-	-
Financing SPV Linea M4 S.p.A.	2,552,214	(2,552,214)	-	-	-
Financing Coop S.E.D. ATM/S.C.C.A.T.I.	1,532,000	(1,532,000)	-	-	-
Total	**23,498,147**	**(23,498,147)**	**-**	**-**	**-**
Total financial assets, reclassifications and remeasurements	**325,491,535**	**-**	**(470,610)**	**325,020,925**	**(470,610)**
Financial liabilities					
Amortization and depreciation		**-**	**-**	**-**	**-**
Bond loans	68,946,174	-	-	68,946,174	-
Bank loans	203,110,891	-	-	203,110,891	-
Total	**272,057,065**	**-**	**-**	**272,057,065**	**-**
FVTPL	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**	**-**
Total financial liabilities, reclassifications and remeasurements	**272,057,065**	**-**	**-**	**272,057,065**	**-**

At the date of the first application of the IFRS9, there were no financial assets or liabilities that the company had previously designated as FVTPL based on IAS 39 which were reclassified or that the Company decided to reclassify following the application of the IFRS 9.

The impact on Equity of the initial application of IRFS 9

The following table shows the effects of the first application of OFRS 9 on the Shareholders' Equity as of January 1st, 2018:

		FTA - 01.01.2018					Movement	
	Balance as of 31.12.2017	**Financial assets**	**Financial receivables**	**Commit-ments and guarantees**	**Cash and cash equivalents**	**Trade receivables**	**Financial Assets**	**Balance as of 31.12.2018**
Available For Sale reserve	210,137	(210,137)						
Held to Collect and Sell reserve		278,190					(2,367,084)	(2,088,894)
Gross effects		*366,039*					*(3,114,584)*	*(2,748,545)*
Deferred tax assets		*(87,849)*					*747,500*	*659,651*
Deferred Tax liabilities								-
OCI Reserve		262,485					6,402	268,887
Profit (loss) before the first time use of IFRS 9		(355,390)	249,736	(17,292)	(135,484)	404,679		146,249
Gross Effects		*(418,386)*	*328,599*	*(22,753)*	*(178,268)*	*563,655*		*272,847*
Deferred tax assets		*62,996*	*80,257*	*5,461*	*42,784*	*(158,976)*		*32,522*
Deferred Tax liabilities			*(159,120)*					*(159,120)*
Total	**210,137**	**(24,852)**	**249,736**	**(17,292)**	**(135,484)**	**404,679**	**(2,360,682)**	**(1,673,758)**

Total movements IFRS 9 on "Statement of changes in shareholders equity"	476,787
Total movements IFRS 9 on Advanced taxes (Note 11)	(55,327)
Total Movements IFRS 9 on Deferred taxes (Nota 24)	159,120

Classification and measurement of share-based payment transactions (Amendments to IFRS 2)

On June 20, 2016, the IASB published the document "Classification and measurement of share-based payment transactions (Amendments to IFRS 2)" which contains amendments to the international accounting standard IFRS 2. As there are no remuneration plans included in this case, the principle is not applicable to the Company's Financial Statements.

"Annual Improvements to IFRSs: 2014-2016 Cycle"

On December 8, 2016, the IASB published the document "Annual Improvements to IFRSs: 2014-2016 Cycle" which partially integrates the preexisting principles in the annual improvement process. The main changes concern:

- *IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters.* The amendment was applied starting at January 1st, 2018 and relates to the elimination of some short-term exemptions set forth in paragraphs E3-E7 of Appendix E of IFRS 1 as the benefit of these exemptions is now considered out of date;
- IAS 28 *Investments in Associates and Joint Ventures – Measuring investees at Fair Value through profit or loss: an investment-by-investment choice or a consistent policy choice.* The amendment clarifies that the option for a capital venture organization or other entity so qualified (such as a mutual fund or similar entity) to measure investments in associates and joint ventures valued at Fair Value through profit or loss (rather than through the application of the equity method) is carried out for each individual investment at the time of initial recognition;
- IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard.* The amendment clarifies the scope of application of IFRS 12 specifying that the information required by the standard, with the exception of that provided for in paragraphs B10-B16, applies to all the shares that are classified as held for sale, held for distribution to shareholders or discontinued operations in accordance with IFRS 5.

The adoption of these amendments did not have any effects on the Company's Financial Statements.

Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)

On December 8, 2016, the IASB published the document "Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)". The purpose of the interpretation is to provide guidelines for transactions carried out in foreign currencies where non-monetary advances or advances are recognized in the financial statements, prior to the recognition of the related asset, cost or revenue. This document provides indications on how an entity should determine the date of a transaction, and consequently, the exchange rate to be used when foreign currency transactions occur in which the payment is made or received in advance.

The interpretation clarifies that the transaction date is the earlier one between:

a. the date on which the advance payment or the advance payment received are entered in the entity's balance sheet;

b. the date on which the asset, the cost or the revenue (or part of it) is recognized in the financial statements (with the consequent reversal of the advance payment or the advance payment received).

In case there are numerous payments or receipts in advance, a transaction date must be identified for each of them. IFRIC 22 was applied starting from January 1st, 2019. The adoption of this interpretation had no effect on the Company's Financial Statement.

Transfers of Investment Property (Amendments to IAS 40)

On December 8, 2016, the IASB published the document "Transfers of Investment Property (Amendments to IAS 40)". These changes clarify the transfer of a property to, or from, real estate investment.

In particular, an entity must reclassify a property between, or from, real estate investments only when there is evidence that a change in use of the property has occurred. This change must be traced back to a specific event that has occurred and must therefore not be limited to a change in the intentions of the Management of an entity. These amendments are applicable from January 1st, 2018. The adoption of these interpretations has had no effect on the Company's Financial Statements.

The IFRS and IFRIC accounting principles, amendments and interpretation endorsed by the European Union, not yet mandatory and not adopted early by the Company at December 31st, 2018.

IFRS 16 – Leases

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

The new standard provides a new definition of leases and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying essential differences: the identification of the asset, the right of replacement of the asset, the right to obtain substantially all the economic benefits from the use of the asset and the right to use the asset underlying the contract.

The standard establishes a single model to recognize and measure leasing contracts for the lease (lessees) which provides also for the recognition of operating leases under assets with a related financial payable. On the contrary, this standard does not contain significant amendments for lessors.

The standard is effective from January 1st, 2019, although advance application is permitted.

The Company has completed the preliminary assessment project of the potential impacts arising from the application of the new standard on the transition date (January 1st, 2019). This process has declined in several phases, including the complete mapping of the contracts potentially suitable to contain a lease and the analysis of the same in order to understand the main clauses relevant for the purposes of IFRS 16.

The process of implementing the principle is in process of being studied, which could include the setting of the IT infrastructure aimed at the accounting management of the principle and the alignment of the administrative processes and the controls overseeing the critical areas on which the principle stands. This process is expected to be completed during the first few months of the 2019 financial year. Moreover the process of implementation of the principle is also being studied, which could include the setting of the IT infrastructure aimed at the accounting management of the principle and the alignment of the administrative processes and the controls overseeing the critical areas on which the principle stands. This process is expected to be completed during the first few months of the 2019 financial year.

The company has chosen to apply the principle with the modified retrospective method; in particular, the Company will account for lease the previously classified as operating contracts:

a. a financial liability, equal to the present value of the future payments remaining on the transition date, discounted using for each contract the incremental borrowing rate applicable at the transition date;

b. a right of use equal to the value of the financial liability at the transition date, net of any accrued income and prepaid expenses related to the lease and recognized in the balance sheet at the balance sheet date.

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

EUR/millions	**Impact at the transition date (01.01.2019)**
ASSETS	
Non-Current assets	
Buildings	0.99
Vehicles	0.17
Industrial equipment	0.34
IT equipment	0.47
Other	0.10
Total	**2.07**
EQUITY & LIABILITIES	
Non-current liabilities	**(1.86)**
Financial liabilities for non-current lease	(1.86)
Current liabilities	**(0.21)**
Financial liabilities for current lease	(0.21)
Total	**(2.07)**

In adopting IFRS 16, the Company intends to avail itself of the exemption granted by IFRS paragraph 16: 5 (a) in relation to short-term leases for the following asset classes:

- buildings;
- company Vehicles.

Furthermore, with regard to the case of the company cars, in August 2018 a contract was signed which provides for the supply of additional vehicles; however, the starting date of this contract is subject to the delivery date of the vehicles which, at the time of drafting this document, have not yet begun.

Likewise, the Company intends to avail itself of the exemption granted by IFRS 16: 5 (b) with regard to lease contracts for which the underlying asset is configured as a low-value asset (that is, the assets underlying the contract of leases do not exceed Euro 5,000 when new). The contracts for which the exemption has been applied fall mainly within the following categories:

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

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

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

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

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

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

- classification of the contracts that expire within 12 months of the transition date as a short-term lease. For these contracts, the lease installments will be recognized in the income statement on a linear basis;
- exclusion of the initial direct costs from the measurement of the right of use as of January 1st, 2019;
- use of the information present at the transition date for the determination of the lease term, with particular reference to the exercise of extension options and early closure.

Reconciliations with the lease commitments

In order to help the understanding of the impacts of the standards first application, the following table provides a reconciliation between future commitments relating to lease contracts, which are disclosed in Note 40 of these financial statements at December 31st, 2018, and the expected impact of the adoption of IFRS 16 on January 1st, 2019.

Recognition of lease agreements

EUR/million	**01.01.2019**
Operating lease agreement as of December 31st, 2018	**3.51**
Short term lease Payment (exemption)	(0.73)
Low-value lease Payment (exemption)	(0.63)
Other changes	(0.05)
Not-discounted financial liabilities for the lease as of January 1st, 2019	**2.10**
Discounting effect	(0.03)
Financial liabilities for the lease as of January 1st, 2019	**2.07**
Financial lease liabilities actual value as of December 31st, 2018	-
Financial liabilities for additional leases due to the transition to IFRS 16 as of January 1st, 2019	**2.07**

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

On October 12, 2017, the IASB published the document "Prepayment Features with Negative Compensation (Amendments to IFRS 9)". This document specifies that instruments that provide an early repayment could comply with the Solely Payments of Principal and Interest ("SPPI") test, even if the "reasonable additional compensation" to be paid in the event of early repayment is a "negative compensation" for the lender. The amendment applies from January 1st, 2019, but an advanced application is permitted. The Directors do not expect a significant effect in the Company's Financial Statements from the adoption of these amendments.

Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)

On June 7, 2017, the IASB published the interpretation "Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)". The interpretation deals with the issue of uncertainties regarding the tax treatment to be applied to income taxes. Particularly, the interpretation requires an entity to analyze the uncertain tax treatments (individually or as a whole, depending on the characteristics), always assuming that the tax authority examines the tax position in question, having fully knowledge of all information relevant. In case that the entity considers it unlikely that the tax authority will accept the tax treatment applied, the entity must reflect the effect of the uncertainty in the measurement of its current and deferred income taxes.

Furthermore, the document does not contain any new disclosure obligations, but underlines that the entity will have to establish whether it will be necessary to provide information on the considerations made by the Management and relating to the uncertainty inherent in accounting for taxes, in accordance with the provisions of IAS 1.

The new interpretation applies from January 1st, 2019, but an advanced application is permitted. The Directors do not expect a significant effect in the Company's Financial Statements from the adoption of this interpretation.

Accounting standards, amendments and interpretations not yet endorsed by the European Union

At the date of the present financial report, the relevant bodies of the European Union have not yet concluded the process necessary for the implementation of the amendments and standards described below.

IFRS 17 – Insurance Contracts

On May 18, 2017, the IASB published IFRS 17 - Insurance Contracts that replaces IFRS 4 - Insurance Contracts. The standard is not applicable at the company.

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

On October 12, 2017, the IASB published the document "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". This document clarifies the need to apply IFRS 9, including the impairment requirements, to other long-term interests in associates and joint ventures for which the equity method is not applied. The amendment applies from January 1st, 2019, although early application is permitted. The Directors do not expect a significant impact on the Group consolidated financial statements from the adoption of this standard.

Annual Improvements to IFRSs 2015-2017 Cycle

On December 12, 2017, the IASB published the "Annual Improvements to IFRSs 2015-2017 Cycle" which reflects the amendments to some standards within the annual improvements process. The principal changes relate to:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control a business, which represents a joint operation, it must remeasure its previous holding in the business. This process however is not required in relation to obtaining joint control;
- IAS 12 Income Taxes: The amendment clarifies that all the tax effects related to dividends (including the payments on financial instruments classified within equity) must be recognized in line with the transaction, which generated these, profits (profit or loss, OCI or equity);
- IAS 23 *Borrowing costs*: the amendment clarifies that in the case of loans, which remain in place, even after the qualifying asset is ready for use or for sale, these become part of the overall financing utilised to calculate the borrowing costs.

The amendments are applicable from January 1st, 2019, although advance application is permitted. The Directors do not expect a significant impact on the Group consolidated financial statements from the adoption of the improvements applicable.

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

On February 7, 2018, the IASB published the document "Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)". The document clarifies how an entity must recognize a change (i.e. a curtailment or a settlement) of a defined benefit plan. The changes require the entity to update its assumptions and re-measure the liability or net asset arising from the plan. The amendments clarify that after this event occurs, an entity uses updated hypotheses to measure the current service cost and the interests for the rest of the reference period following the event. The Directors do not expect a significant effect in the Company's Financial Statements from the adoption of these amendments.

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, which 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. The amendment also introduced a test ("concentration test"), optional for the entity, which determines 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 1st, 2020, but early application is permitted.

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

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 being amended.

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 Directors do not expect a significant effect in the Company's Financial Statements from the adoption of this amendment.

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

On September 11, 2014, the IASB published an amendment to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The document was published in order to resolve the current conflict between IAS 28 and IFRS 10.

According to the provisions of IAS 28, the profit or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or associated company in exchange for a share in the latter's capital is limited to the share held in the joint venture or connected by other investors outside the transaction. On the contrary, IFRS 10 foresees the recognition of the entire profit or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling stake therein, including in this case also the sale or transfer of a subsidiary to a joint venture or associate.

The introduced changes foresee that in a transfer/assignment of an asset or a subsidiary to a joint venture or associate, the size of the profit or loss to be recognized in the financial statements of the transferor depends on whether the assets or subsidiary companies sold / transferred constitute a business or not, in the meaning envisaged by IFRS 3. In case that the assets or the subsidiary company transferred / conferred represent a business, the entity must recognize the profit or loss on the entire share previously held; while, otherwise, the share of profit or loss relating to the share still held by the entity must be eliminated. As for now, the IASB has suspended the application of this amendment. The Directors do not expect a significant effect in the Company's Financial Statements from the adoption of these amendments.

4. Merging of ATM Servizi S.p.A. in ATM S.p.A.

On April 1st, 2018, the merger by incorporation of ATM Servizi S.p.A. in ATM Spa. Came into force, with accounting and tax effects starting from January 1st, 2018. The operation pursued an aim of optimization and industrial rationalization, favoring the simplification of governance and allowing savings in administrative and management costs for the company resulting from the merger. Through the corporate reorganization, the management of the human resources of the ATM Group was optimized, through greater flexibility in the use of the same and by simplifying the management of industrial processes, in consideration of the fact that the resources constitute, together with the rolling stock, the factor priority of production. For these operational purposes of the merger there are associated some non-negligible synergies deriving from the elimination of duplication and overlapping of administrative activities, with consequent simplification of contractual flows and consequent obligations.

Therefore summarized, the benefits deriving from the transaction are as follows:

- industrial optimization and rationalization;
- simplification of governance and internal processes, with consequent greater risk control;
- lower administrative and management costs;
- greater ability to compete in the specific sector of activity;
- improvement of service quality thanks to greater integration and fluidization of processes.

The operation therefore aimed to strengthen the solidity and competitiveness of the company resulting from the merger, also considering the aforementioned procedure for awarding the tender for the local public transport management service that the Mobility Agency will launch in the terms reported in the Report on operations to which reference should be made.

The project went through the following steps:

- December 13, 2017: the Board of Directors of ATM S.p.A. decided on the feasibility of proceeding with the merger by incorporation of the subsidiary ATM Servizi S.p.A. and on December 21st, 2017, decided the adoption of the merger plan and the simultaneous call of the Shareholders' Meeting for subsequent resolutions;
- January 5, 2018: the Shareholders' Meeting of ATM S.p.A. it met before the Notary to approve the merger and the merger project, with subsequent registration in the competent Business Register. From that moment, the term of 60 days has expired, foreseen by the art. 2503 of the Civil Code, within which each creditor can bring an opposition action;
- January 22, 2018: the City Council approved the project to merge ATM Servizi S.p.A. in ATM S.p.A., ratifying what had already been decided in the previous days by the Municipal Council and by the Boards of Directors of the respective companies;
- March 22, 2018: signing of the merger deed before the Notary and simultaneous filing and registration of the deed of merger in the competent Business Register;
- April 1st, 2018: start of the merger.

The merger by incorporation of a wholly owned company is a transaction excluded from the scope of application of IFRS 3 Business Combinations, as it does not entail the control, by one of the companies involved in the combination, of the other company participant. The approach adopted for these transactions places importance on the belonging of the companies involved in the transaction to the same group and to the cost incurred by the group itself for the original acquisition / incorporation of the incorporated company. This approach also complies with the document ASSIREVI preliminary orientations on OPI 2R - accounting treatment of mergers in the financial statements - which provides the maintenance of a principle of continuity of values in the absence of an acquisition with effective economic exchange with third parties. The merger with a restructuring character determines the convergence of the consolidated financial statements of the merging company at the date of the merger into the individual balance sheet of the merging company after the merger, implementing the so-called. Legal consolidation. Furthermore, the merger of wholly owned companies, which determines the transition from indirect control to direct control and the continuity of the values with respect to the consolidated financial statements, leads to the accounting backdating of the effects of the merger also with reference to the costs and revenue of the company incorporated since the beginning of the year.

Consistently with these arrangements, considering the backdating of the accounting effects of the merger on January 1st, 2018, specific provisory financial statements have been prepared as at December 31st, 2017, as if the merger had taken place from the beginning of the year compared, more specifically:

- recognition in the Financial Position statement of the values identical to those that would have resulted if it had always been a single entity with the incorporated company;
- placement in the income statement of the sum of the related income statements taking care to eliminate the matches with the incorporated company;
- the entry of the assets of the merged company at the last book value, and the recognizing in a special reserve of the equity of ATM S.p.A. of a merger surplus, due to the elimination of the investment in the incorporated company ATM Servizi S.p.A. lower than the elimination of the value of equity.

The following table shows the effects:

Total Equity as of January 1st, 2018 of ATM Servizi S.p.A.	72,616,926
Value of participation	1,756,407
Merger surplus ATM Servizi S.p.A. as of January 1st, 2018	**70,860,519**
Allocated in the reserves of the financial statement of ATM S.p.A. as follows:	
Actuarial profits (loss) in employee benefits	*1,566,555*
- Rounding reserve	*1*
- First Time Adoption reserve	*(22,026,921)*
- Retained earnings	*(50,400,154)*
Merger surplus ATM Servizi S.p.A. as of January 1st, 2018	**70,860,519**

Pro-forma statements as at December 31st, 2017

Taking into consideration the accounting backdating of the merger on January 1st, 2018, this paragraph contains specific pro-forma statements of the financial position statement of the income statement for the year ended at December 31, 2017 in order to allow better comparability of the data and to make the comparative values consistent with the Financial Statements as at December 31st, 2018.

The pro-forma statements have been prepared, aggregating the data of the Financial Statements at December 31st, 2017 of ATM S.p.A. (data restated as indicated in Note 3 to take into consideration the effects of the change to the valuation criteria of properties) with those of ATM Servizi S.p.A. (data converted from Italian accounting principles to the IAS-IFRS international accounting standards), subsequently applying the cancellations. The pro-forma adjustments were made in order to detect the significant effects connected with the merger transaction to reflect them retroactively in the financial statements as at December 31st, 2017 of ATM S.p.A., as if the merger had taken place on that date.

Moreover, the pro-forma data does not reflect prospective data as they are designed to represent only the effects of the merger. Keeping into consideration the different purposes of the pro-forma data compared to the data of the two companies' historical balance sheets, these must be read and interpreted separately, without seeking accounting connections between the statements.

In consideration of the significance of the merger transaction, and in order to allow a better comparability of the data shown below, in the "Explanatory notes", in addition to the normal comparative balances published in the previous year, the pro-forma values determined as illustrated, in order to facilitate comments on the performance of the current year.

Pro-forma Statement of Financial position of December 31st, 2017

	ATM S.p.A. - 31.12.2017 Restated values (*)	ATM Servizi S.p.A. - 31.12.2017 IAS-IFRS values	Elimination	Pro-forma 31.12.2017
Assets				
Property, plant and equipment	1,146,311,418	42,893,981	0	1,189,205,399
Intangible assets	2,187,074	0	0	2,187,074
Investments	31,204,838	0	(1,756,407)	29,448,431
Non-current financial assets	304,823,975	0	0	304,823,975
Of which: Related Parties	*23,498,150*	*0*	*0*	*23,498,150*
Deferred tax assets	70,140,463	11,699,837	0	81,840,300
Other receivables and non-current assets	21,057,848	0	0	21,057,848
Non-current assets	**1,575,725,616**	**54,593,818**	**(1,756,407)**	**1,628,563,027**
Inventories	76,217,287	0	0	76,217,287
Current financial assets	20,667,563	112,889,793	(112,889,793)	20,667,563
Tax receivables	13,176,043	8,663,363	(6,081,573)	15,757,833
Trade receivables	96,979,919	142,515,217	(108,823,324)	130,671,812
Of which: Related parties	*79,701,398*	*140,188,287*	*(108,823,324)*	*111,066,361*
Other receivables and current assets	65,547,167	11,820,307	(139,483)	77,227,991
Cash and cash equivalents	157,869,222	5,699,859	0	163,569,081
Current assets	**430,457,201**	**281,588,539**	**(227,934,173)**	**484,111,567**
Total assets	**2,006,182,817**	**336,182,357**	**(229,690,580)**	**2,112,674,594**

(*) Restated values compared to those of the Financial Statements approved by the Shareholders Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which defines the methods of representation deriving from changes in the accounting standards or from the retrospective effects from the adoption of the new accounting principles. The Explanatory Note in the Note 3 illustrates which of the financial statements accounts have been adjusted and the related quantitative impacts.

	ATM S.p.A. - 31.12.2017 Restated (*)	ATM Servizi S.p.A. - 31.12.2017 IAS-IFRS values	Elimination	Pro-forma 31.12.2017
Equity				
Share Capital	700,000,000	5,000,000	(5,000,000)	700,000,000
Legal reserve	140,000,000	1,000,000	(1,000,000)	140,000,000
Other reserves	269,455,633	20,460,365		289,915,998
Retained earnings	(12,575,458)	29,516,389	4,243,593	21,184,524
Net profit for the year	12,597,718	16,640,172		29,237,890
Total Equity	**1,109,477,893**	**72,616,926**	**(1,756,407)**	**1,180,338,412**
Liabilities				
Non-current financial liabilities	257,960,103	0	0	257,960,103
Employee benefits	51,601,002	85,873,822	0	137,474,824
Provisions for risks and charges	80,822,852	3,166,380	0	83,989,232
Deferred tax liabilities	49,917,393	0	0	49,917,393
Non-current liabilities	**440,301,350**	**89,040,202**	**0**	**529,341,552**
Current financial liabilities	132,335,376	0	(112,889,793)	19,445,583
Of which: Related parties	*118,238,414*	*0*	*(112,889,793)*	*5,348,621*
Current income tax liabilities	896,548	0	0	896,548
Trade payable	254,187,916	99,591,030	(114,942,385)	238,836,561
Of which: Related parties	*64,160,181*	*63,944,691*	*(114,942,385)*	*13,162,487*
Other payables and current liabilities	68,983,734	74,934,199	(101,995)	143,815,938
Of which: Related parties	*26,000,000*	*0*	*0*	*26,000,000*
Current liabilities	**456,403,574**	**174,525,229**	**(227,934,173)**	**402,994,630**
Total liabilities	**896,704,924**	**263,565,431**	**(227,934,173)**	**932,336,182**
Total Equity & Liabilities	**2,006,182,817**	**336,182,357**	**(229,690,580)**	**2,112,674,594**

(*) Restated values compared to those of the Financial Statements approved by the Shareholders Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which defines the methods of representation deriving from changes in the accounting standards or from the retrospective effects from the adoption of the new accounting principles. The Explanatory Note in the Note 3 illustrates which of the financial statements accounts have been adjusted and the related quantitative impacts.

Income statement pro-forma as of December 31st, 2017

	ATM S.p.A. - 2017 Restated values (*)	ATM Servizi S.p.A. - 2017 IAS-IFRS values	Elimination	Pro-forma 2017
Revenue and other operating income				
Core Business Revenue	457,914,194	457,914,194	(441,197,723)	724,958,084
Other revenue	30,336,165	30,336,165	(425)	49,298,982
Other income	27,947,297	27,947,297	(716,554)	69,772,362
Total revenues and other operating income	**516,197,656**	**516,197,656**	**(441,914,702)**	**844,029,428**
Costs and other operating charges				
Purchases of goods and changes in inventories	(76,315,990)	(76,315,990)	68,137	(71,915,184)
Service costs	(175,888,661)	(175,888,661)	360,339,307	(191,359,796)
Operating leasing costs	(4,265,025)	(4,265,025)	76,514,061	(5,626,507)
Personnel expenses	(148,405,485)	(148,405,485)	4,279,027	(455,211,460)
Other costs and operating charges	(32,774,288)	(32,774,288)	714,170	(11,556,641)
Total costs and other operating charges	**(437,649,449)**	**(437,649,449)**	**441,914,702**	**(735,669,588)**
EBITDA	**78,548,207**	**78,548,207**		**108,359,840**
Amortization, depreciation and write-downs	**(84,108,979)**	**(84,108,979)**		**(88,567,613)**
Depreciation – Property, Plant and equipment	(113,786,074)	(113,786,074)		(126,307,044)
Plant and machinery	*(102,028,427)*	*(102,028,427)*		*(114,541,328)*
Buildings	*(6,549,492)*	*(6,549,492)*		*(6,549,492)*
Industrial and commercial equipment	*(2,456,624)*	*(2,456,624)*		*(2,457,196)*
Other assets	*(2,751,531)*	*(2,751,531)*		*(2,759,028)*
Fixed assets financed by grants	31,054,064	31,054,064		39,116,400
Depreciation – Intangible assets	(1,004,425)	(1,004,425)		(1,004,425)
Software licenses	*(1,004,425)*	*(1,004,425)*		*(1,004,425)*
Write downs – assets	(372,544)	(372,544)		(372,544)
EBIT	**(5,560,772)**	**(5,560,772)**		**19,792,227**
Financial income	6,576,249	6,576,249		6,576,769
Financial expenses	(4,042,826)	(4,042,826)		(4,803,105)
Net financial income	**2,533,423**	**2,533,423**		**1,773,664**
Pre-tax profit	**(3,027,349)**	**(3,027,349)**		**21,565,891**
Income taxes	15,625,067	15,625,067		7,671,999
Net profit	**12,597,718**	**12,597,718**		**29,237,890**

(*) Restated values compared to those of the Financial Statements approved by the Shareholders Meeting of April 11, 2018, pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which defines the methods of representation deriving from changes in the accounting standards or from the retrospective effects from the adoption of the new accounting principles. The Explanatory Note in the Note 3 illustrates which of the financial statements accounts have been adjusted and the related quantitative impacts

Please refer to the specific notes set out below for an analysis of the individual items in the financial statements.

5. Financial risk management

This section briefly describes the Company's policies for managing and controlling financial risks to which it is exposed:

1. credit risk deriving from the possibility of default by a counterpart;
2. liquidity risk deriving from the lack of financial resources to meet the short-term commitments;
3. risk deriving from exposure to fluctuation in the interest rates, exchange rates and fluctuations in the commodities prices.

On January 28, 2019, the Board of Directors approved the specific risk management policy for financial instruments ("Policy"). The Policy, which constitutes the operational declination of the Enterprise Risk Management Guidelines ("ERM"), establishes the fundamental principles that govern the Company's propensity to financial risk, management limits and the methods of measuring / mitigating financial risks to which the Company is exposed.

Particularly ATM:

- has and intends to maintain a low risk propension;
- aims at the correct definition, at any time, of the optimal capital structure, and at the same time a management of investment and financing policies consistent with the evolution of the strategic plan and investments, as approved by the Board of Directors, and consequently with the liquidity needs generated by the management;
- ensures that sufficient amounts of liquidity are always available to meet its obligations, both commercial and financial (including debt service), when due.

The following paragraphs provide information on the Company's exposure to each of the risks listed above, the objectives, policies and processes for managing these risks and the methods used to evaluate them, in accordance with the provisions of IFRS 7.

During the financial year 2018 - as in the previous year - the Company did not use derivative financial instruments to hedge the effects of the aforementioned risks.

1. *Credit Risk*

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

For counterparty credit risk deriving from the use of financial instruments and cash balances, the Policy defines:

- the minimum requirements of the financial counterparty in terms of creditworthiness and the relative concentration limits;
- the types of financial instruments that can be used.

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 since the Company operates only 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 associated companies Metro 5 S.p.A. and SPV Linea M4 S.p.A. The maximum exposure of the Company is equal to the value of the shares of the two project companies pledged for a total of Euro 11,811,400 as at December 31st, 2018.

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

Regarding the risk of non-fulfillment by commercial counterparties, credit management is confided to the competent functions and the internal legal structure for debt collection activities and to the possible dispute management.

The following table shows the company's credit risk exposure as at December 31st, 2018 compared with the corresponding data as at December 31st, 2017.

	31.12.2018	31.12.2017 Restated values
Non-current financial assets	23,025,560	304,823,975
Doubtful debt provision	(47,130)	
Non-current financial assets net of doubtful debt provision	**22,978,430**	**304,823,975**
Other receivables and non-current	14,267,756	21,057,848
Doubtful debt provision		
Other receivables and non-current assets net of doubtful debt provision	**14,267,756**	**21,057,848**
Current financial assets	255,796,824	20,667,563
Doubtful debt provision	(268,887)	
Current financial assets net of doubtful debt provision	**255,527,937**	**20,667,563**
Current trade receivables	192,091,900	111,407,390
Doubtful debt provision	(18,802,764)	(14,427,471)
Current trade receivables net of doubtful debt provision	**173,289,136**	**96,979,919**
Other receivables and current assets	62,280,571	65,547,167
Doubtful debt provision		
Other receivables and current assets net of doubtful debt provision	**62,280,571**	**65,547,167**
Cash and cash equivalents	225,887,202	157,869,222
Doubtful debt provision	(246,021)	
Cash and cash equivalents	**225,641,181**	**157,869,222**
Total exposure net of doubtful debt provision*	**753,985,011**	**666,945,694**

* Tax receivables and investments are not included

The significant variations in the financial assets (current and non-current) is affected by the impact of investment dynamics, the different classification according to IFRS 9 with respect to the provisions of the previous IAS 39 principle and the effects of the application of the new principle, which for 2018 is equal to Euro 268,887.

The increase in the provisions for impairment of trade receivables, in addition to the effect of the specific write-down of some items, including the main refers to receivables from the parent company Comune di Milano for Euro 3,728,816, of the dynamics connected to uses / releases of which the main refers to the release of the provision for bad debts to the associated company Movibus S.r.l. for Euro 653,206 also the effects linked to the application of IFRS 9 for a total of Euro 435,000. Regarding the significant increase in current trade receivables, it is mainly due to the merger of ATM Servizi S.p.A. in ATM S.p.A., whose pro-forma data as at December 31st, 2017 are disclosed in Note 4 in order to allow comparability of the financial statements data as at December 31st, 2018.

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 (referring to securities and OICR):

	31.12.2018	31.12.2017 Restated values
Receivables from subsidiaries	6,413,428	61,816,005
Receivables from tax authorities	2,674,835	51,931,981
Receivables from public entities (State, Region, Province)	70,312,771	31,754,745
Receivables from third party customers	27,356,695	17,278,521
Receivables from associates	15,963,220	15,177,009
Receivables from other receivables	3,560,721	2,918,289
Municipality of Milan	123,342,317	1,490,111
Receivables from subsidiaries of parent companies	213,476	1,218,273
Total exposure of trade and other receivables (current and non-current)	**249,837,463**	**183,584,934**

	Inc. % 2018	Inc. % 2017
Receivables from subsidiaries	2.6%	33.7%
Receivables from tax authorities	1.1%	28.3%
Receivables from public entries (State, Region, Province)	28.1%	17.2%
Receivables from third party customers	11.0%	9.4%
Receivables from associates	6.4%	8.3%
Receivables from other receivables	1.4%	1.6%
Municipality of Milan	49.3%	0.8%
Receivables from subsidiaries of parent companies	0.1%	0.7%
Total exposure of trade and other receivables (current and non-current)	**100.0%**	**100.0%**

It should be noted that a significant part of trade receivables and other current and non-current receivables is directly or indirectly attributable to the Municipality of Milan. The amount of financial assets considered to be of doubtful recoverability and of an insignificant amount is covered by appropriate provisions to the bad debt provision, which also takes into account expected losses, in compliance with the requirements of IFRS 9.

The following tables provide a breakdown of financial assets as at December 31st, 2018 and December 31st, 2017, net of the provision for write-downs, grouped by past due and stated excluding cash and cash equivalents, as well as current and non-current financial assets (referring to securities and OICR):

	31.12.2018	Not overdue	0-180	180-360	360-720	beyond 720
Receivables from subsidiaries (gross)	6,413,428	6,400,483	12,945			
Doubtful debt provision						
Receivables from subsidiaries (net)	**6,413,428**	**6,400,483**	**12,945**			
Receivables from tax authorities (gross)	2,674,835	2,674,835				
Doubtful debt provision						
Receivables from tax authorities (net)	**2,674,835**	**2,674,835**				
Receivables from public entities (gross)	70,312,771	56,045,015			14,267,756	
Doubtful debt provision						
Receivables from Public Entities (net)	**70,312,771**	**56,045,015**			**14,267,756**	
Receivables from third party customers (gross)	40,659,440	14,543,735	13,257,496	484,531	897,967	11,475,711
Doubtful debt provision	(13,302,745)	(280,819)	(709,986)	(340,507)	(495,722)	(11,475,711)
Receivables from third party customers (net)	**27,356,695**	**14,262,916**	**12,547,510**	**144,024**	**402,245**	**-**
Receivables from associates (gross)	16,645,567	1,800,995	529,975	914,449	12,769,965	630,183
Doubtful debt provision	(682,347)	(39,960)	(780)	(1,682)	(9,742)	(630,183)
Receivables from associates (net)	**15,963,220**	**1,761,035**	**529,195**	**912,767**	**12,760,223**	**-**
Receivables from others (gross)	3,560,721	3,560,721				
Doubtful debt provision						
Receivables from others (net)	**3,560,721**	**3,560,721**				
Municipality of Milan (gross)	128,159,669	34,975,494	79,821,169	1,983,331	4,391,820	6,987,855
Doubtful debt provision	(4,817,352)	(3,756,621)	(117,337)	(2,916)	(9,913)	(930,565)
Municipality of Milan (net)	**123,342,317**	**31,218,873**	**79,703,832**	**1,980,415**	**4,381,907**	**6,057,290**
Receivables from subsidiaries of parent (gross)	213,796	164,085	47,682	1,076	953	
Doubtful debt provision	(320)	(320)				
Receivables from subsidiaries of parent companies (net)	**213,476**	**163,765**	**47,682**	**1,076**	**953**	
Total exposure of trade receivables, current and non-current other receivables net of doubtful debt provision	**249,837,463**	**116,087,643**	**92,841,164**	**3,038,282**	**31,813,084**	**6,057,290**

	31.12.2017	Not overdue	0-180	180-360	360-720	Beyond 720
Receivables from subsidiaries (gross)	61,816,005	61,714,164	101,841			
Doubtful debt provision						
Receivables from subsidiaries (net)	**61,816,005**	**61,714,164**	**101,841**			
Receivables from tax authorities (gross)	51,931,981	51,931,981				
Doubtful debt provision						
Receivables from tax authorities (net)	**51,931,981**	**51,931,981**				
Receivables from public entities (gross)	31,754,746	10,696,898			21,057,848	
Doubtful debt provision						
Receivables from public entities (net)	**31,754,746**	**10,696,898**			**21,057,848**	
Receivables from third party customers (gross)	30,950,149	13,738,096	5,383,810	597,632	512,171	10,200,063
Doubtful debt provision	(13,153,251)		(1,843,385)	(597,632)	(512,171)	(10,200,063)
Receivables from third party customers (net)	**17,796,898**	**13,738,096**	**3,540,425**	**-**	**-**	**-**
Receivables from associates (gross)	16,451,229		15,318,583	65,914	52,992	1,013,740
Doubtful debt provision	(1,274,220)		(141,574)	(65,914)	(52,992)	(1,013,740)
Receivables from associates (net)	**15,177,009**		**15,177,009**	**-**	**-**	**-**
Receivables from others (gross)	2,918,288	2,918,288				
Doubtful debt provision						
Receivables from others (net)	**2,918,288**	**2,918,288**				
Municipality of Milan (gross)	1,490,111	772,386	170,067	182,603	759	364,296
Doubtful debt provision						
Municipality of Milan (net)	**1,490,111**	**772,386**	**170,067**	**182,603**	**759**	**364,296**
Receivables from subsidiaries of parent (gross)	1,214,709	195,269	245,503	259,127	5,075	513,302
Doubtful debt provision						
Receivables from subsidiaries of parent (net)	**1,214,709**	**195,269**	**245,503**	**259,127**	**5,075**	**513,302**
Total exposure of trade receivables net of doubtful debt provision	**184,099,747**	**141,967,082**	**19,234,845**	**441,730**	**21,063,682**	**877,598**

The effects related to the adoption of IFRS9 led, at the date of first application as at January 1st, 2018, to an adjustment of the provision for bad debts to ordinary customers for a total of Euro 564,251 (Euro 435,000 as at December 31st, 2018).

During the year, the bad debts provisions were adjusted according to the riskiness recognized for each type of credit. Please refer to the comment sections of the Explanatory Note for details concerning the movement of provisions.

Impairment of the financial assets

At each reporting date, financial assets other than those measured at Fair Value through profit or loss (FVTPL) and equity securities designated to FVTOCI are subject to an assessment aimed at verifying the existence of events that may occur. Consider that the carrying amount of the assets is not 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 given that fall within the perimeter to be subjected to impairment pursuant to IFRS 9.

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

- in stage 1, the financial assets that have not undergone a significant deterioration in creditworthiness compared to that found at the time of the initial recognition in the Financial Statements, except for an impaired financial asset at purchase or origin, are classified. The retention of investments grade status as defined by the BCE accredited rating agencies is deemed a discriminating factor.

On the exposures included in this category, the Company assesses the revision to cover the loss coverage to an extent 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 compared to that of the date of initial recognition, regardless of whether a specific loss event has already occurred, are classified. Despite this, financial assets are considered performing but their quality is lower than those of stage 1.

For 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, impaired financial assets or assets for which a loss event occurred that definitively deteriorates creditworthiness is classified. Similarly, to the assets classified in Stage 2, 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).

The following table shows the ECL ("Expected Credit Loss") as of December 31st, 2018:

	31.12.2018	***Expected Credit Loss***		
		Stage 1 - 12m ECL	***Stage 2 - ECL Lifetime***	***Stage 3 - ECL Lifetime***
Cash and cash equivalents	246,021	246,021		
Financial assets Held to Collect & Sell	268,887	268,887		
Loan commitments	6,548	6,548		
Financial Guarantees	17,363	17,363		
Tax receivables	828	828		
Trade receivables	435,000	435,000		
Total	**974.647**	**974.647**		

The variations in the credit risk was analyzed in the period between the date of initial recognition to the date of the first application without recognizing significant increases.

Considering the identified risk, 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 due to the difficulty of finding funds or liquidating assets on the market.

The Company manages the 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 using the leading financial institutions, including supranational ones. Firstly, the Risk management is carried out in 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 details of the residual maturity dates of the financial liabilities based on non-discounted cash flows, based on the first maturity date to which the Company will be required to repay them. The amounts include both the cash flows relating to the repayment of the principal and the flows relating to the interest. In the case in which the interest flows are at a variable rate, the non-discounted value of the same is estimated by applying, for subsequent maturities, the last variable rate applied by the lending institution in 2018.

	31.12.2018	Contractual Cash Flows	0 -3 months	3-6 months	6-12 months	1-2 years	2-5 years	Beyond 5 Years
Bond	69,619,361	77,875,000	-	-	1,312,500	1,312,500	3,937,500	71,312,500
Bank loans	256,035,209	290,859,972	-	6,901,081	14,394,111	21,291,216	48,861,049	199,412,516
Total	**325,654,570**	**368,734,972**	**-**	**6,901,081**	**15,706,611**	**22,603,716**	**52,798,549**	**270,725,016**

	31.12.2017 Restated values	Contractual Cash Flows	0 -3 months	3-6 months	6-12 months	1-2 years	2-5 years	Beyond 5 years
Bond	68,946,174	79,187,500	-	-	1,312,500	1,312,500	3,937,500	72,625,000
Bank loans	203,110,891	231,615,128	-	4,939,089	12,431,685	17,366,122	44,580,073	152,298,159
Total	**272,057,065**	**310,802,628**	**-**	**4,939,089**	**13,744,185**	**18,678,622**	**48,517,573**	**224,923,159**

The Company believes it has the ability to meet its payment obligations by generating cash flows from operating activities and, alternatively, by using cash balances and / or cash instruments in the portfolio that can be liquidated. Moreover, the Company has committed credit lines for Euro 65 million, which were not used at both December 31st, 2018 and December 31st, 2017.

3. *Interest rate risk*

The Company is exposed to fluctuations in the interest rate (mainly Euribor) on financial assets indexed at a variable rate and marginally on payable loans, given that approximately 96% of medium / long-term financial debt is indexed at a fixed rate.

The following table shows the variable and fixed rate payable loans:

	31.12.2018	Contractual cash flows	Current portion	1 to 2 years	2 to 5 years	Beyond 5 years
Variable rate	13,271,794	14,089,011	761,228	757,251	2,245,985	10,324,547
Fixed rate	311,857,776	354,645,961	21,846,464	21,846,464	50,552,563	260,400,469
Total	**325,129,570**	**368,734,972**	**22,607,692**	**22,603,716**	**52,798,549**	**270,725,016**

	31.12.2017 Restated values	Contractual cash flows	Current portion	1 to 2 years	2 to 5 years	Beyond 5 years
Variable rate	13,952,399	14,853,411	765,746	761,095	2,258,406	11,068,164
Fixed rate	258,104,665	295,949,216	17,917,527	17,917,527	46,259,167	213,854,995
Total	**272,057,065**	**310,802,628**	**18,683,274**	**18,678,622**	**48,517,573**	**224,923,159**

The sensitivity analysis is shown below which illustrates the effects, which would arise in terms of change in financial charges against a change of +50 or -50 basis point in the Euribor interest rate applied to loans in 2018 and 2017:

2018	Shift + 50 bps	Shift - 50 bps
Higher/(lower) interest expense on variable interest loans	70,244	(70,244)
Total	**70,244**	**(70,244)**

2017	Shift + 50 bps	Shift - 50 bps
Higher/(lower) interest expense on variable interest loans	73,118	(73,118)
Total	**73,118**	**(73,118)**

Referring the financial assets, the following table shows the subdivision of government bonds and corporate bonds at a fixed rate and variable rate based on the rebates, not discounted, of the nominal value of the instruments at the respective maturities:

	31.12.2018	Contractual cash flow	Current portion	1 to 2 years	2 to 5 years	Beyond 5 years
Variable rate	43.199.941	44.645.441	4.200.000	8.156.441	25.289.000	7.000.000
Fixed rate	60.003.329	60.849.886	1.000.000	3.462.392	20.304.087	36.083.406
Total	**103.203.270**	**105.495.327**	**5.200.000**	**11.618.833**	**45.593.087**	**43.083.406**

	31.12.2017 Restated values	Contractual cash flow	Current portion	1 to 2 years	2 to 5 years	Beyond 5 years
Variable rate	48,131,275	47,221,000	16,375,000	6,200,000	17,646,000	7,000,000
Fixed rate	62,806,367	64,887,068	5,754,843	3,493,000	20,695,470	34,943,755
Total	**110,937,643**	**112,108,068**	**22,129,843**	**9,693,000**	**38,341,470**	**41,943,755**

To complete the analysis, the sensitivity analysis is reported on the bonds portfolio carried out by using the modified duration of the individual securities in the portfolio as a reference parameter is reported. The assumption of the analysis is the linear relationship between the prices of the securities and the relative returns.

Coupon flows have not been considered, since, considering the significant component of a variable 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 .

The assets invested in OICR, which represent approximately 59% of the total portfolio as at December 31st, 2018, are excluded from the sensitivity analysis (an increase of 50, 75 and 100 basis points respectively in interest rates); this is because the incidence of asset classes and individual securities within each OICR differs with high frequency, and each projection would be unreliable.

	31.12.2018	Sensitivity Analysis		
		0.50%	0.75%	1.00%
Bond Securities	103,203,270	(1,312,732)	(1,968,926)	(2,625,119)
Total	**103,203,270**	**(1,312,732)**	**(1,968,926)**	**(2,625,119)**

	31.12.2017 Restated values	Sensitivity Analysis		
		0.50%	0.75%	1.00%
Bond Securities	110,937,643	(359,426)	(1,012,929)	(1,655,539)
Total	**110,937,643**	**(359,426)**	**(1,012,929)**	**(1,655,539)**

Currency risk

The company mainly operates on the Italian market. The group holds the financial assets in foreign currencies and is therefore exposed to currency risk deriving from changes in the exchange rates.

Counter value in Euro	31.12.2018		
	USD	**AUD**	**TRY**
Bond Securities	6,714,223	489,682	-
Total	**6,714,223**	**489,682**	**-**

Counter value in Euro	31.12.2017 Restated values		
	USD	**AUD**	**TRY**
Bond securities	7,949,337	539,957	1,344,013
Total	**7,949,337**	**539,957**	**1,344,013**

The sensitivity analysis as shown below which illustrates the effects, which would arise against a change of +/- 10 basis points in the exchange rates applied to the financial assets at December 31st, 2018 and December 31st, 2017:

Euro	31.12.2018	
	Shift + 10 bps	**Shift - 10 bps**
Exchange rate movement	(567,732)	674,683
Total	**(567,732)**	**674,683**

Euro	31.12.2017 Restated values	
	Shift + 10 bps	**Shift - 10 bps**
Exchange rate movement	(577,211)	678,260
Total	**(577,211)**	**678,260**

There are no currency risks on trade receivables and payables.

Price risk of commodities

The Company is exposed to the price risk of energy commodities, that is to say electricity and petroleum products, since supplies are affected by fluctuations in the prices of these commodities directly or through indexing formulas. Furthermore, since some contracts contain the exchange rate with other currencies within the price indexing formulas, the Company is also exposed to exchange rate risk.

The Company's policy aims to minimize the need to have to appeal to the financial markets for hedges, which are addressed only if the coverage is deemed appropriate and convenient, both with regard to petroleum products and for the traction electricity supply.

For the latter, the Company completes the supply through tender procedures aimed at finalizing fixed-price contracts. The races are run once a year for the following year. The trend of 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 more favorable periods. The fixed prices allows the stabilization of costs and the formulation of a certain annual budget.

Financial assets and liabilities classification

As supplementary disclosure on the financial risks, the table below shows a reconciliation between financial assets and liabilities as reported in the statement of financial position and categories of assets and categories of financial assets and liabilities identified based on the requirements of IFRS 7:

31.12.2018	**Financial assets and liabilities at amortized cost**	**Financial assets and liabilities with Fair Value through reserves**	**Non-financial assets and liabilities**	**Total**
Non-current financial assets		22,978,430		22,978,430
Other receivables and non-current assets	14,267,756			14,267,756
Current financial assets	1,737,561	253,790,376		255,527,937
Current trade receivables	173,289,136			173,289,136
Other receivables and current assets	62,280,572			62,280,572
Non-current financial liabilities	307,697,350			307,697,350
Current financial liabilities	24,648,401			24,648,401
Trade payables	275,500,596			275,492,598
Other payables and current liabilities	143,264,578			143,264,578

31.12.2017 Restated values	**Financial assets and liabilities at amortized cost**	**Financial assets and liabilities with Fair Value through reserves**	**Non-financial assets and liabilities**	**Total**
Non-current financial assets	23,498,150	281,325,825		304,823,975
Other receivables and non-current assets	21,057,848			21,057,848
Current financial assets		20,667,563		20,667,563
Current trade receivables	96,979,919			96,979,919
Other receivables and current assets	65,547,167			65,547,167
Non-current financial liabilities	257,960,103			257,960,103
Current financial liabilities	132,335,376			132,335,376
Trade payables	254,187,916			254,187,916
Other payables and current liabilities	68,983,734			68,983,734

Determination of the Fair Value

The Fair Value of financial assets and liabilities is determined in accordance with IFRS 13, which requires that these values be classified based on a hierarchy of levels, which reflects the characteristics of the inputs used in determining the Fair Value:

- Level 1: valuations made on the basis of 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.

Having the aforementioned classification as a reference, valuation procedures have been carried out for the Fair Value of the assets and liabilities outstanding as at December 31st, 2018 and December 31st, 2017 with reference to observable market parameters:

- the Fair Value of the 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 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 released at the request of the Company;
- in the valuation of the funds' investments, the Fair Value is determined based on the NAV communicated by the relevant fund administrators at the reporting date. In the event that this information is not available at the date of preparation of the financial statements, the last available official communication is used, in any case not earlier than one month from the balance sheet date.

The following table shows the financial assets and liabilities measured at Fair Value, and classified based on the hierarchical levels illustrated above:

	31.12.2018	***Fair Value* at the reporting date**		
		Level 1	**Level 2**	**Level 3**
Financial assets HTC&S	**98,658,541**	**98,658,541**		
Government Securities	8,179,336	8,179,336		
Bond securities	90,479,205	90,479,205		
Other financial assets	**155,131,835**	**147,169,832**	**7,962,003**	
Other bond securities	4,544,729	2,482,772	2,061,956	
OICR	150,587,106	144,687,060	5,900,046	
Total	**253,790,376**	**245,828,373**	**7,962,003**	

Aligned with the provisions of IFRS 13, the Fair Value of financial liabilities at December 31, 2018 is reported for information purposes, among which the bond is valued at amortized cost.

	31.12.2018
Bonds	68,877,831
Bank loans	234,894,955
Total	**303,772,786**

6. Employment data

The average number of employees, shown by category, reports the following changes compared to the previous year:

	2018	2017	Changes
Executives	24	22	2
Transport personnel	7,517	2,765	4,752
Total	**7,541**	**2,787**	**4,754**

At the end of the year, the workforce has recognized the changes as explained below:

	31.12.2017	Hiring (+)	Leave (-)	Intercompany transfers	Merger	31.12.2018
Workforce	2,759	384	(411)	13	6,385	9,130

The workforce as at December 31st, 2018 amounted to 9,130 units against 2,759 units at December 31st, 2017. The net change is mainly attributable to 6,385 units acquired with the merger of ATM Servizi S.p.A., to 384 new hires and 411 exits. The data for the exits is consistent with that of the last few years and includes all the reasons related to the termination of the employment relationship; among these, the most frequent are retirement and spontaneous resignation.

Notes to the financial position

Considering the backdating of the accounting effects of the merger by incorporation of ATM Servizi S.p.A. in ATM S.p.A. as of January 1st, 2018, it should be noted that the balance sheet and financial balances at December 31st, 2018 are not immediately comparable with those at December 31st, 2017. However, in order to allow a better data comparability and make the comparative values homogeneous, please note that in Note 4 specific pro-forma statements have been prepared as at December 31st, 2017, as if the merger had taken place from the beginning of the year compared.

Assets

7. Property, plant and equipment

The account "Property, plant and equipment" amounts at December 31st, 2018 to Euro 1,232,417,325 net to the accumulated depreciation provision, capital grants and write-downs.

	31.12.2018	31.12.2017 Restated values
Plant and machinery	774,714,746	680,235,162
Land and buildings	368,800,290	376,948,363
Industrial and commercial equipment	10,309,728	11,497,258
Other assets	2,190,347	2,368,208
Assets in progress	76,402,214	75,262,427
Total	**1,232,417,325**	**1,146,311,418**

Compared to the balance as at December 31st, 2017, the item "Land and buildings" increased by Euro 154,037 thousand due to the recalculation of the data following the change in the measurement criteria from cost to cost adjusted to Fair Value.

The item in question refers to:

- "Plant and machinery", for Euro 774,714,746 relating to rolling stock and plants for the operation of the transportation service owned by the Company;
- "Land and buildings", for Euro 368,800,290 mainly related to deposits for rolling stock and buildings for office use; the portion of the recalculation of the cost at Fair Value amounts to Euro 153,182,523 and Euro 147,929,280 at December 31st, 2017 and 2018, respectively, due to the depreciation charge 2018 of Euro 5,253,243;
- "Industrial and commercial equipment", for Euro 10,309.728 mainly relating to auxiliary vehicles;
- "Other assets", for Euro 2,190,347;
- "Assets in Progress", for Euro 76,402,214.

The account "Assets in progress" refers to advances and tangible assets, including:

- Leonardo trains acquisitions for the M1 and M2 lines, for Euro 49,043,776;
- revamping type 4900 trams, general overhaul of 1928 and 4700 for Euro 7,835,162;
- M2 line power supply and traction systems upgrade for Euro 6,236,016;
- trolleybus purchase, for Euro 2,307,000;
- electric buses purchase, for Euro 1,438,200;
- magnetic-electric ticketing system, for Euro 1,123,888;
- incremental maintenance of the value of the various company deposits, for Euro 992,036;
- M3 Line Trains general revision, for Euro 854,164;
- service rolling stock purchases, for Euro 749,341;
- IP-MPLS network extension for remotization systems/TLC in underground installations, for Euro 373,272;
- other tangible assets in progress, for Euro 1,714,359.

The item "Land and buildings" includes the "Property Investments" represented by real estate properties of a non-instrumental nature subject to rental for commercial purposes. The net carrying amount of the Property Investment is broken dows as below:

	31.12.2018	31.12.2017 Restated values
Property Investment	12,332,203	12,489,813

It should be remembered that ATM has decided to modify the valuation criteria for the Land and Buildings, adopting the Fair Value evaluation instead of the historical cost assessment, in accordance with the options granted by IAS 16. See the paragraph "Comparability of financial statements: changes in the valuation criteria "of Note 2 regarding the considerations and the effects of this change.

The following table shows the variations that occurred during the year and in the previous year, as well as the effects deriving from the merger of ATM Servizi S.p.A. in ATM S.p.A. and of the revaluation referred to above.

	Property, plant and equipment					
Property, plant and equipment	**Plant & Machinery**	**Land & Buildings**	**Industrial and commercial equipment**	**Other assets**	**Assets in progress and advances**	**Total**
Historical cost	2,717,716,611	342,772,021	55,569,394	36,828,243	39,904,071	3,192,790,340
Accumulated depreciation	(1,463,274,946)	(93,455,451)	(43,543,814)	(27,213,124)		(1,627,487,335)
Grants	(495,764,955)	(19,083,014)		(6,964,979)		(521,812,948)
Cumulative write-downs	(69,951,358)	(1,271,901)				(71,223,259)
Net book value as at 01.01.2017 Restated values	**688,725,352**	**228,961,655**	**12,025,580**	**2,650,140**	**39,904,071**	**972,266,798**
Revaluation effect		154,037,110				154,037,110
Net book value as at 01.01.2017 Restated values	**688,725,352**	**382,998,765**	**12,025,580**	**2,650,140**	**39,904,071**	**1,126,303,908**
Historic cost						
Investments and acquisitions in the year					*104,161,938*	*104,161,938*
Transfers to finished plants	*65,808,951*	*232*	*1,933,135*	*1,061,264*	*(68,803,582)*	*-*
Disposals, sales and riclassification	*(10,625,099)*	*(33,747)*	*(298,639)*	*(400,558)*		*(11,358,043)*
Accumulated Depreciation						
Depreciation for the year	*(104,191,103)*	*(6,549,493)*	*(2,456,626)*	*(2,751,529)*		*(115,948,751)*
Disposals, sales and reclassifications	*9,753,710*	*10,132*	*293,808*	*393,384*		*10,451,034*
Grants						
Increases				*(142,866)*		*(142,866)*
Amount accrued in the year	*28,999,221*	*496,470*		*1,558,373*		*31,054,064*
Impairment						
Increases	*(372,544)*					*(372,544)*
Utilizations of accumulated depreciation	*2,136,674*	*26,003*				*2,162,677*
Historical cost	2,772,900,463	496,775,616	57,203,890	37,488,949	75,262,427	3,439,631,345
Accumulated amortisation	(1,557,712,339)	(99,994,812)	(45,706,632)	(29,571,269)		(1,732,985,052)
Grants	(466,765,734)	(18,586,544)		(5,549,472)		(490,901,750)
Cumulative write-downs	(68,187,228)	(1,245,898)				(69,433,126)
Net book value as at 31.12.2017 Restated values	**680,235,162**	**376,948,363**	**11,497,258**	**2,368,208**	**75,262,427**	**1,146,311,418**

	Property, plant and equipment					
Property, plant and equipment	**Plant & Machinery**	**Land & Buildings**	**Industrial and commercial equipment**	**Other assets**	**Assets in progress and advances**	**Total**
Historical cost	2,772,900,463	496,775,616	57,203,890	37,488,949	75,262,427	3,439,631,345
Accumulated depreciation	(1,557,712,339)	(99,994,812)	(45,706,632)	(29,571,269)		(1,732,985,052)
Grants	(466,765,734)	(18,586,544)		(5,549,472)		(490,901,750)
Cumulative impairment	(68,187,228)	(1,245,898)				(69,433,126)
Net book value as at 31.12.2017 Restated values	**680,235,162**	**376,948,363**	**11,497,258**	**2,368,208**	**75,262,427**	**1,146,311,418**
Fusion Atm Servizi S.p.A.						
Historical cost	92,088,406		582,102	180,905	5,902,804	98,754,217
Accumulated depreciation	(36,297,701)		(581,245)	(179,320)		(37,058,266)
Grants	(18,801,970)					(18,801,970)
Cumulative impairment						-
Net book value as at 01.01.2018	**717,223,897**	**376,948,363**	**11,498,115**	**2,369,793**	**81,165,231**	**1,189,205,399**
Historic cost						
Investments and acquisitions in the year					*162,711,853*	*162,711,853*
Transfers to finished plants	*163,200,699*	*450,000*	*1,828,613*	*1,961,181*	*(167,440,493)*	-
Disposals, sales and reclassifications	*(163,173,327)*		*(2,615,851)*	*(166,645)*	*(34,377)*	*(165,990,200)*
Accumulated Depreciation						**-**
Depreciation for the year (note 34)	*(109,073,840)*	*(9,015,365)*	*(3,016,998)*	*(3,327,727)*		*(124,433,930)*
Disposals, sales and reclassifications	*129,856,884*		*2,615,850*	*159,017*		*132,631,751*
Grants						
Increases	*(32,675,076)*			*(499,499)*		*(33,174,575)*
Amount accrued in the year (note 34)	*34,993,350*	*391,692*		*1,694,227*		*37,079,269*
Disposals, sales and reclassifications	*89,976*					*89,976*
Impairment						
Cumulative impairment on disposals	*32,453,805*					*32,453,805*
Utilizations of accumulated depreciation	*1,818,374*	*25,600*				*1,843,974*
Historical cost	2,865,016,241	497,225,616	56,998,754	39,464,390	76,402,214	3,535,107,215
Accumulated depreciation	(1,573,226,996)	(109,010,177)	(46,689,025)	(32,919,299)		(1,761,845,497)
Grants	(483,159,454)	(18,194,852)		(4,354,744)		(505,709,050)
Cumulative write-downs	(33,915,049)	(1,220,298)				(35,135,347)
Net book value as at 31.12.2018	**774,714,742**	**368,800,290**	**10,309,729**	**2,190,347**	**76,402,214**	**1,232,417,322**

As it can be seen from the variations table, during the year investments were made referring to the item "Property, Plant and equipment" for Euro 162,711,853 and assets with a historical cost of Euro 165,990,200 and accumulated depreciation were disposed of. for Euro 132,631,751. The realized capital gains during the period amounted to Euro 416,175 and related to the sale of 131 buses.

The major investments of the year concerned:

- "Leonardo" trains purchase for the underground lines 1 and 2, for Euro 97,771,056;
- revamping of the 4900 type tramway vehicles and general overhaul of 1928 and 4700 vehicles, for Euro 12,569,005;
- diesel buses purchase, for Euro 11,750,200;
- electric buses purchase, for Euro 7,924,200;
- diesel-electric hybrid buses purchase, for Euro 6,225,000;
- general overhaul of metropolitan vehicles, for Euro 6,011,365;
- metro line 2 upgrade - rebuilding of the power supply and electric traction systems, for Euro 5,211,693;
- extraordinary maintenance work for deposits, for Euro 3,081,924;
- trolleybus purchase, for Euro 2,307,000;
- new equipment for the magnetic - electronic ticketing system, for Euro 1.986.631;
- purchase and installation of 300 parking meters (4th stage), for Euro 1,163,250;
- completed works for increasing the safety on the underground, for Euro 1,122,327;
- bike sharing cities projects, for Euro 554,066, of which Euro 533,500 financed by municipal resources.

During the year, the provision for bad debts recognized in previous years was used for Euro 32,453,805 against the sale of metropolitan trains no longer used in the transport service, with recognition of a capital loss, net of use of the doubtful debt provision, recognized in the income statement under the item "Other operating costs and charges" (Note 33) for Euro 864,359, and used write-downs to adjust amortization for Euro 1,818,374 relating to plant and machinery and Euro 25,600 relating to land and buildings .

The "Amortization and depreciation" recognized in the income statement is adjusted by the portion of contributions to cover the investments for the year, totaling Euro 37,069,269.

The plant grants per lender are broken down as follows:

- euro 13,051,722 Government grants;
- euro 13,458,097 from the Lombardy Region;
- euro 10,563,960 from the Milan Municipality;
- euro 5,490 from privates.

The net increase in depreciation reflected in the income statement for the year 2018 following the aforementioned change in the criteria for the valuation of properties from the cost to the cost restated to the Fair Value was Euro 854,588, resulting in a net effect of Euro 5,253,243 for the increase in the value of the buildings and Euro 4,398,655 for the redefinition of the technical-economical life of the buildings themselves.

The net residual value of "Property, Plant and equipment" held under finance lease contracts equals Euro 9,815,459 (Euro 12,395,514 as at December 31st, 2017).

The Management has not identified indicators that determine the need to activate the impairment test to verify the recoverability of the carrying value of tangible assets.

The "Property, plant and equipment" purchased with regional co-financing are subject to the inalienability constraint pursuant to the D.G.R. 14795/2003 and subsequent amendments and additions. Below is a breakdown of the constraints envisaged by the legislation:

- urban buses: 8 years;
- suburban and intercity buses: 10 years;
- trolleybus: 15 years;
- metropolitan and tram trains: 30 years;
- technologies: 7 years;
- infrastructure: 30 years.

For automotive rolling stock co-financed by the Lombardy Region with the 2009 allotment plan, pursuant to Laws n. 296/2006 and n. 133/2008, the inalienability constraints refer to the entire useful life of the fixed bus, where not otherwise established by the Service Contracts, in 15 years as specified by D.G.R. n. IX / 4619 of December 28, 2012.

8. Intangible assets

"Intangible assets" as at December 31st, 2018 amounts to Euro 2.574.341 and comprise:

	31.12.2018	31.12.2017 Restated values
Software licences	2,420,147	2,131,074
Intangible assets in progress	154,194	56,000
Total	**2,574,341**	**2,187,074**

The restated data has not changed compared to the one approved last year.

The table below illustrates the movements during the year and in the previous year.

	Intangible assets		
Intangible assets	**Software licenses**	**Intangible assets in progress**	**Total**
Historical cost	5,489,463	25,000	5,514,463
Accumulated Amortisation	(3,636,409)		(3,636,409)
Net book value as at 01.01.2017 Restated values	**1,853,054**	**25,000**	**1,878,054**
Historical cost			
Investments and acquisitions in the year		*1,313,446*	*1,313,446*
Transfers to intangible assets	*1,282,446*	*(1,282,446)*	
Disposals, sales and reclassifications	*(1,024,210)*		*(1,024,210)*
Accumulated Ammortisation			
Amortisation for the year	*(1,004,425)*		*(1,004,425)*
Disposals, sales and reclassifications	*1,024,209*		*1,024,209*
Historical cost	5,747,699	56,000	5,803,699
Accumulated Amortisation	(3,616,625)		(3,616,625)
Net book value as at 31.12.2017 Restated values	**2,131,074**	**56,000**	**2,187,074**

		Intangible assets	
Intangible assets	**Software licenses**	**Intangible assets in progress**	**Total**
Historical cost	5,747,699	56,000	5,803,699
Accumulated Ammortisation	(3,616,625)		(3,616,625)
Net book value as at 31.12.2017 Restated values	**2,131,074**	**56,000**	**2,187,074**
Historical costs			**-**
Investments and acquisitions in the year		*1,325,793*	*1,325,793*
Transfers to intangible assets	*1,238,166*	*(1,238,166)*	*-*
Disposals, sales and reclassifications	*(1,441,996)*	*10,567*	*(1,431,429)*
Accumulated Amortisation			**-**
Amortisation for the year	*(949,094)*		*(949,094)*
Disposals, sales and reclassifications	*1,441,996*		*1,441,996*
Historical cost	5,543,869	154,194	5,698,063
Accumulated Amortisation	(3,123,723)		(3,123,723)
Net book value as at 31.12.2018	**2,420,147**	**154,194**	**2,574,341**

The software licenses amounting to Euro 2,420,147 relate to operational management systems.

During the year, investments were made in the item “Intangible assets” for Euro 1,325,793 and intangible assets, entirely amortized, with a historical cost of Euro 1,441,996 were eliminated from the book.

Investments in the year related to the purchase of software for Euro 1,238,166.

The Management has not identified indicators that determine the need to activate the impairment test to verify the recoverability of the book value of intangible assets.

9. Investments

“Investments” at December 31st, 2018 ammounted to Euro 29.448.431 and are broken down as follows:

	31.12.2017 Restated values	Fusion	31.12.2018
Subsidiaries			
ATM Servizi S.p.A.	1,756,407	(1,756,407)	-
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	**15,949,038**	**(1,756,407)**	**14,192,631**
Associates			
SBE Consortium	45,000		45,000
Co.mo. Fun&Bus S.c.a r.l	4,000		4,000
Metro 5 S.p.A.	10,660,000		10,660,000
Total associates	**10,709,000**	**-**	**10,709,000**
Other companies			
SPV Linea M4 S.p.A.	4,521,600		4,521,600
SPM4 S.c.p.A. in liquidation	25,200		25,200
Total other companies	**4,546,800**	**-**	**4,546,800**
Total	**31,204,838**	**(1,756,407)**	**29,448,431**

The recalculated date has not changed compared to the one approved last year.

As described in the Note 4 and in the Operations Report, on April 1st, 2018 the merger by incorporation of ATM Servizi S.p.A. in ATM S.p.A. with accounting and fiscal effects from January 1st, 2018. Following the transaction, the value of the equity investment held by ATM S.p.A. it was canceled against the entire shareholders' equity of the subsidiary, arising a merger surplus totaling of Euro 70,860,519. Please refer to the aforementioned Note 4 concerning the accounting treatment applied to the transaction as well as the effects and comparability of the financial statements data as at December 31st, 2018.

The registration value at the cost of the equity investments is lower than that deriving from the adoption of the equity method, with the exception of the Rail Diagnostics S.p.A whose higher book value compared to the portion of shareholders' equity held is not considered to be representative of a lasting loss in value of the subsidiary being representative of the higher value recognized to the seller at the time of acquisition, as confirmed by the results of the analyzes carried out for the benefit of the test impairment.

Listed below the information regarding the investee companies, whose financial statement data refer to the last available financial statements prepared in accordance with Italian accounting principles (data in thousands of Euro):

Group Company	Registered Office	Group holding %	Carrying value	Share capital	Equity	Profit/ Loss	Equity share
ATM Servizi Diversificati S.r.l.	Milan, Foro Bonaparte, 61	100	100	100	298	(154)	298
Ge.SAM S.r.l.	Milan, Foro Bonaparte, 61	100	20	20	448	24	448
International Metro Service S.r.l.	Milan, Via Monte Rosa, 89	51	357	700	4,674	1,842	2,384
Nord Est Trasporti S.r.l.	Milan, Via Monte Rosa, 89	100	716	925	5,382	983	5,382
Rail Dignostics S.p.A.	Milan, Via Teodosio, 125	97.27	13,000	5,500	12,047	404	11,718
Metro 5 S.p.A.	Milan, Via Adige, 19	20	10,660	53,300	11,895	(1,947)	2,379
SPV Linea M4 S.p.A. (Values at 31.12.2017)	Milan, Piazza Castello, 3	2,33	4,522	49,345	185,474	436	2,969
Co.Mo. Fun&Bus S.c.a r.l.	Como, Via Asiago, 16/18	20	4	20	20		4
Consorzio SBE (Values at 31.12.2017)	Milan, Piazzale Cadorna, 14	45	45	100	99	(1)	45
Metrofil S.c.a r.l. (Values at 31.12.2017)	Rome, Via Genova, 23	24.08		10	10		2
Movibus S.r.l. (Values at 31.12.2018)	Milan, Piazza Castello, 1	26.18		780	3,842	261	1,006
SPM4 S.c.p.A. in liquidation	Milan, Via dei Missaglia, 97	7	25				

Regarding to the company Metro 5 S.p.A. we inform that the Net equity resulting from the application of the IAS / IFRS principles as of December 31st, 2018 is equal to Euro 94,932 thousand and the share pertaining to ATM S.p.A. amounting to Euro 18,986 thousand euro. At the date of preparation of the separate and consolidated financial statements of ATM S.p.A. refering to the company SPV M4 S.p.A. it should be noted that on March 19, 2019, the company resolved the longer term for the approval of the 180-day financial statements, therefore no updated information is available as at December 31st, 2018. Furthermore, in light of the corporate evolution conditioned by the subscription of the first Supplementary Act to the Convention that took place on 5 February 2019, it can be considered that the value of the equity investment recognized in the financial statements is not susceptible to impairment.

With the exception of the higher value attributed at the time of acquisition to the equity investment held in Rail Diagnostics SpA, the Management has not identified any indicators that determine the need to activate the impairment test to verify the recoverability of the book value of the investments.

ATM Servizi Diversificati S.r.l.

The subsidiary carries out the management of transport services for people and goods both by road and rail in the sectors of rental and diversified services such as the restaurant tram and tourist services.

Shareholders List		
ATM S.p.A.	Holding	100%

Carrying amount
Euro 100,000

Income statement	
Net profit (loss)	Euro 154,075

Balance sheet			
ASSETS		**LIABILITIES**	
Net fixed assets	531,746	Equity	298,458
Inventories	455,319	Doubtful debt	4,212
Receivables	557,161	Employee Termination indemnities	150,783
Current financial assets	468,636	Payables	1,489,304
Cash and cash equivalents	2,469		
Prepayments and accrued income	-	Accruals and deferred income	72,574
Total assets	**2,015,331**	**Total Liabilities**	**2,015,331**

GeSAM S.r.l.

The investee carries out consultancy activities in the insurance sector, including all related specialist support aimed at the instruction and settlement of claims with the exclusion of insurance mediation activities.

Shareholders List		
ATM S.p.A.	Holding	100%

Carrying amount
Euro 20,000

Income statement	
Net profit	Euro 23,652

Balance sheet			
ASSETS		**LIABILITIES**	
Net fixed assets	-	Equity	447,817
Inventories	-	Doubtful debt	-
Receivables	267,554	Employee Termination indemnities	176,627
Current financial assets	512,069	Payables	159,221
Cash and cash equivalents	500		
Prepayments and accrued income	3,542	Accruals and deferred income	-
Total Assets	**783,665**	**Total Liabilities**	**783,665**

International Metro Service S.r.l.

The subsidiary has as its object the management of transport services for people and things with the related planning and operational organization activities, all for executing contracts for the operation and maintenance of metropolitan systems.

Shareholders List		
ATM S.p.A.	Holding	51%
Ansaldo STS S.p.A.	Holding	49%

Carrying amount
Euro 357,000

Income Statement	
Net profit	Euro 1,842,060

Balance sheet			
ASSETS		**LIABILITIES**	
Net fixed assets	4,260,854	Equity	4,673,592
Inventories	-	Doubtful Debt	-
Receivables	-	Employee Termination indemnities	-
Current financial assets	-	Payables	51,630
Cash and cash equivalents	447,222		-
Prepayments and accrued income	17,146	Accruals and deferred income	-
Total Assets	**4,725,222**	**Total Liabilities**	**4,725,222**

NET S.r.l.

The investee carries out the management of transport services for people, things and information, with the related planning and operational organization activities, as well as the related services connected to the transport activity and mobility in general.

Shareholders List		
ATM S.p.A.	Holding	100%

Carrying amount
Euro 715,631

Income statement	
Net profit	Euro 983,136

Balance sheet			
ASSETS		**LIABILITIES**	
Net fixed assets	12,500,327	Equity	5,382,502
Inventories	30,691	Doubtful Debt	1,741,250
Receivables	15,147,719	Employee Termination indemnities	3,097,246
Current financial assets	-	Payables	16,950,350
Cash and cash equivalents	300,000		
Prepayments and accrued income	973	Accruals and deferred income	808,362
Total Assets	**27,979,710**	**Total Liabilities**	**27,979,710**

Rail Diagnostics S.p.A.

The subsidiary has as its object the design, implementation, maintenance and integrated diagnostics of metrotransport systems and systems.

Shareholders List		
ATM S.p.A.	Holding	97.27%
SIAI Servizi Immobiliari Agricoli e Ittici S.r.l.	Holding	2.73%

Carrying amount
Euro 13,000,000

Income Statement	
Net profit	Euro 403,729

Balance Sheet			
ASSETS		**LIABILITIES**	
Net fixed assets	3,845,385	Equity	12,046,892
Inventories	-	Doubtful Debt	-
Receivables	2,187,259	Employee Termination indemnities	649,368
Current financial assets	5,710,476	Payables	1,750,085
Cash and cash equivalents	2,703,225		
Prepayments and accrued income	-	Accruals and deferred income	-
Total Assets	**14,446,345**	**Total Liabilities**	**14,446,345**

The carrying value of the investee is, as anticipated, higher than the share of net equity attributable to the investee's profitability prospects, and is supported by the results of the analyses carried out for the benefit of the *impairment* test.

10. Non-current financial assets

“Non-current financial assets” amount to Euro 22,978,430 at December 31st, 2018 and are entirely represented by “Loans and receivables”:

	31.12.2018	31.12.2017 Restated values
Securities	-	281,325,825
Bond Securities	-	*84,186,007*
OICR	-	*190,476,017*
Government Securities	-	*6,663,801*
Loans and receivables	22,978,430	23,498,150
Metro 5 S.p.A.	*16,474,235*	*19,413,936*
SPV Linea M4 S.p.A.	*4,788,310*	*2,552,214*
Coop S.E.D. ATM/S.C.C.A.T.I.	*1,237,534*	*1,532,000*
Financial receivables from third parties	*478,351*	-
Total	**22,978,430**	**304,823,975**

Starting from January 1st, 2018, IFRS 9 “Financial Instruments” became effective, introducing new requirements for the classification and measurement of financial assets and liabilities, entailing, in particular, a re-exposure of both financial instruments in portfolio and loans financial.

The financial instruments in the portfolio, previously classified as “Available for sale” and recognized under current or non-current assets depending on their maturity, are now exposed only to current financial assets (Note 14) in line with the portfolio management model of financial assets adopted by the Company.

The “Loans and receivables” at December 31st, 2018 are broken down as follows:

- subordinated shareholders’ loan of Euro 16,474,235 paid to Metro 5 S.p.A., of which Euro 15,270,600 in principal and Euro 1,09,172 in interest. The interest portion accrued during the year amounts to Euro 952,836. During the year, interest was collected for Euro 4,000,000 accrued in previous years. The effect related to the valuation at Fair Value was positive and equal to Euro 107,463 at December 31st, 2018;
- subordinated shareholders’ loan for Euro 4,788,310, granted to SPV Linea M4 S.p.A., of which Euro 4,365,254 in principal and Euro 383,184 in interest. Interest on the subordinated loan will be collected, as provided for by contract, based on what is defined in the economic and financial plan. The effect related to the valuation at Fair Value was positive and equal to Euro 39,872 at December 31st, 2018;
- loans for Euro 1,237,534 paid to SED-ATM and SCCATI building cooperatives for the implementation of social housing projects. The effect related to the valuation at Fair Value was negative and equal to Euro 194,466 at December 31st, 2018;
- advances paid to suppliers for work for Euro 478.351 requested pursuant to art. 35 D.Lgs.50 / 2016.

The table below shows the chages in the year:

	31.12.2017 Restated values	Refunds	Payments	Accrued interest	Valuation at *Fair Value* (IFRS 9)	31.12.2018
Metro 5 S.p.A.	*19,413,936*	*(4,000,000)*		*952,836*	*107,464*	*16,474,235*
SPV Linea M4 S.p.A.	*2,552,214*		*1,991,587*	*204,636*	*39,872*	*4,788,310*
Coop S.E.D. ATM/S.C.C.A.T.I.	*1,532,000*	*(100,000)*			*(194,466)*	*1,237,534*
Third parties			*478,351*			*478,351*
Total	**23,498,150**	**(4,100,000)**	**2,469,938**	**1,157,472**	**(47,130)**	**22,978,430**

Below are the effects, before tax, related to the impairment of "Non-current financial assets" on shareholders' equity as of January 1st, 2018 and on the economic result of the 2018 financial year as required by IFRS 9.

	Net Equity as at 01.01.2018	Economic result 2018	Total
Metro 5 S.p.A.	*(334,402)*	*441,866*	*107,464*
SPV Linea M4 S.p.A.	*83,992*	*(44,120)*	*39,872*
Coop S.E.D. ATM/S.C.C.A.T.I.	*(220,200)*	*25,734*	*(194,466)*
Total	**(470,610)**	**423,480**	**(47,130)**

11. Deferred tax assets

	31.12.2018	31.12.2017 Restated values
Deferred tax assets	72,224,200	70,140,463
Total	**72,224,200**	**70,140,463**

The restated data has not changed compared to the one approved last year.

Deferred tax assets of Euro 72,224,200 are calculated in relation to the amount of temporary differences and relating in particular to taxed provisions, and to previous tax losses, calculated with reference to a time horizon up to 2020.

The temporary differences, which generated the deferred tax assets, are illustrated as below:

	Deferred tax assets as at 01.01.2017 Restated values	Recognized in P&L	Recognized in Equity	Deferred tax assets as at 31.12.2017 Restated values
Tax Losses	18,739,000	(11,720,000)		7,019,000
Provisions for risks	54,514,916	6,245,007		60,759,923
Employee Termination indemnities	397,932	(144,444)	(1,392)	252,096
Plant and Machinery	2,373,125	(263,681)		2,109,444
Total	**76,024,973**	**(5,883,118)**	**(1,392)**	**70,140,463**

	Deferred tax assets 31.12.2017 Restated values	IFRS 9 aplication impact as at 01.01.2018	Fusion with ATM Servizi	Recognized in P&L	Recognized in Equity	Deferred tax assets as at 31.12.2018
Tax Losses	7,019,000			(1,139,000)		5,880,000
Provisions for risks	60,759,923		10,774,357	(8,903,606)		62,630,674
Employee Termination indemnities	252,096		925,480	(302,356)	262,391	1,137,611
Fair Value Financial assets		(55,327)		18,132	747,500	710,305
Impairment of financial assets		*(24,853)*		*1,537*	*747,500*	*724,184*
Impairment of financial receivables		*80,257*				*80,257*
Impairment Commitments and guarantees		*5,461*		*278*		*5,739*
Impairment Cash and cash equivalents		*42,784*		*16,261*		*59,045*
Impairment Trade receivables		*(158,976)*		*56*		*(158,920)*
Plant and Machinery	2,109,444			(243,833)		1,865,611
Total	**70,140,463**	**(55,327)**	**11,699,837**	**(10,570,663)**	**1,009,891**	**72,224,200**

The value of IRES tax losses of ATM S.p.A. resulting from the last declaration presented, fiscal year 2017, is Euro 864,382 thousands that can be deducted in full and Euro 52,066 thousands that can be deducted to a limited extent.

12. Other receivables and non-current assets

The item includes the credit, over 12 months, for government grants for Euro 14,267,756 relating to the purchase of trains on the underground line 1 as part of the “Fiera Milano Accessibility” project. The loan, maturing in 2021, is a guarantee of the loan granted by Cassa Depositi e Prestiti, recognized for an equal amount among the liabilities (Note 21).

The restated data has not changed compared to the one approved last year.

13. Inventories

"Inventories" as at December 31st, 2018 is broken down as follows:

	31.12.2018	31.12.2017 Restated values
Consumable maintenance materials	106,673,918	109,830,151
Fuel	523,769	488,918
Other materials	928,164	973,501
Total Inventories	**108,125,851**	**111,292,570**
Inventory obsolence provision	(30,308,241)	(36,101,166)
Total net inventories	**77,817,610**	**75,191,404**
Advances	2,438,322	1,025,883
Total	**80,255,932**	**76,217,287**

The restated data has not changed compared to the one approved last year.

Inventories, including "Advances on supplies" and the "Inventory obsolescence provision", decreased compared to December 31st, 2017 by Euro 3,166,719; the change is mainly due to the decrease in the stock of metro-transmission material. Consumables are mainly represented by stocks necessary for maintenance and repair of rolling stock.

Following the action to investigate the assets in the warehouse, obsolete assets were sold for Euro 10,434,500 and the "Inventories obsolescence provision" set up in previous years for this purpose was used for the same amount. At December 31st, 2018, to adjust the value of the fund to the changed number of inventories, a provision was made of Euro 4,641,575, having considered the assets with a low turnover rate and the analyzes carried out to assess the obsolescence of the materials at stock to be sold.

The movements in the obsolescence provision are shown below.

	31.12.2017 Restated values	Increases	Decreases	31.12.2018
Inventories obsolence provision	36,101,166	4,641,575	(10,434,500)	30,308,241
Total	**36,101,166**	**4,641,575**	**(10,434,500)**	**30,308,241**

The provision for the "Inventories obsolescence provision" is included in the item "Costs for purchases of goods and change in inventories".

14. Current financial assets

	31.12.2018	31.12.2017 Restated values
Current financial assets	255,527,937	20,667,563
Total	**255,527,937**	**20,667,563**

The change in compare to December 31st, 2017 is due primarily to the new classification of financial instruments in the portfolio (Note 3) which provides for their classification among current financial assets only in accordance with the financial asset management model adopted by the Company.

Current financial assets at December 31st, 2018 are as follows:

- "Held to Collect & Sell" government securities classified as FVTOCI for Euro 8,179,336 whose changes in Fair Value continue to be recognized with a counter-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 90,479,205 whose changes in Fair Value continue to be recognized with a balancing entry in the equity reserve (recognized in the OCI) until they are realized or reclassified;
- "Other" corporate bonds classified as FVTPL Euro 4,544,729 whose changes in Fair Value are recognized in the income statement and contribute to the formation of the economic result of the year;
- units of "Other" OICR classified as FVTPL for Euro 150,587,106 whose changes in Fair Value are recognized in the income statement and contribute to the formation of the economic result of the year.

These assets, regardless of their maturity, are recognized as current financial assets. Previously they were classified as "Available for sale" and recognized under current assets for the equivalent value of the bonds whose realization is expected within 12 months.

The item also includes the receivable from the subsidiary Net S.r.l. for Euro 1,737,561, represented by the *cash pooling* credit within the ATM Group treasury management for a maximum ceiling of Euro 20,000,000. During the year, the contract was renegotiated to meet the financial needs of the subsidiary company against planned investments in new rolling stock.

15. Current tax assets

“Inventories” as at December 31st, 2018 in broken donw as follows:

	31.12.2018	31.12.2017 Restated values
Withholding taxes	14,493,411	12,413,792
IRAP receivable from IRES Legislative Decree 211/2011	562,705	762,251
Prepaid Tax receivables (IRAP)	2,246,031	-
Total	**17,302,147**	**13,176,043**

The restated data has not changed compared to the one approved last year.

For the purposes of information and comparison of values, the effect on balances at December 31st, 2017 deriving from the merger of ATM Servizi S.p.A. in ATM S.p.A. (see Note 4).

	Balance ATM S.p.A. as at 31.12.2017	Balance ATM Servizi S.p.A. as at 31.12.2017 IAS-IFRS values	Eliminated	Pro-forma as at 31.12.2017
Withholding taxes	12,413,792	347,331		12,761,123
Withholding taxes – fiscal consolidation		3,603,537	(3,603,537)	0
IRAP receivable from IRES DL 211/2011	762,251	-		762,251
Receivables from Tax prepayments (IRAP)	-	2,234,459		2,234,459
Receivables from parent companies for Ires – Fiscal consolidation	-	2,478,036	(2,478,036)	0
Total	**13,176,043**	**8,663,363**	**(6,081,573)**	**15,757,833**

The “Tax receivable for withholding tax” amounting to Euro 14,493,411 relates to receivables for withholding taxes incurred.

The “IRAP Credit from IRES D.L. 201/2011”, amounting to Euro 562,705, refers to the recognition of deductibility for IRES purposes of the IRAP portion relating to expenses for employees and assimilated personnel, pursuant to Legislative Decree 201/2011, and to the relative request for reimbursement presented for the years 2007/2011. The credit was adjusted in order to take into account what was attested by the Inland Revenue.

The “Receivables for advance taxes (IRAP)” equal to Euro 2,246,031 relates to the amount of the advances paid in excess of the tax due for the year 2018.

16. Trade receivables

The “Trade receivable” account as at December 31st, 2018 amounts Euro 173.289.136 and is broken down as follows:

	31.12.2018	31.12.2017 Restated values
Receivables from third parties	27,356,695	17,278,521
Receivables from related parties	145,932,441	79,701,398
Receivables from parent	*123,342,317*	*1,490,111*
Receivables from subsidiaries	*6,413,428*	*61,816,005*
Receivables from associates	*15,963,220*	*15,177,009*
Receivables from subsidiaries of parent	*213,476*	*1,218,273*
Total	**173,289,136**	**96,979,919**

The restated data has not changed compared to the one approved last year.

In order to better explain the change in trade receivables, the effect on the balances at December 31st, 2017 arising from the merger of ATM Servizi S.p.A. in ATM S.p.A.:

	Balance ATM S.p.A. as at 31.12.2017	Balance ATM Servizi S.p.A. as at 31.12.2017 IAS-IFRS values	Cancelled	Pro-forma as at 31.12.2017
Receivables from third parties	17,278,521	2,326,930		19,605,451
Receivables from related parties	79,701,398	140,188,287	(108,823,324)	111,066,361
Receivables from parent	1,490,111	139,133,239	(52,341,850)	88,281,500
Receivables from subsidiaries	61,816,005	1,013,707	(56,481,474)	6,348,238
Receivables from associates	15,177,009			15,177,009
Receivables from subsidiaries of parent	1,218,273	41,341		1,259,614
Total	**96,979,919**	**142,515,217**	**(108,823,324)**	**130,671,812**

"Receivables from third parties" refer mainly to receivables from Italian and European Union entities and refer to services rendered for advertising, sponsorship and rent of the commercial premises of the underground stations. The increase is linked on the one hand to the services to the Municipality of Segrate carried out previously by ATM Servizi S.p.A. and on the other hand to the receivable due from Trenord S.p.A. for IVOL and IVOP travel tickets.

They are shown net of the specific doubtful debt provision, which at December 31st, 2018 amounted to Euro 13,302,745 (Euro 13,153,251 at December 31st, 2017), set up specifically to cover doubtful receivables and the receivables for which they were at the time take legal action.

The changes in the bad debts privision are as follows:

	31.12.2017 Restated values	Fair Value valuation (IFRS 9)	Fusion	Increases	Utilizations	31.12.2018
Doubtful debt provision	13,153,251	(564,251)	249,550	746,807	(282,612)	13,302,745
Total	**13,153,251**	**(564,251)**	**249,550**	**746,807**	**(282,612)**	**13,302,745**

The effects related to the adoption of IFRS 9 led, at the date of first application, to an adjustment of the bad debt provision for a total of Euro 564,251 gross of the tax effects with a contra entry to the Shareholders' equity at January 1st, 2018 (Note 3). During the year, the provision was adjusted for Euro 746.807 and used for Euro 282,612 against the change in expected losses, with the recording of these amounts under "Other operating costs and charges" (Note 33).

"Receivables from related parties" refer to:

- "Receivables from parent company" for Euro 123,342,317 net of the specific provision for write-downs which at December 31st, 2018 amounted to Euro 4,817,352. The item in question refers to receivables due from the Municipality of Milan for invoices issued for the consideration of the Local Public Transport Service Contract (TPL) for the month of December, for the withholdings in guarantee of the aforementioned contract equal to 5% of the fee for monthly payments from January to June 2018 and for invoices to be issued for the same case for monthly payments from July to December 2018. Also included are receivables for invoices issued or to be issued relating to works carried out on metropolitan and tramway infrastructures and to various services between which the implementation of the traffic control system.

  The item has increased compared to the previous year due to two effects: the first derives from the takeover of ATM S.p.A. in the management of the Local Public Transport Service Contract with the Municipality of Milan following the merger with ATM Servizi SpA, the second is the modification of the conditions of regulation of the Service Contract with the Municipality of Milan which until December 31st, 2017 provided for the compensation between the repayment of the TPL revenue and the invoicing of the Fee. Starting from January 1st, 2018, these credit and debit items are settled by separate payments.

  The changes in the provision for doubtful debts to the parent company are shown below:

	31.12.2017 Restated values	Fusion	Increases	31.12.2018
Doubtful debt provision to parent company		907,565	3,909,787	4,817,352
Total	**-**	**907,565**	**3,909,787**	**4,817,352**

In order to adjust the value of the "Doubtful debt provision versus parent company", an amount of Euro 3,909,787 was set aside with a balancing entry in the income statement under "Other operating costs and charges" (Note 33);

- "Receivables from subsidiaries" for Euro 6,413,428 that refer to services and other services rendered under existing contracts. The change compared to the previous year is due to the effects of the merger of ATM Servizi S.p.A., which led to the elimination of reciprocal receivables and payables between the subsidiary and the Parent Company ATM S.p.A. For more details on the composition and nature of the receivables, please refer to Note 39 "Information relating to intercompany transactions and transactions with related parties";
- "Receivables from associated companies" for Euro 15,963,220 net of the specific doubtful debt provision, which at December 31st, 2018 amounted to Euro 682,347 (Euro 1,274,220 at December 31st, 2017). The balance is composed as follows:

	31.12.2018	31.12.2017 Restated values
Co.Mo. Fun&Bus S.c.a r.l.	196,767	214,646
Metro 5 S.p.A.	15,792,817	14,951,206
Movibus S.r.l.	655,983	1,285,377
Total	**16,645,567**	**16,451,229**
Doubtful debt provision to associated companies	(682,347)	(1,274,220)
Total	**15,963,220**	**15,177,009**

Receivables refer to services and services rendered under existing contracts. The composition of the receivables does not show significant changes compared to the previous year, except for the receivables from Movibus S.r.l., which are reduced due to the collection of overdue receivables. In the face of credit movements, the specific write-down provision, which is shown below, was adjusted:

	31.12.2017 Restated values	Increases	Release	31.12.2018
Doubtful debt provision vs associated companies	1,274,220	61,336	(653,209)	682,347
Total	**1,274,220**	**61,336**	**(653,209)**	**682,347**

The provision of the fund for Euro 61,336 as well as the related release of Euro 653,209 were recognized in the income statement under "Other operating costs and charges" (Note 33).

- "Receivables from subsidiaries" for Euro 213,476. Receivables refer to services and services rendered under existing contracts. In order to adjust the value of the doubtful debt provision to subsidiaries of the parent, the amount of Euro 319 has been set aside with a balancing entry in the income statement under "Other operating costs and charges" (Note 33).

17. Other receivables and current assets

"Other current receivables and assets" at December 31st, 2018 shows a balance of Euro 62,280,571 broken down as follows:

	31.12.2018	31.12.2017 Restated values
Vat receivables	-	51,830,939
Grants	56,045,015	10,696,898
Other tax receivables	2,674,835	101,042
Prepayments	1,883,693	1,745,401
Other receivables	1,677,028	1,172,887
Total	**62,280,571**	**65,547,167**

The restated data has not changed compared to the one approved last year.

In order to better explain the change in other current receivables and assets, the effect on the balances at December 31st, 2017 arising from the merger of ATM Servizi S.p.A. in ATM S.p.A .:

	Balance ATM S.p.A. as at 31.12.2017	Balance ATM Servizi S.p.A. as at 31.12.2017 IAS-IFRS values	Calcelled	Pro-forma as at 31.12.2017
Vat Receivable	51,830,939			51,830,939
Grants	10,696,897	8,603,064		19,299,961
Other tax receivables	101,042	2,616,041		2,717,083
Prepayments	1,745,401	14,400		1,759,801
Other receivables	1,172,888	586,802	(139,483)	1,620,207
Total	**65,547,167**	**11,820,307**	**(139,483)**	**77,227,991**

The most significant reduction, compared to December 31st, 2017, relates to the item "VAT Credit" following the collection during the year of the claims for repayment requested.

"Contribution receivables" refer to:

- euro 28,989,028 (0 Euros at December 31st, 2017) to contributions requested for investments subject to contribution by public bodies. The contributions recognized refer to Euro 16.594.806 to credits related to investments financed by the State including Euro 4,514,570 referring to rolling stock, Euro 6,849,330 referring to safety projects and Euro 5,230,906 for infrastructures; for Euro 11,862,222 to loans financed by the Lombardy Region for the purchase of buses and for Euro 532,000 to the "smart cities" and "junior - bike" bike sharing project financed by the Municipality of Milan;

- euro 20,265,896 (Euro 4,125,937 at December 31st, 2017) for contributions to reimburse the CCNL renewals pursuant to L.47 / 2004, L.58 / 2005 and L.296 / 2006. The increase is due - in addition to the merger with ATM Servizi S.p.A. and to the consequent increase in contributions as a result of the increase in the number of employees of the Company - to the delays in the payment of amounts by the Basin Agency for the 2018 financial year, whose collection took place in the first few months of the 2019 financial year;
- euro 6,790,091 (Euro 6,570,959 at December 31st, 2017) for the current portion of government grants related to the acquisition of trains on the underground line 1, as part of the "Fiera Milano Accessibility" project.

Receivables for Euro 8,603,064 relating to ATM Servizi S.p.A. refer to contributions to reimbursement of the national collective bargaining renewals pursuant to L.47 / 2004, L.58 / 2005 and L.296 / 2006.

The "Other tax receivables" mainly refer to the receivable for diesel excise duty still to be collected relating to the 2nd and 4th quarter of 2018, which was collected in the first few months of 2019. The item increased compared to the previous year by effect of taking over from ATM S.p.A. in the management of the Local Public Transport Service Contract with the Municipality of Milan following the merger with ATM Servizi S.p.A..

The "Prepayments" refer to insurance premiums and fee-based maintenance services pertaining to the following year, whose financial manifestation took place in the 2018 financial year.

The "Other receivables" instead, refer to advances paid to the personnel accidents on behalf of INAIL, to the receivable from employees for season tickets issued to family members and to guarantees given to different bodies. The item increased compared to the previous year due to the merger with ATM Servizi S.p.A..

18. Cash and cash equivalents

	31.12.2018	31.12.2017 Restated values
Cash and cash equivalents	225,641,181	157,869,222
Total	**225,641,181**	**157,869,222**

The restated data has not changed compared to the one approved last year.

The balance includes the current account balances, the cash funds, and the balances of the prepaid company credit cards, as well as the endowments to the tellers and the return facilities of the issuers.

The increase in cash and cash equivalents, in addition to reflecting the effects of the merger of ATM Servizi S.p.A. for Euro 5,699,859, is mainly linked to the drawing of the last two tranches of EIB loans for a total of Euro 70,000,000 , the collection of a VAT reimbursement credit of Euro 30,797,938, the collection of interest income for Euro 4,000,000 under the shareholder loan to the associate Metro 5 S.p.A., net of the payment of Euro 14,000,000 in dividends to the Unico Municipality of Milan.

The adoption of the expected credit loss model pursuant to IFRS 9 led to an exposure of the amounts of "Cash and cash equivalents" net of the related write-down provision totaling Euro 246,021, of which Euro 178,268 recognized in the first application with a shareholders' equity counterpart as at January 1st, 2018, and Euro 67,753 for adjustment of the provision during the year with a balancing entry in the income statement.

19. Discontinuing Operation

On January 18, 2019, ATM S.p.A. of the minority stake held in Guidami S.r.l. finalized the sale; in preparing the financial statements, the value of the investment was adjusted to the sales value and the value of Euro 14,001 was reclassified to discontinuing operation.

20. Equity

The "Share Capital" amounts to Euro 700,000,000 and consists of n. 70,000,000 ordinary shares with a nominal value of Euro 10 each. It is fully subscribed and paid up. No changes were recognized during the year and in the previous year. The Municipality of Milan is the sole shareholder.

The "Retained earnings / (losses)" include the "actuarial gains / (losses) reserve for defined benefit plans" which includes the effects of accounting for "Other components of comprehensive income" of the profits / (losses) of the defined benefit plans net of the related tax effect at the date of the first transition to the IAS / IFRS.

The changes indicated in the Prospectus of the other components of the Income Statement are detailed and described in the "Statement of changes in Shareholders' equity".

It is recalled that the Shareholders' Meeting, on April 11, 2018, resolved to carry forward the profit for the year 2017.

The availability and distributability of equity is outlined in the following table:

Equity	01.01.2017 Restated values	31.12.2017 Restated values	
Share capital	700,000,000	700,000,000	
Legal reserve	140,000,000	140,000,000	B
Other reserves	269,957,743	269,455,633	
Conferment reserve	*19,689,557*	*19,689,557*	A, B, C
Extraordinary reserve	*5,763,772*	*5,763,772*	A, B, C
Rounding reserve	*1*	*1*	
First time Adoption reserve (FTA)	*133,683,325*	*133,683,325*	
Acturial Losses Reserve	*(494,213)*	*(489,804)*	
Available For Sale Reserve	*716,656*	*210,137*	A, B, C
Asset's Fair Value valuation reserve	*110,598,645*	*110,598,645*	
Retained earnings	22,348,311	(12,575,458)	A, B, C
Net profit for the year	(8,923,769)	12,597,718	
Equity	**1,123,382,285**	**1,109,477,893**	

(*) A: for capital increase; B: for loss coverage; C: for shareholders distribution

Equity	**31.12.2017 Restated values**	**31.12.2018**	
Share Capital	700,000,000	700,000,000	
Legal reserve	140,000,000	140,000,000	B
Other reserves	269,455,633	287,054,949	
Conferment reserve	*19,689,557*	*19,689,557*	*A, B, C*
Extraordinary reserve	*5,763,772*	*5,763,772*	*A, B, C*
Rounding reserve	*1*	*(2)*	
First time Adoption reserve (FTA)	*133,683,325*	*155,710,246*	
Acturial Losses Reserve	*(489,804)*	*(2,887,262)*	
Available for sale reserve	*210,137*	*-*	*A, B, C*
Asset's Fair Value valuation reserve - FTA	*110,598,645*	*110,598,645*	
Held to Collect and Sell reserve	*-*	*(2,088,894)*	
OCI reserve	*-*	*268,887*	
Retained earnings	(12,575,458)	50,568,663	A, B, C
Net profit for the year	12,597,718	2,339,320	
Equity	**1,109,477,893**	**1,179,962,932**	

(*) A: for capital increase; B: for loss coverage; C: for shareholders

The portion of the *First Time Adoption Reserve* that became available during the year amounted to Euro 116,768,576.

In the three-year period the reserves were used for the distribution of dividends for Euro 26,000,000.

21. Non-current and current financial liabilities

	31.12.2018	31.12.2017 Restated values
Non-current financial liabilities	307,697,350	257,960,103
Current financial liabilities	24,648,401	132,335,376
Total	**332,345,751**	**390,295,479**

The restated data has not changed compared to the one approved last year.

The amount of Euro 332,345,751 refers to:

- euro 234,977,362 for the start-ups, net of reimbursements, activated pursuant to the loan agreement for a total of Euro 250,000 thousand underwritten with the European Investment Bank for the financing of the new metropolitan trains of lines 1 and 2. The loan agreement establishes the Company is obliged to comply with certain parameters of an equity and financial nature. At December 31st, 2018, as in previous years, the covenants contractually set by the loan agreement were fully respected. The 2019 budget projections, also estimating the potential effect of applying IFRS 16, confirm compliance with the covenants also with reference to the next measurement deadlines for the reference period. The debt expires entirely on June 30, 2038 and is therefore recognized under the item "Non-current financial liabilities";
- euro 69,619,361 to the bond loan placed on 8 August 2017 by the Company (of which Euro 69,094,361 relating to the principal of the bond loan and Euro 525,000 relating to the interest accrued in the period that will be paid on the vesting date), unassisted by collateral and intended for qualified investors only for a total nominal value of Euro 70,000 thousand. The bonds expire on August 8, 2024 and interest is calculated at the annual fixed rate of 1.875%. The security is listed on the Dublin Stock Exchange (ISIN code XS1653969953). On July 5, 2018, the international agency Fitch Ratings confirmed the long-term rating of ATM - Azienda Trasporti Milanesi to "BBB" and revised, as an automatic consequence of the revision of the Sovereign rating, and in identical measure, the prospective evaluation for ATM from "stable" to "negative". The bond issue is valued at the amortized cost which has therefore taken into account the expenses incurred and the issue discounts. The effective and fixed interest rate for the entire duration of the loan is considered representative of market conditions at December 31st, 2018. At the end of the financial year the Company provides the financial resources necessary for the full repayment of the loan, as shown by the balance of the cash and securities items;
- euro 21,057,847 to the loan with **Cassa Depositi e Prestiti** for the purpose of acquiring trains on the underground line 1 as part of the "Fiera Milano Accessibility" project (of which Euro 6,790,091 current and Euro 14,267,756 non current). The loan, maturing in 2021, is fully guaranteed by the State; therefore, a receivable of the same amount is recognized under "Assets" which, based on maturity, is divided into "Other receivables and current assets" for the portion due within 12 months and "Other receivables and non-current

assets" for the portion due beyond 12 months.

- euro 6,691,181 to the debit balance of the current account in cash pooling with the subsidiaries as broken down below:

	31.12.2018	31.12.2017 Restated values
Azienda Trasporti Milanesi Servizi S.p.A.		
- financial		112,889,793
ATM Servizi Diversificati S.r.l.		
- financial	468,636	543,520
-GeSAM S.r.l.		
- financial	512,069	511,158
Nord Est Trasporti S.r.l.		
- financial		692,626
Rail Diagnostics S.p.A.		
- financial	5,710,476	3,601,317
Total	**6,691,181**	**118,238,414**

The change in the current account balance in cash pooling is almost entirely due (Euro 112,889,793) to the effects of the merger of ATM Servizi S.p.A. which led to the elimination of reciprocal financial receivables and payables between the merged company and ATM S.p.A..

For more details on the composition and nature of the debts, reference should be made to Note 39 "Information on intercompany transactions and transactions with related parties".

The breakdown by maturity is shown below:

	Within 12 months	Between 1-5 years	Over 5 years	Total
Non-current and current financial liabilities	24,648,402	58,251,270	249,446,079	332,345,751

With reference to the loans disbursed by the European Investment Bank, the Company subscribed loans totaling Euro 250,000,000, of which Euro 235,366,996 at a fixed rate.

The details of the BEI disbursments are broken down as below:

	Drawdown date	Currency	Initial amount of debt	Outstanding Amount as at 31.12.2018	Interest rate as at 31.12.2018	Maturity
Withdraw 1	29.11.2013	Eur	*14,633,004*	*13,271,794*	0.607% (*)	30.06.2038
Withdraw 2	28.11.2014	Eur	*40,000,000*	*36,954,892*	1.99%	30.06.2038
Withdraw 3	23.04.2015	Eur	*55,366,996*	*50,684,881*	0.96%	30.06.2038
Withdraw 4	15.03.2017	Eur	*70,000,000*	*67,044,513*	1.45%	30.06.2038
Withdraw 5	31.01.2018	Eur	*40,000,000*	*38,297,875*	1.37%	30.06.2038
Withdraw 6	31.01.2018	Eur	*30,000,000*	*28,723,406*	1.37%	30.06.2038
Total			***250,000,000***	***234,977,362***		

(*) Withdraw indexed to variable interest rate

The disbursements are recognized at the amortized cost represented by the nominal value since no start-up charges are contractually provided for and the effective interest rate of each disbursement has been considered, fixed for the entire duration of the loan, representative of the market conditions at the date of the loan, December 31st, 2018. Similarly, the floating rate tranche is entered for the nominal value, since, with reference to the forward rates, in the medium term the rate is considered representative of market conditions.

22. Employee benefits

The reduced data was not changed compared to the one approved last year.

The defined benefit plans are calculated by estimating, with actuarial techniques, the amount of the future benefit that the employees have accrued in the current period and in previous years. An independent actuary using the "Projected Unit Credit Method" carries out the calculation. For the purposes of the calculation, the interest rate or discount rate used is given by the listing as at December 31st, of each year of the iBoxx Corporate EUR benchmark index with duration 7-10 and AA rating.

The item includes the "Employee Termination Indemnities (TFR)" and the "Seniority War Fund":

	31.12.2018	**31.12.2017 Restated values**
Employee Termination Indemnities	126,815,801	51,016,714
War Veterans Provision	551,566	584,288
Total	**127,367,367**	**51,601,002**

The TFR, regulated by the art. 2120 of the Italian Civil Code includes the estimate of the obligation relating to the amount to be paid to employees upon termination of the employment relationship. The compensation, disbursed in the form of capital, is equal to the sum of the accruals calculated on the remuneration paid in relation to the employment relationship and revalued up to the time of termination of the same. Because of the legislative changes introduced from January 1st, 2007, for companies with more than 50 employees, the termination indemnity accruing is classified as a defined-contribution plan in that the company's obligation is represented exclusively by the payment of contributions to pension funds, or to INPS. The liability relating to the severance indemnity prior to January 1st, 2007 represents a defined benefit plan to be evaluated according to actuarial techniques. The TFR is one of the unfunded defined benefit plans and therefore there are no assets serving the plan.

Regarding the employee termination indemnities, the following changes occurred during the year:

Opening balance ATM S.p.A. as at 31.12.2017 Restated values	**51,016,714**
Merging effect	85,873,822
Interest cost	1,151,068
Actuarial losses	1,023,093
Benefits paid	(12,248,896)
Closing balance as at 31.12.2018	**126,815,801**

The amount of the employee termination indemnities fund calculated according to the provisions of Article 2120 of the Italian Civil Code is equal to Euro 120,860,512.

The actuarial loss for the period, amounting to Euro 1,023,093, was recognized in the other components of the comprehensive income statement adjusting the balance of the Employee Termination Indemnities with a specific equity reserve as a counter-entry and is composed as follows:

	Changes
Actuarial gains due to changes in the financial assumptions	524,859
Actuarial gains due to experience	498,234
Total change	**1,023,093**

With reference to the Employee Termination Indemnities, the assessments by the external actuary were made based on the economic-financial and demographic assumptions summarized in the tables below.

	31.12.2018	**31.12.2017**
Mortality rate	IPS55 Tables	IPS55 Tables
Invalidity rates	INPS-2000 Tables	INPS-2000 Tables
Employee turnover	5.07%	4.25%
Discount rate*	1.13%	0.88%
Increases in salaries	1.50%	1.50%
Rate of advances	1.32%	1.23%
Annual inflation rate	1.50%	1.00%

*Quotation atl 31/12/2018 of the Benchmark iBoxx Corporate EUR index with duration 7-10 and AA rating.

The “Seniority war fund” decreased due to the benefits paid during the year and increased mainly due to actuarial losses:

Opening balance ATM S.p.A. as at 31.12.2017 **Restated values**	**584,288**
Interest costs	5,275
Actuarial gains	70,201
Benefits paid	(108,198)
Closing balance as at 31.12.2018	**551,566**

Since it is a survivor's pension, for spouses who benefit from the pension reversibility but who have not yet acquired the right of reversibility itself, since the relative dates of birth are not available, an age equal to that of the husband reduced by five has been assumed years. The hypotheses underlying the actuarial calculation are the following:

	31.12.2018	31.12.2017
Mortality rate	ANIA A62I Tables	ANIA A62I Tables
Increase in salaries	0.50%	0.50%
Discount rate	1.14%	0.85%

The sensitivity analysis on the discount rate represents the change in the value of the actuarial liability that is obtained with year-end measurement data, varying the discount rate, without prejudice to the other assumptions:

	0.50%	-0.50%
Employee Termination Indemnities	(3,700,729)	3,901,684
War Veterans Provision	(12,748)	13,448

23. Provisions for risks and charges

	31.12.2018	31.12.2017 Restated values
Provision for disputes and environmental risks	63,001,489	64,176,087
Damages/claims settlement provision	18,165,116	16,527,980
Other provisions	142,696	118,785
Total	**81,309,301**	**80,822,852**

The restated data has not changed compared to the one approved last year.

The most significant items that contribute to the formation of the balance are:

- from the "Provision for disputes and environmental risks" for Euro 63,001,489, referring to potential liabilities with suppliers, customers, third parties, workers, related parties and the environment, deriving from the ordinary management of the company. During the year the amount of the fund was updated based on the assumed repercussions of the disputes in progress and the outcome of those concluded, determining provisions for Euro 16,063,970, uses for Euro 2,044,570 and releases for Euro 17,374,017. In 2018, there were provisioned Euro 15,353,117 for contractual guarantees relating to future investment projects and Euro 710,853 for disputes with suppliers and third parties. The releases were made following the review of the estimates in relation to the events of the year and in consideration of new and more complete information with respect to those available at the time when the original estimates had been made. With particular reference to the environmental risk fund, expecting the demolition and reconstruction of the Novara warehouse, the specific environmental fund set aside in previous years amounting to Euro 4,532,920 was partially released; in addition, during the year, against specific maintenance interventions carried out, the environmental risk fund set up for this purpose in previous years was used, for Euro 1,474,035. The residual amount of the releases of Euro 12,841,097 mainly refers to the contractual penalties estimated with reference to the Management Contract with Metro 5 for Euro 7,211,592, to the release of a fund for Euro 4,009,505 set up against a dispute with suppliers and third parties following new and more precise assessments and finally with the release for release of Euro 1,620,000 relating to provisions made in previous years following the review of estimates related to the unpredictable outcome of disputes for personnel concluded in 2018;

- from the "Claims settlement fund" for Euro 18,165,116, the value of which is commensurate with the estimated compensation to be paid in future years for damages / claims connected to the circulation of scheduled cars, limited to the risk range not covered by the insurance policies stipulated with the various Companies. The valuation of non-performing claims was carried out by examining the individual outstanding transactions as at December 31st, 2018.

The value of the aforementioned funds includes the best estimate of the legal costs connected to the disputes.

The change in provisions for risks and charges is broken down as follows:

	31.12.2017 Restated values	***Fair Value* valuation (IFRS 9)**	**Merging**	**Increases**	**Utilisations**	**Release**	**31.12.2018**
Provision for disputes and environmental risks	64,176,087		2,180,019	16,063,970	(2,044,570)	(17,374,017)	63,001,489
Damages/ claims settlement provision	16,527,980		986,360	2,419,607	(1,673,605)	(95,226)	18,165,116
Other provisions	118,785	22,752		1,159			142,696
Total	**80,822,852**	**22,752**	**3,166,380**	**18,484,736**	**(3,718,175)**	**(17,469,243)**	**81,309,301**

Please refer to the section Using estimates in Note 3 "Valuation criteria" for considerations on the valuation processes underlying the assessment of disputes and potential liabilities.

24. Deferred tax liabilities

	31.12.2018	31.12.2017 Restated values
Deferred tax liabilities	48,396,562	49,917,393
Total	**48,396,562**	**49,917,393**

The temporary differences giving rise to deferred tax liabilities are summarized below:

	Deferred tax liabilities as at 01.01.2017	Recognized in P&L	Recognized to Equity	IDeferred tax liabilities as at 31.12.2017
Assets revaluation - FTA	46,722,542	(3,525,071)		43,197,472
Fair Value Rolling Stock and Financial Leases	8,179,307	(2,105,165)		6,074,142
Fair Value Securities	436,854	607,927	(399,002)	645,779
Total	**55,338,703**	**(5,022,309)**	**(399,002)**	**49,917,393**

	Deferred tax liabilities as at 31.12.2017	IFRS 9 application impact as at 01.01.2018	Recognized to P&L	Recognized to Equity	Deferred tax liabilities as at 31.12.2018
Assets rivaluation - FTA	43,197,472		(1,986,356)		41,211,115
Fair Value Rolling Stock and Financial Leases	6,074,142	-	952,185	-	7,026,327
Fair Value of Securities	645,779		(645,779)		-
Fair Value of Financial assets	-	159,120		-	159,120
Total	**49,917,393**	**159,120**	**(1,679,950)**	**-**	**48,396,562**

25. Current taxes Liabilities

	31.12.2018	31.12.2017 Restated values
IRES	39,300	353,080
IRAP	-	543,468
Total	**39,300**	**896,548**

The restated data has not changed compared to the one approved last year.

The item refers to the payable to the tax authorities resulting from the tax consolidation regime.

26. Trade payables

	31.12.2018	31.12.2017 Restated values
Third parties Payables	220,675,379	190,027,735
Related parties Payables	54,860,217	64,160,181
Payables to parent	*49,277,770*	-
Payables due to subsidiaries	*4,460,408*	*62,046,831*
Payables to Associates	*714,918*	*947,682*
Payables to subsidiaries of parent	*407,121*	*1,165,668*
Total	**275,535,596**	**254,187,916**

The restated data has not changed compared to the one approved last year.

In order to better explain the change in trade payables, we are exposing the effect on the balances at December 31st, 2017 deriving from the merger of ATM Servizi S.p.A. in ATM S.p.A .:

	Initial balance ATM S.p.A. as at 31.12.2017	Balance ATM Servizi S.p.A. as at 31.12.2017 IAS_IFRS values	Eliminated	Pro-forma as at 31.12.2017
Third parties Payables	190,027,735	35,646,339		225,674,074
Related parties Payables	64,160,181	63,944,691	(114,942,385)	13,162,487
Payables to parent		*63,944,691*	*(56,379,480)*	*7,565,211*
Payables due to subsidiaries	*62,046,831*		*(58,562,905)*	*3,483,926*
Payables to Associates	*947,682*			*947,682*
Payables to subsidiaries of parent	*1,165,668*			*1,165,668*
Total	**254,187,916**	**99,591,030**	**(114,942,385)**	**238,836,561**

The amount of Euro 220,675,379 for "Due to third parties" includes the debts for invoices not yet paid and debts for invoices to be received for the purchase of materials, services and capitalized assets, mainly to Italian and European Union suppliers. The increase of Euro 30,647,644 is mainly attributable to the merger of ATM Servizi S.p.A. and to the supply of metropolitan rolling stock, considering that the amount of debts connected by investment suppliers is equal to Euro 46,498,820, up compared to the Euro 38,776,155 at December 31st, 2017.

The "Payables to related parties" mainly include "Payables to the parent company", which at December 31st, 2018 present a balance of Euro 49,277,770 and are entirely attributable to the Municipality of Milan. The increase is due on the one hand to the effects of the merger between ATM S.p.A. and ATM Servizi S.p.A. on the other hand, as we have already commented in the item "Trade Receivables", the different method of financial regulation relating to the repayment of revenue from ticket sales compared to what was done up to December 31st, 2017. In fact, while until December 31st, 2017 the compensation was envisaged between the repayment of the TPL receipts and the invoicing of the Corresponding, starting from January 1st, 2018, the credit and debit items are instead settled by separate payments.

The balance of the item "Payables to the parent company" refers to:

- for Euro 43,188,419 to the debt for the re-transfer to the Municipality of Milan of the revenue deriving from the sale of tickets in December 2018;
- for Euro 4,878,573 to the payables for the repayment of the revenue to the Municipality as defined in the "Stop Agreement" of April 27, 2017 to the entire December 31st, 2018;
- for Euro 757,278 to debts for the repayment of the revenue of Area C;
- for Euro 241,000 to the penalties 2018 on the Service Contract;
- for Euro 212,500 to debts for the fee for the management of parking in the 4th quarter of 2018.

The "Payables to subsidiaries" at December 31st, 2018 present a balance of Euro 4,460,408. They refer to services and other services rendered under existing contracts. The change compared to the previous year is due to the effects of the merger of ATM Servizi S.p.A. which led to the elimination of reciprocal receivables and payables between the subsidiary and the Parent Company ATM S.p.A..

For more details on the composition and nature of the receivables, please refer to Note 39 "Information relating to intercompany transactions and transactions with related parties".

The “Payables to associates” are detailed below:

	31.12.2018	31.12.2017 Restated values
Co.Mo. Fun&Bus S.c.a.r.l.	17,659	17,901
Metro 5 S.p.A.	129,857	129,750
Movibus S.r.l.	567,402	947,682
Total	**714,918**	**1,095,333**

“Payables to subsidiaries of the parent company” amounting to Euro 407,121 mainly refer to the debt for the provision of services by MM S.p.A.

27. Other payables and current liabilities

	31.12.2018	31.12.2017 Restated values
Employee payables	44,051,609	12,955,952
Payables to parent - Dividends	12,000,000	26,000,000
Payables to social security institutions	38,822,114	13,774,811
Vacation days not taken	16,822,589	4,673,480
Other tax liabilities	11,526,235	3,785,007
Other payables	9,043,120	4,244,093
Tarsu	4,246,549	690,048
VAT payable	795,986	60,475
Accruals and deferred income	1,438,728	2,799,868
Other current liabilities	4,517,649	
Total	**143,264,579**	**68,983,734**

The restated data has not changed compared to the one approved last year.

In order to better explain the change in other current payables and liabilities, the effect on the balances at December 31st, 2017 arising from the merger of ATM Servizi S.p.A. in ATM S.p.A .:

	Balance ATM S.p.A. as at 31.12.2017 Restated values	Balance ATM Servizi S.p.A. as at 31.12.2017 IAS-IFRS Values	Eliminated	Pro-forma as at 31.12.2017
Employee payables	12,955,952	28,477,423		41,433,375
Payables to parent-Dividends	26,000,000	-		26,000,000
Payables to social security institutions	13,774,811	23,634,901		37,409,712
Vacation days not taken	4,673,480	12,639,857		17,313,337
Other tax liabilities	3,785,007	7,697,100		11,482,107
Other payables	4,244,093	1,367,141		5,611,234
Tarsu	690,048	599,488		1,289,536
VAT payable	60,475	280,262	(101,995)	238,742
Accruals and deferred income	2,799,868	238,027		3,037,895
Total	**68,983,734**	**74,934,199**	**(101,995)**	**143,815,938**

The item "Other current payables and liabilities", amounting to Euro 143,264,579, is affected by some of the higher charges deriving from the increase in employees of the Company following the merger of ATM Servizi S.p.A. and is mainly composed as follows:

- for Euro 44,051,609 from payables to employees. The change compared to the previous year, in addition to the effect of the aforementioned merger transaction, is due to the refinement of the estimate of debts for deferred remuneration, following new and more complete information than those available at the time of their initial registration;
- for Euro 12,000,000 from residual payables for dividends to be paid to the Joint Shareholder of Milan, the distribution of which was approved by the Shareholders' Meeting of December 21st, 2017 and whose payment will be executed in 2019;
- for Euro 38,822,114 from debts to INPS, Previndai, INAIL as well as to category pension funds and are settled according to the legal deadlines in the first months of 2019;
- for Euro 16.822.589 from the economic valuation of holidays not taken by employees, as well as the value of overtime worked, used as paid permits, not yet used;
- for Euro 11,526,235 to IRPEF withholdings made by the Company as a withholding tax on income from employment;
- for Euro 9,043,120 for miscellaneous debts including the payable for IVOL and IVOP travel securities collected by the Company and to be repaid to other carriers for € 3,163,910, the payable to the ATM Foundation for contributions and payments for services rendered for Euro 1,514,776. The change with respect to the previous year is due to payables for IVOL and IVOP travel securities to be paid to the counterparties on an accrual basis, debts that at December 31st, 2017 had already been defined and paid to the counterparties;
- for Euro 1,438,728 from deferred income which relate to revenues invoiced during the year and pertaining to 2019;
- for 4,517,649 euros from grants related to facilities for which there is a determination of the attribution of the contributions by the Entity. At the balance sheet date, they have not yet been collected and the related investment has not yet shown any equity.

Notes to the income statement

In consideration of the backdating of the accounting effects of the merger by incorporation of ATM Servizi S.p.A. in ATM S.p.A. at January 1st, 2018, the economic balances of the 2018 financial year are not immediately comparable with those of the 2017 financial year. However, in order to allow a better comparability of the data and to make the comparative values homogeneous, in Note 4 the following have been prepared specific pro-forma statements for 2017, as if the merger had taken place from the beginning of the comparative year.

In the context of the merger, it is also specified that ATM S.p.A. took over the management of the Local Public Transport Service Contract and ancillary services with the Municipality of Milan, which on April 14 and 26, 2018 were extended until October 31st, 2020.

Until December 31st, 2017, the main activity of the Company was instead the provision of service activities to ATM Group companies and, in particular, to ATM Servizi S.p.A.; this activity, though remaining among the core management activities, has however become residual.

28. Revenue and other income

The value of “Revenues and other operating income” is mainly made up of the revenue generated by the Service Contract for the management of LPT stipulated with the Municipality of Milan and by the revenues from the management of parking and parking, removal and custody services; the item also includes revenues for works carried out on municipally owned assets, including maintenance services on infrastructures, Area C and projects relating to safety on the underground, revenues deriving from the payment of the single management contract for the M5 underground line, and the remaining revenues from other transport services, including the management of the Como - Brunate funicular and the POMA 2000 light rail service. Revenues are generated in Italy.

	2018	**2017 Restated values**
Core business revenue	743,215,608	457,914,194
Other revenue	55,627,699	30,336,165
Other income	74,057,596	27,947,297
Total	**872,900,903**	**516,197,656**

The restated data has not changed compared to the one approved last year.

The following is a breakdown of "Revenues from ordinary operations"

	2018	2017 Restated values
Revenues from TPL	707,387,404	21,325,572
Service contract revenues Milan Municipality	*669,339,700*	-
Service contract Intercity	*3,589,333*	*2,115,874*
Service contract M5 line	*30,310,298*	*16,212,155*
Ticket sales – Intercity	*2,906,073*	*2,793,814*
Special/dedicated transport services	*1,242,000*	*203,729*
Parking management revenues	18,490,000	-
Parking slots management revenues	8,439,530	-
Car Removal management revenues	2,586,398	-
Other revenue	6,312,276	436,588,622
Total	**743,215,608**	**457,914,194**

In order to better explain the change in revenues from ordinary operations, the pro-form comparative data is shown on the data for 2017 resulting from the merger of ATM Servizi S.p.A. in ATM S.p.A .:

	ATM S.p.A. 2017 Restated values	ATM Servizi S.p.A. 2017 IAS_IFRS values	Elisione	Pro-forma 2017
Revenues from TPL	21,325,572	667,799,867	(632)	689,124,807
Service contract revenues Milan Municipality		665,324,410		665,324,410
Service contract Intercity	2,115,874	1,498,053		3,613,927
Service contract M5 line	16,212,155			16,212,155
Ticket sales – Intercity	2,793,814	62,051		2,855,865
Special/dedicated transport services	203,729	915,353	(632)	1,118,450
Parking management revenues		18,490,000		18,490,000
Parking management revenues		7,865,349		7,865,349
Car Removal management revenues		2,620,158		2,620,158
Other revenues	436,588,622	11,466,239	(441,197,091)	6,857,770
Total	**457,914,194**	**708,241,613**	**(441,197,723)**	**724,958,084**

The “Revenues from ordinary operations” refer to revenues from Local Public Transport and revenues relating to the management of stopping, parking and removal.

As described in the Report on Operations, TPL revenues reflect the non-recurring effect associated with the release of funds against contractual penalties estimated with reference to the Management Agreement with Metro 5; in particular, against an estimate of about Euro 10 million (of which 6.5 million set aside in the previous year), in consideration of more complete information than that available at the time the original estimates had been made, in the The 2018 financial year saw the release of a provision of about Euro 7.2 million, deemed to exceed the need.

The item “Other revenues” consists of the revenues for the services provided to the ATM Group companies. The change is attributable to the termination, following the merger, of service contracts with the subsidiary ATM Servizi S.p.A. that concerned the rent of the urban business branch, the maintenance of infrastructure and rolling stock, ticket distribution and centralized services.

The “Other revenues” are broken down as follows:

	2018	2017 Restated values
Service revenues-third parties	24,954,883	5,706,216
Advertising and sponsorship revenues	18,706,614	17,385,995
Commercial leases metro stations	6,499,270	2,858,196
Other revenues	5,466,932	4,385,758
Total	**55,627,699**	**30,336,165**

In order to better explain the change in other revenues, the pro-forma comparative data is shown on the data for 2017 resulting from the merger of ATM Servizi S.p.A. in ATM S.p.A .:

	ATM S.p.A. 2017 – Restated values	ATM Servizi S.p.A. 2017 – IAS-IFRS Values	Eliminated	Pro-forma 2017
Service revenues-third parties	5,706,216	14,977,850	(425)	20,683,641
Advertising and sponsorship revenues	17,385,995			17,385,995
Commercial leases metro stations	2,858,196	3,985,392		6,843,588
Other revenues	4,385,758			4,385,758
Total	**30,336,165**	**18,963,242**	**(425)**	**49,298,982**

The item “Revenues for services rendered” refers to maintenance activities on municipally owned infrastructures, for the construction and management of the payment system of Area C and the Traffic Control System and Territory, extraordinary unscheduled maintenance activities of the line M5, services to other parties and rental of spaces for the installation of vending machines on the underground. The increase of approximately Euro 4.3 million deductible from the comparison of the 2018 financial year with the pro-form 2017 data is explained by an increase in extraordinary maintenance carried out for the Municipality of Milan.

The item “Other revenues” mainly refers to the reimbursement of administrative expenses for the sale of cards and magnetic media for the issue of season tickets.

The following is the detail of the item “Other income”:

	2018	2017 Restated values
Insurance receivables	10,009,048	6,044,394
Income for penalties invoiced to suppliers	5,190,052	2,129,867
Gains on fixed asset sales	416,175	60,000
Grants	51,531,986	19,303,153
Other income	6,910,335	409,883
Total	**74,057,596**	**27,947,297**

In order to better explain the change in other income, the pro-forma comparative data is shown on the data for 2017 resulting from the merger of ATM Servizi S.p.A. in ATM S.p.A .:

	ATM S.p.A. 2017 – Restated values	ATM Servizi S.p.A. 2017 – IAS-IFRS Values	Eliminated	Pro-forma 2017
Insurance receivables	6,044,394	3,793,326	(4,253)	9,833,467
Income for penalties invoiced to suppliers	2,129,867	1,861		2,131,728
Gains on fixed assets sales	60,000			60,000
Grants	19,303,153	32,820,303		52,123,456
Other income	409,883	5,926,129	(712,301)	5,623,711
Total	**27,947,297**	**42,541,619**	**(716,554)**	**69,772,362**

The item “Insurance reimbursements and for costs incurred on behalf of third parties” refers to insurance reimbursements linked to vehicle claims and to recoveries from third parties for costs already incurred.

The increase of Euro 3,058,324 in the item “Income from penalties invoiced to suppliers” which can be deduced from the comparison of the 2018 financial year with the pro-forma 2017 one, is mainly explained by the penalties issued against IRISBUS SpA in the event of delays in the supply of buses.

The item "Gains on the sale of property, plant and equipment" refers to the capital gain deriving from the sale of 131 decommissioned buses equal to Euro 416.175 (Note 7).

The item "Contributions" refers for Euro 48,575,295 to contributions for CCNL pertaining to the year allocated with Law No. 47 of February 27, 2004 to cover the charges deriving from the renewal of the collective labor contract for the two-year period 2002/2003, with Law No. 58 of April 22, 2005 to cover the costs arising from the renewal of the National Collective Labor Agreement 2004/2005 and with Law No. 296 of December 27, 2006 (2007 financial year) to cover the costs of the renewal of the National Collective Agreement 2006/2007. The remaining part, amounting to Euro 2,956,691 (Euro 2,723,161 in the previous year), refers to contributions on investments made in previous years, to contributions for the production of electricity through photovoltaic systems and to contributions for staff training.

The item "Other income" mainly refers to fines imposed on passengers for a total of Euro 5,484,128.

29. Purchases of goods and changes in inventories

	2018	2017 Restated values
Purchase of goods	75,172,786	87,116,480
Change in inventories	(2,626,206)	(7,440,454)
Raw material consumption internal work	(4,933,641)	(3,360,036)
Total	**67,612,939**	**76,315,990**

The restated data has not changed compared to the one approved last year.

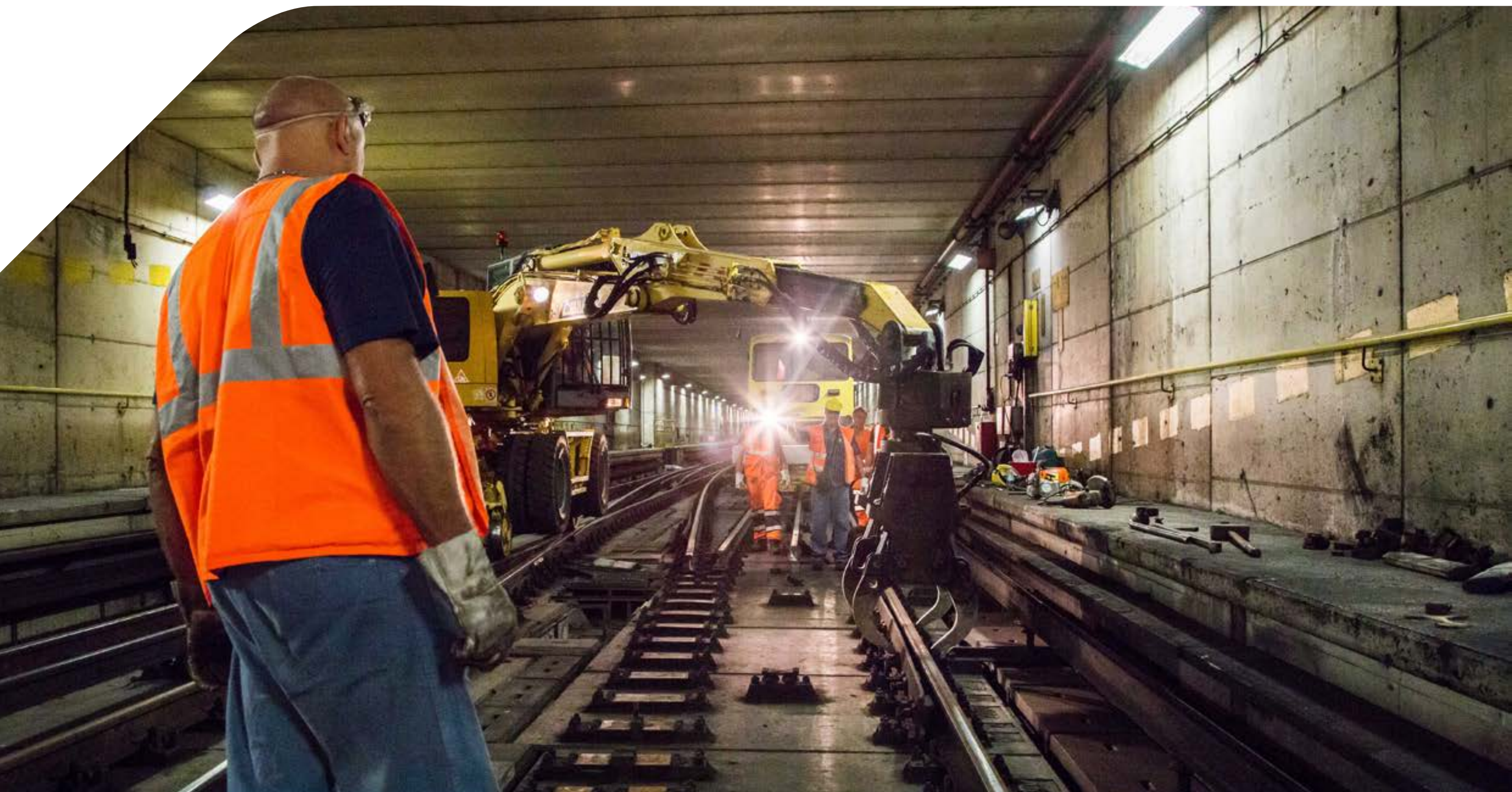
The item, totaling Euro 67,612,939, includes the purchase costs for the materials needed for the maintenance of vehicles and systems, for diesel fuel and for travel and parking tickets, as well as the change in inventories net of uses and provisions made to the "Inventories obsolescence provision".

The value is adjusted for the consumption of materials for internal works related to extraordinary maintenance on the metropolitan train and tram fleet.

30. Costs for Services

	2018	2017 Restated values
Maintenance and cleaning costs	82,835,674	78,548,529
Electric traction power	38,782,718	37,750,392
Subcontracting services	19,356,974	-
Utilities	17,312,849	16,556,538
Production & distribution travel tickets	11,670,263	10,552,363
Insurance	7,844,243	7,886,790
Customer services, advertising and marketing	3,702,563	2,467,390
Personel services	3,898,734	2,678,252
Miscellaneous services	6,807,087	9,551,558
Professional services	5,070,822	7,750,291
Security costs	2,056,096	2,146,558
Total	**199,338,023**	**175,888,661**

The restated data has not changed compared to the one approved last year.



In order to better explain the change in costs for services, the pro-forma comparative data is shown on the data for 2017 resulting from the merger of ATM Servizi S.p.A. in ATM S.p.A .:

	ATM S.p.A. 2017 – Restated values	ATM Servizi S.p.A. 2017 – IAS-IFRS values	Eliminated	Pro-forma 2017
Maintenance and cleaning costs	78,548,529	11,811,829	(9,285,946)	81,074,412
Electric traction power	37,750,392			37,750,392
Subcontracting services		19,143,008		19,143,008
Utilities	16,556,538	427,751	(427,682)	16,556,607
Procduction & distribution travel tickets	10,552,363	27,885,444	(27,260,199)	11,177,608
Insurance	7,886,790	507,637	(507,637)	7,886,790
Customer services, advertising and marketing	2,467,390	1,081,381		3,548,771
Personel services	2,678,252	47,387		2,725,639
Miscellaneous services	9,551,558	8,785,029	(12,072,917)	6,263,670
Professinal services	7,750,291	306,120,976	(310,784,926)	3,086,341
Security costs	2,146,558			2,146,558
Total	**175,888,661**	**375,810,442**	**(360,339,307)**	**191,359,796**

The item “Costs for maintenance and cleaning” refers to the interventions of third party companies aimed at ordinary and extraordinary maintenance for Euro 58,068,266 and cleaning operations for Euro 24,767,408 made on the plants, deposits, offices and vehicles during the year. In the context of environmental activities, it is specified that in anticipation of the demolition and reconstruction of the Novara warehouse, the specific environmental fund set aside in previous years for Euro 4,532,920 was partially released.

The increase in maintenance costs incurred during the year - which can be deduced from the comparison of the 2018 with the pro-forma 2017, net of the effect commented on in the previous paragraph - is linked to the interventions carried out on plant and company deposits, to the higher charges incurred for the full service of metropolitan trains and for the maintenance of road vehicles linked to the increase in the fleet of rolling stock.

The item “Subcontracting transport services” includes the fees paid to the subcontractors of the Milan urban transport services and of the removal service.

The item “Production and distribution of travel tickets” refers to the remuneration due to retailers for the sale of travel tickets, parking and Area C.

The item “Services for employees” mainly refers to medical expenses incurred due to legal obligations and health checks for Euro 1,591,368 and training expenses for Euro 1,475,468.

The item “Various services” mainly refers to services such as surveillance, management of the sales and control network for Euro 1,486,155, transport services and materials handling and waste disposal for Euro 1,367,866 and charges for bank commissions for Euro 3.176.119 .

The item “Professional services” mainly refers to professional services provided by third parties in the IT, legal, corporate and engineering fields.

31. Costs for operating leases

	2018	2017 Restated values
Rental charges	2,689,257	1,334,019
Vehicle hire	1,393,718	1,526,385
Plant and equipment hire	1,175,259	1,404,621
Total	**5,258,234**	**4,265,025**

The restated data has not changed compared to the one approved last year.

In order to better explain the change in costs for operating leases, the pro-forma comparative data is shown on the data for 2017 resulting from the merger of ATM Servizi S.p.A. in ATM S.p.A .:

	ATM S.p.A. 2017 – Restated values	ATM Servizi S.p.A. 2017 – IAS-IFRS values	Eliminated	Pro-forma 2017
Rental charges	1,334,019	77,764,074	(76,464,462)	2,633,631
Vehicle hire	1,526,385	108,781	(49,599)	1,585,567
Plant and equipment hire	1,404,621	2,688		1,407,309
Total	**4,265,025**	**77,875,543**	**(76,514,061)**	**5,626,507**

32. Costs for employee benefits

	2018	2017 Restated values
Wages and salaries	342,741,354	101,697,290
Social security charges	96,956,064	29,911,276
Post-employment benefits	22,570,246	6,847,701
Other costs	13,191,367	12,273,729
Personnel costs for internal works	(4,504,014)	(2,324,511)
Total	**470,955,017**	**148,405,485**

The restated data has not changed compared to the one approved last year.

In order to better explain the variation in costs for employee benefits, the pro-forma comparative data is shown on the data for 2017 resulting from the merger of ATM Servizi S.p.A. in ATM S.p.A .:

	ATM S.p.A. 2017 – Restated values	ATM Servizi S.p.A. 2017 – IAS-IFRS values	Eliminated	Pro-forma 2017
Wages and salaries	101,697,290	224,576,924		326,274,214
Social security charges	29,911,276	66,183,186		96,094,462
Post-employment benefits	6,847,701	14,460,172		21,307,873
Other costs	12,273,729	5,864,720	(3,535,442)	14,603,007
Personnel costs for internal works	(2,324,511)		(743,585)	(3,068,096)
Total	**148,405,485**	**311,085,002**	**(4,279,027)**	**455,211,460**

"Costs for employee benefits" amounting to Euro 470,955,017 include the costs incurred for salaries and social security contributions, legal provisions and in accordance with the category contracts, as well as the costs for vacation and hours for deductible accrued but not used in the exercise. The item is significantly affected by the merger of ATM Servizi S.p.A. depending on the increase in the workforce by 6,339 units.

The increase in the item that can be deduced from the comparison of the 2018 financial year with the 2017 pro-form data is the effect of higher charges deriving from greater personnel strength on a like-for-like basis, from the costs of disbursement of the last tranche of the CCNL at full operation and from the provision for the renewal of the national collective bargaining agreement expired on December 31st, 2017; these effects are partly offset by lower non-recurring costs, due to reimbursement of sickness charges for Euro 5,076,716 and the release of a provision for risks recognized in previous years relating to a dispute with INAIL for Euro 1,500,000.

Costs are recognized net of personnel costs capitalized for internal work for Euro 4,504,014. Capitalized costs for internal work refer to the portion of personnel costs capitalized for extraordinary maintenance work carried out on the metropolitan train fleet and on trams.

At December 31st, 2018, the workforce numbered 9,130 resources (2,759 at December 31st, 2017).

	31.12.2017	Fusion	Hires (+)	Departures (-)	Intra-group transfers	Other changes	31.12.2018
Executives	20	5	1	(3)		4	27
Transport personnel	2,739	6,334	312	(277)	(1)	(4)	9,103

In 2018 the employment trend recorded an overall increase of 6,371 units, of which 6,339 units due to the merger between the Company and the subsidiary ATM Servizi S.p.A. and 32 units as a result of a policy of selective reintegration of resources to cover turnover, with targeted interventions in the areas of operation and maintenance. The average number of employees rose from 2,787 in 2017 to 7,541 in 2018.

Please refer to the Management Report for a description of the non-recurring components that affect this item.

33. Other operating costs and charges

	2018	2017 Restated values
Municipal taxes	5,504,403	3,977,245
TPL claims management	2,730,182	3,032,621
Prior year charges	39,128	499,619
Taxes and duties	628,012	99,071
Other operating charges	1,964,299	699,019
Losses on receivables	282,612	184,544
Reversal of doubtful debts provision	3,782,662	(615,546)
Accrual/(release) provisions for risks and charges	11,746,109	24,897,715
Total	**26,677,407**	**32,774,288**

The restated data has not changed compared to the one approved last year.

In order to better explain the change in other operating costs and charges, the pro-forma comparative data is shown on the data for 2017 resulting from the merger of ATM Servizi S.p.A. in ATM S.p.A .:

	ATM S.p.A. 2017 – Restated values	ATM Servizi S.p.A. 2017 – IAS-IFRS values	Eliminated	Pro-forma 2017
Municipal taxes	3,977,245	1,859,252		5,836,497
TPL claims management	3,032,621	175,846		3,208,467
Prior year charges	499,619	402,495	(712,301)	189,813
Taxes and duties	99,071	577,772		676,843
Other operating charges	699,019	451,039	(1,869)	1,148,189
Losses on receivables	184,544	18,450		202,994
Reversal of doubtful debts provision	(615,546)	69,904		(545,642)
Accrual/(release) provisions for risks and charges	24,897,715	(24,058,235)		839,480
Total	**32,774,288**	**(20,503,477)**	**(714,170)**	**11,556,641**

The most significant cost items include:

- “Municipal taxes” which mainly refer to the charge for Tarsu for Euro 3,855,852 and IMU for Euro 1,625,121;
- “LPT damage management” for Euro 2,079,406 for the cost incurred for the settlement of damages related to the circulation of vehicles and for Euro 2,419,607 to provisions, for Euro 1,673,605 to uses and Euro 95,226 for releases of the specific fund recognized under “Provisions for risks and charges”;
- “Other operating expenses” mainly relate to the realized capital losses of the metropolitan trains no longer used for Euro 864,359 and for the remainder to penalties from suppliers, memberships to associations, entertainment expenses, and miscellaneous expenses;
- “Provisions (releases) of the provision for bad debts” refers for Euro 653,209 to the release of doubtful debt provision, for Euro 282,612 to the use of funds to cover losses on credits and for Euro 4,718,483 to the provisions made to face risks on receivables recognized in the financial statements, of which Euro 746,807 for “receivables from third parties” (Note 16), Euro 3,909,787 for “Receivables from the parent company” (Note 16), Euro 61,336 for “Receivables from associates” (Note 16), Euro 319 for “Receivables from subsidiaries” (Note 16) and Euro 234 for “Current tax assets”;
- “Provisions (releases) of the provision for risks and charges” refers for Euro 15,353,117 to the provision made for contractual guarantees relating to future investment projects and the release for Euro 3,607,008 of a fund set up in previous years, against of disputes with suppliers and third parties, following new and more precise assessments.

34. Depreciation and impairment losses

	2018	2017 Restated values
Depreciation	122,589,956	113,786,074
Plant and machinery	*107,229,866*	*102,028,427*
Buildings	*9,015,365*	*6,549,492*
Industrial and commercial equipment	*3,016,998*	*2,456,624*
Other assets	*3,327,727*	*2,751,531*
Plant capital grants	(37,079,269)	(31,054,064)
Amortisation – Intangible assets	949,094	1,004,425
Software licences	*949,094*	*1,004,425*
Write-down of fixed assets	-	372,544
Total	**86,459,781**	**84,108,979**

In order to better explain the change in depreciation and impairment, the pro-forma comparative data is shown on the data for 2017 resulting from the merger of ATM Servizi S.p.A. in ATM S.p.A .:

	ATM S.p.A. 2017 Restated values	ATM Servizi S.p.A. 2017 – IAS-IFRS values	Pro-forma 2017
Depreciation	113,786,074	12,520,970	126,307,044
Plant and machinery	*102,028,427*	*12,512,901*	*114,541,328*
Buildings	*6,549,492*		*6,549,492*
Industrial and commercial equipment	*2,456,624*	*572*	*2,457,196*
Other assets	*2,751,531*	*7,497*	*2,759,028*
Plant capital grants	(31,054,064)	(8,062,336)	(39,116,400)
Amortisation – Intangible assets	1,004,425		1,004,425
Software licences	*1,004,425*		*1,004,425*
Write down of fixet assets	372,544		372,544
Total	**84,108,979**	**4,458,634**	**88,567,613**

The "Amortization, depreciation and impairment losses" for a total of Euro 86,459,781 are charged to the financial year, an amount adjusted for the portion pertaining to the year of Euro 37,069,269 relating to grants received for investments made.

The extension of the Service Contract for the management of LPT services and complementary activities throughout October 31, 2020 has involved the revision and extension of the useful life of the improvements on municipally owned assets, resulting in lower depreciation for the period of Euro 9,571,917, neutralized by higher amortization linked to capitalisations for the period.

The net increase in depreciation reflected in the income statement for the year 2018 following the aforementioned change in the valuation criterion was Euro 854,588, determined as the net effect of Euro 5,253,243 for the increase in the value of properties and Euro 4,398,655 for the redefinition of the economic-technical life of the buildings themselves.

35. Net Financial income/charges

	2018	2017 Restated values
Financial income	7,552,951	6,576,249
Interest income	*2,621,081*	*1,907,944*
Gains on securities	*1,463,312*	*4,537,694*
Income from Fair Value adjustments	*604,701*	-
Impairment financial assets	-	-
Others	*2,863,857*	*130,611*
Financial expenses	(13,783,906)	(4,042,826)
Interest on employee defined benefits	*(1,156,344)*	*(456,515)*
Interest expenses on loans	*(4,534,105)*	*(2,735,487)*
Other interest expenses	*32,373*	*(101,257)*
Losses on securities	*(1,187,393)*	*(514,633)*
Income from Fair Value adjustments	*(6,429,852)*	-
Impairment financial activities	*(75,314)*	-
Others	*(433,271)*	*(234,934)*
Total	**(6,230,955)**	**2,533,423**

The item “Net financial income / charges” is affected by the new classification of financial instruments carried out pursuant to IFRS 9 (Note 3).

Interest income is composed as follows:

	2018	2017 Restated values
Interests on deposits and current accounts	31,827	69,570
Interest income on securities	1,418,732	561,312
Interests income from subsidiaries	13,047	35,910
Interest on loans to third parties	-	34,830
Interest on loans to associates	952,839	1,083,903
Interest on loans to subsidiaries of parent	204,636	122,419
Total	**2,621,081**	**1,907,944**

"Interest income on securities" amounting to Euro 1,418,732 relates to interest on government securities and bond issues.

The "Interest income on loans to associates" of Euro 952,839 refers to interest accrued on loans granted to the company Metro 5 S.p.A..

The "Interest income on loans to subsidiaries of the parent company" amounting to Euro 204,636 refers to interest accrued on loans granted to the company SPV Linea M4 S.p.A..

"Gains on securities" amounting to Euro 1,463,312 refer to profits realized from trading in financial instruments.

The "Revenues from Fair Value adjustment" refer for Euro 467,600 to the Fair Value measurement of financial receivables from the associated company Metro 5 S.p.A. and to the SED-ATM and SCCATI building cooperatives and for Euro 137,101 to proceeds from the valuation at Fair Value of the financial instruments designated FVTPL.

The item "Others" mainly refers to the dividend received from the subsidiary International Metro Service S.r.l. for Euro 2,040,000.

"Financial charges" mainly refer to "Interest on defined benefit plans for employees" for Euro 1,156,344, "Interest expense on loans and bond issues" recognized under payables of Euro 4,649,919 and "Losses on securities" for Euro 1,187,393.

The "Fair Value adjustment charges" refer for Euro 44,120 to the Fair Value measurement of financial receivables from the subsidiary of the parent company SPV Linea M4 S.p.A. and for Euro 6,385,732 to the Fair Value measurement of the financial instruments designated FVTPL.

36. Income taxes for the year

The taxes pertaining to the financial year have been recognized as detailed below:

	2018	**2017**
Current income taxes	(107,200)	3,787,680
IRES	-	*600,000*
IRAP	*50,000*	*2,200,000*
Income (charges) from tax consolidation	*(157,200)*	*987,680*
Prior year taxes	(754,285)	(3,425)
IRES	*(333,441)*	*(3,425)*
IRAP	*(420,844)*	
Deferred tax charge	8,890,712	860,809
Release of tax risk provision		(20,270,131)
Total	**8,029,227**	**(15,625,067)**

In order to better explain the change in the taxes on operating income, the pro-form comparative data is shown on the data for 2017 resulting from the merger of ATM Servizi S.p.A. in ATM S.p.A .:

	ATM S.p.A. – 2017 Restated values	ATM Servizi S.p.A. - 2017 IAS-IFRS values	Pro-forma 2017
Current income taxes	(3,787,680)	1,800,000	(1,987,680)
IRES	*(600,000)*	-	*(600,000)*
IRAP	*(2,200,000)*		*(2,200,000)*
Income (charges) from tax consolidation	*(987,680)*	*1,800,000*	*812,320*
Prior year taxes	3,425		3,425
IRES	*3,425*		*3,425*
Deferred tax change	(860,809)	(9,753,068)	(10,613,877)
Release of tax risk provision	20,270,131		20,270,131
Total	**15,625,067**	**(7,953,068)**	**7,671,999**

For IRES purposes, once the tax base has been determined, the Company has deducted its previous tax losses accrued prior to adherence to the National Tax Consolidation and not yet used, within the limit set by current legislation.

The residual taxable income was subsequently transferred to the tax consolidation thus benefiting from a further reduction, deducting, within the limit set by current legislation, the tax losses transferred by the Company in the years of validity of the National Tax Consolidation and never used.

IRAP is determined in accordance with current legislation and exclusively for the Company.

“Tax consolidation proceeds” refer to the transfer of IRES, within the limit set by current legislation, by the companies included in the scope of the National Tax Consolidation.

The “deferred taxes” mainly include the release of deferred tax assets recognized against provisions for risks which, during the year, in consideration of new and more updated information were released (Note 23) and with reference to the deferred tax assets recognized at against previous losses (Note 11). Deferred tax assets and liabilities transferred to the income statement are detailed in note 11 and note 22.

In the 2017 financial year, following the settlement of the dispute with the tax administration, the “tax risk fund” was released for an amount of Euro 20,270,131 for the part exceeding what was defined.

The following table shows the reconciliation between the theoretical tax and the effective tax:

THEORETICAL TAX CHARGE	**ATM**	
	IRES	**IRAP**
PRODUCTION VALUE		872,900,903
PRODUCTION COSTS		(856,215,799)
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION		16,685,104
PERSONNEL EXPENSES (NOT DEDUCTIBLE FOR IRAP PURPOSES)		470,955,017
PRE-TAX PROFIT/LOSS	10,368,548	
THEORETICAL TAX RATE	**24.00%**	**4.20%**
THEORETICAL TAX BASE	**10,368,548**	**487,640,121**
THEORETICAL TAX CHARGE	**2,488,452**	**20,480,885**
NON-DEDUCTIBLE COSTS-EXEMPT REVENUES	**IRES**	**IRAP**
NON-DEDUCTIBLE TAXES	5,110,532	1,808,497
PHONES	159,401	159,401
OTHER NON-DEDUCTIBLE COSTS		
- personnel	*21,785,678*	
- amortisation/depreciation	*15,324,117*	*12,627,135*
- provisions not permitted as per CFA/Law 446/97	*27,036,434*	*27,843,635*
- extraordinary write-down/doubtful debt provision		*282,612*
- other non-deductible costs	*5,979,163*	*5,881,524*
EXEMPT REVENUES		
- riease/utilization non-deductible provisions	*(66,044,790)*	*(64,743,286)*
- personnel	*(20,535,620)*	*-*
- Other exempt income	*(7,232,313)*	*(5,233,028)*
TOTAL INCREASES (+)	***(18,417,398)***	***(21,373,510)***
COSTS DEDUCTED – IRAP DIFFERENT ASSESSABLE BASE	**IRES**	**IRAP**
TAX AGENCY CIRCULAR NO. 22/E OF 09/06/2015 AND OTHERS		466,158,857
DEDUCTION OF PAYMENTS FOR SUPPLEMENTARY PENSION SCHEMES	450,000	
ROUNDING TAX FUND		(1,082,730)
IRES FOR IRAP DEDUCTION PAID OVER PERSONNEL COST T.D.	55,000	
TOTAL DECREASES (-)	***505,000***	***465,076,127***
CHANGES FOR IRES PURPOSES	**IRES**	**IRAP**
REVENUE ADJUSTMENTS		
UTILISATION PRIOR YEAR LOSSE PRE-CONSOLIDATION	0	
UTILISATION PRIOR YEAR LOSSES POST CONSOLIDATION FROM ATM	0	
TOTAL CHANGES FOR IRES PURPOSES	**0**	**-**
EFFECTIVE TAX CHARGE	**IRES**	**IRAP**
ASSESSABLE EFFECTIVE TAX CHARGE/INCOME	**(8,553,850)**	**1,190,483**
EFFECTIVE TAX CHARGE/INCOME	**-**	**50,000**
EFFECTIVE TAX CHARGE RATE	**0.00%**	**1.57%**

37. Remuneration of directors and statutory auditors

Pursuant to the law, the fees of the Directors and the Audit Committee Board are reported.

	2018	2017
Directors fees	206.630	172.700
Audit Committee fees	143.470	133.600
Total	**350,100**	**306,300**

The Board of Directors is composed of five members, including the Chairman; the Audit Committee Board, on the other hand, it is composed of three standing members, one of whom is a Chairman The fees paid to the directors are expressed gross of social security contributions of Euro 21,447 and amount to Euro 185,183 as per the shareholders' resolution of March 30, 2017.

38. Remuneration to the auditing company

The fees paid by the company ATM S.p.A. to the independent auditors Deloitte & Touche S.p.A. for the 2018 financial year they amount to Euro 378,125 for the activities related to the statutory audit of the accounts and to Euro 26,206 for verification services aimed at issuing other certificates.

Type of services	Subject who provided the service	Recipient	Remuneration
AUDIT			**378,125**
Statutory audit of the financial statements and the consolidated financial statements, periodic checks on the regular keeping of the accounts	*Auditor of the parent company*	*Parent company*	*145,000*
Limited audit of the consolidated half-year report, prepared on a voluntary basis, of the ATM Group companies as of 06.30.2018	*Auditor of the parent company*	*Parent company*	*37,125*
Audit fees for activities related to FTA on the 2017 budget (First Time Adoption)	*Auditor of the parent company*	*Parent company*	*75,000*
DNF "Report of Non Financial Data" – 2017	*Auditor of the parent company*	*Parent company*	*43,000*
Integration fees for activities related to the FTA - IFRS 9	*Auditor of the parent company*	*Parent company*	*35,000*
Integration fees for activities related to the FTA - IFRS 15	*Auditor of the parent company*	*Parent company*	*6,000*
Integration fees for activities related to the FTA - IFRS 16	*Auditor of the parent company*	*Parent company*	*37,000*
Certification services			**26,206**
Annual and semi-annual certification of Covenants to the European Investment Bank	*Auditor of the parent company*	*Parent company*	*12,706*
Signing of the certifications required by the regulations currently in force. Contributions to Health Insurance	*Auditor of the parent company*	*Parent company*	*13,500*
Total			**404,331**

They were not returned by Deloitte & Touche S.p.A. and by companies belonging to its network, services other than auditing or certification.

39. 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 doubtful debt provision amounting to Euro 4,817,352 set up in order to align the value of the receivables with the presumed realizable value.

"Trade receivables from subsidiaries" refer to receivables for services and services provided to companies included in the scope of consolidation, for which ATM S.p.A. performs service activities.

The "financial receivables from subsidiaries" refer to the active balances of the cash pooling current accounts at December 31st, 2018. The accrued interest is recognized in the line "Net financial income" of the income statement.

The "tax receivables from subsidiaries", as described elsewhere in this document, relate to the receivable deriving from the contracts stipulated with the subsidiary companies for adhering to the National Tax Consolidation and to the Group VAT regime.

"Trade receivables from associates" refer to receivables for services and services rendered under existing contracts. The value of the receivables is adjusted by the bad debt provision amounting to Euro 682,347 set up in order to align the value of the receivables with the presumed realizable value.

"Trade receivables from subsidiaries" refer to receivables for services and services rendered under existing contracts.

	Trade	Contributions	Financial	Tax	31.12.2018
RECEIVABLES					
- Parent					
Municipality of Milan	123,342,317	532,000			123,874,317
- Subsidiaries					
ATM - SERVIZI DIVERSIFICATI S.r.l.	806,684			80,329	887,013
GESAM - Gestione sinistri assicurativi multirischi S.r.l.	35,773			5,874	41,647
INTERNATIONAL METRO SERVICE S.r.l.	14,285			6,200	20,485
METRO SERVICE A/S	12,710				12,710
NORD EST TRASPORTI S.r.l.	4,717,263		1,737,561	227,866	6,682,690
RAIL DIAGNOSTICS S.p.A.	403,075			103,366	506,441
- Associates					
CO.MO. FUN&BUS S.c.a r.l.	193,618				193,618
METRO 5 S.p.A.	15,769,602				15,769,602
- Subsidiaries of parent company					
A2A S.p.A.	35,299				35,299
FONDAZIONE TEATRO ALLA SCALA	17,450				17,450
SCUOLE CIVICHE MILANO	1,970				1,970
METROPOLITANA MILANESE	131,140				131,140
SEA S.p.A.	3,129				3,129
SPV Linea M4 S.p.A.	24,488				24,488
- Other transactions with related parties					
Coop S.E.D. ATM SCCATI			1,237,534		1,237,534

“Trade payables to parent companies” refer to payables for services and services rendered pursuant to the Local Public Transportation Service Contract and stopping, parking and car removal services with the Municipality of Milan.

“Trade payables to subsidiaries” refer to payables for services and services rendered by the subsidiaries pursuant to existing contracts.

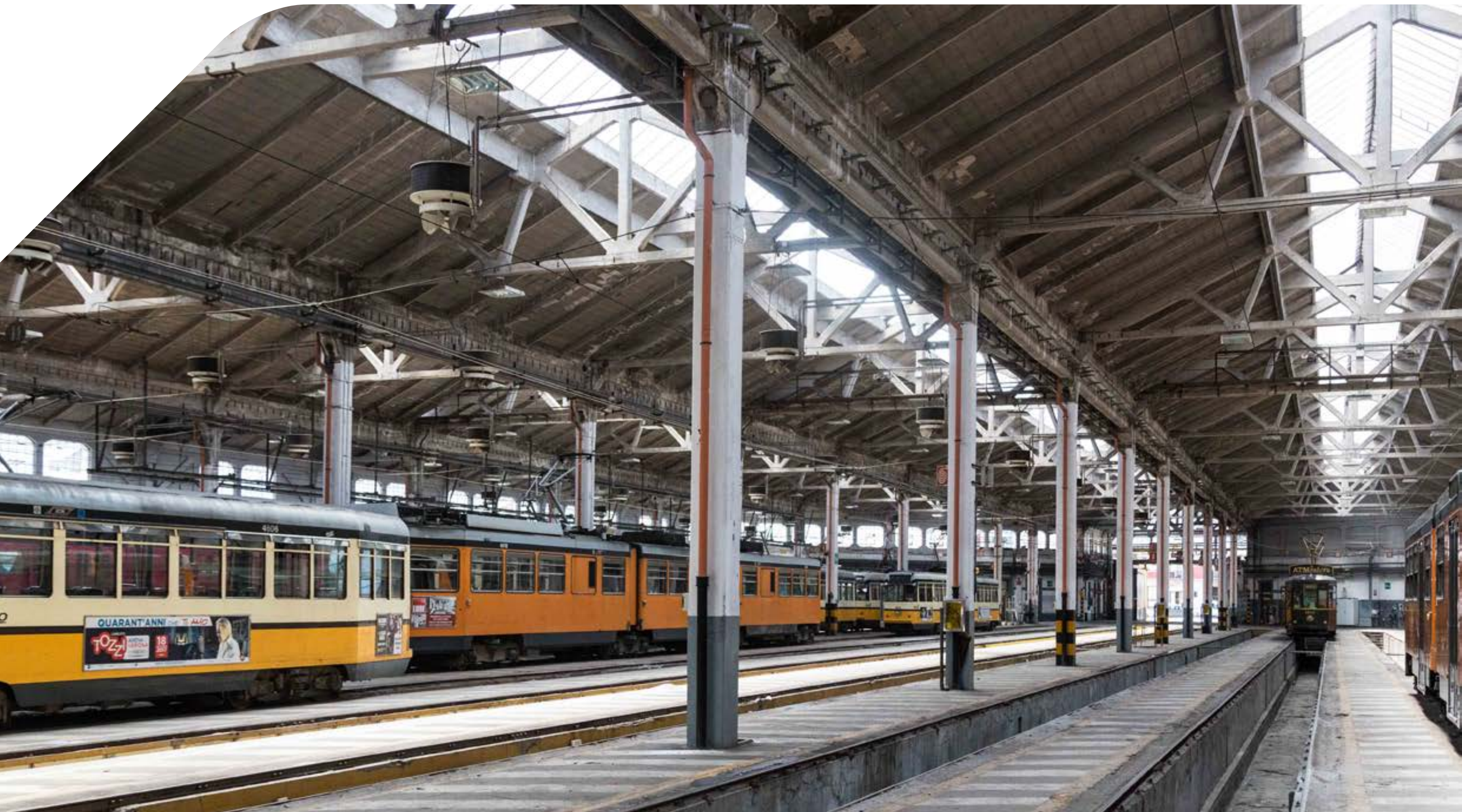
“Financial payables to subsidiaries” refer to the debit balance of cash pooling current accounts as at December 31st, 2018. Accrued interest is recognized in the “Net financial income” line of the income statement.

The “tax payables to subsidiaries”, as described elsewhere in this document, relate to the withholding taxes incurred, transferred by the subsidiaries to ATM S.p.A. following the adhesion to the National Tax Consolidation.

“Trade payables to associates” refer to payables for services and services rendered by the associates pursuant to existing contracts.

The “trade payables to subsidiaries of the parent companies” refer to payables for services and services rendered by the companies to ATM S.p.A. under the existing contracts.

	Trade	Financial	Dividends to settle	Tax	31.12.2018
PAYABLES					
- Parent					
Municipality of MILAN	49,277,770		12,000,000		61,277,770
- Subsidiaries					
ATM - SERVIZI DIVERSIFICATI S.r.l.	467,861	468,636		2,221	938,718
GESAM - Gestione sinistri assicurativi multirischi S.r.l.	66,094	512,069			578,163
NORD EST TRASPORTI S.r.l.	1,694,140			50,753	1,744,893
RAIL DIAGNOSTICS S.p.A.	2,171,339	5,710,476			7,881,815
- Associates					
CO.MO. FUN&BUS S.c.a r.l.	17,659				17,659
METRO 5 S.p.A.	129,857				129,857
MOVIBUS S.r.l.	567,402				567,402
- Subsidiaries of parent company					
A2A S.p.A.	170				170
METROPOLITANA MILANESE	398,521				398,521
SPV M4 S.p.A.	8,429				8,429



	Core Business Revenue	Other revenue	Other income	Financial Income
INCOME STATEMENT TRANSACTIONS				
- Parent				
Municipality of Milan	669,405,206	19,711,520	3,758,960	
- Subsidiaries				
ATM - SERVIZI DIVERSIFICATI S.r.l.	661,758	197,127	102	
GESAM - Gestione sinistri assicurativi multirischi S.r.l.	396,805	60,243	106	
INTERNATIONAL METRO SERVICE S.r.l.	14,283		2	2,040,000
METRO SERVICE A/S	195,069			
NORD EST TRASPORTI S.r.l.	4,543,032	378,500	597,353	13,047
RAIL DIAGNOSTICS S.p.A.	417,973	52,495	4,108	
- Subsidiaries of parent company				
Agenzia Mobilità Ambiente e Territorio S.r.l.				3
Fondazione Teatro alla Scala		11,309	8,736	
Metropolitana Milanese S.p.A.		54,438	380	
Milano Ristorazione S.p.A.				
Fondazione Piccolo Teatro di Milano - Teatro d'Europa		74,884		
SEA S.p.A.			24	
SPV Linea M4 S.p.A.		94,772		204,636
- Associates				
CO.MO. Fun&Bus S.c.a r.l.	545,154	37,862	38,140	
Metro 5 S.p.A.	30,310,298	1,042,292	105,896	952,839
Movibus S.r.l.		56,849	447,412	

	Purchases of goods and changes in inventories	Service costs	Operating lease costs	Employee benefits costs	Other operating costs and charges	Financial charges
INCOME STATEMENT TRANSACTIONS						
- Parent						
Municipality of Milan		(10,521)	(1,275,000)		(4,249,926)	
- Subsidiaries						
ATM - SERVIZI DIVERSIFICATI S.r.l.		(423,602)	(27,873)	(318)	(1)	
GESAM - Gestione sinistri assicurativi multirischi S.r.l.		(918,706)			(4)	
INTERNATIONAL METRO SERVICE S.r.l.						
METRO SERVICE A/S						
NORD EST TRASPORTI S.r.l.		(967,199)				
RAIL DIAGNOSTICS S.p.A.	(8,875)	(5,310,350)				
- Subsidiaries of parent company						
Agenzia Mobilità Ambiente e Territorio S.r.l.						
Fondazione Teatro alla Scala						
Metropolitana Milanese S.p.A.		(1,000,094)	(86,619)		(358)	(37)
Milano Ristorazione S.p.A.					(1)	
Fondazione Piccolo Teatro di Milano - Teatro d'Europa		(64,526)		(8,010)	(2,865)	
SEA S.p.A.		(9,490)			(2)	
SPV Linea M4 S.p.A.		(8,429)				
- Associates						
CO.MO. Fun&Bus S.c.a r.l.		(2,644)	(206,904)		(2,764)	
Metro 5 S.p.A.		(183)	(259,500)		(107)	
Movibus S.r.l.		(267,345)			636,596	

40. Commitments, guarantees and potential liabilities not recognized in the accounts

Broken down as below the account's details:

	31.12.2018	31.12.2017
1) Assets in use	4,964,159,243	4,815,150
2) Guarantees of which:	380,441,464	358,776,591
- Guarantees in favour of third parties	*82,145,169*	*88,157,761*
- Guarantees given to third parties	*255,782,917*	*232,174,635*
- Guarantees to investees	*42,513,378*	*38,444,195*
Total	**5,344,600,707**	**363,591,741**

The amount of Euro 4,964,159,243 relating to "assets in use" refers to:

- for Euro 4,817,489,685 to the value of the assets in use by the Municipality of Milan for the management of the TPL service;
- for Euro 142,760,953 to the value of parking areas and parking lots in use pursuant to the Service Contracts;
- for Euro 3,698,293 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 82,145,169, refer to sureties issued in favor of third parties.

"Third party guarantees", amounting to Euro 255,782,917, refer to sureties or guarantees issued by third parties in favor of the Company.

The "guarantees to investee companies", amounting to Euro 42,513,378, refer to:

- for a total of Euro 11,811,400 to the pledge registered on 106,600 shares of the company Metro 5 S.p.A. and the pledge registered on 8,352 shares of the company SPV Linea M4 S.p.A. in favor of a pool of lending banks in the context of the related construction and management projects for the new lines M5 and M4;
- euro 26,247,232 for co-obligations and guarantees given to the subsidiary Metro 5 S.p.A. and in favor of SPV Linea M4 S.p.A.;
- for Euro 4,454,747 to commitments made in favor of SPV Linea M4 S.p.A.

The value of the contractual commitments for the supply contracts for investments is Euro 177,176,115 and those relating to rents amount to Euro 3,511,837.

41. Information on public disbursments - article 1, paragraphs from 125 to 129 of the law n. 124/2017

The amounts collected in the 2018 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 40,462,141, of which Euro 12,120,197 pertaining to the 2017 financial year and Euro 28,341,944 pertaining to the 2018 financial year, gross of 4% withholding tax;
- grants for the purchase of metropolitan trains, disbursed by the State for Euro 1,637,503;
- contributions for the purchase of buses, provided by the Lombardy Region for Euro 5,557,454;
- reimbursement of sickness charges for 2012, paid by the Ministry of Labor for Euro 5,076,716.

Assembly Deliberations

Mr. Shareholder,

we submit for your approval the financial statements of ATM S.p.A. closed at December 31st, 2018 which shows a profit of Euro 2,339,320.

In order to strengthen the capital structure of the Company, we propose, taking into account the legal and statutory obligations, to allocate the profit for the year:

- for Euro 2,339,320 to Profits carried forward.

Milan, April 1st, 2019

For the Board of Directors
The chairman of the Board
Luca Bianchi


T27 PAS COM
T02 COR BPL
T02 BAB BPL
T22 SES COM
T23 SES COM
T02 GOR BPL
SAMSUNG

Independent Auditors' Report

Deloitte.

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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 No. 537/2014

To the Sole Shareholder of
Azienda Trasporti Milanesi S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Azienda Trasporti Milanesi S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity and 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, 2018, 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. (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.

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

Deloitte.

Changes in property valuation criteria

Description of the key audit matter

The consolidated financial statements as at December 31, 2018 reflect a value of the Group's property of Euro 372,297 thousand, which represent 27% of the non-current assets and 17% of the total assets recognised in the consolidated financial statements; for a better representation of the consistency of the Group's equity, in view of the financing operations necessary to develop the investments program envisaged in the multi-annual strategic development ambitions approved on April 1, 2019, the Group, based on the options offered by IAS 16, modified the property valuation criteria by restating the evaluation based on the cost model to fair value model instead.
In this respect, the useful life of these properties has been redefined as well. This assessment was carried out by the Management with the support of an external expert, who determined an increase in the value of the property of Euro 154,037 thousand at 1 January, 2018; the increase of depreciation reflected in the consolidated income statement for the financial year 2017 following the aforementioned change in the valuation criteria was equal to Euro 854 thousand, and was determined as the net effect of Euro 5,253 thousand related to the increase in the value of property and Euro 4,399 thousand related to the impact of the change in the useful life of properties themselves; likewise, consolidated shareholders' equity at January 1, 2017 and December 31, 2017 benefited respectively from an increase in value of Euro 110,599 thousand and Euro 109,985 thousand, respectively, net of tax effect.

Following the aforementioned change in the valuation criteria, and in compliance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the Management provided for the restatement at January 1, 2017 of the effects of the abovementioned changes, date that corresponds to the beginning of the first period prior to the one in which the valuation criteria was changed; consequently, pursuant to IAS 1 par. 39 and 40, the consolidated financial statements as at December 31, 2017 and January 1, 2017, the consolidated income statement for the year 2017, the consolidated statement of comprehensive income for the year 2017, the consolidated statement of changes in shareholders' equity from January 1, 2017 to December 31, 2017, and the consolidated statement of cash flows for the year 2017, have been restated to reflect the effects of the abovementioned changes.

In the paragraph "Comparability of financial statements: changes in the valuation criteria" of Note 4 "Valuation criteria" includes the disclosure provided by the management relating to the reasons for the change in the valuation criteria and in the restatement of comparative data, therein including the table for reconciliation between the figures of the consolidated financial statements as at December 31, 2017, approved by the Shareholders' Meeting, and those restated as a consequence of the change in the valuation criteria.

Taking into consideration the complexity and relevance of the assessments made by the Directors who, as anticipated, also utilized the support of an external expert appointed for this purpose, and as well taking into consideration the significance of the related effects on the financial statements and on the financial disclosures, we considered the change of the property valuation criteria a key audit matter of the audit of the consolidated financial statements at December 31, 2018.

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Audit procedures performed

In carrying out the audit work, also supported by property evaluation experts of our organization, we performed among others the following main audit procedures:

- understanding of the reasons underlying the decision to modify the valuation criteria of the properties, as well as the methods and assumptions used to determine the fair value, through interviews with the Management and the independent expert;
- inquiry on the professional competence and independence of the expert appointed by the Management;
- reasonability analysis of the assumptions adopted for the fair value determination;
- analysis of the alternative evaluation methods adopted by the expert and the reasons adopted for their alternative choice;
- confirmation, for a sample of properties, of the accuracy and completeness of the cadastral data and of the properties urban characteristics used by the assessor;
- arithmetic verification of the quantification, made by the expert and by the management, of the effect on the value of the assets, depreciation and consolidated shareholders' equity arising from the change in the valuation criteria;
- verification of the compliance with IAS 8 of the accounting recognition of the change in the valuation criteria and the related disclosures.

First adoption of the international accounting standard IFRS 9

Description of the key audit matter

The first adoption, as of January 1, 2018, of the international accounting standard IFRS 9 "Financial instruments" (the "Standard"), involved, among other things, the classification and measurement of the financial assets of the Group according to the new accounting categories envisaged by the Standard and the definition of a method for determining the value adjustments (impairment) of financial assets according to the expected loss model (so-called "expected credit losses").

The paragraph "Accounting standards, amendments and IFRS interpretations approved by the European Union, applied by the Group starting from 1 January 2018" of Note 4 "Valuation criteria" includes the disclosure required in these circumstances by international accounting standards, including the main methodological choices made. The first application of the Standard, which did not determine significant effects on the shareholders' equity at January 1, 2018, involved the recognition of:

- reclassifications of the financial assets held by the Group in government securities and corporate bonds from the category "Financial assets available for sale" as per previous IAS 39, to the category "Financial assets measured at fair value through other comprehensive income ("FVTOCI")" for Euro 108,114 thousand;

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- reclassifications of the financial assets held by the Group in units/shares of UCITs as well as debt securities for which the Solely Payment of Principal and Interest test ("SPPI test") has not been fulfilled from the category "Financial assets available for sale " as per previous IAS 39 to the category" "Financial assets measured at fair value through profit or loss ("FVTOCI") " for Euro 193,880 thousand;
- reclassifications of loans and financial receivables which on the basis of IAS 39 were valued at amortized cost and did not fulfill the SPPI test; these financial assets have been reclassified as "Financial assets measured at fair value fair value through profit or loss " FVTPL ")" for Euro 23,498 thousand.

Taking into account the significance of the value of the financial assets recorded in the consolidated financial statements, we considered that the first adoption of the Standard is a key aspect of the audit of the consolidated financial statements for the year ended at December 31, 2018 of the Group.

Audit procedures performed

In carrying out our audit work, also supported by experts of our organization, we performed among others the following main audit procedures:

- detection and understanding of the relevant controls followed by the Group during the process of implementation of the new accounting standard, measurement and classification of financial assets and liabilities;
- obtaining and examining the minutes of the Group's Management Bodies, the approved accounting policies and any other documentation developed and made available, with particular reference to the areas of judgement, also by collecting information and by interviews with the competent functions of the Group;
- verifications aimed at determining - for certain credit and debt securities - the accuracy of the results of the SPPI test carried out by the Group at the time of the first adoption of the standard;
- verification, with reference to the provisions set by the international accounting standards, of the compliance and completeness of the disclosure provided regarding the first time adoption of the international accounting standard IFRS 9.

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 parent Company or the termination of the business or have no realistic alternatives to such choices.

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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 judgement 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 over the consolidated financial statements.

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.

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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 consolidated 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, 2018, 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, 2018 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, 2018 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 Group and of the related context acquired during the audit, we have nothing to report.

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Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree December 30, 2016, no. 254

The Directors of Azienda Trasporti Milanesi S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial information.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Ernesto Lanzillo
Partner

Milan, Italy
April 10, 2019

This report has been translated into the English language solely for the convenience of international readers.

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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 No. 537/2014

To the Sole Shareholder of
Azienda Trasporti Milanesi S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Azienda Trasporti Milanesi S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2018, the income statement, the statement of comprehensive income, 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, 2018, 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.

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Changes in the property valuation criteria

Description of the key audit matter

The financial statements as at December 31, 2018 reflect a value of the Company's property of Euro 368,800 thousand, which represent 27% of the non-current assets and 17% of the total assets recognised in the financial statements; for a better representation of the consistency of the Company's equity, in view of the financing operations necessary to develop the investments program envisaged in the multi-annual strategic development ambitions, the Company, based on the options offered by IAS 16, modified the property valuation criteria by restating the evaluation based on the cost model to fair value model instead.
In this respect, the useful life of these properties has been redefined as well. This assesment was carried out by the Management with the support of an external expert, who determinded an increase in the value of the property of Euro 154,037 thousand at January 1, 2018; the increase of depreciation reflected in the income statement for the financial year 2017 following the aforementioned change in the valuation criteria was equal to Euro 854 thousand, and it was determined as the net effect of Euro 5,253 thousand related to the increase in the value of property and Euro 4,399 thousand related to the impact of the change in the useful life of the properties themselves; likewise, shareholders' equity at January 1, 2017 and December 31, 2017 benefited respectively from an increase in value of Euro 110,599 thousand and Euro 109,985 thousand, respectively, net of tax effect.

Following the aforementioned change in the valuation criteria, and in compliance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the Managment provided for the restatement at January 1, 2017 of the effects of the abovementioned changes date that corresponds to the beginning of the first period prior to the one in which the valuation criteria was changed; consequently, pursuant to IAS 1 par. 39 and 40, the financial statments as at December 31, 2017 and January 1, 2017, the income statement for the year 2017, the statement of comprehensive income for the year 2017, the statement of changes in shareholders' equity from January 1, 2017 to December 31, 2017, and the statement of cash flows for the year 2017, have been restated to reflect the effects of the abovementioned changes.

Note 3 "Valuation criteria", in the paragraph "Comparability of financial statements: changes in valuation criteria" of the notes to the financial statements as at December 31, 2018 of the Company includes the disclosure provided by the Management relating to the reasons for the change in the valuation criteria and in the restatement of comparative data, therein including the table for reconciliation between the figures of the financial statements as at December 31, 2017, approved by the Shareholders' Meeting, and those restated.

Taking into consideration the complexity and relevance of the assessments made by the Management who, as anticipated, also utilized the support of an external expert appointed for this purpose, and as well taking into consideration the significance of the related effects on the financial statements and on the financial disclosures, we considered the change of the property valuation criteria a key audit matter of the audit of the financial statements at December 31 , 2018.

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Audit procedures performed	In carrying out the audit work, also supported by property evaluation experts of our organization, we performed among others the following main audit procedures: • understanding of the reasons underlying the decision to modify the valuation criteria of the properties, as well as the methods and assumptions used to determine the fair value, through interviews with the Management and the independent expert; • inquiry on the professional competence and independence of the expert appointed by the Management; • reasonability analysis of the assumptions adopted for the fair value determination; • analysis of the alternative evaluation methods adopted by the expert and the reasons adopted for their alternative choice, of the consistency of the evaluation methods adopted with respect to the characteristics of the properties and the criteria for identifying the market parameters used for the valuation, as well as the approach method adopted in determining the portfolio discounts; • confirmation, for a sample of properties, of the accuracy and completeness of the cadastral data and of the properties urban characteristics used by the assessor; • arithmetic verification of the quantification of the effect on the value of the assets, depreciation and shareholders' equity arising from the change in the valuation criteria; • verification of the compliance with IAS 8 of the accounting recognition of the change in the valuation criteria and the related disclosures.

Merger transaction affecting Azienda Trasporti Milanesi Servizi S.p.A.

Description of the key audit matter	On April 1, 2018, became effective the merger by incorporation into Azienda Trasporti Milanesi S.p.A. of Azienda Trasporti Milanesi Servizi S.p.A., a company with a sole shareholder and subject to management and coordination by the same Azienda Trasporti Milanesi S.p.A. Directors have indicated that, through this corporate reorganization, the management of human resources was intended to be optimized, through greater flexibility in the use of the resourses and by simplifying the management of industrial processes, in consideration of the fact that human resources along with the rolling stock, constitute the main factor of production. Moreover, to the merger, are associated several considerable synergies deriving from the elimination of duplication and overlapping of administrative activities, with consequent simplification of contractual flows and consequent obligations. The transactions of the incorporated Azienda Trasporti Milanesi Servizi S.p.A. have been recognized in the financial statements of Azienda Trasporti Milanesi S.p.A. starting from January 1, 2018. The merger transaction mentioned above was considered a merger with a restructuring nature due to the absence of trade with third economical parties. This approach has made possible that the quantification of asset and liabilities of the merged company, in the Company's financial statements as at December 31, 2018, could take place in continuity of the values with those of the consolidated financial statements prepared by the Company at December 31, 2017.

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Consequently, in the Company's financial statements at December 31, 2018 the incorporation of Azienda Trasporti Milanesi Servizi S.p.A. resulted in the recognition of a merger surplus of Euro 70,861 thousand, as well as significant effects on the statement of financial position, income statement, statement of comprehensive income, changes in the shareholders' equity and statement of cash flows.

Note 4 "Merger of Azienda Trasporti Milanesi Servizi S.p.A. in Azienda Trasporti Milanesi S.p.A." of the notes to the financial statements as at December 31, 2018 of the Company includes the considerations made by the Management with reference to the reasons for the corporate reorganization, the criteria applied in the accounting of the merger transaction as well as the effects of the merger on the captions of the statement of financial position and the income statement.

Based on the significance of the merger and the effects on the financial statements of the Company, this corporate reorganization was considered a key aspect of the audit of the financial statements.

Audit procedures performed

In carrying out the audit work, we performed among others the following main audit procedures:

- Understanding of the reasons underlying the decision to incorporate the subsidiary Azienda Trasporti Milanesi Servizi S.p.A., as well as the methods and assumptions used to recognize the transaction, through interviews with the Company's Management and the incorporated company.
- recognition and understanding of the relevant controls implemented by the Company on the incorporation process of the balances of financial statements' accounts of the merged company; in particular, verification of the accounting entries made by the Company for the recognition of the merger by incorporation, as well as the correct confluence of the financial statements' items of Azienda Trasporti Milanesi Servizi S.p.A. in the financial statements of the Company;
- examination of the Company resolutions related to the merger transaction and the supporting documentation;
- verification of the consistency with the accounting practices followed through transactions of a similar or analog nature, of the criteria applied by the Management for the recognition of the merger by incorporation;
- examination of the adequacy of the information provided regarding the merger by incorporation.

First adoption of the international accounting standard IFRS 9

Desription of the key audit matter

The first adoption, as of 1 January 2018, of the international accounting standard IFRS 9 "Financial instruments" (the "Standard"), involved, among other things, the classification and measurement of the financial assets of the Company according to the new accounting categories envisaged by the Standard and the definition of a method for determining the value adjustments (impairment) of financial assets according to the expected loss model (so-called "expected credit losses").

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The Note 3 "Valuation criteria", in the paragraph "Accounting standards, amendments and IFRS interpretations approved by the European Union, applied by the Company starting from 1 January, 2018" of the notes to the financial statements of the Company as at December 31, 2018, includes the disclosure required in these circumstances by international accounting standards, including the main methodological choices made. The first application of the Standard, which did not determine significant effects on the shareholders' equity at January 1, 2018, involved the recognition of:

- reclassifications of the financial assets held by the Company in government securities and corporate bonds from the category "Financial assets available for sale" as per previous IAS 39, to the category "Financial assets measured at fair value through other comprehensive income ("FVTOCI") for Euro 108,114 thousand;
- reclassifications of the financial assets held by the Company in units/shares of UCITs as well as debt securities for which the Solely Payment of Principal and Interest test ("SPPI test") has not been fulfilled from the category "Financial assets available for sale" as per previous IAS 39 to the category "Financial assets measured at fair value through profit or loss ("FVTPL") " for Euro 193,880 thousand;
- reclassifications of loans and financial receivables which on the basis of IAS 39 were valued at amortized cost and which did not fulfill the SPPI test; these financial assets have been reclassified as "Financial assets measured at fair value fair value through profit or loss " FVTPL ")" for Euro 23,498 thousand.

Taking into account the significance of the value of the financial assets recorded in the financial statements, we considered that the first adoption of the Standard is a key aspect of the audit of the financial statements for the year ended at December 31, 2018 of the Company.

Audit procedures performed

In carrying out the audit work, also supported by experts of our organization, we performed among others the following main audit procedures:

- detection and understanding of the relevant controls followed by the Company during the process of implementation of the new accounting standard, measurement and classification of financial assets and liabilities;
- obtaining and examining the minutes of the Company's Management Bodies, the approved accounting policies and any other documentation developed and made available, with particular reference to the areas of judgement, also by collecting information and by interviews with the competent functions of the Company;
- verifications aimed at determining - for certain credit and debt securities - the accuracy of the results of the SPPI test carried out by the Company at the time of the first adoption of the standard;
- verification, with reference to the provisions set by the international accounting standards, of the compliance and completeness of the disclosure provided regarding the first time adoption of the international accounting standard IFRS 9.

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Responsibilities of the Directors and the Audit Committee Board for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- 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 Azienda Trasporti Milanesi S.p.A. as at December 31, 2018, 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 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, 2018 and on its compliance with the law, as well as to make a statement about any material misstatement.

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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, 2018 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
Ernesto Lanzillo
Partner

Milan, Italy
April 10, 2019

This report has been translated into the English language solely for the convenience of international readers.

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