



(Translation from the Italian original which remains the definitive version)

FS ITALIANE GROUP AND FERROVIE DELLO STATO ITALIANE S.P.A. 2019 ANNUAL REPORT HIGHLIGHTS

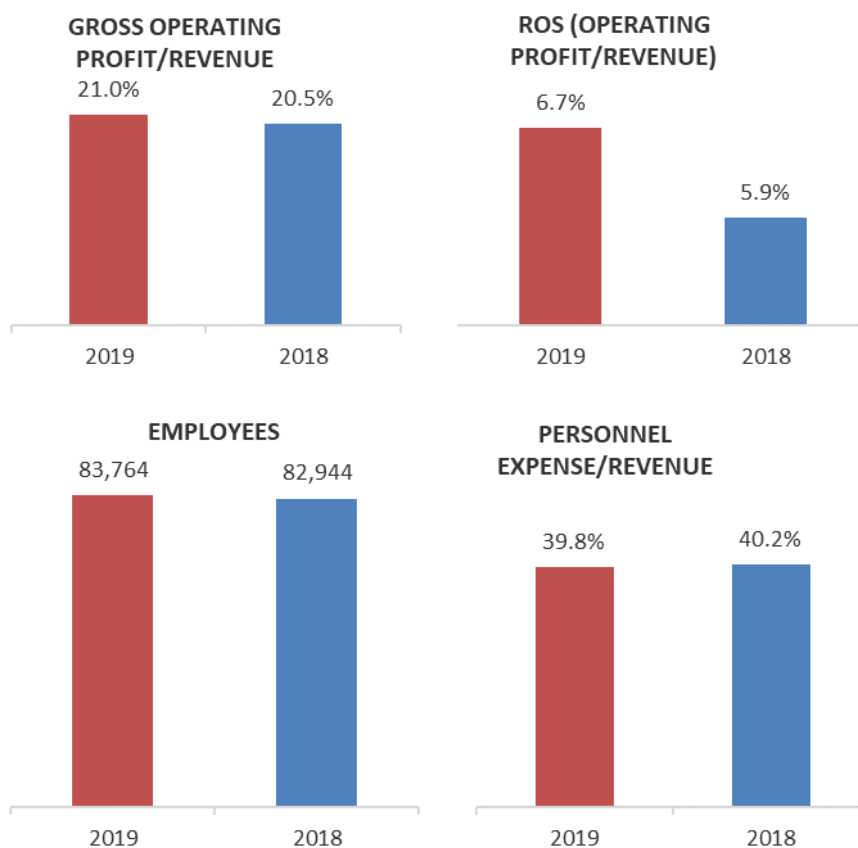
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2019 ANNUAL REPORT HIGHLIGHTS

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Group highlights



millions of Euros

Financial highlights	2019	2018	Change	%
Revenue	12,435	12,072	363	3.0
Operating costs	(9,826)	(9,596)	(230)	(2.4)
Gross operating profit	2,609	2,476	133	5.4
Operating profit	829	714	115	16.1
Profit for the year	584	559	25	4.5
	31.12.2019	31.12.2018	Change	%
Net invested capital (NIC)	49,977	48,418	1,559	3.2
Equity (E)	42,318	41,763	555	1.3
Net financial debt (NFD)	7,659	6,655	1,004	15.1
NFD/E	0.18	0.16		
Investments of the year	6,943	5,871	1,072	18.3
Total cash flows	(262)	(38)	(224)	>200

The group's financial position and performance

Introduction

For the purposes of describing its financial position and performance, the group has prepared reclassified financial statements, as set out on the following pages, in addition to those required by the IFRS adopted by the FS Italiane group. The reclassified financial statements comprise performance indicators, which management deems useful in monitoring the group's performance and in presenting the financial results of the business.

Furthermore, to provide a better understanding of the comments on the group's performance in 2019 and changes compared to the previous year, it should be noted that IFRS 16 Leases became applicable on 1 January 2019 and significantly changed the accounting treatment of finance leases by introducing a single accounting model, as detailed further on. In line with market practices and those of its main peers, the FS Italiane group elected to adopt the modified retrospective approach upon initial application of the new standard. Accordingly, it was not required to restate the comparative 2018 figures, which continue to be recognised in accordance with the previously applicable standards and interpretations. The gross operating profit and operating profit reflect the different presentation of leases in the two years, which had a positive effect of €130 million on operating costs, while increasing amortisation and depreciation by €118 million and financial expense by €20 million for a total net negative effect of €8 million on the profit for the year.

The table below provides the pro forma figures for 2019 without applying IFRS 16 in order to show the changes in performance on a like-for-like basis:

millions of Euros

	2019	Initial application of IFRS 16	pro forma 2019*	2018	Change	%
REVENUE	12,435		12,435	12,072	363	3.0
OPERATING COSTS	(9,826)	(130)	(9,956)	(9,596)	(360)	(3.8)
GROSS OPERATING PROFIT (LOSS)	2,609	(130)	2,479	2,476	3	0.1
Amortisation, depreciation, provisions and impairment losses	(1,780)	118	(1,662)	(1,762)	100	5.7
OPERATING PROFIT (LOSS)	829	(12)	817	714	103	14.4
Net financial income (expense)	(176)	20	(156)	(97)	(59)	(60.8)
PRE-TAX PROFIT	653	8	661	617	44	7.1
Income taxes	(60)		(60)	(58)	(2)	3.4
Loss from assets held for sale, net of taxes	(9)		(9)		(9)	100.0
PROFIT FOR THE YEAR	584	8	592	559	33	5.9

*Net of the effects of IFRS 16.

The comparison of figures on a like-for-like basis confirms the strong performance of the group's core business, which can be seen in both the growth in revenue and the improvement in its main performance indicators: gross operating profit and operating profit.

The group's figures and performance indicators demonstrate again this year that its business remains sound, and this is the result of management's strategic decisions to bolster its core business and expand into other operating and geographical segments. The different macroeconomic and social scenario has also helped, with greater recognition of the importance of the mobility system and its direct effect on the country's overall wellbeing and development.

Reclassified income statement

In line with the presentation in the consolidated financial statements, the following reclassified income statement shows the effects of initial application of IFRS 16 in 2019 while, as mentioned earlier, the comparative figures for the previous year have not been restated as allowed by the modified retrospective approach adopted by the group.

millions of Euros

	2019	2018	Change	%
REVENUE	12,435	12,072	363	3.0
Revenue from sales and services	11,957	11,560	397	3.4
Other income	478	512	(34)	(6.6)
OPERATING COSTS	(9,826)	(9,596)	(230)	(2.4)
GROSS OPERATING PROFIT	2,609	2,476	133	5.4
Amortisation, depreciation, provisions and impairment losses	(1,780)	(1,762)	(18)	(1.0)
OPERATING PROFIT	829	714	115	16.1
Net financial expense	(176)	(97)	(79)	(81.4)
PRE-TAX PROFIT	653	617	36	5.8
Income taxes	(60)	(58)	(2)	(3.4)
PROFIT FROM CONTINUING OPERATIONS	593	559	34	6.1
Loss from assets held for sale, net of taxes	(9)		(9)	(100.0)
PROFIT FOR THE YEAR	584	559	25	4.5
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT	573	540	33	6.1
PROFIT FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	11	19	(8)	(42.1)

The **profit for 2019** amounts to €584 million, compared to €559 million for the previous year, showing a percentage increase of 4.5%.

The €133 million increase (+5.4%) in the **gross operating profit** demonstrates that, as mentioned earlier, the group's business remains sound. The gross operating profit would, in any case show year-on-year growth of €3 million net of the effects of initial application of IFRS 16.

Revenue rose by €363 million (+3.0%) due to growth in revenue from transport services of €230 million, revenue from infrastructure services of €133 million and other revenue from contracts with customers of €18 million. Indeed, the growth in the latter was entirely offset by the decrease in other revenue and income in 2019, which also totalled €18 million.

Specifically, increases were seen in all the specific revenue components of **revenue from transport services** (+€230 million):

- revenue from the long-haul railway passenger transport service increased by €85 million – almost all of which was due to the market service – mainly due to the policies implemented by the group's main transport company to strengthen its offer (train-km are up 2.2%). While revenue from long-haul universal services benefited from the positive effects of the progressive produce upgrades (+€12 million), it decreased as a result of the reduction in the

universal service contract fees due to the application of the restructuring and postponement of investments, as established in the same contract (-€14 million);

- revenue from the regional railway passenger transport service increased by €65 million, mainly due to transport services in Italy, up by €69 million, partly offset by the decrease in traffic operated abroad. In Italy, Trenitalia S.p.A. successfully negotiated the signing of service contracts with the regions in 2019 (the company signed direct 15-year concession agreements in 2019 with the Campania, Marche, Tuscany and Calabria regions and it was awarded the regional railway service for the Turin metropolitan hub for 2019-2028 in a public tender procedure). In addition, this revenue benefited from the positive effects of the increase in passenger-km (+1.8%), improved train punctuality, the higher customer satisfaction rate with the overall travel experience, with a progressive improvement in customer satisfaction;
- revenue from railway freight transport increased by €17 million, mainly following the inclusion of ROM Rail Transport S.r.l. in the consolidation scope (+€14 million);
- the €62 million growth in revenue from road passenger transport services was driven by Busitalia group's excellent performance in terms of turnover, mostly achieved abroad. Specifically, the Dutch company Qbuzz BV contributed a €66 million increase in turnover thanks to the acquisition of new concessions and user catchment basins (contributing approximately €50 million, including €47 million for the local public transport service in the newly served Zuid-Holland province launched on 9 December 2018). However, this segment was affected by the elimination of Busitalia Simet S.p.A. from the consolidation scope on 7 March 2019 (-€12 million);
- revenue from the navigation segment increased by €1 million.

Revenue from infrastructure services increased by €133 million on the previous year, predominantly due to Anas S.p.A. (+€118 million) as a result of the work being carried out on the road network under concession and RFI S.p.A., which increased its fee revenue by €13 million thanks to a rise in traffic volumes (train-km) and changes to the rate system regulated by the transport regulatory authority (ART).

Other revenue from contracts with customers (+€18 million) mainly includes the increase in revenue from the sale of land and buildings held for trading in connection with the divestment plan (+€6 million), actual revenue on the Riyadh metro contract (+€32 million), offset by greater accruals to cover contractual risks with the regions (-€10 million), in addition to lower revenue from rolling stock maintenance (-€13 million).

Other revenue and income decreased by €18 million. In the previous year, this caption included the non-recurring income from the derecognition of unsecured liabilities of €63 million in the deed of arrangement of Ferrovie del Sud Est e Servizi Automobilistici ("FSE") S.r.l.. Partially offsetting this difference, in 2019, the sale of Centostazioni Retail S.p.A. generated a gain of €28 million and revenue from grants increased by €11 million.

Operating costs came to €9,826 million for the year, up €230 million (+2.4%) on the same period of the previous year, due to:

- the increase in net personnel expense (+€92 million; +1.9%), mainly due to the growth in the average number of employees to meet the effect of turnover generated in the year;
- the increase in other costs, net (+€138 million; +2.9%), in which, essentially, higher service costs (+€370 million) were offset by lower costs for raw materials, consumables, supplies and goods (-€108 million) and the decrease in use of third-party assets (-€117 million, of which: -€130 million due to the initial application of IFRS 16).

The **gross operating profit** increased by €133 million, or 5.4%, to €2,609 million as a result of the variations in revenue and operating costs described above.

The **operating profit** amounts to €829 million (31 December 2018: €714 million), reflecting an increase of €115 million. However, amortisation and depreciation of €1,712 million (+9%) increased in the year due to the initial application of IFRS 16 (+€118 million), without which they would have been in line with 2018. This impact was offset by impairment losses and provisions, which both improved. Impairment losses decreased by €65 million on 2018, due to the decrease in those on property, plant and machinery, while provisions showed a positive net balance of €22 million (31 December 2018: -€36 million), mainly due to the releases by group companies on the Bilateral fund for income assistance.

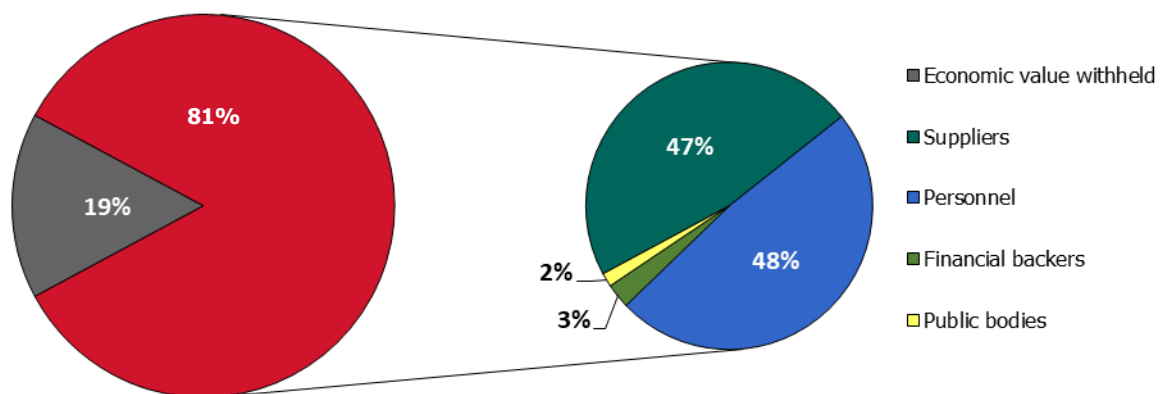
Net financial expense of €176 million worsened by €79 million (-81.4%) on the previous year, mainly due to higher financial expense (€65 million, of which: €20 million due to the initial application of IFRS 16 and €34 million mainly due to the discounting of the amount receivable from Strada dei Parchi following the amendment postponing the repayment of the 2017 and 2018 instalments to 2030), lower profits from equity-accounted investees (€10 million) and greater provisions for interest on disputes with road works suppliers (€11 million).

Income taxes amount to €60 million, up by €2 million, essentially due to the trend in current taxes (+€20 million), deferred taxes (-€29 million) and adjustments related to prior years (+€11 million).

The **loss from assets held for sale** of €9 million refers to the loss for the year of Netinera Werke GmbH, which will be sold in 2020 for strategic reasons in connection with the group's objective of leaving less profitable business segments.

In addition to the above observations and pursuant to Legislative decree no. 254/2016, the following table shows the directly generated economic value and that distributed by the FS Italiane group, highlighting its redistribution to stakeholders. The group acknowledges the importance of a balanced distribution of the value generated by its operations to its stakeholders, value that they contributed to creating directly or indirectly. The analysis of the economic value distributed shows the flows allocated to employees, providers of goods, services and capital, the public administration and the communities in which the group is present.

millions of Euros						
Directly generated and distributed economic value	2019		2018		2017	
Directly generated economic value	12,536	100%	12,196	100%	9,369	100%
Revenue from sales and services	11,957		11,560		8,993	
Other sundry income	579		636		376	
Distributed economic value	10,202	81%	9,877	81%	7,202	77%
Operating costs for materials and services	4,813		4,679		2,754	
Personnel expense	4,945		4,853		4,178	
Payments to financial backers	286		221		176	
Payments to public bodies	158		124		94	
Economic value withheld	2,334	19%	2,319	19%	2,167	23%
Amortisation, depreciation, provisions and impairment losses	1,780		1,762		1,595	
Other sundry costs and taxes	(30)		(2)		20	
Profit for the year	584		559		552	



The value not distributed by the group (approximately €2.3 billion in 2019, in line with 2018, while it came to €2.2 billion in 2017) consisted substantially of self-financed investments and accruals to reserves, to be reinvested and thereby ensure the continuity and sustainability of the business in the medium and long term, thereby indirectly benefiting the FS Italiane group's stakeholders (such as employees and the community through, for example, improvements in service quality, including the universal service).

Reclassified statement of financial position

	millions of Euros		
	31.12.2019	31.12.2018	Change
ASSETS			
Net operating working capital	(262)	(324)	62
Other assets, net	2,928	2,378	550
Working capital	2,666	2,054	612
Net non-current assets	51,132	50,986	146
Other provisions	(4,303)	(4,622)	319
Net assets held for sale	482		482
NET INVESTED CAPITAL	49,977	48,418	1,559
COVERAGE			
Net current financial debt (position)	677	(555)	1,232
Net non-current financial debt (position)	6,982	7,210	(228)
Net financial debt (position)	7,659	6,655	1,004
Equity	42,318	41,763	555
COVERAGE	49,977	48,418	1,559

The group's **net invested capital** of €49,977 million increased by €1,559 million in the year due to the increases in **working capital** (+€612 million), **net non-current assets** (+€146 million) and **net assets held for sale** (+€482 million) and the decrease in **other provisions** (+€319 million).

Net operating working capital amounts to -€262 million, up by €62 million on the previous year and is the combined effect of the following trends:

- greater receivables arising from the service contracts with the regions (+€101 million) and from the service contract with the Ministry of Economy and Finance (MEF) (+€38 million), substantially due to the increase in Trenitalia S.p.A.'s receivable as a result of the trend in payments of fees;
- the €206 million increase in trade receivables mainly due to: an increase in receivables for passenger transport by rail (+€74 million), the increase in receivables following the start of commercial activities related to the foreign contract for the Riyadh metro (+€38 million); the increase in advances to suppliers (+€183 million) mainly for electricity and works; and the reclassification of €99 million (SITAF group) to net assets held for sale as detailed below.
- greater inventories and contract assets for contract work in progress (+€96 million), mainly due to:
 - production output at the national workshops of Bari, Pontassieve and Bologna for the production of frogs, switches and other railway infrastructure equipment (+€123 million);
 - sales in the year, net of impairment losses to align the carrying amount of assets held for sale to their market value (-€26 million);
 - the €6 million increase in contract assets for contract work in progress, essentially due to works already completed on regional roads for contract work in progress for which incurred costs, plus recorded profits (and less recorded losses), exceed progress billing;
- the €377 million increase in trade payables, mainly in relation to:
 - investments in the year to purchase new rolling stock, with an impact of €244 million;

- greater trade payables due to IT/tech providers (€101 thousand), which is the result of the trend in payments considering the start-up of the newco FSTechnology S.p.A.'s business;
- greater accruals for road network works (€108 million);
- lower trade payables (with a positive impact of €55 million on net operating working capital) due, in particular, to payments in the year mainly for investments in the railway network; and
- the €21 million reduction in Ferrovie Sud Est e Servizi Automobilistici S.r.l.'s trade payables, particularly following the payment of privileged creditors and the first tranche (65.45%) of unsecured creditors included in trade payables under the deed of arrangement plan.

Other assets, net amount to €2,928 million, showing an increase of €550 million, which is substantially the combined effect of:

- greater net assets from the MEF, the Ministry of Infrastructure and Transport (MIT) and other government authorities (+€762 million) due to the accruals-based recognition of new grants, net of collections and the change in advances allocated to the projects that are already in progress;
- the €163 million decrease in net VAT assets, due to the split payment scheme, the payment of VAT for 2011 to 2017 and the decrease in deferred tax assets (-€8 million);
- the net increase of €41 million in other liabilities, net, essentially due to the adjustment of the provision to cover disputes relating to projects financed by grants and the rise in other amounts due to personnel and for the adjustment of the fund for income and employment assistance.

Net non-current assets of €51,132 million increased by €146 million, substantially due to:

- the €6,943 million increase in the year, offset by the recognition of grants related to assets on an accruals basis (€4,116 million), amortisation and depreciation of the year (€1,712 million) and sales and impairment losses (€88 million);
- the change in the consolidation scope is due to the acquisitions of the year and non-recurring transactions, with a €21 million impact on non-current assets, in addition to the €21 million increase in equity investments, mainly because of the investees' profits for the year;
- total reclassifications of -€1,513 million, almost entirely due to the recognition of SITAF group under assets held for sale;
- greater assets (+€586 million) due to the recognition of right-of-use assets as required by IFRS 16 Leases at 1 January 2019 (the increase in the year due to the application of IFRS 16 to leases totals €350 million and is described in the notes to the foregoing captions).

Other provisions decreased by €319 million, almost entirely due to the utilisation of post-employment benefits (TFR) and other employee benefits for payments to outgoing employees in the year and advances paid, as well as to the decrease in the tax provision and other provisions for risks.

Net assets held for sale total €482 million and include those of SITAF group, which was reclassified following the Council of State's rulings no. 7392/2019 and no. 7393/2019 of 28 October 2019, in which the share transfer agreement between the Turin municipal authorities, the Turin provincial authorities and Anas S.p.A. was declared null and void.

Net financial debt of €7,659 million increased by €1,004 million on 31 December 2018, mainly due to the net effect of the following:

- the decrease in the cash pooling balance (with an impact of €219 million), which comprises the payments made by the MEF in relation to the Programme Contract for railway infrastructure;
- the decrease in the financial asset from MEF (€592 million) due to collections of the year;
- the €232 million decrease in bank loans and borrowings, mainly due to the net effect of current loans and borrowings and the repayment of loans for the purchase of rolling stock for medium and long-haul transport and regional transport, in addition to the decrease in the same current loans and borrowings for the payment of privileged creditors in the Ferrovie del Sud Est e Servizi Automobilistici S.r.l.'s deed of arrangement;
- the €999 million increase in bonds, substantially related to the subscription of new bonds as part of the Euro Medium Term Notes Programme, with a total nominal amount of €1,130 million, to meet the group's financial requirements, the new private bond placement with Eurofima SA, with a nominal amount of €200,000 thousand, a variable rate and a 15-year maturity, offset by the repayment of the Eurofima SA bond with a nominal amount of €343,000 thousand;
- the €865 million decrease in loans and borrowings from other financial backers, substantially due to the reclassification of pre-existing lease liabilities of €402 million upon initial application of IFRS 16, mostly reflected in the increase in other current and non-current financial liabilities and in the repayment of loans with Cassa Depositi e Prestiti for railway infrastructure (the traditional and high-speed networks), which was financed by 15-year grants repaid in 2019. Furthermore, financial liabilities of €255 million relating to SITAF group were reclassified to net assets held for sale;
- the €202 million increase in contract advances due to the portion of grants already collected by Anas S.p.A. for work not yet completed;
- the increase in financial assets for service concession arrangements (with an impact of -€108 million on financial debt), which was the net effect of the increase in assets due in connection with production output on the infrastructure operated under concession arrangements and mainly referring to roads, and the decrease due to collections of refunds in the year from the Ministries or authorities.
- the €204 million increase in other financial assets and liabilities, mainly due to the change in lease liabilities, i.e. the lease liabilities recognised for new leases accounted for in accordance with IFRS 16 (€641 million) and for finance leases previously accounted for under IAS 17 and reclassified to this caption, as explained above. In addition, €799 million relating to SITAF group was reclassified from this caption to net assets held for sale in the year.

Equity rose from €41,763 million to €42,318 million, up by €555 million mainly as a result of the following:

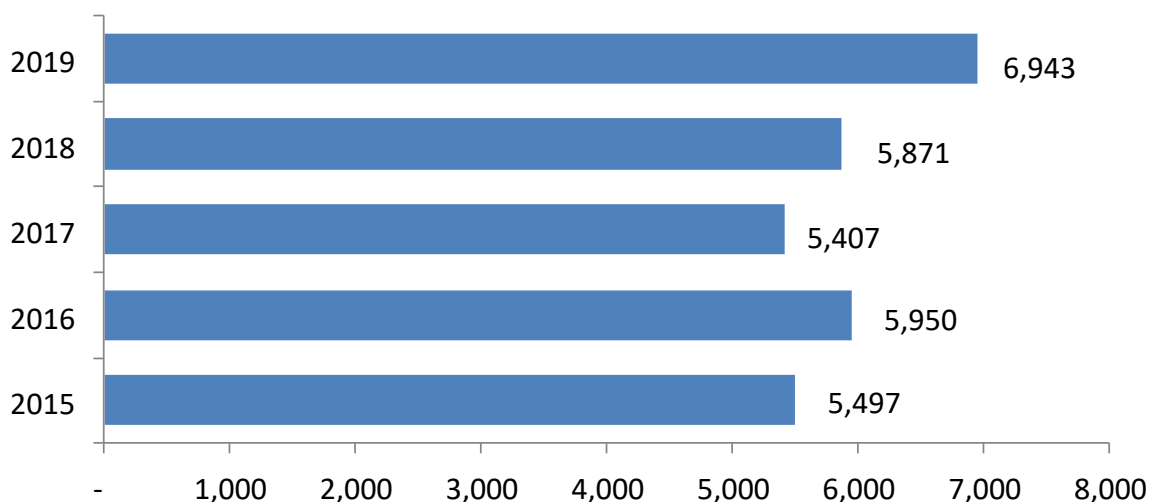
- the increase in the profit for the year to €584 million;
- the net increase of €9 million in the actuarial and cash flow hedging reserves;
- the net decrease of €38 million in the balance of derivative assets and liabilities;

Investments

In 2019, Italian expenditure in operating assets (net of construction) grew at rates far below those of recent years (+1.6% compared to +3.4% in 2018), with weak economic performance in which slight expansion in the first two quarters preceded a downturn in the third quarter, followed by a feeble recovery in the fourth. The transport vehicle sector grew in 2019 at a rate similar to that of 2018 (+6% compared to +5.5% in 2018), with the same weak trend in overall expenditure in operating assets (expansion in the first two quarters, then a downturn in the third quarter). On the other hand, investments in construction showed growing expansion, with growth rates up slightly on 2018 (+3.3% compared to +2.5% in 2018), in both the residential and non-residential segments.

In a stagnant Italian economy, the FS Italiane group managed to buck the trend, continuing the strong development of expenditure and maintaining an average capital expenditure/depreciation ratio greater than 1 from 2012 to date, securing the replacement of assets which become obsolete from one year to the next. Moreover, its expenditure rose further in 2019, confirming the group's place among Italy's largest investors, as it supports the development and renewal of the transport, infrastructure and logistics sector.

Total expenditure for investments by the FS Italiane group in 2019 amounts to €6,943 million, €2,827 million of which was self-financed and €4,116 million through government grants, up 18.2% on the same figure at 31 December 2018.



The group's capital expenditure entailed developing and managing volumes of roughly €8.1 billion in 2019¹, 96% of which in Italy (+8% on the €7.5 billion at 2018 year-end).

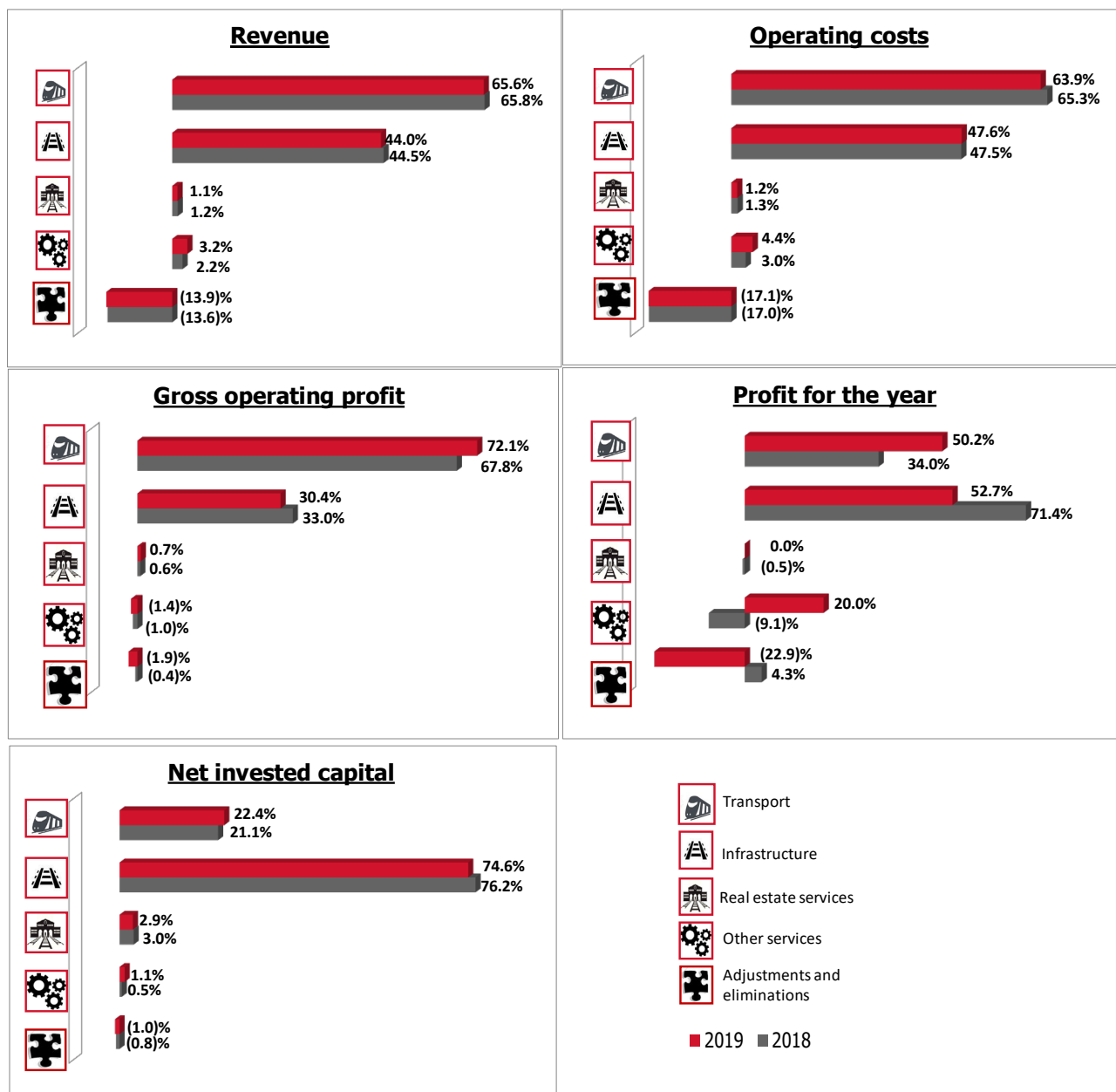
Approximately 75% of capital expenditure refers to the Infrastructure operating segment, with RFI S.p.A. investing €4,679 million, including €4,584 million for the traditional/HC network and €95 million for the HS/HC network between Turin, Milan and Naples, and Anas group investing €1,308 million. Roughly 24% refers to the Transport operating segment for projects devoted to the transport of passengers by road and rail, both in Italy and abroad, and to the transport of freight. Specifically, Trenitalia S.p.A. invested €1,451 million (including ordinary maintenance), the Mercitalia group approximately €174 million, the Busitalia group €192 million, Ferrovie del Sud Est e Servizi Automobilistici S.r.l. €10 million and the remaining companies

¹ In addition to the consolidated investments described above, capital expenditure includes the investments made by Anas S.p.A. and FSE S.r.l., recognised in accordance with IFRIC 12 (approximately €1.3 billion), while the remainder is comprised of the investments of unconsolidated special-purpose vehicles (e.g., TELT, BBT, etc.).

operating abroad €64 million (Netinera, C2C, Thellò and TrainOSE). The Real estate and Other services segment accounts for the remainder of the group's investments and they were mainly made by FS Sistemi Urbani and Ferrovie dello Stato Italiane for the maintenance and upgrade of the respective property assets and ICT projects.

Segment reporting

The FS Italiane group's performance is analysed below with reference to each of the four operating segments that make up its business (Transport, Infrastructure, Real Estate Services and Other Services). The charts below summarise the 2019 and 2018 performance with indication of the percentages of revenue and operating costs, gross operating profit, profit for the year and net invested capital attributable to each segment.



Transport

The FS Italiane group companies operating in the transport of passengers and/or freight by rail, road or sea are part of the Transport segment.

More specifically, rail operations mainly fall under Trenitalia S.p.A., which provides services for passenger transport in Italy and abroad, operating both regional and national routes, including the pre-eminent high speed service. This segment also includes the German group, Netinera Deutschland, which carries out transport activities by rail and road on the local and urban transport market in Germany through approximately 40 investees, TrainOSE SA, which operates in Greece, connecting Athens and Thessaloniki, Trenitalia c2c Ltd, a UK passenger transport company, and Ferrovie del Sud Est e Servizi Automobilistici S.r.l., which holds the concession for road and rail services in Puglia, Italy.

The group companies that principally operate in freight transport are those in the Mercitalia hub, with domestic and international operations, including TX Logistik group (mainly active in Germany, Austria, Switzerland and Denmark).

The Transport segment also includes road urban and medium/long-haul passenger transport, offered by the group consisting of Busitalia-Sita Nord S.r.l. and its investees. The above-mentioned FSE S.r.l. also provides these services.

	millions of Euros			
	2019	2018	Change	%
Revenue from sales and services	7,937	7,683	254	3.3
Other income	223	259	(36)	(13.9)
Revenue	8,160	7,942	218	2.7
Operating costs	(6,278)	(6,263)	(15)	(0.2)
Gross operating profit	1,882	1,679	203	12.1
Operating profit	467	336	131	39.0
Segment profit (attributable to the owners of the parent and non-controlling interests)	293	190	103	54.2
	31.12.2019	31.12.2018	Change	
Net invested capital	11,196	10,213	983	

The Transport segment shows a **profit for the year** of €293 million, a substantial increase of €103 million on the previous year.

Segment **revenue** totals €8,160 million, up considerably by €218 million on 2018, substantially due to revenue from transport services, up by roughly €231 million and only partly offset by the fact that 2018 included the portions of revenue attributable to the Transport segment from the derecognition of secured liabilities of FSE S.r.l. totalling €38 million (decree of the ordinary court of Bari dated 9 April 2018, which set the date for the court approval of the deed of arrangement for 6 June 2018).

In particular, the €218 million increase in revenue, net of the aforementioned non-recurring item for 2018, highlighted the positive performance of the following Transport businesses:

- long-haul passenger transport by rail (+€86 million), due to the strategy in the market service segment that increasingly focuses on satisfying customers' needs by strengthening the offer, better pricing and revenue management and driving sales channels, all of which is supported by a communications campaign and a plan to develop related services;
- short-haul regional passenger transport by rail (+€70 million), as the economic terms of the new contracts signed with the regions went into force (Lazio, Liguria, Puglia and Friuli Venezia Giulia), in addition to the spike in additional services after the Morandi bridge collapsed and, on the other hand, following the increase in passenger-km (mostly in the Piedmont, Liguria, Friuli, Emilia Romagna, Lazio, Calabria, Puglia and Sicily regions) as a result of actions taken to focus more on customers' needs, with the roll-out of regional customer care (assistance and safety) and to curb recurrent fare evasion in a continuation of the actions commenced in late 2018. The development of initiatives for the use of regional trains for tourism also drove the growth in revenue;
- short-haul passenger transport by road (+€69 million), mainly due to the fact that results for 2019 reflect the full effect of the new concessions awarded in 2018 in the Netherlands, as the subsidiary Qbuzz BV began operating the regional LPT service between Geldermalsen and Dordrecht (the MerwedeLingelijn line), referred to as the DMG concession, in 2018. In addition, the concession for the Groningen and Drenthe area was renewed in 2019 (the contractual term for these areas is eight and 10 years, respectively), where Qbuzz BV operates the greenest bus fleet in Europe, thanks to the large percentage of electric buses;
- freight and logistics (+€18 million), mainly due to the acquisition of the subsidiary ROM Rail Transport in 2019 (higher transport volumes) and the roll-out of the Fast business unit's services in October 2018, handled by Mercitalia Logistics S.p.A. to transport freight on the HC/HS lines with new electric locomotives, which, thanks to regenerative braking systems and the innovative eco-mode ensure significantly lower energy consumption than the current standards.

The **gross operating profit** for the Transport segment is €1,882 million, up by €203 million on 2018. Of this increase, €130 million is due to the growth in this segment's profit margins (particularly the long-haul railway passenger transport service sold on the market and the short-haul regional service) and €111 million is due to the effect of applying IFRS 16 as from 1 January 2019, partly offset by the fact that, as mentioned earlier, 2018 included the income on the derecognition of FSE S.r.l.'s unsecured liabilities, totalling €38 million.

The **operating profit** amounts to €467 million, up by €131 million on the previous year. This improvement is the effect of the increase in amortisation and depreciation due to initial application of IFRS 16 in 2019 (€142 million), partly offset by lower impairment losses and accruals than in 2018.

Net financial expense of €108 million increased by €17 million on 2018, mainly due to the increase resulting from the initial application of IFRS 16.

Income taxes show a negative balance of €57 million in 2019, a slight worsening of €2 million on the previous year.

Loans and borrowings - Transport segment

Intragroup loan - TrainOSE SA

On 27 March 2019, the parent gave its subsidiary TrainOSE SA an intragroup loan to finance its acquisition of 100% of ROSCO SA and cover the initial outlays to purchase machinery and comply with occupational safety standards. The maximum amount of the loan is €25 million and its repayment date is 29 December 2028.

Intragroup loan - Firenze City Sightseeing S.r.l.

On 8 April 2019, the parent gave Firenze City Sightseeing S.r.l. an intragroup loan of €255 thousand, repayable on 28 December 2023, to purchase a bus and related on-board equipment. Busitalia Sita-Nord S.r.l. is guarantor for the loan.

Renegotiation of the conditions applied to the borrowings of METRO 5 S.p.A.

On 29 April 2019, assisted by the parent, METRO 5 S.p.A. completed its renegotiation of the terms applied to roughly €500 million of its borrowings to be repaid in 2035, making a saving of over 40% compared to the previously negotiated amount. The debt renegotiation procedure was commenced in the first half of 2018 when the parent became a shareholder with a 36.7% stake in the investee. The benefits of the renegotiation have been shared between METRO 5 S.p.A. and the Milan municipality. As a result, the municipality saw a decrease in the concession availability charge of over €1 million a year with an overall saving of about €40 million up until the concession's expiry in 2041. Nine major Italian and international banks (BNP Paribas, IMI, Monte dei Paschi di Siena, Société Générale and Unicredit, which acted as the working MLA, along with BBVA, Credit Agricole, Natixis and UBI) had granted nearly 70% of the financing. Cassa Depositi e Prestiti is another lender and the rest of the debt consists of bonds subscribed by institutional investors.

Intragroup loan - Mercitalia Logistics S.p.A.

On 5 June and 31 July 2019, the parent gave Mercitalia Logistics S.p.A. two non-current intragroup loans to cover the capital requirements of the subsidiary TX Logistik AG. The maximum amounts of the loans are €56 million and €83 million, respectively, and they are repayable on 30 June 2024. The transactions are part of the project approved by the directors of both the parent and Mercitalia Logistics S.p.A. to extend the repayment dates of the loans taken out by the Mercitalia group companies to rebalance the relationship between the source and application of funds, including matching the lives of the assets with the term of the loan.

Intragroup loan - Busitalia-Sita Nord S.r.l.

On 30 July 2019, Ferrovie dello Stato Italiane S.p.A. restructured the intragroup loan granted to its subsidiary Busitalia - Sita Nord S.r.l. for the acquisition of the Dutch public transport company Qbuzz BV in August 2017, extending its term to rebalance the relationship between the source and application of funds, including matching the lives of the assets with the term of the loan. The amount of the loan is €36.9 million and it is repayable on 28 December 2026.

Intragroup loan - Mercitalia Rail S.r.l.

On 31 July 2019, Ferrovie dello Stato Italiane S.p.A. gave Mercitalia Rail S.r.l. a non-current intragroup loan to cover its net invested capital. The amount of the loan is €107 million and it is repayable on 30 June 2024. The transaction is part of the project approved by the directors of both the parent and Mercitalia Rail S.r.l. to extend the repayment dates of the loans taken out by the Mercitalia group companies to rebalance the relationship between the source and application of funds, including matching the lives of the assets with the term of the loans.

Loans and borrowings and the related guarantees for the West Coast franchise in the UK

On 13 August 2019, First Trenitalia West Coast Rail (a joint venture between FirstGroup, with 70%, and Trenitalia UK Ltd, with 30%) was awarded the West Coast Partnership railway service franchise. To meet the financial requirements established by the Department for Transport (DfT), Ferrovie dello Stato Italiane S.p.A. (as Trenitalia UK Ltd's guarantor and on a pro-quota basis with FirstGroup) gave the JV a loan totalling GBP30 million. Ferrovie dello Stato Italiane S.p.A.'s share of the loan amounts to GBP9 million and was disbursed in December 2019. The parent has also had bank guarantees issued, which it counter-guaranteed for roughly GBP24 million.

Intragroup loan - Qbuzz BV

On 15 October 2019, Ferrovie dello Stato Italiane S.p.A. granted Qbuzz BV (an indirect subsidiary of Busitalia - Sita Nord S.r.l.) two non-current intragroup loans for a total of €85 million repayable on 28 December 2027, to finance investments in buses and trains under the DMG concession awarded in February 2018 and commenced in December 2018. The loans are guaranteed by the company's direct parent Busitalia - Sita Nord S.r.l..

Infrastructure

The group's Infrastructure segment companies are Rete Ferroviaria Italiana S.p.A., whose mission is to serve as the national railway infrastructure operator, and Anas S.p.A., which, through its subsidiaries, operates Italy's national-interest road and motorway networks. As network operator, RFI maintains, uses and develops the network and related safety systems, in addition to managing research and development in the field of railway transport and ensuring connections to Italy's largest islands by sea. To a lesser extent, given its smaller size, Italferr S.p.A., the group's engineering company, also contributes to the results of this segment. The other group companies active in the Infrastructure segment on an exclusive or incidental basis are: FSE S.r.l., Brenner Basis Tunnel SE, Tunnel Ferroviario del Brennero S.p.A. (TFB), Tunnel Euralpin Lyon Turin SaS (TELT), Grandi Stazioni Rail S.p.A. and Metropark S.p.A.

millions of Euros

	2019	2018	Change	%
Revenue from sales and services	5,139	5,017	122	2.4
Other income	329	357	(28)	(7.8)
Revenue	5,468	5,374	94	1.7
Operating costs	(4,675)	(4,557)	(118)	(2.6)
Gross operating profit	793	817	(24)	(2.9)
Operating profit	455	455		
Segment profit (attributable to the owners of the parent and non-controlling interests)	308	399	(91)	(22.8)

	31.12.2019	31.12.2018	Change
Net invested capital	37,292	36,884	408

The Infrastructure segment showed a **profit for the year** of €308 million, an increase of €91 million on the previous year.

Revenue amounts to €5,468 million, up by €94 million on 2018, mainly due to a combination of the following factors:

- the €50 million increase in Anas S.p.A. revenue from the road infrastructure service contract;
- the €23 million increase in RFI S.p.A. revenue, mostly consisting of higher revenue from the Government Programme Contract - services, the gain on the sale of Centostazioni Retail S.p.A. and higher toll revenue (due to the change in train-km traffic volumes and the impact of changes in the rate system approved with ART resolution no. 43/2019);
- the reduction due to the fact that 2018 included the portions of revenue attributable to the infrastructure segment from the derecognition of secured liabilities of FSE S.r.l. (€25 million) and Centostazioni S.p.A. (€15 million), which merged into RFI with the demerger deed dated 11 June 2018.

The gross operating profit of the infrastructure segment amounts to €793 million in 2019, down by €24 million on 2018, substantially due to the non-recurring items of the previous year (release of prior-year over-accruals by Anas S.p.A. and prior

year income on the derecognition of the secured liabilities of FSE S.r.l.) partly offset by the €18 million increase on the initial application of IFRS 16.

The **operating profit** of the infrastructure segment is €455 million, in line with 2018, as the decrease in the gross operating profit was cancelled mainly by the positive net balance of RFI S.p.A.'s accruals/releases for the two years (€38 million), partly offset by the increase in amortisation and depreciation resulting from the initial application of IFRS 16 (€18 million).

Net financial expense of €107 million worsened by €76 million on 2018, substantially due to the economic impact on Anas S.p.A.'s receivable from the concession operator Strada dei Parchi S.p.A. due to the amendment under article 9-*tricies semel* of Law decree no. 123/2019, which extended the instalments due in 2017 and 2018 to 2030.

Income taxes of the infrastructure segment show a negative net balance of €40 million in 2019 and worsened by €15 million on 2018, substantially due to the non-recurring items of 2019 (mainly RFI S.p.A.'s tax dispute of €14 million).

Real Estate Services

The Real Estate Services segment mainly consists of FS Sistemi Urbani S.r.l. which handles management, sales and development services for real estate assets that are not used in the group's operations.

The parent also contributes to this segment, exclusively with respect to its real estate management operations, which include providing the group companies with strategic guidelines on real estate and asset allocation (e.g., mergers, demergers, contributions to SPVs, etc.) and handling the sale of properties and land held for trading in real estate holdings.

	millions of Euros			
	2019	2018	Change	%
Revenue from sales and services	138	140	(2)	(1.4)
Other income				
Revenue	138	140	(2)	(1.4)
Operating costs	(119)	(125)	6	4.8
Gross operating profit	19	15	4	26.7
Operating profit (loss)	6	(6)	12	(200.0)
Segment profit (loss) (attributable to the owners of the parent and non-controlling interests)		(3)	3	(100.0)
	31.12.2019	31.12.2018	Change	
Net invested capital	1,425	1,458	(33)	

The **profit for the year** of Real Estate Services shows a break even, an improvement of €3 million on the loss for 2018. This improvement is mainly due to greater net gains generated by FS Sistemi Urbani S.r.l.'s sales in the year.

Other Services

Ferrovie dello Stato Italiane S.p.A. operates in the Other Services segment in its role as the group's holding company and for all the activities not included in the real estate services described above. It steers and coordinates the business policies and strategies of the group's operating companies. The other companies that operate in this segment are: Ferservizi S.p.A., which manages the activities not directly related to railway operations as outsourcer for the group's main companies; Fercredit S.p.A., which mainly develops the credit factoring and lease business on the captive market and develops the consumer credit business for the group's employees; Italcertifer S.p.A., which carries out certification, assessment and testing activities on transport and infrastructure systems; and, since 2019, FSTechnology S.p.A., the group's ICT service provider.

millions of Euros

	2019	2018	Change	%
Revenue from sales and services	367	244	123	50.4
Other income	29	17	12	70.6
Revenue	396	261	135	51.7
Operating costs	(432)	(285)	(147)	(51.6)
Gross operating loss	(36)	(24)	(12)	>200
Operating loss	(65)	(62)	(3)	>200
Segment profit (loss) (attributable to the owners of the parent and non-controlling interests)	117	(51)	168	>200

	31.12.2019	31.12.2018	Change
Net invested capital	548	231	317

In 2019, Other services show a **profit for the year** of €117 million, up by €168 million on the previous year.

Revenue of €396 million is up by €135 million, with a contribution of €120 million from FSTechnology S.p.A., which began operating in August 2019 and €32 million from FS Corporate due to the start of operations on the Riyadh metro contract and the gain on the sale of Centostazioni Retail S.p.A., partly offset by the reduction of roughly €17 million in Ferservizi S.p.A. revenue, substantially due to the revision of contractual fees from customers.

The gross operating loss of €36 million worsened by €12 million on the previous year mainly in connection with the higher costs of FSTechnology S.p.A..

The **operating loss** of €65 million is substantially in line with 2018.

Net financial income of €37 million shows an improvement of €138 million on 2018, substantially due to the impairment losses of €128 million recognised in 2018 on equity investments in the Mercitalia group operating companies (Mercitalia Rail S.r.l. and TX Logistic AG, both of which are Mercitalia Logistics investees).

Income taxes of the Other services segment show a positive balance of €145 million, up by €33 million on the previous year. This caption reflects the positive effects of the domestic tax consolidation scheme managed by the parent as part of its typical activities.

Loans and borrowings – Other Services segment

Resolution authorising new bonds and loans

On 16 April 2019, the parent's board of directors resolved to issue new bonds for a maximum amount of €1.75 billion as part of the EMTN programme listed on the Irish Stock Exchange reserved to institutional investors. The proceeds from the placement and new green bonds will be used to purchase regional and medium to long-haul trains, freight transport locomotives and to complete the HS/HC railway infrastructure.

Update of the Green Bond Framework

On 1 July 2019, the parent published its revised Green Bond Framework. The new regional Rock and Pop trains now form part of the Eligible Green Projects like the high speed ETR1000 trains, the electric locomotives and last generation wagons which have undergone technological upgrades for freight transport. The Second Party Opinion, released by the accredited agency Sustainalytics, confirmed the FS Framework is credible and sound and aligned with the Green Bond Principles 2018.

Green bond placement - EMTN series 10

On 9 July 2019, the parent placed its second green bond issue of €700 million as part of the EMTN Programme. The bonds have a fixed coupon of 1.125% and a seven-year maturity. The issue is part of the Green Bond Framework. FS Italiane is the first corporate issuer to finance freight rolling stocks through green bonds and the first Italian issuer to obtain the Climate Bonds Initiative (CBI) certification. CBI is an international non-profit organisation that promotes sustainable financing to combat climate change at a global level. Banca IMI, BNP Paribas, CITI, Crédit Agricole CIB and Unicredit acted as joint lead managers and joint bookrunners for the placement, which is part of the above-mentioned programme of €1.75 billion authorised by the parent's board of directors on 16 April 2019 to cover the group's 2019 investments. The proceeds from the bond issue were distributed as two intragroup loans to Trenitalia S.p.A. (roughly 80%) and Mercitalia Rail S.p.A., in line with the resolutions taken by the directors and approved by the parent's green bond working committee.

Green bond placement - EMTN series 11

On 1 August 2019, in a private placement, Ferrovie dello Stato Italiane S.p.A. placed a bond with a fixed coupon of 1.035%, for €100 million and with a 10-year maturity, as part of the EMTN programme listed on the Irish Stock Exchange. UniCredit Bank AG handled the issue as Sole Bookrunner. The income from the bond, following the conversion of the fixed rate to a variable rate through an interest rate swap, was subject to an intragroup loan to RFI S.p.A. to finance the completion of the high-speed network.

Intragroup loan to FSTechnology S.p.A.

On 6 December 2019, Ferrovie dello Stato Italiane S.p.A. granted the subsidiary FSTechnology S.p.A. an intragroup loan of €100 million maturing on 26 December 2026 to finance the investments in software, hardware, network and professional services envisaged in the business plan.

Private bond placement with Eurofima

On 19 December 2019, Ferrovie dello Stato Italiane S.p.A. finalised another private bond placement with Eurofima, the supranational institution that finances the rolling stock of European railway companies. Variable-rate, 15-year FS S.p.A. bonds of €200 million were subscribed. The income from the bond is subject to an intragroup loan to Trenitalia S.p.A. to finance regional transport.

Updated EMTN programme and bond issues – EMTN series 12 and 13

On 23 December 2019, in a private placement, FS Italiane S.p.A. placed two bonds (series 12 and series 13) as part of the EMTN Programme (€7 billion) listed on the Irish Stock Exchange and updated in London on 17 December 2019. Series 12, totalling €140 million and with a 10-year maturity, was issued at par issue, with a variable rate indexed to the 6M Euribor plus a spread of 90 bps. Series 13, totalling €190 million and with a 4.5-year maturity, was issued at par with a variable rate indexed to the 6M Euribor plus a spread of 52 bps. UniCredit Bank (series 12) and BNP Paribas (series 13) were the Sole Bookrunners. The income on the bond is subject to two separate intragroup loans to RFI S.p.A. (€140 million) and Mercitalia Rail S.r.l. and Mercitalia Logistics S.p.A. (€190 million), respectively, for investments in the high-speed network and in the freight segment.

Ferrovie dello Stato Italiane S.p.A.'s financial position and performance

Reclassified income statement

	millions of Euros			
	2019	2018	Change	%
Revenue	188	180	8	4
- Revenue from sales and services	174	165	9	5
- Other revenue	14	15	(1)	(7)
Operating costs	(264)	(237)	(27)	(11)
GROSS OPERATING LOSS	(76)	(57)	(19)	(33)
Amortisation and depreciation	(25)	(24)	(1)	(4)
Net impairment gains	(1)	(16)	15	94
OPERATING LOSS	(102)	(97)	(5)	(5)
Net financial income	176	31	145	468
PRE-TAX PROFIT (LOSS)	74	(66)	140	212
Income taxes	153	128	25	20
PROFIT FOR THE YEAR	227	62	165	266

The **profit for the year** amounts to €227 million, up by €165 million on the previous year, mainly due to financial income (+€145 million) and income taxes (+€25 million), partly offset by the performance of the gross operating loss (-€19 million).

The decrease in the **gross operating loss** is the net effect of the €8 million increase in revenue and the €27 million increase in operating costs as a result of the following.

The growth in **revenue** was mainly driven by property management (leases, commercial use of stations, Grandi Stazioni facilities and sales of land and buildings held for trading), down by roughly €6 million and offset by the increase in revenue from contracts with customers. In particular, the latter revenue increased as the combined effect of lower fees to use patents, sales of land and buildings held for trading and services provided by the parent, as well as the increase in revenue from foreign contracts, totalling roughly €14 million. The increase in **operating costs** is mainly due to the higher costs for services, particularly administrative and IT services (+€17 million), consultancies (+3 million) and services for foreign contracts (+€21 million), offset by the smaller change in land and buildings held for trading (-€14 million).

In addition to that described above, the decrease in the **operating loss** was mitigated by the smaller impairment losses on investment property and other intangible assets and lower losses recognised on receivables (also considering the effects of the initial application of IFRS 9), while amortisation and depreciation of the year increased by roughly €1 million.

Net financial income increased mainly due to:

- the €11 million increase in financial income, mainly due to the gain on the sale of Centostazioni Retail S.p.A;
- the €134 million decrease in financial expense, mainly due to lower impairment losses on equity investments in Group companies (-€128 million on 2018), offset by greater impairment losses in accordance with IFRS 9 (+€1 million).

Income taxes improved by a total of €25 million on the previous year mainly as a consequence of the higher income from the tax consolidation scheme (+€34 million) recognised on the greater IRES taxes transferred by the group companies in previous years and used in the year, as it is improbable that they may be used subsequently, lower adjustments to prior year income taxes (+€3 million), the reduction in current IRES (+€1 million) and the negative trend in deferred taxes (-€13 million).

Reclassified statement of financial position

	millions of Euros		
	31.12.2019	31.12.2018	Change
ASSETS			
Net operating working capital	377	389	(12)
Other assets, net	219	77	142
Working capital	596	466	130
Non-current assets	536	549	(13)
Equity investments	38,099	38,072	27
Net non-current assets	38,635	38,621	14
Post-employment benefits	(8)	(9)	1
Other provisions	(310)	(419)	109
Post-employment benefits and other provisions	(318)	(428)	110
Net assets held for sale	0	22	(22)
NET INVESTED CAPITAL	38,913	38,681	232
COVERAGE			
Net current financial debt	(476)	(728)	252
Net non-current financial debt	(472)	(220)	(252)
Net financial debt	(948)	(948)	0
Equity	39,861	39,629	232
COVERAGE	38,913	38,681	232

Net invested capital amounts to €38,913 million, up by €232 million on the previous year, which was the combined effect of the increases in **working capital** (€130 million), **other provisions** (€110 million) and **net non-current assets** (€14 million) and the decrease in **net assets held for sale** (-€22 million).

Net operating working capital of €377 million, down by €12 million, mainly due to the decrease in land and buildings held for trading primarily as a result of impairment losses in the year.

Other assets, net rose by €142 million, mainly due to the net increase in VAT assets and liabilities.

Net non-current assets amount to €38,635 million, up by €14 million on 2018, due to the net increase in equity investments following the acquisitions of FSTechnology S.p.A. (€27 million) and FS International (€1 million), offset by the €13 million decrease in intangible assets due to the contribution of IT assets to the subsidiary FSTechnology S.p.A..

The €110 million decrease in **other provisions** is mainly the effect of the €100 million decrease in deferred tax liabilities and the €9 million reduction in provision for risks and charges, the latter essentially due to accruals of €8 million for utilisations and releases of €17 million.

There were no changes in the **net financial debt**, which remained at €948 million at 31 December 2019. The changes in current and non-current debt refer to a decrease of €252 million in current financial debt due to the increase in loans with group companies, partly offset by greater bonds (current portions), bank loans and borrowings and loans and borrowings from other financial backers. The €252 million increase in non-current financial debt is due to greater bonds (non-current portions), offset by the decrease in loans and borrowings from other financial backers, bank loans and borrowings and loans with group companies.

Equity increased by €232 million, mainly due to the profit for the year (€227 million).

Consolidated financial statements

Statement of financial position

millions of Euros

	31.12.2019	31.12.2018*
Assets		
Property, plant and equipment	46,058	44,371
Investment property	1,385	1,403
Intangible assets	2,713	4,260
Deferred tax assets	405	413
Equity-accounted investments	574	555
Service concession financial assets	1,696	1,917
Financial assets (including derivatives)	1,628	2,155
Trade receivables	6	9
Other assets	5,319	4,471
Total non-current assets	59,784	59,554
Inventories	2,290	2,200
Trade receivables	2,671	2,494
Financial assets (including derivatives)	705	818
Service concession financial assets	1,549	1,220
Cash and cash equivalents	1,534	1,796
Tax assets	128	120
Other assets	3,462	4,317
Total current assets	12,339	12,965
Assets held for sale and disposal groups	1,691	
Total assets	73,814	72,519
Total equity and liabilities		
Share capital	39,204	39,204
Reserves	53	50
Valuation reserves	(428)	(436)
Retained earnings	2,440	1,896
Profit for the year	573	540
Equity attributable to the owners of the parent	41,842	41,254
Profit attributable to non-controlling interests	11	19
Share capital and reserves attributable to non-controlling interests	437	424
Total equity attributable to non-controlling interests	448	443
Equity	42,290	41,697
Liabilities		
Loans and borrowings	7,211	8,335
Post-employment benefits and other employee benefits	1,221	1,474
Provisions for risks and charges	2,547	2,588
Deferred tax liabilities	502	525
Contract advances	1,142	995
Financial liabilities (including derivatives)	1,577	1,620
Trade payables	27	49
Other liabilities	162	138
Total non-current liabilities	14,389	15,724
Loans and borrowings and current portion of non-current loans and borrowings	4,095	3,069
Current portion of provisions for risks and charges	34	35
Trade payables	5,797	5,398
Tax liabilities	13	19
Contract advances	197	142
Financial liabilities (including derivatives)	176	69
Other liabilities	5,614	6,366
Total current liabilities	15,926	15,098
Liabilities held for sale and disposal groups	1,209	
Total liabilities	31,524	30,821
Total equity and liabilities	73,814	72,519

(*) The group applied IFRS 16 for the first time on 1 January 2019. Under the transition method chosen, comparative information has not been restated.

Income statement

millions of Euros

	2019	2018*
Revenue*		
Revenue from sales and services	11,957	11,560
Other income	478	512
Total revenue	12,435	12,072
Operating costs		
Personnel expense	(4,945)	(4,853)
Raw materials, consumables, supplies and goods	(1,491)	(1,599)
Services	(4,741)	(4,371)
Use of third-party assets	(140)	(257)
Other operating costs	(220)	(198)
Internal work capitalised	1,711	1,682
Total operating costs	(9,826)	(9,596)
Amortisation and depreciation	(1,712)	(1,571)
Net impairment gains	(90)	(155)
Accruals	22	(36)
Operating profit	829	714
Financial income and expense		
Financial income	88	92
Financial expense	(286)	(221)
Net financial expense	(198)	(129)
Share of profits of equity-accounted investees	22	32
Pre-tax profit	653	617
Income taxes	(60)	(58)
Loss from assets held for sale, net of taxes	(9)	
Profit for the year (attributable to the owners of the parent and non-controlling interests)	584	559
<i>Profit for the year attributable to the owners of the parent</i>	573	540
<i>Profit for the year attributable to non-controlling interests</i>	11	19

(*) The group applied IFRS 16 the first time on 1 January 2019. Under the transition method chosen, comparative information has not been restated.

Statement of comprehensive income

millions of Euros

	2019	2018*
Profit for the year (attributable to the owners of the parent and non-controlling interests)	584	559
Other comprehensive income		
Items that will not be reclassified to profit or loss, net of the tax effect:		
Net actuarial gains/(losses)	(9)	13
attributable to the owners of the parent	(9)	13
attributable to non-controlling interests		
Items reclassified to profit or loss	13	16
Items that will or may be reclassified to profit or loss, net of the tax effect:		
Cash flow hedges - effective portion of changes in fair value	6	15
attributable to the owners of the parent	4	15
attributable to non-controlling interests	2	
Net exchange gains (losses)		
Other comprehensive income, net of the tax effect	10	44
Comprehensive income (attributable to the owners of the parent and non-controlling interests)	594	603
<i>Comprehensive income attributable to:</i>		
Owners of the parent	581	584
<i>Non-controlling interests</i>	13	19

(*) The group applied IFRS 16 the first time on 1 January 2019. Under the transition method chosen, comparative information has not been restated.

Statement of changes in equity

millions of Euros

Equity														
	Reserves									Retained earnings	Profit for the period/year	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
	Share capital	Legal reserve	Extraordinary reserve	Other reserves	Translation reserve	Hedging reserve	Actuarial reserve	Fair value reserve	Total reserves					
Balance at 1 January 2018	36,340	39			3	(105)	(362)		(425)	1,681	542	38,138	250	38,388
Capital increase	2,864											2,864	15	2,879
Dividend distribution												(150)	(9)	(159)
Allocation of profit for the previous year		11							11	381	(392)			
Change in consolidation scope					(3)	(12)	(1)		(16)	(166)		(182)	168	(14)
Other changes														
Comprehensive income						31	13		44		540	584	19	603
of which:														
Profit for the year											540	540	19	559
Gains recognised directly in equity						31	13		44			44		44
Balance at 31 December 2018 (*)	39,204	50				(86)	(350)		(386)	1,896	540	41,254	443	41,697
Balance at 1 January 2019	39,204	50				(86)	(350)		(386)	1,896	540	41,254	443	41,697
Capital increase													8	8
Dividend distribution											(2)	(2)	(6)	(8)
Allocation of profit for the previous year		3							3	537	(540)			
Change in consolidation scope													(1)	(1)
Other changes										9		9	(9)	
Comprehensive income						17	(9)		8		573	581	13	594
of which:														
Profit for the year											573	573	11	584
Gains/(losses) recognised directly in equity						17	(9)		8			8	2	10
Balance at 31 December 2019	39,204	53				(69)	(359)		(375)	2,440	573	41,842	448	42,290

(*) The group applied IFRS 16 for the first time on 1 January 2019. Under the transition method chosen, comparative information has not been restated.

Statement of cash flows

millions of Euros

	2019	2018*
Profit for the year	584	559
Income taxes	60	57
Net financial income	198	107
Amortisation and depreciation	1,712	1,571
Share of profits of equity-accounted investees	(22)	(32)
Accruals to provisions and impairment losses	427	305
Gains on sales	(111)	(82)
Change in inventories	(91)	(74)
Change in trade receivables	(285)	535
Change in trade payables	421	(165)
Change in other liabilities	(740)	263
Change in other assets	(7)	(578)
Utilisation of the provisions for risks and charges	(339)	(364)
Payment of employee benefits	(273)	(200)
Change in assets/liabilities held for sale	(28)	
Financial income collected/financial expense paid	(199)	(107)
Income taxes paid, net of reimbursed tax assets	(61)	(47)
Change in service concession financial assets/liabilities	26	(283)
Net cash flows generated by operating activities	1,273	1,466
Increases in property, plant and equipment	(6,542)	(5,770)
Investment property	(2)	(1)
Increases in intangible assets	(340)	(402)
Increases in equity investments	(120)	(141)
Investments, before grants	(7,003)	(6,314)
Grants for property, plant and equipment	4,116	4,725
Grants for investment property		
Grants for intangible assets		2
Grants for equity investments	112	125
Grants	4,229	4,852
Decreases in property, plant and equipment	141	115
Decreases in investment property	1	17
Decreases in intangible assets	2	20
Decreases in equity investments and profit-sharing arrangements	9	12
Decreases	153	163
Net cash flows used in investing activities	(2,622)	(1,299)
Finance lease payments	(180)	
Disbursement and repayment of non-current loans	131	(1,106)
Disbursement and repayment of current loans	486	111
Change in lease liabilities		
Change in financial assets	657	428
Change in financial liabilities		154
Dividends	(8)	(159)
Changes in equity and cash from non-recur. trans.	1	367
Net cash flows generated by (used in) financing activities	1,087	(205)
Total cash flows	(262)	(38)
Opening cash and cash equivalents	1,796	1,834
Closing cash and cash equivalents	1,534	1,796

(*) The group applied IFRS 16 for the first time on 1 January 2019. Under the transition method chosen, comparative information has not been restated.

Separate financial statements of Ferrovie dello Stato Italiane S.p.A.

Statement of financial position

Euros

	31.12.2019	31.12.2018*
Assets		
Property, plant and equipment	47,938,264	47,728,199
Investment property	447,005,704	446,432,934
Intangible assets	40,404,665	55,381,616
Deferred tax assets	182,436,348	190,566,943
Equity investments	38,099,497,753	38,071,710,940
Financial assets (including derivatives)	6,083,744,791	5,996,635,139
Trade receivables	4,159,204	5,797,404
Other assets	25,877,644	33,807,518
Total non-current assets	44,931,064,373	44,848,060,693
Inventories	377,387,565	390,256,375
Trade receivables	153,799,937	104,325,959
Financial assets (including derivatives)	3,428,890,772	2,368,162,896
Cash and cash equivalents	340,657,747	294,260,996
Tax assets	83,742,642	83,929,942
Other assets	571,689,908	653,318,313
Total current assets	4,956,168,571	3,894,254,481
Assets held for sale and disposal groups		22,395,159
Total assets	49,887,232,944	48,764,710,333
Equity		
Share capital	39,204,173,802	39,204,173,802
Reserves	53,473,021	50,353,142
Valuation reserves	112,825	367,959
Retained earnings	374,612,026	315,334,328
Profit for the year	226,672,871	62,397,577
Total equity	39,859,044,545	39,632,626,808
Liabilities		
Loans and borrowings	5,611,065,583	5,771,692,939
Post-employment benefits and other employee benefits	7,748,976	8,867,650
Provisions for risks and charges	150,959,192	159,628,552
Deferred tax liabilities	159,695,900	260,220,508
Financial liabilities (including derivatives)	2,769,448	1,367,876
Other liabilities	33,922,328	167,317,142
Total non-current liabilities	5,966,161,427	6,369,094,667
Loans and borrowings and current portion of non-current loans and borrowings	2,952,607,703	1,682,393,141
Trade payables	162,155,659	112,540,074
Financial liabilities (including derivatives)	340,935,917	252,473,658
Other liabilities	606,327,693	715,581,985
Total current liabilities	4,062,026,972	2,762,988,858
Total liabilities	10,028,188,399	9,132,083,525
Total equity and liabilities	49,887,232,944	48,764,710,333

(*) The parent applied IFRS 16 for the first time on 1 January 2019. Under the transition method chosen, comparative information has not been restated.

Income statement

	2019	2018*
	Euros	
Revenue from sales and services	173,644,017	164,904,344
Other income	13,612,532	15,224,719
Total revenue	187,256,549	180,129,063
Personnel expense	(63,053,941)	(73,568,558)
Raw materials, consumables, supplies and goods	(14,927,438)	(29,303,791)
Services	(144,320,921)	(104,479,553)
Use of third-party assets	(3,957,340)	(4,689,800)
Other operating costs	(39,028,342)	(25,214,408)
Internal work capitalised	1,592,916	238,002
Total operating costs	(263,695,066)	(237,018,108)
Amortisation and depreciation	(24,515,949)	(24,452,824)
Net impairment gains	(1,416,501)	(15,769,858)
Operating loss	(102,370,967)	(97,111,727)
Gains on equity investments	137,405,991	141,543,879
Other financial income	180,590,274	165,026,180
Losses on equity investments	(409,120)	(127,404,582)
Other financial expense	(141,747,660)	(148,355,949)
Net financial income	175,839,485	30,809,528
Pre-tax profit (loss)	73,468,518	(66,302,199)
Income taxes	153,204,353	128,699,776
Profit from continuing operations	226,672,871	62,397,577
Profit for the year	226,672,871	62,397,577

(*) The parent applied IFRS 16 for the first time on 1 January 2019. Under the transition method chosen, comparative information has not been restated.

Statement of comprehensive income

Euros

	2019	2018*
Profit for the year	226,672,871	62,397,577
Items that will not be reclassified to profit or loss:		
Actuarial gains (losses)	(305,262)	149,455
Tax effect on actuarial gains (losses)	50,128	(37,938)
Other comprehensive income (expense), net of the tax effect	(255,134)	111,517
Comprehensive income	226,417,737	62,509,094

(*) The parent applied IFRS 16 for the first time on 1 January 2019. Under the transition method chosen, comparative information has not been restated.

Statement of changes in equity

Euros

Equity									
Reserves									
Other reserves									
Valuation reserves									
	Share capital	Legal reserve	Extraordinary reserve	Other reserves	Actuarial reserve	Total reserves	Retained earnings	Profit for the year	Total equity
Balance at 1 January 2018	36,340,432,802	38,807,634			256,442	39,064,076	245,969,668	230,910,168	36,856,376,714
Capital increase	2,863,741,000								2,863,741,000
Dividend distribution								(150,000,000)	(150,000,000)
Allocation of profit for the previous year		11,545,508				11,545,508	69,364,660	(80,910,168)	
Demerger to RFI									
Other changes									
Comprehensive income of which:									
Profit for the year								62,397,577	62,397,577
Net gains recognised directly in equity					111,517	111,517			111,517
Balance at 31 December 2018*	39,204,173,802	50,353,142			367,959	50,721,101	315,334,328	62,397,577	39,632,626,808
Capital increase									
Dividend distribution									
Allocation of profit for the previous year		3,119,879				3,119,879	59,277,698	(62,397,577)	
Comprehensive income of which:									
Profit for the year								226,672,871	226,672,871
Net losses recognised directly in equity					(255,134)	(255,134)			(255,134)
Balance at 31 December 2019	39,204,173,802	53,473,021			112,825	53,585,846	374,612,026	226,672,871	39,859,044,545

(*) The parent applied IFRS 16 for the first time on 1 January 2019. Under the transition method chosen, comparative information has not been restated.

STATEMENT OF CASH FLOWS

Euros

	2019	2018*
Profit for the year	226,672,870	62,397,577
Income taxes	(153,204,353)	(128,699,776)
Net financial expense	(175,839,485)	(16,803,534)
Amortisation and depreciation	24,515,949	24,452,824
Accruals to provisions and impairment losses	8,462,816	8,962,670
Impairment losses	679,502	160,133,656
Employee benefits	73,786	87,623
Accruals to provisions and impairment losses	9,216,104	169,183,949
Gains on sales		(48)
Change in inventories	13,089,952	26,830,524
Change in trade receivables	(30,548,032)	16,546,184
Change in trade payables	49,795,662	(101,937)
Change in other assets	98,477,251	734,917,341
Change in other liabilities	(240,650,116)	(650,515,628)
Utilisation of the provisions for risks and charges	(11,499,987)	(3,137,641)
Payment of employee benefits	(1,107,393)	(193,770)
Financial income collected/financial expense paid	152,358,224	16,803,534
Change in tax assets/liabilities	44,544,593	42,994,872
Net cash flows generated by operating activities	5,821,239	294,674,471
Increases in property, plant and equipment	(6,284,686)	(1,811,499)
Investment property	(6,706,991)	(4,073,347)
Increases in intangible assets	(40,253,917)	(37,640,316)
Increases in equity investments	(80,966,545)	(140,951,507)
Investments, before grants	(134,212,139)	(184,476,669)
Grants for equity investments	79,757,976	87,772,206
Grants	79,757,976	87,772,206
Decreases in property, plant and equipment	6,736	15,269
Decreases in investment property		11,002
Decreases in equity investments	35,257,500	
Decreases	35,264,236	26,271
Net cash flows used in investing activities	(19,189,927)	(96,678,192)
Disbursement and repayment of non-current loans	406,594,989	(675,882,420)
Disbursement and repayment of current loans	697,623,852	30,150,511
Change in lease liabilities	(106,699)	
Change in financial assets	(1,143,424,850)	289,686,958
Change in financial liabilities	(116,892)	1,777,462
Dividends		(150,000,000)
Changes in equity		
Net cash flows used in financing activities	(39,429,599)	(504,267,489)
Total cash flows	(52,798,287)	(306,271,210)
Opening cash and cash equivalents	207,821,056	514,092,267
Closing cash and cash equivalents	155,022,769	207,821,056
of which intragroup current account	(185,634,979)	(86,439,939)

(*) The parent applied IFRS 16 for the first time on 1 January 2019. Under the transition method chosen, comparative information has not been restated.

Reporting by operating segment

The financial highlights of the group's operating segments for 2019 and 2018 are shown below:

millions of Euros

2019	Transport	Infra-structure	Real Estate Services	Other Services	Adjustments and inter-segment eliminations	FS Italiane group
Revenue from third parties	7,858	4,156	88	52	9	12,163
Inter-segment revenue	302	1,312	50	344	(1,736)	272
Revenue	8,160	5,468	138	396	(1,727)	12,435
Personnel expense	(2,648)	(2,171)	(6)	(147)	27	(4,945)
Other costs, net	(3,630)	(2,504)	(113)	(285)	1,651	(4,881)
Operating costs	(6,278)	(4,675)	(119)	(432)	1,678	(9,826)
Gross operating profit (loss)	1,882	793	19	(36)	(49)	2,609
Amortisation and depreciation	(1,352)	(335)	(9)	(35)	19	(1,712)
Impairment losses and accruals	(63)	(3)	(4)	6	(4)	(68)
Operating profit (loss)	467	455	6	(65)	(34)	829
Net financial income (expense)	(108)	(107)	2	37		(176)
Income taxes	(57)	(40)	(8)	145	(100)	(60)
Loss from assets held for sale, net of taxes	(9)					(9)
Segment profit (loss) (attributable to the owners of the parent and non-controlling interests)	293	308		117	(134)	584

millions of Euros

31.12.2019	Transport	Infra-structure	Real Estate Services	Other Services	Adjustments and inter-segment eliminations	FS Italiane group
Net invested capital	11,195	37,292	1,425	548	(483)	49,977

millions of Euros

2018	Transport	Infra-structure	Real Estate Services	Other Services	Adjustments and inter-segment eliminations	FS Italiane group
Revenue from third parties	7,649	4,036	87	6	5	11,783
Inter-segment revenue	293	1,338	53	255	(1,650)	289
Revenue	7,942	5,374	140	261	(1,645)	12,072
Personnel expense	(2,611)	(2,113)	(4)	(152)	27	(4,853)
Other costs, net	(3,652)	(2,444)	(121)	(133)	1,607	(4,743)
Operating costs	(6,263)	(4,557)	(125)	(285)	1,634	(9,596)
Gross operating profit (loss)	1,679	817	15	(24)	(11)	2,476
Amortisation and depreciation	(1,228)	(314)	(10)	(19)		(1,571)
Impairment losses and accruals	(115)	(48)	(11)	(19)	2	(191)
Operating profit (loss)	336	455	(6)	(62)	(9)	714
Net financial income (expense)	(91)	(31)	2	(101)	124	(97)
Income taxes	(55)	(25)	1	112	(91)	(58)
Segment profit (loss) (attributable to the owners of the parent and non-controlling interests)	190	399	(3)	(51)	24	559

millions of Euros

31.12.2018	Transport	Infra-structure	Real Estate Services	Other Services	Adjustments and inter-segment eliminations	FS Italiane group
Net invested capital	10,213	36,884	1,458	231	(368)	48,418

The manager in charge of financial reporting, Roberto Mannozi, states, pursuant to article 154-bis.2 of the Consolidated income tax act, that the accounting figures set out in this document are consistent with the accounting documents, books and records.