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FERROVIE DELLO STATO ITALIANE

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150° anniversario Unità d'Italia

FINANCIAL STATEMENTS AT 31 DECEMBER 2010

- **OF THE FERROVIE DELLO STATO GROUP**
- **OF FERROVIE DELLO STATO SPA**

Disclaimer

This Annual Report 2010 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

Corporate bodies of Ferrovie dello Stato SpA and Independent Auditors

Board of Directors:

Chairman	Lamberto Cardia**
	Innocenzo Cipolletta*
CEO	Mauro Moretti
Directors	Alberto Brandani**
	Antimo Prosperi
	Stefano Zaninelli**
	Paolo Baratta*
	Clemente Carta*

Board of Statutory Auditors:

Chairman	Alessandra Dal Verme**
	Pompeo Cosimo Pepe*
Regular members	Giuseppe Di Giovanni**
	Giancarlo Filocamo**
	Vittorio Nola*
	Alessandro Zavaglia*
Substitute members	Cinzia Simeone
	Paolo Castaldi **
	Giovanni Rapisarda*

Member of the Court of Auditors responsible for control over Ferrovie dello Stato SpA
Vittorio Zambrano

Manager responsible for the preparation of corporate accounting documents
Vittorio de Silvio

Independent auditors:
PRICEWATERHOUSECOOPERS SpA

*: Holding office until 24 June 2010

**: Appointed by the Shareholders' Meeting of 24 June 2010

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OF THE FERROVIE DELLO STATO GROUP
AT 31 DECEMBER 2010

SEPARATE FINANCIAL STATEMENTS OF
FERROVIE DELLO STATO SpA
AT 31 DECEMBER 2010

Letter of the Chairman

Dear Shareholder,

The Consolidated Financial Statements for the 2010 financial year showed positive economic results which confirm the favourable trend that started in 2007. Operating revenues exceeded the threshold of Euro 8 billion, while the Group's net result came to over Euro 100 million; the increases recorded in interim results were also positive: EBITDA came to over Euro 210 million, while EBIT came to over Euro 75 million compared to 2009.

In this context, it should be noted that, starting from the 2010 financial statements, the Group made the voluntary transition to International Accounting Standards (IAS/IFRS), whose First Time Adoption (FTA) applied from 1 January 2009, thus successfully completing the process for the development of its accounting model that started in the second half of 2008.

The rationale of this important decision is based on the top management's intention to compete in the different markets in which the Group operates *with everything in order*, also from the point of view of the administrative and accounting model, thus having laid the foundations to be able to take, where deemed appropriate, the decision to access the capital market in the form of both the issue of bonds or any other debt securities placed with the public in a widespread manner and the start of potential procedures for listing already existing or future companies on the stock exchange.

The transition to international accounting standards IAS/IFRS involved the Group's financial statements and the separate financial statements of Ferrovie dello Stato, as well as the individual financial statements of the major companies in the Group. The entire process saw the involvement, for more than 2 years, of the competent organisational units, both central and corporate, which demonstrated utmost professionalism and commitment in a process which involved the entire professional family (Administration, Finance and Control) present in the Group, in the various phases of planning, implementation and control of the project.

As to the positive economic performance, if considered in a context of persistent industrial crisis, both international and national, it confirms the effectiveness of the strategic and industrial choices made by the FS Group and encourages the top management to continue the path, aiming at both the streamlining of some sectors which are still experiencing difficulties and the development of areas with a high contribution margin.

In this contest, "market services" recorded a 12% increase in the overall offer, as they were able to make use of the entire new High Speed network. During the year, the Frecciarossa train offer was reformulated with targeted actions by traffic areas and time bands with the highest productivity.

The technological measures adopted on this type of trains (such as internet/wi-fi) have provided the customers with tools which, while increasing the level of comfort, have allowed passengers to make the most of travel time. For any routes served by Frecciargento trains, the greatest level of comfort was ensured with the renewal of the fleet and the increased speed of trains.

As regards the "universal service", where a service contract is in force with the Government, changes in the scope were made in order to optimize the limited financial resources available to the "Public Customer". Finally, the residual "non-market/not contributed" segment, consistently with the project to streamline the offering which has been implemented for some time, suffered a further sharp decline in volumes (-12.5% of trains/km offered), considering the negative margins by which this segment contributes to the result of the railway business.

The "regional transport" saw the continuation of the formalization of most service contracts with Regional Governments on the basis of an offer platform as per the "catalogue". Therefore, each Regional Government was able, because of the resources available, to choose the type of services to purchase, undertaking contracts with a term of six years, plus six years. This enabled the railway company to plan services to be rendered through the best mix of factors of production used, and, thanks to the certainty of revenues in the medium/long-term, to use the same to finance and purchase of new trains. During the year contracts were renewed for cleaning of rolling stock and industrial plants.

The cleanliness of rolling stock was dealt with with particular determination, especially since 2009. To date, almost all relationships have been terminated with the previous contractors and new contracts have been awarded. The levels of quality perceived by customers are gradually improving overall; on the other hand, the Group carries out constant control and surveillance.

On the operating costs side, particular attention must be paid to the further reduction in labour costs which, even if they recorded a unit increase for contract renewals aligned with the rate of inflation, benefited from the reduction in the overall average number (which passed from 87,422 to 82,566 units) essentially arising from the introduction of increasingly advanced high-tech tools for the management of some industrial processes.

As regards investments, the decrease recorded in 2010 (from Euro 5,250 million to Euro 4,143 million, equal to about 21%), which was in line with forecasts, essentially derived from minor works on the High-Speed network, which was substantially completed, and from the postponement of works on the Traditional network as a result of the reduction in public transfers because of the already mentioned lack of available public resources. This situation has increased even more the need to select very carefully and target any investments at areas and sectors with the highest economic rate of return.

For self-financed investments, it is worth noting the strong commitment of Trenitalia which has earmarked about Euro 483 million to improve the quality of services and to take action focused on traffic safety.

Particular emphasis is also placed on the massive project of technological innovation and upgrading of assets carried out in relation to railway stations, as regards both the industrial and business areas, by their respective operators: RFI, Grandi Stazioni and Centostazioni.

The investments made in the last year, while selecting targeted interventions with the highest economic returns, inevitably limited the results of the effort to reduce debt, an effort that the Group is implementing with determination to eliminate the general financial "weakness" arising from a previous debt exposure that could still affect the performance of future economic results, which will continue to be affected by considerable financial charges; to cope with this situation, the Group will apply a rigorous and increasing level of monitoring of the overall financial management.

Looking to 2011, the Group will continue to devote its best efforts to streamline those business segments that still present areas of substantial unproductiveness, through a careful and rational cut in the offering of unproductive services. In particular, the Group will continue to implement the reorganisation plan of the cargo sector and logistics as a whole.

The Group, based on the economic stability acquired, may increasingly direct its efforts at those initiatives already underway in 2010, aimed at also gaining significant market shares abroad, both through the development of their businesses or through the acquisition of well-established companies which are strongly present in the European market. In this regard, the messages given by the recent acquisition of the Arriva Deutschland (now Netinera) group and by the alliance with the Veolia Group are signals which are certainly important and with a high impact.

Report on Operations

Preamble

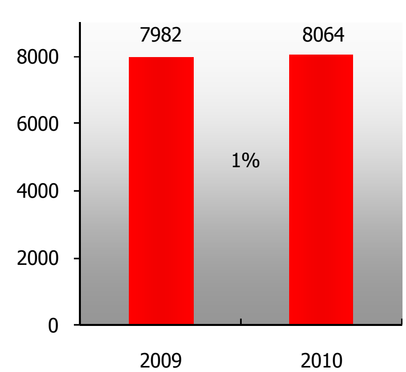
As detailed in subsequent sections of this document, all data reported in the tables below refer, for both 2010 and 2009, to values determined according to the International Accounting Standards IAS-IFRS, which were adopted by the FS Group starting from the closing of the 2010 financial year (first-time adoption on 1 January 2009).

2010 CONSOLIDATED RESULTS

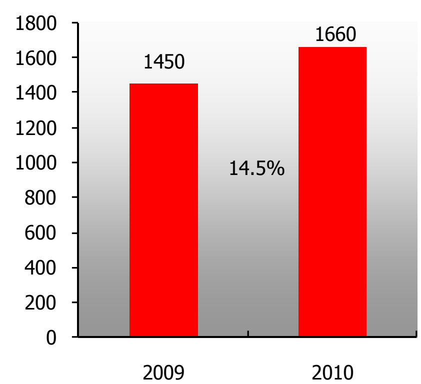
in €/mil.

	2010	2009	Delta	%
Economic, capital and financial highlights				
Operating revenues	8,064	7,982	82	1.0%
Operating costs	(6,404)	(6,532)	128	2.0%
EBITDA	1,660	1,450	210	14.5%
EBIT	508	435	73	16.8%
Net result	129	54	75	138.9%
Net invested capital	46,592	46,026	566	1.2%
Shareholders' equity	36,520	36,372	148	0.4%
Net financial position	10,072	9,654	418	4.3%
Debt/Equity	0.28	0.27	0	n.a.
Technical investments for the period	4,143	5,250	(1,107)	(21.1%)

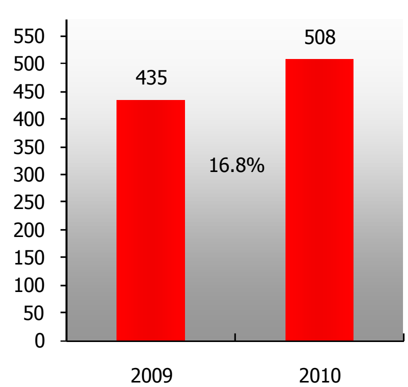
Operating revenues
(in €/nmil.)



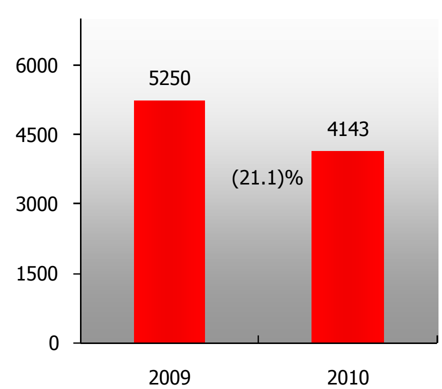
EBITDA
(in €/mil.)



EBIT
(in €/mil.)

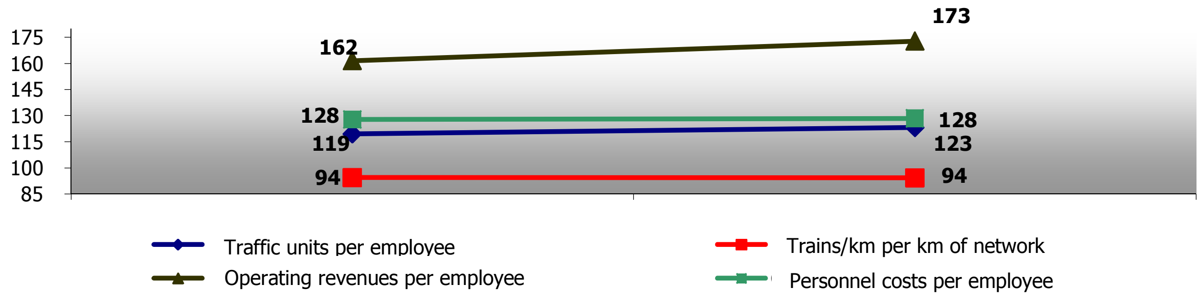


Investments
(in €/mil.)



Main economic ratios	**2010**	**2009**
EBITDA/OPERATING REVENUES	20.59%	18.17%
ROS (EBIT/OPERATING REVENUES)	6.30%	5.45%
PERSONNEL COSTS/OPERATING REVENUES	(53.63%)	(57.13%)

Trend in corporate benchmarks
n.i. 2000 = 100



As regards the summary overview of some significant physical/operating indicators referred to the performance of the financial year, reference is made to the table on page 32.

MAIN EVENTS IN THE FINANCIAL YEAR

REGULATORY MEASURES

January

- Legislative decree no. 7 of 25 January 2010 implemented directive 2006/38/EC, which amends directive 1999/62/EC, relating to taxation on heavy vehicles used for cargo transport on road for the use of some infrastructures (so-called "Eurovignette"). This measure provides for the possibility of introducing taxation on heavy vehicles used for cargo transport for the use of some road infrastructures. Specifically, there is the possibility of applying a mark-up exceeding infrastructure costs by 15% in mountain areas and by 25% in border areas, for the implementation of projects of European interest aimed at reducing congestion of the infrastructure.
- On 25 January 2010, legislative decree no. 15 implemented directive 2007/58/EC which amends directive 91/440/EEC, on the development of the Community's railways, and directive 2001/14/EC on the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructures. This rule completed the transposition of directive 2007/58/EC, which already partly took place by law no. 99 of 23 July 2009. The developments introduced include the possibility of entering into master agreements even for a term exceeding 15 years, in the presence of large long-term investments of the railway business that needs infrastructure capacity.

February

- On 17 February 2010 the European Commission reorganised its structure through the establishment of new competent Directorates General (DGs) for energy (DG Energy) and transport (DG Move), respectively, thus separating these two business segments.

  The Mobility and Transport DG (DG MOVE) retains responsibility for the transport policy and is made up of 5 Directorates: General Policy; Trans-European Transport Network; Maritime Transport; Land Transport and Air Transport. The issues relating to "Internal Market, Competition and State Aids for Transport" have been transferred to the DG Competition.

May

- 6 May 2010 saw the issue, by file no. 201/1/URSF, of the executive decree bearing criteria under article 59 of law no. 99 of 23 July 2009, on the basis of which the Railway Services Regulation Authority (*Ufficio per la Regolazione dei Servizi Ferroviari*) of the Ministry of Infrastructures and Transport (*Ministero delle infrastrutture e dei Trasporti*, MIT) assesses whether the main purpose of a railway service is the international transport of passengers or not and provides for restrictions on the right to allow passengers to get on and off in the national territory, in the cases when the exercise of this right may compromise the economic equilibrium of a public service contract.
- The European Commission adopted a working document on the "future trans-European transport network policy" (TEN-T) and at the same time launched a consultation in which Ferrovie dello Stato participated, specifically insisting on the need for a core network which should connect the current priority projects, the main ports, airports and cargo terminals of European importance, including all European high-speed railway connections, as well as the need for increasing financing for the TEN-T Funds in the period 2014-2020. On the basis of the working document and taking account of the grants received, the Commission will continue to review the TEN-T policy.

July

- On 30 July 2010 law no. 122 was passed for converting decree law no. 78 of 31 May 2010, "finance act", which provided for a reduction in the transfers of state resources to the Ordinary Regions (*Regioni a Statuto Ordinario*), including those for local public transport, by Euro 4 billion in 2011 and Euro 4.5 billion starting from 2012.

The law also repealed article 1, paragraph 302, of law no. 244 of 2007 "2008 Finance Act" which introduced fiscal federalism measures aimed at ensuring that the Regions have their own financial resources for the local public railway transport.

September

- The European Commission submitted a proposal for a Directive establishing a "Single European Railway Area". This bill in Parliament constitutes the Recast of the rules laid down in 8 Directives, specifically Directive 91/440 and Directives in the First Railway Package. The Recast strengthens the current legislation, but at the same time introduces new rules about the definition of tolls (e.g. increase for noise, reduction for ERTMS), the definition of and access to railway services, the independence of the railway service operators, the unbundling, the operation of regulatory bodies.
- 22 September 2010 saw the adoption of Regulation (EU) 913/2010, concerning a European railway network for competitive freight, which identifies nine international railway corridors – four of which involve Italy – and defines rules for its implementation which is expected between 2013 and 2015.

October

- On 8 October 2010, legislative decree no. 191/2010 implemented Directives 2008/57/EC and 2009/131/EC on the interoperability of the railway system within the Community. This rule defines the conditions necessary to implement interoperability between the national railway system and the corresponding trans-European railway system; these conditions concern, *inter alia*, the design, construction, operation and maintenance of the elements of said system, as well as professional qualifications, health and safety conditions for the staff who contribute to operation and maintenance.

November

- 9 November 2010 saw the entry into force of Regulation (EU) no. 913/2010 of the European Parliament and of the Council of 22 September 2010 concerning a European railway network for competitive freight, which has the objective of allocating sufficient priority to cargo transport and of providing for favourable conditions for the development of competition in the railway cargo transport, as well as of providing for the creation of 9 initial freight Corridors, which will connect the main industrial EU regions, including Antwerp/Rotterdam-Genoa, Stockholm-Palermo, Gdansk-Trieste/Bologna/Ravenna, Almeria-Lyons-Turin-Budapest-Zahony.
- Within the infringement procedure started pursuant to article 258 of the Treaty on the Functioning of the European Union (TFUE) against Italy for the non-correct transposition of the rules in the First Railway Package, on 25 November 2010 the European Commission sent an additional reasoned opinion.

December

- On 13 December 2010, law no. 220 (2011 Stability Law) was passed which allocated resources of Euro 425 million for bearing costs related to the rolling stock for Ordinary Regions as referred to in article 25, paragraph 2, of law no. 185 of 28 January 2009.
- On 23 December 2010, legislative decree 264/2010 implemented directive 2005/47/EC, on the Agreement between the Community of European Railways (CER) and the European Transport Workers' Federation (ETF), thus regulating certain aspects of the working conditions of mobile workers engaged in interoperable cross-border services in the railway sector.
- 28 December 2010 saw the publication of the Interpretative Communication by the Commission on certain provisions of Directive 2007/58/EC, which regulates the liberalization of the market of international railway services for the transport of passengers. This deed contains the opinion of the Commission, with specific reference to how to establish whether the main purpose of the railway service is the international transport of passengers or not and how to assess if the economic equilibrium of public service contracts is compromised by the new service.

- On 30 December 2010, legislative decree 247/2010 implemented Directive 2007/59/EC on the certification of train drivers operating locomotives and trains on the railway system in the Community. The decree provides for the conditions and procedures for the certification of train drivers operating locomotives and trains in the national railway system; for this purpose, it identifies the duties of the competent national administrations, the railway companies and the operators of infrastructures.

EXTRAORDINARY TRANSACTIONS

January

- On 1 January 2010 the transaction became effective, in favour of RFI, for the demerger of the branches of business named "Bologna – Florence section", "Turin – Milan section, Novara – Milan sub-section" and "Rome – Naples section, 2nd functional lot" from TAV SpA. The value of the equity assigned to RFI is equal to Euro 1,462,909,203 and is fully represented by share capital as defined in the deed of demerger of 22 December 2009.

May

- On 19 May 2010, the Quotaholders' Meeting of SAP Srl in liquidation resolved to approve the plan for the merger of the company by incorporation into Ferrovie dello Stato SpA on the basis of the financial statements of the last financial year of the companies participating in the merger at 31 December 2009, with the cancellation of all quotas of the merged company, according to the procedures set out in the plan itself and therefore without increasing the capital of the merging company and without any exchange ratio, nor cash settlement. Subsequently, the deed of merger (which was registered with the C.C.I.A.A. [*Camera di Commercio, Industria, Artigianato e Agricoltura*, Chamber of Commerce, Industry, Handicraft and Agriculture] on 12 November 2010) was signed on 9 November 2010, while on 18 November 2010 SAP Srl was cancelled from the register of companies.

December

- On 7 December 2010 the Extraordinary Shareholders' Meeting of RFI S.p.A. resolved the plan for the merger of TAV S.p.A. by incorporation into RFI S.p.A. due to the material completion of the corporate mission (as already approved by the Board of Directors of RFI S.p.A. on 15 October 2010) on the basis of the balance sheets at 30 June 2010. The accounting and tax effects of the merger started, as required by articles 2504-*bis*, paragraph 3 and 2501-*ter*, paragraph 1, number 6) of the Italian Civil Code, from 1 January 2010.
- On 22 December 2010, the Extraordinary Shareholders' Meetings of Sogin Srl, Sita S.p.A., FS Trasporti su Gomma Srl and Sicurezza Trasporti Autolinee – Sita Sud Srl resolved to approve the single project for the corporate reorganisation involving the aforesaid companies. This project has been divided into two phases: the first phase of combination implemented through a transaction for the merger of Sogin Srl by incorporation into Sita S.p.A. and a second phase of spin-off implemented through a non-proportional demerger of the company resulting from the merger in favour of FS Trasporti su Gomma Srl and Sicurezza Trasporti Autolinee – Sita Sud Srl.
- On 23 December 2010 the Board of Directors of FS Logistica SpA approved the third phase of the partial demerger plan of RFI SpA in favour of FS Logistica SpA relating to areas, buildings and plants made up of five real estate complexes. The effects of the demerger will start from the date of registration of the deed of demerger in the Rome Register of Companies.

EQUITY INVESTMENTS

ACQUISITIONS AND SALES OF EQUITY INVESTMENTS

January

- On 11 January 2010, following the resolution passed by the Quotaholders' Meeting of Sideuropa Srl on 9 December 2009, the company was put into liquidation, as reported by the registration of the resolution in the register of companies.

April

- On 12 April 2010 the procedure was completed for the withdrawal of the shareholder Ferrovie dello Stato SpA from the capital of TSF SpA. The liquidation value of the company's shares totalled Euro 32.5 million, corresponding to Euro 558.9 per each share.
- On 26 April 2010, the Quotaholders' Meeting of The Sixth Srl resolved to approve the early dissolution and to put the company into liquidation.

May

- On 19 May 2010, Trenitalia SpA and Enel NewHydro Srl entered into a settlement agreement by virtue of which Trenitalia transferred the entire 49% stake, represented by no. 765,135 shares, in the share capital of Wisco SpA., to Enel NewHydro, at a price of Euro 16,575,000.

October

- On 19 October 2010, the Quotaholders' Meeting of Tiburtina Sviluppo Immobiliare Srl resolved to change the corporate purpose and to change the company name to FS Trasporti su gomma Srl.

November

- On 4 November 2010, RFI S.p.A. established BLUFERRIES Srl – a sole quotaholder company – with a quota capital of Euro 100,000, which operates in the navigation sector.
- On 23 November 2010, Ferrovie dello Stato SpA acquired a 51% stake, equal to Euro 25,000, of the share capital of FS 2 MOVE GmbH for a consideration of Euro 14 thousand; the residual 49% is held by Cube Infrastructure, the partner of Ferrovie in the tender for the acquisition of the Arriva Deutschland Group.
- On 24 November 2010 Ferrovie dello Stato S.p.A. acquired from RFI S.p.A. the entire stake, with a nominal value of Euro 59,527, held in FS Trasporti su Gomma Srl, for a consideration of Euro 44,539; the enjoyment of the quota is expected to start on 1 January 2010.
- On 26 November Trenitalia S.p.A. exercised its call option in relation to the residual 24% of the shares of TX Logistik AG.

December

In December 2010, the consortium headed by Ferrovie dello Stato in partnership with Cube Infrastructure, a long-term European Investment Fund which invests in infrastructures and public services, was selected for the purchase of the activities of the Arriva Group in Germany. The sale procedure was started by Deutsche Bahn (DB) in August 2010, following the transfer obligation which was imposed on it by the European Commission, after the acquisition of the entire Arriva Plc Group. Arriva Deutschland is one of the major private operators in the public regional passenger transport on rail and on road in Germany. In 2009 the Group reported a consolidated turnover exceeding Euro 460 million, more than thirty million trains-km and thirty-one million bus-km. By this acquisition the consortium Ferrovie dello Stato-Cube

Infrastructure gains a significant market share of 5%, and aims at further developing its presence in the German public transport market. The acquisition of the Arriva Deutschland group is consistent with the development strategy of the FS Group, and represents another important success in strengthening its international positioning as the third European railway operator.

EQUITY TRANSACTIONS

February

- On 22 February 2010 the Board of Directors of Quadrante Europa Terminal Gate SpA resolved to ask the shareholders (RFI and Consorzio ZAI) to subscribe the capital increase of Euro 15,818,000 through the issue of no 15,818 new shares, with a value of Euro 1,000 each. On the same date, both the shareholders subscribed and fully paid up the share capital.

March

- On 31 March 2010 Tunnel Ferroviario del Brennero SpA contributed to BBT SE a quota of Euro 8,000,000 corresponding to the sixth capital increase tranche implemented on 31 December 2009 as a result of the Board of Directors' resolution of 20 October 2009.

April

- On 12 April 2010, the Ordinary Quotaholders' Meeting of Terminali Italia Srl resolved to increase the quota capital – pursuant to article 2481-*ter* of the Italian Civil Code – from Euro 110,000 to Euro 8,237,565, by charging the residual amount of Euro 8,127,565 of the "share premium reserve" to it and to increase the share capital from Euro 8,237,565 to Euro 11,237,565, for an amount of Euro 3,000,000. On 25 June 2010 RFI subscribed and fully paid up the capital increase for the quota of Euro 2,550,000 offered to it; instead, the quotaholder Cemat did not subscribe or pay up any increase. RFI also exercised its pre-emption right on the unopted portion amounting to Euro 450,000, and then made the related payment on 23 August 2010. Therefore, the quota capital is currently equal to Euro 10,787,565, and the ownership structure is made up as follows: RFI Euro 9,551,930 (88.546%) and Cemat Euro 235,634 (11.454%).

- On 20 April 2010, the Ordinary and Extraordinary Quotaholders' Meetings of Tiburtina Sviluppo Immobiliare Srl, following the approval of the company's balance sheet at 25 March 2010 decided to transform the company from a "joint-stock company" to a "limited liability company" and, accordingly, to change its name from Tiburtina Sviluppo Immobiliare SpA to Tiburtina Sviluppo Immobiliare Srl. The subscribed and paid-up share capital is currently equal to Euro 59,527.

May

- On 5 May 2010, the Extraordinary Shareholders' Meeting of Italcontainer SpA resolved to fully balance the losses of Euro 3,649,633 accrued at 31 December 2009, through the reduction of the share capital from Euro 5,681,100 to Euro 2,031,467 with the consequent cancellation of no. 3,649,633 shares, with a value of Euro 1.00 each, without making any replenishment of the share capital.

- On 11 May 2010, the Extraordinary Shareholders' Meeting of Tunnel Ferroviario del Brennero - Finanziaria di Partecipazioni SpA resolved to increase the share capital, in more than one tranche and in a divisible form, from Euro 105,790,910 up to a maximum amount of Euro 140,790,910, through the issue of a maximum number of 35,000,000 new ordinary shares, with a par value of Euro 1.00 each, to be offered as an option at par to the shareholders.

  Following the request for the first tranche of Euro 5,000,000 (as resolved by the Board of Directors on 11 May 2010), the capital increase was subscribed and paid up for a total amount of Euro 4,846,600. RFI SpA subscribed and paid up its own quota equal to Euro 4,227,900; therefore, the fully subscribed and paid-up share capital of Tunnel Ferroviario del Brennero - Finanziaria di Partecipazioni SpA is currently equal to Euro 110,637,510, divided into no. 110,637,510 ordinary shares, with a par value of Euro 1.00 each.

June

- On 4 June 2010 the deed was signed for the non-fulfilment of the condition precedent imposed on the contribution by FS SpA of the property "Ex Stazione Leopolda di Firenze", subject to restrictions imposed by the cultural heritage authorities. The deed ratified the transfer of the ownership of the property to the subsidiary FS Sistemi Urbani SpA. By executing the deed of contribution, the share capital of FS Sistemi Urbani came to Euro 522,171,489 (with an increase equal to Euro 148,673,659, the full contribution value).
- On 22 June 2010 the Board of Directors of RFI S.p.A. resolved a capital increase of Euro 250 million, which was subscribed and paid up on 28 December 2010; the registration in the Register of Companies of the C.C.I.A.A. of Rome took place on 24 January 2011, the date on which the capital increase was registered.

September

- September and November saw the completion of the additional tranches of the capital increase of Euro 35,000,000 of Tunnel Ferroviario del Brennero S.p.A., which was resolved by the Shareholders' Meeting of 11 May 2010 of the company itself. Furthermore, RFI exercised its pre-emption right on unopted shares, and paid up, proportionally to the number of shares held, the amount of the quotas which had not been subscribed by the Province of Verona. Following these increases, the share capital came to Euro 125,790,910. Therefore, the percentage stake of RFI passed from 84.558% to 84.98% at 31 December 2010.

LOANS

March

- On 1 march 2010 Ferrovie dello Stato SpA entered into a loan agreement, with a maximum term of 5 years and for a maximum amount of Euro 1.1 billion, with the Temporary Business Combine (*Raggruppamento Temporaneo di Imprese*, RTI) made up of BIIS – Banca Infrastrutture Innovazione e Sviluppo, UCCB – Unicredit Corporate Banking and CDDPP – Cassa Depositi e Prestiti. The sums, which were withdrawn on more than one occasion within 6 months of the execution, were used by Ferrovie dello Stato for granting intercompany loans to RFI and TAV, respectively, which were aimed at continuing work relating to the "High Speed / High Capacity system " of the Turin-Milan-Naples line and to additional infrastructural projects of RFI.

OTHER EVENTS

January

- On 29 January 2010 the Technical Observatory issued the document "Operating guidelines for the preliminary design of the New Turin-Lyons Line from the State border up to the connection with the High Sped/High Capacity Turin-Milan line" (*Indirizzi operativi per la progettazione preliminare della Nuova Linea Torino-Lione dal confine di Stato fino alla connessione con la linea AV/AC Torino Milano*), which defines the criteria for the design of the new line consistently with local transport policies. 1 February 2010 saw the start of the preliminary project for the common section of the Turin-Lyons line, which finalized, as regards Italy, the by-pass route in line with the operating guidelines indicated and, as regards France, brought the preliminary project into line with safety provisions defined by the Intergovernmental Committee in May 2009. On 10 August the procedure was started to approve the Preliminary by-pass project by the Italian Government which is currently in progress.

February

- On 4 February 2010 the CEO of Ferrovie dello Stato SpA was reappointed as Chairman of the CER, the Community of European Railways in Brussels.

April

- On 20 April 2010 the Municipality of Naples, FS Sistemi Urbani Srl, Rete Ferroviaria Italiana SpA, Grandi Stazioni and M.N. Metropolitana di Napoli Spa executed an agreement by which they defined the mutual commitments as to the implementation of the measures concerning the project named "Napoli Piazza Garibaldi", in the framework of a wider programme of measures aimed at the town-planning reorganization and upgrade of the railway system in the regional capital of the Campania region as defined by the Municipality of Naples with Ferrovie dello Stato SpA.
- On 30 April 2010 works were completed for the rehabilitation and functional upgrade (internal works) of the Milan Central Station.

June

- On 2 June 2010 Trenitalia SpA submitted its new transport proposal which provides for a number of new offers, such as for example: 1.1 million seats each month, 550 thousand of which on the "Freccia" trains, will be sold on a promotional basis starting from Euro 19.00.
- On 7 June 2010 the Court of Auditors – Jurisdictional Division for the Lazio Region – handed down a sentence (no. 1399/2010) against three former Directors of Ferrovie dello Stato SpA, ordering them to pay, jointly and severally, the amount of Euro 4,564,139 in favour of FS itself, as a result of the assessment of their accounting administrative responsibility due to their gross negligence as to the unlawful payment of an indemnity to a former CEO of the Company itself in past years. Following this sentence, which was formally served on 30 June and became immediately enforceable without prejudice to the possibility for the parties to submit an appeal, Ferrovie dello Stato SpA appointed an external legal counsel to serve the sentence itself within the enforcement of the decision, according to the "guidelines" issued on 17 June 2009 and transmitted to the Court of Auditors which also provide for the collection procedure in relation to which the Company has immediately taken action.
- On 13 June 2010, with the application of the new timetable, the eco-ticket was introduced which shows the positive effects on the environment arising from choosing the train in terms of lower emissions of CO_2 with respect to airplanes and cars.
- On 25 June 2010 the INPS (*Istituto Nazionale per la Previdenza Sociale*, National Social Security Institute) and the FS Group signed an agreement for the management and payment of benefits under the Bilateral Income-support Fund (*Fondo bilaterale di sostegno al reddito*). The agreement for the management of the Fund, which is the responsibility of INPS and is charged to the different Group companies, allows the start of the operational phase of the Fund, implementing the contents of the Agreement entered into, on 15 May 2009, between FS and the relevant Trade Unions for the competitive revival of the Group itself.

August

- On 5 August the Board of Directors of Trenitalia resolved to award the contract for the purchase of 50 new trains for High-Speed lines to the RTI Ansaldo-Breda/Bombardier Transportation Italy. The purchase value of the new High-Speed trains will be equal to about Euro 1.5 billion. Against this procedure, Alstom Ferroviaria S.p.A. filed an appeal with the Regional Administrative Court (TAR, *Tribunale Amministrativo Regionale*) of the Lazio Region, which was served on 27 August. By a decree issued on the same date, the TAR of the Lazio Region granted the request for a provisional remedy to suspend the contract award, setting the hearing in chambers for 29 September 2010 for the collective examination of the provisional remedy itself.

September

- On 30 September a contract was signed with RTI Ansaldo-Breda/Bombardier Transportation Italy for the construction of 50 new trains for the High Speed network. In fact, on 29 September the Lazio TAR decided not to suspend the tender, thus rejecting the request submitted by the French company Alstom. According to the Court, a possible granting of the request for suspension of the tender could have caused "serious damage to the public railway service".

October

- On 13 October the expiry date of the agreement for the lease of the branch of business attributable to the Lombardy Regional Head Office (*Direzione Regionale Lombardia*) of Trenitalia S.p.A. with Trenitalia Le Nord - TLN Srl, which had to fall on 14 October, was postponed to 31 December 2010. Subsequently, on 28 December 2010, the expiry date of the agreement was further postponed to 31 March 2011 in order to allow the parties to carry out the necessary checks on the service performance obtained during 2010 and, accordingly, to implement the phases aimed at contributing the two branches of business (Trenitalia and Le Nord) to TLN.

November

- On 1 November an agreement was signed between Trenitalia S.p.A. and Meridiana Fly which provided for the inclusion of the Milan-Rome route, covered by the Frecciarossa train, in the Carnet Multifly of Meridiana Fly. The agreement represents a first step towards a full train-airplane intermodality, a synergy which has clear potential.

December

- On 9 December the Lazio TAR rejected the appeal submitted by Alstom at the end of the summer against the measure by which Trenitalia S.p.A. had awarded the contract for the supply of 50 new High-Speed trains, thus confirming the actions taken by the company and therefore the result of the tender.
- On 10 December 2010, following the carrying out of the consultation procedure with the persons concerned (Railway Companies, Regional Governments, Autonomous Provinces and applicants, Ministry) as required by article 13 of legislative decree no. 188/2003, the CEO of RFI S.p.A., by Order no. 18, provided for the updating of the Network Information Statement (*Prospetto Informativo della Rete* , PIR), December 2010 edition, in force from 12 December 2010 to 10 December 2011. The most significant issues dealt with concern:
  - the qualification of the rating of the banking or insurance institutions responsible for granting the guarantee accompanying the Master Agreement and the Contracts for the use of the infrastructure to the Manager of the same;
  - the Third-Party Insurance ensured by the Railway Companies accompanying the contract for the use;
  - the detailed rules concerning the integrated capacity (scheduled services pursuant to article 20 of legislative decree no. 188/03);
  - the redefinition of the network of stations/cargo equipment and updating of tariffs for operational services.
- From 12 December, with the application of the new timetable by Trenitalia, all Frecciarossa trains provide access to broadband Internet, through Wi-Fi or mobile telephone or PC connected to a mobile network. The initiative, which was implemented in collaboration with Telecom Italia, allows a high-quality internet connection to be offered for work and leisure and a better telephone reception along the entire High-Speed route, including inside railway tunnels. The basic technology is represented by the mobile broadband Umts/Hspa with an infrastructure constructed by Telecom Italia for Trenitalia with an investment of Euro 100 million.
- On 23 December 2010, the 2009 update was defined for the Programme Contract which, even if in delay with respect to the planning of the requirements, makes the financial resources envisaged therein operational and allows the

separation of the investments for which the Concession holder, RFI, undertakes the commitment to the Shareholder to design and construct works from those for which there is a provision at planning level only.

- In December 2010, the Public Prosecutor's Office at the Court of Lucca asked to serve the notice of investigation and the concurrent request for the pre-trial evidentiary hearing (which is aimed at carrying out a survey) on 38 indicted persons as detailed below in the section dedicated to criminal investigations and proceedings.

Transition to international accounting standards IAS/IFRS

About two years of the decision to start the technical procedure for assessing and considering the opportunity to redefine the Group's administrative and accounting model through the adoption of the International Accounting Standards IAS/IFRS, the Board of Directors of the Parent Company Ferrovie dello Stato SpA, in light of the findings of this assessment and after being authorised by the shareholder (MEF, *Ministero dell'Economia e delle Finanze*, Ministry of Economy and Finance), definitively resolved – in the meeting of 19 November 2010 – to implement transition to International Accounting Standards IAS/IFRS with the FS Group's separate and consolidated financial statements at 31 December 2010 (effective from the date of first-time adoption on 1 January 2009).

SUSTAINABILITY

The Ferrovie dello Stato Group has started its Sustainability project in the belief that actions taken in compliance with environmental and social values, in addition to economic values which are peculiar to a business, represent an ethically correct approach, as well as create durable value – and then development – for the entity and its stakeholders.

In the last year, the Ferrovie dello Stato Group confirmed again its commitment to a sustainable approach, thus integrating social and environmental considerations in carrying out its activities, with numerous concrete examples such as: the project for the implementation of the Group's Environmental Management System; the preparation of the Group's Sustainability Report since 2003; the twentieth edition of the Green Train; the Green Ticket; the numerous initiatives to streamline the use of natural resources, to protect the land and to preserve biodiversity, in order to increase customer awareness of the environmental impact of travel; the projects for the social reuse of real estate assets; the greenways, an example of the sustainable reuse of disinvested railway lines; the network of Help Centres at stations.

Therefore, the Ferrovie dello Stato Group specifically turns its attention to the triple interaction between railway transport, natural environment and social community, which are key elements on which more sustainable mobility could be founded.

The leadership role played by the Ferrovie dello Stato Group in Italy is witnessed by the success of the Frecciarossa services which, thanks to the High Speed/High Capacity network, the largest infrastructural work constructed in Italy in the last fifty years, are changing our travel habits. Advantages are considerable, also from a purely environmental point of view: in 2010 twenty million passengers chose the High Speed trains of the FS Group, thus allowing the reduction of CO_2 emissions into the atmosphere by over 500 thousand tons. In fact, each passenger produces on average 70% less of greenhouse gases when traveling with Trenitalia rather than by air and 60% less if he/she prefers our trains to cars. Since the launch of the High Speed lines the market share of the train has been constantly increasing on the main routes served by Frecciarossa and Frecciargento trains, thus increasingly diverting passengers from other means of transport (e.g.: currently more than 50% of people who travel from Rome to Milan use the trains of the Ferrovie dello Stato Group).

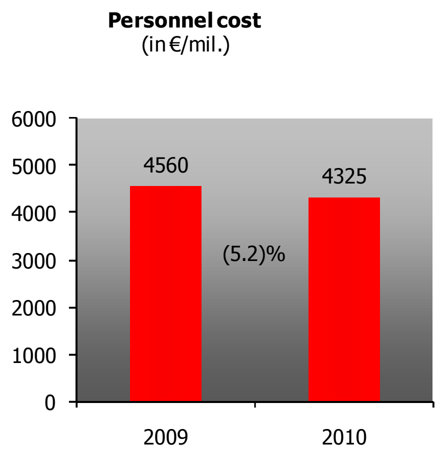
Below are reported the main initiatives for Human Resources, Customers and Environment, promoted in 2010 by a Group which, with its 80,000 employees, more than 620 million customers per year and more than 8 thousand trains which circulate every day on the railway network, supports Italy towards a sustainable development model.

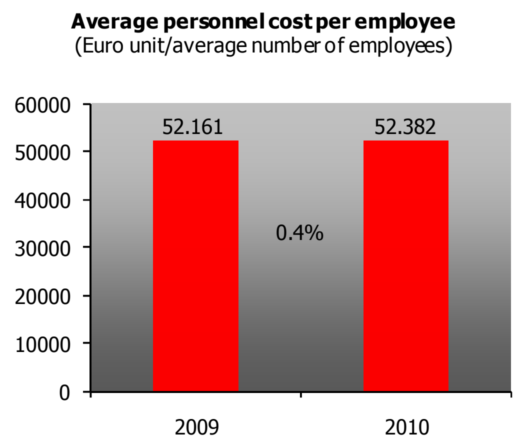
HUMAN RESOURCES

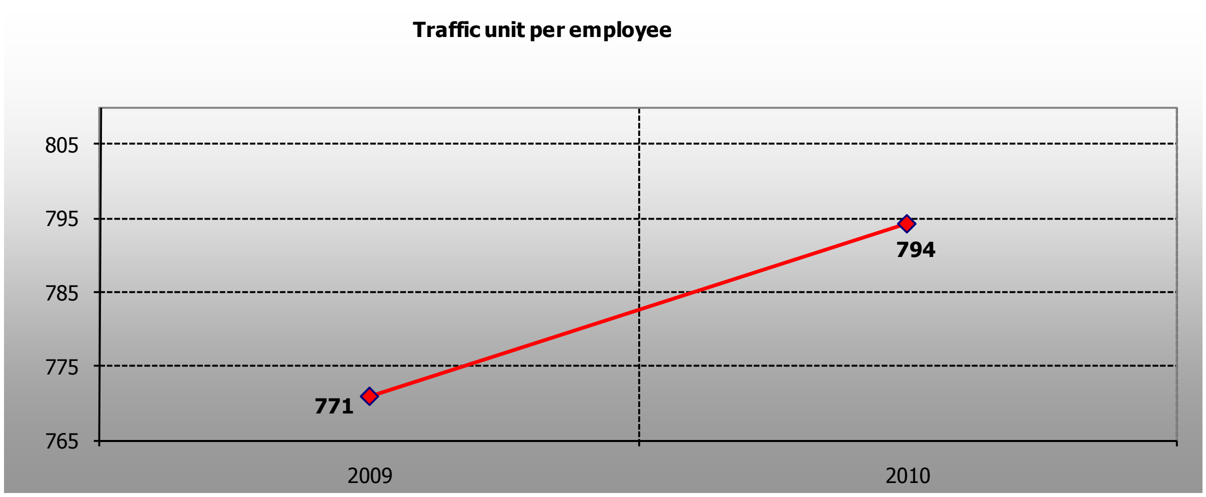
The number of Group employees passed from 84,962 units at 31 December 2009 to 80,153 units at 31 December 2010, reporting a net decrease equal to 4,809 units. A similar decrease was recorded for the average number (- 4,856 units).

Employees at 31.12.2009	**84,962**
Ins	1,233
Outs	6,042
Employees at 31.12.2010	**80,153**

2009 average number	87,422
2010 average number	82,566







Industrial relations

On 17 November 2010, important understandings were signed, specifically for the cargo transport segment, which, together with those signed on 15 May 2009, will help facilitate the industrial efficiency improvement programme started for the implementation of the Plan's objectives.

These understandings concern:

- the production reorganisation and work organisation in the Cargo Division of Trenitalia, which will allow a first effective response to be given to the crisis faced by the sector, with the modification of the crew module and the introduction of a multi-purpose position for station activities and for support to the sole driver on board in day services;
- the start of local procedures for access to the extra-benefits of the bilateral Fund (pension allowance), which will involve over 2,000 workers in all sectors of the Cargo Division, as well as any persons unsuitable for security activities and the staff responsible for administrative and support activities of all Companies/Divisions. For these workers, the access to the extra-benefits of the Fund is expected to largely occur in early 2011 and to be completed in the course of the same year;
- the definition of the criteria for the payment of the new Performance bonus in relation to 2010, 2011 and 2012, based on the Group's productivity, quality and profitability, which will allow salary quotas to be transformed from fixed to variable aspects of the remuneration, thus strengthening the role of local bargaining, or, where the real increases in productivity are determined for the business. The agreement represents an important turning point in the cultural change process that the Group is implementing because it identifies performance indicators that allow the actual results achieved to be measured, overcomes the old logic of equal pay for all by introducing real variability mechanisms, gives the workers the possibility of participating in the achievement of the business' objectives;
- the payment, against the definition of the criteria for the new bonus, of previous performance bonuses relating to 2007, 2008 and 2009, for an amount equal to 90% of the amount due.

Within the collaboration programme that was started by signing the three-way understanding between the Government, the Employers' Federations and the Trade Unions on 21 November 2007, and that was aimed at accompanying the liberalization of the transport sector with the preparation of a single reference contract for railway transport and local public road transport, on 30 September 2010 the parties achieved an overall understanding, with the mediation of the Ministry of Infrastructures and Transport and the Ministry of Labour, on the first four institutes which are common to the two sectors (scope of application, effective date and term, system of industrial relations and union rights, labour market), in the implementation of the Memorandum of Understanding on the National Single Collective Labour Agreement on Mobility (*CCNL Unico della Mobilità*) which was signed, in the presence of the Minister of Infrastructures and Transport, between the Employers' Associations Federtrasporto/Agens, Asstra, Anav, Cncp and the Trade Unions on 14 May 2009. At present this understanding is not yet operational as it is subject to the solutions required by the trade unions on the economic coverage for 2009 and 2010 in relation to the collective interim pay allowance (the so-called "*vacanza contrattuale*").

Within the EU social dialogue, the European project "Follow-up of the agreement on working conditions of mobile workers in interoperability" (*Follow-up dell'accordo sulle condizioni di lavoro dei lavoratori mobili in interoperabilità*") coordinated by FS was completed which was aimed at monitoring the state of implementation of the CER- ETF agreement of 27 January 2004 concerning the working hours of mobile workers in the cross-border railway transport sector. The Final Report of the Project was published in four languages and submitted to the European Commission and to the social partners during the meetings of the "Social dialogue committee of the railway sector" (*Comitato dialogo sociale del settore ferroviario*) held in Brussels.

The project "Employability in the Context of Demographic Change – Perspectives for the European Railway Sector" was also completed, within which FS illustrated its own initiatives on apprenticeship and turnover management.

The year also saw the start of the project on the inspection of the state of implementation of the "ETF-CER joint recommendations for a better representation and integration of women in the railway sector signed in 2007" (*Raccomandazioni comuni CER ed ETF per una migliore rappresentazione ed integrazione delle donne nel settore ferroviario sottoscritte nel 2007*). FS is a member of the Working group established for this purpose.

With reference to relations with the Guarantee Committee for the implementation of strike law, strike calls which were deemed non-compliant with the current legislation were reported to the Committee also during 2010. On several occasions the reported reasons for unlawfulness were transposed into the preventive measures addressed by the Committee to the calling Trade Unions and led to the cancellation of the strikes or to the bringing of the same into line with the relevant regulations.

As regards labour regulations, the procedure was followed for the approval of so-called "work-related law" (*collegato lavoro*), with proposed amendments to the issues of main interest for the Group. A similar activity was carried out with reference to the legislative decrees implementing Directive 2007/59/EC on European driving licence and Directive 2005/47/EC on the working conditions of mobile workers engaged in interoperable cross-border services.

The usual collaboration continued with the Equal Opportunities Committee (*Comitato pari opportunità*, CPO). Furthermore, the two-year report on the situation of male and female staff was drawn up as required by article 46 of Legislative Decree no. 198/2006.

As regards privacy issues, orientation, support and consultancy activities were carried out towards the Group companies and the FS units identified as responsible for data treatment. In relation to specific measures issued by the Data Protection Authority (*Garante per la Privacy*) (video-surveillance, general authorisations for the treatment of sensitive data of workers and of other categories) and to various interpretation issues, instructions and clarifications were provided to the Group companies and to the FS managers.

As regards supplementary pension funds, while acting within the governing bodies of the Eurofer supplementary pension fund, measures were taken to promote all actions necessary for the correct management of the Fund. Furthermore, the necessary technical and specialist support was provided, also in training actions aimed at subordinate employees.

Personnel management and development policies

As already mentioned, 2010 saw the continuation of actions to streamline staff.

On the other hand, Trenitalia and RFI have outlined a plan for recruitment from outside in relation to the needs for the rejuvenation of the workforce which were also shared with the Trade Unions in the understandings of 15 May 2009 and 17 November 2010.

The recruitment of personnel was planned for the sectors of maintenance of infrastructures and of rolling stock to cope with the introduction of new technology and the numerous exits of personnel that occurred in the last years.

In order to enhance internal professional skills and to limit recourse to the external market in the search for newly-graduated or high-profile personnel, the Group also resorted to internal job posting.

As regards external hires, the Group worked to expand the area of recruitment of professionals of its interest and specifically of engineers with a high-level training and high development potential.

One of the most important initiatives was the Master's course in "Railway infrastructures and systems engineering" (*Ingegneria delle infrastrutture e dei sistemi ferroviari*) held in collaboration with the "La Sapienza" University in Rome.

Development focused on four activities:

1. evaluation and monitoring of targets of interest to the Group,
2. implementation of the evaluation system,
3. review of roles and skills in staff areas,
4. identification of the new professional family Environment through evaluation of technical and professional skills.

Within the evaluation and monitoring of people of interest to the Group, the following projects were developed:

- Management Appraisal for executives (Certification of Professional and Managerial Skills [*Certificazione Competenze Professionali e Manageriali*])

- Senior Middle Managers (*Quadri Apicali*) (Evaluation of people who hold important positions) - At the end of 2010 the evaluation of Senior Middle Managers – which was started in 2008 – had involved 1,200 people.

Graduates – 2010 saw the continuation of the Orientation Development Centre process which is aimed at graduates and is managed by the team of intercompany assessors.

Group skills system: in this framework and with specific attention to technical and professional skills, the new profiles have been updated in the new group professional skill system;

Environment Family: within this framework evaluation involved about 100 people including Executives, Middle Managers and Employees to form the new environment family.

FUND FOR THE PURSUIT OF ACTIVIE POLICIES IN SUPPORT OF INCOME AND EMPLOYMENT FOR THE PERSONNEL OF THE FS GROUP COMPANIES

The Fund has the purpose of implementing – for the FS Group companies which are not provided with traditional "social shock absorbers" - the measures laid down in article 59, paragraph 6, of organic law no. 449 of 1997, aimed at promoting the reorganization and restructuring of the Group itself in consideration of the process for the restructuring and development of the railway transport system. Following the definition of the agreements entered into between the FS Group and the sector Trade Unions on 15 May 2009, which were transposed by decree no. 510 issued by the Ministry of Transport and Infrastructures on 23 June 2009, as amended, a specific agreement was signed, on the basis of a favourable opinion of the MIT, as well as of the Ministry of Labour and Social Policies, between the FS Group and the INPS on 25 June 2010, in order to transfer the management and payment of income-support benefits under the responsibility of the Fund to the social security institute. Accordingly, on the basis of the renewed understandings, the Governing Committee has taken office which was appointed by the already mentioned Ministerial Decree and which, at the same time as the approval of the Fund's budget, started initiatives for the management of the Fund, including the application for the recognition of the legal personality of the Fund submitted to the competent prefectorial authority and the issue of a specific fiscal code. Upon the start of the procedures for the application of extra-benefits in the Fund in November 2010, and the identification of any redundant workers to be put on early retirement schemes according to union agreements, the Group resolved to apply the first extraordinary measures starting from March 2011.

At the same time, the Group developed an intense relational activity with the INPS units to implement the Fund management procedures – which is still in progress – as well as, starting from October 2010, activities in support of the corporate functions in launching the trade union procedures necessary to access extra-benefits in the Fund and in defining the necessary internal management procedures.

Training

In line with the 2007-2011 Business Plan, the FS Group's approach to training means support for the creation of value, focused on the development of the skills necessary to achieve corporate results and closer to the Group milestone to transmit strategies, and translating them into measurable objectives and actions.

Specifically, the basic aspects that characterised all 2010 training projects and structural actions were innovation in choosing training methods and above all the adoption of innovative and integrated technology in support and development of the self-training approach (on-the-job training [*formazione-intervento*], modular and integrated methods and development of e-learning).

Within the scope of institutional training, cross-sector projects were completed on economics, project management and group work. Orientation institutional training which has the purpose of accompanying young graduates hired by the Group in 2009 and of sharing values and technical and railway knowledge was distributed in the first half of 2010.

Managerial training was specifically aimed at strengthening gaps reported in corporate valuations (assessment and management review).

Furthermore, note two important coaching and support projects for senior middle managers and fast-track graduates. Both of them were started in 2009 and implemented during 2010:

- the Mentoring project, aimed at identifying and training some Group executives for the role of "mentors" which, together with their hierarchical superior, have the task of supporting graduated staff in their development, providing them with any and all information necessary for the optimal performance of the activities assigned, and supporting their professional growth;
- the Masters of the Trade project, aimed at identifying and training technical experts, i.e. "masters of the trade" who, in support of their hierarchical responsible manager, will have the task of facilitating the inclusion of the most-recently hired graduated staff in the company, providing them with any and all technical and procedural information necessary for the optimal performance of the activities assigned and supporting their professional growth.

Training also gave, in the second half of 2010, significant support to the FIReS (Financial International Reporting Standards) project, which was intended to enable people involved to manage the transition to international accounting standards IAS/IFRS that the FS Group decided to adopt starting from the end of 2010.

Safety and Health at Work

As regards health and safety at work, the activities carried out in 2010 focused on the full implementation of the objectives for the reduction of accidents and the improvement in prevention envisaged in the 2008 -2012 medium-term policies, enacted by Group Order AD no. 113/2008 issued by the Chief Executive Officer, through projects of an organisational, training and technology upgrade nature.

In collaboration with the INAIL (*Istituto Nazionale per l'Assicurazione contro gli infortuni sul lavoro*, National Institute for Insurance against Accidents at Work), the Group implemented the training project "We learn from our mistakes" (*Sbagliando s'impara*), concerning a methodology to investigate causes of accidents, which involved the managers responsible for the management of safety at work for the Group companies. The model, which was implemented by INAIL, ISPESL (*Istituto Superiore per la Prevenzione e la Sicurezza del Lavoro*, Institute for Prevention and Safety at Work) and the Lazio Region, is considered to be good practice for governing accident analysis and standardizes causes of accidents, thus allowing the identification of priorities of prevention actions.

Furthermore, activities continued to raise awareness about and to investigate the main important issues of the new prevention regulations with a workshop, which involved the relevant top corporate management, concerning amendments to the regulations on the delegation of functions of the employer and to the responsibilities relating to the risk assessment and to the assessment of interference risks in the cases of contracts. The workshop's issues have been the object of a monographic issue of the magazine "Federtrasporto Papers" (*Quaderni Federtrasporto*) which has been circulated to all executives and employers of the Group companies.

The FS Group companies continued to be committed to the continuous improvement of activities for the protection of the health of their workers; the most significant figure concerns the number of workers subject to medical examinations in the last two-year period: 53,317 in 2010 (+5.8% compared to 2009).

Even though the 2010 figure is not yet consolidated, the trend in accidents at work concerning the main Group companies (Ferrovie dello Stato, RFI, Trenitalia, Ferservizi and Italferr) showed an improvement, for the 2002-2010 period, recording a reduction of about 25.1% on the basis of the data on accidents for which compensation has been paid as provided by the insurance entity INAIL. In the two-year period 2008-2009 the percentage reduction was 12.9% compared to a 10% target. The improvement in the management of safety activities is witnessed by the decrease in the accident rate (number of accidents per thousand workers), which is equal to 38.6, thus recording the best value since 2004, after a substantially constant performance in the 2005-2008 period.

CUSTOMERS

As regards the offer of railway transport services attributable to Trenitalia, 2010 was characterised by the strengthening of the structure of the **"Market Services"** segment as a result of the new High-Speed network that was completed at the end of 2009 (Bologna-Florence section), which entailed a 12% increase in the overall offer from the segment over the full year. The opportunities offered by the changed situation of infrastructures were seized through:

AV Frecciarossa: connections were strengthened for the Milan-Rome line, extending the service from/to Turin and Naples. The day service was extended from 6.00 a.m. to 8.00 p.m., and to 9.00 p.m. in those days with higher demand, thus ensuring, more in general, a better coverage of time bands. The local presence was also improved by strengthening the "gateway" stations of the High Speed service (Turin Porta Susa, Milan Porta Garibaldi, Milan Rogoredo, Rome Tiburtina).

During the year the offer was characterised by targeted remodulation actions, with the objective of better meeting the requirements of traffic demand and of seizing new market opportunities.

The new 2010-2011 winter timetable adopted the additional developments in terms of commercial offer by continuing in the direction already taken during the last years and further strengthening the offer. In short, the main developments introduced were:

- Doubling connections from Milan/Bologna/Florence and Rome to Salerno (and vice versa).
- 5 new connections between Turin and Rome.
- Introduction of the new direct Turin-Naples connection in 5 hours 37 minutes (where previously there was only one through Intercity (IC) train with a journey time of more than 9 hours).
- Redistribution of the non-stop Milan-Rome offer for a better coverage of time bands (new arrival to Milan and to Rome by 9.00 a.m., extension of morning departures up to 10.00 a.m.)
- Doubling stops in Turin Porta Susa: from 11 to 22 trains/day.
- Strengthening the offer in the demand peak hours with 4 new trains circulating only in days and time bands with higher demand, with the objective of avoiding overcrowding and of satisfying unmet demand.

The different service levels included in the new commercial offer are:

NON-STOP TRAINS Milan Centrale - Rome Termini: they are concentrated in the time bands with higher mobility (from 6.00 a.m. to 10.00 a.m. and from 2.00 p.m. to 7.00 p.m.), and connect the two cities with a 60-minute frequency and reinforcements every 30 minutes in peak hours. In the days with higher demand the last two trains depart at 9. p.m. and arrive at destination by midnight.

STANDARD TRAINS Milan Centrale - Rome Termini: they are the backbone of the Frecciarossa offer and connect Milan Centrale, Bologna Centrale, Florence Santa Maria Novella and Rome Termini with an hourly frequency and with extensions of the service from/to Naples Centrale/Salerno and Turin Porta Nuova, in a time band between 6.00 a.m. and 8.00 p.m.. Of these trains, 16 have Naples Centrale as their origin/destination and 8 Salerno; furthermore, 3 trains have Turin Porta Nuova as their origin/destination. Two trains also stop in Piacenza, Parma, Reggio Emilia and Modena, thus also extending the speed-ups of the High-Speed network to these important districts.

TRAINS Turin Porta Nuova – Milan P.G. - Rome Termini: this is a type of service which rapidly connects Turin to Rome in the time bands with high mobility demand, making intermediate stops in Turin Porta Susa, Milan Garibaldi, Milan Rogoredo, Bologna Centrale and Florence Campo di Marte (replaced by Florence Santa Maria Novella from 12 December 2010).

To these must be added 7 additional Turin-Rome connections via Milan Centrale which lead the number of total connections between Turin and the capital to 19.

Furthermore, since December 2010, the Frecciarossa passengers are permitted to surf the Internet using either USB-UMTS pen drives on notebooks and through the WiFi system on board trains also on smartphones, tablets and PCs. The basic technology is represented by the mobile broadband Umts/Hspa with an infrastructure which has been specifically constructed by Telecom Italy for Trenitalia, as already pointed out; furthermore, starting from May 2011, a package of multi-media entertainment and information products will be available thanks to an innovative web platform accessible through WiFi.

To cope with this demanding technological challenge, the entire High-Speed fleet has been equipped with new-generation IT and telecommunications systems, while the mobile radio UMTS infrastructure has been upgraded to expand the network coverage and capacity.

AV Frecciargento: the delivery of ETR 600 trains was completed in early 2010; the completion of deliveries of trains has contributed to an important upgrade of the fleet which is now composed of 15 ETR 485 trains and 12 ETR 600 trains, used on mixed-route (High-Speed lines and traditional network) lines with high commercial value.

Venice – Rome line: the hourly service between Venice and Rome has been confirmed and speeded up by about 40 minutes. Except for Fast trains, which only stop at the stations of Venice Mestre and Padua, all trains make intermediate stops in Venice Mestre, Padua, Bologna Centrale and Florence Santa Maria Novella. Two trains go on from Venice Mestre to Udine.

Rome – Verona line: the offer between Verona and Rome has been remodulated, increased and speeded up, with intermediate stops in Bologna Centrale and Florence Campo Marte. Starting from the timetable change in December 2009, two trains arrive at Brescia, while four trains went on to Bolzano between June and September 2010.

Rome – Puglia region line: the offer between Rome and Bari has been remodulated, in order to better distribute it over the day, and increased by two FAST trains. From 10 March to 7 June 2010, railway traffic was suspended on the line between Benevento and Foggia because of a landslide between the stations of Savignano-Greci and Montaguto-Panni. A replacement bus service was provided between these two stations and, on average, the increase in travel times was between 60 and 90 minutes.

EurostarCity – Freccia Bianca: the ESCity product (called Frecciabianca) travels on traditional lines and follows three main lines: Adriatic (Milan-Ancona-Bari-Lecce), Tyrrhenian (Rome-Genoa-Milan) and Padana Cross Road (Turin-Milan-Venice).

The "**Universal Service**" segment includes all trains which fall within the scope of the Service Contract with the Government. In 2010 the Customer made various changes in the scope of offering in order to optimise the financial resources available for priority transport needs, and specifically reviewed the scope of Night services, which showed a sharp drop.

In Europe this segment has been substantially eliminated by all railway companies, except for a very few international connections, as a result of competition from airplanes. Consistently with this situation, Italy is witnessing a particularly considerable fall in traffic (-23% compared to 2009) which obliges the Customer, the fees being equal, to dramatically reduce the perimeter of trains requested. On the contrary, the Intercity product was characterised by a large review of its configuration which specifically affected the "not contributed" segment where actions to streamline the offer were particularly incisive with a sharply negative contribution.

As regards **Regional Transport**, 2010 saw the conclusion of the renewal of service contracts with Regional Governments; unlike in the past, these contracts now provide for fees correlated to services offered which are defined according to an approach of "Service Catalogue". The Catalogue has redefined the procedures for calculating fees on the basis of the identification of different drivers such as hourly prices by category of train and service offered, thus replacing the procedure correlated only to the calculation of the fee based on train-km, which was used in previous contracts. The calculation of fees on the basis of the Catalogue has pointed out, for each Regional Government, the historical lack of resources allocated to support the previous service contracts which, for several years, has not allowed the remuneration of factors of production and specifically of its invested capital. Despite this, it is worth noting that over time the invested capital of the Regional Transport Division of Trenitalia has reported important increases as a result of the investments which the latter has had to make in any case to ensure the service.

During 2010 service contracts, with a term of six years, plus six years, were signed with 7 Regional Governments (Lazio, Basilicata, Liguria, Molise, Puglia, Umbria and Veneto Lot 1). On the contrary, service contracts signed with other 2 Regional Governments (Abruzzo and Calabria) are waiting for approval by the competent bodies. As regards the Piedmont Region, an overall agreement was signed in 2010 which defines the main 2011-2016 contract clauses with "catalogue-based" prices, settling at the same time the disputes relating to the 2008, 2009 and 2010 financial years. For Special Regions (*Regioni a Statuto Speciale*) Sicily, Sardinia, Valle d'Aosta and "joint services" (*servizi indivisi*) in the Northern-East Area, the negotiation of the Service Contract is still in progress with the Government.

To these must be added the contracts entered into in 2008 and 2009 with the remaining 6 Regional Governments (Friuli Venezia Giulia, Campania, Lombardy, Marche, Tuscany and Emilia Romagna) and with 2 Autonomous Provinces (Trento and Bolzano).

The formalization of service contracts, with a term of 6 years, plus 6 years, has finally allowed the planning of medium-to-long term resources, which *inter alia* allows the Group to start large projects for the purchase and renewal of the rolling stock functional to the improvement of the regional transport service which is the cornerstone of the new contracts.

In 2010 new contracts were enforced for cleaning of rolling stock and industrial plants in 5 Regions (Campania, Liguria, Lazio, Lombardy, Puglia); the related contracts/lots are being started in the other Regions, following the conclusion of the second tender for cleaning services. The actions started and partially completed are the natural and mandatory consequence of the need expressed in the new regional service contracts to significantly and quickly improve the service level offered to the customers of regional transport. Since 2009 the cleanliness of trains has been dealt with with particular determination and conviction in the common belief that the difficult situation of the management of the contracts themselves with the previous contractors could not persist. To date, all relationships have been practically terminated with the previous contractors, and, within the limits permitted by the regulations in force, new contracts have been awarded or some tenders have been carried out again (High-Speed segment). The levels of quality perceived by customers are gradually improving overall; it is expected that the programme will produce significant improvements by the end of 2011 when the overall redesign of cleaning management may be considered to be concluded.

As regards regional transport, it is worth noting the situation that was created in the course of the last months of 2010 as a result of the approval of the Stability Law under which the funds which shall be transferred from the Government to the Regional Governments for financing rail transport were significantly reduced in a first phase and then partially replenished only through subsequent measures, with visible applicability solely to the 2011 financial year and for the subsequent years at planning level only, on the basis of the Agreement entered into between the Government and Regional Governments on 16 December 2010. Trenitalia has signed contracts with the Italian Regional Governments which do not depend on the procedures through which the Regional Governments themselves may find the necessary sources of financing; nevertheless, the uncertainty that dominates the entire sector is such as to induce the Regional Governments to possibly reduce the offer permitted by the contracts themselves. However, these processes, even if included within the company's capacity to adapt, are in clear conflict with the mobility needs expressed by local areas on one hand, and on the other with a planning criterion, even if minimum, which is imposed by the railway sector in relation to the time required for the implementation of any investment plans which could accompany the offer development.

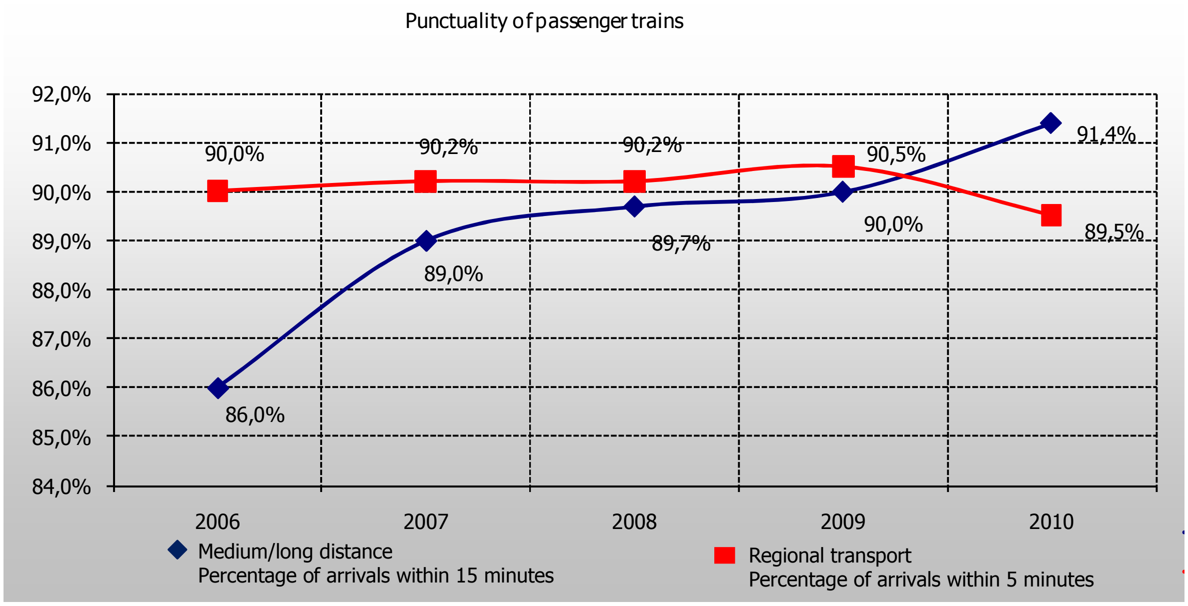
As regards the **Cargo Sector**, the 2010 industrial production index showed, above all in the second half, a slight recovery compared to the previous year, although the level of orders remained low. This entailed a more limited recovery in railway traffic.

The weak demand for transport has induced the competitors in the rail and road transport to use the price lever to defend their market shares. The Cargo Division of Trenitalia has substantially maintained the same prices as in 2009 for customers with long-term contracts, taking the following actions for acquiring the traffic share on Market services held by competitors:

- *National Traditional Transport (*Convenzionale Domestico)*:* loyalty retention for/focus on the main customers and restructuring of the offer for customers in the Chemical sector.
- *International Traditional Transport (*Convenzionale Internazionale)*:* strengthening the dedicated offer on the North-South line through synergies with TX Logistik and development of partnerships with operators in Eastern Europe countries.
- *National Combined Transport (*Combinato Domestico)*:* identification of the primary network of inland terminals and of ports, while focusing offer on round-trip trains.
- *International Combined Transport* (Combinato Internazionale)*:* focusing the business on international corridors and developing traffic with European Eastern markets.

Commercial synergies were also started with Serfer and with local railway companies such as Sistemi Territoriali in the Veneto Region.

As regards the "Cargo Universal Service", actions were aimed at maintaining planned volumes (cargo and multi-customer train). The Cargo sector of Trenitalia, although paying constant attention to market trends, has continued, with a gradual acceleration, the complex streamlining process which represents one of the cornerstones of the reorganisation plan of the Division in order to seek the necessary competitiveness over competitors.



ENVIRONMENT

In 2010 an important project was implemented for the development of the Group's Environmental Management System, aimed at designing a governance and environmental management model and at defining the related supporting processes and tools. The project is aimed at developing a coordinated and standardized approach to the management of environmental issues, while defining an integrated model that is able to ensure consistency and uniformity between the Group companies and that is integrated, where possible, with the Quality and Safety management systems used by the individual entities.

The main objectives that were achieved through the project activities were:

- the design of the Governance Model of the Environmental Management System;
- the design of processes and the organisational structure in support of the Governance model;
- the preparation of implementation plans for the Parent Company and the main operating companies;
- the definition of the Training plan in support of implementation.

The project continued in 2011 with the implementation of the Action Plans necessary for the Group to provide itself with an Environmental Management System.

Other important initiatives, that marked the Group's operations in 2010, were:

- the execution, together with the main world railways belonging to the International Union of Railways (UIC), of the Declaration on "Sustainable Mobility and Transport", containing commitments defined in compliance with the 10 principles of the UN Global Compact, relating to human rights, labour, environment and anti-corruption. The Group is committed to its own stakeholders to contribute, in particular, to the development of a Sustainable Transport system.
- The already mentioned issue of the "green ticket" which modifies the back of the railway ticket, indicating both the value of average CO2 emissions saved for the purchased travel (compared to the average between car and airplane), and the average values per passenger of CO2 emissions produced for the three means of transport -

airplane, train and car - for two specific sections (Naples-Milan and Rome-Venice), with the objective of raising awareness among customers about how it is important to choose the means of transport and how it is virtuous to use the train. The CO2 emissions saved for the purchased travel are converted into green points which can be accumulated in the Loyalty Card to request free tickets and premiums.

- The implementation of the twentieth edition of the "Green Train" campaign, in collaboration with Legambiente, to monitor air quality and noise pollution and to raise awareness among citizens about environmental issues.
- The registration of all Group companies that produce and transport waste in the SISTRI system (*Sistema di controllo della tracciabilità dei rifiuti*, Waste traceability control system), which was introduced for the computerised control of the traceability of waste, and related activities for the discussion with the Ministry for the Environment and Land and Sea Protection, which is the promoter of the system, to define the implementation plan and to find adequate solutions for the specific features of rail transport.

The companies, in line with the Group's environmental strategies, implemented a number of actions, such as:

- the conclusion of the UIC project relating to the impact of the emissions of the braking gear on human health ("Braking gear emissions impact on human health"), promoted by Trenitalia, which has also taken care of its coordination and supervision, and implemented in collaboration with other European railways and with the technical and scientific support of the University of Bologna. Through the analysis and study of the substances issued by braking gear materials, it has been possible to assess effects of the latter on human health; specifically, activities were carried out in relation to bench testing, on-board-train sampling of substances deriving from braking gear, analytical determinations, modelling of dispersion in coaches and the assessment of the impact of any substances identified on human health and on the environment. From the study it emerged that the emissions generated during the braking of trains are not dangerous to human health.
- Return of 28,194 rights by Trenitalia to the Ministry for the Environment and Land and Sea Protection, through the credentials to access the National Register of CO2 quotas and emissions, against a limitation of emissions of about 9%. This limitation was possible thanks to the application of good practices, the adoption of effective environmental management systems and the technical plant actions supported by the issue of guidelines for the preservation and rational use of energy.
- Start and conclusion of the project for testing an innovative process of thermal disinfestation on board some types of rolling stock of the Passengers Division, implemented by Trenitalia in collaboration with the Health Head Office of RFI and the University of Perugia.
- Continuation of the programme started by Trenitalia for the sanitation and decalcification of water tanks on board trains with the implementation of reclamation actions aimed at reducing the biological risk from Legionnaires' disease.
- Planning of activities for the measurement of electromagnetic fields and noise emissions, on board trains and along the infrastructure line, produced by the most recent rolling stock.
- Conclusion of the international "Railenergy" project coordinated by Trenitalia, which was started in 2006 with the objective of developing and identifying technologies capable of reducing energy consumption by 6% by 2020 relating to a railway system that is supposed to double traffic volumes at that date compared to the current ones.
- Development by Italferr of the method for calculating the carbon footprint, for the determination of CO2 emissions connected to the design and implementation of new railway lines. The method has been certified by

an external body (SGS Italia) according to the international standard ISO 14064.1:2006, thus making Italferr the first engineering company in the world which has achieved this prestigious milestone.

- Development by Italferr of a method for assessing, already during the design phase, sustainability of the railway infrastructure according to environmental, economic and social criteria.
- Implementation by Italferr of Environmental Data Banks for the collection and enhancement of environmental and archaeological information gathered in the course of monitoring activities carried out before, during and after the construction of the work, as well as the preparation of the Environmental Observatories Portal, which was implemented following the commitments undertaken by RFI/TAV with the Ministry for Environment and Land and Sea Protection during the construction of railway High Speed/High Capacity lines and junctions. This Portal, together with the popular websites implemented by Italferr at the request of the Environmental Observatories of the Padua-Mestre Line and of the Florence Junction and the High-Speed Bologna line and High-Speed Florence line WebInfoPoints implemented by RFI, falls within the scope of the initiatives that are mainly, but not only, intended for local communities affected by large railway works and the insertion of these works into the territory crossed.

Energy

The year saw the implementation of a number of actions for monitoring and analysing consumption with the objective of ensuring higher energy efficiency. In this way the Group supports the direct action of the companies' Energy Managers, for a more careful assessment and planning of consumption and of the possible procurement alternatives. In this framework, the main initiatives were:

- the use of combined systems for simultaneous heat-cold production in order to improve the overall performance of the systems installed at the main stations;
- the start of the testing phase of the "Smart Service" project, a model for the management of lighting at stations with LED-technology systems and remote management of station systems and equipment;
- development and testing of a Multi-Purpose Power Platform (*Piattaforma Energetica Polifunzionale*, PEF) for the implementation of energy autonomy of railway sites, acting on the reduction in energy consumption (e.g. cogeneration) and on the construction of plants for the production of energy from renewable sources (e.g. photovoltaics, small wind farms);
- preparation of a national project "Remote management and remote control of lighting towers" for the reduction of energy consumption in lighting stations and railway yards (with expected annual savings of about 35% in full operation);
- completion of energy inspections and consequent issue of the Energy Certificates of the passenger buildings of the stations of Alessandria, Padua, Rimini, Milan Porta Garibaldi, Salerno and Foligno.

Air emissions

In addition to the energy efficiency actions mentioned above, the Ferrovie dello Stato Group has also conducted a number of studies aimed at reducing emissions of greenhouse gases: technical and scientific studies for the large-scale installation of photovoltaic panels on the roofs of the stations, feasibility studies for the development, at the main stations, of combined energy production systems that include alternative sources, definition of methods for the assessment of the carbon footprint of railway lines. Furthermore, the Group continued to replace gas-oil fuelled plants with methane gas plants, with lower environmental impact, and the construction of new production power plants with higher energy efficiency and lower emissions of pollutants.

Noise impact

A number of actions have been carried out in order to limit the noise and vibration impact of the railway traffic. Specifically, Italferr developed, during 2010, numerous studies on noise and vibration in the phases of preliminary, final and executive design for new railway lines (Finale Ligure – Andora, Parma – Vicofertile, Rho – Gallarate) and junctions (Palermo, Bologna).

As regards actions for the limitation and reduction of noise for those lines that are already in operation, RFI continued the activity envisaged in its Reorganisation Plan, as approved by the Joint State-Regions Conference (*Conferenza Unificata Stato-Regioni*) in July 2004.

Contaminated sites

The Group continued its activity for land reclamation and recovery. Within the infrastructural upgrade of the Genoa Junction, the Group completed the monitoring before the construction of the work and started reclamation works and at the same time the monitoring of the Parco Tabacchi area during the construction of the work; as regards Genoa Brignole, the Group completed the monitoring before the construction of the work and started the monitoring during the construction of the work relating to the performance of the first phase of reclamation activities; as regards Genoa Piazza d'Armi, the Risk Analysis was approved; as regards Genoa Terralba, the Operating Safety Project was approved. Activities were carried out for the emergency safety for the new High Speed station Rome Tiburtina and in the Viadotto Fiumarella area (Catanzaro Lido). Within the works on the Brescia Junction, two new environmental reclamation procedures were started, following the discovery of contamination from polycyclic aromatic hydrocarbons and pesticides in one area and zinc and dioxin contaminations in another area. Trenitalia continued similar activities for the reclamation and recovery of 19 sites, 3 of which are of national interest.

Archaeology

Today the construction of large infrastructures is an occasion for scientific research and the enhancement of sites. The FS Group is increasingly dealing with the archaeological risk in advance, with the help of specialist studies and analyses aimed at assessing, already during the design phase, the impact of the new railway infrastructures on the historical-archaeological heritage involved: in this way the Group is able to safeguard the ancient heritage and at the same time to construct public works of significant importance. In this context Italferr carried out, during 2010, a number of studies and archaeological investigations at the same time as the design of some railway lines and projects such as: Turin-Lyons, Venice–Trieste, Bari Junction, Rome Junction (Casilina cargo slip road). A particularly significant example of preventive archaeology is represented by the project of the new Palermo–Messina line, in the section between Campofelice di Roccella and Termini Imerese, within which the Group contributed to the knowledge and protection of the ancient city of Himera.

MACRO-ECONOMIC SCENARIO

After the tentative positive signs recorded in the second half of 2009, the global economic recovery continued in 2010 with a different growth rate depending on geographical areas and countries, but in general slow and with rather uncertain long-term prospects.

The growth in the world GDP, which was driven by world trade and was equal to +5.2% per year on average, returned to pre-crisis rates: sharply positive in emerging countries, above all in Asian countries, although not without shadows due to inflationary pressures (China +10.3%; India +9.5%); it was very moderate in developed countries, also because it was affected by important pockets of unemployment (USA +2.8%; United Kingdom +1.7%; Eurozone +1.7%).

In this cyclical framework, the actions of governments and central banks in developed countries, despite an internal demand which is still weak and limited inflation risks, maintained the already strong expansion trend of monetary policies. Otherwise, inflationary pressures, because of the rise in the price of food products, appeared to be more accentuated in emerging countries, whose authorities took measures to make the monetary conditions less accommodating.

Despite the obstacle of the sovereign debt of some countries, the economic recovery in the Eurozone also recorded positive values. As a whole, GDP increased by 1.7% thanks to the contribution from exports and investments, while the household consumption trend was affected by the uncertain prospects on the employment trend. Of the European Union countries, the GDP performance was decidedly above average in Germany (+3.5% per year on average) and around average in Great Britain and France, where Spain lagged behind with a slightly negative GDP change. The inflation in the Eurozone gradually increased during 2010, driven by the recovery in consumer prices of food and energy products.

As regards the Italian economy, the cyclical scenario remained weak, with a rate of change in GDP less robust than that recorded in the major European countries (+1.1%). After an encouraging start to the year with expansions that came to half percentage point (+0.4% and +0.5% in the first and second quarter of 2010, respectively), the growth trend showed a clear slowdown at the end of the year, at the same time as a slight weakening in public demand and barter trades (+0.3% and 0.1% in the third and fourth quarter, respectively). The support provided by consumption in households was equal to 0.7%, confirming the latter's prudent attitude due to the fall in disposable income on one hand, and, on the other, to the uncertain prospects in the labour market conditions. At the end of the year, the unemployment rate came to 8.6%, up by about 1 percentage point compared to the previous year. Inflation also increased by +1.6% (+0.8% in 2009), which largely reflects the trend in the price of food and energy products. Industrial production was also on the rise (+5.5% compared to 2009).

Performance of the relevant markets and of the national railway traffic

As a confirmation of the signs of recovery in economic activities, the transport sector also gave signs of recovery and settling in 2010 in almost all cargo and passenger transport segments.

Despite an uncertain cyclical scenario, short- and long-distance passenger transport showed positive performances.

Air traffic showed an overall growth of 7.0% with a more marked performance for the international component (+7.9%) compared to the national one (+5.9%). In this framework, note significant increases for some provincial stations, while the minor stations of Rome and Milan recorded traffic decreases of 19.2% and 5.7%, respectively.

As regards sea transport, the demand for passenger transport in the Italian ports grew once again after a standstill in 2009, recording a change of +6.0% in the first half of the year. The cruise market also increased by 5.0%.

The highway traffic of light vehicles remained substantially stable, with a decrease of 0.1% in 2010, which was affected by fluctuating increases in the petrol price. Instead, the number of registrations of cars in the year significantly decreased by about 10.0% as it was affected by the failure to renew eco-incentives.

After a standstill in 2009, the mobility demand increased once again in large urban centres: the passengers transported by the major local public transport companies increased by about 21.0 percentage points; this growth was also confirmed by the data relating to the regional railway transport of the FS Group, which recorded an increase both in terms of transported passengers (+9.0%) and passengers*km (+2.4%).

The full liberalisation of the railway transport, which was undertaken in Italy with larger procedures and faster times than those laid down in the relevant European regulations, has allowed for some time an increasing number of railway companies. As at 31 December 2010 there were 50 licenced railway companies (net of licences revoked), 32 of which were provided with the safety certificate (source: National Railway Safety Agency [*Agenzia Nazionale per la Sicurezza Ferroviaria* – ANSF]).

As a whole, third-party operators implemented, on the national railway network, about 21.4 million trains*km, of which about 11.8 million were produced in cargo transport – with volumes increasing by about 30% compared to 2009 -, thus bringing the market share of operators not belonging to the FS Group to about 23% at national level.

In cargo transport, it is worth noting the robust growth of air transport with a rate of change in tons handled equal to 21.0% over the previous year, thanks to the recovery in barter trades (export +7.4%; import +10.4%) and the growth in industrial production (+5.5%). Also note the particularly high increase in traffic at the stations of Milan Malpensa (+26.6%) and Rome Fiumicino (+21.0%).

Sea transport also showed signs of recovery, recording a change of 6.3% in transported tons in the first half of the year, which was also confirmed by the results for the second half, while container traffic was still affected by a slight fall.

As regards road transport, the flows relating to highway heavy cargo transport, as measured in vehicles*km, also showed a favourable trend as early as at the beginning of the year, recording an overall increase of 2.2% in 2010. The registration of new commercial vehicles also increased (+6.2% per year).

Likewise, the business of the logistics companies was on the rise, with an overall change in turnover of about 7.0% compared to the previous year.

Focus on the Group's passenger and cargo traffic

The construction and completion of the High Speed/High Capacity network on the Turin-Milan-Rome-Naples-Salerno line in December 2009, as well as the upgrade of railway junctions in the most populated urban areas, rebalanced the Italian transport system, thus making railway traffic more fluid as a whole. During 2010, the full operation of the High Speed/High Capacity system, which recovered the train's competitive capacity on long and medium distances, thus ensuring a valid transport alternative and contributing to change habits of Italians, strengthened the satisfaction with and the appreciation of the new way to travel in Italy.

The passenger traffic volume of Trenitalia showed an overall fall of 2.4% compared to 2009. In absolute terms, the number of passengers*km came to 43.4 billion, of which 20.6 billion related to the set of services for medium and long distance and 22.8 billion for regional and local transport. 2010 also saw, as in 2009, the shift of passengers in favour of the new Market Services, also because of the reduction in the offer of Universal Services, in line with lower resources allocated by the public customer to this segment. Furthermore, the Group continued the review of "not contributed" services, for which adequate economic performances are not expected.

The individual segments of medium- and long-distance services achieved different results, as described below:

- an increase of 1.3% in passengers*km of Market services, which was specifically supported by the strong success of the "Freccia" products, with about 20 million transported passengers (+24% on the Rome-Milan line, +23% on the Milan-Naples line) and an approval rating of 93%;
- a significant fall (-18.2%) in the Universal Service sized, both in quality and quantity, in the implementation of requests submitted by the public customer;
- a decrease of 7.9% in non-market/not-contributed Services in accordance with the corporate economic, financial and capital sustainability targets.

Production, as expressed in trains*km, remained substantially stable compared to 2009 (+0.1%), with differences of opposite signs for medium- and long-distance services (-2.4%) and for regional transport (+1.1%).

With reference to medium- and long-distance services, the offer amounted to little more than 78 million trains*km broken down as follows:

- 52%, equal to 40.6 million trains*km, constitutes the Market Services offer, with a 4.5% increase compared to 2009, mainly due to the development of the offer of Frecciarossa and Frecciargento services;
- the Universal Service offer amounted to 30.4 million trains*km (-8.1%);
- non-market/not-contributed Services recorded final volumes of 7 million trains*km, with a fall of 12.5%.

In the regional and local transport segment, the volume of trains*km produced remained above 189 million, with a 1.1% increase compared to the previous year.

The load factor increased for both medium- and long-distance transport services and regional transport, with an average ratio of 50.9% and 31.6%, respectively; furthermore the latter was affected by considerable differences existing between "peak hours" and "off-peak" hours.

During 2010, the Group continued its control activities aimed at improving the service quality offered, increasing the levels of comfort, punctuality, information and cleaning on board trains. Approximately 87% of users of medium- and long-distance services are satisfied with the journey as a whole.

Also as regards punctuality, the good performances achieved in previous years were confirmed, with 91.4% of medium- and long-distance trains arriving at destination in the 0-15 minutes band and 89.5% of regional and local transport trains arriving at destination in the 0-5 minutes band.

The table below summarises performances listed by relevant businesses.

Medium- and long-distance traffic data (1)		2010	2009	% Change
PASSENGERS/KM - MARKET	millions	11,476	11,327	1.3
PASSENGERS/KM - UNIVERSAL CONTRIBUTED	millions	7,012	8,576	(18.2)
PASSENGERS/KM - NON-MARKET/NOT-CONTRIBUTED	millions	2,149	2,333	(7.9)
TOTAL	millions	**20,637**	**22,236**	**(7.2)**
TRAINS/KM - MARKET	thousands	40,629	38,894	4.5
TRAINS/KM - UNIVERSAL CONTRIBUTED	thousands	30,372	33,055	(8.1)
TRAINS/KM - NON-MARKET/NOT-CONTRIBUTED	thousands	7,096	8,107	(12.5)
TOTAL	thousands	**78,097**	**80,056**	**(2.4)**

Regional transport traffic data				
PASSENGERS/KM	millions	**22,712**	**22,168**	**2.5**
TRAINS – KM	thousands	**189,286**	**187,140**	**1.1**
TOTAL PASSENGER TRAFFIC				
TOTAL PASSENGERS – KM	millions	**43,349**	**44,404**	**(2.4)**
TOTAL TRAINS – KM	thousands	**267,383**	**267,196**	**0.1**

(1) Including the traffic of Cisalpino A.G. for 2009 only

In an economic context which is still uncertain in relation to the recovery in production, the FS Group's cargo traffic recorded, during 2010, a total volume of just over 20 billion tons*km, with a decrease of 3.5 percentage points compared to the previous year.

This fall was also partly due to the strategic choice to streamline stations and to focus production resources on highest profitability and railway vocation traffic, as well as to develop international traffic.

Cargo traffic data - Drive only		2010	2009	% Change
TONS – KM	millions	**20,527**	**21,263**	**(3.5)**
TRAINS - KM	thousands	**43,200**	**47,379**	**(8.8)**

In detail, the volumes realised by Trenitalia abroad in outsourcing through agreements with other companies decreased by about 4%, while, on the contrary, the business of the subsidiary TX Logistik AG recorded an increase of 25.3%.

Accordingly, production, as expressed in trains*km, also decreased by 8.8%, coming to a level equivalent to 43.2 million trains*km.

The average load remained substantially stable compared to the previous year, corresponding to 475 tons per train against 449 tons in 2009.

The traffic results of the main European Railway Companies

The passenger and cargo railway traffic of the major European Railway Companies was also affected by the weak and limited expansion of the economic activity.

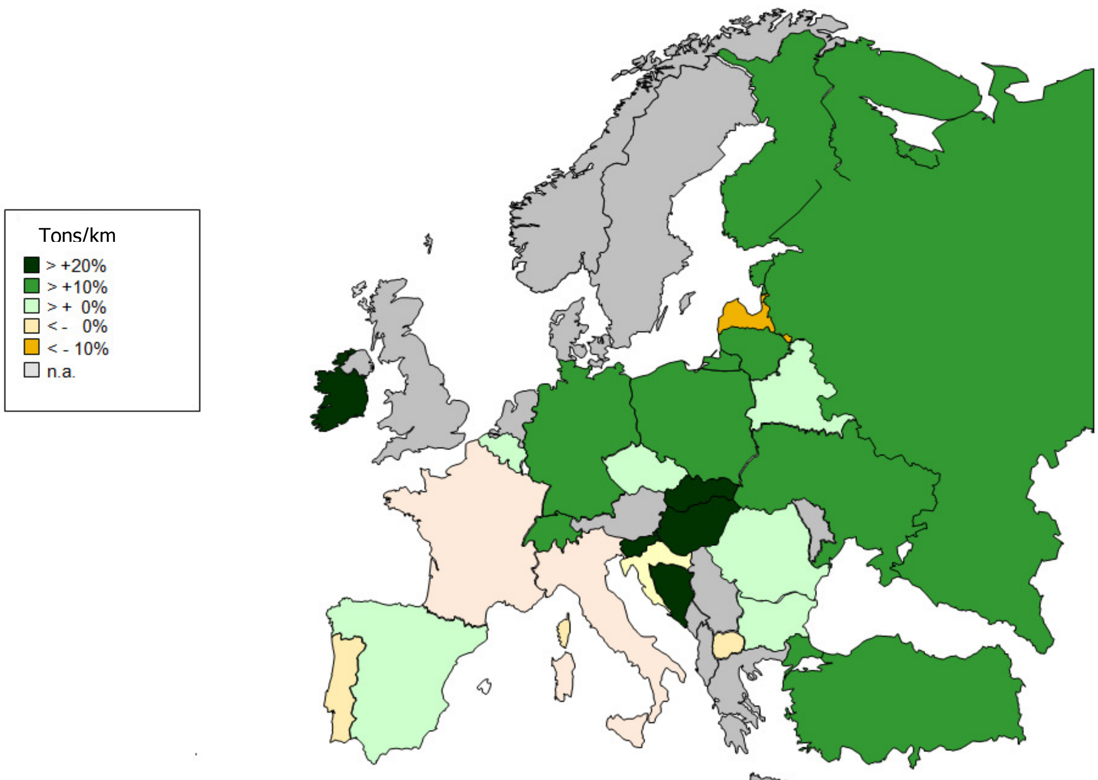
As a whole, the demand for railway mobility in the European Union countries, as well as in Switzerland and Norway, showed a slight fall in passenger transport volumes (-1.1% in terms of passengers*km compared to the previous year), while showing a positive change in cargo transport volumes (+10.9% in terms of tons*km compared to 2009).

In passenger transport, except for the Swiss railway company SBB which confirmed a vigorous trend in demand with a positive change of 4.1% and for the German operator DB AG which recorded a 2.1% increase, the other main relevant railway companies recorded negative changes that fluctuated between 1% and 4%.

The situation was different for the cargo segment, where the strong streamlining actions carried out by the railway companies, which were started in the years of economic crisis, produced positive effects against significant development rates. DB AG (Germany), which is the leading company in the sector in Europe, recorded growth of about 14% focused on exports. SBB (Switzerland) recorded growth of 13.1%, while RENFE (Spain) recorded growth of little more than 6%. In relation to the first nine months of the year, SNCF (France) showed a fall in volumes of about 5%. In relation to the railway companies in Eastern Europe, note the vigorous performance of the volumes realized by PKP (Poland), with a 14.6% increase compared to the previous year.

The picture below reports, by percentage ranges, the trend in the cargo railway traffic in Europe in 2010.

Trend in cargo railway traffic in 2010



source: UIC data – 22 February 2011

The substantial stability in passenger traffic volumes and the slight recovery in cargo traffic volumes show a slow recovery in the European railway market, after the international crisis that affected the entire railway transport sector in Europe, except for the FS Group which was able to confirm, for the third consecutive year and despite the abovementioned crisis, a positive net result continuously rising (exceeding 148% compared to 2009). In Germany DB AG also recorded revenues increasing by more than 10%, EBITDA increasing by 5.7% and a net result increasing by about 27% compared to 2009. In France SNCF, after the negative result recorded in 2009, increased its total turnover, up by about 22% compared to 2009, as well as EBITDA by more than 28%, recording a positive net result, compared to the losses recognized in 2009.

Trend in passenger and cargo traffic in the main European railway companies

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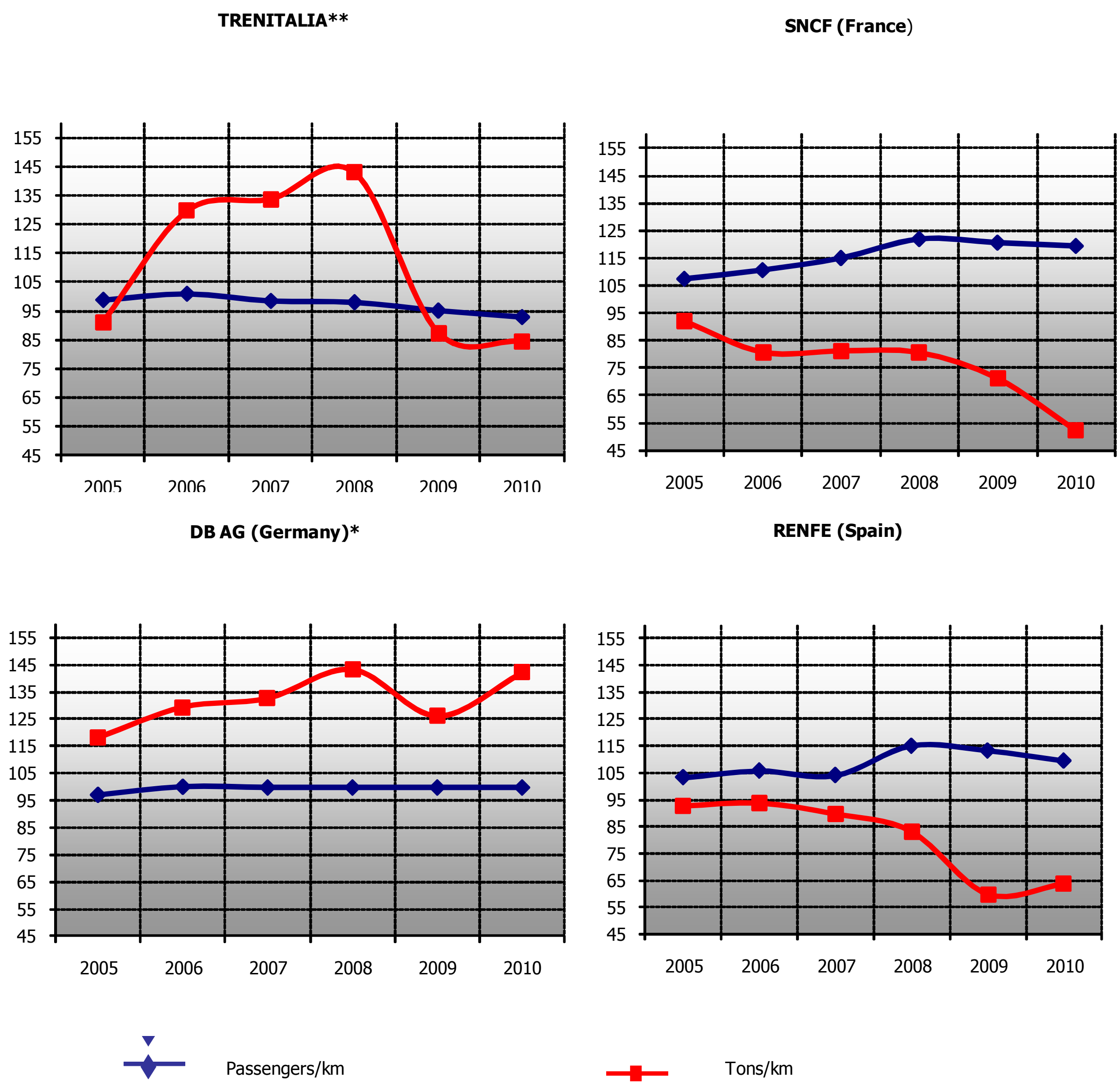


* The tons/km of DBAG also include from 2005 traffic volumes of Railion NL, Ralion DK and from 2006 Ralion Italia

**the tons/km of Trenitalia also include from 2006 traffic volumes of the subsidiaries and interdivision/intergroup traffic volumes

THE GROUP'S INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION

Main operating data	2010	2009	Delta	%
Length of the railway network (km)	16,704	16,627	77	0.5%
Trains-km - medium/long-distance passengers (thousands) (*)	78,097	80,056	(1,959)	(2.4%)
Trains-km - regional transport passengers (thousands)	189,286	187,140	2,146	1.1%
Passengers/km - rail transport (millions) (*)	43,349	44,404	(1,055)	(2.4%)
Passengers/km - road transport (millions)	1,700	1,716	(16)	(0.9%)
Tons/km (millions) (1)	20,527	21,263	(736)	(3.5%)
Traffic unit/Trains-KM (unit)	211	214	(3)	(1.4%)
Traffic unit/KM of line (millions)	3.82	3.95	(0.13)	(3.2%)
Employees (2)	80,153	84,962	(4,809)	(5.7%)

(*) This item includes the traffic of Cisalpino AG for 2009 only
(1) Data referred to railway transport - Drive only
(2) Number at the end of the period (companies consolidated on a line-by-line basis, including the Parent Company)

Below is reported and commented the Group's Reclassified Consolidated Income Statement**.**

Reclassified consolidated income statement

€/mil.

	2010	2009	Differences	% Change
OPERATING REVENUES	**8,064**	**7,982**	**82**	**1.0%**
Revenues from sales and services	**7,288**	**6,993**	**295**	**4.2%**
Revenues from transport services	6,152	6,000	152	2.5%
Revenues from Infrastructure Services	1,038	899	139	15.5%
Other revenues from services	98	94	4	4.3%
Other income	**776**	**989**	**(213)**	**(21.5%)**
Operating costs	**(6,404)**	**(6,532)**	**128**	**(2.0%)**
Personnel costs	(4,325)	(4,560)	235	5.2%
Other net costs	(2,079)	(1,972)	(107)	(5.4%)
EBITDA	**1,660**	**1,450**	**210**	**14.5%**
Amortisation and depreciation	(989)	(862)	(127)	(14.7%)
Write-downs, impairment losses and provisions for risks and charges	(163)	(153)	(10)	(6.5%)
EBIT	**508**	**435**	**73**	**16.8%**
Finance income and costs	(263)	(251)	(12)	(4.8%)
PRE-TAX RESULT	**245**	**184**	**61**	**33.2%**
Income taxes	(116)	(130)	14	10.8%
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**129**	**54**	**75**	**138.9%**
PROFIT FOR THE YEAR FROM ASSETS HELD FOR SALE, NET OF TAX EFFECTS	0	0	0	0%
NET PROFIT FOR THE YEAR	**129**	**54**	**75**	**138.9%**
NET PROFIT ATTRIBUTABLE TO THE GROUP	118	37	81	>200%
NET PROFIT ATTRIBUTABLE TO MINORITY INTERESTS	11	17	(6)	(35.3%)

The Ferrovie dello Stato Group closed the 2010 financial year with a **positive net result** of Euro 129 million (of which Euro 118 million realised by the Group and Euro 11 million realised by minority interests), with a significant increase, equal to Euro 75 million, compared to the profit reported in the previous financial year.

During 2010, the Group continued to strengthen its economic stability, recording an excellent performance at EBITDA level, which exceeded, for the first time, Euro 1.6 billion, also thanks to the major resources made available for infrastructure services (Euro +139 million of which Euro 126 million for operating grants) and to the sharp overall growth in revenues from passenger traffic, which was partially due also to tariff increases.

In fact **EBITDA** came to a positive value of Euro 1,660 million, also due to the significant decrease of Euro 128 million in operating costs (a 2% decrease compared to 2009), thus confirming the positive trend in the recovery of efficiency in the use of production factors and of the consequent reduction in the costs themselves that started in the last quarter of 2006. Under **operating revenues**, which exceeded the threshold of Euro 8 billion for the first time in the history of the Group, **revenues from sales and services** came to Euro 7,288 million, of which Euro 6,152 million related to revenues from transport services, while the residual part related to revenues from infrastructure services (Euro 1,038 million) and to other revenues (Euro 98 million).

In detail, **revenues from transport services** recorded an increase of Euro 152 million (+2.5%), which was connected to the growth in both market revenues (Euro +76 million) and revenues from a public service contract with the Regional Governments and with the Government (Euro +76 million).

The increase in revenues from transport services was in turn generated by:

- an increase in **market revenues,** which was mainly attributable to the sector of **medium and long distance**, where Trenitalia recorded growth of about Euro 151 million, thanks to tariff increases and to the expansion of the High Speed segment offer (about Euro 67 million), which was offset by a reduction of about Euro 64 million in the international traffic produced by Cisalpino (which ceased its activity in 2009); as regards **regional transport**, note the performance di Trenitalia Le Nord which, following the transfer by Trenitalia of the business conducted in the Lombardy region, recorded a net increase of about Euro 56 million: this increase was partially offset by the reduction recorded by Tevere TPL (Euro -52 million) that ceased its activities in 2010. The growth in revenues from medium- and long- distance rail transport was mainly attributable to the "Market Services" segment that benefitted from the larger offer relating to the Turin-Milan-Naples-Salerno line, while the components of the "contributed Universal Service" showed reduced revenues as a result of the streamlining of the offer carried out by the customer; finally, in the "non-Market and not-contributed Services" segment, the substantial stability of revenues derived from the reorganization of the international offer, which was driven by the cancellation of low-income services, and from the streamlining of some products with an unfavourable average load and negative margins;
- a slight increase (Euro +13 million) in **revenues from cargo traffic**, arising from the combined effect of the reduction in revenues mainly recorded by Trenitalia, and the growth recorded, above all in the international business, by Cemat and by the TX Logistik group, which reflects the choice to streamline and focus resources on the most profitable lines and on the development of international traffic.

Revenues from public service contracts increased by Euro 76 million as a result of:

- higher revenues with the Regional Governments for Euro 63.5 million, mainly arising from adjustments to fees (Euro +61.2 million) entered into between Trenitalia and the Ordinary Regions (*Regioni a Statuto Ordinario*) and, to a lower extent, from increases recorded by Sita (Euro +2.3 million);
- higher revenues from a public service contract with the Government for Euro 12.1 million, arising from changes in the services whose fees were covered by the provisions set aside by the 2010 finance act, the additional amounts made available by the MIT for the Medium and Long Distance Universal Service, the services of Special Regions (*Regioni a Statuto Speciale*) and the Universal Service in the Cargo sector.

Revenues from infrastructure services increased by Euro 139 million, thanks to the higher fees paid out according to the provisions laid down in the 2010 Finance Act, no. 191 "Provisions for the preparation of the national annual and multi-year budget" (*Disposizioni per la formazione del bilancio annuale e pluriennale dello Stato)* and in the Budget Law no. 192 connected thereto (which were issued on 23 December 2009).

Finally, note the sharp reduction in **other income** (Euro -213 million), which was mostly related to lower fees relating to previous years and connected with the 2007 Finance Act, lower income compared to that recorded in 2009 following the release of some provisions for risks and charges and finally to the capital gain on disposals arising from the transfer of a property located in Venice recorded in 2009, an event that was not repeated in 2010.

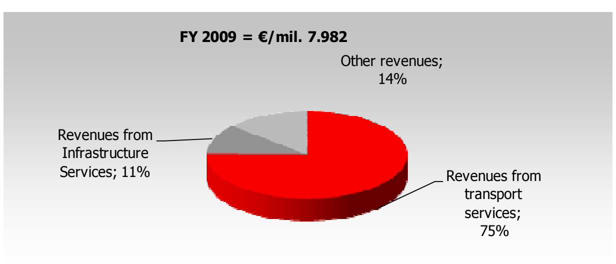
Operating costs, net of the adjustment due to capitalisations, showed the significant reduction of Euro 128 million, as a result of the continuation of the rationalization of the same and arising from the following factors:

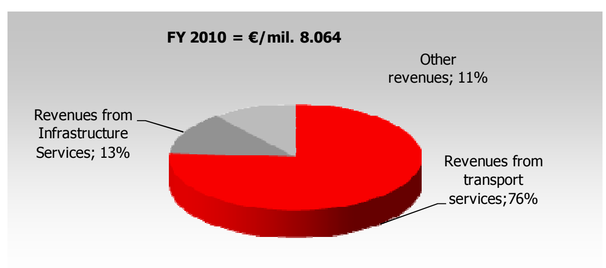
- the decrease of Euro 235 million in **labour costs**, as a result of a reduction of 4,856 units in the staff number arising from the continuous and gradual improvement of efficiency of all the various business processes, despite an increase in unit salaries linked to the dynamics of contractual renewals and to the automatic increases envisaged in the contracts themselves;
- an increase of Euro 107 million in **other net costs**, which was mainly due to lower capitalisations (Euro -111 million).

EBIT confirmed, for the third year, the positive trend which was already recorded in the 2008 financial year, coming to Euro 508 million (with an improvement of Euro 73 million compared to 2009), despite higher **net amortisation and depreciation** (Euro +127 million), in addition to higher **write-downs, impairment lossesand provisions for risks and charges** (Euro +10 million).

The higher **amortization and depreciation** specifically related to the entry into service of new assets envisaged in the investment plan, to the capitalisation of second-level maintenance works carried out on the rolling stock during 2010 and, finally, to the fact that the charges referred to the High Speed/High Capacity railway sections Bologna-Florence, Turin-Novara and Rome-Naples, which were completed during the 2009 financial year, were fully charged to 2010.

The **net result**, which recorded sharp growth also in 2010, was finally affected by the **balance of the financial management**, which was negative by Euro 263 million and which showed a slight increase of Euro 12 million compared to the previous financial year, essentially due to the dynamics of average interest rates.





Reclassified consolidated balance sheet

in €/mil.

	31.12.2010	31.12.2009	Changes
ASSETS			
Net current operating assets	1.162	961	201
Other net assets	(60)	877	(937)
Current assets	**1.102**	**1.838**	**(736)**
Net fixed assets	**49.516**	**48.550**	**966**
Other provisions	(4.044)	(4.394)	350
Net Assets Held for Sale	**18**	**32**	**(14)**
TOTAL NET INVESTED CAPITAL	**46.592**	**46.026**	**566**
COVERAGE			
Short-term net financial position	201	(473)	674
Medium/long-term net financial position	9.871	10.127	(256)
Net financial position	**10.072**	**9.654**	**418**
Net worth	**36.520**	**36.372**	**148**
TOTAL COVERAGE	**46.592**	**46.026**	**566**

In 2010 **Net invested capital,** equal to Euro 46,592 million, increased by Euro 566 million as a result of the growth in **Net fixed assets** (Euro +966 million) and of the use of **Other provisions** (Euro +350 million), which were offset by the reduction in **Current assets** (Euro -736 million) and in **Net assets held for sale** (Euro -15 million).

Net current operating assets, which came to Euro 1,162 million, recorded an increase of Euro 201 million essentially attributable to:

- higher receivables relating to the Service Contract of the MEF (Euro 122 million) relating to transport services in 2010 and 2009; these increases were partially offset by a reduction in receivables from Regional Governments (Euro 40 million) that gradually cancelled some delays in payments in early 2010;
- lower trade payables (Euro 153 million) that were partially offset by lower current trade receivables (Euro 66 million).

On the contrary, **Other net assets** recorded a decrease of Euro 937 million that mainly arose from the combined effect of:

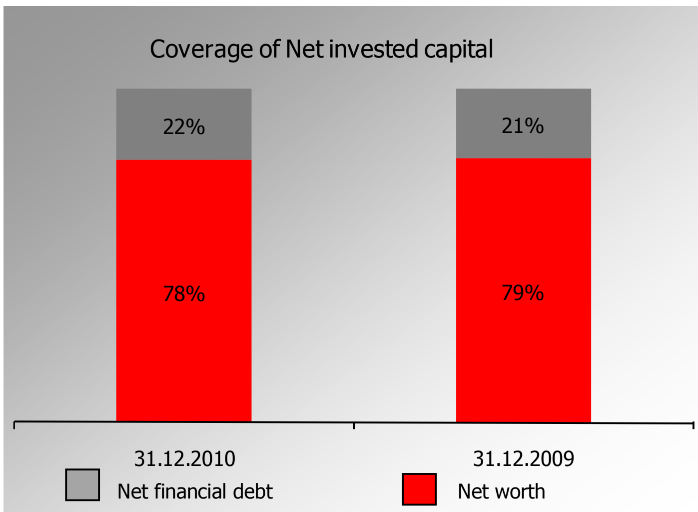
- higher receivables from the MEF entered for the Programme Contract for the period (Euro 206 million);
- an increase in other payables (Euro 79 million) that were almost fully referable to the recognition of the debt for the exercise of the call option relating to the residual stake held in the TX Logistik group;
- an increase in deferred income (Euro 103 million) that was mainly correlated to the recognition of the early collection from the MEF of loans relating to the rolling stock;
- a decrease in VAT credits (Euro 838 million) mainly as a result of the refund by the Tax Office in August.

The increase of Euro 966 million in **Net fixed assets** was specifically attributable to increased investments for the period, equal to Euro 4,143 million, which were partially offset by set-up grants of Euro 1,852 million, amortisation and depreciation of Euro 990 million for the year and disposals of Euro 215 million.

The **Net financial position** came to a negative value of Euro 10,072 million, with an increase of Euro 418 million compared to 31 December 2009. This change was mainly correlated to:

- a decrease in the balance of the treasury current account (Euro 390 million) that includes the payments made by the MEF in the year in relation to the Programme Contract and the payments for other grants disbursed by the European Commission that were absorbed during the year for the operating needs of the Group, mainly (or exclusively) those of RFI SpA;
- lower bank and postal deposits in 2010 (Euro 135 million);
- a decrease in loans from banks (Euro 115 million) due to the repayments of capital quotas.

Net worth passed from Euro 36,372 million to Euro 36,520 million, mainly as a result of the profit for the year (Euro 129 million) and of the positive change of about Euro 12 million in the translation reserve.



STATEMENT OF RECONCILIATION
as at 31.12.2010 and as at 31.12.2009
between the separate financial statements of Ferrovie dello Stato S.p.A. and the consolidated financial statements
in relation to the profit for the year and the shareholders' equity

	31 December 2010		31 December 2009	
	Equity	Profit for the year	Equity	Profit for the year
Financial statements of Ferrovie dello Stato S.p.A.	36,062	21	36,041	76
Profits (losses) from investee companies consolidated after the acquisition, net of dividends and write-downs:				
- Share of profits(losses) attributable to the Group for the year and for previous years and other reserves	(118)	176	(206)	69
- derecognition of write-down of equity investments	178	42	149	2
- reversal of dividends	(5)	(40)	(5)	(39)
	55	**177**	**(62)**	**32**
Other consolidation adjustments:				
- investments in unconsolidated subsidiaries and associatas valued at equity	20	4	3	(1)
- reversal of intergroup profits	(316)	(31)	(285)	(24)
- amortisation of consolidation differences	(52)	0	(52)	0
- reversal of taxes from consolidated tax base	232	(52)	285	(26)
- others	27	0	27	(20)
Total	**(88)**	**(79)**	**(22)**	**(71)**
- Reserve for translation differences	17		5	
EQUITY ATTRIBUTABLE TO THE GROUP	**36,046**	**119**	**35,962**	**36**
- Equity attributable to minority interests (excluding profit/loss)	120		119	
- Profit attributable to minority interests	11	11	17	17
MINORITY INTERESTS	**131**	**11**	**136**	**17**
TOTAL CONSOLIDATED EQUITY	**36,177**	**129**	**36,098**	**53**

RISK FACTORS

Given that no particular risks and uncertainties were expected as at the reporting date of this report on operations, which could have caused significant effects on the Company's and the Group's economic, financial and equity position, in addition to those mentioned in the notes to the financial statements to which reference is made, the management of financial risks (credit, liquidity, market, foreign exchange and interest rate risks) is directly dealt with in note 5 to the consolidated financial statements and note 5 to the separate financial statements.

As regards any other risk factors (business and operational risks), below is the summary description of their related nature, together with the activities put in hand for their monitoring.

Business risks

The Passenger Transport is conditional on consumption levels, employment levels and the overall development of the main economic factors. The competition in the means of transport is a decisive factor to be successful in the railway transport market; the complete start of the High Speed lines, which took place at the end of the previous financial year, allowed the railway sector in question to start competition with the other means of transport (airplane-car), above all through the reduction in travel times, the comfort of the journey and the arrival to the urban centres of major cities. In this market segment the successful crucial factor will increasingly be the maintenance of and improvement in the quality of the service offered and of the rapid adaptation to the trend in market demand. For this reason the Group has taken important actions that will allow it to respond to the expectations of its customers, including: the start of the renewal of the fleet starting from 2013, the expansion of the High Speed offer, the new Frecciarossa services (WiFi, multi-media services, etc.) and the new sales platform via Web. Starting from 2012 the "market" sector will be also affected by the changes in market equilibriums following the entry of new private operators that will operate on the most profitable component of the market itself to the detriment of the current shares held by the Group.

In the Regional Transport sector the new service contracts with Regional Governments, with a term of 6 years, plus 6 years, allow the Group to plan, on the basis of certain resources, production programmes and investments (if any) in new rolling stock. It is absolutely evident that the financial intervention of the customer of regional services may allow in itself a substantial increase in the service by expanding the offer where at present there are the major criticalities for overcrowding of trains, in particular in the peak hours in the large urban junctions. Furthermore, it should be noted that the Regional Governments have the possibility to resort to public tenders for the provision of services on areas referred to the entire Region or for significant lots.

Furthermore, as regards Regional Transport, the Group must carefully monitor the situation that was created in the course of the last months of 2010 as a result of the approval of the Stability Law under which the funds that shall be transferred by the Government to the Regions for financing rail transport have been significantly reduced in a first phase and then partially replenished only through subsequent measures, with a visible applicability solely to the 2011 financial year and for the subsequent years at planning level only, on the basis of the Agreement entered into between the Government and Regional Governments on 16 December 2010. The Group has signed contracts with the Italian Regional Governments which do not depend from the procedures through which the Regional Governments themselves may find the necessary sources of financing; nevertheless, the uncertainty that dominates the entire sector is such as to induce the Regional Governments to possibly reduce the offer permitted by the contracts themselves. As a result, if the commitments undertaken by the Regional Governments should no longer be enforced, a situation which is to date unforeseen and unexpected, a damage may also be caused to the immediate economic equilibrium of the company. In fact, these processes, even if included within the Group's capacity to adapt, are in clear conflict with the mobility needs expressed by local areas on one hand, and on the other with a planning criterion, even if minimum, which is imposed by the railway sector in relation to the time required for the implementation of any investment plans which could accompany the offer development.

The business risks linked to the market are particularly evident in the Cargo transport and Logistics sector, where there is an absolute need for a restructuring of the organization and of the processes which started some time ago, as well as a severe fall in the market.

Operational risks

The Group operates in the railway transport sector with the help of complex production and control systems. The major operational risks may arise from criticalities relating to the failure to comply with the contractual functional specifications of new rolling stock being delivered by the manufacturers. The Group constantly monitors the different issues reported on important job orders that have generated disputes, but above all operational difficulties and heavy disservices in some rare cases. In this regard, particularly severe actions have been taken against suppliers and in some cases the Group has used completely different procedures for the entry into service of rolling stock, providing for a full involvement of the manufacturer for long trial periods, without taking delivery of the rolling stock.

An additional risk may arise from the management of cleaning service contracts that could have an impact on the quality of the service rendered by the group company that has subcontracted out the service therof.

In order to mitigate this risk, stringent operating procedures are in place to give the local units the possibility to immediately and independently intervene with the due corrective measures.

Risk monitoring

During the year activities continued to monitor risks, also through the intervention of the Parent Company's and corporate internal audit units, which affected the main operating and supporting macro-processes of the Group companies. This has allowed risks to be constantly and carefully assessed by internal control functions.

From the audits carried out it emerges that the internal control system of the FS Group companies is substantially adequate in supporting the respective governances.

Given the business size and complexity of the Group companies, the assessment carried out by the internal control system may not disregard a larger framework, which is composed of the elements emerged following any audits, as well as of the risk assessment activity and of any and all control activities considered in their widest meaning.

The main levers of the internal control system include the deep organizational culture of the management, the training and enhancement of human resources, the sensitivity towards safety and environmental issues, the circulation of the IT systems in support of operating processes, communication.

INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION OF FERROVIE DELLO STATO SpA

Reclassified income statement

(amounts in €/mil.)

	31.12.2010	31.12.2009	Changes	% Changes
Operating revenues	**153**	**188**	**(35)**	**(18.6)%**
- Revenues from sales and services	149	176	(27)	(15.3)%
- Other revenues	4	12	(8)	(66.7)%
Operating costs	**(161)**	**(177)**	**16**	**(9.0)%**
EBITDA	**(8)**	**11**	**(19)**	**n.a.**
Amortisation and depreciation	(20)	(19)	(1)	5.3%
Write-downs and impairment losses and provisions for other risks	(6)	(18)	12	(66.7)%
EBIT	**(34)**	**(26)**	**(8)**	**30.8%**
Finance income and costs	(26)	40	(66)	n.a.
PRE-TAX RESULT	**(60)**	**14**	**(74)**	**n.a.**
Income taxes	81	61	(20)	(32.8)%
NET PROTI FOR THE YEAR	**21**	**75**	**(54)**	**(72.0)%**

The **net profit** for the 2010 financial year came to a positive value of Euro 21 million, compared to that of the previous year which closed with a profit of Euro 75 million.

The 2010 net result was specifically affected by the reduction in the balance of the financial management.

At **EBITDA** level, note a decrease of Euro 19 million, with a margin that passed from a positive value of Euro 11 million to a negative value of Euro 8 million as a result of the decrease of Euro 35 million in operating revenues, which was offset by a decrease of Euro 16 million in operating costs.

Operating revenues came to Euro 153 million (Euro 188 million in 2009) and mainly related to the sales of properties and land held for trading, as well as to the leases of properties and to the chargebacks to the Group companies for the provision of services and for the rental for the use of the brand.

Operating costs, which amounted to Euro 161 million (Euro 177 million in 2009), mainly included costs for services partially charged back to the Group companies, personnel costs and changes in inventories of properties and land held for trading.

EBIT came to a negative value of Euro 34 million compared to the negative value of Euro 26 million in 2009. The change in this result was significantly affected by lower provisions for risks and charges (Euro 12 million) and higher amortization and depreciation (Euro 1 million).

The **balance of finance income and costs** passed from a positive value of Euro 40 million to a negative value of Euro 26 million, due to the combined effect of the following main elements:

- the provision for losses estimated for extraordinary transactions relating to the equity investments Sogin/Sita (Euro 31 million);
- the decrease in income from equity investments (Euro 14 million);
- the net decrease in interest income for medium- and long-term loans granted to subsidiaries (Euro 35 million);
- the decrease in interest income for short-term loans granted to subsidiaries (Euro 22 million);

- lower charges for interest on debenture loans subscribed by Eurofima (Euro 43 million);
- lower charges for interest on medium- and long-term loans granted by banks and by other lenders (Euro 21 million);
- the negative net effect of foreign exchange gains and losses (Euro 29 million) for adjustments to payables for subscribed capital to be paid out to the investee company Eurofima.

Income taxes showed a positive value in both financial years; this was essentially attributable to the release of the Provision for taxes from the consolidated IRES (*Imposta sul Reddito delle Società*, Corporate Income Tax) tax base (Euro 81 million in 2010 and Euro 65 million in 2009).

Reclassified balance sheet

(amounts in €/mil.)

	31.12.2010	31.12.2009	Changes
Net current operating assets	419	453	(34)
Other net assets	(220)	(221)	1
Current assets	**199**	**232**	**(33)**
Net fixed assets	36,428	36,178	250
Other provisions	(540)	(563)	23
Net Assets/(Liabilities) held for sale	0	30	(30)
Net Invested Capital	**36,087**	**35,877**	**210**
Short-term net financial position	(352)	(541)	189
Medium/long-term net financial position	377	377	0
Net financial position	**25**	**(164)**	**189**
Net worth	**36,062**	**36,041**	**21**
Total Coverage	**36,087**	**35,877**	**210**

Net invested capital passed from Euro 35,877 million at 31 December 2009 to Euro 36,087 million at 31 December 2010.

Current assets passed from Euro 232 million at 31 December 2009 to Euro 199 million at 31 December 2010, with a reduction of Euro 33 million, arising from the combined effect of:

- the decrease in Net current operating assets (Euro 34 million), due to the reduction in inventories of properties and land held for trading (Euro 23 million), the decrease in trade receivables and payables (Euro 18 million) and the increase in trade payables (Euro 7 million);
- the decrease in Other net assets (Euro 1 million), mainly arising from the joint effect of:
  - the positive change in the balance of the VAT management (Euro 42 million);
  - the reduction in other receivables (Euro 18 million), mainly due to the reduction in receivables from subsidiaries for consolidated IRES tax base;
  - the increase in other payables to third parties (Euro 25 million) mainly attributable to the adjustment to the exchange rate of currency payables.

Net fixed assets came to Euro 36,428 million against Euro 36,178 million at 31 December 2009; the increase (Euro 250 million) was essentially due to:

- the increase in net intangible assets (Euro 3 million);
- the decrease in net property, plant and equipment (Euro 9 million);
- the increase in equity investments (Euro 256 million) following the capital increase of the subsidiary Rete Ferroviaria Italiana SpA (Euro 250 million) and to the capital increase of FS Sistemi Urbani Srl (Euro 6 million) following the definition of the contribution of the Leopolda station in Florence.

The decrease in Other provisions (Euro 23 million) mainly reflected the reduction recorded in the year in the Provision for taxes from consolidated IRES tax base and in the Provisions for deferred IRES and IRAP (*Imposta Regionale sulle Attività Produttive*, Regional Tax on Production Activities) tax liabilities (totalling Euro 48 million) and the increase in the Provision for risks on equity investments for the extraordinary transaction concerning the companies Sogin/Sita and the merger of Sap S.r.l (Euro 25 million).

As regards the coverage, note a **Net financial position** that passed from less than Euro 164 million at 31 December 2009 to Euro 25 million at 31 December 2010, with a decrease of Euro 189 million in indebtedness, due to the Short-term net financial position, which passed from Euro 541 million at 31 December 2009 to Euro 352 million at 31 December 2010, with a decrease equal to Euro 189 million, which reflected the following changes:

- a decrease in short-term financial receivables (Euro 273 million) following the increase in cash on bank and postal deposits (Euro 25 million) and the reduction in the uses of short-term liquidity (Euro 136 million) and of loans granted to subsidiaries (Euro 162 million);
- the decrease in receivables from the subsidiary Trenitalia SpA for intercompany current accounts (Euro 58 million) and in the payables to the remaining companies for the same current accounts (Euro 267 million);
- the decrease in the Treasury current account (Euro 2 million);
- the increase in the short-term portion (Euro 10 million) of receivables for medium/long-term loans granted to subsidiaries Rete Ferroviaria Italiana SpA, Fercredit SpA and ex TAV SpA, following the reclassification as an increase in the portion from "beyond 12 months" to "within 12 months" and the decrease for repayments received;
- an increase in short-term portions (Euro 9 million) for the reclassification of portions "within 12 months" of medium/long-term payables, net of repayments made, relating to loans from EIB (Euro 3 million) and Cassa Depositi e Prestiti (Euro 5 million) and to the portion of interest of bonded debts (Euro 1 million);
- the decrease in borrowings from subsidiaries for deposit liabilities (Euro 6 million);
- the increase in payables to banks for loans granted in 2010 (Euro 130 million).

The medium-long term net financial position, equal to Euro 377 million, remained unchanged compared to 31 December 2009, recording the following offsetting effects:

- a decrease in receivables for medium/long-term loans granted to the subsidiaries Rete Ferroviaria Italiana SpA, Fercredit SpA and ex TAV SpA, following the reclassification of the portion from "beyond 12 months" to "within 12 months" (Euro 205 million);
- an increase in receivables for medium/long-term loans from Euterpe Finance (Euro 6 million), following the increase for interest accrued in the year;
- a decrease in bank loans for the reclassification of the portion of the loan raised with the EIB from "beyond 12 months" to "within 12 months" (Euro 67 million);
- a decrease in payables to Cassa Depositi e Prestiti for the reclassification from "beyond 12 months" to "within 12 months" (Euro 132 million).

Finally, **Net worth** showed an increase of Euro 21 million due to the recognition of the profit for the year.

RELATIONS WITH RELATED PARTIES

The interrelationships between Ferrovie dello Stato, the Group companies, and between them and any other related parties are maintained according to criteria of material correctness with a view to mutual economic convenience, at arm's length, for the identification of which – if required – they also make use of external professionals.

Intercompany transactions pursue the common objective of creating value for the entire Group. In this regard, it should be pointed out that, in accordance with the Business Plan of the Ferrovie dello Stato Group, a more rational allocation of assets and resources is in progress within the Group itself, in order to concentrate the focus of each company on its core business, to improve enhancement and exploitation of any assets that are not closely correlated to the ordinary operations of the Group companies, entrusting this activity to experts, also through demergers and contributions, as well as to increase intergroup synergies and economies of scale.

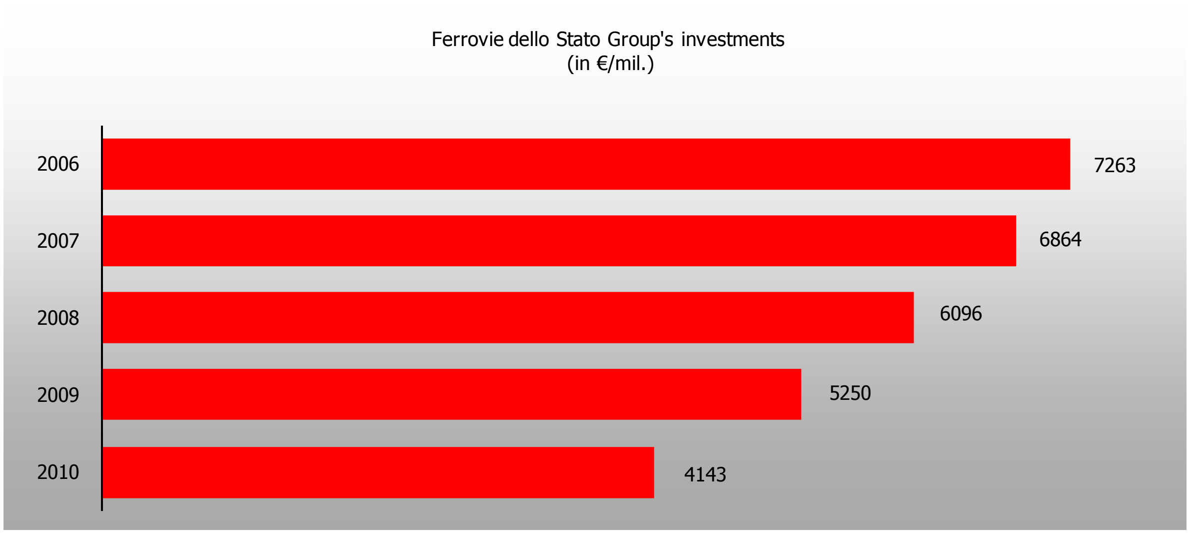
These processes and transactions take place in compliance with the specific regulations governing the sector, statutory and tax regulations, in accordance with the policies set out by the supervising Ministries and taking account of the features and peculiarities of the activities carried out by many Group companies.

Credit and debit relationships maintained with controlling companies and any other affiliated companies during the year and any information on relations with related parties are reported in the notes to the financial statements, to which express reference is made.

INVESTMENTS

2010 represented for the FS Group an important moment of transition from a reorganisation process, which started at the end of 2006, to a phase of consolidation, with the objective of laying foundations for healthy growth and expansion.

The expenditure for total investments made by the Ferrovie dello Stato Group in 2010 (Euro 4,143 million) showed, in continuing the trend of the last two years, a fall (-21.1%) compared to the volume recorded in 2009.



Specifically, with reference to "technical investments", Euro 3,078 million were accounted for actions linked to the infrastructure, of which Euro 2,558 million were for the Traditional Network and Euro 520 million for the High Speed/High Capacity Network (Turin-Milan-Naples); Euro 483 million for transport-related measures and Euro 102 million for other investments.

The breakdown of investments is as follows:

RFI allocated, in relation to the Traditional Network:

- 62% of expenditure to the maintenance of the infrastructure in good working order and to technology, specifically devoting itself to the implementation of investments aimed at raising safety levels and at improving efficiency of the management of the railway traffic;
- 38% of expenditure to the construction of works relating to large infrastructural development projects (modernisation and upgrade of corridors, metropolitan and regional areas).

The main negotiations started in 2010 concerned the start of the activities for awarding the contract relating to the Central Apparatus (ACEI, *Apparato Centrale Elettrico ad Itinerari*, Central Electrical Route-setting Apparatus) in Latina, the construction of the Computerised Central Apparatus (*Apparato Centrale Computerizzato*) of Pavia station, the works for the completion of natural and artificial tunnels of the S. Lorenzo – Andora line, within the Project for the second Genoa – Ventimiglia line, activities for awarding the works for the completion of the second line of the sections Castelplanio - Montecarotto and Spoleto - Campello within the project for the upgrade of the Orte – Falconara Line.

Furthermore, works were started on the following projects:

- Safety and Telecommunication Systems for the Gozzano Bypass;
- Computerised Central Apparatus of the Voltri – Brignole Multi-Station;

- New Central Apparatus (ACEI) of Pontremoli and Grondola, within the project for improving efficiency of the Pontremolese Line;
- Bologna Junction, constructions of the Stops in Borgo Panigale Scala and S. Vitale;
- Second Lunghezza – Guidonia line, construction of Civil works.

Furthermore, the main infrastructural works completed in 2010 included the activation of the direct connection to Malpensa airport, of the Bellavista slip road, with the elimination of the change in direction of trains at Taranto station, and of the first phase of the second Catania O. – Catania C.le line, with the entry into operation of the odd track.

The table below reports the volumes of 2010 activations broken down by type of work, as well as the comparative data referred to the two previous years.

		2008	2009	2010
HIGH SPEED/HIGH CAPACITY NETWORK				
New lines	**km**	**202**	**143**	**0**
Naples (Gricignano) - Rome	**km**			
		202	**202**	**202**
Turin - Novara				
Castelfranco - Lavino				
Salone - Rome Prenestina				
TRADITIONAL NETWORK				
New infrastructures	**km**	**80**	**63**	**36**
New lines	km	13	24	36
Second lines	km	67	35	-
Bypasses	km	-	4	-
Upgrading of lines		**502**	**284**	**40**
Electrifications	km	-	-	-
Blocks	km	502	284	40
Safety technology	**km**	**2,891**	**613**	**102**
SCMT	km	965	29	-
SSC	km	1,416	10	-
SCC/CTC	km	309	432	102
ERTMS	km	201	142	-
Station equipment	**no.**	**43**	**32**	**18**
ACEI		33	16	14
ACC		10	16	4
Suppression of level crossings	**no.**	**98**	**73**	**52**
Automation of level crossings	**no.**	**11**	**10**	**2**

As already mentioned, RFI recorded, for the High Speed Network, an investment volume of Euro 520 million. At the end of 2010 the entire High Speed Network project reached a total accounting progress of 88%.

Below are described the main investment activities concerning about 2,300 stations spread over a total area of more than 11 million square metres, owned by the Network Manager and divided into High Speed stations, networks managed by Grandi Stazioni, Centostazioni and Pegasus and the remaining stations managed directly by RFI .

The new High Speed Stations present the following state of progress of works:

- Turin Porta Susa: landfill and quadrupling works reached progress of 77%; furthermore, the contract relating to the Passenger Building was awarded once again (the partial opening is expected in June 2011, while works are expected to be completed at the end of 2011). The completion of tracks for the quadrupling of Porta Susa –Stura is expected by the end of 2012;
- Reggio Emilia: works, which were started in May, proceeded according to schedule; the functional activation of the High Speed station is expected in April 2012; works are expected to be completed in October 2012;
- Bologna Centrale: works reached a state of progress of 54% of the total; the delay recorded as a result of impediments not attributable to the contractor caused the expected dates of activation to be postponed to May 2012 for the High Speed bypass without passenger service and the date of activation of the High Speed Station to December 2012;
- Florence Belfiore: some activities were completed in relation to the preliminary works of lot 1, while other activities are in progress, for the same lot, in relation to the bypass; furthermore, works for lot 2 were started in March. The Station is expected to enter into railway service in 2014, while commercial activities are expected to be completed in 2016;
- Rome Tiburtina: site operations are in progress, on the Pietralata side, to construct the new station hall, while, on the Nomentano side, works have been completed for the demolition of the old passenger building. Works are still in progress for the New Internal Ring Road (*Nuova Circonvallazione Interna*) and the related infrastructures;
- Naples Afragola: the contract for the construction of the new station building, as already described in the 2009 financial statements, was awarded once again to the A.T.I. (*Associazione Temporanea di Imprese*, Temporary Business Combine) that prepared the Executive Project and started site operations in April. The start of the first functional phase with the opening of the passenger service to the public is expected by the end of 2011, while works relating to commercial services are expected to be completed in July 2012;
- Vesuvio Est Station Passenger Building: given the uncertainty regarding the availability of the part of loans to be disbursed by the Campania Region and the recent cut in the funds for the project under 2007-2013 PON (*Programma Operativo Nazionale*, National Operating Programme), the previous planning was substantially reviewed.

For any works on the Stations managed by Grandi Stazioni, the current progress of the investment is about 74% of the overall amount pertaining to RFI, as updated in 2010 on the basis of the new projects envisaged with respect to the Contract of 14 April 2000.

As regards the plants of the Centostazioni network, note that contracts were concluded or works were substantially completed in the year in the Stations of Ancona, Ascoli Piceno, Belluno, Bolzano, Campobasso, Cesena, Chiavari, Chieti, Como, Faenza, Grosseto, L'Aquila, Macerata, Massa, Milan Rogoredo, Monfalcone, Pordenone, Potenza, Ravenna, Villa San Giovanni and Voghera.

Works were started at the Stations of: Arezzo, Biella, Desenzano, Gorizia, Lodi, Macerata, Perugia, Termoli, Vercelli, while works continued at the Stations of Castelfranco Veneto, Domodossola, Foggia, Foligno, Pesaro, Pistoia and Rovigo.

Furthermore, as regards the development of the programme relating to 101 stations in the Pegasus network (small/medium Stations in Southern Italy), which provides for total investments of about Euro 50 million (of which Euro 1.9 million of public grants), about 25% of projects were realized.

As regards the other Stations directly managed by RFI, in 2010 Euro 70.3 million were invested both for projects aimed at safety, information to the public and at bringing the areas with major impact on the public (entrance halls, platforms, shelters, underpasses, stairs, access ramps) into line with the obligations required by law, and in the interchange areas and areas for the access to Passenger Buildings.

Trenitalia accounted for investments of about Euro 483 million, intended to improve quality of the services offered, for the technological upgrading of traffic safety vehicles and the fitting out of equipment and IT systems.

Investments specifically concerned:

- for the "Frecciarossa" product the continuation of activities relating to the update for the commercial High Speed service, in addition to those relating to the implementation of information services on board trains for customers on all "ETR 500" trains (2% of the total);
- for the "Frecciargento" product, the completion of the purchase of ETR 600 "Tilting" trains and the actions for multi-voltage and restyling of the ETR 480 fleet to allow traffic on the new High Speed lines (11% of the total);
- for the "Frecciabianca", "Eurostar" and "Base" products, the continuation of the projects aimed at the restructuring of coaches and locomotives that circulate on traditional lines and connect medium and large sized cities outside the High Speed Network (6% of the total);
- the improvement in the service in the metropolitan transport segment through the introduction of new E464 locomotives, new Vivalto coaches, the restructuring and development of TAF (*Treno Alta Frequentazione*, High Intensity Trains) trains and, in the regional and interregional service segments, the restructuring of low-deck and medium distance coaches (37% of the total);
- the cargo transport sector saw the completion of the deliveries of new "S11" wagons and actions continued for adapting the fleet of wagons to the requirements of the market (1% of the total);
- the fitting out of locomotives with the On-Board Technology System (*Sistema Tecnologico di Bordo*) which integrates all the technologies on the train (SCMT, SSC, GSM-R systems) and the installation of 540 devices (23% of the total) in the year;
- the IT, maintenance and technological upgrading projects relating to the systems for the maintenance of rolling stock and cargo, research and development and safety (20% of the total).

NEW MATERIAL	no. of vehicles
Locomotives	**60**
Regional transport: E464	60
Coaches/wagons	**17**
Regional transport: Vivalto	2
Logistics: wagons (S11)	15
Trains	**1**
National and International transport: ETR 600 Tilting	1

RESTRUCTURED MATERIAL	no. of vehicles
Locomotives	**4**
National and International transport: E404	4
Regional transport: Upgrading of Locomotives	
Logistics: E656	
Coaches/wagons	**94**
National and International transport: ES* City - Night	27
Regional transport: PR - MD - UIC-X	58
Logistics: wagons (S12)	9
Trains	**17**
National and International transport: ETR 480/500 for High Speed lines	2
Regional transport: TAF	15

As regards rolling stock, 60 locomotives, 17 coaches and wagons and 1 new train were put into operation. 4 locomotives, 94 coaches and wagons and 17 trains were brought back into operation after restructuring measures, as reported in the table below:

The other Group companies (Grandi Stazioni, Centostazioni, Sita, Italferr, Ferservizi, FS Logistica, Sistemi Urbani and FS SpA) made total investments of about Euro 102 million, which mainly related to the enhancement and rehabilitation of the Stations and of the real estate assets, road transport and the IT equipment in support of corporate processes.

Financing of investments

The FS Group has succeeded in the difficult task of ensuring – despite lower public resources and in a difficult macroeconomic context, which is the consequence of the financial and economic crisis at international level – significant investments mainly aimed at the development and upgrading of railway infrastructures, at the purchase and revamping of rolling stock, as well as at the rehabilitation of the network of railway stations.

For investments in the infrastructure, the Group continued to implement the projects provided with financial coverage and for which RFI is authorised to undertake commitments, as envisaged in Table A – "Work in Progress" of the 2007-2011 Programme Contract signed between the Infrastructure Manager and the MIT.

The contractual provisions (section 3, paragraph 2) provide for any amendments to the contents of the related Tables to be defined each year, also in consideration of the resources made available by the Finance Act, by any laws related thereto and by other sources. Therefore, on 23 December 2010 RFI and the MIT signed the 2009 update of the Programme Contract, after having adopted the regulations laid down at the time of the approval by the CIPE (*Comitato Interministeriale per la Programmazione Economica*, Interministerial Committee for Economic Planning) in the meeting held on 13 May 2010 and after the favourable opinions of the 9th Committee (Transport, Posts and Telecommunications) of the Chamber of Deputies and of the 8th Committee (Public works, Communications) of the Senate of the Republic which were given in the meetings of 1 and 7 December 2010, respectively.

The main contents of the 2009 update concerned:

- the transposition of the cut in funds, equal to Euro 3,669 million, applied by Law 203/2008 (2009 Finance Act) both on resources available for the current and subsequent years;

- the identification of a new financing procedure based on tranches by construction lots for specific priority projects included in the European TEN – T corridors and envisaged in the programme of strategic infrastructures (L.aw 191/2009 –2010 Finance Act bearing "Provisions for the preparation of the national annual and multi-year budget"). For the purposes of the application of this procedure, on 1 October 2010 Decrees were enacted by the President of the Council of Ministers which identify the projects "High Speed/High Capacity Milan – Genoa Line: Terzo Valico dei Giovi", "Upgrade of the Munich – Verona railway line, Brennero base tunnel" and "High Speed/High Capacity Line Milan Verona Treviglio – Brescia" as priority projects of particular strategic importance that meet the requirements laid down in the abovementioned article 2 of the 2010 Finance Act;
- the approval by the CIPE, within the Programme of strategic infrastructures envisaged in the so-called "legge Obiettivo" (Target Law), of the Preliminary Project of the Parma – La Spezia (Pontremolese) railway line, of the Final Project of the Brennero Tunnel, of the Final Project of the "High Speed/High Capacity Milan-Verona Line, functional lot Treviglio – Brescia" and of the Final Project of erzo Valico dei Giovi (resolutions 19/2009, 71/2009, 81/2009 and 101/2009).

Furthermore, within the Programme of Strategic Infrastructures envisaged by the Target Law (Law 443/2001), it should be noted that:

- in the meeting held on 13 May 2010, the CIPE approved the final project for the upgrade of the Rho-Gallarate railway line, authorising the start of works for the first functional lot relating to the Rho-Parabiago section, providing for a financial coverage of about Euro 382 million;
- in the meeting held on 18 November 2010, the CIPE approved the final project of the La Maddalena exploratory tunnel within the "New Turin-Lyons railway connection"; the preliminary project of the 1st lot Fortezza – Ponte Gardena of the quadrupling of the Verona - Fortezza railway section of the access line to the Brennero Tunnel; the start of works for the construction of the 1st construction lot of the final project of the Brennero Base Tunnel, of the High Speed/High Capacity Milan– Genoa Line, Terzo Valico dei Giovi and of the Milan – Verona Line, Treviglio – Brescia Section.

Trenitalia continued its investment plan aimed at supporting growth in traffic volumes on High Speed lines and metropolitan junctions, as well as at renewing the fleet with the aim of making the fleet of vehicles suitable for specific needs - in particular the needs of medium- and short-distance transport -, by improving comfort, increasing operational efficiency and increasing technical reliability.

During the year the tender was awarded for the supply of 50 new last-generation series "1000" High Speed electric trains. Investments also continued in Regional Transport on the basis of the development program focused on the renewal of the fleet. The program is funded through the execution of fixed-term Service Contracts with Regional Governments on the basis of fees suitable for the real needs of the service requested.

FOCUS on the Programme Contract for the management of the Services (Service Contract and network availability)

During 2010 meetings continued with the competent Ministries for the definition of the Programme Contract, Services Part and for the identification of the necessary financial resources.

Law no. 221 of 13 December 2010, "National Budget for the 2011 financial year and for the 2011-2013 three-year period" (*Bilancio di previsione dello Stato per l'anno finanziario 2011 e per il triennio 2011-2013*) created conditions for the execution of the Programme Contract –Services Part for the 2011-2013 three-year period, as it ensured the sufficient financial resources, including VAT, to be calculated to an extent of 10% of the value of the services under the contract, to cover infrastructure services for the availability of the network at stable and efficient structural conditions.

The financial coverage has been structured as reported below.

As regards 2011, the Law allocated an amount of Euro 975 million (law no. 221/2010 and subsequent decree for division into chapters dated 21 December 2010, chapter 1541 of the MEF), while Euro 292 million were allocated by CIPE resolution no. 64/2010 out of the residual amount of the Infrastructure Fund under item "maintenance works of road and railway networks under the responsibility of the MIT"; this provision allows the maintenance gap to be filled for any projects deferred between 2009 and 2010.

As regards 2012 and 2013, the Law allocated an amount of Euro 1,211 million for each year (law no. 221/2010 and subsequent decree for division into chapters dated 21 December 2010, chapter 1541 of the MEF): this provision allows the requirements in question to be fully covered.

RESEARCH AND DEVELOPMENT ACTIVITY

In 2010 the Group's expenditure volume for research and development investments was equal to Euro 13 million, of which Euro 12 million were charged to RFI.

The main investments concerned activities relating to traffic safety technology for about 62% and to the diagnostics for the control of the efficiency of the network and of the rolling stock for 21%. The decrease compared to the previous year was essentially due to the advanced state of implementation of the SCMT (*Sistema Controllo Marcia del Treno*, Train Movement Control System) and SSC (*Sistema di Supporto alla Condotta* Train Driving Support System) safety technology programmes. Trenitalia continued its activities to develop driving simulators for training the driving staff, Innovative Diagnostics Systems, the Aerodynamics of High Speed profiles and the wheel-track interaction.

As regards RFI, the main actions taken in 2010 concerned the fitting out of the testing area adjacent to the High Speed/High Capacity line (km 91 of the Rome-Naples line) for the detection of emissions of High Speed trains (noise, vibration, electromagnetic fields, etc.), the research into the static interaction Train – Track – Structure aimed at better monitoring any actions induced by the passage of trains on the track and the structure of railway bridges, as well as the study of the influence of crosswinds, as regards the new High Speed lines, on the movement of ETR500 trains with a speed of up to 300 km/h, in order to define the standard type of wind barrier, in collaboration with the University of Genoa and the Politecnico University of Milan.

As regards the technological fitting out of ETR500 trains, two new projects were started:

- the first project for the installation of prototype drive energy meters realised on the basis of the European specifications laid down in the regulations for the sector;
- the second project for the installation of a light diagnostic system that could be largely used on commercial trains, thus improving the exchange of information between the Infrastructure Manager and the transport company, with benefits on the regularity of the traffic and the identification of anomalies in progress.

Furthermore, new researches were conducted in the electricity field which were aimed at verifying how to contrast the formation of ice on the contact conductors through the passage of suitable electric currents.

As regards activities for the periodical monitoring of High Speed lines' infrastructures and systems, trial journeys continued with the experimental train Y1 (for the High Speed/High Capacity completions and certifications) and activities were completed for the fitting out of the diagnostic train Y2 which is by now in the phase of pre-operation.

While pursuing the objective of the periodical monitoring of High Speed/High Capacity lines' infrastructures and systems, activities were completed for the fitting out of the diagnostic train "DIA.MAN.TE" (*DIAgnostica, MANutenzione, Tecnologie*, Diagnostics, Maintenance, Technologies), which will be made available by mid-2011.

OWN SHARES OF THE PARENT COMPANY

As at 31 December 2010, Ferrovie dello Stato SpA did not hold own shares, neither directly, nor through trustee companies or third parties, and, during the 2010 financial year, it did not buy or sell own shares, neither directly, nor through trustee companies or third parties.

OTHER INFORMATION

JUDICIAL INVESTIGATIONS AND PROCEEDINGS (ARBITRATIONS, ANTITRUST PROCEEDINGS AND PROCEEDINGS BEFORE THE PUBLIC CONTRACTS SUPERVISORY AUTHORITY, ADMINISTRATIVE LITIGATION).

In relation to the most significant judicial investigations and proceedings started by some Public Prosecutor's offices against former representatives of the Group companies, including the Parent Company, it is confirmed that, to date, no elements have been reported which could lead one to believe that the companies themselves or the Group are exposed to liabilities or losses, nor elements that are such as to be able to considerably affect their economic, financial and equity position, and, therefore, no provisions were set aside for this purpose in the Consolidated Financial Statements. In the cases when circumstances existed, the involved companies appeared as aggrieved parties to recover damages.

Below are reported the significant judicial investigations and proceedings which are still pending, considering the developments that occurred during 2010:

- in relation to criminal proceeding no. 1988/96 R.G.N.R. (*Registro Generale delle Notizie di Reato*, General Register of Notices of Offence) pending before the Court of Perugia against, among others, a former Managing Director of Ferrovie dello Stato – Società di Trasporti e Servizi per Azioni, no significant developments were reported following the pronouncement of the acquittal judgment on 1 June 2010, because there is no case to answer, or because the case is not envisaged by law as an offence towards all the accused persons;
- as to the tender for outsourcing ICT services, which was held by Ferrovie dello Stato SpA, no developments were reported within criminal proceeding no. 21576/09 R.G.N.R.;
- within criminal proceeding no. 40246/06 R.G.N.R. pending before the Court of Naples in relation to the waste crisis in the Campania region, under which the Court ordered the committal for trial of, among others, the *pro-tempore* Managing Director and of an executive of former Ecolog SpA, no significant developments are reported with respect to the information already provided in the 2009 financial statements;
- as regards criminal proceeding no. 1525/08 R.G.N.R. pending before the Court of Trani for the offences of aggravated manslaughter and serious accidental injuries notified to, among others, the legal representative and to an executive of FS Logistica –Cargo Chemical Business Unit, for the death of five workers (and for the permanent injuries caused to a sixth worker) working at Truck Center sas, which was settled at first instance with a sentence, no developments are known in relation to the appellate proceeding brought following the appeal against the judgment by the accused persons;
- within the criminal proceeding concerning the railway accident that occurred at Viareggio Station on 29 June 2009 – following the derailment of a tank wagon (owned by "GATX", which is not a member of the FS Group) containing LPG that caused a devastating fire with significant consequences in terms of human lives (32 deaths and numerous injured persons), and enormous damages to the assets of both third parties and the Ferrovie Group companies – the Public Prosecutor's Office at the Court of Lucca asked to serve, in December 2010, the notice of investigation (*avviso di garanzia*) and the concurrent request for the pre-trial evidentiary hearing (*incidente probatorio*) (which is aimed at carrying out a survey) on 38 indicted persons, including the employees of "GATX Rail Austria GmbH", "GATX Rail Germania GmbH", "GATX Rail Germania GmbH - Officina Jungenthal Waggon GmbH" and "Cima Riparazioni Spa", as well as executives of RFI, Trenitalia, FS Logistica, and Managing Directors of the aforesaid companies and of Ferrovie dello Stato. The same orders were served on FS, as well as on RFI, Trenitalia and FS Logistica, which are now under investigation, together with "GATX Rail Austria GmbH", "GATX Rail Germania GmbH" and "Cima Riparazioni Spa", pursuant to Legislative Decree no. 231/01 that regulates the administrative liability of legal persons. The indicted natural persons have been

charged with, among others, the offences of homicide, injuries and culpable railway disaster and, in some cases, with breaches of legislative decree no. 81/08 regulating protection of health and safety at work. The involved companies have been charged with the breach of articles 5 ("*Responsibility of the entity*") and 25-*septies* (*"Manslaughter or serious or very serious injuries committed with the breach of the rules on protection of health and safety at work)* of Legislative Decree no. 231/2001 referred to above. At the hearing of 7 March 2011, the Judge in charge of Preliminary Investigations (*Giudice per le Indagini Preliminari*) of the Court of Lucca granted the request for the pre-trial evidentiary hearing, deferred the questions to the appointed experts and adjourned the hearing to 2 November 2011 for the illustration of the results of the experts' reports;

- the Public Prosecutor's Office of Massa started a proceeding against the Managing Director of Trenitalia in order to establish alleged responsibilities arising from the commission of acts contrary to official duties (article 319 of the Italian Code of Criminal Procedure). To date, it is not possible to provide additional valuations given that, because of the failure to serve the notice on all indicted persons, it has not yet been possible to access the papers of the case;
- as regards proceeding no. 4541/2007 R.G.N.R. – 1093/2009 R.G. (*Ruolo Generale*, General Register) - Judge in charge of Preliminary Investigations of the Public Prosecutor's Office at the Court of Novara – started following the fatal accident that occurred on 26 October 2007, at the Centro Intermodale Merci managed by Eurogateway Srl and connected to the Novara Boschetto railway station, the Court of Novara, by judgment issued on 1 October 2010, ruled out the administrative responsibility of Trenitalia – pursuant to Legislative Decree no. 231/2001 and charged this responsibility to the other companies involved in the affair;
- within criminal proceedings no. 20027/99 R.G.N.R. and 18891/99 R.G.N.R. involving RFI and pending before the Court of Bologna for exposure to asbestos at Officine Grandi Riparazioni, it should be noted that there were no changes compared to the information reported in the 2009 financial statements;
- as to the accident that occurred at the site of Firenze Castello on 2 October 2008, the Public Prosecutor's Office of Florence started criminal proceeding no. 18772/2008 that is currently in the phase of preliminary investigations. At the pre-trial hearing held on 9 February 2011, the Judge of the Pre-trial Hearing (*Giudice dell'Udienza Preliminare*) ordered the stay of the proceeding and deferred to the European Court of Justice, by an order, the valuations concerning the fact of bringing a civil action in a criminal proceeding also against the legal persons accused within the proceeding. In relation to this proceeding, RFI is in possession of suitable insurance policies to cover any charges that may arise;
- in relation to criminal proceeding 9592/2008 R.G.N.R. at the Public Prosecutor's Office of Milan within which RFI SpA is under investigation, pursuant to Legislative Decree no. 231/01, concerning an employee of the representative company ATI CLF responsible for the works who was involved in an accident that occurred at the site of Milan Rho Certosa on 6 March 2008, it should be noted that on 24 January 2011 the notice under article 415-*bis* of the Italian Code of Criminal Procedure was served on the appointed defence counsel;
- in relation to the criminal proceeding pending before the Court of Frosinone that was started following an investigation at the Public Prosecutor's Office of Frosinone against a former Director of RFI, as well as against representatives of the General Contractor IRICAV UNO, of Italstrade and Ditta Pegaso, concerning an alleged case of accidental injuries to the detriment of a private individual in relation with the executive phase of the works for the High Speed/High Capacity Rome – Naples line, at the hearing of 22 June 2010 the Court granted the plea to the jurisdiction of the Court of First Instance (*Tribunale Monocratico*) on the issue, which was raised by the defence counsel of Italstrade and ordered to pass the papers on to the Public Prosecutor in order to continue the proceeding before the Justice of Peace. Therefore, the proceeding will be started once again as

the Public Prosecutor shall ask, once again, to set the hearing and to serve a new writ of summons before the Justice of Peace;

- on 8 January 2010 TAV was ordered by the Public Prosecutor's Office of Turin to produce a set of documents with reference to the works carried out on the Turin-Novara sub-section, lots A2 and A3. Specifically, the requested documentation concerns the sub-contracts awarded by the executing Consortium CAVTOMI to two consortium companies, Agognate and Briandrate and, in this framework, the relationship existing between the aforesaid consortium companies and one of the consortium members, Cogefer SpA. For the same case, Italferr received a similar order issued by the same Public Prosecutor's Office. In this regard, it should be noted that on 3 February 2010 the TAV Manager for the Turin-Milan line was heard as a person informed of the facts, and the relevant information was recorded in minutes. By a letter received on 9 August 2010 and addressed to Italferr, TAV, with a copy to RFI, MIT and MEF, to the Prosecutor's Office of the Court of Auditors and to the Public Contracts Supervisory Authority, as well as to FIAT SpA and to Consorzio CAVTOMI, Cogefer contested, in turn, the refusal notified by Italferr and repeated its claims. Within the pending arbitration proceeding TAV-FIAT relating to the Novara-Milan sub-section, the defence counsels of TAV filed, on 29 March 2010, an appropriate "Application for resumption of investigations and the replacement of the court-appointed expert" (*Istanza di rinnovazione delle indagini e di sostituzione del consulente tecnico d'ufficio*), submitting to the Arbitration Board, as grounds for the application itself, the plural and serious anomalies that can be found in the court appointed expert's report – such as the breach of the principle of controverting in a trial – and on the merits of the Final report filed by the Court-Appointed Expert (CTU, *Consulente Tecnico d'Ufficio*) on 19 March 2010, including the fact of having quantified the amount of the bonus that may be acknowledged to the General Contractor for the early completion of the works, without this having been requested by the Arbitration Board, the fact of having committed material errors that can be found in the briefs prepared by the counterparty-appointed expert.
- During the year an investigation was started by the Public Prosecutor's Office of Naples about alleged irregularities committed in the award of some rolling stock maintenance contracts that involve two former executives of Trenitalia for which the related preventive detention measures have already been adopted. The conduct of the executives involved in the investigation had already been subject to control starting from 2006 by the company's audit functions that reported irregularities whose seriousness was such as to require the termination of their employment relationships. The company has provided the Public Prosecutor's Office of Naples and the Criminal Investigation Police boards with all available information for the complete and quick assessment of responsibilities.

Arbitration proceedings

Below are reported the main updates of the arbitration proceedings; for any details, reference is made to the large amount of information already provided in the reports to the financial statements of the previous financial years.

Furthermore, it should be pointed that, as a result of the merger of TAV by incorporation into RFI, starting from 31 December 2010 RFI itself took over, *inter alia*, all procedural relationships, such as the arbitration proceedings in question, which had involved TAV.

Turin – Milan – Naples line

Milan-Bologna section

2010 saw the performance of the court-appointed expert's survey ordered by the Arbitration Board. The deadline for issuing the final award is currently set at 27 December 2011.

Bologna-Florence section

2010 saw the continuation of the survey conducted by the appointed expert which the Board has ordered to supplement. The deadline for issuing the final award is currently set at 31 January 2012.

Novara-Milan sub-section

In 2008 the General Contractor FIAT started two arbitration proceedings concerning the request for acknowledgment of higher charges, as well as of higher time limits for the construction of the High Speed/High Capacity Novara-Milan Sub-section. With reference to the first arbitration proceeding, the Board ordered the resumption of the court-appointed expert's survey and the Court-Appointed Expert, who was initially appointed by the Board, resigned from the position. In relation to the report already filed by the latter, on 28 July 2010 TAV filed a complaint with the Post and Telecommunications Police. The deadline for the issue of the final award is currently set at 30 November 2011.

With reference to the second arbitration proceeding, the Board, by a final award dated 30 December 2010, partially granted the request submitted by FIAT and ordered RFI to pay an amount of Euro 5,835 thousand, in addition to legal interest accrued from the date of the request for arbitration up to the settlement. Valuations are being made as to the appeal.

Rome-Naples section

The Board issued a partial award by which it expressed its opinion on some preliminary issues. The parties reserved the right to file an appeal as to said partial award. The arbitration proceeding continued with the exchange of preliminary briefs and statements of defence as to which the Board reserved the right to decide.
The deadline for the issue of the award is set at 30 June 2011.

For the arbitration proceeding referred to above, it should be noted that, following the specific in-depth analyses carried out for each of them and also considering the opinion of the authoritative legal counsels involved in this litigation, it appears that none of the three requirements applies which the international accounting standards consider to be necessary to set aside provisions in the financial statements (IAS 37: the non-existence of obligations to the General Contractor; lack of probability of the claims being granted; the impossibility of estimating amounts (if any) to be acknowledged).

However, in the unlikely event of RFI being condemned and in consideration of the nature of the claims submitted (a higher price for bypasses, charges and delays for the numerous changes required by the customer), the related outlays would constitute an increase in the value of the investment and therefore they could be capitalized and would not determine the need to set aside an appropriate provision in the financial statements.

Milan-Verona, Verona-Padua and Terzo Valico dei Giovi

Milan-Verona section

On 18 February 2010, by a final award, the Arbitration Board declared that TAV was obliged to pay Consorzio CEPAV DUE the amount of Euro 44,176,787.00, plus additional charges, by way of consideration for the project services under dispute, including the related charges, as well as the amount of Euro 1,115,000, plus additional charges. Given the

provisions under article 12 of Decree Law 112/2008, the award also produced effects against RFI. Both the partial and the final award have been contested.
In January 2011, after long negotiations, RFI and Consorzio Cepav Due reached a substantial agreement on the contractual text and the related Lump-sum Price.

At the same time as the discussion on the Supplementary Deed, there was a discussion on the definition of the allegations of waiver on the part of Consorzio Cepav Due, which were already formalized by a Deed of Commitment dated 20 September 2010 to any claim for damage, either past or future, connected with the possible non- or delayed financing of the entire work or of lots subsequent to the first one, subjecting this waiver to the execution of the Supplementary Deed relating to the construction of the first lot of the section in question.

At present activities are in progress for the execution of the contractual documents, whose effectiveness is expressly conditional on both the delivery by the Consortium of the good and timely performance bond (to be given within 30 days of the execution of the Deed) and the registration by the Court of Auditors and the publication in the Official Gazette of the CIPE Resolution passed during the meeting held on 18 November 2010, which at present has not yet been made.

Terzo Valico dei Giovi/Milan- Genoa

The technical survey is being conducted which was ordered by the Arbitration Board; the related expert’s report is expected to be filed in May 2011. The deadline for the issue of the final award is set at 23 November 2012.
The arbitration proceeding in question is taking place at the same time as the resumption of negotiations between RFI and the Consortium for the definition of the Supplementary Deed of Terzo Valico dei Giovi. The execution of the Supplementary Deed is a condition precedent to the effectiveness of the Deed of Commitment of 7 October 2010 by which COCIV undertook to waive, pursuant to article 2, paragraph 232, of Law no. 191/2009, all claims for damage submitted or to be submitted against TAV and/or RFI and/or their assignees, for any reason or title, that may arise in relation to the Work and to the section.

Verona-Padua section

In 2010 the court-appointed expert’s report was filed which was ordered by the Board. The deadline for the issue of the award is currently set at 29 July 2011 (to be intended to be further postponed to 31 December 2011 in the event of the Arbitration Board taking measures as to the integration and resumption of the court-appointed expert’s survey).
As reported above, with reference to the arbitration proceedings concerning the Milan-Verona Sections and Terzo Valico dei Giovi, the state of the negotiations in progress between RFI and the respective General Contractors for the execution of the Supplementary Deeds anticipates a settlement of the arbitration proceeding.
It is reasonable to expect that, as soon as the State financial resources allow, the Verona-Padua Sub-section will follow the same administrative procedure already set out for the Treviglio-Brescia and Terzo Valico dei Giovi sections, and that in this case the General Contractor, in order to be able to start the construction of the Work, shall waive “any claim for damage” pursuant to article 2, paragraph 232, of Law no. 191/2009, including those that are the object of the pending arbitration proceeding.
Therefore, specific in-depth analyses have been carried out for this dispute as well; taking also account of the opinion of the authoritative legal counsels involved in this litigation, it has been verified that none of the already mentioned three requirements applies which the international accounting standards (IAS 37) consider to be necessary to set aside provisions in the financial statements (IAS 37:

However, in the unlikely event of RFI being condemned and in consideration of the nature of the claims submitted (a higher price for bypasses, charges and delays for the numerous changes required by the customer), the related outlays would constitute an increase in the value of the investment and therefore they could be capitalized and would not determine the need to set aside an appropriate provision in the financial statements.

Proceeding before the Public Contracts Supervisory Authority

By Resolution no. 1 of 13 January 2010, the Council of the Public Contracts Supervisory Authority, following previous resolutions which had already reported criticalities concerning, in particular, the increase in times and costs for the performance of the works, relating to the Rome-Naples and Bologna-Florence sections, and also following the acquisition of the information provided by TAV and RFI within the monitoring activities carried out on the overall High Speed/High Capacity System, also reported the existence of the aforesaid criticalities in relation to the High Speed/High Capacity Milan-Bologna and Turin-Milan Sections and to some projects relating to High Speed/High Capacity Junctions, while, with reference to the so-called "Horizontal Route" (*Asse Orizzontale*) invited RFI and TAV to take account of the commitment undertaken by the Italian Government as to the award of the contract for a 60% share of the civil works and equipment to third parties involved in insolvency procedures.

By a joint letter dated 25 June 2010, RFI and TAV transmitted to the Public Contracts Supervisory Authority their counter-deductions on the aforesaid Resolution no. 1 of 13 January 2010.

Antitrust Proceeding: A436 – Arenaways S.p.A./RFI,FS

On 15 December 2010, the Competition Authority (*Autorità Garante della Concorrenza e del Mercato*, AGCM), following the reports submitted by two consumer associations and by the railway company Arenaways, started a proceeding against FS and RFI, in order to establish the alleged unlawful conduct adopted by the FS Group, through RFI, in order to prevent Arenaways from entering the Italian passenger transport market to the benefit of Trenitalia. Within the proceeding in question, the Antitrust Authority authorised and carried out, on 21 December 2010, an inspection at the registered offices of FS, RFI and TI. The deadline for closing the preliminary investigation phase is set at 31 December 2011. FS and RFI, with two separate appeals submitted to the Lazio TAR, requested to cancel the aforesaid orders issued by AGCM. The companies are waiting for the hearing to be set for the discussion of the merits of the appeal.

Arenaways has also submitted an appeal to the Lazio TAR against the MIT and the Railway Services Regulation Office (*Ufficio Regolazione Servizi Ferroviari*, URSF) and against RFI, Trenitalia, the Piedmont and Lombardy Regional Governments, asking in particular: 1) to cancel the URSF order which, in the application of article 59, paragraph 2, of Law no. 99/09, limited stops, on the tracks requested along the Turin-Milan line, to the two regional capitals; 2) to order URSF to compensate for all damages suffered and being suffered by Arenaways; 3) the deferral to the Court of Justice of the preliminary issue of the conflict between article 59, paragraph 2, of Law no. 99/2009, and articles 102 and 106 of the Treaty on the Functioning of the European Union (TFUE).

Discount pursuant to Ministerial Decree 44T/2000 (so-called "Sconto K2" [Discount K2])

With reference to the appeals filed with the Lazio TAR by the railway companies operating in the cargo sector, against the non-application of the "Discount K2", the Administrative Court ordered the MIT and RFI to fulfil preliminary investigation formalities which were fulfilled by filing the requested documentation.

The hearing for the discussion of the appeal is set at 23 June 2011.

Appeal to the President of the Republic against the Directive issued by the President of the Council of Ministers on 7 July 2009

By an appeal submitted to the President of the Republic and served on 17 November 2009, the railway companies operating in the cargo sector contested the Directive issued by the Presidency of the Council of Ministers on 7 July 2009, which redefined the perimeter of cargo plants and stations, as well as of the plants for the maintenance of rolling stock and provided for the transfer by RFI of some assets to the FS Group Companies.

Specifically, in 2010 the Council of State instituted the proceeding. To date, the Board has not yet pronounced itself through the adoption of the opinion.

MEASURES/TRANSFERS OF PUBLIC RESOURCES PERTAINING TO 2010 FOR THE GROUP

Measures and transfers of public resources pertaining to the 2010 financial year for the Ferrovie dello Stato Group

values in €/mil.

	RFI	Trenitalia	Sita	Cemat	Tevere TPL	Total
Operating grants						
Programme Contract	975					975
Other grants from the State	14	6				20
From local Public bodies	0		18			18
Sundry grants from others				2	4	6
Investment grants						
From the State	2,201					2,201
From local Public bodies	60	13				73
European Union grants	20					20
Total	**3,270**	**19**	**18**	**2**	**4**	**3,313**

LEGISLATIVE DECREE 231/2001

The current Organisational, Management and Control Model defined for the purposes of Legislative Decree no. 231/2001 was updated against subsequent changes in the provisions of law and in the internal organizational structure.

The new documents representing the Organisational Model of the subsidiaries Sita S.p.A. and FS logistica S.p.A. were prepared according to current approaches and approved by the respective Boards of Directors.

The Group companies carried out the necessary audits to assess the operation of and compliance with their own models and the models of the companies controlled by them; these audits allowed a substantial adequacy to be found for the organizational models and for a reassuring management of possible risks of crime.

LEGISLATIVE DECREE 196/2003

As required under Point 19 of Annex B "Technical Specifications on Minimum Safety Measures" (*Disciplinare Tecnico in Materia di Misure Minime di Sicurezza*) attached to Legislative Decree no. 196 of 30 June 2003 "Privacy Code (*Codice in materia di protezione dei dati personali*), Ferrovie dello Stato SpA prepared the Security Policy Statement (*Documento Programmatico sulla Sicurezza*) relating to personal data processed by electronic means, describing:

- the list of treatments of personal data;
- the roles and responsibilities of any departments responsible for data treatment;
- the results of the risk analysis;
- the safety measures adopted;
- the training of staff on the subject;
- the plan of actions.

LAW 262/05

As indicated in the previous Reports on Operations to the financial statements of the Ferrovie dello Stato Group, 2007 saw the introduction of the position referred to in law 262/05 of the "Manager responsible for the preparation of corporate accounting documents" (*Dirigente Preposto alla redazione dei documenti contabili societari*) of Ferrovie dello Stato SpA., on specific instructions of the MEF, in view of the adoption of increasingly advanced Governance systems equivalent to those of listed companies.

The said "Manager responsible for the preparation of corporate accounting documents" defined and implemented, within the Group, the model for the management of compliance with law 262 according to an approach based on relevant international standards (so-called Co.S.O. Framework).

The system conceived provides for the formalisation and the continuous update of appropriate administrative and accounting procedures and the definition of roles and related responsibilities in terms of controls aimed at reducing risks of error in financial reporting.

As at the date of this Report 230 control procedures had been issued.

The effectiveness of the control systems used to monitor risks with a significant impact on economic and financial reporting is checked on an annual basis through a testing activity, based on standard audit methods, which is carried out by a specialist team in support of the said Manager.

In consideration of the complexity and the widespread nature of the Group, in terms of players and processes involved, and for a consolidation and a better efficiency in the application of the rule, the Board of Directors of Ferrovie dello Stato deemed it appropriate to also promote the appointment of "Managers responsible for the preparation of corporate accounting documents" in the main subsidiaries. To date these Managers have been appointed in the following companies: RFI SpA, Trenitalia SpA, Sita SpA, Grandi Stazioni SpA., Centostazioni SpA., FS Logistica SpA.

On an annual basis, the abovementioned Managers will certify, by joint signature with the Managing Directors of companies and on the basis of a Certification model that substantially reflects that envisaged in the Consob regulation in the implementation of law 262:

- the adequacy of administrative and accounting procedures for the preparation of the separate financial statements and the effective application of the same during the relevant period (reporting important aspects that could emerge);
- the compliance by the separate financial statements with the results in the accounting books and records;
- the compliance by the financial statements themselves with the relevant accounting standards and the fact that they are suitable to provide a true and correct representation of the company's equity, economic and financial position.

The Chief Executive Officer and the Parent Company's "Manager responsible for the preparation of corporate accounting documents" issue a similar Certification on the Group's consolidated financial statements and on the separate financial statements of Ferrovie dello Stato.

Finally, to complete the main features of the management model under Law 262, it should be noted that the Parent Company has provided for all subsidiaries, which have not appointed any "Manager responsible for the preparation of corporate accounting documents", to attach to the annual accounting positions an internal Certification (with a content similar to that of the previous abovementioned certifications) signed by the Finance Managers of the entities indicated.

In relation to the 2010 financial year, note the start of the project "Segregation of duties – SOD" in order to analyse possible conflicts in terms of organisational responsibilities on administrative and accounting processes and to review the model of the accesses to the supporting IT systems.

As it can be inferred, the activity carried out so far, starting from the date of appointment of the "Manager responsible for the preparation of corporate accounting documents" of Ferrovie dello Stato SpA, has allowed the internal control system to be strengthened in relation to the financial reporting within the Group, thus creating a virtuous circle of periodical audits on the control operations and a continuous update of rules, and allowing process improvement opportunities to be seized and strongly promoting the control culture within the Group.

INFORMATION CONCERNING THE MAIN GROUP ACTIVITIES

OPERATING SEGMENTS OF THE FERROVIE DELLO STATO SPA GROUP

TRANSPORT SERVICES

Within this macro-sector the Ferrovie dello Stato Group operates through one of its main subsidiaries: Trenitalia S.p.A.

Below are reported the main economic highlights and economic and financial ratios of the company as a whole.

(values in €/mil.)

Main indicators	2010	2009	DELTA	%
Operating revenues	5,707.8	5,759.4	(51.6)	(0.9%)
EBITDA	1,270.4	1,135.6	134.8	11.9%
EBIT	341.9	315.3	26.6	8.4%
Result for the year	73.1	16.4	56.7	345.7%
Net financial position	6,344.0	6,304.1	39.9	0.6%
Net worth	1,657.2	1,529.1	128.1	8.4%
Workforce	39,668	42,174	(2,506)	(5.9%)

Main ratios	2010	2009
ROE	4.69%	2.17%
ROI	4.32%	8.05%
ROS (EBIT MARGIN)	5.99%	5.48%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	22.26%	19.72%
DEBT/EQUITY	3.83	4.12

In 2010 Trenitalia also recorded, as in the last years, a significant increase in the main operating margins (EBITDA + 11.9%; EBIT +8.4%); in fact, despite the persistent strongly critical economic scenario, the company reported a structural consolidation and a clear strengthening of its economic fundamentals, while continuing its action of development of both new and traditional businesses. The net result (Euro 73.1 million) recorded an improvement of Euro 58.1 million.

The company carries out its full operations within the three following operating segments:

- Services to Medium- and Long-Distance Passengers;
- Services to Regional Passenger Transport;
- Cargo Services.

Below are commented on in brief the elements that characterised the 2010 performances achieved by the various business units.

Through the **Medium- and Long-Distance Passengers Transport Operating Segment**, Trenitalia provides mobility services for passengers at national and international level. 2010 was characterised by: a strengthening of the structure of the "Market Services" segment following the completion of the new High Speed network at the end of 2009 (Bologna-Florence section); a reduction in the "Universal Service" component as a result of the process of streamlining the offer implemented; a substantial balance of revenues for "Non-market and Not-Contributed Services". Specifically, the "Market Services" segment reported an increase of +2.9% in transported passengers*km, thanks to the positive response of customers with respect to the increase in the offering, also supported by a price policy outlined on the basis of the different types of service requested by customers.

Therefore, the medium and long distance sector recorded, as a whole, an increase in revenues from traffic exceeding 5%.

The **Regional Passenger Transport Operating Segment** of Trenitalia provides mobility services for passengers at regional level. 2010 saw the renewal of service contracts with Regional Governments. These contracts provide for the definition of fees correlated to services offered according to different drivers, such as hourly prices by category of train, as well as the redefinition of contractual relationships with the contractor cleaning companies. All this allowed the production factors to be better managed, as well as the service level offered to regional transport customers to be improved. The formalization of the service contracts, with a term of 6 years, plus 6 years, entered into with the Regional Governments of Lazio, Basilicata, Liguria, Molise, Puglia, Umbria and Veneto Lot 1, while finally allowing the planning of medium-to-long term resources, also allowed an important plan to be started for the purchase and renewal of rolling stock instrumental to the improvement in the "Regional Passenger Transport" service which is a decisive element of the new contracts.

2010 revenues from traffic in the regional transport sector recorded an increase, compared to 2009, due to the growth mix of traffic volumes (+2.5%) and tariffs (+2.7%).

The **Cargo Transport Operating Segment** of Trenitalia provides cargo mobility services at national and international level. During 2010 the "Cargo Division" continued the restructuring process started in previous years, aimed at interrupting the negative economic performance recorded over time and at improving efficiency of production units and changing the offer network on most profitable services. The business sectors, which follow the relevant product areas, are represented by: "Traditional" business and "Combined" business. In 2010 the traditional business traffic suffered a significant reduction with reference to single wagonload forwarding and groups of wagons, the so-called "multi-customer" traffic, while forwarding through freight trains recorded a slight growth.

In 2010 the international cargo railway traffic data also showed a significant fall in terms of trains*km. The event is due to the higher impact of short/medium distance traffic.

Therefore, in 2010 the "Cargo Division" recorded a fall of 7.5% in revenues compared to the corresponding period in 2009.

The Cargo sector of Trenitalia, while paying constant attention to market dynamics, continued, with a gradual acceleration, the complex process for streamlining its structure that represents one of the main drivers of the restructuring plan of the Division in order to search for the necessary competition on the method.

Another important corporate entity which operates within the **Regional Passenger Transport Operating Segment**, together with the Trenitalia Division the performance of which has just been described, is Trenitalia Le Nord Srl.

Trenitalia Le Nord Srl

(values in €/mil.)

Main indicators	2010	2009	DELTA	%
Operating revenues	438.5	52.4	386.1	N/A
EBITDA	15.2	2.3	12.9	N/A
EBIT	13.2	1.2	12.0	N/A
Result for the year	1.8	(0.1)	1.9	N/A
Net financial position	36.0	(1.3)	37.3	N/A
Net worth	10.5	6.3	4.3	68.1%
Workforce	3,847	3,806	41	1.1%

Main ratios	2010	2009
ROE	24.0%	(3.1%)
ROI	51.4%	49.1%
ROS (EBIT MARGIN)	3.0%	2.3%
EBITDA/OPERATIG REVENUES (EBITDA MARGIN)	3.5%	4.4%
DEBT/EQUITY	3.42	(0.21)

Trenitalia Le Nord is a company that was established by the Implementing Agreement for the strengthening and the improvement of the Regional Railway Service in the Lombardy Region executed between the Lombardy Regional

Government, Ferrovie dello Stato S.p.A., FNM S.p.A. and Trenitalia S.p.A. in 2009 and that mainly operates in the sector of mobility services for passengers within the territory of the Lombardy Region, as well as in different local areas established by the related service contracts. During 2010 the company, despite a weak scenario that characterised the relevant macroeconomic situation, paid particular attention to the performance of revenues from traffic, in addition to those from the service contract, while pursuing, with determined conviction, efficiency in the use of production factors. However, it should be noted that the changes that occurred with respect to the previous year must be read in light of the fact that Trenitalia Le Nord S.r.l. started its operations in mid-November 2009.

Another important corporate entity which operates within the Group's **Cargo Transport Operating Segment**, together with the Trenitalia Division previously commented on, is FS Logistica SpA.

FS Logistica SpA

(values in €/mil.)

Main indicators	2010	2009	DELTA	%
Operating revenues	105.1	112.5	(7.4)	(6.6%)
EBITDA	(5.9)	(1.5)	(4.4)	N/A
EBIT	(10.3)	(5.4)	(4.9)	90.7%
Result for the period	(19.9)	(7.2)	(12.7)	176.4%
Investments	1.9	2.3	(0.4)	(17.4%)
Net financial position	59.4	56.8	2.6	4.6%
Net worth	139.9	159.7	(19.8)	(12.4%)
Workforce	163	149	14	9.4%

Main ratios	2010	2009
ROE	(12.46%)	(8.72%)
ROI	(4.95%)	(4.83%)
ROS (EBIT MARGIN)	(9.80%)	(4.80%)
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	(5.61%)	(1.33%)
DEBT/EQUITY	0.42	0.36

FS Logistica SpA develops its offer in the logistics industry, taking care of their design, production, management and sale. The main operating segments are petrochemicals, steel industry, environment and territory, logistics for the distribution of goods of major institutional clients; finally, it is also present in the sector of national and international combined transport, through its main subsidiaries (Cemat SpA , Italcontainer SpA). During the year the company's relevant market showed strongly differentiated dynamics in the different sectors. In fact, in the property sector FS Logistica continued to aim at the maximisation of its return on its assets, according to a well-established approach aimed at the industrial and commercial enhancement of assets. In the steel industry, the acquisition of a part of the order backlog managed by Sideuropa S.r.l., which was put into voluntary liquidation in the financial year just ended, was accompanied by a significant growth in the margins, demonstrating the efficacy of the logistic model adopted and the tightness of the market. The 2010 net result showed a considerable worsening that was mainly attributable to the negative trends in the demand, to changes in more stringent rules and procedures relating to the railway transport of dangerous goods, in particular for traffic from foreign countries, as well as to the negative results of a subsidiary (Italcontainer) that adversely affected the income statement of FS Logistica by more than Euro 5 million in 2010 only; furthermore, the realised loss and the relative zero-setting of the share capital of Italcontainer gave rise to requirements for the application of the measures laid down in article 2447 of the Italian Civil Code: however, FS Logistica, in redefining its strategic choices, deemed it more appropriate to implement the integration process, to be realized through a merger by incorporation of the same, providing for the establishment of an appropriate Business Unit and the maintenance of the Italcontainer brand by virtue of the value acquired by it over time in the national and international markets, rather than to recapitalize its subsidiary.

RFI – Rete Ferroviaria italiana SpA is the company that substantially operates within the **Infrastructure Services** segment that is another Operating Segment which characterises the group business activities.

(values in €/mil.)

Main indicators	2010	2009	DELTA	%
Operating revenues	2,612.7	2,555.2	57.5	2.3%
EBITDA	267.9	158.7	109.2	68.8%
EBIT	135.1	64.6	70.5	109.1%
Result for the year	91.6	9	82.6	917.8%
Investments	3,078.9	3,708.7	(629.8)	(17.0%)
Net financial position	3,199.2	923.7	2,275.5	246.3%
Net worth	33,520.7	33,153.1	367.6	1.1%
Workforce	30,209	31,595	(1,386)	(4.4%)

Main ratios	2010	2009
ROE	0.28%	0.02%
ROI	0.38%	0.19%
ROS (EBIT MARGIN)	5.17%	2.53%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	10.25%	6.21%
DEBT/EQUITY	0.10	0.03

RFI SpA è is the company responsible for the design, construction, installation, management and maintenance of the national railway infrastructure (Traditional Network and High Speed/High Capacity Network). Its revenues are constituted by tolls paid by the transport companies that use the infrastructure and by the Government grants for covering the costs for the ordinary maintenance of the infrastructure itself . During 2010 the company recorded higher operating grants in relation to the provisions under 2010 Finance Act no. 191, higher revenues from tolls arising from higher traffic volumes relating to the High Speed/High Capacity network against a sharp fall in revenues from operational services. The performance achieved by the company in 2010 was also affected by the extraordinary transactions of the merger of TAV by incorporation and by the partial demerger towards FS Logistica of 5 real estate complexes mainly attributable to types of plants, areas and buildings that were not instrumental to the RFI activities.

The overview of the Group's Operating Segments is completed by the segment related to **Real Estate Services and Other Services**.

Below is reported the performance of the main companies that operate within it.

Grandi Stazioni SpA

The pages below report the values relating to the sub-consolidated financial statements of Grandi Stazioni SpA, which substantially represent the values of the separate financial statements of the Parent Company, in light of the non-significance of the consolidated balance sheet and P&L values of its two subsidiaries, Grandi Stazioni Ingegneria and Grandi Stazioni Ceska Republika, that are included in the scope of consolidation.

(values in €/mil.)

Main indicators	2010	2009	DELTA	%
Operating revenues	195.8	206.3	(10.5)	(5.1%)
EBITDA	49	64.4	(15.4)	(23.9%)
EBIT	35.2	50.9	(15.7)	(30.8%)
Result for the year	19.7	39.5	(19.8)	(50.1%)
Investments	20.3	39.2	(18.9)	(48.2%)
Net financial position	177.9	164.5	13.4	8.1%
Net worth	143.8	136.1	7.7	5.7%
Workforce	261	249	12	4.8%

Main ratios	2010	2009
ROE	15.1%	38.6%
ROI	11.8%	35.7%
ROS (EBIT MARGIN)	18.0%	24.7%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	25.0%	31.2%
DEBT/EQUITY	1.24	1.21

Grandi Stazioni SpA is the service company of the Ferrovie dello Stato Group which is responsible for the rehabilitation and management of the 13 main Italian railway stations. The contract awarded for the station complexes, for a term of 40 years starting from 2000 – and for a term of 30 years for those located in the Czech Republic, in which it operates through its subsidiary Grandi Stazioni Ceska Republika – provides for the combined management and the functional rehabilitation of the real estate complexes of the main stations. During the year, the Grandi Stazioni group confirmed the positive results of the previous financial years and completed important projects. In fact, activities were completed for the rehabilitation and functional adaptation (internal works) of the stations of Milan, Turin, Naples and the works at the Central Prague station. Activities also continued for the rehabilitation of the internal works of the other stations of Verona

Porta Nuova, Bari Centrale, Bologna Centrale, Florence S. Maria Novella, Genoa Brignole, Genoa Principe, Palermo Centrale, Venice Mestre and Venice S. Lucia. Finally, investments continued for the activities of the new video-surveillance system and for the development of the design relating to the Northern Western, Northern Eastern, Central Southern Lots and of the contract concerning Rome Termini. The net Result recorded a considerable decrease, which was mainly due to the absence of capital gains in 2009 (transfer of the property located in Venice and finance income from the capital gain of the transfer of the total stake in the Italia Edicole Network).

Centostazioni SpA

(values in €/mil.)

Main indicators	2010	2009	DELTA	%
Operating revenues	76.6	72.5	4.1	5.7%
EBITDA	19.6	15.5	4.1	26.5%
EBIT	15.6	12.3	3.3	26.8%
Result for the year	9.7	7.6	2.1	27.6%
Investments	2.1	3.9	(1.8)	(46.2%)
Net financial position	17.2	18.7	(1.5)	(8.0%)
Net worth	37.3	32.2	5.1	15.8%
Workforce	124	130	(6.0)	(4.6%)

Main ratios	2010	2009
ROE	37.4%	31.7%
ROI	29.6%	27.8%
ROS (EBIT MARGIN)	20.4%	17.0%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	25.6%	21.4%
DEBT/EQUITY	0.46	0.58

Centostazioni SpA is responsible for the management of the assets comprised of the network real estate complexes of the 103 medium-sized railway Stations owned by RFI. During 2010 growth was recorded in all sectors in which Centostazioni operates: from the commercial enhancement of assets to the integrated management of maintenance and cleaning services, and engineering activities. The experience and know-how accrued in the management of commercial and property management activities, engineering and facility management services rendered to the properties of the network, allowed good operating results to be achieved, thus improving the overall perception of the company's image on the part of customers, authorities and the public opinion in general. The Net result of the company, which already adopted International Accounting Standards (IAS/IFRS) in its 2009 individual financial statements, reports a substantial increase due to the growth in the revenues recorded in all the typical business activities and to the reduction in operating costs and personnel costs. During 2010 the company distributed dividends for Euro 5 million.

FS Sistemi Urbani

(values in €/mil.)

Main indicators	2010	2009	DELTA	%
Operating revenues	16.2	5.5	10.7	194.5%
EBITDA	7.0	0	7	N/A
EBIT	6.4	0.8	5.6	N/A
Result for the year	5.8	1	4.8	N/A
Investments	0.3	0.3	0	0%
Net financial position	(8.8)	(2)	(6.8)	N/A
Net worth	540.2	528.8	11.4	2.2%
Workforce	26	24	2	8.3%

Main ratios	2010	2009
ROE	1.09%	(0.39%)
ROI	1.22%	(0.29%)
ROS (EBIT MARGIN)	39.51%	14.55%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	43.21%	N/A
DEBT/EQUITY	(0.02)	N/A

FS Sistemi Urbani Srl carries out activities concerning integrated urban services and the enhancement of the assets which are not functional to the conduct of the railway business. 2010 was characterised by important developments in the enhancement activity, by the acceleration in market solicitation, with 16 complexes proposed in the tender for a total value exceeding Euro 70 million, by the completion of the review of the entire assets owned by the company and by the start of investments required for parking areas leased to its subsidiary Metropark SpA..The latter, which carries out activities for the enhancement and rehabilitation of the assets of FS Sistemi Urbani, aimed at supporting the possibility of accessing the station plants, has also as its corporate purpose the analysis, study, design, construction and management of parking lots on areas owned by FS Sistemi Urbani or by third parties.

The 2010 net result of FS Sistemi Urbani was considerably affected by the transfer of the area of piazza Garibaldi in Naples for an amount equal to Euro 6.6 million; in fact, the transaction, which represents the entire value of the revenues from sales recorded in the financial year, generated a capital gain of Euro 4.4 million.

Italferr SpA

(values in €/mil.)

Main indicators	2010	2009	DELTA	%
Operating revenues	171.6	178.2	(6.6)	(3.7%)
EBITDA	19.1	25.0	(5.9)	(23.6%)
EBIT	13.5	20.0	(6.5)	(32.5%)
Result for the year	4.0	11.1	(7.1)	(64.0%)
Investments	20.7	5.4	15.3	N/A
Net financial positions	(22.4)	(99.2)	76.8	(77.4%)
Net worth	51.5	56.6	(5.1)	(9.0%)
Workforce	1,433	1,500	(67.0)	(4.5%)

Main ratios	2010	2009
ROE	7.7%	49.0%
ROI	N/A	-86.0%
ROS (EBIT MARGIN)	7.9%	11.2%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	11.1%	14.0%
DEBT/EQUITY	(0.43)	(1.75)

Italferr SpA is the engineering services company of the Group. Its predominant activity is represented by the supervision of the technological, engineering and control area of the execution stage of the investments in the railway network. In 2010, the commercial actions implemented allowed Italferr to achieve some important successful objectives at international level, the first of which was the award of a contract for the study of the transport system in 21 Countries of the Arab League, financed by the Arab Fund of Kuwait. The strategy concerning the quality of the activities carried out and of the works performed, the safeguarding of the environment and of the workers' health and safety, allowed the company to obtain, in the year, the confirmation of the certifications already acquired and to obtain prestigious awards, including at international level, which strengthened the position of Italferr within the sector of transport engineering as a leading company in terms of the reliability, quality, competence and efficiency of the corporate management and of the respect for the environment. The decrease in the net result was due to the slight reduction in operating revenues, which was not offset by a proportional reduction in the costs of the same nature, linked to the reduction in the number of job orders within the Group following the gradual completion of the orders relating to the High Speed/High Capacity network.

Fercredit SpA

(values in €/mil.)

Main indicators	2010	2009	DELTA	%
Interest earned and similar income	14.9	14.6	0.3	2.1%
Interest expense and similar charges	3.5	4.5	(1.0)	(22.2%)
Business margin	14.2	12.9	1.3	10.1%
Labour cost	3.0	2.8	0.2	7.1%
EBIT	10.5	9.0	1.5	16.7%
Net result for the period	6.9	6.0	0.9	15.0%
Workforce	33	33	0.0	0.0%

Fercredit SpA is the company responsible for the financial services of the Ferrovie dello Stato Group. Its activities are essentially focused on the development of the credit factoring and leasing on the captive market and on the expansion of the consumer credit transactions for the employees of the Group itself. The company continued to operate in a particularly difficult context which was characterised by the considerable difficulties arising from the macroeconomic situation and from turbulence on financial markets, as well as by the reduction in investments and purchases made within the Ferrovie dello Stato Group, also because of lower funds set aside by the Government, a reduction which inevitably reflected on the business of the company itself.

Despite the consequent fall in traded volumes, the company succeeded in contrasting the possible negative economic and income effects by implementing a policy aimed at limiting risks and concentrating loans in the most profitable relations.

Therefore, taking account of the entire context in which the company operated, the results achieved in terms of profitability, during the financial year, were satisfactory and, for some business segments, they were better than expected. In fact, an improvement was recorded in the business margin and in the operating result, with a performance which showed an opposite trend with respect to the banking and financial market as a whole, which was characterised by a general reduction in profits during the year.

OTHER GROUP ACTIVITIES

The Group is also present in the following business segments:

Training Services: The Group operates through FS Formazione SpA. The company, which was established in 2008, carries out activities for training and technical and professional qualification of the staff employed in the transport sector, both in Italy and abroad. The 2010 financial year confirmed the capacity of FS Formazione to effectively pursue its mission, fully satisfying its demand for training and reaching a breakeven point in the financial statements.

Administrative, Facilities and Real Estate services: Ferservizi SpA constitutes the “Integrated Services Centre” of the Ferrovie dello Stato Group appointed to manage supporting activities which are not directly connected with the conduct of the railway business. During the financial year, the company took the necessary actions to continue improvement aimed at providing quality services over time, while consolidating its order backlog by entering into important service contracts with the FS Group companies. The result for the period came to Euro 3.7 million, with a significant increase of Euro 3.3 million.

SIGNIFICANT EVENTS AFTER THE YEAR END

The significant events that occurred after the closing of the financial statements and prior to the approval of the same are reported in the special section of the notes to the financial statements to which reference is made.

OUTLOOK

- **of the Group**

In full continuity with what happened in the last years, the 2010 financial year confirmed the path to the full alignment with the strategic and operational objectives defined in the 2007-2011 Business Plan and, as for the last two financial years, the early achievement, in terms of time, of the recovery of some economic performance targets envisaged in the Plan itself.

Specifically, the economic performance of the year just ended consolidates and strengthens the achievement of the Group's positive result, which came to a net profit of Euro 129 million compared to Euro 54 million at the end of 2009, which appears to be even more positive if compared with the final financial statements at the end of 2008 that showed a profit of Euro 16 million only.

The comments below summarise the prospects with specific reference to the two operating entities of major importance in the Group.

In addition to showing positive economic results on the rise that confirm and improve the result forecasts envisaged in the 2007-2011 Business Plan, Trenitalia (which conducts its business in the rail transport sector) showed – as in the last financial years – a positive balance of operating cash flows (before investments), despite the non-collection of the significant resources due by the Ministry of Economy and Finance out of the services rendered by the company for the Service Contracts with the Government (Medium and long distance, Cargo and Special Regions) that accrued both in 2009 and 2010; undoubtedly the compliance with the payments by the State would allow the company and, accordingly, the Group to improve the operating cash flow, thus being able to further limit finance costs.

The company, while paying utmost attention to strengthening the supply of railway transport services, in particular in the "Market Services" segment through targeted remodelling, with the aim of better meeting the needs of the traffic demand and of seizing new opportunities that the market itself offers, is effectively developing the streamlining of that residual business segment, called "Non-market services/not-contributed", which - through targeted actions for the transfer to "market" or "universal service", or of a careful and rational supply cut - will see its substantial zero setting in a constant and gradual manner. In addition, an even more crucial and challenging objective that the company is pursuing is to implement the demanding restructuring plan of its own Cargo sector according to the guidelines already outlined in the second half of 2009; the path is designed to enable, during the next two-year period, all business sectors of the company to generate positive results or not to adversely affect the contribution from those sectors with a higher value.

The 2011 data, despite the uncertainty in the market and taking account of the restructuring transactions mentioned just above, should enable the company to maintain and consolidate the results achieved in 2010. The actual application of the planned measures as ways to support the abovementioned reorganization is mandatory for compliance with the plan. Their concrete application starting from early 2011 place the company in a position to see its plans implemented along a path of substantial compliance with the terms stated at the time.

Specifically, it is appropriate to point out that the maintenance of the investment plan resolved in previous years, which is aimed at improving quality and quantity of the transport offer, entails considerable financial commitments for the company; for this purpose, the completion of the recapitalization transactions already resolved by the Board of Directors of Trenitalia in September 2009, and partly subsequently implemented, represents a decisive support which allow a gradual re-equilibrium of the equity structure towards more acceptable indicators. On the other hand, it should be noted how the investments in the market sector are able to produce the sufficient liquidity suitable to support the necessary cash flow of the investment.

At the same time, the investment commitments undertaken in accordance with the service contracts executed with the Italian Regional Governments are closely correlated to the compliance by the Regional Governments themselves with the contractual conditions, including the levels of fees defined. Obviously, if these commitments are not complied with, this would give rise to an imbalance in the conditions according to which these investments have been defined and in the assumptions on the basis of which the related economic sustainability has been assessed. It is clear that a possible non-compliance with the commitments undertaken by the Regional Governments – which to date is in any case unforeseen and unexpected -, even if protected by regular private law contracts, may also cause damage to the immediate economic equilibrium of the company.

RFI (which conducts its business in the sector of the construction and management of the infrastructural, traditional and high speed network) showed positive results in 2010, which were well framed within the guidelines of the 2007-2011 Plan; this represents – as a confirmation of the industrial stability acquired thanks to a streamlining and industrial and organizational reconfiguration plan started some time ago that has allowed the Group to react to the economic crisis in an adequate manner, thus achieving good performance indexes and positive economic results also in the presence of the variability of the State fees in the last years –, a certain base for the start of a new business improvement project, taking account of the perspective development of the economic context and of the regulatory framework of the sector.

Specifically this context develops, as is known, at the end of an economic crisis of a global size with a national GDP which is expected to have a slow recovery in the next years, and without still assessing the possible effects arising from the recent international events, specifically in the Mediterranean region, including of a calamitous nature.

This scenario is the background of both the public finance framework, which is characterized by strong policies of expense reduction and reorganisation of the national budget, and the transport market framework which, for example, recorded significant falls in terms of production volumes of trains-km developed especially in the cargo sector, which is more sensitive to the impacts determined by the economic crisis.

The company – which is still oriented to ensure the growth in the railway transport as a central and environmentally friendly element of the mobility of people and goods – intends to pursue its objectives by completing the definition of a more "streamlined" operating structure, which is market oriented and increasingly independent of public resources, with performance levels which are among the best ones in Europe from the safety and quality point of view.

Particular attention is paid to the development of the infrastructural capacity and of the quality and range of services offered to the Railway Companies; these elements constitute fundamental success factors for the growth in the sector in competition with other means of transport, as demonstrated by the development of the modal split on the Rome-Milan section, where rail transport is today the most used mean of transport thanks to the activation of the High Speed/High Capacity system which has allowed extremely competitive travel times with respect to the airplane.

For regional and cargo transport segments, measures will be implemented in the key points of the value chain (junctions, cargo routes, ports, cargo terminals and storage areas), thus preferring "light" actions with a rapid return in terms of organization and technology (elimination of bottlenecks, increase in the capacity of the junctions and technological speeding projects) which satisfy the needs of the market in order to promote its recovery in the short term. These initiatives will be also accompanied by commercial actions for the improvement of the service level provided to the companies (single cargo branch for an integrated offer, speeding of cargo tracks, etc.).

Having said this, it is also essential, together with the achievement of additional efficiency improvement margins, to search for new equilibriums in the relations with the Government also through the adoption of dramatic choices which affect - in the presence of an insufficient resource level with respect to the commitments undertaken in the Programme Contracts – the overall managed network perimeter and the review of the investment portfolio.

In this framework, the fulfilment of the conditions for the execution of the Programme Contract – Part relating to services for the 2011-2013 three-year period – appears to be a very important requirement that will guarantee to RFI the long-awaited certainty of the resources, anticipating a horizon of stability of conditions for the effectiveness of the actions undertaken.

Specifically, the provisions set aside under Law no. 221 of 13 December 2010 "National Budget for the 2011 financial year and for the 2011-2013 three-year period" have ensured the sufficient financial resources to cover the infrastructure services for the availability of the network in the next three-year period, including the recovery of a maintenance gap that was created due to the lack of resources in past years, which will allow the rapid execution of the Programme Contract – Part relating to Services during 2011, an essential element for safeguarding the economic and financial equilibrium of the corporate management.

This framework is also the background for the continuation of the process, which started with the rightsizing, for an optimal use of the resources through the completion of the streamlining and rationalisation actions of the network and plants (station layout, adaptation of the line profiles to the demand, downsizing of low-traffic lines, review of the cargo network); the correct sizing of assets to be managed will continued to be accompanied by the implementation of new technologies and organisational models.

The development investments for the infrastructure remain strongly conditional on the public finance scenario, as set out by the Stability Law 2011 (Law no. 220 of 13 December 2010) which has not entailed provisions for new relevant resources on the one hand, and, on the other, implemented a cut of about Euro 1 billion in the funds laid down in the current legislation, thus entailing a strong criticality in terms of financial sustainability.

In this framework, priority actions will remain focused on the measures for the maintenance in good working order and for the safety of the railway traffic through the implementation of tools, including innovative tools, which are expected to be realized in compliance with the guidelines issued by the MIT and with the obligations required by law; on the other hand, as already noted, they will prefer "light" infrastructural and technological projects, which can ensure a more rapid return on strong and critical areas of the infrastructure (investments for the increase in the capacity of the junctions, speeding of some main routes, an increased performance aimed at cargo traffic on the main international corridors).

With reference to the "heavier" infrastructural development actions (Second Treviglio – Brescia line, Terzo Valico dei Giovi and the Brennero Base Tunnel), the regulatory, authorisation and financial requirements have been met for the start of the implementation activities through the procedure of so-called construction lots introduced by the 2010 finance act that characterizes the three projects and represents a new procedure for constructing railway infrastructures for which the company will activate all monitoring and action tools that allow the regular performance of the activities, in close relation with the MIT.

At the same time, the Group paid – and will continue to pay – utmost attention to the investments in Southern Italy, in terms of both organization and focus on additional measures for the South (so-called "Plan for the South" (*Piano per il Sud*)), which are mainly focused on the routes Naples-Bari-Lecce/Taranto, Salerno-Reggio Calabria and Messina-Catania-Palermo, including both medium/long-term infrastructural development actions and actions of a prevalently technological nature; the related priorities and timings shall necessarily and adequately fall within the scope of the current public finance framework.

Finally, from the legislative and regulatory point of view, criticalities persist which are connected to the completion of the decrees implementing article 17, paragraph 1 and paragraph 11, of Legislative Decree no. 188/2003 that would allow the Group to have available a clear framework of the system of rules which respectively regulate access to infrastructure, the principles and procedures for the assignment of the capacity, for the calculation of the rental for the use of the infrastructure and of the fees for the supply of the services, the rules governing supply and management of services referred to in article 20 of the same Decree, as well as the determination of the rental for the use of the railway infrastructure and of the fees for the services referred to in article 20 of Legislative Decree, in all the cases of use of railway infrastructure pursuant to the current provisions.

The definition of this framework would allow RFI to better define its own industrial structure, with specific reference to the organisation of the services referred to in article 20 of Legislative Decree no. 188/2003, as well as the principles behind the definition of the related prices and of the mechanisms for adaptation to the inflationary dynamics in accordance with the economic equilibrium provided for the Infrastructure Manager under the abovementioned Decree; at the same time, this will allow the Railway Companies, in a market of increasing competition also due to the gradual entry of new operators, to operate with certainty with respect to the current situation managed, which is satisfied through the annual issue of the Network Information Statement issued by the Infrastructure Manager after a path which involves both institutional bodies (Railway Services Regulation Office, the Railway Transport Head Office of the MIT), as well as the Railway Companies, which should regulate, in operational terms, some aspects of the process for the assignment of the capacity and of the use of the infrastructure, based on a clear and defined system of rules.

- **of Ferrovie dello Stato SpA**

On the assumption of the achievement of the respective main 2011 objectives of the Group companies, we can confirm the forecasts of a positive result of the Parent Company, being able to consider the contribution expected in terms of sales attributable to the management of the real estate assets acquired by Ferrovie dello Stato during 2007.

PROPOSED ALLOCATION OF THE RESULT FOR THE YEAR OF FERROVIE DELLO STATO SpA

The company’s financial statements for the year ended 31 December 2010 showed a net profit of Euro 20,921,474.

Taking account that the Legal Reserve has not yet reached the limits envisaged in article 2430 of the Italian Civil Code, it is proposed to allocate the net profit for the year as follows:

- 5%, equal to Euro 1,046,074 to Legal Reserve;
- the residual amount, equal to Euro 19,875,400 to Profits carried forward.

Rome, 17 May 2011

The Board of Directors

The Chief Executive Officer

Consolidated Financial Statements: consolidated accounting statements and notes to the

Group’s financial statements

Consolidated statement of financial position

values in €/mil.

	Notes	31.12.2010	31.12.2009	01.01.2009
Assets				
Plant, property and equipment	(7)	47,213	46,201	46,663
Property investments	(8)	1,556	1,583	1,568
Intangible assets	(9)	361	389	392
Deferred tax assets	(10)	242	223	234
Investments (equity method)	(11)	212	203	202
Non-current financial assets (including derivatives)	(12)	1,916	2,041	2,207
Non-current trade receivables	(15)	33	36	40
Other non-current assets	(13)	2,583	2,909	2,568
Total non-current assets		**54,116**	**53,585**	**53,874**
Construction contracts	(14)	10	8	5
Inventories	(14)	1,681	1,714	1,578
Current trade receivables	(15)	2,817	2,807	1,840
Cuurrent financial assets (including derivatives)	(12)	169	174	175
Cash and cash equivalents	(16)	640	1,143	2,003
Tax receivables	(17)	87	87	91
Other current assets	(13)	1,621	1,934	2,410
Assets (or disposal groups) held for sale	(6)	18	32	63
Total current assets		**7,043**	**7,899**	**8,165**
Total assets		**61,159**	**61,484**	**62,038**
Equity	(18)	**36,176**	**36,098**	**36,177**
Equity atttributable to the Group	(18)	**36,045**	**35,962**	**36,050**
Share capital	(18)	38,790	38,790	38,790
Reserves	(18)	(3)	(34)	87
Profits (losses) carried forward	(18)	(2,861)	(2,831)	(2,835)
Profits (Losses) for the year	(18)	118	37	8
Minority interests	(18)	**131**	**136**	**128**
Profit/(loss) attributable to minority interests	(18)	11	17	8
Capital and reserves attributable to Minority Interests	(18)	120	119	120
Liabilities				
Medium/long term loans	(19)	11,613	11,992	12,186
Severance pay and other employee benefits	(20)	2,147	2,415	2,594
Provisions for risks and charges	(21)	1,668	1,778	1,770
Deferred tax liabilities	(10)	221	193	154
Non-current financial liabilities (including derivatives)	(22)	341	273	211
Non-current trade payables	(24)	24	40	23
Other non-current liabilities	(23)	290	270	286
Total non-current liabilities		**16,304**	**16,961**	**17,224**
Short-term loans and current portion of medium/long-term loans	(19)	980	811	1,094
Short-term portion of Provisions for risks and charges	(21)	8	7	19
Current trade payables	(24)	3,491	3,658	3,817
Income taxes payable	(25)	15	7	9
Current financial liabilities (including derivatives)	(22)	52	66	42
Other current liabilities	(23)	4,132	3,875	3,655
Total current liabilities		**8,678**	**8,425**	**8,636**
Total liabilities		**24,982**	**25,387**	**25,861**
Total equity and liabilities		**61,159**	**61,484**	**62,038**

Consolidated income statement

values in €/mil.

	Notes	31.12.2010	31.12.2009
Revenue and income			
Revenues from sales and services	(26)	7,288	6,994
Other income	(27)	776	989
Total revenues		**8,064**	**7,983**
Operating costs			
Personnel cost	(28)	(4,325)	(4,560)
Raw and secondary materials, consumables and goods for resale	(29)	(841)	(818)
Costs for services	(30)	(1,925)	(1,971)
Leases and rentals	(31)	(136)	(142)
Other operating costs	(32)	(121)	(96)
Capitalisation of internal construction costs	(33)	944	1,055
Amortisation and depreciation	(34)	**(988)**	**(862)**
Write-downs, impairment losses and value write-backs	(35)	**(72)**	**(59)**
Provisions for risks and charges	(36)	**(90)**	**(95)**
EBIT		**509**	**435**
Finance income and costs			
Finance income	(37)	79	97
Finance costs	(38)	(346)	(346)
Share of profit (loss) of investments accounted for at equity		4	(1)
Pre-tax result		**245**	**184**
Income taxes	(39)	(116)	(130)
Profit for the year from continuing operations		**129**	**54**
Net profit for the year (Group and Minority Interests)		**129**	**54**
Net profit attributable to the Group		*118*	*37*
Net profit attributable to Minority Interests		*11*	*17*

Consolidated statement of comprehensive income

values in €/mil.

	Notes	31.12.2010	31.12.2009
Net profit for the year (Group and Minority Interests)		**129**	**54**
Other components of the consolidated statement of comprehensive income			
Effective portion of changes in fair value of cash flow hedge	(18)	(56)	(76)
Exchange differences	(18)	12	0
Gains (losses) relating to actuarial benefits	(18)	73	(45)
Other components of the comprehensive income for the year, net of tax effects	(18)	**29**	**(121)**
Comprehensive income for the year (Group and Minority Interests)		**158**	**(67)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

values in €/mil.

	Equity attributable to the Group												
		Reserves											
	Share capital	Legal reserve	Extraordinary reserve	Other reserves	Reserve for translation of financial statements in foreign currency	Reserve for change in FV on derivatives - *Cash Flow Hedge*	Reserve for actuarial Gains (losses) for employee benefits	**Reserves**	Pprofits (losses) carried forward	Profits (losses) for the year	**Equity attributable to the Group**	Minority interests	**Equity**
Balance as at 1 January 2009	**38,790**	**10**	**28**	**255**	**5**	**(212)**	**-**	**87**	**(2,835)**	**8**	**36,050**	**128**	**36,177**
Capital increase													
Distribution of dividends												(8)	**(8)**
Allocation of the net profit for the previous year		1						1	7	(8)	**0**		**0**
Change in the consolidation area									(3)		**(3)**		**(3)**
Comprehensive Income/(Losses) recognised													
of which: Income/(Loss) recognised directly in equity						(76)	(45)	(121)			**(121)**		**(121)**
Profit (Losses) for the year										37	**37**	17	**54**
Balance as at 31 December 2009	**38,790**	**11**	**28**	**255**	**5**	**(288)**	**(45)**	**(34)**	**(2,831)**	**37**	**35,962**	**136**	**36,098**
Capital increase													
Distribution of dividends												(8)	**(8)**
Allocation of the net profit for the previous year		3						3	34	(37)	**0**		**0**
Change in the consolidation area									(64)		**(64)**	(7)	**(71)**
Comprehensive Income/(Losses) recognised													
of which: Income/(Loss) recognised directly in equity					12	(56)	73	29			**29**		**29**
Profit (Losses) for the year										118	**118**	11	**129**
Balance as at 31 December 2010	**38,790**	**14**	**28**	**255**	**17**	**(344)**	**28**	**(3)**	**(2,861)**	**118**	**36,045**	**131**	**36,176**

Consolidated statement of cash flows

Values in €/mil.

Statement of cash flows	31.12.2010	31.12.2009
Cash and cash equivalents at the beginning of the year	**1,143**	**2,003**
Cash flows from operating activities		
Profit (loss) for the year	129	54
Amortisation and depreciation	988	862
Write-down of fixed assets	72	59
Provisions	90	95
Net change in severance pay and Other provisions for personnel	(268)	(179)
Capital gains (-)/Losses from disposal of fixed assets	(94)	(75)
Non-monetary revenues	(66)	(81)
Change in Inventories	31	(139)
Change in current trade receivables	(10)	(967)
Change in non-current trade receivables	3	4
Change in tax receivables	0	4
Change in other current assets	313	242
Change in other non-current assets	327	(342)
Change in provisions for risks and charges	(43)	77
Change in current trade payables	(167)	(159)
Change in non-current trade payables	(16)	17
Change in other current liabilities	274	268
Change in other non-current liabilities	20	(16)
Total	**1,583**	**(276)**
Cash flows from investing activities		
Investments in:		
- intangible assets	(62)	(70)
- property, plant and equipment	(4,074)	(5,067)
- property investments	(6)	(2)
- equity investments	(11)	(3)
Cost price from disposals	330	352
Change in financial assets	130	153
Total	**(3,693)**	**(4,637)**
Cash flows from financing activities		
Loans received/repaid	(210)	(477)
Capital grants	1,814	4,534
Other changes in equity	(6)	(4)
Total	**1,607**	**4,053**
Total cash flows for the year	**(503)**	**(860)**
Cash and cash equivalents at the end of the year	**640**	**1,143**

Notes to the consolidated financial statements

1 Preamble

These consolidated financial statements for the financial year ended 31 December 2010 (hereinafter also referred to as the "Consolidated Financial Statements") were prepared in accordance with the International Financial Reporting Standards, issued by the International Accounting Standards Board and adopted by the European Union ("EU-IFRS"). Specifically it should be noted that Ferrovie dello Stato S.p.A. (hereinafter also referred to as the "Controlling Company", "Company" and/or "Parent Company") made use of the right provided for in Legislative Decree no. 38 of 28 February 2005, which regulates the exercise of the options under article 5 of Regulation (EC) no. 1606/2002 on the application of international accounting standards. Specifically, pursuant to articles 3 and 4 of the abovementioned legislative decree, the Parent Company voluntarily decided to apply the EU-IFRS to the preparation of the Consolidated Financial Statements starting from the financial year ended 31 December 2010. Up to the financial year ended 31 December 2009, the Company prepared its consolidated financial statements in accordance with the relevant provisions laid down under Legislative Decree no. 127 of 9 April 1991, as interpreted by the accounting standards issued by the Italian Accounting Board (*Organismo Italiano di Contabilità*) (the "Italian GAAPs").

2 The Group's business and structure of the consolidated financial statements

Ferrovie dello Stato S.p.A. is a company incorporated and domiciled in Italy and is organised according to the Italian legal system of the Italian Republic. The Parent Company has its registered office in Rome, at Piazza della Croce Rossa no. 1.

The Parent Company and its subsidiaries (hereinafter collectively referred to as the "Ferrovie dello Stato Group" or the "Group") provide services relating to passenger transport, cargo transport and logistics and manage an extensive railway network. The Group's structure is reported in Annex 2.

These Consolidated Financial Statements were resolved by the Company's Board of Directors on 17 May 2011.

3 Criteria for the preparation of consolidated financial statements

Below are reported the main criteria and accounting standards applied to the preparation of the Consolidated Financial Statements.

As previously specified, the Consolidated Financial Statements were prepared for the first time in accordance with EU-IFRS, including all International Financial Reporting Standards (IFRS), all International Accounting Standards (IAS), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which was previously named Standing Interpretations Committee (SIC), as adopted by the European Union and contained in the related EU Regulations. Specifically, the EU-IFRS were consistently applied to all the periods presented herein.

In accordance with the provisions under IFRS 1 "First-time Adoption of International Financial Reporting Standards", it was necessary to carry out a process of transition from the Italian GAAPs, which were used for the preparation of the consolidated financial statements up to the financial year ended 31 December 2009, to EU-IFRS; for this purpose, the date of transition to IFRS was set at 1 January 2009 (the so-called "First Time Adoption – FTA"). As regards disclosures provided for in IFRS 1 in relation to the accounting effects connected to the transition from the Italian GAAPs to EU-IFRS, reference is made to the detailed information reported in note 46 below.

The Consolidated Financial Statements were prepared and presented in Euro, which represents the Group's functional currency, i.e. the current money of the countries where the Group mainly operates; all amounts included in the accounting statements, in the tables of the following notes and the comments on the notes themselves are expressed in million Euro.

Below are specified the schedules used in the financial statements and the related classification criteria adopted by the Group within the options provided for in IAS 1 "Presentation of Financial Statements":

- consolidated statement of financial position: it was prepared by recognising assets and liabilities according to the "current/non-current" classification;
- consolidated income statement: it was prepared by classifying operating costs by nature;
- consolidated statement of comprehensive income: it includes the profit for the year resulting from the consolidated income statement, as well as any other changes in consolidated equity items that are specifically made up of actuarial gains and losses on employee benefits, the change in fair value of hedging financial instruments and any profits and losses arising from the translation of financial statements of foreign companies;
- consolidated statement of cash flows: it was prepared by reporting cash flows arising from operating activities according to the "indirect method".

These Consolidated Financial Statements were prepared on a going-concern basis, as the directors established the non-existence of indicators of a financial, operational or any other nature that could report criticalities about the Group's capacity to meet its obligations in the foreseeable future and specifically in the next 12 months. The description of the procedures through which the Group manages financial risks, including liquidity and capital risks, is contained in the note relating to the "Financial risk management" below.

The Consolidated Financial Statements were prepared on the basis of the conventional historical cost principle, except for the valuation of financial assets and liabilities, including derivative instruments, in the cases which require the application of the fair value criterion.

4 Accounting standards applied

Below are reported the criteria adopted by the Group for the definition of the scope of consolidation and specifically of subsidiaries, companies subject to joint control and associates, as well as of the related consolidation criteria.

a) Scope of consolidation

i) Subsidiaries

The Consolidated Financial Statements include the Parent Company, as well as the companies over which it exercises control, either directly or indirectly through its subsidiaries, starting from the date when the same is acquired and up to the date when this control ceases. Specifically the control can be exercised both by virtue of the direct or indirect ownership of the majority of voting shares and as a result of the exercise of a dominant influence expressed by the power to determine, also indirectly by virtue of contractual or legal agreements, the financial and operational choices of the entities, obtaining the relating benefits, also disregarding shareholding relations. For the purposes of the determination of the control, account is taken of the existence of potential voting rights that can be exercised at the balance sheet date.

Subsidiaries are consolidated on a line-by-line basis, as specified below:

- assets and liabilities, income and costs of entities consolidated on a line-by-line basis are entered line by line, attributing to the minority shareholders, where applicable, the portion of equity and of the net profit for the year pertaining to them; these portions are recognized separately within the consolidated equity and the consolidated income statement;
- business combinations, which are completed between entities that are not subject to joint control, by virtue of which control is acquired over an entity, are accounted for by applying the Purchase method. The acquisition cost is represented by the current value (fair value) at the date of purchase of assets transferred, of liabilities assumed and of equity instruments issued. The identifiable assets and liabilities, which are acquired and assumed, respectively, are entered at the related current value at the date of acquisition. The difference between the acquisition cost and the current value of identifiable assets and liabilities acquired, is entered, if positive, under intangible assets as goodwill, or, is accounted for, if negative, after having verified once again the correct measurement of the current values of the abovementioned assets and liabilities acquired and of the acquisition cost, directly in the income statement, as an income. In the event that the fair value of identifiable assets and liabilities acquired can be determined on a temporary basis only, the business combination is recognized using these temporary values. Any adjustments arising from the completion of the valuation process are recognized within twelve months of the date of acquisition, redetermining comparative data;
- profits and losses, including the related tax effects, arising from transactions carried out between companies consolidated on a line-by-line basis and not yet realised against third parties, are derecognised, except for unrealized losses that are not derecognized, should the transaction provide evidence of an impairment of the transferred asset. Furthermore, the mutual debt and credit relationships, costs and revenues, as well as financial income and costs, are also derecognised;
- for acquisitions of minority interests relating to companies for which control already exists, the difference (if any) between the acquisition cost and the related portion of equity acquired is accounted for in equity.

ii) Companies subject to joint control

The companies subject to joint control (joint ventures) are characterised by the existence of a contractual agreement between the members by virtue of which the control over the economy activity is assigned to the same on a joint basis. These companies are consolidated on a proportional basis, by virtue of which the related value of assets and liabilities, costs and revenues, for the portion attributable to the Group is entered line by line. In relation to the procedures necessary for the proportional consolidation, reference is made to the information previously provided with reference to the consolidation of subsidiaries.

iii) Associates

Associates are those companies over which the Group exercises significant influence, which is intended as the power to participate in the determination of the financial and operational policies of the investee company, without retaining control or joint control over it. The significant influence is presumed to exist when the Group holds, either directly or indirectly through subsidiaries, at least 20% of the voting rights that can be exercised at the shareholders’ meeting; in assessing the existence of the significant influence, account is also taken of the potential voting rights that can be actually exercised or converted. Investments in associates are valued at equity and are initially entered at the cost incurred for the related purchase. Below is described the equity method:

- the carrying amount of equity investments in associates is aligned with the equity of the same, as adjusted, where necessary, to reflect the application of EU-IFRS and includes the recognition of the higher values assigned to assets and liabilities and of goodwill (if any) identified at the time of the acquisition;
- profits or losses from associates attributable to the Group are accounted for from the date when significant influence begins and up to the date when significant influence ceases; in the event that, as a result of losses, the company valued according to the method in question reports a negative equity, the book value of the equity investment is written off and the excess (if any) attributable to the Group, where the latter has undertaken to comply with legal or constructive obligations of the investee company, or in any case to cover its losses, is recognized under a special provision; any changes in equity of companies valued at equity that are not represented by the income statement result are accounted for directly as an adjustment to the equity reserves;
- unrealised profits and losses that are generated on transactions carried out between the Parent Company/subsidiaries and the investee company valued at equity are derecognised depending on the value of the stake held by the Group in the investee company itself; unrealized losses are derecognized, except when the same represent impairment.

The financial statements of subsidiaries, companies subject to joint control and associates being consolidated, are prepared by making reference to the financial years ended 31 December, the reporting date of the Consolidated Financial Statements, specially drawn up and approved by the governing bodies of the individual entities, and appropriately adjusted, where necessary, in order to bring them into line with the accounting standards applied by the Group.

The scope of consolidation of the Ferrovie Group did not undergo any changes following the application of EU-IFRS.

The list of subsidiaries, companies subject to joint control and associates, including any information concerning their registered offices and the ownership percentages, is reported in the annexes attached to these notes to the financial statements.

b) Translation of financial statements of foreign companies

The financial statements of subsidiaries, companies subject to joint control and associates, are prepared using the currency of the primary economic sector in which the same operate (functional currency). The rules for the translation of financial statements of companies expressed in a functional currency other than the Euro are the following ones:

- assets and liabilities are translated using exchange rates prevailing at the reporting date of the financial statements;
- goodwill and any adjustments arising from the fair value and correlated to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate of the period;
- costs and revenues are translated at the average exchange rate of the year;
- the "translation reserve", which is entered under the consolidated equity items, includes both any exchange differences generated from the translation of economic values at an exchange rate other than

the closing exchange rate and those generated from the translation of opening equities at an exchange rate other than the closing exchange rate of the reporting period. This reserve is reversed to the income statement at the time of the transfer of the related equity investments.

The exchange rates adopted for the translation of financial statements of companies that have a functional currency other than the Euro are reported in the following table:

	Average exchange rate for the financial year ended 31 December		Exchange rate at 31 December		Exchange rate at 1 January 2009
Euro	2010	2009	2010	2009	
CHF	1.38	1.51	1.25	1.48	1.48
CZK	25.29	26.11	25.02	26.46	26.87
DKK	7.45	7.45	7.45	7.44	7.45
SEK	9.54	10.61	8.97	10.25	10.87

c) Translation of currency items

Any transactions in a currency other than the functional currency are recognised at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in a currency other than the Euro are subsequently adjusted at the exchange rate prevailing at the closing date of the financial year. Non-monetary assets and liabilities denominated in a currency other than the Euro are entered at historical cost using the exchange rate prevailing at the date of initial recognition of the transaction. Any exchange differences that may arise are reflected in the consolidated income statement.

d) Accounting policies

Below are reported the most significant accounting standards and accounting policies used for the preparation of consolidated financial statements.

Property, plant and equipment

Property, plant and equipment are entered at purchase or production cost, net of accumulated depreciation and impairment losses (if any). The purchase or production cost includes any charges that are directly incurred to make assets available for use, as well as dismantlement and removal charges (if any) that will be incurred as a result of contractual obligations that require the asset to be returned to its original conditions. Any financial charges that are directly attributable to the acquisition, construction or production of qualified assets are capitalized and depreciated on the basis of the useful life of the asset to which they refer. Any costs for increasing-value improvement, upgrade and transformation of property, plant and equipment are recognized under balance sheet assets.

Any charges incurred for ordinary maintenance and repairs are directly charged to the income statement at the time they are incurred. The capitalization of costs concerning the expansion, upgrade or improvement of the structural elements owned or used by third parties is made within the limits in which they meet the requirements to be separately classified as assets or part of an asset, applying the component approach method, according to which each component that is capable of an independent valuation of the useful life and of the related value must be treated individually.

Depreciation is charged on a straight line and monthly basis through rates that allow assets to be depreciated until the end of their useful life. When the asset being depreciated is made up of elements that can be identified distinctly, whose useful life significantly differs from that of the other parties that make up the asset, depreciation is made separately for each of these parties, in the application of the component approach method.

Criteria for the determination of depreciation of the rolling stock by Trenitalia S.p.A.

In the application of the component approach method, rolling stock has been divided into uniform classes (clusters) on the basis of the technology level that characterizes them.

For each cluster four classes of "components" have been identified:

1. components to be restored: serialized objects of high economic value that are subject to regeneration at preset intervals of distance/time;

2. worn components: that are fully replaced by "spare parts" stored at the warehouse;

3. components subject to restyling due to obsolescence/technical senescence /safety;

4. components that are not subject to interventions throughout the entire lifetime of the rolling stock.

The depreciation concerning the various components has been defined in: 5/6.5 years for components under categories 1 and 2; in 12.5 years in the case of driving material and 10 years in the case of driven material for components under category 3; and in 23/30 years for components under category 4.

Furthermore the calculation of the average depreciation rate for each rolling stock has taken account, as already previously made, the year of purchase with respect to 2000, the year of incorporation of Trenitalia. Prior to 2000, in fact, purchases were subject to a 4.3% rate, while after 2000 Trenitalia applied a tax rate of 3.3%.

The various maintenance activities to which the rolling stock is subject in the course of its useful life can be divided into three macro-types:

- current maintenance that is aimed at keeping rolling stock efficient and that is taken to the income statement in the relevant year;
- second-level maintenance mainly aimed at the replacement/repair of components within the rolling stock subject to wear and tear or restoration (under classes 1 and 2);
- revamping activities mainly aimed at increasing performance, efficiency or the useful life of the asset (class 3).

The second-level maintenance activities on the basis of the current phases of the entire maintenance process are carried out every five/six years on average. These activities mainly concern components subject to wear and tear or restoration. The activities are carried out according to the safety standards required by the competent control boards (CESIFER, *Certificazione Sicurezza Ferroviaria*, Railway Safety Certification).

Specifically, cyclic maintenance activities can be divided into three families:

1. activities belonging to standard cycles;

2. additional cyclical activities;

3. other activities.

Any activities belonging to the first type concern minimum processes aimed at ensuring safety through:

• the replacement of the components that are worn or to be restored;

• any related testing and inspection activities.

Specifically, the abovementioned activities allow the rolling stock to be compliant with the safety requirements set out by the external safety board (CESIFER) that defines the maximum distances which any rolling stock may cover in any cycle of cyclic maintenance (i.e. the time period between two maintenance activities).

Additional activities are mainly aimed at improving performance, even if they are not required for safety purposes, and are carried out on request at the same time as the standard cyclical activity.

The useful duration of the activity has been determined to be around 5/6.5 years, with the consequent accounting treatment as regards the depreciation rate.

On the contrary, as regards revamping investments, which include all those activities that are aimed at increasing performance, the useful life or efficiency of the asset being invested, it has been deemed appropriate to distinguish three main types of actions:

- actions that radically change the characteristics of the rolling stock and that require re-endorsement from the CESIFER, with the consequent change in the registration number. In this case, the useful life of the rolling stock may be considered to be around 18 years and, therefore, the applicable depreciation rate is 5.5%;
- technological actions aimed at ensuring safety by order of the Supervisory Authority for upgrading the Fleet, or part thereof, that already circulates. Also in this case, it is possible to identify a useful duration of around 18 years, with the consequent accounting treatment as regards the depreciation rate equal to 5.5%;
- any other revamping actions that do not fall within the cases specified above are attributable to the third "class of components" that provides for a tax rate of 8% or 10% depending on whether we are dealing with driving or driven material, respectively.

Criteria for the determination of depreciation of property, plant and equipment by RFI SpA

Depreciation has been systematically calculated on the basis of variable instalments and of production volumes expressed in trains*km. The train*km is defined as the overall distance of trains on a railway infrastructure expressed in millions/year. Specifically:

- as regards the Traditional Network, depreciation is calculated on the basis of the ratio between the quantities produced in the year and the quantity of total production expected during the term of the concession. In this regard, account is taken of the circumstance on the basis of which any future investments (that are suitable to ensure such a level of efficiency and safety as to allow the estimate of a useful life of the Network corresponding to the residual term of concession) are economically charged to the State as they are fully covered by grants; accordingly, these future investments contribute to the determination of the overall production capacity of the infrastructure and then of the useful life, with an impact on the calculation of the depreciation rate;

- as regards the High Speed/High Capacity Network, depreciation is calculated on the basis of the ratio between the quantities produced in the year and the production quantities corresponding to the costs incurred at the balance sheet date.

The depreciable cost of investments is given by the sum of all costs incurred and not yet depreciated, net of set-up grants, excluding the expected residual value of the railway infrastructure at the end of the Concession from the depreciable basis, in order to take account of the related non-free transferability.

Property, plant and equipment that, together with intangible assets and investment properties, make up the railway infrastructure are structured into 7 lines, separating the High Speed/High Capacity Network and the (basic and complementary) Traditional Network according to the division reported in the table below.

For every line the Company uses the number of trains*km actually sold in the year and resulting from specific survey systems of the Company as the indicator of the quantity produced in the year, to which the Financial Statements are referred.

The table below reports the depreciation rates used in the 2010 and 2009 financial years:

Line	**Key performance indicators**	
	2010	**2009**
High Speed/High Capacity Network	**1.55%**	**1.13%**
Traditional Network		
Padana cross road and international transport	1.74%	1.73%
North Tyrrhenian line and confluent lines	1.77%	1.76%
Ridge and confluent lines	1.59%	1.57%
South Tyrrhenian line	1.87%	1.87%
Adriatic line and Apennine cross-roads	1.79%	1.78%
Complementary network	1.93%	1.89%

The useful life of property, plant and equipment and their residual value are reviewed and updated, where necessary, at least at the end of every financial year. Land is not depreciated.

Property, plant and equipment are no longer recognized in the accounts following their transfer or when no future economic benefits arise which were expected from use; any loss or profit (calculated as the difference between the transfer value, net of selling costs, and the carrying amount) is recognized in the income statement in the year of disposal.

Below are the depreciation rates used by the Group for any other categories of property, plant and equipment:

Category	Depreciation rate
Buildings	1%-3%
Plant and machinery	5%-20%
Rolling stock	3.3%-20%
Industrial and business equipment	7.5%-25%
Other assets	8%-25%

The useful life of property, plant and equipment and their residual value are reviewed and updated, where necessary, at least at the end of every financial year. Land is not depreciated.

Assets under finance leases

Property, plant and equipment held by virtue of finance lease agreements, through which risks and rewards of ownership are substantially transferred to the Group, are recognised as Group assets at their current value at the date of execution of the agreement or, if lower, at the present value of the minimum lease payments, including the amount (if any) to be paid for the exercise of the call option. The corresponding liability to the lessor is recognized under borrowings in the accounts. Assets are depreciated by applying the method and the rates previously specified, except when the term of the lease agreement is less than the useful life represented by said rates and there is no reasonable certainty that the ownership of the leased asset will be transferred at the natural expiry date of the agreement; in this case the depreciation period is represented by the term of the lease agreement.

Leases under which the lessor substantially retains the risks and rewards of ownership of the assets are classified as operating leases. Any costs referred to operating leases are recognized on a line-by-line basis in the income statement over the term of the lease agreement.

Investment properties

Investment properties are real properties held for the purpose of receiving lease rentals and/or for the appreciation of the invested capital and are not intended for sale in the ordinary course of the business activity. Furthermore, investment properties are not used in the production or supply of goods or services or in the business administration. The accounting standards used for the recognition of the item in question comply with the criteria previously described for the item "Property, plant and equipment".

In the event that a development project is started with a view to a future sale, properties are reclassified to the item "Inventories" following the change in the intended use. The carrying amount at the date of the change in the intended use of the property is treated as a cost for the subsequent recognition under inventories.

Intangible assets

Intangible assets are made up of non-monetary elements that are identifiable and without physical substance, that can be controlled and are aimed at generating future economic benefits. These elements are recognized at purchase and/or production cost, including any directly-attributable expenses incurred to make the asset available for use, net of accumulated amortization and impairment losses (if any). Interest expense (if any), which accrue during and for the development of intangible assets, are considered to form part of the purchase cost. Amortisation begins when the asset is available for use and is distributed systematically in relation to the residual possible use of the same, i.e. on the basis of its estimated useful life. Specifically, the following main intangible assets can be identified within the Group:

(a) Concessions, licenses and trademarks

Concessions, licences and trademarks are amortised on a straight-line basis and on the basis of the related term.

Costs of software licences, including any expenses incurred to make the software available for use, are amortised on a straight-line basis and on the basis of the related term.

Any costs relating to the maintenance of software programmes are expensed at the time when they are incurred.

(b) Patent and intellectual property rights

Patents and intellectual property rights are amortised on a straight-line basis and on the basis of their useful life.

(c) Goodwill

Goodwill represents, as previously specified, the difference between the cost incurred for the acquisition of a business activity and the current value of the related identifiable assets acquired and liabilities assumed at the time of the acquisition. Goodwill is classified as an intangible asset with an indefinite life and therefore it is initially accounted for at cost, as previously described and is subsequently measured at least on an annual basis to identify impairment losses (if any) (Impairment test). It is not permitted to restore the value of the goodwill in the case of a previous write-down for impairment losses.

(d) Research and development costs

Costs relating to the research activity are charged to the income statement of the year at the time they are incurred, while development costs are entered under intangible assets where all the following conditions are fulfilled:

- the project is clearly identified and any costs referred thereto are identifiable and can be measured reliably;
- it has been demonstrated that the project is technically feasible;
- it has been demonstrated that there is the intention to complete the project and to sell the intangible assets generated by the project;
- there is a potential market or, in case of internal use, it is demonstrated that the intangible asset is useful for the production of the intangible assets generated by the project;
- technical and financial resources are available which are necessary to complete the project.

The amortisation of development costs (if any) entered under intangible assets begins from the date when the result generated by the project can be marketed.

If the research phase of an identified internal project to create an intangible asset cannot be distinguished from the development phase, the cost arising from this project is fully charged to the income statement as if it were incurred in the research phase only.

Impairment of intangible assets and property, plant and equipment

i) Intangible assets and property, plant and equipment with a definite useful life

At each balance sheet date, a review is carried out which is aimed at establishing if there is any evidence that the property, plant and equipment and intangible assets may be impaired. For this purpose, account is taken of both external and internal indicators of impairment. In relation to the first ones (internal indicators) the following must be considered: the obsolescence of or physical damage to the asset, significant changes (if any) in the use of the asset and the economic performance of the asset with respect to what is expected. As regards external indicators, the following must be considered: the trend in the market prices of the assets, negative changes (if any) in technology, markets or laws, the trend in market interest rates or in the cost of capital used to measure investments.

If there is an indication that an asset may be impaired, it is necessary to estimate the recoverable amount of the abovementioned assets, charging the write-down (if any) compared to the related book value in the income statement. The recoverable amount of an asset is represented by the higher of an asset's fair value less additional costs to sell and its value in use, the latter being the current value of the future cash flows estimated for this asset. In determining the value in use, the expected future cash flows are discounted using a discount rate, including taxes, which reflects the current market valuations of the cost of money, compared to the period of investment and to the specific risks of the asset. The recoverable amount of an asset that does not generate largely independent cash flows is determined in relation to the cash generating unit to which this asset belongs.

An impairment loss is recognised in the income statement in the event that the entry value of the asset, or of the related cash generating unit to which the same is allocated, is higher than its recoverable amount. The impairment of cash generating units are charged firstly as a reduction in the carrying amount of the goodwill (if any) assigned to the same and therefore as a reduction in the other assets, proportionally to their carrying amount and within the limits of the related recoverable amount. If the reasons for a write-down previously carried out no longer apply, the carrying amount of the asset is restored and charged to the income statement, within the limits of the net book value that the asset in question would have had had the write-down not been carried out and had the related amortization or depreciation been made.

ii) Goodwill and intangible assets not yet available for use

The recoverable amount of the goodwill and of the intangible assets that are not yet available for use should be measured annually or more frequently whether or not there is any evidence that these assets may be impaired. In any case, the initial value of the goodwill is not reinstated if the reasons for the impairment no longer apply.

Financial assets and trade receivables

Financial assets are initially measured at fair value and classified under loans and receivables, available-for-sale financial assets or financial assets at fair value through profit or loss, depending on the related nature and the purposes for which they have been acquired.

Financial assets are accounted for at the trade date of the acquisition/sale and are derecognised from the accounts when the right to receive the related cash flows is extinguished and the Group has substantially transferred all risks and rewards relating to the financial instrument and the related control.

Loans and receivables

Loans and receivables are non-derivative instruments with fixed or determinable payments that are not quoted in an active market. Specifically, this category classifies the following items of the consolidated statement of financial position: "Non-current financial assets (including derivatives)", "Current financial assets (including derivatives)" and "Current trade receivables".

Loans and receivables are initially accounted for at fair value and subsequently measured at amortised cost using the effective interest rate, net of the provision for write-down. Loans and receivables are included under current assets, except for those having a contractual term exceeding twelve months compared to the balance sheet date, which are classified under non-current assets.

Any losses on loans and receivables are recognised when there is any objective evidence that the Group will not be able to collect the due amount from the counterparty on the basis of the contractual terms. The objective evidence includes events such as:

- significant financial difficulties of the issuer or debtor;
- legal disputes pending with the debtor in relation to receivables;
- the probability of the debtor being declared bankrupt or of other financial reorganisation procedures being started.

The amount of the write-down is measured as the difference between the carrying amount of the asset and the present value of the expected future financial flows and recognized in the income statement under the item "Write-downs and impairment losses (value write-backs)". Unrecoverable loans and receivables are recognised in the consolidated statement of financial position, net of the provision for write-down. If the reasons for the write-downs previously carried out no longer apply in the subsequent periods, the value of the assets is reinstated up to the amount of the value that would be derived from the application of the amortised cost method.

Available-for-sale financial assets

Available-for-sale financial assets are any non-derivative financial assets expressly designated as available for sale and are included under non-current assets, except for those assets which the directors intend to transfer in the twelve months subsequent to the balance sheet date. The category in question exclusively includes equity investments.

Available-for-sale financial assets are initially measured at fair value, as increased by any additional charges and are subsequently measured at fair value, charging the subsequent profits or losses from measurement to an equity reserve. Their recognition in the income statement is made only at the time when the financial asset is actually transferred, or, in the case of accumulated negative changes, at the time when the same are considered to be durable and significant.

Any dividends arising from equity investments entered under the category in object are charged to the income statement, at the time when the Group becomes entitled to receive the related payment.

At each balance sheet date the Group assess whether there is any objective evidence of an impairment loss of the financial assets. In the case of equity investments classified as available for sale, a reduction in the fair value of the equity investment to below the initial cost is considered to be an impairment loss. If this evidence exists for available-for-sale financial assets, the cumulative loss – which is calculated as the difference between the acquisition cost and the fair value at the balance sheet date, net of impairment losses (if any) previously accounted for in the income statement – is transferred from equity and recognised in the income statement. These losses crystallise and therefore they cannot be subsequently reinstated in the income statement. Any changes in the exchange rates relating to the equity investments entered under available-for-sale financial assets are recognised under the specific equity reserve.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are represented by securities held for trading, as they are acquired for the purpose of being transferred in the short-term. Derivatives are measured as securities held for trading, unless they are designated as hedging financial instruments.

Financial assets at fair value through profit or loss are initially recognized at fair value and the related additional charges are immediately expensed in the income statement. Subsequently, these assets are measured at fair value with changes in profit or loss.

Derivative financial instruments

Derivative financial instruments entered into by the Group are aimed at coping with the exposure to the foreign exchange and interest rate risks and a diversification of the indebtedness parameters that may allow a reduction in their cost and volatility. At the date of execution of the contract, derivative instruments are initially accounted for at fair value and, if the derivative instruments are not accounted for as hedging instruments, the subsequent fair value changes are treated as components of the income statement.

Hedging derivative financial instruments are accounted for according to the procedures set out for hedge accounting only when:

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship itself;
- hedge is expected to be highly effective;
- effectiveness can be measured reliably;
- the hedge itself is highly effective during the different accounting periods for which it is designated.

If the derivative financial instruments are eligible for hedge accounting, the following accounting treatments shall apply:

Fair value hedge

If a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of an asset or liability that is attributable to a particular risk, the profit or loss arising from the subsequent changes in fair value of the hedging instrument are recognized in the income statement. The profit or loss arising from the fair value adjustment to the hedged item, for the portion attributable to the hedged risk, change the carrying amount of this item and is recognized in the income statement.

Cash flow hedge

If a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows of a recognized asset or liability or of a highly probable forecast transaction, the effective portion of profits or losses arising from the fair value adjustment to the derivative instrument is recognized under a specific equity reserve. The cumulative profit or loss is reversed from the equity reserve and accounted for in the income statement in the same financial years in which the effects of the transaction being hedged are recognised in the income statement. The profit or loss associated with the ineffective portion of the hedge is immediately entered in the income statement. If the transaction being hedged is no longer considered to be probable, the profits or losses that have not yet been realised, accounted for in the equity reserve, are immediately recognized in the income statement.

Derivative financial instruments are accounted for at the trade date.

Estimate of the fair value

The fair value of the financial instruments listed in an active market is based on the market prices at the balance sheet date. Instead, the fair value of the financial instruments that are not listed in an active market is determined by using valuation techniques based on a series of methods and assumptions linked to market conditions at the balance sheet date.

Below is reported the classification of the fair value of financial instruments on the basis of the following hierarchical levels:

Level 1: fair value determined with reference to (unadjusted) quoted prices in active markets for identical financial instruments;

Level 2: fair value determined by using valuation techniques with reference to variables that can be observed in active markets;

Level 3: fair value determined by using valuation techniques with reference to market variables that cannot be recorded.

Given the short-term features of trade receivables and payables, it is deemed that the book values represent a good approximation of the fair value.

Inventories

Inventories are entered at the lower of purchase and/or production cost and net realizable value. The cost is determined according to the weighted average cost method.

The net realisable value corresponds, for finished products and properties, to the selling price estimated in the ordinary course of business, net of estimated selling costs. For raw and secondary materials and consumables, the net realisable value is represented by the replacement cost.

The purchase cost includes additional charges; the production cost includes directly-attributable costs and a portion of indirect costs, which are reasonably attributable to the products.

The obsolete and/or slow-moving inventories are written down in relation to their alleged possible use or future sale, through the recognition of a special provision adjusting the value of inventories. The write-down is derecognised in the subsequent financial years if the reasons for the same no longer apply.

Contract work in progress

Contract work in progress (hereinafter also referred to as "job orders") are entered at the value of the agreed contractual fees, as reasonably accrued, according to the percentage of completion method, taking account of the state of progress achieved and of the expected contractual risks. The state of progress of works is measured with reference to the contract costs incurred at the balance sheet date compared to the total estimated costs for each individual contract.

If the outcome of a contract cannot be estimated reliably, the contract revenue is recognized only to the extent that any costs incurred are expected to be recoverable. If the outcome of a contract can be estimated reliably and the contract is likely to generate a profit, the contract revenue is recognized over the term of the contract. If total contract costs are likely to exceed total contract revenues, the expected loss is immediately recognised in the income statement.

The Group shows the gross amount due from customers for contract work in progress for which the costs incurred, plus recognized margins (less recognized losses), exceed the amount of invoices for progress of works, as an asset. The Group shows the gross amount due to customers for all contract work in progress for which any amounts invoiced for the state of progress of works exceed the costs incurred, including recognized margins (less recognized losses), as a liability.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and available bank deposits and any other forms of short-term investment, with an initial maturity of three months or less. At the balance sheet date, current account overdrafts are classified as borrowings under current liabilities in the consolidated statement of financial position. The elements included in cash and cash equivalents are measured at fair value with changes recognized in profit or loss.

Trade payables

Trade payables and any other payables are initially entered at fair value, net of directly-attributable additional costs, and are subsequently valued at amortised cost, applying the effective interest rate method.

Loans

Loans are initially entered at fair value, net of directly-attributable additional costs, and are subsequently valued at amortised cost, applying the effective interest rate method.

If there is a change in the estimated expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and of the effective internal rate as initially determined. Loans are classified under current liabilities, except for those with a contractual term beyond twelve months compared to the balance sheet date and those for which the Group has an unconditional right to defer their settlement for at least twelve months after the reporting date. Loans are derecognized at the time of their repayment and when the Group has transferred all risks and charges related to the instrument itself.

Purchases and sales of loans are accounted for at the trade date of the transaction and are derecognized at the time of their redemption and when the Group has transferred all risks and charges related to the instrument itself.

Employee benefits

Short-term benefits are represented by salaries, wages, related social security contributions, paid vacation and incentives paid out in the form of bonuses payable in the twelve months of the balance sheet date. These benefits are accounted for as personnel cost components in the period in which the working activity is performed.

Severance pay and other employee benefits

The Group companies have in place both defined contribution and defined benefit plans. Defined contribution plans are managed by third parties that manage funds, in relation to which there are no legal or any other obligations to pay additional contributions if the fund has no sufficient assets to meet the commitments undertaken to employees. For defined contribution plans, the Group pays contributions, either voluntary or set out as per contract, into public and private insurance pension funds. Contributions are entered as personnel costs on an accruals basis. Advance payments of contributions are entered as an asset that will be repaid or entered as an offset of future payments, if they are due.

A defined benefit plan is a plan that cannot be classified as a defined contribution plan. Under defined benefit plans the amount of the benefit to be paid out to the employee can be quantified only after the termination of the employment relationship, and is linked to one or more factors, such as age, years of service and remuneration. Therefore, defined benefit obligations are determined by an independent actuary using the projected unit credit method. The present value of defined benefit plans is determined by discounting future cash flows at an interest rate equal to that of (high-quality corporate) bonds issued in the foreign currency in which the liability will be settled and that takes account of the term of the related pension plan. Profits and losses arising from the actuarial calculation are fully charged to equity, in the reporting year, taking account of the related deferred tax effect.

Specifically, it should be pointed out that the Group manages a defined benefit plan that is represented by the provision for Severance Pay (*Trattamento di Fine Rapporto*, TFR). The Italian Companies are required to set aside this provision pursuant to article 2120 of the Italian Civil Code; it is treated as a deferred remuneration and is correlated to the duration of the working life of the employees and to the remuneration received in the period of service performed. Starting from 1 January 2007, law no. 296 of 27 December 2006, "2007 Finance Act" and subsequent Decrees and Regulations, introduced significant amendments to the TFR regulations, including the worker's right to choose to allocate its accruing TFR being accrued either to supplementary pension funds or to the "Treasury Fund" managed by the INPS (*Istituto Nazionale di Previdenza Sociale*, National Social Security Institute). Therefore, this has entailed that the obligation to the INPS and the contributions paid into supplementary pension funds are now treated, pursuant to IAS 19 "Employee benefits", as defined contribution plans, while the quotas entered in the provision for TFR at 1 January 2007 are still treated as defined benefit plans.

Other Group companies have also in place a defined benefit pension plan referred to the "Free Travel Card" (*Carta di Libera Circolazione*, CLC) that grants the employees, retired employees and their relatives, the right to travel – free of charge or, in some cases, through the payment of the right of admission – on the trains managed by the Group.

Provisions for risks and charges

Provisions for risks and charges are entered against certain or probable losses and charges, whose amount and/or date of occurrence cannot be determined. The provision is recognized only when a current obligation (legal or constructive) exists as a result of past events and it is probable that a future outflow of financial resources will be to settle the obligation. This amount represents the best estimate of the charge to fulfil the obligation. The rate used to determine the present value of the liability reflects the current market values and takes account of the specific risk that can be associated to each liability.

When the financial effect of time is significant and the dates of payment of the liabilities can be estimated reliably, provisions are measured at the present value of the outlay expected by using a rate that reflects market conditions, any change in the cost of money over time and the specific risk inherent in the obligation. The increase in the value of the provision determined by changes in the cost of money over time is accounted for as an interest expense.

The risks for which the emergence of a liability is only possible are specified in the special section on contingent liabilities and no provision has been made for them.

Revenues

Revenues are recognised insofar as it is probable that economic benefits will flow to the Group and their amount can be determined reliably, taking account of the value of returns, rebates, trade discounts and premiums concerning quantity (if any).

Revenues from performance of services are recognised in the income statement with reference to the state of completion of the service and only when the result of the service can be estimated reliably.

Revenues from contract work in progress are recognised, consistently with the information reported above for the latter item, with reference to the state of progress (percentage of completion method).

Revenues from sales of goods are measured at the fair value of the consideration received or due. Revenues from sales of goods are recognized when the significant risks and the rewards of ownership of the assets are transferred to the purchaser and the related costs can be estimated reliably.

Interest income is recorded in the income statement on the basis of the effective rate of return.

Government grants

Government grants, in the presence of a formal resolution assigning them and, in any case, when the right to their payment is deemed final as there is reasonable certainty that the Group will comply with any conditions attached to the grant and that the grants will be received, are recognised on an accruals basis in direct correlation with the costs incurred.

i) Set-up grants

Government capital grants refer to sums paid out by the Government and by any other Public Bodies to the Group for the implementation of initiatives aimed at the construction, reactivation and expansion of property, plant and equipment. Capital grants are accounted for as a direct reduction in the assets to which they refer and contribute, as a reduction, to the calculation of the depreciation rates.

ii) Operating grants

Operating grants refer to sums paid out by the Government or by any other Public Bodies to the Group by way of reduction in costs and charges incurred. Operating grants are charged to the income statement as a reduction in the cost item to which they refer.

Cost recognition

Costs are recognised when they relate to goods and services acquired or consumed in the year or by systematic allocation.

Income taxes

Current taxes are determined on the basis of the estimated taxable income and in accordance with the regulations in force for the Group companies.

Deferred tax assets and liabilities are calculated against all differences that arise between the taxable base of an asset or liability and the related carrying amount, except for goodwill and for those relating to differences arising from equity investments in subsidiaries, when the time limit for the reversal of these differences is subject to control by the Group and they are expected not to be reversed in a reasonable foreseeable period of time. Deferred tax assets, including those relating to previous tax losses, for the portion that is not offset by deferred tax liabilities, are recognized insofar as it is probable that a future taxable income will be available against which the same may be recovered. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applied in the financial years in which the differences will be realized or discharged.

Current taxes, deferred tax assets and liabilities are recognised in the income statement, except for those relating to items recognised under other components in the comprehensive income or directly debited or credited to equity. In the latter cases, deferred tax liabilities are recognised under the item "Tax effect" relating to the other components of the comprehensive income and directly in equity, respectively. Deferred tax assets and liabilities are offset when the same are applied by the tax authorities themselves, there is a legal right of setoff and a settlement of the net balance is expected.

Any other taxes that are not correlated to income, such as direct taxes and duties, are included in the income statement item "Other operating costs".

Assets and liabilities held for sale and discontinued operations

Non-current assets (or disposal groups) whose carrying amount will be recovered mainly through the sale rather than through their continuous use are classified as held for sale and are entered separately from any other assets and liabilities in the statement of financial position. The corresponding equity values of the previous year are not reclassified. A Discontinued Operation is a component of the entity that has been disposed of or classified as held for sale; and:

- represents either a major line of business or a geographical area of operations; and
- is part of a co-ordinated plan to dispose of a major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The results from discontinued operations – either disposed of or classified as held for sale and being divested – are recognized separately in the income statement, net of tax effects. The corresponding values relating to the previous financial year, where present, are reclassified and recognized separately in the separate income statement, net of tax effects, for comparative purposes. Non-current assets (or disposal groups) classified as held for sale, are firstly recognized in accordance with the specific relevant IFRS applicable to each asset and liability and, subsequently, are recognised at the lower of carrying amount and the related fair value, net of selling costs. Subsequent impairment losses (if any) are recognised directly as an adjustment to non-current assets (or disposal groups) classified as held for sale through profit or loss.

Instead, a reinstatement of value is recognised for each subsequent increase in the fair value of an asset, net of selling costs, but only up to the amount of the total impairment loss previously recognized.

Recently-issued accounting standards

Accounting standards endorsed by the European Union and applied by the Group in advance

At the date of approval of these Consolidated Financial Statements, the EU legislation adopted some accounting standards and interpretations that have been applied voluntarily by the Group in advance. These changes are summarized below:

Amendments to IAS 24 – "Related Party Disclosures";

Amendments to IFRS 1 and IFRS 7 – Limited Exemption from Comparative IFRS 7 Disclosure for First-Time Adopters.

Accounting standards endorsed by the European Union and not applied by the Group in advance

At the date of approval of these Consolidated Financial Statements, the EU legislation adopted some accounting standards and interpretations, which are not yet mandatory, that will be applied by the Group in the subsequent financial years. These changes and the potential effects on the Group's Consolidated Financial Statements are summarized below.

Amendments to IAS 32 – "Classification of rights issues" (applicable from 1 January 2011). The revised version of the standard regulates cases and case studies that were not present within the Group at the date of these Consolidated Financial Statements.

Amendments to IFRIC 14 – "Prepayments of a Minimum Funding Requirement" (applicable from 1 January 2011). It is deemed that the adoption of this revised version will have no effect on the Group's Consolidated Financial Statements.

Amendments to IFRIC 19 – "Extinguishing Financial Liabilities with Equity Instruments" (applicable from 1 January 2011). It is deemed that the adoption of this revised version will have no effect on the Group's Consolidated Financial Statements.

The 2010 improvement process provides for the review of a number of accounting standards, which are expected to be applied starting from 1 January 2011, including IFRS 1 (First-time Adoption of International Financial Reporting Standards), IFRS 3 (Business combinations), IFRS 7 (Financial Instruments: Disclosures), IAS 1 (Presentation of Financial Statements), IAS 27 (Consolidated and Separate Financial Statements) and IAS 34 (Interim Financial Reporting). The adoption of the abovementioned changes will have no significant effects on the Group's Consolidated Financial Statements.

Accounting standards not yet applicable as they have not been endorsed by the European Union

On 12 November 2009 the IASB issued the first part of the accounting standard IFRS 9 – "Financial Instruments", which will replace IAS 39 – "Financial Instruments: Recognition and Measurement". This first publication concerns the classification of financial instruments and forms part of a project divided into three phases that will concern the procedures for determining the impairment of financial assets and the procedures for applying hedge accounting, respectively. The issue of the new standard, which is aimed at simplifying and reducing the complexity of the recognition of financial instruments, provides for the classification of financial instruments in three categories to be defined on the basis of the business model used, the contractual characteristics and the related cash flows of the instruments in question.

On 19 October 2010 the IASB published a supplement to IFRS 9 concerning the issues linked to the volatility that arises from the decision to enhance financial liabilities at their related fair value. Specifically, the changes in question are recognized in the statement of comprehensive income, without any impact on the net profit for the period reported in the statement of income statement.

It is expected that the adoption of the abovementioned accounting standards will have no significant effects for the Group.

Amendments to IFRS 7 – "Financial Instruments: Disclosures – Transfers of Financial Assets" (applicable from 1 July 2011). It is deemed that the adoption of this revised version will have no effect on the Group's Consolidated Financial Statements.

Amendments to IAS 12 – "Income taxes (applicable form 1 January 2012)". The Group is assessing the impacts arising from the application of the amendment.

Use of estimates and valuations

The preparation of the Consolidated Financial Statements requires the directors to apply accounting standards and methods, which are based, in some circumstances, on difficult and subjective valuations and estimates based on historical experience and assumptions that are from time to time considered to be reasonable and realistic depending on the related circumstances. Therefore, the final results of the items in the financial statements for which the abovementioned estimates and assumptions have been used may differ, even significantly, from those reported in the financial statements, because of 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 any change are recognized in the income statement, if the same affects the financial year only. In the event that the review affects financial years, both current and future, the change is recognized in the financial year when the review is carried out and in the related future financial years.

The final results may differ, even significantly, from these estimates following possible changes in the factors considered in the determination of these estimates.

Below are briefly summarised the accounting standards that require, more than others, a major subjectivity by the directors in the preparation of estimates and for which a change in the conditions behind the assumptions used could have a significant impact on the consolidated financial data:

i) Impairment of assets

In accordance with the accounting standards applied by the Group, property, plant and equipment and intangible assets with a definite life are subject to a test aimed at establishing whether there is an impairment loss, which must be recognized through a write-down, when there is evidence that difficulties will arise for the recovery of the related net book value through the use. The test to check the existence of the abovementioned evidence requires the directors to make subjective valuations based in the information available within the Group and in the market, as well as from the historical experience. Furthermore, should it be established that there is a potential impairment loss, the Group determines the same using valuation techniques that are considered to be suitable. The correct identification of the elements indicating the existence of a potential impairment loss, as well as any estimates for the determination of the same depend on factors that may vary over time, thus affecting valuations and estimates made by the directors.

ii) Amortisation and depreciation

The amortisation and depreciation of fixed assets constitute a significant cost for the Group. The cost of property, plant and equipment, intangible assets and investment properties is amortised and depreciated over the estimated useful life of the related assets. The useful economic life of the Group's fixed assets is determined by the directors at the time when the fixed asset has been purchased; it is based on the historical experience for similar fixed assets, market conditions and forecasts concerning future events that may have an impact on the useful life. Therefore, the actual economic life may differ from the estimated useful life. The Group assesses any technological and sector changes to update the residual useful life on a periodical basis. This periodical update may entail a change in the period of amortisation and depreciation and then also in the amortisation and depreciation rates of future financial years.

iii) Provisions for risks and charges

Provisions are set aside against legal and tax risks which represent the risk of a negative outcome. The value of recognised provisions relating to these risks represents the best estimate made by the directors at the reporting date. This estimate entails the adoption of assumptions that depend on factors which may vary over time and which may have significant effects compared to the current estimates made by the directors for the preparation of the Group's Consolidated Financial Statements.

iv) Taxes

The recognition of deferred tax assets is made on the basis of the forecast income expected in future financial years. The valuation of any expected income for the purposes of the recognition of deferred taxes depends on factors that may vary over time and determine significant effects on the measurement of deferred tax assets.

v) Fair value of derivative financial instruments

The fair value of derivative financial instruments that are not listed in active markets is determined using valuation techniques. The Group uses valuation techniques that use inputs that can be observed in the market, either directly or indirectly, at the end of the financial year, and that are connected to the assets and liabilities being measured. Even if the estimates of the abovementioned fair values are considered to be reasonable, any possible changes in the estimate factors on which the calculation of the aforesaid values is based may produce different valuations.

vi) Residual Value of the infrastructure and of investment properties

According to the provisions under IAS 16, 38 and 40, the amortizable and depreciable cost of the infrastructure (which includes property, plant and equipment and intangible assets) and of investment properties is determined by deducting their residual value. The residual value of the infrastructure and of investment property is determined as the estimated value that the entity may receive from its disposal at that time, net of estimated costs for the disposal, as if it already found itself at the time and in the condition expected at the end of the Concession. The company reviews the residual value periodically and assess its recoverability on the basis of the best information available at the date. This periodical update may entail a change in amortization and depreciation rates of future financial years.

Operating segments

At the date of these financial statements the Company had no debt securities or shares listed in a regulated market, and therefore it has made use of the power granted by IFRS 8, paragraph 2b, not to provide information on operating segments in the notes to the financial statements.

5.Financial risk management

The Group is exposed to the following risks arising from the use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

Below is provided information relating to the Group's exposure to each type of risk previously listed, the policies and processes for the management of these risks and the methods used to assess them.

Credit risk

The credit risk is the risk that a customer or one of the counterparties of a financial instrument may cause a financial loss in not complying with an obligation and mainly arises from trade receivables and, to a lower extent, from the financial investments of the Group. Within this activity, a policy is in force which defines:

- the minimum requirements of the financial counteparty in terms of credit rating and the related concentration limits that limit the maximum concentration for each individual counterparty on the basis of the full amount invested (20% and 25%, respectively);
- the types of financial product that can be used (currently time deposits and repos).

Furthermore, the type of the Group's customers is largely attributable to government and public bodies, such as the Regional Governments (Euro 585 million at the end of 2010) or the MEF (Euro 3,026 million at the end of 2010); therefore, the exposure to the credit risk, towards these entities, is limited.

Liquidity risk

The Group's liquidity, relating to the main companies, is managed and used by the Parent Company at centralised level in order to optimise the overall availability of financial resources.

The liquidity risk is the risk that an entity may have difficulties in complying with the obligations associated with financial liabilities to be settled delivering cash on hand or any other financial asset, and it may arise with the inability to find, at arm's length, the financial resources necessary for the operations.

The Parent Company resorts to primary banks in the banking system, from which it has received uncommitted credit lines granted to meet the liquidity requirements mainly arising from delays in the transfers from the Government.

At 31 December 2010 the use of these types of credit was equal to Euro 130 million, with a maximum use of Euro 521 million at the end of August.

On 4 March 2011, also in order to be able to face risks and uncertainties in the collection of cash flows from the Government in the course of the next years, the Parent Company entered into a so-called Backup Credit Facility of a maximum amount of Euro 1,500 million with a pool of lenders and expiring within three years. Specifically this Facility has been created with a general purpose, thus granting Ferrovie dello Stato the possibility of resorting to this borrowing instrument for the most diverse types of operating requirements.

The table below reports the contractual expiry dates of financial liabilities, including interest to be paid:

Values in €/mil.

31-Dec-10	Book value	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
Non-derivative financial liabilities							
Debenture loans	3,298	4,168	19	23	54	1,101	2,971
Loans from banks	7,071	8,801	618	305	486	2,790	4,602
Payables to other lenders	2,223	2,676	147	129	242	733	1,425
Trade payables	3,516	3,515	3,342	173	0	0	0
Financial liabilities	31	31	1	30	0	0	0
Total	**16,138**	**19,191**	**4,127**	**660**	**782**	**4,624**	**8,998**
Derivative financial liabilities	**345**	**377**	**63**	**57**	**100**	**116**	**41**

Values in €/mil.

31-Dec-09	Book value	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
Non-derivative financial liabilities							
Debenture loans	3,297	4,397	17	22	71	910	3,377
Loans from banks	7,159	9,249	476	273	522	2,590	5,388
Payables to other lenders	2,346	2,866	139	161	244	731	1,591
Trade payables	3,699	3,699	3,529	166	1	1	2
Financial liabilities	33	32	2	30	0	0	0
Total	**16,534**	**20,242**	**4,163**	**652**	**838**	**4,232**	**10,358**
Derivative financial liabilities	**275**	**319**	**42**	**76**	**75**	**84**	**42**

It should be pointed out that, with reference to non-derivative financial liabilities expiring within 6 months or less, the main portion is represented by trade payables for High Speed/High Capacity contracts and works whose repayment mainly takes place through Government grants and, for a residual part, through cash flows from operations.

The contractual flows from variable-rate loans have been calculated by using the forward rates estimated at the closing date of the financial statements.

Market risk

The market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate following changes in market prices, due to changes in exchange rates and interest rates. The objective of the market risk management is the management and control of the Group's exposure to this risk within acceptable levels, while optimizing returns on investments. The Group uses hedging transactions for the purpose of managing the volatility of the results.

Interest rate risk

The Parent Company, through the Finance department of the Finance, Control and Assets Head Office, provides financial risk management services, in relation to the interest rate risk for subsidiaries and associates that express the need to manage financial risks.

In order to optimise interest rate risks, the Group has decided to limit changes in cash flows relating to variable-rate loans, for the purpose of predetermining a significant part of perspective financial charges, in accordance with the time horizon expressed by the structure of the debt portfolio, which in turn must be correlated with the structure and breakdown of the assets and of future cash flows.

For this purpose, the Group has provided for operations through derivative instruments.

At 31 December 2010 Interest Rate Swaps and Interest Rate Collars were used for medium/long-term full-life hedges, while Interest Rate Swaps, Interest Rate Caps and Interest Rate Collars were used for medium/short-term hedges depending on the financial years in which these hedges apply and of the term of the same.

For long-term borrowing transactions that are necessary to finance the High Speed Programme, derivative contracts were entered into in agreement with the MEF, in order to predefine and stabilise (in the long term) the overall charge of the indebtedness linked to the High Capacity/High Speed project to a fixed extent and with the objective of also facilitating the perspective determination of the economic performance of the initiatives.

Below is the profile of the interest rate applied to the Group’s interest-bearing financial instruments at the closing date of the financial statements:

	Book value	
	31.12.2010	**31.12.2009**
Fixed-rate loans		
Financial liabilities	4,209	4,452
Variable-rate loans		
Financial liabilities	8,196	8,177

values in €/mil.

values in €/mil.

	Book value	**Instruments hedged with derivatives**	**Non-hedged instruments**	**% of non-hedged instruments**
31/12/2010				
Long-term payables - variable rate	8,196	5,874	2,321	28%
31/12/2009				
Long-term payables - variable rate	8,177	6,541	1,636	20%

Sensitivity analysis of cash flows from variable-rate loans

If the interest rates were varied by 50 basis points at the closing date of the financial statements, the shareholders’ equity would have recorded a negative change of Euro 108 million or a positive change of Euro 95 million, while the effect on the net result would have been equal to Euro 8 million, as indicated in the table below. The analysis has been conducted on the assumption that the other variables, specifically exchange rates, remain constant.

values in €/mil.

Change	**Shift + 50 bps**	**Shift - 50 bps**
Interest on variable-rate payables	40	(40)
Net Cash Flow from hedging transactions	(32)	32

values in €/mil.

Change	**Shift + 50 bps**	**Shift - 50 bps**
Fair Value of hedging derivatives	100	(87)

6. Net non-current assets held for sale

At 31 December 2010 non-current assets held for sale were specifically made up of the former departmental buildings of Rome and Genoa, which were reclassified by Grandi Stazioni SpA for about Euro 18 million from investment properties, following a resolution issued by the governing body on 4 August 2010 to start the competitive tenders for the disposal of the properties in question.

7. Property, plant and equipment

Below is reported the statement of amounts of property, plant and equipment at the beginning and at the end of the year, with the related changes.

Values in €/mil.

	Land, buildings, railway and port infrastructure	Plant and machinery	Industrial and business equipment	Other assets	Fixed assets under construction and advances	Total
Historical cost	82,599	12,112	689	757	30,123	**126,280**
Depreciation and impairment losses	(44,632)	(5,176)	(443)	(552)	(1,553)	**(52,356)**
Grants	(9,472)	(462)	(21)	(13)	(17,293)	**(27,261)**
Balance as at 01.01.2009	**28,495**	**6,474**	**225**	**192**	**11,277**	**46,663**
Investments	79	98	1	3	4,886	**5,067**
Entries into service	494	1,257	10	14	(1,775)	**0**
Depreciation	(132)	(675)	(18)	(41)		**(866)**
Impairment losses		(38)			(3)	**(41)**
Extraordinary transactions						**0**
Exchange differences		14				**14**
Sales and disposals	(124)	(85)	(1)	(3)	(31)	**(244)**
Other changes	2,070	73			(2,266)	**(123)**
Reclassifications from/to "Assets held for sale"						**0**
Change in grants	(99)	(2)	0		(3,688)	**(3,789)**
Other reclassifications	(521)	43	1	1	(4)	**(480)**
Total changes	**1,767**	**685**	**(7)**	**(26)**	**(2,881)**	**(462)**
Historical cost	88,671	13,292	729	768	27,433	**130,893**
Depreciation and impairment losses	(44,724)	(5,637)	(463)	(572)	(1,553)	**(52,949)**
Grants	(13,551)	(497)	(48)	(30)	(17,618)	**(31,744)**
Balance as at 31.12.2009	**30,262**	**7,159**	**218**	**166**	**8,396**	**46,201**
Investments	107	120	1	7	3,839	**4,074**
Entries into service	904	823	9	13	(1,730)	**19**
Depreciation	(103)	(771)	(21)	(27)		**(922)**
Impairment losses	(3)	(52)			0	**(55)**
Extraordinary transactions						**0**
Exchange differences		20			5	**25**
Sales and disposals	(51)	(22)	(1)		(139)	**(213)**
Other changes	2,442	0			(2,442)	**0**
Reclassifications from/to "Assets held for sale"						**0**
Change in grants	(33)	(10)		(8)	(1,799)	**(1,850)**
Other reclassifications	(17)	(6)	10	(4)	(49)	**(66)**
Total changes	**3,246**	**102**	**(2)**	**(19)**	**(2,315)**	**1,012**
Historical cost	98,688	14,235	788	766	20,213	**134,690**
Depreciation and impairment losses	(44,706)	(6,449)	(483)	(581)	(1,554)	**(53,773)**
Grants	(20,474)	(525)	(89)	(38)	(12,578)	**(33,704)**
Balance as at 31.12.2010	**33,508**	**7,261**	**216**	**147**	**6,081**	**47,213**

The increase in investments entered under "Fixed assets under construction and advances", equal to Euro 3,839 million, was mainly attributable to RFI SpA due to the costs for the refurbishment and construction of railway works and for the construction of works in progress for the High Speed/High Capacity project and for the Traditional Network.

The entries into service of "plant and machinery" mainly related to the rolling stock and to investments in workshop systems and buildings and technical equipment (Euro 780 million).

Impairment losses, equal to Euro 55 million, related to the write-downs of the second-level maintenance of the rolling stock being written down (Euro 47 million) and to the write-down of investments, again in rolling stock, which no longer met the requirements required by the Company (Euro 8 million).

The increase in set-up grants entered under the item "Fixed assets under construction and advances" was mainly attributable to RFI SpA for grants received from the Ministry of Economy and Finance, the European Union and Other Public Bodies.

At 31 December 2010 property, plant and equipment were not encumbered with mortgages or liens, except for a portion of the rolling stock of Trenitalia SpA pledged in favour of Eurofima against medium- and long-term loans raised through Ferrovie dello Stato SpA, for a value of Euro 3,292 million, and excluding housings owned by RFI SpA to be disposed of pursuant to law no. 560/93.

8. Investment properties

The table below reports the amounts of investment property at the beginning and at the end of the financial year.

Values in €/mil.

	2010		2009	
	Land	**Buildings**	**Land**	**Buildings**
Balance as at 1 January				
Cost	2,249	878	2,167	931
of which:				
Historical Cost	2,250	903	2,168	953
Grants	(1)	(25)	(1)	(22)
Depreciation Fund		(405)		(442)
Provision for Write-Down	(969)	(170)	(920)	(168)
Book value	**1,280**	**303**	**1,246**	**321**
Changes in the year				
Acquisitions		6		2
Reclassifications	(52)	24	33	(21)
Grants		(2)		4
Depreciation		(3)		(3)
Total Changes	**(52)**	**26**	**33**	**(18)**
Balance as at 31 December				
Cost	2,246	913	2,249	878
Depreciation Fund		(397)		(405)
Provision for Write-Down	(1,018)	(160)	(969)	(170)
Book value	**1,228**	**329**	**1,280**	**303**

The item "investment properties" includes non-instrumental land and buildings valued at cost and land and buildings held for sale for which the disposal has not yet been started, the areas intended for enhancement, divested lines, some buildings and some workshops held for enhancement or sale and a number of real properties leased to third parties.

9. Intangible assets

Below is reported the statement of amounts of intangible assets at the beginning and at the end of the financial year, with the related changes.

Values in €/mil.

	Development costs	Industrial patent and intellectual property rights	Concessions, licences, trademarks and similar rights	Fixed assets under development and advances	Others	Goodwill	Total
Historical cost	114	10	732	72	26	4	**958**
Amortisation and impairment losses	(86)	(10)	(424)		(22)	(2)	**(542)**
Grants	(4)		(18)	(1)	(1)		**(24)**
Balance as at 01.01.2009	**24**	**0**	**290**	**71**	**3**	**2**	**392**
Investments	0	2	2	70	1		**75**
Entries into services			55	(55)			**0**
Amortisation	(1)		(59)		(3)		**(63)**
Impairment losses						0	**0**
Sales and disposals					(1)		**(1)**
Other changes				1			**1**
Other reclassifications	1	(1)	72	(78)	2		**(4)**
Total changes	**0**	**1**	**70**	**(62)**	**(1)**	**0**	**8**
Historical cost	115	11	816	56	28	4	**1,030**
Amortisation and impairment losses	(87)	(10)	(483)		(26)	(2)	**(608)**
Grants	(4)		(28)	(1)	0		**(33)**
Balance as at 31.12.2009	**24**	**1**	**360**	**9**	**2**	**2**	**389**
Investments			1	60	1		**62**
Entries into services			3	(1)			**2**
Amortisation	(1)	(1)	(62)		(1)		**(65)**
Sales and disposals			(1)		(1)		**(2)**
Changes in grants			(3)	1			**(2)**
Other reclassifications			35	(58)			**(23)**
Total changes	**(1)**	**(1)**	**(27)**	**2**	**(1)**	**0**	**(28)**
Historical cost	115	11	789	57	15	4	**991**
Amortisation and impairment losses	(88)	(11)	(480)		(14)	(3)	**(596)**
Grants	(4)		(31)				**(35)**
Balance as at 31.12.2010	**23**	**0**	**333**	**11**	**1**	**2**	**361**

The changes recorded in 2010 both in "Investments" and "Entries into service" were essentially attributable to Software and concerned Trenitalia (Euro 42 million and Euro 21 million, respectively) for the actions aimed at improving the sales system. 2010 also saw the start of the second phase of this system, which is expected to be completed by the end of 2011 and which will allow the Group to definitively abandon the previous sales systems both on medium-distance and the Regional Transport. The year also saw the entry into service of the first projects for the construction of the production platform, including the Crew Management system that was started on some production sites; its maximum expansion and use is expected in early 2011 and will have important effects on the levels of efficacy and efficiency of the driving processes as a whole.

10. Deferred tax assets and deferred tax liabilities

The statements below report the amounts of deferred tax assets and deferred tax liabilities, as well as the changes that were recorded in 2010 in deferred taxes entered for the main temporary differences.

values in €/mil.

	01.01.2009	Increase(decrease) through P&L	Other changes	31.12.2009	Increase(decrease) through P&L	Other changes	31.12.2010
Deferred tax assets	**234**	**(12)**	**1**	**223**	**16**	**3**	**242**
Deferred tax liabilities	**154**	**2**	**37**	**193**	**1**	**27**	**221**

Deferred tax assets and liabilities mainly arose from the misalignment between book values and tax values of assets and properties held for trading attributable to the Parent Company, Sistemi Urbani and FS Logistica, the assets making up the traditional network for the write-down made by RFI SpA directly on the cost and from the provisions for risks and charges and impairment losses with deferred tax deductibility.

11. Investments (valued at equity)

Investments valued at equity were fully referable to the equity investments held in associates. The table below reports the breakdown of the Group's equity investments in associates, specifying the ownership percentages and the related book value, net of subscribed capital (if any) to be paid up.

Values in €/mil.

Investments valued at equity	Net value as at 31.12.2010	Ownership %	Net value as at 31.12.2009	Ownership %	Net value as at 1.1.009	Ownership %
B.B.T. SE SpA	62	50.00	59	50.00	56	50.00
Ferrovie Nord Milano SpA	38	14.74	34	14.74	34	14.74
Logistica SA	1	50.00	1	50.00	1	50.00
LTF - Lyon Turin Ferroviarie Sas	95	50.00	95	50.00	95	50.00
Pol Rail Srl	2	50.00	2	50.00	2	50.00
Quadrante Europa Terminal Gate SpA	8	50.00	1	50.00	1	50.00
TILO SA	1	50.00	1	50.00	1	50.00
Viaggi e Turismo Marozzi Srl	2	26.95	2	26.95	2	26.95
WISCO	0		5	49.00	6	49.00
Others	3		3		4	
Total	**212**		**203**		**202**	

The table below reports the amounts of the equity investments in question at the beginning and at the end of the year, as broken down by category, and of the related changes that were recorded in 2010 and 2009.

values in €/mil.

	Opening value as at 1.1.2009	Acquisitions	Change in the scope of consolidation	Capital increases	Recognition through P&L	Closing value as at 31.12.2009
Equity investments in associates	**202**		(1)	3	(1)	**203**

values in €/mil.

	Opening value as at 31.12.2009	Acquisitions	Change in the scope of consolidation	Capital increases	Recognition through P&L	Closing value as at 31.12.2010
Equity investments in associates	**203**		(6)	11	4	**212**

The recognition through P&L refers to the results recorded by the companies in 2009 and 2010.

The change in the scope of consolidation for 2010, which was negative for Euro 6 million, was due to the transfer of Wisco SpA for Euro 5 million and to the final liquidation of The Sixt Srl for Euro 1 million.

The 2010 capital increases referred to the subscription by RFI SpA of the capital increase of Quadrante Europa Terminal Gate SpA and BBT Se SpA; the latter was partially offset by set-up grants received from the Ministry of Economy and Finance in relation to chapter 7122 for financial investments, which were accounted for as an adjustment to the value of the equity investment itself.

For the analytical list of all equity investments held by the Group as at 31 December 2010, reference is made to annex 1.

The table below summarises the highlights of investments valued at equity, as unadjusted for the ownership percentage held by the Group, nor for consolidation adjustments (if any).

values in €/mil.

Equity investments in associates 31.12.2009	Ownership %	Current assets	Non-current assets	Total Assets	Current liabilities	Non-current liabilities	Total Liabilities	Revenues	Costs	Profit/ (loss)
B.B.T. SE SpA	50.00	73	213	286	16	108	124	8	(8)	0
Ferrovie Nord Milano SpA	14.74	370	247	617	283	103	386	565	(553)	12
Logistica SA	50.00	3	2	5	2	0	2	1	0	1
LTF - Lyon Turin Ferroviarie Sas	50.00	81	530	611	0	89	89	48	(48)	0
Pol Rail Srl	50.00	9	1	10	7	0	7	36	(37)	(1)
Quadrante Europa Terminal Gate SpA	50.00	0	6	6	0	5	5	0	0	0
TILO SA	50.00	2	0	2	1	0	1	4	(4)	0

values in €/mil.

Equity investments in associates 31.12.2010	Ownership %	Current assets	Non-current assets	Total Assets	Current liabilities	Non-current liabilities	Total Liabilities	Revenues	Costs	Profit/ (loss)
B.B.T. SE SpA	50.00	55	302	357	131	23	154	11	(11)	0
Ferrovie Nord Milano SpA	14.74	303	265	568	203	110	313	474	(456)	18
Logistica SA	50.00	2	3	5	3	0	3	1	(1)	0
LTF - Lyon Turin Ferroviarie Sas	50.00	52	562	614	0	59	59	35	(35)	0
Pol Rail Srl	50.00	7	0	7	4	0	4	28	(28)	0
Quadrante Europa Terminal Gate SpA	50.00	2	21	23	0	7	7	1	(1)	0
TILO SA	50.00	3	0	3	1	0	1	6	(6)	0

With specific reference to FNM SpA, whose ownership percentage is less than 20%, it should be noted that the Group has a representative who sits on the Board of Directors of the investee company and that significant transactions take place between the investee company and the Group; for these reasons, it has been concluded that the Group has significant influence on the investee company and the latter has been recognized at equity.

The same information is also reported for companies subject to joint control and accounted for on a proportional basis.

values in €/mil.

Equity investments in companies subject to joint control 31.12.2009	Ownership %	Current assets	Non-current assets	Total Assets	Current liabilities	Non-current liabilities	Total Liabilities	Revenues	Costs	Profit/ (loss)
Cisalpino Sa	50.00	202	270	472	132	157	289	158	(127)	31
Italia Logistica Srl	50.00	44	15	59	50	3	53	74	(80)	(6)

values in €/mil.

Equity investments in companies subject to joint control 31.12.2010	Ownership %	Current assets	Non-current assets	Total Assets	Current liabilities	Non-current liabilities	Total Liabilities	Revenues	Costs	Profit/ (loss)
Cisalpino Sa	50.00	169	368	537	104	247	351	30	(28)	2
Italia Logistica Srl	50.00	55	15	70	65	2	67	88	(91)	(3)

12. Financial assets (including derivatives)

The table below reports the breakdown of financial assets at the end of 2010 and in the two additional financial years under comparison.

values in €/mil

	Book value as at 31.12.2010			31.12.2009			01.01.2009		
	Non-current	Current	TOTAL	Non-current	Current	TOTAL	Non-current	Current	TOTAL
Financial assets									
- Other equity investments	174	0	174	175	0	175	176	0	176
- Non-current (Securities and) Loans	84	15	99	78	17	95	76	21	97
- Receivables from the Ministry of Economy and Finance for 15-year grants to be collected	1,606	137	1,742	1,742	131	1,873	1,903	134	2,038
- Receivables for loans	52	16	68	46	22	68	52	12	63
- Other financial receivables	0	1	1	0	4	4	0	8	8
Total	**1,916**	**169**	**2,085**	**2,041**	**174**	**2,214**	**2,207**	**175**	**2,382**

The decrease of Euro 130 million recorded in 2010 was mainly related to the item "Receivables from the Ministry of Economy and Finance" that decreased following the payment of the two grant tranches for the year relating to the 15-year grants envisaged under article 1, paragraph 84, of the 2006 Finance Act, through a discounting transaction (equal to Euro 131 million).

13. Other non-current and current assets

This item is broken down as follows:

values in €/mil.

	31.12.2010			31.12.2009			01.01.2009		
	Current	Non-current	TOTAL	Current	Non-current	TOTAL	Current	Non-current	TOTAL
Other receivables from group companies	2	0	2	0	0	0	1	0	1
VAT credits	395	1,175	1,570	686	1,722	2,408	1,768	1,094	2,862
Ministry of Economy and Finance	650	1,321	1,971	654	1,111	1,765	89	1,426	1,515
Set-up grants from the EU, other Ministries and others	66	0	66	48	0	48	72	0	72
Other State Administrations	68	0	68	60	0	60	55	0	55
Sundry receivables and accruals/deferrals	440	87	527	487	77	563	424	48	472
Total	**1,621**	**2,583**	**4,204**	**1,934**	**2,910**	**4,844**	**2,410**	**2,568**	**4,977**
Provision for write-down	0	0	0	0	0	0	0	0	0
Total net provision for write-down	**1,621**	**2,583**	**4,204**	**1,934**	**2,910**	**4,844**	**2,410**	**2,568**	**4,977**

Receivables from the Ministry of Economy and Finance fully referred to RFI SpA and are broken down as follows:

values in €/mil.

Description	Values as at 31.12.2009	Increases	Decreases	Values as at 31.12.2010
Operating grants:				
- Sums due by virtue of the Programme Contract	1,002	989	(1,210)	781
Set-up grants	763	2,166	(1,739)	1,190
Law 87/94	0	0	0	0
TOTAL	**1,765**	**3,155**	**(2,949)**	**1,971**

Receivables relating to the "Sums due by virtue of the Programme Contract" referred to 2000. The amounts set aside in relation to the current financial year were equal to Euro 989 million, for an amount equal to the provision provided for in the 2010 Finance Act (Euro 975 million), and including the residual amounts relating to 2009, equal to Euro 14 million, as set aside by the 2007 Finance Act pursuant to article 1, paragraph 758, relating to quota C. During the year, RFI SpA also collected a portion of the residual receivables relating to 2000 (Euro 200 million), all residual receivables relating to 2009 (Euro 35 million, including the residual amount relating to quota C under article 1, paragraph 758, of the 2007 Finance Act, equal to Euro 14 million) and the entire provision set aside in relation to 2010 (Euro 975 million).

In 2010 receivables from the Ministry of Economy and Finance were entered for "Set-up grants" for an amount equal to the provisions set aside for 2010 (Euro 1,686 million), intended for infrastructural investments also relating to the High Speed/High Capacity System, for an amount equal to the provision provided for in the 2010 Finance Act no. 191 of 23 December 2009 bearing "Provisions for the preparation of the national annual and multi-year budget” (*Disposizioni per la formazione del bilancio annuale e pluriennale dello Stato)* and in the Budget Law no. 192 connected thereto that were issued on 23 December 2009. Furthermore, the quota C accrued in 2009 (pursuant to article 1, paragraph 758, of the 2007 Finance Act), equal to Euro 480,000 thousand for chapter 7124) was entered as an increase in the 2010 receivables.

The time limits for the collection of the abovementioned receivables were affected by the expenditure funds available to the Ministry.

In early 2011 Euro 1,160 million were collected, while for the residual amount the appropriate contacts are in progress with the competent units to define the time limits of the subsequent payments.

14. Inventories and Construction contracts

Inventories are broken down as follows:

valiues in €/mil.

		31.12.2010	31.12.2009	01.01.2009
Raw and secondary materials, and consumables		1,099	1,081	1,022
Provision for write-down		(221)	(211)	(199)
	Net value	**878**	**870**	**823**
Construction contracts		10	8	5
Provision for write-down		0	0	0
	Net value	**10**	**8**	**5**
Advances		1	1	1
Written-off assets to be disposed of		33	67	78
Provision for write-down		(27)	(57)	(73)
	Net value	**6**	**10**	**5**
Properties and Land held for Trading		1,036	1,074	867
Provision for write-down		(239)	(240)	(118)
	Net value	**797**	**834**	**749**
Total Inventories		**1,691**	**1,722**	**1,583**

Inventories of Raw and secondary materials and consumables were made up of stock of materials intended to satisfy the demand from the plants for material intended for investments, equipment material, electrical and navigation systems and materials used in the maintenance process.

Properties and land held for trading referred to the real estate assets of the Parent Company and of FS Sistemi Urbani SpA. Their decrease was substantially connected to the sales made in the year.

15. Non-current and current trade receivables

values in €/mil.

	31.12.2010			31.12.2009			01.01.2009		
	Current	Non-current	TOTAL	Current	Non-current	TOTAL	Current	Non-current	TOTAL
Ordinary customers	1,276	29	1,305	1,347	30	1,377	1,180	31	1,211
State Administrations and other Public Administrations	159	15	175	126	14	141	148	14	161
Foreign Railways	54	0	54	41	0	41	66	0	66
Railways under concession	6	0	6	8	0	8	51	0	51
Agencies and other transport companies	35	0	35	37	0	37	41	0	41
Receivables from Service Contracts:			0			0			0
- Service Contract with Regional Governments	585	0	585	625	0	625	609	0	609
- Service Contract with the Government	1,055	0	1,055	933	0	933	47	0	47
Receivables from Group companies	8	0	8	17	(0)	17	12	0	12
Other receivables	0	0	0	(0)	0	(0)	0	0	0
Total	**3,179**	**44**	**3,224**	**3,134**	**44**	**3,179**	**2,153**	**45**	**2,197**
Provision for write-down	(362)	(11)	(373)	(327)	(8)	(336)	(313)	(5)	(318)
Total net provision	**2,817**	**33**	**2,850**	**2,807**	**36**	**2,843**	**1,840**	**40**	**1,879**

The increase in current trade receivables compared to the previous financial year, equal to Euro 45 million, was mainly attributable to higher "Receivables from State Administrations and Other Public Administrations" (Euro 33 million)", higher "Receivables from Service Contract with the Government" (Euro 122 million), lower "Receivables from Service Contract with the Regional Governments" (Euro 40 million) for local passenger service contracts, and lower "Receivables from Ordinary Customers" (Euro 71 million).

The provision for bad debts recorded an increase of Euro 38 million that was essentially attributable to the coverage of receivables for travel irregularities.

Below is reported the maximum exposure to the credit risk, as broken down by geographical region:

values in €/mil.

	31.12.2010	31.12.2009	01.01.2009
National regions	3,123	3,107	2,098
Eurozone countries	68	37	69
Other European countries (non-Euro EU)	12	10	9
Other non-EU European Countries	14	19	18
Other countries	6	4	3
	3,224	**3,179**	**2,197**

16. Cash and cash equivalents

The item is broken down as follows:

values in €/mil.

Description	31.12.2010	31.12.2009	01.01.2009
Bank and postal accounts	269	381	681
Cash and cash on hand	33	34	51
Treasury current accounts	338	728	1,271
Total	**640**	**1,143**	**2,003**

The decrease of Euro 503 million in 2010 compared to 2009 was mainly attributable to the decrease in the balance of the treasury current account of RFI SpA (Euro 388 million), which includes both the payments made by the Ministry of Economy and Finance in the year in relation to the Programme Contract and the payments for other grants paid out by the European Commission and used during the year for the Group's operational requirements. Furthermore, minor bank and postal accounts were recorded for Euro 112 million at the end of 2010.

17. Tax receivables

In 2010 Tax receivables amounted to Euro 87 million (Euro 87 million in 2009) and related to receivables for income taxes relating to previous years.

18. Shareholders' equity

The changes recorded in 2010 and 2009 for the main consolidated equity items are reported analytically in the statement at the beginning of the Notes to the Financial Statements.

Share capital

At 31 December 2010 the share capital of the Parent Company, which was fully subscribed and paid up, was made up of 38,790,425,485 ordinary shares with a par value of Euro 1.00 each, for a total of Euro 38,790 million.

Legal reserve

The legal reserve, equal to Euro 14 million, increased for the share of profits of Euro 3 million realised by the Parent Company and allocated to this item.

Reserve for translation of financial statements in foreign currency

The translation reserve includes all exchange differences arising from the translation of financial statements of foreign companies and amounted to Euro 17 million.

Reserve for change in fair value on derivatives (Cash Flow Hedge)

At 31 December 2010 the cash flow hedge reserve, which includes the effective portion of the cumulative net change in the fair value of cash flow hedge instruments relating to hedged transactions that have not yet taken place, showed a negative balance of Euro 344 million.

Reserve for actuarial gains (losses) for employee benefits

The reserve for actuarial gains (losses) for employee benefits includes the effects of the actuarial changes in the Severance Pay and in the Free Travel Card. At 31 December 2010 the balance of the reserve was equal to Euro 28 million.

Profits (losses) carried forward

The negative value of Euro 2,861 million substantially referred to the profits and losses carried forward by consolidated companies and to the consolidation adjustments arisen in previous years.

19. Medium/long-term and short-term loans

This item amounted to Euro 12,593 million and was broken down as follows:

values in €/mil.

	Book Value		
Medium/long-term loans	**31.12.2010**	**31.12.2009**	**01.01.2009**
Debenture loans	3,292	3,292	3,293
Loans from banks	6,293	6,571	6,672
Payables to other lenders	2,027	2,128	2,220
Finance lease liabilities	1	1	1
Total	**11,613**	**11,992**	**12,186**

Short-term loans	**31.12.2010**	**31.12.2009**	**01.01.2009**
(Short-term) Debenture loans	5	5	25
(Short-term) Loans from banks	778	589	357
(Short-term) Payables to other lenders	195	215	710
(Short-term) Finance lease Liabilities	1	1	1
(Short-term) Other loans	1	1	1
Total	**980**	**811**	**1,094**
Total Loans	**12,593**	**12,803**	**13,280**

The item "Debenture Loans" is made up of twenty debenture loans issued by the Parent Company and fully subscribed by Eurofima (private placement).

The recourse to said loans is aimed at the financing of investments for the programme to renew and upgrade the rolling stock. The repayment of loans is expected to take place in a single payment upon expiry, while the enjoyment of coupons is on a quarterly basis and at a variable rate. Securities do not provide for quotations on "official markets", national or foreign Stock Exchanges, and may not be subject to trading and will remain in the financial statements of Eurofima in its capacity as sole owner.

In 2010 the medium/long-term loans from banks recorded a decrease of Euro 277 million as a result of repayments of capital quotas and of the reclassifications of the capital quotas that will be repaid in 2011 to short-term loans.

Short-term loans from banks are made up of capital quotas of medium/long-term payables that will be repaid in 2011 and of the financial exposure to banks linked to factoring and leasing transactions. The increase of Euro 189 million was mainly due to the capital quotas of the expiring bank loans.

Payables to other lenders mainly included loans raised with Cassa Depositi e Prestiti and aimed at the railway infrastructure (Traditional and High Speed Network) whose repayment is ensured by the grants to be received from the Government from 2007 to 2021. In 2010 the decrease of Euro 121 million was due to the repayment of the capital quotas that took place in the year.

20. Severance pay and other employee benefits (Free Travel Card)

The table below illustrates the changes that were recorded in the present value of liabilities for defined benefit obligations.

values in €/mil.

	31.12.2010	**31.12.2009**
Present value of severance pay obligations	2,104	2,371
Present value of Free Travel Card obligations	43	44
Total present value of obligations	**2,147**	**2,415**

values in €/mil.

Severance Pay and Travel Smart Card	31.12.2010	31.12.2009
Defined benefit obligations at 1 January	2,415	2,594
Service Costs	1	1
Interest Cost (*)	93	104
Actuarial (Profits) losses recognised in equity	(73)	45
Adavances and uses	(289)	(329)
Liabilities for defined benefit obligations at 31 December	**2,147**	**2,415**

(*) with recognition through P&L.

Actuarial assumptions

Below are reported the main assumptions made for the actuarial estimate process:

	31.12.2010	31.12.2009
Discount rate of Severance Pay	4.5%	4%
Discoun rate of Travel Smart Card	5%	4.6%
Annual increase rate of severance pay	3%	3%
Rate of inflation	2%	2%
Expected turnover rate of employees	3.5%	3.5%
Expected rate of advances	2%	2%
Mortality	Mortality tables RG48 published by the General Accounting Office	
Disability	INPS tables broken down by age and gender	
Retirement age	100% subject to meting the Compulsory General Insurance requirements	

The assumptions relating to the expected mortality are based on statistics published by the General Accounting Office (*Ragioneria Generale dello Stato*), while the assumptions relating to disability are based on the INPS tables broken down by age and gender.

21 Provision for risks and charges

The table below reports the amounts at the beginning and at the end of the year and the changes recorded in provisions for risks and charges 2010, showing the short-term portion.

values in €/mil.

Description	01.01.2009	Provisions	Uses and other changes	Release of excess provisions	31.12.2009	Provisions	Uses and other changes	Release of excess provisions	31.12.2010
Provision for industrial reorganisation	228	19	(229)	0	18	47	(46)	0	18
Provision for ordinary maintenance	0	0	0	0	0	0	0	0	0
Provision for taxes	23	6	(7)	0	22	4	3	(1)	28
Other provisions	1,520	103	198	(81)	1,739	240	(292)	(65)	1,622
Total non-current and current portion	**1,770**	**128**	**(39)**	**(81)**	**1,778**	**291**	**(335)**	**(66)**	**1,668**

The provision for taxes includes tax charges that will be likely to be incurred in the future.

The item "Other provisions" included, among others:

- the Bilateral Income-Support Management Fund" (*Fondo Gestione Bilaterale di Sostegno al Reddito*) that has the purpose of encouraging the reorganisation of the Group in consideration of the reorganisation and development process of the railway transport system;

- provisions for personnel for possible charges allocated in relation to the outstanding claims and to the disputes started with the competent authorities, that essentially concerned claims on remuneration and career, as well as compensation for damage suffered for occupational diseases;
- provisions for litigation against third parties for work, service and supply contracts, as well as for potential disputes relating to claims submitted byu suppliers.

The short-term portion of provisions for risks and charges was equal to Euro 8 million in 2010.

22. Non-current and current financial liabilities (including derivatives)

values in €/mil.

	Book value					
	31.12.2010		31.12.2009		01.01.2009	
	Non-current	Current	Non-current	Current	Non-current	Current
Financial liabilities						
Hedging derivative financial instruments	341	21	273	34	211	11
Other financial liabilities	0	31	0	32	0	31
	341	**52**	**273**	**66**	**211**	**42**

The item "Hedging derivative financial instruments" reports the overall value of the transactions of Interest Rate Swaps, Interest Rate Collars and Interest Rate Caps, as calculated according to the standard market valuation formulas (fair value) entered into by the company to cover medium/long-term loans. The increase of about Euro 55 million in 2010 was due to the change in the market value calculated at 31 December of the reporting year.

23. Other non-current and current liabilities

values in €/mil.

	31.12.2010		31.12.2009		01.01.2009	
	Current	Non-current	Current	Non-current	Current	Non-current
Advances for grants	2,648	0	2,456	0	1,994	0
Payables to Social Security Institutions	303	81	301	87	341	93
VAT payables	39	0	33	0	2	0
Other payables to Group companies	15	0	12	0	0	0
Other payables and accrued expenses and deferred income	1,127	209	1,072	183	1,320	193
Total	**4,132**	**290**	**3,874**	**270**	**3,655**	**286**

The table below reports the changes relating to the advances entered by RFI SpA against set-up grants set aside by the Government (MEF), the European Union and Other Administrations, against investments made or to be made on the Traditional and High Speed Network.

Description	31.12.2009	Increases	Decreases in Grants	Other changes	31.12.2010
Avances for grants:					
- Ministry of Economy and Finance	1,547	2,211	(2,105)		1,653
- FESR	547	0			547
- TEN	66	20			86
- Others	296	92	(17)	(9)	362
Total	**2,456**	**2,323**	**(2,122)**	**(9)**	**2,648**

Other payables and current prepaid expenses and deferred income, equal to Euro 1,128 million in 2010 (up by Euro 56 million compared to 2009) mainly related to payables to the personnel for fees accrued and not yet paid, guarantee deposits, payables to Public Administrations, other taxes payable for withholding taxes deducted by the companies against subordinate and non-subordinate employees and taxes for severance pay revaluation, etc..

This item also included payables to third parties for the purchase by Trenitalia of the 49% stake in TX Logistik AG.

Prepaid expenses and deferred income, which amounted to Euro 315 million in 2010, mainly related to the portions of revenue accruing in future financial years, which are referable to the repayment of charges invoiced in the year; these revenues will be released to the income statement in next years on the basis of the term of the relevant contracts. Furthermore, they related to the deferment of revenues arising from the transfer by RFI to Basictel of the rights for the use of the power line for the passage of optic fibre cables pertaining to future years, whose contract has a term of 30 years.

Furthermore, it should be noted that deferred income increased, compared to the previous year, as a result of the payment of grants in favour of Trenitalia, which occurred in 2010 and according to the provisions under law no. 297, paragraph 6, of 21 December 2010 (2011 Stability Law) for bearing costs relating to the rolling stock for Ordinary Regions (*Regioni a Statuto Ordinario*).

24. Non-current and current trade payables

The item is broken down as follows:

values in €/mil.

	31.12.2010	31.12.2009	01.01.2009
Payables to suppliers	3,435	3,509	3,670
Commercial advances	76	76	70
Trade payables to Group companies	3	112	98
Payables for construction contracts	1	1	2
Total	**3,515**	**3,698**	**3,840**

The 2010 balance, equal to Euro 3,515 million, mainly included payables to ordinary suppliers for investment activities. The item recorded a decrease of Euro 183 million compared to 31 December 2009.

At 31 December 2010 the decrease of Euro 74 million in payables to suppliers compared to the previous year was mainly attributable to opposing factors, i.e. an increase due to the slowdown in the payment plan, as well as to higher payables for the supply of rolling stock, which was partially offset by the reduction in payables to foreign railways relating to the passenger transport segment, as a result of a better financial settlement within the *Bureau Central de Compensation* (BCC).

Commercial advances related to advances received from ordinary Customers and Public Administrations.

At 31 December 2010 trade payables to Group companies recorded a decrease of Euro 109 million following the exit of TSF SpA, a company which manages in outsourcing the operation and development of IT systems, from the Group.

25. Income taxes payable

The 2010 balance, equal to Euro 15 million, included the sums due to the tax office against the portions accrued in the year for IRES tax (*Imposta sul Reddito delle Società*, Corporate Income Tax) (Euro 5 million in 2010 and Euro 1 million in 2009) by the companies that do not participate in the National Consolidated Tax Base (*Consolidato Fiscale Nazionale*), and IRAP tax (*Imposta Regionale sulle Attività Produttive*, Regional Tax on Production Activities) (Euro 10 million in 2010 and Euro 7 million in 2009), as offset by the advances paid.

26. Revenues from sales and services

The tables and comments below report the breakdown of the items that make up revenues from sales and services:

values in €/mil.

	2010	2009	Changes
Revenues from Transport Services	**6,152**	**6,000**	**151**
Market Revenues	**3,659**	**3,583**	**76**
• Passenger traffic products	2,869	2,801	68
• Cargo traffic products	790	782	8
Revenues from Service Contract	**2,493**	**2,417**	**76**
• Public Service Contract and other Contracts	546	533	13
• Revenues from Regional Governments	1,947	1,884	63
Revenues from Infrastructure Services	**1,038**	**900**	**138**
Other revenues from services	**85**	**86**	**(1)**
Capitalisation of works on fixed assets held for trading and other changes in inventories of products	**1**	**1**	**0**
Revenues from contract work in progress	**13**	**7**	**6**
Total	**7,288**	**6,994**	**295**

The item "Market Revenues" showed a positive change of Euro 76 million compared to 2009, which was essentially attributable to the increase in invoicing on the part of the medium-and long-distance segment, thanks to the expansion of the offer and to tariff increases in the High Speed segment (about Euro 67 million).

Fees for Public Service Contracts with the Government and other contracts increased by Euro 13 million compared to 2009 thanks to higher transfers envisaged in the 2010 Finance Act and to the additional sums paid out by the Ministry of Infrastructures and Transport.

The item "Revenues from Regional Governments", equal to Euro 1,947 million, was made up of provisions set aside by the Regional Governments and by the Local Administrations for transport services provided by the Group within service contracts. The positive change of Euro 63 million, compared to 2009, was substantially attributable to the growth in the fees from the "catalogue-based" Service Contract.

The balance of "Revenues from Infrastructure Services" showed an increase of Euro 138 million compared to the previous year, including Euro 975 million of fees paid out according to the 2010 Finance Act no. 191 bearing "Provisions for the preparation of the national annual and multi-year budget" and the Budget Law no. 192 connected thereto (which were issued on 23 December 2009).

27. Other income

The table below reports the breakdown of other income:

values in €/mil.

	2010	2009	Changes
Rvenues from Property Management	**240**	**253**	**(13)**
· Lease rentals	146	131	15
· Charge-back of service charges and IRE	10	11	(1)
· Sale of properties and land held for trading	52	77	(25)
· Sale of advertising spaces	32	34	(2)
Sundry income	**536**	**736**	**(200)**
Total	**776**	**989**	**(212)**

The most significant changes in "Revenues from Property Management" included higher income from lease rentals, equal to Euro 15 million, which were mainly attributable to specific station areas such as Milan, Turin and Naples and the reduction in revenues arising from the sale of properties and land held for trading attributable to lower sales of properties made by the Parent Company in 2010 compared to 2009.

The decrease in "Sundry income" of Euro 200 million was mainly made up of:

- lower income (Euro 71 million) as a result of the decrease in the transfers relating to previous years pursuant to article 1, paragraph 758, of the 2007 Finance Act;
- a decrease in sundry income (Euro 50 million) attributable to lower releases of some excess provisions for risks and charges compared to 2009;
- lower capital gains from disposal of fixed assets (Euro 31 million) mainly due to the higher income recorded following the transfer of a property in the Venice area in the previous year.

28. Personnel cost

The table below reports personnel cost:

values in €/mil.

	2010	2009	Changes
Permanent staff	**4,238**	**4,443**	**(205)**
• Wages and salaries	2,973	3,166	(193)
• Social security contributions	863	853	11
• Other permanent staff costs	194	189	5
• Severance pay	208	235	(28)
Self-employed staff and Collaborators	**3**	**17**	**(14)**
Other costs	**84**	**100**	**(16)**
Total	**4,325**	**4,560**	**(235)**

In 2010 the personnel cost, which totalled Euro 4,325 million, showed a decrease of Euro 235 million compared to the previous year that was substantially attributable to the considerable reduction in average amounts (which passed from 87,423 units in 2009 to 82,566 units in 2010), arising from the continuous and gradual process for the improvement of efficiency of all various business processes, despite an increase in unit pays linked to the dynamics of contractual renewals and the automatic increase envisaged in the contracts themselves.

The table below reports the Group's average staff broken down by category:

PERSONNEL	2010	2009	Change
Executives	912	997	(85)
Middle managers	13,480	14,415	(935)
Other staff	68,174	72,010	(3,836)
TOTAL	**82,566**	**87,422**	**(4,856)**

29. Raw and secondary materials, consumables and goods for resale

The item is broken down as follows:

values in €/mil.

	2010	2009	Changes
Materials and consumables	615	580	35
Electricity and traction fuels	140	139	1
Lighting and driving force	61	58	3
Change in inventories of properties and land held for trading	25	41	(16)
Total	**841**	**818**	**23**

The total increase in costs for purchases of materials, equal to Euro 23 million, was mainly due to the combined effect of the following factors:

- higher uses of materials mainly attributable to higher investments on the High Speed/High Capacity lines and the increase in extraordinary maintenance;
- higher uses of operating materials mainly linked to the increase in prices for the purchase of raw materials;
- lower cost of sales relating to properties and land for lower sales of properties.

30. Costs for services

The balance is broken down in the table below:

values in €/mil.

	2010	2009	Changes
Transport services	**403**	**415**	**(12)**
- Other services linked to Transport	79	119	(40)
- Toll	31	37	(6)
- Handling services	23	27	(4)
- Cargo transport services	271	232	39
Maintenance, cleaning and other contracted services	**863**	**894**	**(31)**
- Services and works contracted on behalf of Third Parties	65	90	(25)
- Cleaning services and other contracted services	322	326	(4)
- Maintenance and repair of intangible assets and property, plant and equipment	476	478	(2)
Real estate services and utilities	**63**	**73**	**(10)**
Administrative and IT services	**122**	**129**	**(7)**
External communication and advertising costs	**19**	**14**	**5**
Sundry costs	**455**	**446**	**9**
• Professional services and consultancy	33	24	9
• Tenders and fees to other Railway Companies	16	14	2
• Insurance	93	81	12
• Sleeping cars and catering	78	85	(7)
• Commissions to agencies	51	51	0
• Engineering services	23	24	(1)
• Fees due to Directors and Statutory Auditors	4	3	1
• Other	157	164	(7)
Total	**1,925**	**1,971**	**(46)**

Below are reported the contents and changes in the most significant items compared to the amounts relating to 2009:

- costs for "Other services linked to Transport" recorded a significant decrease that was mainly attributable to the discontinuance of the local public urban transport day service in the Rome district by Tevere TPL Scarl on 31 May 2010. The decrease was also attributable to the discontinuance of certain railway transport services between Italy and Switzerland.
- costs for "Cargo transport services" increased by about Euro 39 million as a result of the overall growth in the business volume recorded in 2010 (with specific reference to international traffic).

31. Leases and rentals

The table below reports the breakdown of costs for leases and rentals.

values in €/mil.

	2010	2009	Changes
Lease rentals, service charges and IRE	54	56	(2)
Rentals and indemnities of rolling stock and other	82	86	(4)
Total	**136**	**142**	**(6)**

32. Other operating costs

The table below reports the breakdown of other operating costs:

values in €/mil.

	2010	2009	Changes
Other costs	113	90	23
Capital losses	8	6	2
Total	**121**	**96**	**26**

The increase of about Euro 26 million in the item "Other costs" was mainly attributable to higher losses from write-off of assets by RFI SpA.

33. Capitalization of internal construction costs

Capitalisation of internal construction costs mainly related to the value of costs of materials and personnel costs capitalised in 2010 against works performed on the High Speed/High Capacity lines and of value-increasing maintenance actions carried out on rolling stock (at the workshops owned by the Group). The total amount of the item amounted to about Euro 944 million.

34. Amortisation and depreciation

The item, which totalled Euro 988 million, is broken down as follows:

values in €/mil.

	2010	2009	Changes
Amortisation of intangible assets and depreciation of property, plant and equipment	988	862	126
• Amortisation of intangible assets	61	62	(1)
• Depreciation of property, plant and equipment	927	800	127
Total	**988**	**862**	**126**

The increase in the item, compared to the previous year, mainly related to depreciation of property, plant and equipment related to:

- the capitalisation of second-level maintenance carried out on the rolling stock in 2010;
- the completion of the High Speed/High Capacity Railway Lines Bologna-Florence, Novara-Milan and Rome-Naples in 2009;
- the entry into service of new assets as required by the Group's investment plan.

35. Write-downs and impairment losses (value write-backs)

The item is broken down as follows:

values in €/mil.

	2010	2009	Changes
Write-down of intangible assets, property, plant and equipment	59	42	17
Value adjustments and write-backs on receivables	13	17	(4)
Total	**72**	**59**	**13**

Additional information on write-downs and impairment losses (value write-backs) is reported in the comment on the corresponding items of the Statement of Financial Position.

36. Provisions for risks and charges

Provisions for risks and charges totalled about Euro 90 million. The item recorded a decrease of Euro 5 million, compared to the previous year, following lower provisions for disputes towards the personnel and third parties. Additional information is reported in the comment on the corresponding items in the Statement of Financial Position.

37. Finance income

The table below reports the breakdown of finance income:

values in €/mil.

	2010	2009	Changes
Finance income from non-current receivables and securities	1	12	(11)
Finance income on derivatives	1	4	(3)
Sundry finance income	72	75	(3)
Dividends	0	5	(5)
Foreign exchange gains	5	1	4
Total	**79**	**97**	**(18)**

In detail, finance income from non-current receivables and securities decreased by about Euro 11 million compared to 2009, which had recorded the income from the transfer by Grandi Stazioni SpA of Grandi Stazioni Edicole.

Finance income from derivatives, which showed a decrease of Euro 3 million, was attributable to the recognition of the fair value component relating to the time value of collar contracts in the 2009 income statement.

Sundry finance income decreased by Euro 3 million, substantially as a result of the combination of lower interest income on VAT required for reimbursement and higher finance income arising from the capital gain recorded following the transfer of the equity investment in Wisco (about Euro 11 million).

38. Finance costs

The table below reports the breakdown of finance costs:

values in €/mil.

	2010	2009	Change
Finance costs on payables	210	239	(29)
Finance costs for employee benefits	92	103	(11)
Write-downs of financial assets	0	2	(2)
Foreign exchange loss	44	2	42
Total	**346**	**346**	**(0)**

Finance costs, equal to about Euro 346 million, remained in line with the previous year.

In detail, finance costs on payables showed a decrease of about Euro 29 million, mainly due to the reduction in market rates and the consequent savings in terms of interest to be paid out.

Finance costs for employee benefits decreased by about Euro 11 million as a result of the reduction in the discount rate used for the actuarial calculation of the provision for severance pay and in the other provisions for personnel relating to employee benefits.

Foreign exchange losses, which amounted to about Euro 44 million, showed an increase of Euro 42 million compared to 2009. This change mainly arises from exchange differences not yet realised and includes the adjustment to the subscribed capital of the Eurima equity investment to be paid out.

39. Current, deferred tax assets and liabilities for the year

The table below reports the breakdown of income taxes:

values in €/mil.

	2010	2009
IRAP tax	134	126
IRES tax	9	4
Deferred tax assets and liabilities	(15)	10
Adjustments to income taxes relating to previous years	(13)	(10)
Total income taxes	**116**	**130**

Income taxes totalled Euro 116 million.

For more details on the changes in the Provision for deferred tax liabilities, reference is made to the explanatory notes to the balance sheet item "Deferred tax assets and deferred tax liabilities".

The Parent Company and its subsidiaries participate in the consolidated tax base that entails the determination of a single tax base through a full setoff of all positive and negative taxable income. As a result of tax losses contributed by some consolidated companies in 2010, the Group's taxable income was negative. Therefore, IRES taxes and, accordingly, deferred tax assets and liabilities recognized by the companies were reversed, for the purposes of the consolidated tax base, from the income statement.

40. Contingent liabilities

As to possible elements that could significantly affect the Group's equity, economic and financial position, it should be noted that, during 2010, Trenitalia was subject to a partial tax inspection (for 2007 and 2008 taxable years) by the Revenue Agency Regional Head Office – Large Taxpayers Office (*Direzione Regionale dell'Agenzia delle Entrate – Ufficio Grandi Contribuenti*), concerning the IRAP deductions required by article 11, paragraph 1, letter a), numbers 2, 3, 4 of Legislative Decree no. 446/1997 (so-called "tax wedge"). To conclude inspections, the Revenue Agency served, on 22 December 2010, a report of findings (*processo verbale di constatazione*) reporting, for the years under investigation, the undue receipt of the abovementioned relief, on the assumption that the activities relating to local public transport services carried out by the company could not benefit from the "tax wedge". As the observations and remarks submitted were not considered to be founded, a specific statement of defence was submitted pursuant to Law 212/2000. To date, no notice of assessment has been served: should it receive this notice, Trenitalia would take action as it considers that the conduct adopted in making use of the deductions relating to the "tax wedge" is correct and enforceable in any jurisdiction. For this reason no provision has been set aside under the Provision for Risks.

As regards the details concerning RFI on arbitration proceedings connected to the various lines of the High Speed/High Capacity Network and other disputes (if any) involving the Group companies, reference is made to the paragraph relating to pending judicial investigations and proceedings and disputes in the Report on Operations.

Furthermore, note the contingent liabilities that could arise following a number of disputes brought by the former cleaning service contractor companies, following the contractual terminations decided by the Group as a result of the serious defaults reported in the performance of the contracts that, in any case, do not currently entail any provisions.

41. Fees due to the Independent Auditors

It should be noted that – pursuant to article 37, paragraph 16, of Legislative Decree no. 39/2010 and letter 16-*bis* of article 2427 of the Italian Civil Code, the total amount of fees due to the Independent Auditors is equal to Euro 3,231 thousand, including accrued fees paid out to the same in the year for other auditing services other than statutory audit (Euro 1,048 thousand).

42. Fees due to Directors and Statutory Auditors

Below are reported the total fees due to the Directors and to the members of the Board of Statutory Auditors for the performance of their duties:

values in €/th.

RECIPIENTS	2010	2009	Change
Directors	1,660	2,148	(488)
Statutory Auditors	106	113	(7)
TOTAL	**1,766**	**2,261**	**(495)**

Fees due to Directors include emoluments envisaged for the positions of Chairman and Chief Executive Officer, as well as any emoluments envisaged for the remaining Board members. To the abovementioned fees must be added, for 2010 only, fees of Euro 50,000 due to the external member of the Supervisory Board.

43. Related parties

Transactions with executives with strategic responsibilities

The general conditions that regulate transactions (if any) with executives with strategic responsibilities and their related parties are not more favourable than those applied, or that could be reasonably applied, in case of similar transactions with executives without strategic responsibilities of the same entities at arm’s length.

Below are reported the fees due to positions with strategic responsibilities:

values in €/mil.

	2010	2009
Short-term benefits	12	13
Post-employment benefits	1	1
TOTAL	**13**	**14**

The benefits relate to the fees paid to the persons indicated for various reasons. In addition to short-term benefits of Euro 12 million paid out in 2010, note a variable part to be paid in 2011, for an amount not exceeding Euro 2 million (Euro 2 million in 2009).

It should be noted that the executives with strategic responsibilities did not receive benefits for the termination of the employment relationship, nor any other long-term benefits.

The executives with strategic responsibilities did not effect any transaction in the period, either directly or through close relatives with the Group and the companies in the same or with other parties related thereto.

Other transactions with related parties

Below are summarised the main relations with related parties maintained by the Ferrovie dello Stato Group, which are regulated at arm’s length.

values in €/mil.

Description	Receivables	Payables	Purchases for investments	Revenues	Costs
Enel Group	3	43	2	5	76
Eni Group	6	18		28	61
Finmeccanica Group	1	73	29	4	93
Anas Group	2	1		6	1
Cassa Depositi e Prestiti Group		1		2	35
GSE Group	2			3	331
Poste Italiane Group	10	5		14	7
EUROFER		4			1
PREVINDAI		2			1
Other Related Parties	1	2		1	7
Total	25	149	31	63	613

Income /cost relations

Description	Receivables	Payables	Income	Costs
Cassa Depositi e Prestiti Group		2,058		77
Poste Italiane Group	8	1		
Other Related Parties		1		
TOTAL	8	2,060	-	77

Below is summarised the nature of the main abovementioned relations with external related parties.

Credit relationships maintained with the ENEL Group and the ENI Group mainly concerned lease rentals and material transport costs, while debt relationships related to rentals for various utilities.

Credit relationships with the FINMECCANICA Group mainly concerned lease rentals, costs for transport and rental of rolling stock, while debt relationships related to sundry maintenance (Rolling stock, line, software) and purchases of materials.

Credit relationships with the Cassa Depositi e Prestiti SpA Group mainly related to rentals for leases and easements on land, while debt relationships related to loans and electricity payable to Terna.

Debt relationships with the GSE Group mainly referred to the purchase of electricity for train drive.

Credit relationships with the POSTE Group mainly concerned lease rentals, while debt relationships related to postal charges.

44. Guarantees and commitments

The guarantees given mainly referred to:

- collaterals on pledges on the rolling stock of Trenitalia issued by the company in favour of Eurofima to secure medium- and long-term loans raised through Ferrovie dello Stato (Euro 3,292 million);
- sureties in favour of the pool of banks securing the loans granted by OPI (Intesa San Paolo Group) in 2004 (Euro 420 million), by the EIB in 2005 (Euro 971 million) and by Banca di Roma in 2006 (Euro 368 million);
- guarantees issued by Banks and by Poste Italiane in favour of the Regional Governments as to the Service contracts entered into and in favour of other Entities (Euro 175 million);
- guarantee of the service contract for the supply of electricity entered into with GSE (Euro 150 million);
- sureties issued in the interests of the General Contractors for advances paid out;
- bonds issued to the Tax Authorities, as well as to the Public Administrations affected by the crossing of the High Speed/High Capacity lines for the good and timely performance of works.

The commitments undertaken by the Group were substantially attributable to:

- relations with the General Contractors (IRICAV UNO, FIAT and CEPAV UNO) for the construction of the railway lines Rome - Naples, Florence – Bologna, Milan – Bologna and Milan – Turin (Euro 129 million);

- commitments undertaken, within Procedural Agreements, to the State Administrations, the local Entities, as well as any Entities involved in the construction of the works as required in the Agreements entered into (Euro 153 million).

45. Events after the balance sheet date

"ARRIVA DEUTSCHLAND TRANSACTION"

By resolution of 19 November 2010, the Board of Directors authorised Ferrovie dello Stato to submit, in partnership with the Investment Fund CUBE Infrastructure, a binding offer for the purchase of 100% of the share capital of Arriva Deutschland and Arriva Grundstücksgesellchaft (the target) within the competitive tender launched by Deutsche Bahn on instructions by the European Commission, granting the Chief Executive Officer the mandate to do everything necessary to finalise the abovementioned offer and as a result: to negotiate with CUBE all activities concerning corporate relations; to arrange the acquisition price; where permitted, to insert any additional clause, in the Sale and Purchase Agreement (SPA), which, in light of any checks possibly arising during the due diligence activity, may be deemed useful for the interests of FS, to execute any and all acts and to carry out all activities useful to execute the resolution adopted, including the release of all necessary guarantees and the execution of the term sheet, which regulated the main terms and conditions to be transposed into and then to include in the Shareholders' Agreement with the partner Cube, to be executed at the end of any possible award (at that time) and whose main provisions had been detailed in the document prepared for the Board.

In the subsequent meetings (21 December, 2 February and 2 March 2011, 15 April), the Board was from time to time informed of the activities and formalities completed and connected with the finalization of the acquisition and, specifically, of the approval by the European Commission of the transaction itself, which took place on 16 February 2011, when notice was given of the clearance antitrust on the transaction and of the final approval by the purchaser (so-called suitability), as well as on the closing that took place – pursuant to the Sale and Purchase Agreement (SPA) – on the seventh next business day, i.e. 25 February 2011.

By this acquisition, the consortium Ferrovie dello Stato-Cube Infrastructure (51 and 49%, respectively) gains a significant market share of 5% of the German public transport, and aims at further developing its presence in this market.

In fact, the Arriva Deutschland Group is one of the major private operators in the public regional passenger transport on rail and on road in Germany. In 2010 the Group reported a consolidated turnover exceeding Euro 470 million, more than 30 million trains-km and 31 million bus-km.

The acquisition of the Arriva Deutschland group is consistent with the development strategy of the FS Group, and represents another important success in strengthening its international positioning as the third European railway operator.

At the beginning of April 2011, following the decision made by FS to choose the new name for identifying the newly-acquired Group to replace the name Arriva (which can no longer be used in accordance with specific provisions under the SPA), the companies concerned changed their name to NETINERA.

January

On 19 January the partnership was formalized between Trenitalia and Veolia Transport, establishing a new joint venture incorporated under French law that will develop the European High Speed services and international long-distance, cross-border and regional services.

February

- Effective from 9 February, prices were increased, up to a maximum of 1.7%, for Market train tickets (Frecciarossa, Frecciargento, Frecciabianca and Eurostar).
- 26 February 2011 saw the adoption of law no. 10, converting decree law no. 225 of 29 December 2010, "extension of time limits", which extended the time limit referred to in law no. 166 of 1 August 2002 to 31 March 2011, for the execution of public service contracts of national interest, and authorized the Ministry of Economy and Finance, while waiting for the execution of the contracts, to pay Trenitalia the sums envisaged for 2009 and 2010.

March

- On 16 March an agreement was reached with the Other Shareholders of TX Logistik AG and Trenitalia, for the payment by the latter of the residual tranche, equal to 49%, of the stake of its subsidiary TX Logistik AG.

April

- During the month an agreement was reached between Trenitalia and the Ferrovie Nord Milan Group (FNM), by which Trenitalia-Le Nord became TRENORD. Therefore, the 50%/50%-alliance between Trenitalia and the FNM Group gave rise, in the Lombardy region, to the first and largest Italian operator specialist in the local public transport on rail. In this way the process was completed for the consolidation between LeNORD, the railway operator of the FNM Group, and the regional Lombardy Division of Trenitalia, which started on 4 August 2009. The new company manages 42 regional lines and 10 suburban lines in the Lombardy region, in addition to the "Malpensa Express" service which connects Milan Cadorna and Milan Centrale stations with the international airport with the same name. With 2,200 journeys and over 650,000 passengers per day, the Lombardy region railway network is one of the busiest in Europe.
- Again in April, the European tender was started for 90 new electrical trains intended for the regional railway service. The tender is another step towards the implementation of the investment plan of Euro 2 billion which was officially presented by Ferrovie dello Stato to the Ministry of Infrastructures and Transport in September 2009, before 19 regional directors. It was made possible by the execution of the Service Contracts with the Regional Governments, which were signed for a term of six years, plus six years, i.e. for a period that was sufficient, for the first time, to plan actions for the development and improvement of the offer and to access the necessary credit lines.
- A cooperation agreement was signed between the Ferrovie dello Stato Group and the Syrian Railways for the incorporation of a joint venture between Italferr and Chemins de Fer Syrien aimed at providing, in the next years, railway engineering services to Syria and to the Middle East countries and reconfirmed the agreement of international cooperation with the Turkish railways and the agreement to support the development of the railway system in Morocco.

May

- The deed of merger of Sogin by incorporation into Sita and the concurrent deed of demerger in favour of FS Trasporti su Gomma (FSTG) and Sicurezza Trasporti Autolinee- Sita Sud are being entered into in these hours. At the same time, the ordinary Shareholders' meetings of Sita Scissa and FSTG will be held for the renewal of the Governing Bodies and of the Board of Statutory Auditors. Even if, for accounting purposes, the merger and the concurrent demerger became conventionally effective on 1 September 2010 and, therefore, the consequent transactions were charged to the financial statements of the companies participating in the demerger starting from that date, it should be noted that this transaction became substantially effective from the execution of the deeds of merger and demerger. In fact, this execution took place upon occurrence of some conditions precedent that were fulfilled in early 2011. If these conditions precedent had not been fulfilled, the transaction in question would not have been carried out. In the same way, the fact of continuing to recognize the properties being demerged in favour of entities outside the Group in the consolidated financial statements at 31 December 2010 arises from the substantial maintenance of the risks and rewards connected to the management of the same by the Group at that date.

46. Effects of the transition to International Accounting Standards (EU-IFRS)

Following the entry into force of legislative decree no. 38/2005, which regulates the right to draw up the consolidated financial statements in accordance with International Accounting Standards on the basis of the options envisaged in article 5 of Regulation (EC) no. 1606/2002 issued by the European Parliament and by the European Council in July 2002, the Parent Company resolved to voluntary adopt the International Accounting Standards for the preparation of the consolidated financial statements of the FS Group starting from the 2010 financial year, setting the date of transition to EU-IFRS at 1 January 2009 (the "Date of Transition").

The Group has applied the EU-IFRS, on a retrospective basis, to all the periods ended prior to 1 January 2009, except for mandatory and voluntary exemptions adopted in accordance with IFRS 1, as described in the following paragraphs. Specifically, the Accounting Standards to which reference has been made are those described in the previous notes. Below are illustrated the information required by IFRS 1. Specifically, said information concerns the impact that the transition to EU-IFRS has determined on the financial position and the economic performance. For this purpose, the Group has prepared:

- the analytical statements of reconciliation of the consolidated statements of financial position at 1 January 2009 and 31 December 2009 and of the consolidated income statement and consolidated statement of comprehensive income for the financial year ended 31 December 2009;
- the statements of reconciliation of the consolidated equity and the consolidated income statement recognised in accordance with the Italian GAAPs and those recognised in accordance with EU-IFRS at 1 January 2009, 31 December 2009 and for the financial year ended 31 December 2009;
- comments on statements of reconciliation.

The consolidated statement of financial position at 1 January 2009 reflects the following different treatments compared to the financial statements at 31 December 2008, prepared in accordance with the Italian GAAPs:

- all assets and liabilities have been recognised which can be entered on the basis of EU-IFRS, including those not envisaged in the application of the Italian GAAPs;
- all assets and liabilities whose recognition is required by the Italian GAAPs, but which is not required by EU-IFRS, have been derecognized;

- some items in the financial statements have been reclassified as required by EU-IFRS.

The effects of these adjustments have been recognised directly in the opening consolidated equity at the date of transition.

It should be noted that the accounting statements and the reconciliations have been prepared for the sole purposes of the first-time adoption of EU-IFRS on the Group's consolidated financial statements: therefore, they do not report any comparative data of the consolidated income statement referred to the corresponding periods of the previous reporting year, nor the related explanatory notes that would be required to give a true and fair representation of the Group's consolidated statement of financial position and consolidated income statement, in accordance with the IFRS adopted by the European Union. The values recognized according to the Italian GAAPs have been appropriately reclassified in order to reflect the new financial statement formats that the group has decided to adopt.

The presentation of the financial statements

Below are specified the formats of the financial statements and the related classification criteria adopted by the Group within the options envisaged under IAS 1:

- the consolidated statement of financial position has been prepared by recognizing assets and liabilities according to the classification "current/non-current";
- the consolidated income statement has been prepared by classifying operating costs by nature;
- the consolidated statement of comprehensive income that includes the profit for the year resulting from the consolidated income statement, as well as any other changes in the consolidated equity items made up of actuarial profits and losses from employee benefits and from the change in the fair value of the hedging financial instruments.

The statement of reconciliation of the consolidated statement of cash flows is not presented as the effects arising from the application of EU-IFRS have not entailed significant impacts.

Mandatory and voluntary exemptions from the application of EU-IFRS

Below are described the mandatory and voluntary exemptions from the retrospective application of EU-IFRS that, in compliance with IFRS 1, have been adopted by the Group within the process of transition.

Voluntary exemptions under IFRS 1 adopted by the Group at the time of first-time adoption of EU-IFRS:

i) *employee benefits*: all actuarial cumulative profits and losses outstanding at the Date of Transition, relating to the Group companies, have been entered under profits and losses carried forward;

ii) *fair value or redetermination of the value as deemed cost*: the Group has opted to use the concept of the deemed cost with reference to the intangible assets, property, plant and equipment and intangible assets;

iii) *business combinations:* for the purposes of the first-time adoption of EU-IFRS to all business combinations, the acquisition method under IFRS 3 has been applied by the Group starting from 1 January 2009 according to the prospective method. Therefore, the business combinations that took place up to 1 January 2009 have been accounted for on the basis of the previous Accounting Standards.

iv) *Disclosures on financial instruments*: the Group has made use of the limited exemption relating to the presentation of the comparative information required by IFRS 7 concerning the periods prior to 31 December 2009.

Mandatory exemptions under IFRS 1 adopted by the Group at the time of first-time adoption of EU-IFRS:

i) *estimates:* the estimates made by the Group at the date of transition to EU-IFRS comply with the estimates made according to the Italian GAAPs at the same date (after the adjustments necessary to reflect any differences in the accounting standards);

ii) *hedge accounting*: a derivative has not been considered as a hedging derivative by the Group if the relationship did not exit or could not be demonstrated at 1 January 2009;

iii) *derecognition of financial assets and liabilities*: financial assets and/or liabilities relating to transactions carried out prior to 1 January 2004 that were derecognized in the consolidated financial statements prepared by the Group according to the Italian GAAPs, have not been recognized nor reinstated in the financial statements .

Treatments selected by the Group within the accounting options envisaged by EU-IFRS

Below are described the accounting options that have been adopted by the Group within the transition to EU-IFRS.

i) *Valuation of property, plant and equipment and intangible assets:* according to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets", these assets, subsequent to the initial recognition at cost, may be valued at cost, or determining periodically the market value and adjusting this value to the book balance at the reporting date of the measurement of the market value. The Group has decided to adopt the cost method.

ii) *Actuarial differences*: according to IAS 19 "Employee benefits", the actuarial differences that arise in case of any change in the assumptions applied to the calculation of defined benefit pension plans, such as for example the provision for Severance Pay and the Free Travel Card, may be accounted for in the application of the "corridor" method, charged directly to the income statement at the time of the recognition of the same, or charged directly to equity. The Group has opted to adopt the equity method.

iii) *Inventories:* according to IAS 2 "Inventories", the cost of inventories must be determined by adopting the FIFO method or the weighted average cost method. The Group has opted to adopt the weighted average cost.

iv) *Investment properties* - according to IAS 40 "Investment property", the latter must be entered at cost or at fair value. The Group has opted to adopt the cost method.

Description of the significant effects of the transition as regards both the classification of the various items in the consolidated financial statements and their different valuation and, therefore, the consequent effects on the consolidated statement of financial position and the consolidated income statement.

The differences arising from the application of EU-IFRS with respect to the Italian GAAPs, as well as the options adopted by the Group within the accounting options envisaged by EU-IFRS illustrated above, entail a reformulation of the accounting data prepared according to the previous Italian regulations governing financial statements with effects on the equity and the consolidated result.

Below is reported the reconciliation of the Group's consolidated equity at 1 January 2009 and at 31 December 2009, as well as of the consolidated net result and of the other components of the consolidated comprehensive income of the financial year ended 31 December 2009, between the position prepared on the basis of the Italian GAAPs and that prepared according to EU-IFRS.

		1 January 2009	FY 2009			31 December 2009
(Values in €/mil.)	**Notes**	**Equity**	**Change in the share capital**	**Other components of the statement of comprehensive income**	**Profit for the year**	**Equity**
Equity according to previous Italian GAAPs		**36,210**	-	**(9)**	**44**	**36,245**
EU-IFRS Adjustments:						
- Application of the component approach	a	35			7	42
- Reversal of accumulated depreciation on land	b	71			3	74
- Capitalization of provisions for reclamation	c	86			(2)	84
- Recognition of finance costs for capitalisation	d	11			3	14
- Impairment of property, plant and equipment	g	(24,216)			453	(23,763)
- Impairment of Property Investments	e	(1,337)			(1)	(1,339)
- Reversal of research costs and other intangible assets	f	(8)			2	(6)
- Impairment of intangible assets	g	(39)			0	(39)
- Reversal of provisions for restructuring, integration, maintenance and other provisions	h	25,335			(430)	24,905
- Adjustment to derivative instruments	i	(212)		(76)	4	(285)
- Actuarial valuation of employee benefits plans	j	263		(45)	(45)	172
- Recognition of insurance refunds through P&L	k				18	18
- Other adjustments	l	(115)		(2)	13	(103)
- Tax effects	m	92		(0)	(13)	79
Total EU-IFRS adjustments		(33)	0	(124)	10	(147)
Equity according to EU-IFRS		**36,177**	**-**	**(133)**	**54**	**36,098**
EU-IFRS values (Group and Minority Interests)		**36,177**		**(133)**	**54**	**36,098**
Data attributable to the Group		36,050		(124)	37	35,963
Data attributable to minority interests		128		(9)	17	136

Explanatory notes on the statement of reconciliation of consolidated equity at 1 January 2009 and at 31 December 2009 and of the consolidated net result and of the other components of the consolidated statement of comprehensive income for the financial year ended 31 December 2009

a. Application of the component approach

IAS 16 requires each component of a property, plant and equipment, whose cost is significant compared to the total cost of the fixed asset, to be recognized and depreciated separately.

Within the transition process, the useful life has been redetermined for each significant component of the Group's assets capable of being subject to an autonomous valuation of the useful life. This improvement has been made necessary mainly following the changed experience relating to the economic duration of some components of the rolling stock fleet specifically attributable to Trenitalia. The rolling stock fleet itself has been divided into uniform components from the perspective of the type of rolling material.
The impact on the consolidated equity at the time of transition recorded a positive value of Euro 35 million, with an additional positive effect on the 2009 consolidated income statement equal to Euro 7 million.

b. Reversal of accumulated depreciation on land

According to the Italian GAAPs, in the years prior to 2009 land relating to non-instrumental properties was depreciated together with the related buildings, while, according to IAS 16, the portion of cost attributed to land must not be depreciated as it has an unlimited useful life.
At the time of transition, the effect arising from the application of the separation of land from buildings and then of the reversal of the provision for depreciation of land has entailed a positive adjustment of about Euro 71 million to the Group's equity, with an additional positive effect of about Euro 3 million on the Group's Consolidated Income Statement for the 2009 financial year.

c. Capitalization of provisions for reclamation

The Group sets aside specific provisions to which it annually allocates a portion of the charges relating to the reclamation of contaminated sites. As required by IAS 16.16c, the present value of the reclamation charges recognized in the provisions must be entered as an increase in the value of the relevant assets against an entry of the corresponding increase in the consolidated equity at the Date of Transition. At the time when the reclamation charges are incurred, they are neutralised with the use of the provisions previously set aside and the cost will impact the consolidated income statement as a result of the amortization of the value entered under the assets. At the Date of Transition, the application of IAS 16.16c entailed a positive impact of Euro 86 million on the consolidated equity. As regards the consolidated income statement of the 2009 financial year, the abovementioned adjustment has produced a negative effect of Euro 2 million due to the effect of higher amortization for the year on the charges previously capitalized and only partially offset by the capitalisation of additional reclamation charges.

d. Recognition of finance costs for capitalisation

IAS 23 requires the companies that prepare the financial statements according to EU-IFRS to recognise finance costs suitable to be capitalised under fixed assets. Some Group companies (RFI and TAV) already applied this accounting treatment, while, for example, these costs were not capitalized for loans relating to the construction of works for the rehabilitation of the station complexes of Grandi Stazioni. The impact on the consolidated equity at the date of transition recorded a positive value of Euro 11 million. The economic impact on the 2009 consolidated income statement recorded a positive value of about 3 million.

e. Impairment of Investment properties

The Group has identified, under property, plant and equipment, some land and buildings that met the requirements under IAS 40 for the classification as investment property in the financial statements. The value of this investment property at the date of transition took account of the write-down for impairment losses equal to Euro 1,337 million.

f. Reversal of research costs and other intangible assets

IAS 38 provides for more restrictive criteria for the recognition of an intangible asset in the accounts compared to the Italian GAAPs. Therefore, after having checked for compliance by capitalized costs with IAS 38, research costs and start-up and expansion costs were reversed. These costs should have been recognized in the income statement when incurred.

At 1 January 2009, the application of IAS 38 determined the reversal of research costs and start-up and expansion costs of Euro 8 million. The impact on the consolidated income statement for the financial year ended 31 December 2009 for lower amortization amounted to Euro 2 million.

g. Impairment of property, plant and equipment and intangible assets

IAS 36 provides for a series of indicators of a possible impairment, based on internal and external sources with respect to the entity, which must be tested annually at the balance sheet date. If there is evidence of a possible impairment of assets, the entity must conduct the complete test of their recoverable value (impairment test). The impairment loss (if any) must be recognized in the event that the entry value should be higher than the recoverable value, to be intended as the higher of fair value, net of selling costs, and the value in use of an asset.

In accordance with IAS 36, the Group companies, where applicable, have then carried out a number of valuations of the capitalised assets that have entailed an overall write-down of about Euro 24,216 million in the consolidated financial statements impacting the Group's equity at 1 January 2009, while it entailed a positive effect of about Euro 453 million on the consolidated income statement.

Write-downs mainly concerned: the traditional network for Euro 23,801 million; the rolling stock for Euro 380 million; other write-downs of property, plant and equipment for Euro 35 million, and other intangible assets for Euro 39 million.

h. Reversal of provisions for restructuring, integration, maintenance and other provisions

In the Group's consolidated financial statements prepared according to the Italian GAAPs, provisions for risks and charges included:

- a provision for restructuring pursuant to law 448/98 and related supplementary provision, the first one to be set aside in the application of the abovementioned law and the second relating to the adoption, in the financial statements at 31 December 2002, of the expert's valuation reports on the economic assets of RFI. These provisions reflected the relevant regulatory framework in which RFI operates and, in the absence of any prospects of recoverability through the use of the value of the property, plant and equipment and of intangible assets, were intended to cover the amortization, depreciation and write-downs of property, plant and equipment and of the intangible assets themselves, including the net capital losses arising from their disposal or transfer prior to the end of their useful life;
- a provision for charges for ordinary maintenance and interim interest, which was also set aside at the time of the adoption, in the financial statements at 31 December 2002, of the expert's valuation reports on the economic assets of RFI. In accordance with these valuations, this provision was intended to neutralise charges for the maintenance of the infrastructure where, against them, the Government should not pay any operating grants; for the portion relating to interim interest, it was intended to cover interest in the period of the construction of the High Speed/High Capacity line.

The provision under a specific national law is not sufficient to recognize a provision for risks and charges under liabilities, unless this recognition is justified by the existence of the requirements laid down under IAS

37 for the recognition of a provision. In this context, neither the provision for restructuring under law 448/98, nor the related supplementary provision, may be recognized for EU-IFRS purposes. In fact, the provisions cannot constitute adjustments to the assets. The same principle is applicable to the provisions for ordinary maintenance and interim interest and to other provisions that do not meet the requirements to be recognized under provisions for IAS 37 purposes.

The provisions referred to above have been consequently reversed from the liabilities in the consolidated statement of financial position against an entry under the special first-time adoption reserve (so-called "FTA – First-Time Adoption reserve"). The impact on the consolidated equity at the date of transition was equal to Euro 25,335 million, while the impact on the 2009 consolidated income statement recorded a negative value of Euro 430 million.

i. Adjustment to derivative instruments

In accordance with IAS 39, the adoption of EU-IFRS entailed the recognition of derivative instruments at market value (fair value).

At the date of transition, the Group had mainly interest rate swap and interest rate collar contracts, for which the hedging relationship existed and could be demonstrated. Furthermore, at the date of transition derivative instruments fell within hedge accounting according to IAS 39. As regards interest rate collar contracts only, it should be noted that only the intrinsic value has been designated as cash flow hedge.

The effect arising from the application of IAS 39 entailed the reduction of Euro 212 million in the Group's consolidated equity at 1 January 2009.

The components of the consolidated statement of comprehensive income for the 2009 financial year, with recognition through equity only, recorded a negative value of Euro 76 million. It is the reduction in the equity reserves by virtue of the negative fair value change in derivative instruments, within the framework of the accounting in the application of the cash flow hedging.

j. Actuarial valuation of employee benefits plans

*Severance Pay and Free Travel Card (*Carta di Libera Circolazione*,* CLC)

According to the Italian GAAPs, the Group determined the severance pay liability in the application of the provisions of law, while no value was entered, where applicable, for the CLC. Instead, the rules under IAS 19 "Employee benefits" provide for the calculation, for each employee, of the present value of the liability according to the Projected Unit Credit Method. The amount of the severance pay and of the CLC liability is calculated on the basis of actuarial valuation assumptions and methods. The demographic, economic and financial variables assumed for the calculation are annually validated by an actuary. At each expiry date of the financial statements, actuarial profits and losses, which are defined as the difference between the book value of the liability and the present value of the commitments of the different Group companies at period-end, due to the change in the actuarial parameters described, are directly charged to equity.

The adjustment relating to the severance pay has a positive effect of Euro 306 million on the consolidated equity at 1 January 2009; at 31 December 2009 actuarial losses were recorded for about Euro 44 million and a negative effect of Euro 44 million, gross of the related tax effect, was recorded on the consolidated income statement.

The adjustment relating to the CLC has a positive effect of Euro 43 million on the consolidated equity at 1 January 2009; at 31 December 2009 actuarial losses were recorded for about Euro 1 million and a negative effect of Euro 1 million was recorded on the consolidated income statement.

k. Recognition of insurance refunds through P&L

According to IAS 16, the refunds by third parties for elements of property, plant and equipment that have recorded an impairment, that have been lost or divested must be recognized in the profit for the year when the refund becomes due and payable. In this regard, the Group had recorded, in the 2009 consolidated financial statements, the right to the insurance indemnity for the earthquake in the Abruzzo region and for the storm in the Calabria region for which the revenue had been suspended while waiting for the recognition of the write-down of the assets. According to IAS 16.65-66, the abovementioned insurance refund was charged to the 2009 consolidated income statement for Euro 18 million.

l. Other adjustments

Additional adjustments have been recorded which had a negative effect of Euro 115 million on the Group's consolidated equity at the date of transition, with a positive effect of Euro 13 million on the 2009 consolidated result, mainly as a result of the discounting of the receivables from the Government Commissioner for the Waste crisis in the Campania Region, charged to FS Logistica and recorded in the consolidated financial statements prepared according to the Italian GAAPs at the face value and of the recognition of customer loyalty programmes (Cartaviaggio Programme) offered by Trenitalia that falls within the scope of application of IFRIC13. , in addition to other minor adjustments arising from the transition process.

m. Tax effects

The adjustment relates to the effect of the Deferred tax liabilities calculated on the EU-IFRS adjustments previously described. The Group has recorded deferred tax liabilities for an amount of Euro 92 million.

The impact on the 2009 consolidated income statement recorded a negative value of Euro 13 million.

Statements of reconciliation of the consolidated statement of financial position at 1 January 2009 and 31 December 2009

The table below reports the effects, both in terms of reclassifications and adjustments, of the transition to EU-IFRS on the consolidated statement of financial position at the Date of Transition and at 31 December 2009.

Reconciliation of the consolidated statement of financial position at 1 January 2009

values in €/mil.

	Notes	Italian GAAPs	EU-IFRS Reclassifications	EU-IFRS Adjustments	EU-IFRS
Assets					
Property, plant and equipment	*a, b, c, d, g, e*	73,938	(3,298)	(23,977)	46,663
Property investments	*e* -	134	3,053	(1,351)	1,568
Intangible assets	*f, g*	609	(176)	(41)	392
Deferred tax assets		37	-	197	234
Investments valued at equity		202	-	0	202
Non-current financial assets (including derivatives)		2,207	-	0	2,207
Non-current trade receivables	*l*	114	-	(74)	40
Other non-current assets		2,568	-	0	2,568
Total non-current assets		**79,541**	**(421)**	**(25,246)**	**53,874**
Construction contracts		5	-	0	5
Inventories	*l*	1,650	(7)	(64)	1,578
Current trade receivables		1,840	-	0	1,840
Current financial assets (including derivatives)		175	-	0	175
Cash and cash equivalents		2,003	-	0	2,003
Tax receivables		91	-	0	91
Other currrent assets		2,410	-	0	2,410
Assets held for sale and disposal groups		63	-	0	63
Total current assets		**8,236**	**(7)**	**(64)**	**8,165**
Total assets		**87,777**	**(428)**	**(25,311)**	**62,038**
Equity					
Share capital		38,790	-	0	38,790
Reserves		299	-	(212)	87
Profits (losses) carried forward		(3,005)	-	170	(2,835)
Profit (Loss) for the Year		8	-	0	8
Total Equity attributable to the Group		**(36,092)**	**0**	**(42)**	**36,050**
Profit (Loss) attributable to Minority Interests		8		0	8
Capital and Reserves attributable to Minority Interests		110		10	120
Total Minority Interests		**118**	**0**	**10**	**128**
Liabilities					
Medium/long term loans		12,186	-	0	12,186
Severance pay and other employee benefits	*j*	2,857	-	(263)	2,594
Provisions for risks and charges	*h*	27,558	(428)	(25,360)	1,770
Deferred tax liabilities		46	-	108	154
Non-current financial liabilities (including derivatives)	*i*	1	-	210	211
Non-current trade payables		23	-	0	23
Other non-current liabilities		286	-	0	286
Total non-current liabilities		**42,957**	**(428)**	**(25,306)**	**17,224**
Short-term loans and current portion of medium/long term loans		1,094	-	0	1,094
Short-term portion of Provisions for risks and charges		19	-	0	19
Current trade payables		3,781	-	36	3,817
Income taxes payable		9	-	0	9
Current financial liabilities (including derivatives)	*i*	41	-	1	42
Other current liabilities	*l*	3,664	-	(9)	3,655
Liabilities held for sale and disposal groups		-	-	0	
Total current liabilities		**8,610**	**0**	**28**	**8,636**
Total liabilities		**51,567**	**(428)**	**(25,278)**	**25,861**
Total equity and liabilities		**87,777**	**(428)**	**(25,311)**	**62,039**

Reconciliation of the consolidated statement of financial position at 31 December 2009

values in €/mil.

	Notes	Italian GAAPs	EU-IFRS Reclassifications	EU-IFRS Adjustments	EU-IFRS
Assets					
Property, plant and equipment	*a, b, c, d, g, e*	72,886	(3,177)	(23,508)	46,201
Property investments	*e*	-	2,932	(1,350)	1,582
Intangible assets	*f, g*	594	(172)	(33)	389
Deferred tax assets		-	-	223	223
Investments valued at equity		203	-	0	203
Non-current financial assets (including derivatives)		2,041	-	0	2,041
Non-current trade receivables	*l*	112	-	(76)	36
Other non-current assets		2,909	-	0	2,909
Total non-current assets		**78,745**	**(417)**	**(24,744)**	**53,585**
Construction contracts		8	-	0	8
Inventories	*l*	1,784	(3)	(67)	1,714
Current trade receivables		2,807	-	0	2,807
Current financial assets (including derivatives)		174	-	0	174
Cash and cash equivalents		1,143	-	0	1,143
Tax receivables		87	-	0	87
Other currrent assets		1,934	-	0	1,934
Assets held for sale and disposal groups		32	-	0	32
Total current assets		**7,969**	**(3)**	**(67)**	**7,899**
Total assets		**86,714**	**(420)**	**(24,811)**	**61,484**
Equity					
Share capital		38,790	-	0	38,790
Reserves		298	-	(333)	(34)
Profits (losses) carried forward		(2,996)	-	165	(2,831)
Profit (Loss) for the Year		26	-	10	37
Total Equity attributable to the Group		**36,119**	**0**	**(157)**	**35,962**
Profit (Loss) attributable to Minority Interests		17		0	17
Capital and Reserves attributable to Minority Interests		109		10	119
Total Minority Interests		**127**	**0**	**10**	**136**
Liabilities					
Medium/long term loans		11,991	-	1	11,992
Severance pay and other employee benefits	*j*	2,591	-	(176)	2,415
Provisions for risks and charges	*h*	27,117	(420)	(24,919)	1,778
Deferred tax liabilities		51	-	141	193
Non-current financial liabilities (including derivatives)	*i*	0	-	273	273
Non-current trade payables		40	-	0	40
Other non-current liabilities		270	-	0	270
Total non-current liabilities		**42,060**	**(420)**	**(24,680)**	**16,961**
Short-term loans and current portion of medium/long term loans		811	-	0	811
Short-term portion of Provisions for risks and charges		7	-	0	7
Current trade payables		3,621	-	37	3,658
Income taxes payable		7	-	0	7
Current financial liabilities (including derivatives)	*i*	55	-	11	66
Other current liabilities	*l*	3,907	-	(32)	3,875
Liabilities held for sale and disposal groups		-	-	0	0
Total current liabilities		**8,410**	**0**	**16**	**8,425**
Total liabilities		**50,470**	**(420)**	**(24,664)**	**25,387**
Total equity and liabilities		**86,714**	**(420)**	**(24,811)**	**61,484**

Statement of reconciliation of the consolidated income statement for the financial year ended 31 December 2009

The table below reports the effects, both in terms of reclassifications and adjustments, of the transition to EU-IFRS on the consolidated income statement relating to the financial year ended 31 December 2009.

values in €/mil.

	Notes	Italian GAAPs	EU-IFRS adjustments	EU-IFRS
Revenue and income				
Revenues from sales and services		6,995	(1)	6,994
Other income	*k*	960	28	989
Total revenues		**7,956**	**27**	**7,983**
Operating costs				
Personnel cost	*j*	(4,616)	56	(4,560)
Raw and secondary materials, consumables and goods for resale		(818)	0	(818)
Costs for services		(1,971)	0	(1,971)
Leases and rentals		(142)	0	(142)
Other operating costs		(97)	1	(96)
Capitalisation of internal construction costs	*a*	1,030	25	1,055
Total costs		**(6,615)**	**83**	**(6,532)**
Amortisation and depreciation	*a, g*	(907)	45	(862)
Write-downs, impairment losses (value write-backs)	*a*	(21)	(38)	(59)
Provisions for risk and charges		(101)	6	(95)
EBIT		**312**	**123**	**435**
Finance income and costs				
Finance income	*i*	94	3	97
Finance costs	*l, j*	(245)	(101)	(346)
Share of profit (loss) of investments accounted for at equity		(1) -		(1)
Pre-tax result		**161**	**24**	**184**
Income taxes	*m*	(117)	(14)	(130)
Profit for the year from continuing operations		**44**	**10**	**54**
Profit for the year from assets held for sale, net of tax effects		-	-	-
Net profit for the year (Group and Minority Interests)		**44**	**10**	**54**
Net profit attributable to the Group		*27*	*10*	*37*
Net profit attributable to Minority Interests		*17*	*0*	*17*

Statement of reconciliation of the consolidated statement of comprehensive income for the financial year ended 31 December 2009

The table below reports the effects of the transition to EU-IFRS on the consolidated statement of comprehensive income relating to the financial year ended 31 December 2009.

values in €/mil.

	Notes	31.12.2009
Net profit for the year		54
Other components of the consolidated statement of comprehensive income:		
- Gains (losses) relating to actuarial benefits	*j*	(45)
- Change in *Fair Value* of hedging financial instruments	*i*	(76)
- Tax effect	*m*	0
Other components of the consolidated statement of comprehensive income for the year, net of tax effects:		**(121)**
Total consolidated statement of comprehensive income for the year		**(67)**

Total consolidated statement of comprehensive income for the year attributable to :	
Group	*(85)*
Minority Interests	*18*

ANNEX NO. 1

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Name	HQ	Share Capital	Investing Company	Ownership %
a) Controlling company:				
Ferrovie dello Stato SpA	Rome	38,790,425,485		
b) Directly-controlled companies:				
Fercredit - Servizi Finanziari SpA	Rome	32,500,000	Ferrovie dello Stato SpA	100
FS Logistica SpA	Rome	317,465,288	Ferrovie dello Stato SpA	100
FS Sistemi Urbani Srl	Rome	522,171,489	Ferrovie dello Stato SpA	100
FS Telco Srl	Rome	20,000	Ferrovie dello Stato SpA	100
FS Trasporti su Gomma Srl (former Tiburtina Sviluppo Immobiliare SpA)	Rome	59,527	Ferrovie dello Stato SpA	100
Ferservizi SpA	Rome	43,043,000	Ferrovie dello Stato SpA	100
Italferr SpA	Rome	14,186,000	Ferrovie dello Stato SpA	100
Rete Ferroviaria Italiana - RFI SpA	Rome	32,088,184,380	Ferrovie dello Stato SpA	100
Società Elettrica Ferroviaria – S.EL.F. Srl	Rome	34,535	Ferrovie dello Stato SpA	100
Trenitalia SpA	Rome	1,654,464,000	Ferrovie dello Stato SpA	100
Centostazioni SpA	Rome	8,333,335	Ferrovie dello Stato SpA	59.99
Grandi Stazioni SpA	Rome	4,304,201	Ferrovie dello Stato SpA	59.99
Sogin Srl	Rome	15,600,000	Ferrovie dello Stato SpA	55

c)Indirectly-controlled companies:				
Grandi Stazioni Ingegneria Srl	Rome	20,000	Grandi Stazioni SpA	100
Italcontainer SpA	Milan	2,031,467	FS Logistica SpA	100
Metropark SpA	Rome	3,016,463	FS Sistemi Urbani Srl	100
Servizi ferroviari - Serfer Srl	Genoa	5,000,000	Trenitalia SpA	100
Sita SpA	Florence	3,605,000	Sogin Srl	100
Terminali Italia Srl	Milan	11,237,565	RFI SpA	89
			Cemat SpA	11
Trenitalia Logistic France Sas	Paris	1,350,000	Trenitalia SpA	100
TX Consulting Gmbh	Bad Honnef	25,000	TX Logistik AG	100
TX Logistik Austria	Wels	35,000	TX Logistik AG	100
TX Logistik Denmark	Padborg	500,000(1)	TX Logistik AG	100
TX Logistik Sweden	Malmo	400,000(1)	TX Logistik AG	100
TX Logistik Switzerland	Basel	50,000(1)	TX Logistik AG	100
TX Service Management	Bad Honnef	50,000	TX Logistik AG	100
Società Gestione Terminali Ferro Stradali - SGT SpA	Pomezia-RM	200,000	FS Logistica SpA Cemat SpA	43.75 43.75
Tunnel Ferroviario del Brennero SpA	Rome	125,790,910	RFI SpA	84.98
FS Formazione SpA	Rome	637,000	Ferrovie dello Stato SpA	31.40
			Trenitalia SpA	24.8
			RFI SpA	24.8
Italcertifer ScpA	Florence	480,000	Ferrovie dello Stato SpA	33.33
			RFI SpA	33.33
Cemat SpA	Milan	7,000,000	FS Logistica SpA	53.28
Grandi Stazioni Ceska Republika	Prague	240,000,000 (1)	Grandi Stazioni SpA	51
Servizi Ferroviari Portuali – Ferport Napoli Srl	Naples	480,000	Serfer Srl	51
Tevere TPL Scarl	Rome	10,000	Sita SpA	51
TX Logistik AG	Bad Honnef	286,070	Trenitalia SpA	100
Trenord Srl (former Trenitalia Le Nord Srl)	Milan	6,120,000	Trenitalia SpA	50

(1) Data expressed in foreign currency

ANNEX NO. 2

LIST OF COMPANIES CONSOLIDATED ON A PROPORTIONAL BASIS

Name	HQ	Share Capital	Investing Company	Ownership %
Cisalpino AG	Bern	162,500,000 (1)	Trenitalia SpA	50
Italia Logistica Srl	Rome	5,000,000	FS Logistica SpA	50

(1) Data expressed in foreign currency

ANNEX NO. 3

LIST OF INVESTMENTS VALUED AT EQUITY

Name	HQ	Share Capital	Investing Company	Ownership %
Artesia Sas	Paris	220,000	Trenitalia SpA	50
Galleria di base del Brennero – Brenner Basistunnel BBT SE	Innsbruck	10,240,000	Tunnel Ferroviario del Brennero SpA	50
Logistica SA	Levallois	37,000	Trenitalia SpA	50
Lyon-Turin Ferroviarie - LTF Sas	Chambery	1,000,000	RFI SpA	50
Network Terminali Siciliani SpA	Catania	190,000	RFI SpA	50
Pol Rail Srl	Rome	2,000,000	Trenitalia SpA	50
Quadrante Europa Terminal Gate SpA	Verona	16,626,000	RFI SpA	50
Tilo SA	Chiasso	2,000,000 (1)	Trenitalia SpA	50
Viaggi e Turismo Marozzi Srl	Bari	1,040,000	Sita SpA	49
Eurogateway Srl	Novara	99,000	Cemat SpA	37
			Trenitalia SpA	11
Porta Sud SpA	Bergamo	247,000	FS Sistemi Urbani Srl	35
Padova Container Service Srl	Padua	516,000	Cemat SpA	34.50
Alpe Adria SpA	Trieste	777,000	Trenitalia SpA	33.33
Terminal Tremestieri Srl	Messina	900,000	RFI SpA	33.33
Atirom Srl	Sibiu	442,500 (1)	Sita SpA	30
Novatrans Italia Srl	Milan	100,000	Cemat SpA	30
Cesar Information Services - CIS Scrl	Brussels	100,000	Cemat SpA	25.10
Sinter Intermodal Services SpA	Milan	2,550,000	Italcontainer SpA	21.27
COMBIMED SA	Brussels	61,973	Cemat SpA	20
Ferrovie Nord Milano SpA	Milan	130,000,000	Ferrovie dello Stato SpA	14.74

(1) Data expressed in foreign currency

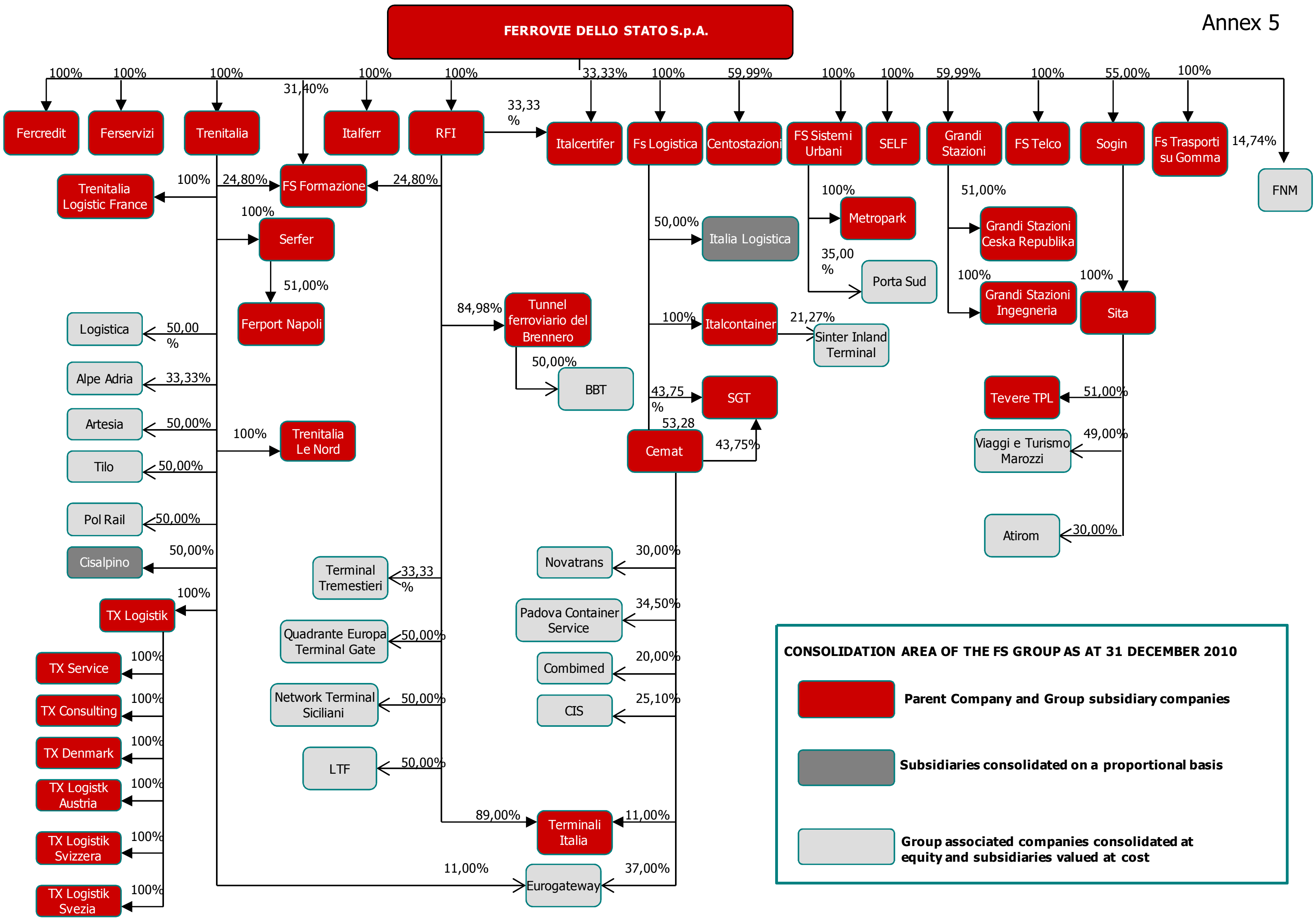
ANNEX NO. 4

LIST OF OTHER UNCONSOLIDATED EQUITY INVESTMENTS

Name	HQ	Share Capital	Investing Company	Ownership %
Bluferries Srl	Messina	100,000	RFI SpA	100
Tav Srl	Rome	50,000	Ferrovie dello Stato SpA	100
Metroscai Scarl in liquidation	Rome	10,000	Ferservizi SpA	75
FS2Move GmbH	Mainz	25,000	Ferrovie dello Stato SpA	51
Nord Est Terminal - NET SpA in liquidation	Padua	1,560,000	RFI SpA	51
Servizi Ferroviari Portuali – Ferport Genova Srl in liquidation	Genoa	712,000	Serfer Srl	51
Sideuropa Srl	Milan	450,000	FS Logistica SpA	50
East Rail Srl in liquidation	Trieste	320,479	Trenitalia SpA	32

(1) Data expressed in foreign currency

Annex 5


FERROVIE DELLO STATO S.p.A.
100%
Fercredit
100%
Ferservizi
100%
Trenitalia
31,40%
100%
Italferr
100%
RFI
33,33 %
33,33%
Italcertifer
100%
Fs Logistica
59,99%
Centostazioni
100%
FS Sistemi Urbani
100%
SELF
59,99%
Grandi Stazioni
100%
FS Telco
55,00%
Sogin
100%
Fs Trasporti su Gomma
14,74%
FNM
Trenitalia Logistic France
100%
24,80%
FS Formazione
24,80%
100%
Serfer
51,00%
Ferport Napoli
Logistica
50,00 %
Alpe Adria
33,33%
Artesia
50,00%
Tilo
50,00%
Pol Rail
50,00%
Cisalpino
50,00%
100%
Trenitalia Le Nord
100%
TX Logistik
TX Service
100%
TX Consulting
100%
TX Denmark
100%
TX Logistk Austria
100%
TX Logistik Svizzera
100%
TX Logistik Svezia
100%
84,98%
Tunnel ferroviario del Brennero
50,00%
BBT
Terminal Tremestieri
33,33 %
Quadrante Europa Terminal Gate
50,00%
Network Terminal Siciliani
50,00%
LTF
50,00%
89,00%
Terminali Italia
11,00%
11,00%
Eurogateway
37,00%
50,00%
Italia Logistica
100%
Italcontainer
21,27%
Sinter Inland Terminal
43,75 %
SGT
53,28
Cemat
43,75%
Novatrans
30,00%
Padova Container Service
34,50%
Combimed
20,00%
CIS
25,10%
100%
Metropark
35,00 %
Porta Sud
51,00%
Grandi Stazioni Ceska Republika
100%
Grandi Stazioni Ingegneria
100%
Sita
Tevere TPL
51,00%
Viaggi e Turismo Marozzi
49,00%
Atirom
30,00%
CONSOLIDATION AREA OF THE FS GROUP AS AT 31 DECEMBER 2010
Parent Company and Group subsidiary companies
Subsidiaries consolidated on a proportional basis
Group associated companies consolidated at equity and subsidiaries valued at cost

Financial Statements: accounting statements

and notes to the

financial statements

STATEMENT OF FINANCIAL POSITION

		values in Euro units		
(Euro)	**Notes**	**31.12.2010**	**31.12.2009**	**01.01.2009**
Assets				
Property, plant and equipment	*(8)*	43,043,696	43,642,564	44,634,887
Investment properties	*(9)*	417,941,244	425,959,558	550,372,262
Intangible assets	*(10)*	40,636,754	37,680,796	32,842,927
Deferred tax assets	*(11)*	205,603,818	207,166,608	228,069,107
Equity investments	*(12)*	35,925,806,509	35,525,609,248	35,275,609,248
Non-current financial assets (including derivatives)	*(13)*	5,824,997,662	6,024,565,120	6,218,158,030
Non-current trade receivables	*(16)*	8,287,562	9,324,833	8,549,634
Other non-current assets	*(14)*	1,164,366,964	1,723,562,422	1,094,760,785
Total non-current assets		**43,630,684,209**	**43,997,511,149**	**43,452,996,880**
Inventories	*(15)*	374,191,805	397,417,223	466,647,593
Current trade receivables	*(16)*	92,369,526	109,378,113	72,613,107
Current financial assets (including derivatives)	*(13)*	1,067,864,538	1,422,788,556	1,185,564,915
Cash and cash equivalents	*(17)*	169,849,646	282,915,008	615,733,766
Tax receivables	*(18)*	81,812,059	80,879,963	83,349,727
Other currrent assets	*(14)*	443,315,872	690,574,766	1,861,207,967
Assets held for sale and disposal groups	*(7)*	0	30,031,452	30,031,452
Total current assets		**2,229,403,446**	**3,013,985,081**	**4,315,148,527**
Total assets		**45,860,087,655**	**47,011,496,230**	**47,768,145,407**
Equity				
Share capital	*(19)*	38,790,425,485	38,790,425,485	38,790,425,485
Reserves	*(19)*	297,168,094	293,256,813	292,919,690
Profits (losses) carried forward	*(19)*	(3,046,628,379)	(3,118,940,205)	(3,129,668,803)
Profit (Loss) for the Year	*(19)*	20,921,474	75,815,454	11,293,261
Total Equity		**36,061,886,674**	**36,040,557,547**	**35,964,969,633**
Liabilities				
Medium/long term loans	*(21)*	6,201,735,216	6,401,666,000	6,593,404,015
Severance pay and other employee benefits	*(22)*	18,024,579	20,145,381	20,758,903
Provisions for risks and charges	*(23)*	105,036,255	101,743,752	91,560,769
Deferred tax liabilities	*(11)*	385,419,822	433,440,624	475,617,098
Non-current trade payables	*(26)*	281,600	125,000	150,090
Other non-current liabilities	*(25)*	1,368,817,965	1,899,387,154	1,253,321,725
Total non-current liabilities		**8,079,315,437**	**8,856,507,911**	**8,434,812,600**
Short-term loans	*(21)*	130,018,507	6,000,075	10,073,383
Current portion of medium-long term loans	*(21)*	208,073,966	199,045,304	712,811,786
Short-term portion of Provisions for risks and charges	*(23)*	31,444,338	7,175,582	18,908,311
Current trade payables	*(26)*	55,763,934	63,290,177	58,504,808
Income taxes payable	*(27)*	29,332	1,650,725	1,965,189
Current financial liabilities (including derivatives)	*(24)*	547,252,396	814,951,920	391,772,783
Other current liabilities	*(25)*	746,303,071	1,022,316,989	2,174,326,914
Total current liabilities		**1,718,885,544**	**2,114,430,772**	**3,368,363,174**
Total liabilities		**9,798,200,981**	**10,970,938,683**	**11,803,175,774**
Total equity and liabilities		**45,860,087,655**	**47,011,496,230**	**47,768,145,407**

INCOME STATEMENT

(Euro)	Notes	2010	2009
Revenue and income			
Revenues from sales and services	*(28)*	148,633,561	175,964,559
Other income	*(29)*	4,656,568	11,868,658
Total revenues		**153,290,129**	**187,833,217**
Operating costs		**160,640,602**	**177,367,407**
Personnel cost	*(30)*	51,350,131	52,716,392
Raw and secondary materials, consumables and goods for resale	*(31)*	23,198,633	41,554,540
Costs for services	*(32)*	55,376,499	55,831,312
Leases and rentals	*(33)*	11,948,299	12,979,241
Other operating costs	*(34)*	18,905,378	14,462,543
Capitalisation of internal construction costs	*(35)*	(138,338)	(176,621)
Amortisation and depreciation	*(36)*	**19,940,815**	**18,723,462**
Write-downs, impairment losses (value write-backs)		**1,309,334**	**830,360**
Write-down of property, plant and equipment	*(37)*	327,352	318
Value adjustments (write-backs) on receivables	*(37)*	981,982	830,042
Provisions for risk and charges	*(38)*	**5,040,979**	**16,656,000**
EBIT		**(33,641,601)**	**(25,744,012)**
Finance income and costs			
Finance income	*(39)*	234,838,892	317,649,659
Finance costs	*(40)*	261,075,692	277,551,139
Pre-tax result		**(59,878,401)**	**14,354,508**
Income taxes	*(41)*	80,799,875	61,460,946
Net profit for the year		**20,921,474**	**75,815,454**

STATEMENT OF COMPREHENSIVE INCOME

(Euro)	Notes	2010	2009
Net profit for the year	*(19)*	**20,921,474**	**75,815,454**
Other components of the statement of comprehensive income			
Gains (losses) relating to actuarial benefits	*(20)*	407,653	(227,540)
Total statement of comprehensive income		**21,329,127**	**75,587,914**

STATEMENT OF CHANGES IN EQUITY

values in Euro

Equity	Share capital	Reserves					Profits (losses) for the year	Total
		Legal reserve	Extraordinary reserve	Sundry reserves	Reserve for Actuarial gains (losses) for employee benefits	Profits (losses) carried foward		
Balance as at 1 January 2009	**38,790,425,485**	**10,423,539**	**27,896,982**	**254,599,169**	**0**	**(3,129,668,803)**	**11,293,261**	**35,964,969,633**
Capital increase								
Distribution of dividends								
Allocation of the net profit for the previous year		564,663				10,728,598	(11,293,261)	0
Recognised comprehensive Profit/(Loss)								
of which:								
Income/(Loss) recognised directly in equity								
Other changes					(227,540)			(227,540)
Profit (Loss) for the year							75,815,454	75,815,454
Balance as at 31 December 2009	**38,790,425,485**	**10,988,202**	**27,896,982**	**254,599,169**	**(227,540)**	**(3,118,940,205)**	**75,815,454**	**36,040,557,547**
Capital increase								
Distribution of dividends								
Allocation of the net profit for the previous year		3,503,628				72,311,826	(75,815,454)	0
Recognised comprehensive Profit/(Loss)								
of which:								
Income/(Loss) recognised directly in equity								
Other changes					407,653			407,653
Profit (Loss) for the year							20,921,474	20,921,474
Balance as at 31 December 2010	**38,790,425,485**	**14,491,830**	**27,896,982**	**254,599,169**	**180,113**	**(3,046,628,379)**	**20,921,474**	**36,061,886,674**

STATEMENT OF CASH FLOWS

(amounts in Euro)			
Net cash and cash equivalents at the beginning of the year		**191,053,913**	**484,259,106**
Cash flows from operating activities			
Profit (loss) for the year	*(19)*	20,921,474	75,815,454
Amortisation and depreciation	*(36)*	19,940,815	18,723,462
Write-down of fixed assets and losses	*(37)*	591,380	160,605
Net change in severance pay	*(22)*	(1,713,149)	(841,062)
Non-monetary revenues	*(29)*	(50,000)	(5,073,386)
Change in Inventories	*(15)*	21,200,924	38,831,916
Change in trade and sundry receivables	*(11)(14)(16)(18)*	819,469,876	527,663,622
Change in Provisions for risks and charges	*(23)*	33,567,650	15,153,640
Change in trade and sundry payables	*(11)(25) (26)(27)*	(863,890,309)	(543,675,155)
Total		**50,038,661**	**126,759,096**
Cash flows from investing activities			
Investments in:			
- intangible assets	*(10)*	(14,639,955)	(14,182,411)
- property, plant and equipment	*(8)(9)*	(3,762,447)	(8,483,776)
- equity investments	*(12)*	(394,641,335)	(250,000,000)
assets held for sale	*(7)*	30,031,452	0
Change in Financial Assets	*(13)*	496,774,017	562,532,271
Total		**113,761,732**	**289,866,084**
Cash flows from financing activities			
Loans received/repaid	*(21)(24)*	(66,838,252)	(709,830,373)
Total		**(66,838,252)**	**(709,830,373)**
Total cash flow for the year		**96,962,141**	**(293,205,193)**
Net cash and cash equivalents at the end of the year	*(13)(17)(24)*	**288,016,054**	**191,053,913**
of which: balance of the intercompany current account	*(13)(24)*	118,166,408	91,861,095

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1 Preamble

These separate financial statements for the financial year ended 31 December 2010 (hereinafter also referred to as the "Separate Financial Statements") were prepared in accordance with the International Financial Reporting Standards, issued by the International Accounting Standards Board and adopted by the European Union ("EU-IFRS"). Specifically it should be noted that Ferrovie dello Stato S.p.A. made use of the right provided for in Legislative Decree no. 38 of 28 February 2005, which regulates the exercise of the options under article 5 of Regulation (EC) no. 1606/2002 on the application of international accounting standards. Specifically, pursuant to articles 3 and 4 of the abovementioned legislative decree, the Company applied the EU-IFRS to the preparation of the separate financial statements starting from the financial year ended 31 December 2010. Up to the financial year ended 31 December 2009, the Company prepared its separate financial statements in accordance with the relevant provisions laid down under Legislative Decree no. 127 of 9 April 1991, as interpreted by the accounting standards issued by the Italian Accounting Board (*Organismo Italiano di Contabilità*) (the "Italian GAAPs").

2 The Company

Ferrovie dello Stato S.p.A. (hereinafter also referred to as the "Company" or "Ferrovie dello Stato") is a company incorporated and domiciled in Italy and is organised according to the Italian legal system of the Italian Republic. The Company has its registered office in Rome, at Piazza della Croce Rossa no. 1.

On 17 May 2011 the Directors approved the financial statements at 31 December 2010 and resolved to make them made available to the Shareholders within the time limits set out under article 2429 of the Italian Civil Code. These financial statements will be submitted for approval by the Shareholders' Meeting within the time limits set out under article 2364 of the Italian Civil Code and will be filed within the time limits set out under article 2435 of the Italian Civil Code. The Shareholders' Meeting is entitled to make amendments to these financial statements. For the purposes of paragraph 17 of IAS 10, the date considered by the Directors in the preparation of the financial statements is 17 May 2011, i.e. the date of approval by the Board of Directors.

Given the significant controlling interests and in compliance with IAS 27, the Company prepares the consolidated financial statements that report a Group's consolidated equity of Euro 36,045 million and a profit for the year attributable to the Group of Euro 118 million.

PricewaterhouseCoopers SpA has been appointed to carry out the statutory audit of the accounts, pursuant to article 14 of Legislative Decree 39/2010 and articles 2409-*bis* and ff. of the Italian Civil Code.

3 Criteria for the preparation of separate financial statements

Below are reported the main criteria and accounting standards applied to the preparation of the Separate Financial Statements.

As previously specified, the Separate Financial Statements were prepared in accordance with EU-IFRS, including all International Financial Reporting Standards (IFRS), all International Accounting Standards (IAS), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which was previously named Standing Interpretations Committee (SIC), as adopted by the European Union and contained in the related EU Regulations published until 17 may 2011, the date when the Company's Board of Directors approved this document. Specifically, the EU-IFRS were consistently applied to all the periods presented herein. Furthermore, it should be noted that these financial statements were prepared on the basis of the best knowledge of EU-IFRS and taking account of the best doctrine on the subject; future guidelines and updated interpretations (if any) will be reflected in the subsequent financial years, according to the procedures envisaged from time to time in the relevant accounting standards.

As these separate financial statements were prepared for the first time in accordance with EU-IFRS, in accordance with the provisions under IFRS 1 "First-time Adoption of International Financial Reporting Standards", it was necessary to carry out a process of transition from the Italian GAAPs, which were used for the preparation of the separate financial statements up to the financial year ended 31 December 2009, to EU-IFRS; for this purpose, the date of transition to EU-IFRS was set at 1 January 2009. As regards disclosures provided for in IFRS 1 in relation to the accounting effects connected to the transition from the Italian GAAPs to EU-IFRS, reference is made to the detailed information reported in the paragraph "48. Effects of the transition to International accounting standards (IFRS)".

The Separate Financial Statements were prepared and presented in Euro, which represents the Company's functional currency, i.e. the current money of the countries where the Company mainly operates; all amounts included in the tables of the following note, except as otherwise indicated, are expressed in thousand Euro.

Below are specified the schedules used in the financial statements and the related classification criteria adopted by the Company within the options provided for in IAS 1 "Presentation of Financial Statements":

- the Statement of financial position: it was prepared by recognising assets and liabilities according to the "current/non-current" classification;
- the Income statement: it was prepared by classifying operating costs by nature;
- the Statement of comprehensive income: it includes the profit for the year, as well as any other changes in equity items that are attributable to transactions not effected with the Company's shareholders;
- the Statement of cash flows: it was prepared by reporting cash flows arising from operating activities according to the "indirect method".

These Separate Financial Statements were prepared on a going-concern basis, as the directors established the non-existence of indicators of a financial, operational or any other nature that could report criticalities about the Company's capacity to meet its obligations in the foreseeable future and specifically in the next 12 months. The description of the procedures through which the Company manages financial risks is contained in the note "5. Financial and operational risk management" below.

The separate financial statements were prepared on the basis of the conventional historical cost principle, except for the valuation of financial assets and liabilities, in the cases which require the application of the fair value criterion.

4 Accounting policies

Below are reported the most significant accounting standards and accounting policies used for the preparation of separate financial statements.

Property, plant and equipment

Property, plant and equipment are entered at purchase or production cost, net of accumulated depreciation and impairment losses (if any). The purchase or production cost includes any charges that are directly incurred to make assets available for use, as well as dismantlement and removal charges (if any) that will be incurred as a result of contractual obligations that require the asset to be returned to its original conditions. Any financial charges that are directly attributable to the acquisition, construction or production of qualified assets are capitalized and depreciated on the basis of the useful life of the asset to which they refer. Any costs for increasing-value improvement, upgrade and transformation of property, plant and equipment are recognized under balance sheet assets.

Any charges incurred for ordinary maintenance and repairs are directly charged to the income statement at the time they are incurred. The capitalization of costs concerning the expansion, upgrade or improvement of the structural elements owned or used by third parties is made within the limits in which they meet the requirements to be separately classified as assets or part of an asset, applying the component approach method, according to which each component that is capable of an independent valuation of the useful life and of the related value must be treated individually.

Depreciation is calculated systematically and on a straight-line basis on the basis of the rates that are deemed to represent the estimated economic and technical useful life of the assets.

The useful life of property, plant and equipment and their residual value are reviewed and updated, where necessary, at least at the end of every financial year. Land is depreciated only for the part relating to capitalised reclamation charges.

Below are the depreciation rates used:

CLASS OF ASSET	Rate
Land	0%
Reclamation charges	10%
Industrial Buildings	2%
Instrumental civil buildings	2%
Non-instrumental civil buildings	1.50%
Industrial equipment:	

- Machinery and equipment	10%
- Internal communication systems	25%
Other assets:	
- Furniture and fittings	12%
- Ordinary office machines	12%
- Electronic office machines	20%
- Mobiles	20%
- Sundry equipment	12% and 25%

Investment properties

Investment properties are real properties held for the purpose of receiving lease rentals and/or for the appreciation of the invested capital and are not intended for sale in the ordinary course of the business activity. Furthermore, investment properties are not used in the production or supply of goods or services or in the business administration. The accounting standards used for the recognition of the item in question comply with the criteria previously described for the item "Property, plant and equipment".

In the event that a development project is started with a view to a future sale, properties are reclassified to the item "Inventories" following the change in the intended use. The carrying amount at the date of the change in the intended use of the property is treated as a cost for the subsequent recognition under inventories.

Intangible assets

Intangible assets are made up of non-monetary elements that are identifiable and without physical substance, that can be controlled and are aimed at generating future economic benefits. These elements are recognized at purchase and/or production cost, including any directly-attributable expenses incurred to make the asset available for use, net of accumulated amortization and impairment losses (if any). Interest expense (if any), which accrue during and for the development of intangible assets, are considered to form part of the purchase cost.

Amortisation begins when the asset is available for use and is distributed systematically in relation to the residual possible use of the same, i.e. on the basis of its estimated useful life. The main intangible assets are broken don as follows:

(a) Concessions, licenses and trademarks

Concessions, licences and trademarks are amortised on a straight-line basis and on the basis of the related term. Costs of software licences, including any expenses incurred to make the software available for use, are amortised on a straight-line basis in 5 years.

Any costs relating to the maintenance of software programmes are expensed at the time when they are incurred.

(b) Research and development costs

Costs relating to the research activity are charged to the income statement of the year at the time they are incurred, while development costs are entered under intangible assets where all the following conditions are fulfilled:

- the project is clearly identified and any costs referred thereto are identifiable and can be measured reliably;
- it is demonstrated that the project is technically feasible;
- it has been demonstrated that there is the intention to complete the project and to sell or use the intangible assets generated by the project;
- there is a potential market or, in case of internal use, it is demonstrated that the intangible asset is useful for the production of the intangible assets generated by the project;
- technical and financial resources are available which are necessary to complete the project.

The amortisation of development costs (if any) entered under intangible assets begins from the date when the result generated by the project can be used and is carried out in a period of 5 years.

If the research phase of an identified internal project to create an intangible asset cannot be distinguished from the development phase, the cost arising from this project is fully charged to the income statement as if it were incurred in the research phase only.

Profits and losses arising from the sale of an intangible asset are determined as the difference between the value of disposal, net of selling costs, and the book value of the asset and are recognised in the income statement at the time of the disposal.

Impairment of intangible assets and property, plant and equipment

i) Intangible assets and property, plant and equipment with a definite useful life

At each balance sheet date, a review is carried out which is aimed at establishing if there is any evidence that the property, plant and equipment and intangible assets may be impaired. For this purpose, account is taken of both external and internal indicators of impairment. In relation to the first ones (internal indicators) the following must be considered: the obsolescence of or physical damage to the asset, significant changes (if any) in the use of the asset and the economic performance of the asset with respect to what is expected. As regards external indicators, the following must be considered: the trend in the market prices of the assets, negative changes (if any) in technology, markets or laws, the trend in market interest rates or in the cost of capital used to measure investments.

If there is an indication that an asset may be impaired, it is necessary to estimate the recoverable amount of the abovementioned assets, charging the write-down (if any) compared to the related book value in the income statement. The recoverable amount of an asset is represented by the higher of an asset's fair value less additional costs to sell and its value in use, the latter being the current value of the future cash flows estimated for this asset. In determining the value in use, the expected future cash flows are discounted using a discount rate, including taxes, which reflects the current market valuations of the cost of money, compared to the period of investment and to the specific risks of the asset.

ii) Intangible assets not yet available for use

The recoverable amount of the intangible assets that are not yet available for use should be measured annually or more frequently whether or not there is any evidence that these assets may be impaired.

Equity investments in subsidiaries, associates, companies subject to joint control and any other equity investments

The equity investments in subsidiaries, associates, companies subject to joint control and any other equity investments are valued at cost as adjusted for impairment. When the reasons behind the impairment no longer apply, the carrying amount of the equity investment is increased up to the amount of the related initial cost. This reinstatement is entered in the income statement.

Financial Instruments

Receivables and payables

Receivables are initially entered at their fair value that, in general, corresponds to the face value. Subsequently, they are valued at amortised cost and reduced, in case of impairment losses, to their presumed realizable value through the recognition of an appropriate adjusting provision. The estimate of the amounts that are considered to be irrecoverable is made on the basis of the value of expected future cash flows. These cash flows take account of the time periods expected for collection, of the presumed realisable value, of guarantees (if any), as well as of the costs that are expected to be incurred for debt collection. In this case, the reinstatement of value is entered in the income statement and in no case it may exceed the amortised cost that the receivable would have had in the absence of previous adjustments.

Trade payables and other payables are initially entered at fair value, net of directly-attributable additional charges, and subsequently they are valued at amortised cost, applying the effective interest rate method.

Trade receivables and payables, whose maturity falls within the normal commercial terms, are not discounted.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and available bank deposits and any other forms of short-term investment, with an initial maturity of three months or less. At the balance sheet date, current account overdrafts are classified as borrowings under current liabilities in the statement of financial position. The elements included in cash and cash equivalents are measured at fair value with changes recognized in profit or loss.

Loans

Loans are initially entered at fair value, net of directly-attributable additional costs, and are subsequently valued at amortised cost, applying the effective interest rate method. If there is a change in the estimated expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and of the effective internal rate as initially determined. Loans are classified under current liabilities, except for those with a contractual term beyond twelve months compared to the balance sheet date and those for which the Company has an unconditional right to defer their settlement for at least twelve months after the reporting date. Loans are derecognized at the time of their repayment and when the Company has transferred all risks and charges related to the instrument itself.

Financial assets and liabilities

Financial assets that the Company intends and has the capacity to maintain up to the maturity as required by IAS 39, and financial liabilities are entered at cost, when the Company becomes a party to the contractual clauses of the instrument, represented by the fair value of the initial consideration, net of directly-attributable transaction costs (if any). Subsequent to the initial recognition, financial assets and liabilities are valued at amortised cost, using the effective interest rate method.

Financial asset and liabilities are no longer recognised when, as a result of their disposal or discharge, the Company is no longer involved in their management, nor does it hold risks and rewards relating to transferred/discharged instruments.

Derivative financial instruments

At the date of execution of the contract, derivative instruments are initially accounted for at fair value and, if the derivative instruments are not accounted for as hedging instruments, the subsequent fair value changes are treated as components of the income statement.

Estimate of the fair value

The fair value of the financial instruments listed in an active market is based on the market prices at the balance sheet date. Instead, the fair value of the financial instruments that are not listed in an active market is determined by using valuation techniques based on a series of methods and assumptions linked to market conditions at the balance sheet date.

Below is reported the classification of the fair value of financial instruments on the basis of the following hierarchical levels:

Level 1: fair value determined with reference to (unadjusted) quoted prices in active markets for identical financial instruments;

Level 2: fair value determined by using valuation techniques with reference to variables that can be observed in active markets;

Level 3: fair value determined by using valuation techniques with reference to market variables that cannot be recorded.

Given the short-term features of trade receivables and payables, it is deemed that the book values represent a good approximation of the fair value.

Inventories

Inventories, which are made up of properties held for trading resulting from the demerger of former Ferrovie Real Estate SpA, are entered at lower of acquisition cost and market value determined by a survey carried out by a third-party independent expert.

They are entered net of provision for write-down and value-increasing costs are capitalised. The write-down is derecognised in the subsequent financial years if the reasons for the same no longer apply.

Employee benefits

Short-term benefits are represented by salaries, wages, related social security contributions, paid vacation and incentives paid out in the form of bonuses payable in the twelve months of the balance sheet date. These benefits are accounted for as personnel cost components in the period in which the working activity is performed.

Severance pay and other employee benefits

The Company has in place both defined contribution and defined benefit plans. Defined contribution plans are managed by third parties that manage funds, in relation to which there are no legal or any other obligations to pay additional contributions if the fund has no sufficient assets to meet the commitments undertaken to employees. For defined contribution plans, the Company pays contributions, either voluntary or set out as per contract, into public and private insurance pension funds. Contributions are entered as personnel costs on an accruals basis. Advance payments of contributions are entered as an asset that will be repaid or entered as an offset of future payments, if they are due.

A defined benefit plan is a plan that cannot be classified as a defined contribution plan. Under defined benefit plans the amount of the benefit to be paid out to the employee can be quantified only after the termination of the employment relationship, and is linked to one or more factors, such as age, years of service and remuneration. Therefore, defined benefit obligations are determined by an independent actuary using the projected unit credit method. The present value of defined benefit plans is determined by discounting future cash flows at an interest rate equal to that of (high-quality corporate) bonds issued in the foreign currency in which the liability will be settled and that takes account of the term of the related pension plan. Profits and losses arising from the actuarial calculation are fully charged to equity, in the reporting year.

Specifically, it should be pointed out that the Company manages a defined benefit plan that is represented by the Severance Pay (*Trattamento di Fine Rapporto*, TFR). The Italian Companies are required to set aside this provision pursuant to article 2120 of the Italian Civil Code; it is treated as a deferred remuneration and is correlated to the duration of the working life of the employees and to the remuneration received in the period of service performed. Starting from 1 January 2007, law no. 296 of 27 December 2006, "2007 Finance Act" and subsequent Decrees and Regulations, introduced significant amendments to the TFR regulations, including the worker's right to choose to allocate its accruing TFR being accrued either to supplementary pension funds or to the "Treasury Fund" managed by the INPS (*Istituto Nazionale di Previdenza Sociale*, National Social Security Institute). Therefore, this has entailed that the obligation to the INPS and the contributions paid into supplementary pension funds are now treated, pursuant to IAS 19 "Employee benefits", as defined contribution plans, while the quotas entered in the provision for TFR at 1 January 2007 are still treated as defined benefit plans.

The Company has also in place a defined benefit pension plan (Free Travel Card, *Carta di Libera Circolazione*, CLC). The Free Travel Card grants the employees, former retired employees and their relatives, the right to travel – free of charge or, in some cases, through the payment of the right of admission – on the trains managed by the Ferrovie dello Stato S.p.A. Group.

Provisions for risks and charges

Provisions for risks and charges are entered against certain or probable losses and charges, whose amount and/or date of occurrence cannot be determined. The provision is recognized only when a current obligation (legal or constructive) exists as a result of past events and it is probable that a future outflow of financial resources will be to settle the obligation. This amount represents the best estimate of the charge to fulfil the obligation. The rate used to determine the present value of the liability reflects the current market values and takes account of the specific risk that can be associated to each liability.

When the financial effect of time is significant and the dates of payment of the liabilities can be estimated reliably, provisions are measured at the present value of the outlay expected by using a rate that reflects market conditions, any change in the cost of money over time and the specific risk inherent in the obligation. The increase in the value of the provision determined by changes in the cost of money over time is accounted for as an interest expense.

The risks for which the emergence of a liability is only possible are specified in the special section on contingent liabilities and no provision has been made for them.

Translation of currency items

Any transactions in a currency other than the functional currency are recognised at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in a currency other than the Euro are subsequently adjusted at the exchange rate prevailing at the closing date of the financial year. Non-monetary assets and liabilities denominated in a currency other than the Euro are entered at historical cost using the exchange rate prevailing at the date of initial recognition of the transaction. Any exchange differences that may arise are reflected in the income statement

Revenues

Revenues are recognised insofar as it is probable that economic benefits will flow to the Company and their amount can be determined reliably, taking account of the value of returns, rebates, trade discounts and premiums concerning quantity (if any).

Revenues from performance of services are recognised in the income statement with reference to the state of completion of the service and only when the result of the service can be estimated reliably.

Revenues from contract work in progress are recognised with reference to the state of progress (percentage of completion method).

Revenues from sales of goods are measured at the fair value of the consideration received or due. Revenues from sales of goods are recognized when the significant risks and the rewards of ownership of the assets are transferred to the purchaser and the related costs can be estimated reliably.

Interest income is recorded in the income statement on the basis of the effective rate of return.

Government grants

Government grants, in the presence of a formal resolution assigning them and, in any case, when the right to their payment is deemed final as there is reasonable certainty that the Company will comply with any conditions attached to the grant and that the grants will be received, are recognised on an accruals basis in direct correlation with the costs incurred.

Operating grants

Operating grants refer to sums paid out by the Government or by any other Public Bodies to the Company by way of reduction in costs and charges incurred. Operating grants are charged to the income statement as a reduction in the cost item to which they refer.

Cost recognition

Costs are recognised when they relate to goods and services acquired or consumed in the year or by systematic allocation.

Income taxes

Current taxes are determined on the basis of the Company's estimated taxable income and in accordance with the regulations in force for the companies.

Deferred tax assets and liabilities are calculated against all differences that arise between the taxable base of an asset or liability and the related carrying amount, except for those relating to differences arising from equity investments in subsidiaries, when the time limit for the reversal of these differences is subject to control by the Company and they are expected not to be reversed in a reasonable foreseeable period of time. Deferred tax assets, including those relating to previous tax losses, for the portion that is not offset by deferred tax liabilities, are recognized insofar as it is probable that a future taxable income will be available against which the same may be recovered. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applied in the financial years in which the differences will be realized or discharged.

Current taxes, deferred tax assets and liabilities are recognised in the income statement, except for those relating to items recognised under other components in the comprehensive income or directly debited or credited to equity. Deferred tax assets and liabilities are offset when the same are applied by the tax authorities themselves, there is a legal right of setoff and a settlement of the net balance is expected.

Any other taxes that are not correlated to income, such as direct taxes and duties, are included in the income statement item "Other operating costs".

Assets and liabilities held for sale and discontinued operations

Non-current assets whose carrying amount will be recovered mainly through the sale rather than through their continuous use are classified as held for sale and are entered separately from any other assets and liabilities in the statement of financial position. The corresponding equity values of the previous year are not reclassified. A Discontinued Operation is a component of the entity that has been disposed of or classified as held for sale; and:

- represents either a major line of business or a geographical area of operations; and
- is part of a co-ordinated plan to dispose of a major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The results from discontinued operations – either disposed of or classified as held for sale and being divested – are recognized separately in the income statement, net of tax effects. The corresponding values relating to the previous financial year, where present, are reclassified and recognized separately in the separate income statement, net of tax effects, for comparative purposes. Assets that are classified as held for sale, are firstly recognized in accordance with the specific relevant IFRS applicable to each asset and liability and, subsequently, are recognised at the lower of carrying amount and the related fair value, net of selling costs. Subsequent impairment losses (if any) are recognised directly as an adjustment to assets classified as held for sale through profit or loss.

Instead, a reinstatement of value is recognised for each subsequent increase in the fair value of an asset, net of selling costs, but only up to the amount of the total impairment loss previously recognized.

Recently-issued accounting standards

Accounting standards endorsed by the European Union and applied by the Company in advance

At the date of approval of these separate financial statements, the EU legislation adopted some accounting standards and interpretations that are not yet mandatory, that have been applied voluntarily by the Company in advance. These changes are summarized below:

Amendments to IAS 24 – "Related Party Disclosures";

Amendments to IFRS 1 and IFRS 7 – Limited Exemption from Comparative IFRS 7 Disclosure for First-Time Adopters.

Accounting standards endorsed by the European Union and not applied by the Company in advance

At the date of approval of these separate financial statements, the EU legislation adopted some accounting standards and interpretations, which are not yet mandatory, that will be applied, if requirements are met, by the Company in the subsequent financial years. These changes and the potential effects on the Company are summarized below.

Amendments to IAS 32 – "Classification of rights issues" (applicable from 1 January 2011). The revised version of the standard regulates cases and case studies that were not present within the Company at the date of these separate financial statements.

Amendments to IFRIC 14 – "Prepayments of a Minimum Funding Requirement" (applicable from 1 January 2011). It is deemed that the adoption of this revised version will have no effect on the Company's separate financial statements.

Amendments to IFRIC 19 – "Extinguishing Financial Liabilities with Equity Instruments" (applicable from 1 January 2011). It is deemed that the adoption of this revised version will have no effect on the Company's separate financial statements.

The 2010 improvement process provides for the review of a number of accounting standards, which are expected to be applied starting from 1 January 2011, including IFRS 1 (First-time Adoption of International Financial Reporting Standards), IFRS 3 (Business combinations), IFRS 7 (Financial Instruments: Disclosures), IAS 1 (Presentation of Financial Statements), IAS 27 (Consolidated and Separate Financial Statements) and IAS 34 (Interim Financial Reporting). The adoption of the abovementioned changes will have no significant effects on the Company's separate financial statements.

Use of estimates and valuations

The preparation of the separate financial statements requires the directors to apply accounting standards and methods, which are based, in some circumstances, on difficult and subjective valuations and estimates based on historical experience and assumptions that are from time to time considered to be reasonable and realistic depending on the related circumstances. Therefore, the final results of the items in the financial statements for which the abovementioned estimates and assumptions have been used may differ, even significantly, from those reported in the financial statements, because of 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 any change are recognized in the income statement, if the same affects the financial year only. In the event that the review affects financial years, both current and future, the change is recognized in the financial year when the review is carried out and in the related future financial years.

The final results may differ, even significantly, from these estimates following possible changes in the factors considered in the determination of these estimates.

Below are briefly summarised the accounting standards that require, more than others, a major subjectivity by the directors in the preparation of estimates and for which a change in the conditions behind the assumptions used could have a significant impact on the consolidated financial data:

i) Impairment of assets

In accordance with the accounting standards applied by the Company, property, plant and equipment and intangible assets with a definite life are subject to a test aimed at establishing whether there is an impairment loss, which must be recognized through a write-down, when there is evidence that difficulties will arise for the recovery of the related net book value through the use. The test to check the existence of the abovementioned evidence requires the directors to make subjective valuations based in the information available within the Company and in the market, as well as from the historical experience. Furthermore, should it be established that there is a potential impairment loss, the Company determines the same using valuation techniques that are considered to be suitable. The correct identification of the elements indicating the existence of a potential impairment loss, as well as any estimates for the determination of the same depend on factors that may vary over time, thus affecting valuations and estimates made by the directors.

ii) Provisions for risks and charges

Provisions are set aside against legal and tax risks which represent the risk of a negative outcome. The value of recognised provisions relating to these risks represents the best estimate made by the directors at the reporting date. This estimate entails the adoption of assumptions that depend on factors which may vary over time and which may have effects compared to the current estimates made by the directors for the preparation of the Company's separate financial statements.

iii) Taxes

The recognition of deferred tax assets is made on the basis of the forecast income expected in future financial years. The valuation of any expected income for the purposes of the recognition of deferred taxes depends on factors that may vary over time and determine significant effects on the measurement of deferred tax assets.

iv) Fair value of derivative financial instruments

The fair value of derivative financial instruments that are not listed in active markets is determined using valuation techniques. The Company uses valuation techniques that use inputs that can be observed in the market, either directly or indirectly, at the end of the financial year, and that are connected to the assets and liabilities being measured. Even if the estimates of the abovementioned fair values are considered to be reasonable, any possible changes in the estimate factors on which the calculation of the aforesaid values is based may produce different valuations.

5 Financial and operational risk management

The Company is exposed to the following risks arising from the use of financial instruments:

- credit risk;
- liquidity risk;
- market risk;
- interest rate risk;
- exchange risk.

This section provides information relating to the Company's exposure to each of the risks reported above, as well as on the objectives, policies and processes for the management of these risks and the methods used to assess them. These separate financial statements also include additional quantitative information.

Credit risk

The credit risk is the risk that a customer or one of the counterparties of a financial instrument may cause a financial loss in not complying with an obligation and mainly arises from trade receivables and from the financial investments of the Company towards third parties.

The main trade receivables can be referred to the sales of properties held for trading; the sales for which instalment payment terms or payment extensions are secured by bank guarantees. In consideration of this, the relative credit risk is quite limited.

The recovery prospects are valued position by position, taking account of the instructions given by the department managers and the internal and external legal counsels who are in charge of the recovery procedure (if any). Receivables for which at the balance sheet date a probable loss could arise are consequently written down. Below is reported the table concerning the changes in the provision for bad debts at 31 December 2010:

Provision for bad debts	Balance as at 31.12.2009	Increases	Other changes	Balance as at 31.12.2010
Ordinary customers	13,690	886	14	14,590
State administrations	105	92	(14)	183
Other sundry receivables	26	4	146	176
TOTAL	**13,821**	**982**	**146**	**14,949**

Furthermore, financial investments, as they are towards Group companies, do not generate any credit risk.

Liquidity risk

The liquidity risk is the risk that an entity may have difficulties in complying with the obligations associated with financial liabilities to be settled delivering cash on hand or any other financial asset.

It should be noted that the Company's debt is essentially aimed at the payment of loans payable to Group companies.

The Company has used uncommitted credit lines granted by the banking system to meet liquidity requirements mainly arising from delays in the transfers from the Government. These resources were mainly intended for the subsidiary Trenitalia, but also, even if to a lower extent, for RFI.

The table below reports the contractual expiry dates of financial liabilities, including interest to be paid:

31 December 2010	Book value	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
Non-derivative financial liabilities							
Debenture loans	3,297,621	4,168,635	19,214	23,117	54,301	1,101,487	2,970,516
Loans from banks	1,543,961	1,847,164	133,167	115,358	118,456	815,204	664,979
Payables to other lenders	1,698,246	2,100,000	100,000	100,000	200,000	600,000	1,100,000
Trade payables	56,046	56,046	55,764	0	282	0	0
Fiancial liabilities	547,252	547,253	547,253	0	0	0	0
Total	**7,143,126**	**8,719,098**	**855,398**	**238,475**	**373,039**	**2,516,691**	**4,735,495**

31-Dec-09	Book value	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
Non-derivative financial liabilities							
Debenture loans	3,296,900	4,396,486	16,625	22,088	70,961	909,891	3,376,921
Loans from banks	1,477,807	1,849,136	2,474	114,779	121,383	834,691	775,809
Payables to other lenders	1,826,004	2,300,000	100,000	100,000	200,000	600,000	1,300,000
Borrowings from Group companies	6,000	6,000	0	6,000	0	0	0
Trade payables	63,415	63,415	63,290		125	0	0
Fiancial liabilities	814,952	814,952	814,952	0	0	0	0
Total	**7,485,078**	**9,429,989**	**997,341**	**242,867**	**392,469**	**2,344,582**	**5,452,730**

The contractual flows from variable-rate loans have been calculated by using the forward rates estimated at the closing date of the financial statements. The values include quotas on account of capital and interest and are recognised at their nominal value.

Furthermore, it is specified that the debt expiring within 6 months is mainly made up of payables to be repaid by the Government and of the intercompany debt current account.

Market risk

The market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate following changes in market prices, due to changes in exchange rates and interest rates or in the quotations of the equity instruments. The objective of the market risk management is the management and control of the Company's exposure to this risk within acceptable levels.

Interest rate risk

The interest rate risk faced by the Company is quite limited and residual, as it is limited to the sole risk relating to the Unicredit variable-rate loan transferred by a deed of demerger by former Ferrovie Real Estate SpA. Below is reported a table specifying the indebtedness profile of Ferrovie dello Stato SpA from which it can be clearly inferred that variable-rate financial liabilities are almost totally offset by corresponding by corresponding financial assets towards subsidiaries, except for the abovementioned loan equal to Euro 475,000 thousand.

	Book value	
	31.12.2010	**31.12.2009**
Fixed-rate financial instruments		
Financial assets	2,634,266	2,826,004
Financial liabilities	2,634,266	2,826,004
Variable-rate financial instruments		
Financial assets	3,292,400	3,292,400
Financial liabilities	3,767,400	3,767,400

<u>Sensitivity analysis of cash flows of variable-rate financial instruments.</u>

Below is reported the sensitivity analysis that shows the effects that would be recorded in terms of change in finance income/cost against a change of +/- 50 basis points in Euribor interest rates applied to loans payable/receivable during 2010.

	Shift +50 bps	Shift -50bps
Interest expense from variable-rate loans	19,099	(19,099)
Interest income from Intercompany Financing Transactions	16,691	(16,691)
Total	2,408	(2,408)

Exchange risk

The Company is marginally exposed to the exchange risk as it is limited to only one debt position.

6 2010 Business combinations

Acquisition of "Sap Srl in liquidation" and merger by incorporation into Ferrovie dello Stato SpA

On 9 November 2010 the deed was executed for the merger of SAP Srl in liquidation by incorporation into Ferrovie dello Stato SpA. The latter already held all the shares of the merged company and, for this reason, the business combination has exclusively entailed the cancellation of the SAP shares without any capital increase in the financial statements of the merging company.

With the cancellation from the register of Companies that took place on 18 November 2010, the Company reported the balances of the residual assets and liabilities arising from the accounts of the merged company under its own accounts.

However, the accounting and tax effects date back to 1 January 2010, i.e. the date starting from which the transactions of the merged company were charged to the financial statements of the merging company.

According to the provisions of the Preliminary Interpretation Guidelines (*Orientamenti Preliminari Interpretativi*) - OPI 2 – *Accounting treatment of mergers in the separate financial statements* (*Trattamento contabile delle fusioni nel bilancio d'esercizio*), this transaction does not determine any actual change in the control over the business of the merged company; therefore, the Company opted to date back the effects of the merger also with reference to the costs and revenues of SAP Srl. Therefore, the transaction in question may be treated as a transaction under common control, which does not fall within the scope of application of IFRS 3, i.e. as a business combination in which the purchaser and the acquired entity (Ferrovie dello Stato and SAP, respectively) are controlled by the same entity both before and after the combination and this control is not temporary. In this case, the principle of continuity of values was applied, giving importance to the pre-existence of the control relationship.

In compliance with OPI 2, the subsequent page reports the statement of financial position and the income statement at 31 December 2009 to reflect the effects of the abovementioned merger transaction on the values of the previous financial year.

STATEMENT OF FINANCIAL POSITION

(€/th.)	31.12.2009 (FS net of SAP)	31.12.2009 (SAP net of FS)	31.12.2009 (FS+SAP)
Assets			
Property, plant and equipment	43,643		43,643
Investment properties	425,960		425,960
Intangible assets	37,681		37,681
Deferred tax assets	207,167		207,167
Equity investments	35,525,609		35,525,609
Non-current financial assets (including derivatives)	6,024,565		6,024,565
Non-current trade receivables	9,325	16	9,341
Other non-current assets	1,723,562	154	1,723,716
Total non-current assets	**43,997,511**	**170**	**43,997,681**
Inventories	397,417		397,417
Current trade receivables	103,546		103,546
Current financial assets (including derivatives)	1,422,789		1,422,789
Cash and cash equivalents	282,915	26	282,941
Tax receivables	80,880		80,880
Other currrent assets	690,575		690,575
Assets held for sale and disposal groups	30,031		30,031
Total current assets	**3,008,153**	**26**	**3,008,179**
Total assets	**47,005,665**	**196**	**47,005,861**
Equity			
Share capital	38,790,425		38,790,425
Reserves	293,257		293,257
Profits (losses) carried forward	(3,118,940)		(3,118,940)
Profit (Loss) for the Year	75,815		75,815
Total Equity	**36,040,558**	**0**	**36,040,558**
Liabilities			
Medium/long term loans	6,401,666		6,401,666
Severance pay and other employee benefits	20,145		20,145
Provisions for risks and charges	101,744	469	102,213
Deferred tax liabilities	433,441		433,441
Non-current trade payables	125		125
Other non-current liabilities	1,899,387		1,899,387
Total non-current liabilities	**8,856,508**	**469**	**8,856,977**
Short-term loans	6,000		6,000
Current portion of medium-long term loans	199,045		199,045
Short-term portion of Provisions for risks and charges	762	33	795
Current trade payables	63,290	276	63,566
Income taxes payable	1,651		1,651
Current financial liabilities (including derivatives)	814,952		814,952
Other current liabilities	1,022,316		1,022,316
Total current liabilities	**2,108,017**	**309**	**2,108,326**
Total liabilities	**10,964,525**	**778**	**10,965,303**
Total equity and liabilities	**47,005,082**	**778**	**47,005,860**

INCOME STATEMENT

(€/th.)	2009 (FS net of SAP)	2009 (SAP net of FS)	2009 (FS+SAP)
Revenues from sales and services	175,963		175,963
Other income	11,869	86	11,955
Total revenues	**187,832**	**86**	**187,918**
Operating costs	**177,367**	**85**	**177,452**
Personnel cost	52,716		52,716
Raw and secondary materials, consumables and goods for resale	41,555		41,555
Costs for services	55,831	15	55,846
Leases and rentals	12,979		12,979
Other operating costs	14,463	70	14,533
Capitalisation of internal construction costs	(177)		(177)
Amortisation and depreciation	**18,723**	**0**	**18,723**
Write-downs, impairment losses (value write-backs)	**830**	**0**	**830**
Write-down of intangible assets			
Write-down of property, plant and equipment	0		0
Value adjustments (write-backs) on receivables	830		830
Provisions for risk and charges	**16,656**		**16,656**
EBIT	**(25,745)**	**1**	**(25,744)**
Finance income and costs			
Finance income	317,650		317,650
Finance costs	277,551		277,551
Pre-tax result	**14,353**	**1**	**14,354**
Income taxes	61,461		61,461
Net profit for the year	**75,814**	**1**	**75,815**

7 Other extraordinary transactions

Withdrawal from the associate TSF SpA

On 17 December 2009, the shareholders' meeting of the associate TSF SpA, following the withdrawal of the shareholder Ferrovie dello Stato SpA, resolved to reduce its share capital and to use the available reserves for a total of Euro 32,499,976.18, for the payment of the shares affected by the withdrawal (no. 58,149 shares).

The transaction was completed on 17 March 2010, with the payment of the amounts due.

The settlement of the transaction entailed the cancellation of the stake in TSF SpA, entered in current assets under assets held for sale (IFRS 5), for Euro 30,031,452.23, and the recognition of income from equity investments for Euro 2,468,523.95.

8. Property, plant and equipment

Below is reported the statement of amounts of property, plant and equipment at the beginning and at the end of the year, with the related changes. It is specified that, during 2010, no changes were recorded in the estimated useful life of the assets.

	Land and buildings	Industrial and business equipment	Other assets	Fixed assets under construction	Total
Historical cost	50,989	360	34,000	21	**85,370**
Depreciation and impairment losses	(9,036)	(357)	(31,344)	0	**(40,737)**
Balance as at 01.01.2009	**41,953**	**3**	**2,656**	**21**	**44,633**
Investments	0	0	0	418	**418**
Depreciation	(704)	(1)	(1,128)	0	**(1,833)**
Reclassifications	0	0	425	0	**425**
Total changes	**(704)**	**(1)**	**(703)**	**418**	**(990)**
Historical cost	50,989	360	34,331	439	**86,119**
Depreciation and impairment losses	(9,740)	(358)	(32,378)	0	**(42,476)**
Balance as at 31.12.2009	**41,249**	**2**	**1,953**	**439**	**43,643**
Investments	0	0	0	657	**657**
Entries into service	0	0	281	(281)	**0**
Depreciation	(704)	(7)	(870)	0	**(1,581)**
Sales and disposals	0	(2)	(4)	0	**(6)**
Reclassifications	0	331	0	0	**331**
Total changes	**(704)**	**322**	**(593)**	**376**	**(599)**
Historical cost	50,989	523	13,062	815	**65,389**
Depreciation and impairment losses	(10,444)	(199)	(11,702)	0	**(22,345)**
Balance as at 31.12.2010	**40,545**	**324**	**1,360**	**815**	**43,044**

The item "Land and buildings" relates to the portion of the building of Villa Patrizi, the Company's registered office; the remaining portion is included under "Investment Properties".

During 2010, following checks of inventories, a number of assets were divested which were classified under the items "Industrial and business equipment" and "Other assets". The disposals related to "Industrial and business equipment" entailed the reduction of Euro 177 thousand in the historical cost and of Euro 175 thousand in the related depreciation fund, while those relating to "Other assets" entailed a reduction of Euro 21,549 thousand in the historical cost and of Euro 21,545 thousand in the related depreciation fund.

9. Investment properties

Below is reported the statement of amounts of investment properties at the beginning and at the end of the year, with the related changes. It is specified that, during 2010, no changes were recorded in the estimated useful life of the assets.

	2010		2009	
	Land	Buildings	Land	Buildings
Balance as at 1 January				
Cost	416,406	281,855	559,530	328,158
Depreciation fund	(4,084)	(89,392)	(2,124)	(106,193)
Provision for Write-Down	(147,750)	(31,076)	(182,086)	(46,914)
Book value	**264,572**	**161,387**	**375,320**	**175,051**
Changes in the year				
Acquisitions		3,106		8,529
Reclassifications (1)	(3,323)	(539)	(108,788)	(16,521)
Disposals (2)		(264)		(91)
Depreciation	(1,960)	(5,038)	(1,960)	(5,581)
Write-downs				
Total Changes	**(5,283)**	**(2,735)**	**(110,748)**	**(13,664)**
Balance as at 31 December				
Cost	413,022	283,181	416,406	281,855
Depreciation fund	(6,048)	(93,678)	(4,084)	(89,392)
Provision for Write-Down	(147,685)	(30,851)	(147,750)	(31,076)
Book value	**259,289**	**158,652**	**264,572**	**161,387**
Reclassifications (1)				
Cost	(3,383)	(1,235)	(143,124)	(54,528)
Depreciation fund		385		22,172
Provision for Write-Down	60	311	34,336	15,835
Total	**(3,323)**	**(539)**	**(108,788)**	**(16,521)**
Disposals (2)				
Cost		(545)		(304)
Depreciation fund		281		210
Provision for Write-Down				3
Total	**0**	**(264)**	**0**	**(91)**

The item investment properties includes land and buildings that are leased to Group companies and to third parties, or that are not used by the Company, but not held for sale.

10. Intangible assets

This item amounted to Euro 40,637 thousand, showing an increase of Euro 2,956 thousand compared to 31 December 2009.

The table below reports the amounts of intangible assets at the beginning and at the end of the year.

	Concessions, licences, trademrks and similar rights	Fixed assets under development and advances	Total
Historical cost	125,998	1,672	**127,670**
Amortisation and impairment losses	(94,827)	0	**(94,827)**
Balance as at 01.01.2009	**31,171**	**1,672**	**32,843**
Investments	0	14,182	**14,182**
Entries into service	15,829	(15,829)	
Amortisation	(9,348)	0	**(9,348)**
Reclassifications	0	3	**3**
Total changes	**6,481**	**(1,644)**	**4,837**
Historical cost	141,827	29	**141,856**
Amortisation and impairment losses	(104,175)	0	**(104,175)**
Balance as at 31.12.2009	**37,652**	**29**	**37,681**
Investments	0	14,690	**14,690**
Entries into service	11,977	(11,977)	
Amortisation	(11,361)	0	**(11,361)**
Sales and diposals	(323)	0	**(323)**
Other reclassifications		(50)	**(50)**
Total changes	**293**	**2,663**	**2,955**
Historical cost	90,812	2,691	**93,503**
Amortisation and impairment losses	(52,867)	0	**(52,867)**
Balance as at 31.12.2010	**37,945**	**2,691**	**40,637**

This item is exclusively made up of costs incurred for the implementation and the development of the software mainly relating to the Group’s IT system. In 2010 increases amounted to Euro 14,690 thousand. In 2010, following the precise recognition of the software that is no longer used by the Company, numerous disposals were carried out that entailed the reduction in the historical cost for Euro 62,993 thousand and of the related amortisation fund for Euro 62,670 thousand, with a net loss of Euro 323, thousand recorded in the income statement.

11. Deferred tax assets and deferred tax liabilities

The statement below reports the amounts of deferred tax assets and deferred tax liabilities, as well as the changes that were recorded in 2010 in deferred taxes entered for the main temporary differences reported between accounting values and the corresponding fiscal values.

	01.01.2009	Impacts through P&L	Impacts through equity	31.12.2009	Impacts through P&L	Impacts through equity	31.12.2010
Deferred tax assets							
Value differences on property, plant and equipment and intangible assets	134,999	(12,216)	0	122,783	(675)	0	122,108
Provisions for risks and charges and impairment losses with deferred tax deductibility	33,618	4,877	0	38,495	681	0	39,176
Value differences on properties held for T*rading* - Inventories	59,452	(13,564)	0	45,889	(1,568)	0	44,320
Total deferred tax assets	**228,069**	**(20,902)**	**0**	**207,167**	**(1,563)**	**0**	**205,604**
Deferred tax liabilities							
- Provision for deferred tax liabilities							
Value differences on property, plant and equipment and intangible assets	132,673	(20,883)	0	111,790	(847)	0	110,943
Value differences on properties held for T*rading* - Inventories	53,088	(4,687)	0	48,401	(4,294)	0	44,107
Other	811	56	0	867	2	0	869
Total provision for deferred tax liabilities	186,571	(25,514)	0	161,057	(5,139)	0	155,918
- Provision for taxes from consolidated IRES tax base	289,046	(65,029)	48,367	272,384	(80,360)	37,478	229,502
Total deferred tax liabilities	**475,617**	**(90,543)**	**48,367**	**433,441**	**(85,499)**	**37,478**	**385,420**

Deferred tax assets and the Provision for deferred tax liabilities mainly related to the misalignment between book values and values recognized for tax purposes of property, plant and equipment and intangible assets, on which amortization and depreciation are calculated, and of properties held for trading, as well as to the deferred deductibility acknowledged to provisions for risks and charges and to write-downs of fixed assets.

The Provision for taxes from the consolidated IRES (*Imposta sul Reddito delle Società*, Corporate Income Tax) tax base includes taxes assessed by the Company and by the subsidiaries participating in the consolidated tax base that are not due to the Tax Office as they are offset with the tax losses transferred by other companies. In fact, at the end of the financial year, the consolidating company offsets, in the presence of companies that contribute taxable income and companies that contribute tax losses, the respective items and may be required to remunerate tax losses in case of future use of the same by the company that has produced them, within five years. This subsequent use may arise from the achievement of a taxable income by the company or from the exclusion of the company itself from the scope of consolidation, due to the interruption of the option or due to the failure to renew the same. In this case, the consolidating company will use financial resources to remunerate any tax losses contributed at the time to the provision which, for this reason, is maintained and fed annually. The table above separately reports the releases of the 2004 and 2005 training provisions, as well as any other net changes essentially made up of the increases in the Provision for IRES taxes estimated in the year, any adjustments for differences between taxes estimated in the previous year compared to those exactly determined and the uses necessary to remunerate the subsidiaries for any tax losses contributed at the time.

12. Equity investments

The tables below report the amounts of the equity investments in question at the beginning and at the end of the year, as broken down by category, and of the related changes that were recorded in 2010 and 2009.

	31.12.2009	31.12.2010
Equity investments in		
Subsidiaries	35,368,904	35,769,102
Associates	23,061	23,061
Other companies	133,644	133,644
	35,525,609	**35,925,807**

	Net Value as at 1.1.2009	Changes in the year			Net Value as at 31.12.2009
		Acquisitions/ subscriptions	Reclassifications	Other changes	
Equity investments in subsidiaries					
Centostazioni SpA	3,050				3,050
Fercredit SpA	31,413				31,413
Ferservizi SpA	43,250				43,250
FS Formazione SpA	258				258
FS Logistica SpA	360,283	0	0	(118,015)	242,268
FS Sistemi Urbani Srl	373,505				373,505
Grandi Stazioni SpA	17,601				17,601
FS Telco Srl	5				5
Italcertifer ScpA	99				99
Italferr SpA	8,047				8,047
RFI SpA	33,230,363	250,000	0	(503,091)	32,977,272
SAP Srl in liquidation	0				0
Self Srl	35				35
Sogin Srl	59,227				59,227
Trenitalia SpA	991,768	0	0	621,106	1,612,874
	35,118,904	**250,000**	**0**	**0**	**35,368,904**
Equity investments in associates					
Ferrovie Nord Milano SpA	23,061				23,061
	23,061	**0**	**0**	**0**	**23,061**
Other companies					
BCC Bureau Central de Clearing	6				6
Consorzio E.T.L.	10				10
Consorzio Italiano Infrastrutture e Trasporti per l'Iraq in liquidation	120				120
Eurofima	133,325				133,325
Fondazione Accademia S.Cecila	5				5
Fondazione Memoria della Shoah	20				20
Hit Rail B.V.	97				97
Isfort SpA	61				61
	133,644	**0**	**0**	**0**	**133,644**
TOTAL	**35,275,609**	**250,000**	**0**	**0**	**35,525,609**

	Net Value as at 31.12.2009	Changes in the year			Net Value as at 31.12.2010
		Acquisitions/ subscriptions	Reclassifications	Other changes	
Equity investments in subsidiaries					
Centostazioni SpA	3,050				3,050
Fercredit SpA	31,413				31,413
Ferservizi SpA	43,250				43,250
FS Formazione SpA	258				258
FS Logistica SpA	242,268				242,268
FS Sistemi Urbani Srl	373,505	5,556	144,421	0	523,482
Grandi Stazioni SpA	17,601				17,601
FS2MOVE GmbH	0	14	0	0	14
FS Telco Srl	5				5
Italcertifer ScpA	99	0	112	0	211
Italferr SpA	8,047				8,047
RFI SpA	32,977,272	250,000	0	0	33,227,272
SAP Srl in liquidazione	0				0
Self Srl	35				35
Sogin Srl	59,227				59,227
Trenitalia SpA	1,612,874				1,612,874
FS Trasporti su gomma(former Tiburtina immobiliare)	0	45	0	0	45
Tav Srl	0	50	0	0	50
	35,368,904	**255,665**	**144,533**	**0**	**35,769,102**
Equity investments in associates					
Ferrovie Nord Milano SpA	23,061				23,061
	23,061	**0**	**0**	**0**	**23,061**
Other companies					
BCC Bureau Central de Clearing	6				6
Consorzio E.T.L.	10				10
Consorzio Italiano Infrastrutture e Trasporti per l'Iraq in liquidation	120				120
Eurofima	133,325				133,325
Fondazione Accademia S.Cecila	5				5
Fondazione Memoria della Shoah	20				20
Hit Rail B.V.	97				97
Isfort SpA	61				61
	133,644	**0**	**0**	**0**	**133,644**
TOTAL	**35,525,609**	**255,665**	**144,533**	**0**	**35,925,807**

Equity investments amounted to Euro 35,925,807 thousand, showing an increase of Euro 400,198 thousand compared to 31 December 2009 recorded in equity investments in subsidiaries. The main changes related to:

- The capital increase of Rete Ferroviaria Italiana SpA for Euro 250,000 thousand;
- The capital increase of FS Sistemi Urbani Srl following the contribution of assets for Euro 149,977 thousand. The increase concerned the reclassification of receivables on account of future capital increases, for the assets already transferred in the previous year (Euro 144,421 thousand) and the increase of Euro 5,556 thousand for the transfer of Leopolda station in Florence, which was completed in 2010.

Below is reported the list of equity investments in subsidiaries, associates with the comparison between book values and the corresponding accrued portion of equity.

	HQ	Share capital	profits (loss) for the period	equity at 31.12.2010	Ownership %	Accrued equity (a)	Book value at 31.12.2010 (b)	Differenc (b) - (a)
Equity investments in subsidiaries								
Centostazioni SpA	Rome	8,333	9,740	37,322	59.99%	22,389	3,050	(19,339)
Fercredit SpA	Rome	32,500	6,932	80,160	100%	80,160	31,413	(48,747)
Ferservizi SpA	Rome	43,043	2,925	54,796	100%	54,796	43,250	(11,546)
FS Formazione SpA	Rome	637	46	908	31.40%	285	258	(27)
FS Logistica SpA	Rome	317,465	(19,894)	139,909	100%	139,909	242,268	102,359
FS Sistemi Urbani Srl	Rome	522,171	5,837	540,231	100%	540,231	523,482	(16,749)
Grandi Stazioni SpA	Rome	4,304	19,422	137,037	59.99%	82,208	17,601	(64,607)
FS2MOVE GmbH	Magonza	25	0	25	51%	13	14	1
FS Telco Srl (*)	Rome	20	(13)	110	100%	110	5	(105)
Italcertifer ScpA	Florence	480	375	2,127	33.33%	709	211	(498)
Italferr SpA	Rome	14,186	4,031	51,508	100%	51,508	8,047	(43,461)
RFI SpA	Rome	32,088,184	91,592	33,373,813	100%	33,373,813	33,227,272	(146,541)
Self Srl	Rome	35	0	35	100%	35	35	0
Sogin Srl	Rome	15,600	(515)	32,486	55%	17,867	59,227	41,360
Trenitalia SpA	Rome	1,654,464	73,062	1,463,224	100%	1,463,224	1,612,874	149,650
FS Trasporti su Gomma (former Tiburtina immobilia	Rome	60	(43)	28	100%	28	45	17
Tav Srl	Rome	50	0	50	100%	50	50	0
Totals						**35,827,336**	**35,769,102**	**(58,234)**
Equity investments in associates								
Ferrovie Nord Milano SpA	Milan	**130,000**	**8,507**	**175,871**	**14.74%**	**25,923**	**23,061**	**(2,862)**
Totals						**35,853,259**	**35,792,163**	**(61,096)**

(*) The equity value entered by the subsidiary includes any payment on account of future capital increases for Euro 135 thousand that Ferrovie dello Stato recognises as receivables for payments on account of future capital increases

No write-down is made for the difference between the book value of the subsidiaries Trenitalia SpA and FS Logistica SpA and the corresponding portion of equity as, in light of the respective planned perspective performances, it is not deemed that a long-lasting impairment loss exists, as well as for FS2Move GmbH, FS Trasporti su Gomma, whose operations are substantially being started.

As regards Sogin Srl, it should be noted that the year saw the recognition of a Provision for risks and charges of Euro 31,444 thousand in consideration of the fact that the demerger that affected the company, which is expected to possibly give rise to a capital loss of this amount, has not yet become effective.

13. Financial assets (including derivatives)

The table below reports the breakdown of financial assets in the two additional financial years under comparison.

	31.12.2010		31.12.2009		01.01.2009	
	Non-current	Current	Non-current	Current	Non-current	Current
Financial assets						
- Financial assets held to maturity	5,824,661	212,945	6,024,198	203,418	6,217,790	152,484
- Payments on account of future capital increases	0	135	0	144,556	0	0
- Receivables for short-term loans	0	189,510	0	351,823	0	773,116
- Other financial receivables	337	665,274	367	722,992	368	259,965
TOTAL	5,824,998	1,067,864	6,024,565	1,422,789	6,218,158	1,185,565

In 2010 financial assets recorded, as a whole, a decrease of Euro 554,492 thousand.

"Financial assets held to maturity" related to loans granted to the subsidiaries Rete Ferroviaria Italiana SpA, Fercredit SpA and former TAV SpA for a total amount of Euro 5,953,680 thousand, down by Euro 195,654 thousand compared to the previous year; the current portion represents the portion expiring within the next financial year. The additional amount of the non-current portion (Euro 83,926 million at the end of 2010 and Euro 78,282 thousand at the end of 2009) related to receivables from Euterpe Finance; it is connected with the securitization of receivables towards the Tax Office that was completed in 2004. The increase of Euro 5,644 thousand is attributable to the interest income accrued following the transaction connected with the transfer of the receivable itself.

2009 "Payments on account of future capital increases" related to FS Telco Srl.(Euro 135 thousand) and FS Sistemi Urbani Srl (Euro 144,421 thousand). In relation to the latter, it should be noted that in 2010, following the completion of the contribution of assets, the amount was reclassified as an increase in the share capital of the subsidiary.

"Receivables for short-term loans" related to the short-term loans granted to subsidiaries; the decrease was Euro 162,680 thousand.

"Other non-current financial receivables" related to the balance of the intercompany current account of Trenitalia SpA; the decrease was Euro 57,718 thousand. The non-current portion mainly refers to receivables from banks for confiscated sums and guarantee deposits.

14. Other non-current and current assets

The table below reports the breakdown of other assets at the end of the two financial years under comparison; the decrease was Euro 806,455 thousand and was essentially attributable to VAT receivables from the Tax Office.

	31.12.2010		31.12.2009		'01.01.2009	
	Non-current	**Current**	**Non-current**	**Current**	**Non-current**	**Current**
Other receivables from group companies	0	71,287	0	53,960	0	101,088
VAT receivables	1,163,154	366,414	1,722,336	630,086	1,093,540	1,758,114
Sundry receivables	1,213	877	1,226	2,733	1,221	665
Accrued income and prepaid expenses	0	4,738	0	3,797	0	1,341
Total	**1,164,367**	**443,316**	**1,723,562**	**690,576**	**1,094,761**	**1,861,208**
Provision for write-down	0	0	0	0	0	0
Total, net of Provision for write-down	**1,164,367**	**443,316**	**1,723,562**	**690,576**	**1,094,761**	**1,861,208**

"Other receivables from Group Companies" related to the transfers for Group VAT (Euro 49,638 thousand) and for the consolidated IRES tax base (Euro 6,208 thousand), the transfer by Ferrovie dello Stato SpA of IRES receivables from the Tax Office (Euro 2,419 thousand) and other sundry receivables (Euro 13,022 thousand) that mainly concerned Rete Ferroviaria Italiana SpA (Euro 4,618 thousand) and Trenitalia SpA (Euro 8,346 thousand).

At the end of 2010 "VAT receivables", relating to the VAT receivable from the Tax Office, totalled Euro 1,529,568 thousand (Euro 2,352,422 thousand at the end of 2009).

"Non-current sundry receivables" relating to the receivable from Hit Rail B.V. (Euro 1,073 thousand), for a recapitalisation of the same that has not yet been formalized and guarantee deposits (Euro 140 thousand at the end of 2010). The current portion mainly related to receivables from personnel (Euro 86 thousand) for advances granted to employees for various reasons, to recover through deductions from payrolls, advances paid to suppliers (Euro 421 thousand at the end of 2010) and other receivables.

Below is reported the maximum exposure to the credit risk, as broken down by geographical region:

	31.12.2010	31.12.2009	01.01.2009
National regions	1,607,647	2,414,099	2,955,959
Eurozone countries	13	9	9
United Kingdom	0	30	0
Other European countries (non-Euro EU)	0	0	0
Other non-EU European Countries	0	0	0
United States	0	0	0
Other countries	23	0	1
	1,607,683	**2,414,138**	**2,955,969**

15. Inventories

Inventories are broken down as follows:

	31.12.2010	31.12.2009	01.01.2009
Properties and Land held for Trading	604,427	637,260	584,229
Provision for write-down	(230,235)	(239,843)	(117,581)
Total Inventories	**374,192**	**397,417**	**466,648**

Inventories are made up of properties held for sale. The reduction in inventories compared to 31 December 2009 (Euro 23,225 thousand) is attributable to the sales made in the financial year, net of the use of the provision for write-down (Euro 21,739 thousand), the transfer of Leopolda Station of Florence to the subsidiary FS Sistemi Urbani Srl, following the completion of the contribution (Euro 5,556 thousand) and the increases in works carried out and for the transfers of assets held for sale from fixed assets (Euro 4,070 thousand).

16. Non-current and current trade receivables

Trade receivables are broken down as follows:

	31.12.2010		31.12.2009		01.01.2009	
	Non-current	Current	Non-current	Current	Non-current	Current
Ordinary customers	8,288	27,165	8,288	27,165	8,288	27,165
State Administrations and other Public Administrations	0	961	0	280	0	4,919
Receivables from Group companies	0	79,047	0	96,988	0	47,129
Other receivables	146	0	0	0	0	3,452
Total	**8,434**	**107,173**	**8,288**	**124,433**	**8,288**	**82,665**
Provision for write-down	(146)	(14,803)	0	(13,821)	0	(12,991)
Total, net of provision for write-down	**8,288**	**92,370**	**8,288**	**110,612**	**8,288**	**69,674**

In 2010 current and non-current trade receivables, net of provision for write-down, recorded a decrease of Euro 18,046 thousand.

Current receivables from ordinary customers, net of provision for write-down, amounted to Euro 12,543 thousand and are essentially related to sales of properties held for trading.

Current receivables from Group companies mainly concerned trade receivables from the subsidiaries Rete Ferroviaria Italiana SpA (Euro 13,401 thousand), FS Logistica SpA (Euro 2,674 thousand), Ferservizi SpA (Euro 2,946 thousand), Trenitalia SpA (Euro 23,578 thousand) and FS Sistemi Urbani Srl (Euro 31,503 thousand). With reference to the changes in the Provision for write-down, reference is made to note 5. "Financial and operational risk management".

Below is reported the maximum exposure to the credit risk, as broken down by geographical region:

	31.12.2010	**31.12.2009**	**01.01.2009**
National regions	113,938	132,446	93,693
Eurozone countries	68	74	458
United Kingdom	0	0	0
Other European countries (non-Euro EU)	1	0	0
Other non-EU European Countries	0	3	3
United States	0	0	0
Other countries	1,600	1	0
	115,607	**132,524**	**94,154**

17. Cash and cash equivalents

The item is broken down as follows:

Description	**31.12.2010**	**31.12.2009**	**01.01.2009**
Bank and postal accounts	112,036	222,426	562,425
Cheques	0	322	224
Cash and cash on hand	27	21	29
Treasury current accounts	57,787	60,146	53,056
Total	**169,850**	**282,915**	**615,734**

Cash and cash equivalents recorded a decrease of Euro 113,065 thousand compared to the previous year, mainly due to the decrease in short-term uses of liquidity (Euro 136,004 thousand) and the increase in fixed deposits (Euro 25,615 thousand).

18. Tax receivables

At 31 December 2010 tax receivables amounted to Euro 81,812 thousand (Euro 80,880 thousand at the end of 2009) and related to IRES receivables from the Tax Office. The item recorded increases following the deductions applied to the Company and to the subsidiaries that participate in the consolidated IRES tax base and decreases for the sums directly used by the Company or by its subsidiaries as a deduction from the payments to be made to the Tax Office for various reasons.

19. Shareholders' equity

The changes recorded in 2010 and 2009 for the main equity items are reported analytically in the statement reported after the financial statements formats.

Share capital

At 31 December 2010 the share capital of the Company, which was fully subscribed and paid up by the sole shareholder Ministry of Finance and Economy, was made up of 38,790,425,485 ordinary shares with a par value of Euro 1.00 each, for a total of Euro 38,790,425,485.

Legal reserve

At 31 December 2010 it amounted to Euro 14,492 thousand, following the allocation of the share of 2009 profits for an amount equal to Euro 3,504 thousand.

Reserve for actuarial gains (losses) for employee benefits

The reserve for actuarial gains (losses) includes the effects of the actuarial changes in the Severance Pay and in the Free Travel Card (CLC). At 31 December 2010 the actuarial gain was equal to Euro 180 thousand.

Profits (losses) carried forward

At 31 December 2010 profits (losses) carried forward increased by Euro 72,312 thousand as a result of the allocation of 2009 profits.

Profit for the year

The 2010 profit for the year was equal to Euro 20,921 thousand.

20. Other components of the statement of comprehensive income

The section of accounting statements reports the Statement of Comprehensive Income that reports the other components of the comprehensive income.

21. Medium/long-term and short-term loans

This note illustrates the amounts and contractual conditions that regulate the Company's loans valued at amortised cost:

Medium/long term loans	31.12.2010	31.12.2009	01.01.2009
Debenture loans	3,292,400	3,292,400	3,292,400
Loans from banks	1,344,043	1,411,020	1,475,000
Payables to other lenders	1,565,292	1,698,246	1,826,004
Total	**6,201,735**	**6,401,666**	**6,593,404**

Short-term loans	31.12.2010	31.12.2009	01.01.2009
(Short-term) Debenture loans	5,221	4,500	24,449
(Short-term) Loans from banks	199,918	66,787	15,597
(Short-term) Payables to other lenders	132,953	127,758	672,766
(Short-term) borrowings from Group companies	0	6,000	10,073
Total	**338,092**	**205,045**	**722,885**
Total Loans	**6,539,827**	**6,606,711**	**7,316,289**

Below are the terms and conditions of outstanding medium/long-term loans, including the respective short-term portion:

Creditor	Currency	Money Rate	Year of Expiry	31.12.2010 Face value	31.12.2010 Book value	31.12.2009 Face value	31.12.2009 Book value
EUROFIMA	EUR	6-month Euribor + Spread	2018	200,000	200,028	200,000	200,023
EUROFIMA	EUR	6-month Euribor + Spread	2018	200,000	200,028	200,000	200,023
EUROFIMA	EUR	6-month Euribor + Spread	2018	149,400	149,421	149,400	149,416
EUROFIMA	EUR	6-month Euribor + Spread	2019	160,000	160,106	160,000	160,079
EUROFIMA	EUR	6-month Euribor + Spread	2019	183,000	183,100	183,000	183,080
EUROFIMA	EUR	6-month Euribor + Spread	2016	194,000	194,106	194,000	194,082
EUROFIMA	EUR	6-month Euribor + Spread	2016	32,300	32,318	32,300	32,314
EUROFIMA	EUR	6-month Euribor + Spread	2015	83,000	83,064	83,000	83,050
EUROFIMA	EUR	6-month Euribor + Spread	2018	62,700	62,708	62,700	62,706
EUROFIMA	EUR	6-month Euribor + Spread	2020	62,700	62,704	62,700	62,703
EUROFIMA	EUR	6-month Euribor + Spread	2015	165,300	165,851	165,300	165,812
EUROFIMA	EUR	6-month Euribor + Spread	2016	310,000	310,836	310,000	310,704
EUROFIMA	EUR	6-month Euribor + Spread	2026	190,000	190,303	190,000	190,227
EUROFIMA	EUR	6-month Euribor + Spread	2026	100,000	100,160	100,000	100,120
EUROFIMA	EUR	6-month Euribor + Spread	2027	128,700	129,062	128,700	129,021
EUROFIMA	EUR	6-month Euribor + Spread	2026	116,000	116,186	116,000	116,140
EUROFIMA	EUR	6-month Euribor + Spread	2022	120,000	120,322	120,000	120,284
EUROFIMA	EUR	6-month Euribor + Spread	2024	122,200	122,363	122,200	122,322
EUROFIMA	EUR	6-month Euribor + Spread	2027	65,700	65,887	65,700	65,866
EUROFIMA	EUR	6-month Euribor + Spread	2020	47,400	47,403	47,400	47,402
EUROFIMA	EUR	6-month Euribor + Spread	2013	600,000	601,665	600,000	601,526
				3,292,400	3,297,621	3,292,400	3,296,900
Unicredit	EUR	3-month Euribor + Spread		475,000	475,973	475,000	475,725
BEI	EUR	4.685%		936,020	937,968	1,000,000	1,002,082
CASSA DD.PP.	EUR	4.026%		1,698,245	1,698,245	1,826,004	1,826,004
Total Loans				**6,401,665**	**6,409,807**	**6,593,404**	**6,600,711**

22. Severance pay and other employee benefits

The table below illustrates the changes that were recorded in the present value of liabilities for defined benefit obligations

	31.12.2010	31.12.2009
Present value of severance pay obligations	17,895	20,011
Present value of Free Travel Card obligations	130	134
Total present value of obligations	**18,025**	**20,145**

Severance Pay and Travel Smart Card	31.12.2010	31.12.2009
Defined benefit obligations at 1 January	20,145	20,759
Service Costs	2	2
Interest Cost (*)	772	852
Actuarial (Profits) losses recognised in equity	(408)	228
Adavances and uses	(2,487)	(1,694)
Liabilities for defined benefit obligations at 31 December	**18,025**	**20,145**

(*) with recognition through P&L.

The use of the Severance Pay and of the Free Travel Card, equal to Euro 2,487 thousand, was generated by payments made to personnel outgoing during the year, advances, secondment of employees from/to other Group companies and advance payments of the tax on Severance Pay revaluation to the Tax Office.

The difference between the value of the allocated amounts expected at the end of the observation period and the expected present value of benefits payable in the future, as recalculated at that date and the new valuation assumptions, constitutes the amount of actuarial (profits)/losses.

For the Severance Pay and the CLC, this item generated, in the current financial year, actuarial profits of Euro 408 thousand that are compared to the 2009 actuarial loss equal to Euro 228 thousand.

Actuarial assumptions

Below are reported the main assumptions made for the actuarial estimate process:

	31.12.2010	31.12.2009
Discount rate of Severance Pay	4.50%	4.00%
Discoun rate of Free Travel Card	5.00%	4.65%
Annual increase rate of severance pay	3.00%	3.00%
Rate of inflation	2.00%	2.00%
Expected turnover rate of employees	4.00%	4.00%
Expected rate of advances	2.00%	2.00%
Disability	INPS tables broken down by age and gender	
Retirement age	100% subject to meting the Compulsory General Insurance requirements	
Probability of death	Mortality tables RG48 published by the General Accounting Office	

Below is reported the average number of employees broken down by category:

PERSONNEL	2010	2009	Change
Executives	106	112	(6)
Middle managers	257	258	(1)
Other staff	179	171	8
TOTAL	**542**	**541**	**1**

23. Provisions for risks and charges

The table below reports the amounts at the beginning and at the end of the year and the changes recorded in provisions for risks and charges 2010, showing the short-term portion.

Description	01.01.2009	Provisions	Uses	Other changes	31.12.2009	Provisions	Uses	Other changes	Release of excess provisions	31.12.2010
Provision for taxes	15				15					15
Provision for charges for workshops, reclamations and impairment losses on fixed assets	3,500	0	0	(3,500)						0
Decreases and losses relating to equity investments	6,413				6,413	31,444	0	(6,413)	0	31,444
Disputes with personnel and third-parties	17,375	7,000	(790)	0	23,585	5,041	(140)	457	0	28,943
Other minor risks	83,166	9,915	(9,004)	(5,171)	78,906	1,336	(4,147)	33	(50)	76,078
Total non-current and current portions	**110,469**	**16,915**	**(9,794)**	**(8,671)**	**108,919**	**37,821**	**(4,287)**	**(5,923)**	**(50)**	**136,480**
Of which current portion	**18,908**				**7,176**					**31,444**

The Provision for decreases and losses relating to equity investments (Euro 31,444 thousand) is allocated to cover estimated charges allocated in the year as a capital loss arising from the extraordinary transaction Sogin/Sita. Other changes related to the zero setting of the provision for the coverage of the negative equity of former SAP Srl following the merger into Ferrovie dello Stato SpA.

The Provision for disputes with personnel and third parties is allocated to cover probable charges related to disputes against third parties connected with contracts of sale (price reductions, compensation for damage suffered during the sale negotiations), non-compliance with agreements or disputes on lease agreements, claims on assessments of ownership rights, pre-emptions etc., as well as disputes with personnel. The provision in question has been used for Euro 140 thousand and increased by Euro 5,041 thousand following the update of the risk assessment; other increases related to the provisions transferred from former SAP Srl.

The Provision for other minor risks is allocated to cover estimated charges to incur for personnel and for charges undertaken by former Ferrovie Real Estate SpA as per contract in relation to specific sales, so-called "income package and high buildings" (*pacchetto a reddito e palazzi alti*) and charges for the reclamation of some sites, as well as items of a tax nature. The uses essentially concerned personnel costs (Euro 539 thousand) and charges incurred for the contractual obligations referred to above (Euro 3,576 thousand); increases related to personnel costs only (Euro 1,048 thousand).

24. Current financial liabilities (including derivatives)

	31.12.2010		31.12.2009		01.01.2009	
	Non-current	Current	Non-current	Current	Non-current	Current
Hedging derivative financial instruments	0	145	0	99	0	254
Other financial liabilities	0	547,108	0	814,853	0	391,518
Total	**0**	**547,253**	**0**	**814,952**	**0**	**391,772**

This item includes payables for interest expense accrued following the transaction connected with the assignment of receivables from the Tax office to Euterpe Finance and payables to subsidiaries for the balance of intercompany current accounts; the latter recorded a decrease of Euro 267,745 thousand compared to the previous year.

25. Other non-current and current liabilities

	31.12.2010		31.12.2009		01.01.2009	
	Non-current	Current	Non-current	Current	Non-current	Current
Payables to Social Security Institutions	0	4,334	0	4,354	0	4,807
Payables for consolidated IRES tax base	0	8,572	0	12,619	0	12,690
Other payables to Group companies	1,174,946	538,908	1,734,128	812,117	1,094,509	1,978,682
Other payables	193,872	189,007	165,259	189,212	158,813	177,422
Accrued expenses and deferred income	0	5,482	0	4,015	0	726
Total	**1,368,818**	**746,303**	**1,899,387**	**1,022,317**	**1,253,322**	**2,174,327**

Other current and non-current liabilities recorded a decrease of Euro 806,583 thousand, mainly attributable to "Other payables to Group companies" (Euro 832,391 thousand).

"Payables for consolidated IRES tax base" were essentially attributable to the transfer by subsidiaries of the withholding taxes not offset with payables for advances or taxes due and higher advances paid out compared to taxes due.

Non-current "Other payables to Group companies" exclusively related to payables for VAT required for reimbursement pertaining to Rete Ferroviaria Italiana SpA, Trenitalia SpA and former TAV SpA, that was merged into Rete Ferroviaria Italiana SpA in 2010. The current portion was essentially attributable to payables for the transfer of VAT receivables made during the year or in previous years, if not required for reimbursement, for an amount of Euro 538,908 thousand (Euro 812,117 thousand at the end of 2009), and payables to the subsidiary Rete Ferroviaria Italiana SpA (Euro 23,791 thousand), mainly attributable to interest accrued on the remainder of loans raised with Cassa Depositi e Prestiti and with the EIB and the remainder of the pledged account used for the repayment of the latter loan (Euro 10,850 thousand) and the sums acknowledged to the same subsidiary in relation to the value of some assets being demerged and not transferred to former Ferrovie Real Estate SpA (Euro 7,823 thousand).

Non-current "Other payables" essentially relating to the subscribed capital to be paid for the capital increases of Eurofima (Euro 186,780 thousand). The payable, that is expressed in Swiss Francs, was valued in Euro at the exchange rate prevailing at the end of the year; the adjustment entailed a foreign exchange loss of Euro 29,359 thousand. The current portion was essentially attributable to payables to personnel for fees accrued and yet paid and for the Provision for accrued holidays untaken (Euro 6,160 thousand), and to the Bilateral Management fund, as regards its ordinary component (Euro 129,185 thousand). The latter provision is made up of the deductions applied to personnel under the railway contract, the contributions to be paid by the Group companies concerned, as well as interest accrued at 31 December 2010; it should be noted that contributions ceased effective from 1 July 2005.

26. Non-current and current trade payables

The item is broken down as follows

	31.12.2010	31.12.2009	01.01.2009
Payables to suppliers	32,080	26,164	23,531
Commercial advances	1,956	2,652	2,279
Trade payables to Group companies	22,010	34,599	32,845
Total	**56,046**	**63,415**	**58,655**

The reduction in trade payables (Euro 7,369 thousand) was substantially attributable to the decrease in payables to Group companies (Euro 12,589 thousand) compared to the increase in payables to third parties (Euro 5,916 thousand).

27. Income taxes payable

This item amounted to Euro 29 thousand (Euro 1,651 thousand at the end of 2009) and related to IRAP tax (*Imposta Regionale sulle Attività Produttive,* Regional Tax on Production Activities").

28. Revenues from sales and services

The tables and comments below report the breakdown of the items that make up revenues from sales and services.

	2010	2009	Changes
Revenues from property management	87,009	118,646	(31,637)
Rent income for use of the brand	36,704	36,704	0
Services:			
Finance Area	4,192	3,609	583
Tax and Budget Area	435	429	6
Executive staff administration	472	520	(48)
Corporate Secretary's Office	1,235	1,287	(52)
Legal Affairs and Labour	4,421	4,419	2
Industrial relations	4,449	4,586	(137)
Development and Organisation Area	687	499	188
External Relations Area	2,354	0	2,354
Communications	2,031	4,086	(2,055)
Capitalisation of works on properties held for trading	539	889	(350)
Other services	4,106	291	3,815
Total	**148,634**	**175,965**	**(27,331)**

The most significant item was attributable to revenues from property management relating to leases (Euro 37,538 thousand) and sales of properties and land held for trading (Euro 45,916 thousand). The main sales concerned: a real estate complex located Brunico via Josef Schweighofer for Euro 5,867 thousand, a real estate complex located in Selva di Val Gardena - località Plan de Gralba – for Euro 2,912 thousand, the real estate complex of former Tarvisio Centrale station, located in Tarvisio via Stazione for Euro 2,705 thousand and a real estate complex located in Asti Corso Venezia for Euro 1,556 thousand. Furthermore, no. 307 housings were sold for a total value of about Euro 16,400 thousand.

29. Other income

The table below reports the breakdown of other income:

	2010	2009	Changes
Operating grants	85	1,823	(1,738)
Commissions earned on sureties	660	656	4
Reimbursements			
Corporate positions of executives with FS Group companies	2,667	3,063	(396)
From staff	40	23	17
Other reimbursements	918	988	(70)
Sundry income	286	5,316	(5,030)
Total	**4,656**	**11,869**	**(7,213)**

The most significant amount related to reimbursements from Group companies of fees due to the executives of Ferrovie dello Stato SpA who hold corporate positions with the companies themselves. "Other reimbursements" essentially referred to the charge-back to Rete Ferroviaria Italiana SpA of charges relating to the surety policy securing the reimbursement requested for VAT purposes.

30. Personnel cost

The table below reports personnel cost:

	2010	2009	Changes
Permanent staff			
• Wages and salaries	36,944	38,320	(1,376)
• Social security contributions	10,355	10,702	(347)
• Other permanent staff costs	(1,597)	(1,841)	244
• Severance pay	2,437	2,534	(97)
Self-employed staff and Collaborators			
• Wages and salaries	128	170	(42)
• Social security contributions	43	52	(9)
Other costs	3,040	2,779	261
Total	**51,350**	**52,716**	**(1,366)**

In 2010 the item "Personnel cost" recorded a total reduction of Euro 1,366 thousand compared to the previous year, mainly due to lower charges paid to permanent staff for wages and salaries and lower social security contributions and severance pay, essentially attributable to the change recorded in the number of staff.

The increase in the item "Other costs" was mainly due to the increase in costs for seconded staff.

The table below reports the Group's average staff broken down by category:

PERSONNEL	2010	2009	Changes
Executives	106	112	(6)
Middle managers	257	258	(1)
Other staff	179	171	8
TOTAL	**542**	**541**	**1**

31. Raw and secondary materials, consumables and goods for resale

The item is broken down as follows:

	2010	2009	Changes
Materials and consumables	752	757	(5)
Lighting and driving force	102	42	60
Change in inventories of properties and land held for trading	22,345	40,756	(18,411)
Total	**23,199**	**41,555**	**(18,356)**

The most significant change related to the item "Change in inventories of properties and land held for trading" (Euro 18,411 thousand). Sales made in the year (Euro 22,345 thousand) related to Euro 12,829 thousand for properties held for trading and Euro 9,516 thousand for land held for trading.

32. Costs for services

The table below reports the breakdown of the item:

	2010	2009	Changes
Transport services	13	15	(2)
Maintenance, cleaning and other contracted services			
Services and works contracted on behalf of Third Parties	551	565	(14)
Cleaning services and other contracted services	47	177	(130)
Maintenance and repair of intangible assets and property, plant and equipment	2,796	2,819	(23)
Real estate services and utilities	22,487	23,561	(1,074)
Administrative and IT services	7,430	5,951	1,479
External communication and advertising costs	8,534	9,276	(742)
Sundry costs			
Professional services	1,715	2,148	(433)
Insurance	1,385	1,157	228
Consultancy	2,808	2,440	368
Commissions to agencies	2	4	(2)
Engineering services	5	3	2
Fees due to Directors and Statutory Auditors	617	1,133	(516)
Other	6,986	6,582	404
Total	**55,376**	**55,831**	**(455)**

For some of the sundry services indicated above, any costs centralised at Ferrovie dello Stato SpA have their corresponding revenue under "other income" for the charge-back to Group companies, limited to the portions referable thereto.

33. Leases and rentals

The table below reports the breakdown of costs for leases and rentals.

	2010	2009	Changes
Lease rentals and service charges	10,776	11,154	(378)
Rentals for the use of IT systems	1,172	1,825	(653)
Total	**11,948**	**12,979**	**(1,031)**

34. Other operating costs

Other operating costs, equal to Euro 18,905 thousand (Euro 14,463 thousand in 2009) mainly related to entertainment expenses (Euro 656 thousand), membership fees and contributions to various entities (Euro 5,626 thousand), non-deductible VAT relating to exempt transactions of the real estate business (Euro 3,164 thousand), ICI tax (*Imposta Comunale sugli Immobili*, Local Tax on Properties), stamp tax and duty, and sundry taxes and duties (Euro 7,774 thousand).

35. Capitalisation of internal construction costs

Capitalisation of internal construction costs, equal to Euro 138 thousand, related to personnel costs attributable to investments, connected with the implementation and development of software.

36. Amortisation and depreciation

The item is broken down as follows:

	2010	2009	Changes
Amortisation of intangible assets	11,362	9,348	2,014
Depreciation of property, plant and equipment	8,579	9,375	(796)
Total	**19,941**	**18,723**	**1,218**

37. Write-downs and impairment losses (value write-backs)

The item is broken down as follows:

	2010	2009	Changes
Losses for derecognition of assets	327	0	327
Value adjustments (write-backs) on receivables	982	830	152
Total	**1,309**	**830**	**479**

38. Provisions for risks and charges

Provisions for risks and charges amounted to Euro 5,041 thousand and related to disputes against third parties following an exact estimate of the pending litigation.

39. Finance income

The table below reports the breakdown of finance income:

	2010	2009	Changes
Finance income from non-current receivables	166,988	202,355	(35,367)
Sundry finance income	44,369	75,087	(30,718)
Dividends	23,473	40,206	(16,733)
Foreign exchange gains	9	2	7
Total	**234,839**	**317,650**	**(82,811)**

“Finance income from non-current receivables” mainly related to interest on receivables for medium- and long-term loans to the subsidiaries Rete Ferroviaria Italiana SpA (Euro 132,415 thousand) and Trenitalia SpA (Euro 34,284 thousand).

“Sundry finance income” were mainly made up of: interest income on the intercompany current account towards Trenitalia SpA (Euro 5,913 thousand); interest income on short-term loans granted to Rete Ferroviaria Italiana SpA (Euro 1,114 thousand) and to Trenitalia SpA (Euro 1,783 thousand); commissions earned on sureties granted to the subsidiaries Rete Ferroviaria Italiana SpA (Euro 401 thousand) and Trenitalia SpA (Euro 815 thousand) and Cisalpino AG

(Euro 718 thousand); interest on the VAT credit requested for reimbursement (Euro 26,018 thousand); income from bank and postal accounts (Euro 1,747 thousand); net interest income on financial instruments (Euro 1,970 thousand); finance income arising from the withdrawal from Almaviva TSF SpA (Euro 2,468 thousand).

"Dividends" include dividends from subsidiaries Grandi Stazioni SpA (Euro 7,500 thousand), Centostazioni SpA (Euro 2,750 thousand), Fercredit SpA (Euro 3,000 thousand) and Italferr SpA (Euro 10,213 thousand) and Hit Rail BV (Euro 10 thousand).

40. Finance costs

The table below reports the breakdown of finance costs

	2010	2009	Changes
Finance costs on payables	199,500	276,554	(77,054)
Finance costs for employee benefits	767	845	(78)
Write-downs of financial assets	31,444	0	31,444
Foreign exchange losses	29,365	152	29,213
Totale	**261,076**	**277,551**	**(16,475)**

The item "Finance costs on payables" was made up of interest expense on VAT requested for reimbursement pertaining to Rete Ferroviaria Italiana SpA (Euro 25,635 thousand), Trenitalia SpA (Euro 310 thousand) and FS Sistemi Urbani Srl (Euro 74 thousand); interest expense on intercompany current accounts, mainly towards the subsidiaries Rete Ferroviaria Italia SpA (Euro 1,846 thousand), Ferservizi SpA (Euro 577 thousand), Grandi Stazioni SpA (Euro 174 thousand), Fercredit SpA (Euro 368 thousand) and Italferr SpA (Euro 184 thousand); charges for interest on debenture loans subscribed by Eurofima (Euro 32,889 thousand); interest on medium/long-term granted by banks and other lenders (Euro 134,528 thousand); charges for fixed deposits (Euro 2,609 thousand).

The item "Finance costs for employee benefits" included finance costs arising from the discounting of the Severance Pay.

The item "Write-downs of financial assets" included charges estimated in the year as a possible capital loss that could arise from the extraordinary transaction Sogin/Sita.

The item "Foreign exchange losses" included the adjustment to the exchange rate at 31 December of the subscribed capital to be paid to the investee company Eurofima, as expressed in Swiss Francs.

41. Current, deferred tax assets and liabilities for the year

The table below reports the breakdown of income taxes:

	2010	2009
IRAP tax	(2,673)	(3,500)
IRES tax	(4,454)	(7,500)
Deferred tax ssets and liabilities	3,576	4,612
Adjustments to income taxes relating to previous years	3,992	2,820
Income from participation in the consolidated IRES tax base	80,360	65,029
Total income taxes	**80,800**	**61,461**

The table below reports the reconciliation of the effective tax rate:

	2010		2009	
	€	%	€	%
Profit (Loss) for the year	20,921		75,815	
Total income taxes (including income from consolidated IRES tax base)	(80,800)		(61,461)	
Profit (Loss) before taxes	(59,879)	**27.5%**	14,355	**27.5%**
IRES tax (theoretical rate)	**0**		**3,947**	
Lower taxes:				
dividends from shareholdings	(22,300)		(36,434)	
uses of provisions	(4,867)		(9,794)	
other decreases	(4,216)		(288)	
Higher taxes:				
allocations to provisions	38,518		18,077	
contingent liabilities	2,073		2,995	
exchange difference	29,359		148	
amortisation and depreciation	5,806		9,377	
changes in inventories	8,437		10,283	
non-deductible taxes	5,793		5,819	
other increases	17,472		12,733	
total IRES taxable income	16,196		27,272	
IRES tax (effective rate)	**4,454**	**-7.4%**	**7,500**	**52.2%**
IRAP tax	**2,673**	**4.81%**	**3,500**	**4.81%**
Foreign taxes	**0**		**0**	
Difference on estimated taxes from previous years	**(3,992)**		**(2,820)**	
Total deferred taxes	**(3,576)**		**(4,612)**	
Income from participation in the consolidated tax base	**(80,360)**		**(65,029)**	
TOTAL INCOME TAXES	**(80,800)**		**(61,461)**	

42. Contingent assets and liabilities

At the balance sheet date there were no contingent assets or liabilities to be reported.

43. Fees due to the Independent Auditors

It should be noted that – pursuant to article 37, paragraph 16, of Legislative Decree no. 39/2010 and letter 16-*bis* of article 2427 of the Italian Civil Code, the total amount of fees due to the Independent Auditors is equal to Euro 340 thousand, including accrued fees (if any) paid out to the same in the year for other services (Euro 79 thousand); the residual part fully relates to statutory audit services (Euro 261 thousand).

44. Fees due to Directors and Statutory Auditors

RECIPIENTS	2010	2009	Change
Directors	1,355 [1]	1759 [1]	(404)
Statutory Auditors	106	113	(7)
TOTAL	**1461**	**1872**	**(411)**

[1] This item includes fees for the positions of Chairman, Board Member, as well as the fixed and variable remuneration due to the Chief Executive Officer, also in the capacity as FS executive. It should be noted that, in addition to the amount in the table, by Board of Directors' resolution of 2 March 2011 the fees referred to the Chief Executive Officer and to the *pro-tempore* Chairman (holding office up to 23 June 2010) were redetermined starting from 3 August 2008 and up to 24 June 2010 for the Chief Executive Officer and up to 23 June 2010 for the *pro-tempore* Chairman, respectively, for an amount referred to the relevant period 2010, equal to a total of Euro 103 thousand.

Fees due to Directors include emoluments envisaged for the positions of Chairman and Chief Executive Officer, as well as any emoluments envisaged for the remaining Board members. To the abovementioned fees must be added, for 2010 only, fees of Euro 50,000 due to the external member of the Supervisory Board.

45. Related parties

Transactions with executives with strategic responsibilities

	31.12.2010	31.12.2009
Short-term benefits	5,289	5,565
Post-employment benefits	392	383
Total	**5,681**	**5,948**

Benefits refer to fees paid out, for various reasons, to the persons indicated.

To the 2010 short-term benefits paid out for Euro 5,289 thousand must be added a variable part to be paid in 2011, for an amount not exceeding Euro 1,100 thousand (Euro 1,100 thousand in 2009), after having carried out checks about the achievement of the preset objectives.

It should be noted that the executives with strategic responsibilities did not receive benefits for the termination of their employment relationship, nor any other long-term benefits.

The executives with strategic responsibilities did not carry out transactions in the period, either directly or through close relatives with the Group and the companies that are members of the same or with other parties related thereto.

Transactions with other related parties

Below are described the main relations with related parties maintained by Ferrovie dello Stato S.p.A., which are regulated at arm's length.

	CREDIT RELATIONSHIPS	DEBT RELATIONSHIPS
Subsidiaries		
RFI SpA	**Area services**	Charge-back of utilities
	Finance	Technical Entity for works of property maintenance
	Tax/Budget	Charge-back of IT services
	Corporate affairs	Staff services
	Legal and Labour Affairs	Helath benefits
	Executive Staff Administration	Training
	Industrial relations	
	Organisation Development	
	External communication and Media relations	
	Corporate positions	
	Staff services	
	Insurance refunds	
	Reimbursements - IT services	
	Reimbursements - common services	
	Charge-back of service charges	
	Sale of properties held for trading	
	Use of the brand	
	Lease and sub-lease of office premises	
Ferservizi SpA	**Area services**	Property management
	Finance	Charge-back of service charges for asset protection
	Tax/Budget	IT services
	Corporate affairs	Staff services
	Legal and Labour Affairs	Advertising and marketing
	Executive Staff Administration	Fees for the purchase of tickets
	Industrial relations	Fees for asset enhancement
	Organisation Development	Administrative technical management services
	External communication and Media relations	Fees for leases
		Accounting/Treasury
	Corporate positions	
	Staff services	Staff administration
	Insurance refunds	Facilities and building management
	Use of IT services	Administrative services
	Charge-back of common services	Training
	Use of the brand	Asset Allocation Services
	Lease and sub-lease of office premises	Loan assistance services
	Charge-back of service charges	Tender procedures management
		Legal protection of assets
Fercredit SpA	**Area services**	
	Finance	
	Tax/Budget	
	Corporate affairs	
	Legal and Labour Affairs	
	External communication and Media relations	
	Corporate positions	
	Insurance refunds	
	Leases and sub-leases of office premises	
Grandi Stazioni SpA	**Area services**	
	Finance	Advertising and marketing
	Tax/Budget	Rental of premises
	Corporate affairs	Service charges
	Legal and Labour Affairs	Staff services
	Executive staff management	
	External communication and Media relations	
	Corporate positions	
	Staff services	
	Insurance refunds	

	CREDIT RELATIONSHIPS	DEBT RELATIONSHIPS
Subsidiaries		
Centostazioni SpA	**Area services**	
	Finance	Advertising and marketing
	Tax/Budget	
	Corporate affairs	
	Executive staff administration	
	External communication and Media relations	
	Corporate positions	
	Staff services	
	Insurance refunds	
	Use of the brand	
FS Sistemi Urbani Srl	**Area services**	
	Finance	Fees for asset enhancement
	Tax/Budget	Rental of premises
	Corporate affairs	
	Legal and Labour Affairs	
	Executive staff administration	
	Industrial relations	
	External communication and Media relations	
	Corporate positions	
	Insurance refunds	
	Charge-back of IT services	
	Leases and sub-leases of office premises	
	Use of the brand	
	Charge-back of service charges	
Ferport Srl in liquidation	Insurance refunds	
Ferport Napoli Srl	Insurance refunds	
Nord Est Terminal SpA in liquidation	Insurance refunds	
Italcontainer SpA	Insurance refunds	
	Charge-back of IT services	
Serfer Srl	Insurance refunds	
TX Logistik AG	Insurance refunds	
Sita SpA	**Area services**	
	Tax/Budget	Advertising and marketing
	Corporate affairs	
	Legal and Labour Affairs	
	Executive staff administration	
	Administrative services	
	External communication and Media relations	
	Corporate positions	
	Staff services	
	Insurance refunds	
	Charge-back of IT services	

	CREDIT RELATIONSHIPS	DEBT RELATIONSHIPS
Subsidiaries		
Trenitalia SpA	**Area services**	
	Finance	Staff services
	Tax/Budget	Advertising and marketing
	Corporate affairs	Passenger transport costs
	Legal and labour affairs	Rental of premises
	Executive staff administration	
	Industrial relations	
	Organisation Development	
	External communication and Media relations	
	Corporate positions	
	Staff services	
	Insurance refunds	
	Charge-back of IT services	
	Use of the brand	
	Lease and sub-lease of office premises and workshops	
	Charge-back of service charges	
former TAV SpA (now merged into RFI SpA)	**Area services**	
	Finance	
	Tax/Budget	
	Corporate affairs	
	Legal and labour affairs	
	Industrial relations	
	Corporate positions	
	Insurance refunds	
	Use of the brand	
Italferr SpA	**Area services**	
	Finance	Staff services
	Tax/Budget	
	Corporate affairs	
	Legal and labour affairs	
	Executive staff administration	
	Industrial relations	
	Organisation Development	
	External communication and Media relations	
	Corporate positions	
	Insurance refunds	
	Charge-back of IT services	
	Use of the brand	
FS Logistica SpA	**Area services**	
	Finance	Transport and forwarding
	Tax/Budget	Facilities management
	Corporate affairs	
	Industrial relations	
	Legal and labour affairs	
	Corporate positions	
	Insurance refunds	
	Charge-back of IT services	
	Use of the brand	

	CREDIT RELATIONSHIPS	DEBT RELATIONSHIPS
Subsidiaries		
Sogin Srl	**Area services**	
	Finance	Advertising and marketing
	Tax/Budget	
	Corporate affairs	
	Legal and labour affairs	
	Executive staff administration	
	Administrative services	
	Corporate positions	
	Insurance refunds	
Italcertifer SCpA	Executive staff administration	
	Staff services	
Cemat SpA	Insurance refunds	
Metropark SpA	Insurance refunds	
Trenitalia Logistic France SaS	**Area services**	
	Corporate affairs	
FS Formazione SpA	Corporate positions	Staff services
	Insurance refunds	Training
		Administrative services
Terminali Italia Srl	Insurance refunds	
Italia Logistica Srl	Corporate positions	
	Executive staff administration	
	Staff services	
	Insurance refunds	

	CREDIT RELATIONSHIPS	DEBT RELATIONSHIPS
Associates		
Ferrovie Nord Milano SpA	Corporate positions	
Associates of subsidiaries		
Sideuropa Srl	Insurance refunds	
Logistica SA	Insurance refunds	
BBT SE	Corporate positions	
Terminal Tremestieri Srl	Corporate positions	

	CREDIT RELATIONSHIPS	DEBT RELATIONSHIPS
Other related parties (*)		
ANAS Group	Staff services	Area expropriation
	Corporate positions	
	Insurance refunds	
CDDPP Group	Rentals for easements on land	Loans
ENEL Group	Rentals for easements on land	Electricity utilities
ENI Group	Rentals for easements on land	Gas supply
Finmeccanica Group		Maintenance Software
POSTE Group	Rentals for lease of buildings - instrumental	Advertising and marketing
RAI Group		Advertising and marketing
RAM Group		Advertising and marketing
SACE Group		Insurance policies

(*) Companies sharing with Ferrovie dello Stato SpA the same controlling entity (i.e. Ministry for the Economy and Fiannce).

OTHER RELATIONSHIPS

CONSOLIDATED TAX BASE	POOL VAT	INTERCOMPANY AND POSTAL CURRENT ACCOUNTS	LOANS GRANTED	DEPOSITS PAYABLE AND LOANS RECEIVED	RELEASE OF SURETIES IN THE INTERESTS OF	SUPPLEMENTARY PENSION FUNDS
Subsidiaries						
RFI	RFI	RFI	RFI		RFI	
Fercredit	Fercredit	Fercredit	Fercredit			
Ferservizi	Ferservizi	Ferservizi				
Trenitalia	Trenitalia	Trenitalia	Trenitalia		Trenitalia	
Italferr	Italferr	Italferr			Italferr	
Grandi Stazioni	Grandi Stazioni	Grandi Stazioni			Grandi Stazioni	
Grandi Stazioni Ingegneria	Grandi Stazioni Ingegneria					
Centostazioni	Centostazioni	Centostazioni				
Sita	Sita	Sita		Sita		
Metropark	Metropark	Metropark				
FS Formazione	FS Formazione					
FS Logistica	FS Logistica	FS Logistica	FS Logistica		FS Logistica	
FS Sistemi Urbani	FS Sistemi Urbani	FS Sistemi Urbani				
FS Telco	FS Telco					
Italcertifer						
Italcontainer					Italcontainer	
Cemat	Cemat					
Ferport in liquidation	Ferport in liquidation					
Ferport Napoli						
Self	Self					
Serfer	Serfer	Serfer	Serfer			
SGT SpA						
Sogin	Sogin	Sogin				
Terminali Italia		Terminali Italia	Terminali Italia			
FS Trasporti su Gomma Srl	FS Trasporti su Gomma Srl					
Tunnel Ferroviario del Brennero						
	Tevere TPL					
					TX Logistik AG	
					Cisalpino AG	
					Italia Logistica	
Other related parties						
				Cassa DD.PP.		
		Poste Italiane				
						Eurofer
						Previndai

The tables below summarise the financial and economic values of transactions with related parties for the financial year ended 31 December 2010.

Business and other relations

(in €/th.)

Name	31.12.2010			2010	
	Receivables	Payables	Guarantees and commitments	Costs	Revenues
Subsidiaries					
Cemat SpA	9	975	0	(9)	14
Centostazioni SpA	3,210	148	0	(30)	265
FS Logistica SpA	2,674	3,497	0	(1,008)	423
Fercredit SpA	598	4,854	0	(13)	373
Ferport Srl in liquidation	0	188	0	(1)	0
Ferport Napoli Srl	1	0	0	(3)	0
Ferservizi SpA	13,923	10,557	0	21,289	10,135
FS Formazione SpA	26	839	0	1,095	21
FS Sistemi Urbani Srl	31,503	31,122	0	371	542
FS Telco Srl	0	12	0	0	0
FS Trasporti su Gomma Srl	0	26	0	0	0
Grandi Stazioni SpA	5,673	218	116	(74)	231
Grandi Stazioni Ingegneria Srl	246	0	0	0	0
Italcontainer SpA	159	0	400	(165)	1
Italcertifer ScpA	107	1	0	(251)	0
Italferr SpA	10,458	13	408	(144)	1,412
Italia Logistica Srl	329	0	0	(80)	23
Metropark SpA	440	0	0	(4)	0
Metroscai Scarl	11	0	0	0	0
Nord Est Terminal SpA in liquidation	0	0	0	(4)	0
Rete Ferroviaria Italiana SpA	18,306	1,594,884	412,783	(1,544)	31,038
Self Srl	0	5	0	0	0
Serfer Srl	1,813	0	0	(7)	0
Sita SpA	960	446	0	(254)	109
Sogin Srl	82	2,538	0	(4)	80
Terminali Italia Srl	104	0	0	(3)	0
Tevere TPL Scarl	0	2,231	0	0	0
Trenitalia Logistic France Sas	7	0	0	(9)	3
Trenitalia SpA	59,659	83,309	20	(3,267)	46,895
TX Logistik AG	35	0	14	(9)	0
Total	**150,333**	**1,735,863**	**413,741**	**15,872**	**91,565**
Associates of subsidiaries					
BBT SE	22	0	0	0	6
Terminal Tremestieri Srl	18	0	0	0	9
L.T.F. Lyon Tourin Ferroviarie	0	0	0	0	2
Logistica SA	30	0	0	0	0
Sideuropa in liquidation	0	0	0	(1)	0
Total	**70**	**0**	**0**	**(1)**	**17**
TOTAL	**150,403**	**1,735,863**	**413,741**	**15,871**	**91,582**
Other related parties					
ANAS Group	20	5	0	3	23
CDDPP Group	1	0	0	0	1
ENEL Group	31	148	0	1,996	17
ENI Group	59	28	0	298	53
Finmeccanica Group	0	26	0	22	1
POSTE Group	510	1	0	11	6
RAI Group	0	40	0	40	0
RAM Group	0	100	0	100	0
SACE Group	0	0	0	2,730	0
Eurofer	0	87	0	704	0
Previndai	0	579	0	922	0
Total	**621**	**1,014**	**0**	**6,826**	**101**

Financial relations

Name	31.12.2010			2010	
	Receivables and current accounts	Payables	Guarantees and commitments	Charges	Income
Subsidiaries					
Centostazioni SpA	0	2,693	0	29	2,750
Cisalpino AG	0	0	114,943	0	718
FS Logistica SpA	53,802	1,856	9	31	533
Fercredit SpA	19,258	12,014	0	368	3,285
Ferservizi SpA	0	116,290	0	577	0
FS Sistemi Urbani Srl	0	8,762	0	95	0
FS Telco Srl	135	0	0	0	0
Grandi Stazioni SpA	0	17,924	0	179	7,500
Italcontainer SpA	0	0	151	0	0
Italcertifer ScpA	0	0	0	1	0
Italferr SpA	0	17,855	1,670	184	10,214
Italia Logistica Srl	0	0	2,372	0	2
Metropark SpA	0	1,306	0	6	0
Rete Ferroviaria Italiana SpA	2,636,215	365,880	394,121	27,567	133,930
Serfer Srl	4,182	1,712	0	4	119
Sita SpA	0	792	0	15	0
Sogin Srl	0	24	0	0	0
Terminali Italia Srl	1,507	0	0	0	23
Trenitalia SpA	4,093,500	0	1,418,740	310	42,795
TOTAL	**6,808,599**	**547,108**	**1,932,006**	**29,366**	**201,869**
Other related parties					
CDDPP Group	0	1,698,246	0	74,887	0
POSTE Group	7,633	0	0	0	9
TOTAL	**7,633**	**1,698,246**	**0**	**74,887**	**9**

46. Guarantees

The table below reports the guarantees given by Ferrovie dello Stato SpA to third parties, in the interests of the subsidiaries, as broken down in financial and other guarantees.

Issued in the interests of	Financial	Non-financial
RFI	394,121	412,782
Italferr	1,670	408
Cisalpino	114,943	0
Italia Logistica	2,372	0
FS Logistica	9	0
Grandi Stazioni	0	116
Italcontainer	151	400
TX Logistik	0	14
Trenitalia	1,418,740	20
TOTAL	**1,932,006**	**413,740**

Financial guarantees are mainly made up of sureties issued to banks for loans granted to the subsidiaries or for counter-guarantees of guarantees granted by the banks themselves to third parties in the interests of the subsidiaries. The main guarantees have been issued to Unicredit Corporate Banking (former Banca di Roma) for Euro 367,500 thousand for the loan granted to Rete Ferroviaria Italiana SpA, to Eurofima for Euro 114,943 thousand, to secure the loans granted to Cisalpino AG for the purchase of rolling stock. The main counter-guarantees have been issued to a pool of banks for the loans granted by the EIB to the subsidiary Trenitalia SpA (Euro 971,250 thousand); furthermore, a "Comfort Letter" (Euro 420,000 thousand) has been issued for financing the OPI loan granted to Trenitalia SpA in 2004.

The other guarantees are mainly made up of sureties issued to the Tax Office for reimbursements of receivables from the Tax Office to Rete Ferroviaria Italiana SpA (Euro 262,300 thousand). The other main guarantees concern the sureties issued to G.S.E to secure the service contract for the supply of energy entered into with Rete Ferroviaria Italiana SpA (Euro 150,000 thousand), the sureties issued to former TAV (now merged into RFI) to secure the advances paid to the subsidiary Italferr SpA (Euro 393 thousand), to Metropark SpA, to secure the contract for the lease of equipment relating to the parking area of Rome Termini station entered into with the subsidiary Grandi Stazioni SpA (Euro 116 thousand) and to TX Logistik AG, to secure the contract for the acquisition of railway traction entered into with Italcontainer SpA (Euro 400 thousand).

47. Events after the balance sheet date

"ARRIVA DEUTSCHLAND TRANSACTION"

By resolution of 19 November 2010, the Board of Directors authorised Ferrovie dello Stato to submit, in partnership with the Investment Fund CUBE Infrastructure, a binding offer for the purchase of 100% of the share capital of Arriva Deutschland and Arriva Grundstücksgesellchaft (the target) within the competitive tender launched by Deutsche Bahn on instructions by the European Commission, granting the Chief Executive Officer the mandate to do everything necessary to finalise the abovementioned offer and as a result: to negotiate with CUBE all activities concerning corporate relations; to arrange the acquisition price; where permitted, to insert any additional clause, in the Sale and Purchase Agreement (SPA), which, in light of any checks possibly arising during the due diligence activity, may be deemed useful for the interests of Ferrovie dello Stato S.p.A., to execute any and all acts and to carry out all activities useful to execute the resolution adopted, including the release of all necessary guarantees and the execution of the term sheet, which regulated the main terms and conditions to be transposed into and then to include in the Shareholders' Agreement with the partner Cube, to be executed at the end of any possible award (at that time) and whose main provisions had been detailed in the document prepared for the Board.

In the subsequent meetings (21 December, 2 February, 2 March 2011 and 15 April 2011), the Board was from time to time informed of the activities and formalities completed and connected with the finalization of the acquisition and, specifically, of the approval by the European Commission of the transaction itself, which took place on 16 February 2011, when notice was given of the clearance antitrust on the transaction and of the final approval by the purchaser (so-called suitability), as well as on the closing that took place – pursuant to the Sale and Purchase Agreement (SPA) – on the seventh next business day, i.e. 25 February 2011.

By this acquisition, the consortium Ferrovie dello Stato-Cube Infrastructure (51 and 49%, respectively) gains a significant market share of 5% of the German public transport, and aims at further developing its presence in this market.

In fact, the Arriva Deutschland Group is one of the major private operators in the public regional passenger transport on rail and on road in Germany. In 2010 the Group reported a consolidated turnover exceeding Euro 470 million, more than 30 million trains-km and 31 million bus-km.

The acquisition of the Arriva Deutschland group is consistent with the development strategy of the FS Group, and represents another important success in strengthening its international positioning as the third European railway operator.

At the beginning of April 2011, following the decision made by Ferrovie dello Stato S.p.A. to choose the new name for identifying the newly-acquired Group to replace the name Arriva (which can no longer be used in accordance with specific provisions under the SPA), the companies concerned changed their name to NETINERA.

EXTRAORDINARY TRANSACTION SOGIN/SITA

- The deed of merger of Sogin by incorporation into Sita and the concurrent deed of demerger in favour of FS Trasporti su Gomma (FSTG) and Sicurezza Trasporti Autolinee- Sita Sud are being entered into in these hours. At the same time, the ordinary Shareholders' meetings of the demerged Sita and FSTG will be held for the renewal of the Governing Bodies and of the Board of Statutory Auditors. Even if, for accounting purposes, the merger and the concurrent demerger became conventionally effective on 1 September 2010 and, therefore, the consequent transactions were charged to the financial statements of the companies participating in the demerger starting from that date, it should be noted that this transaction became substantially effective from the execution of the deeds of merger and demerger. In fact, this execution took place upon occurrence of some conditions precedent that were fulfilled in early 2011. If these conditions precedent had not been fulfilled, the transaction in question would not have been carried out.

48. Effects of the transition to International Accounting Standards (IFRS)

Following the entry into force of legislative decree no. 38/2005, which regulates the right to draw up the separate financial statements in accordance with International Accounting Standards on the basis of the options envisaged in article 5 of Regulation (EC) no. 1606/2002 issued by the European Parliament and by the European Council in July 2002, the Company resolved to voluntary adopt the International Accounting Standards for the preparation of the separate financial statements starting from the 2010 financial year, setting the date of transition to EU-IFRS at 1 January 2009 (the "Date of Transition" or "First-Time Adoption").

The Company has applied the EU-IFRS, on a retrospective basis, to all the periods ended prior to 1 January 2009, except for voluntary exemptions adopted in accordance with IFRS 1, as described in the following paragraph. Specifically, the Accounting Standards to which reference has been made are those described in the previous "Notes to the Separate Financial Statements".

Below are illustrated the information required by IFRS 1.

Specifically, said information concerns the impact that the transition to EU-IFRS has determined on the financial position and the economic performance and on the cash flows presented.

For this purpose, the Group has prepared:

- the analytical statements of reconciliation of the statements of financial position at 1 January 2009 and 31 December 2009 and of the income statement and statement of comprehensive income for the financial year ended 31 December 2009;
- the statements of reconciliation of the equity and the income statement recognised in accordance with the Italian GAAPs and those recognised in accordance with EU-IFRS at 1 January 2009, 31 December 2009 and for the financial year ended 31 December 2009;
- comments on statements of reconciliation.

The statement of financial position at 1 January 2009 reflects the following different treatments compared to the financial statements at 31 December 2008, prepared in accordance with the Italian GAAPs:

- all assets and liabilities have been recognised which can be entered on the basis of EU-IFRS, including those not envisaged in the application of the Italian GAAPs;
- all assets and liabilities whose recognition is required by the Italian GAAPs, but which is not required by EU-IFRS, have been derecognized;
- some items in the financial statements have been reclassified as required by EU-IFRS.

The effects of these adjustments have been recognised directly in the opening equity at the date of transition.

The presentation of the financial statements

Below are specified the formats of the financial statements and the related classification criteria adopted by the Company within the options envisaged under IAS 1:

- the Statement of financial position has been prepared by recognizing assets and liabilities according to the classification "current/non-current";
- the Income statement has been prepared by classifying operating costs by nature;
- the Statement of comprehensive income includes the profit for the year resulting from the income statement, as well as any other changes in the equity items attributable to transactions not effected with the shareholders of the Company.

The statement of reconciliation of the statement of cash flows is not presented as the effects arising from the application of EU-IFRS have not entailed significant impacts.

Voluntary exemptions under IFRS 1 adopted at the time of first-time adoption of EU-IFRS:

i) *employee benefits*: all actuarial cumulative profits and losses outstanding at the date of transition have been entered under profits and losses carried forward;

ii) *fair value or redetermination of the value as deemed cost*: the Company has opted to use the concept of the deemed cost with reference to the intangible assets, property, plant and equipment, investment property and intangible assets;

iii) *Disclosures on financial instruments*: the Company has made use of the limited exemption relating to the presentation of the comparative information required by IFRS 7 concerning the periods prior to 31 December 2009.

Mandatory exemptions under IFRS 1 adopted at the time of first-time adoption of EU-IFRS:

i) *estimates:* the estimates made at the date of transition to EU-IFRS comply with the estimates made according to the Italian GAAPs at the same date (after the adjustments necessary to reflect any differences in the accounting standards);

ii) *derecognition of financial assets and liabilities*: financial assets and/or liabilities relating to transactions carried out prior to 1 January 2004 that were derecognized in the financial statements prepared according to the Italian GAAPs, have not been recognized nor reinstated in the financial statements .

Treatments selected within the accounting options envisaged by EU-IFRS

- *Valuation of property, plant and equipment and intangible assets:* according to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets", these assets, subsequent to the initial recognition at cost, may be valued at cost, or determining periodically the market value and adjusting this value to the book balance at the reporting date of the measurement of the market value. The Company has decided to adopt the cost method.
- *Actuarial differences*: according to IAS 19 "Employee benefits", the actuarial differences that arise in case of any change in the assumptions applied to the calculation of defined benefit pension plans, such as for example the provision for Severance Pay and the Free Travel Card, may be accounted for in the application of the "corridor" method, charged directly to the income statement at the time of the recognition of the same, or charged directly to equity. The Company has opted to adopt the equity method, with the recognition of actuarial profits/losses in the statement of comprehensive income.
- *Valuation of equity investments in subsidiaries, associates and companies subject to joint control in the separate financial statements*: IAS 27 – "Consolidated and separate financial statements" provides that these equity investments must be entered at cost or at fair value according to IAS 39. The Company has opted to adopt the cost method.
- *Investment Properties* - according to IAS 40 "Investment property", the latter must be entered at cost or at fair value. The Company has opted to adopt the cost method.

Description of the significant effects of the transition as regards both the classification of the various items in the financial statements and their different valuation and, therefore, the consequent effects on the statement of financial position and the income statement.

The differences arising from the application of EU-IFRS with respect to the Italian GAAPs, as well as the options adopted by the Company within the accounting options envisaged by EU-IFRS illustrated above, entail a reformulation of the accounting data prepared according to the previous Italian regulations governing financial statements with effects on the equity and the result.
Below is reported the reconciliation of the Company's equity at 1 January 2009 and at 31 December 2009, as well as of the net result and of the other components of the comprehensive income of the financial year ended 31 December 2009, between the position prepared on the basis of the Italian GAAPs and that prepared according to EU-IFRS.

(€/th.)	Notes	01-Jan-09 Share capital and reserves	FY 2009 Other components of the statement of comphensive income	FY 2009 Profit for the year	31-Dec-09 Equity
Italian GAAPs		**35,980,290**		**70,073**	**36,050,362**
IFRS adjustments:					
Redetermination of values of Property, plant and equipment, investment properties and intangible assets (IAS 16)	*a*	826		5,964	**6,790**
Capitalization of reclamation charges (IAS 16 and 37)	*b*	17,479		(1,960)	**15,519**
Impairment on inventories (IAS 36)	*c*	(56,198)		116	**(56,082)**
Reversal of provisions for reclamation, workshops and ICT software (IAS 37)	*d*	32,165		3,945	**36,110**
Write-down of equity investment FS Logistica	*e*	(86,882)		0	**(86,882)**
Actuarial valuation of defined benefit plans (IAS 19)	*f*	2,035	(227)	(336)	**1,472**
Recognition of taxation (IAS 12)	*g*	75,255		(1,987)	**73,268**
Total adjustments		**(15,320)**	**(227)**	**5,742**	**(9,805)**
EU-IFRS equity		**35,964,970**	**(227)**	**75,815**	**36,040,557**

Explanatory notes on the statement of reconciliation of equity at 1 January 2009 and at 31 December 2009 and of the net result and of the other components of the statement of comprehensive income for the financial year ended 31 December 2009

a) Redetermination of values of Property, plant and equipment, investment properties and intangible assets (IAS 16)

Property, plant and equipment and investment properties: in the financial statements prepared according to the Italian GAAPs, the Company did not separate, in case of pertaining land, any buildings built on it. The international accounting standard 16 states as follows:

"*Land and buildings are separable assets and are accounted for separately, even when they are acquired together. With some exceptions, such as quarries and sites used for landfill, land has an unlimited useful life and therefore is not depreciated. Buildings have a limited useful life and therefore are depreciable assets. An increase in the value of the land on which a building stands does not affect the determination of the depreciable amount of the building*."

In light of this, the Company recorded a positive impact through Equity for the redetermination of depreciation, equal to Euro 5,018 thousand, of which Euro 580 thousand referred to the property of Villa Patrizi within the class "Property, plant and equipment" for the portion used by the Company for the performance of its activity and the remaining part of Euro 4,438 thousand concerning the remaining properties and non-instrumental buildings included under "Investment properties".

The value of properties was reduced following the exact identification of the book values of the assets transferred with the demergers with a negative impact of Euro 12,800 thousand on Equity.

Intangible assets: Also in this case, the redetermination of amortisation on the basis of IAS 16 produced a positive impact of Euro 8,608 thousand on Equity. This is correlated to the fact that in the financial statements prepared according to the Italian GAAPs, the Company, for the Software acquired in the year, applied the full amortisation rate regardless of the date of entry into service of the asset itself, rather than to consider, as required by the international accounting standard, the exact moment when it is included in the corporate assets.

The effects through Equity for the above categories were accompanied by corresponding positive impacts through Profit and Loss for a total amount of Euro 5,964 thousand.

b) Capitalization of reclamation charges, entered in the provisions, as an increase in the value of the relevant assets (IAS 16 and 37)

The Company sets aside specific provisions to which it allocates charges relating to the reclamation of contaminated sites. As required by IAS 16.16c, the present value of the reclamation charges recognized in the provisions must be entered as an increase in the value of the relevant assets against an entry of the corresponding increase in Equity at the date of First-Time Adoption. The application of the abovementioned standard entailed, at the date of transition, an increase in the value of the category "Investment properties" for Euro 17,479 thousand and a positive impact to the same amount on Equity; the residual part of provisions, equal to Euro 267 thousand, was derecognised as it did not meet the requirements required by IAS 37 , with a related positive impact on Equity, also as regards the effects commented on in note d) below. As regards the 2009 Income Statement, this adjustment produced a negative effect of Euro 1,960 thousand relating to amortisation.

***c) Impairment of inventories* (IAS 36)**

The analysis carried out on 1 January 2009 recognised a long-lasting impairment loss in Inventories equal to Euro 56,198 thousand and a corresponding negative impact on the FTA Reserve under Equity. The positive impact on Income Statement was Euro 116 thousand.

The value in use of properties held for trading was established on the basis of some valuation reports prepared by the independent Institute of Studies and Researches "Scenari Immobiliari Srl" and by "Praxi SpA" and of the exact identification of the book values of the assets transferred with the demergers.

d) Redefinition of the scope of Provisions for risks and charges (IAS 37)

In the financial statements prepared according to the Italian GAAPs, the item "Provisions for risks and charges" included, among others:

- "provision for charges for workshops, reclamation and for impairment losses on fixed assets": the provision in question, which was initially acquired following the total demerger of former Ferrovie Real Estate SpA (FRE) and then affected by changes in the course of the subsequent financial years, was correlated to the alleged reduced profitability of the transferred workshops, against charges to be incurred for the reclamation of some sites and to the alleged lower value of the assets transferred to FRE itself at the time, by a deed of partial demerger dated 4 August 2006 from Rete Ferroviaria Italiana SpA. A portion of this provision (Euro 212,359 thousand) was entered as a direct reduction in the assets included under "Investment properties", for whose breakdown reference is made to the comments on the reclassifications reported below. The residual part of the provision (Euro 29,098 thousand), as it did not meet the requirements required by IAS 37, was derecognised from the Balance Sheet liabilities, thus entailing a positive impact of the same amount through the FTA Reserve;
- "Provision for ICT Software" (entered under "Other minor risks"): the provision included provisions against capitalised costs under the item "Concessions, licences, trademarks and similar rights". This provision, as it did not meet the requirements required by IAS 37, was reversed at the time of the transition to international accounting standards and this entailed a positive impact through Equity of Euro 2,800 thousand;
- "Provision for reclamation charges" (entered under "Other lower risks"): this provision, as regards the residual part after the capitalisation as an increase in the assets already commented on in note a), was reversed at the time of transition to international accounting standards, did not meet the requirements required by IAS 37, with a positive impact through Equity of Euro 267 thousand.

The adjustments to Equity referred to above entailed concurrent impacts through Profit and Loss for a total positive amount of Euro 3,945 thousand attributable to the combined effect of the following effects:

- Reversal of a provision equal to Euro 5,500 thousand that did not meet the IAS requirements and that was set aside in 2009 against the charges to be incurred for the works for the consolidation of the former departmental building in Trieste, for collapsed caused by third parties.
- Adjustment to the use of the provision for workshops for Euro 1,555 thousand.

e) Recognition of the write-down of the equity investment in in FS Logistica

The impact in question (Euro 86,882 thousand) is correlated to, and is the consequence of, the effect through profit and Loss of the adjustment made by the subsidiary FS Logistica SpA.

f) Actuarial valuation of employee benefits plans (IAS 19)

Severance Pay and Free Travel Card

The rules under IAS 19 "Employee benefits" provide for the calculation, for each employee, of the present value of the liability according to the Projected Unit Credit Method. The amount of the severance pay and of the CLC liability is calculated on the basis of actuarial valuation assumptions and methods. The demographic, economic and financial variables assumed for the calculation are annually validated by an actuary. At each expiry date of the financial statements, actuarial profits and losses, which are defined as the difference between the book value of the liability and the present value of the commitments of the company at period-end, due to the change in the actuarial parameters described, are directly charged to equity. The adjustment relating to the severance pay and to the Free Travel Card has entailed a positive effect of Euro 2,167 thousand for the Severance Pay and a negative effect of Euro 132 thousand for the Free Travel Card. To these two effects must be added must be added the negative impacts of Euro 336 thousand and Euro 227 thousand, respectively, recorded on the income statement and the statement of comprehensive income.

g) Tax effect (IAS 12)

IAS 12 requires the deferred tax assets to be recognized when it is probable that a sufficient taxable income will be available for the use of the same, while the Italian GAAPs require reasonable certainty for the purposes of the recognition. The effect arising from the application of IAS 12 entailed the recognition of receivables for deferred tax assets/release of deferred tax liabilities and the recognition of deferred tax liabilities/release of deferred tax assets both for IRES tax and IRAP tax.

As a whole, the recognition of deferred tax assets and liabilities in the financial statements of Ferrovie dello Stato SpA entailed a net positive impact, at the date of transition, of Euro 75,255 thousand, of which Euro 77,094 thousand relating to deferred tax assets and Euro 1,839 thousand relating to deferred tax liabilities, and a negative economic impact in 2009 of Euro 1,987 thousand, of which Euro 2,018 thousand relating to deferred tax assets and Euro 31 thousand relating to deferred tax liabilities.

The above considerations explain, as already said, the impacts of the transition to EU-IFRS through Equity and through Profit and Loss. At the same time, the application of the new standards entailed, however, some reclassifications that, as such, did not generate substantial effects, but only a different way of recognizing some financial statement items.

Below are reported the reasons behind these reclassifications associated to the related items:

Property, plant and equipment: as regards the category "property, plant and equipment", land and building were identified which had the same features as the Investment Properties required by IAS 40. This standard sets out that "*Investment property is property held to earn rentals or for capital appreciation or both, rather than for: a) use in the production or supply of goods or services or for adminsitrative purposes; or b) sale in the ordinary course of business*." In this regard, the Company reclassified, at the time of the First-time Adoption, such assets from the category of "property, plant and equipment" to the class of "Investment properties", with an effect of Euro 753,614 thousand in 2008 and Euro 628,299 thousand in 2009. Therefore, the class "Property, plant and equipment" in question only included the portion of the property of Villa Patrizi used by the Company for the performance of its activity. This was calculated as equal to 22.25% of the total of the property itself.

Investment properties: The positive reclassification of Euro 541,255 thousand is attributable to the effect of the reclassification of "Property, plant and equipment" described above on one hand, and, on the other, to the allocation of a provision for workshops equal to Euro 212,359 thousand as an adjustment to the value of the assets, as redetermined on the basis of some experts' reports, which had been previously entered under "provisions for risks and charges".

Inventories: The Provision for properties held for trading entered in the financial statements prepared according to the Italian GAAPs meets the requirements required by IAS 3.2 and IAS 2.29 to be reclassified as a direct reduction in the value of the properties held for trading classified under inventories. For this reason, at the time of the First-time Adoption, the Company made a reclassification of the provision in question from "Provisions for risks and charges" to "Inventories" with an effect of Euro 24,644 thousand in 2008 and Euro 22,013 thousand in 2009.

Current trade receivables: the reduction (Euro 3,452 thousand) is attributable to the better classification of a provision previously entered under provisions for risks, on the basis of IAS 39.

Reconciliation of the statement of financial position at 1 January 2009

(€/th.)	Notes	Italian GAAPs 1.1.2009	Reclassifications	Adjustments	IFRS 1.1.2009
Assets					
Plant, property and equipment	*a*	797,669	(753,614)	580	44,635
Investment properties	*a, b*	0	541,255	9,117	550,372
Intangible assets	*a*	24,235		8,608	32,843
Deferred tax assets	*g*	150,975		77,094	228,069
Equity investments	*e*	35,362,491		(86,882)	35,275,609
Non-current financial assets (including derivatives)		6,218,158			6,218,158
Non-current trade receivables		8,550			8,550
Other non-current assets		1,094,761			1,094,761
Total non-current assets		**43,656,839**	**(212,359)**	**8,517**	**43,452,997**
Inventories	*c*	547,490	(24,644)	(56,198)	466,648
Current trade receivables		76,065	(3,452)		72,613
Cuurrent financial assets (including derivatives)		1,185,565			1,185,565
Cash and cash equivalents		615,734			615,734
Tax receivables		83,350			83,350
Other current assets		1,861,208			1,861,208
Assets (or disposal groups) held for sale		30,031			30,031
Total current assets		**4,399,443**	**(28,096)**	**(56,198)**	**4,315,149**
Total assets		**48,056,282**	**(240,456)**	**(47,681)**	**47,768,145**
Equity					
Share capital		38,790,425			38,790,425
Reserved		292,920			292,920
Profits (losses) carried forward		(3,114,349)		(15,320)	(3,129,669)
Profit (loss) for the year		11,293			11,293
Total Equity		**35,980,290**	**0**	**(15,320)**	**35,964,970**
Liabilities					
Medium/long term loans		6,593,404			6,593,404
Severance pay and other employee benefits	*f*	22,794		(2,035)	20,759
Provisions for risks and charges	*d*	364,182	(240,456)	(32,165)	91,561
Deferred tax liabilities	*g*	473,778		1,839	475,617
Non-current financial liabilities (including derivatives)		0			0
Non-current trade payables		150			150
Other non-current liabilities		1,253,322			1,253,322
Total non-current liabilities		**8,707,629**	**(240,456)**	**(32,361)**	**8,434,813**
Short-term loans		10,073			10,073
Current portion of medium/long-term loans		712,812			712,812
Short-term portion of Provisions for risks and charges		18,908			18,908
Current trade payables		58,505			58,505
Income taxes payable		1,965			1,965
Current financial liabilities (including derivatives)		391,773			391,773
Other current liabilities		2,174,327			2,174,327
Liabilities held for sale and disposal groups		0			0
Total current liabilities		**3,368,363**	**0**	**0**	**3,368,363**
Total liabilities		**12,075,992**	**(240,456)**	**(32,361)**	**11,803,176**
Total equity and liabilities		**48,056,282**	**(240,456)**	**(47,681)**	**47,768,145**

Reconciliation of the statement of financial position at 31 December 2009

(€/th.)	Notes	Italian GAAPs 31.12.2009	Reclassifications	Adjustments	IFRS 31.12.2009
Assets					
Plant, property and equipment	*a*	671,072	(628,299)	870	43,643
Investment properties	*a, b*	0	415,940	10,019	425,960
Intangible assets	*a*	26,262		11,419	37,681
Deferred tax assets	*g*	132,090		75,077	207,167
Equity investments	*e*	35,612,491		(86,882)	35,525,609
Non-current financial assets (including derivatives)		6,024,565			6,024,565
Non-current trade receivables		9,325			9,325
Other non-current assets		1,723,562			1,723,562
Total non-current assets		**44,199,367**	**(212,359)**	**10,504**	**43,997,511**
Inventories	*c*	475,513	(22,013)	(56,082)	397,417
Current trade receivables		112,830	(3,452)		109,378
Cuurrent financial assets (including derivatives)		1,422,789			1,422,789
Cash and cash equivalents		282,915			282,915
Tax receivables		80,880			80,880
Other current assets		690,575			690,575
Assets (or disposal groups) held for sale		30,031			30,031
Total current assets		**3,095,532**	**(25,465)**	**(56,082)**	**3,013,985**
Total assets		**47,294,899**	**(237,825)**	**(45,578)**	**47,011,496**
Equity					
Share capital		38,790,425			38,790,425
Valuation reserve		-			0
IAS FTA Reserve		-			0
Reserves		293,484		(228)	293,257
Profits (losses) carried forward		(3,103,620)		(15,320)	(3,118,940)
Profit (losses) for the year		70,073		5,743	75,815
Total Equity		**36,050,362**	0	**(9,805)**	**36,040,558**
Liabilities					
Medium/long term loans		6,401,666			6,401,666
Severance pay and other employee benefits	*f*	21,616		(1,471)	20,145
Provisions for risks and charges	*d*	375,679	(237,825)	(36,111)	101,743
Deferred tax liabilities	*g*	431,633		1,808	433,441
Non-current financial liabilities (including derivatives)		0			0
Non-current trade payables		125			125
Other non-current liabilities		1,899,387			1,899,387
Total non-current liabilities		**9,130,106**	**(237,825)**	**(35,774)**	**8,856,507**
Short-term loans		6,000			6,000
Current portion of medium/long-term loans		199,045			199,045
Short-term portion of Provisions for risks and charges		7,176			7,176
Current trade payables		63,290			63,290
Income taxes payable		1,651			1,651
Current financial liabilities (including derivatives)		814,952			814,952
Other current liabilities		1,022,317			1,022,317
Liabilities held for sale and disposal groups		0			0
Total current liabilities		**2,114,431**	0	0	**2,114,431**
Total liabilities		**11,244,537**	**(237,825)**	**(35,774)**	**10,970,939**
Total equity and liabilities		**47,294,899**	**(237,825)**	**(45,578)**	**47,011,496**

Statement of reconciliation of the income statement for the financial year ended 31 December 2009

The table below reports the effects of the transition on the income statement relating to the financial year ended 31 December 2009.

(€/th.)	Notes	Italian GAAPs 31.12.2009	Adjustments	IFRS 31.12.2009
Revenue and income				
Revenues from sales and services		175,964		175,964
Other income		11,869		11,869
Total revenues		**187,833**	0	**187,833**
Operating costs		**178,352**	**(631)**	**177,721**
Personnel cost	*f*	53,223	(507)	52,716
Raw and secondary materials, consumables and goods for resale	*c*	41,670	(116)	41,555
Costs for services		55,831		55,831
Leases and rentals		12,979		12,979
Other operating costs	*f*	14,471	(8)	14,463
Capitalisation of internal construction costs		177		177
Amortisation and depreciation		**21,173**	**(2,449)**	**18,723**
Write-downs, impairment losses and value write-backs				
Value adjustments (write-backs) on receivables		830		830
Provisions for risks and charges	*d*	**22,156**	**(5,500)**	**16,656**
EBIT		**(34,325)**	**8,581**	**(25,744)**
Finance income and costs				
Finance income		317,650		317,650
Finance costs	*f*	276,700	852	277,551
Pre-tax result		**6,625**	**7,729**	**14,355**
Income taxes	*g*	63,447	(1,987)	61,460
Profit for the year from continuing operations		**70,072**	**5,742**	**75,815**

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