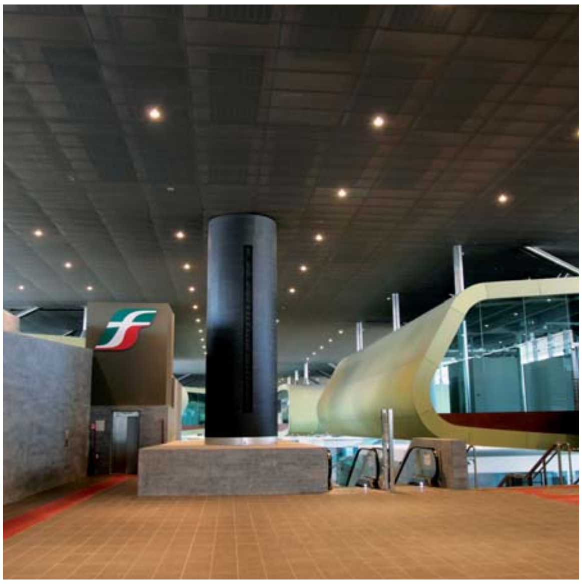
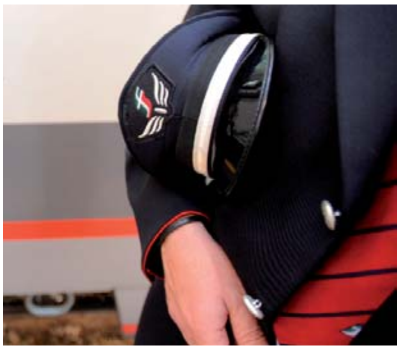


Financial Statement at 31 december 2011



FERROVIE DELLO STATO ITALIANE

Oscar di Bilancio
Società e
Grandi Imprese
Non Quotate
WINNER
2011

FINANCIAL STATEMENTS AT 31 DECEMBER 2011

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

Corporate bodies of Ferrovie dello Stato Italiane SpA and Independent Auditors

Board of Directors:

Chairman	Lamberto Cardia
CEO	Mauro Moretti
Directors	Alberto Brandani Antimo Prosperi Stefano Zaninelli

Board of Statutory Auditors:

Chairman	Alessandra dal Verme
Regular members	Giuseppe Di Giovanni Giancarlo Filocamo
Substitute members	Paolo Castaldi Cinzia Simeone

Member of the Court of Auditors responsible for control over Ferrovie dello Stato Italiane SpA
Vittorio Zambrano*
Antonio Ciaramella**

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

Independent auditors:
PRICEWATERHOUSECOOPERS SpA

*: *Holding office until 31 March 2012*
***: as a substitute of Vittorio Zambrano from 1 April 2012*

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AT 31 DECEMBER 2011

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Financial statements

Letter of the Chairman

Dear Shareholder,

Even in 2011 the financial results of the Ferrovie dello Stato Italiane Group showed strong growth, confirming and improving, for the fourth year running, the positive performance that has been recorded since 2008. In particular, 2011 reported a significant improvement in the net result, equal to Euro 285 million (of which Euro 272 million achieved by the Group and Euro 13 million achieved by minority interests), which more than doubled compared to the previous financial year (Euro +156 million compared to 2010, showing an increase of more than 120%).

This further growth trend - which assumes even more significance in a period of economic crisis which sees our country still in a position of great difficulty – is essentially due to the increase in operating revenues, which came to about Euro 8.3 billion (Euro 8 billion at the end of 2010), driven by the higher volumes produced above all in the passenger market segment (+4%).

In line with what happened in recent years, the course of sharp alignment with the strategic and managerial objectives defined in the FS Group Business Plan was confirmed in 2011, as was, as in the last two years, the early achievement of the financial performance objectives set out in the Plan itself.

In terms of Human Resources, the Group has shown its ability to give a further push towards a greater capacity for the rationalisation and efficiency of its organisational structure; between 1 January and 31 December 2011, the number of employees decreased from 80,153 to 73,616 units (-8%), with a labour cost that, in parallel, fell by more than 5%, settling at just over Euro 4 billion at the end of 2011. This was made possible thanks to the continuous phase of operational process reengineering, accompanied by “injections of technology” which increased productivity and quality.

As regards the performance of the offer, the year that has just closed was marked by a strengthening of the offer in the “market” segment and the introduction of diversification in the service levels. In particular, there was a major change of tack for the Frecciarossa in 2011 with the abolition of the traditional 1st and 2nd classes. Indeed the first commercial services with totally renovated trains entered into service to offer a service tailored to the various types of customers served through four new service levels (Executive, Business, Premium and Standard), confirming the Ferrovie dello Stato Italiane Group as a pioneer of experimentation and innovation in Europe.

As for regional transport, although an increase in traffic revenues and a corresponding improvement in customer satisfaction was recorded, it was subject to particular attention as - following regulatory provisions that introduced an obligation for Regional governments to make transport services subject to tenders - it could be necessary for Trenitalia to review the sums to put aside for investments in rolling stock due to the failure to renew the contracts upon their natural expiry (2014).

On 3 May 2011, the alliance between Trenitalia SpA and the FNM Group gave rise to Lombardia Trenord Srl, the first large operator specialised in the local public rail transport, thus completing the process for the consolidation between Le Nord and the Lombardy Regional Head Office (*Direzione Regionale Lombardia*) of Trenitalia, which started at the end of 2009 and which concluded with the contribution of the related business complexes, thus making Trenord the second largest Italian company for local rail transport. The company runs 42 regional lines and 10 suburban lines in Lombardy, as well as the Malpensa Express service that connects the Milan Cadorna and Milan Centrale stations to the international airport.

In terms of investments, with the launch of the new 2011-2015 Business Plan which envisages investments equal to around Euro 27 billion, of which Euro 6 billion are destined for the purchase of new trains, 2011 was the first year that the FS Group sought to lay the foundations of a major five-year programme of measures designed to considerably increase the infrastructure of the country and to provide ever better and more diversified services thanks to an offer that includes new trains that are more comfortable and technologically advanced, as well as modern stations that are increasingly integrated with the urban fabric.

The total investment expenditure of the Ferrovie dello Stato Italiane Group during 2011 (Euro 3,808 million) continued to follow the same, planned, trend as the last two years, showing a "targeted" decrease (-8%) compared to the volume of accounting carried out in the previous year, closely connected to that crucial process, launched some time ago, of optimising the use of available financial resources, in particular the – limited – resources made available by the State where envisaged.

As regards the new rolling stock, 70 locomotives, of which 7 for the national and international medium/long-distance transport and 63 for the regional transport were put into operation. 52 locomotives, 1,614 coaches and wagons, as well as 17 trains were brought back into operation after restructuring measures.

With reference to the development and internationalisation strategies of the FS Group, in accordance with the forecasts in the business plan for strengthening its positioning as the third European railway operator, 25 February 2011 saw the acquisition of the Arriva Deutschland group; subsequently, Netinera Deutschland GmbH (the new name that was taken on by the Berlin parent company in March 2011) was merged by incorporation into the SPV company FS2Move GmbH (51% owned by Ferrovie dello Stato SpA and 49% owned by the Luxembourg infrastructural investment fund Cube Transport SCA), which in turn took on the former company name.

In terms of performance, the Netinera group built up volumes equal to 27.9 million train-kilometres during 2011, ranking third in the German market with 4.4% of the total market, and closed the year with results that were in line with the forecasts for 2011 that were provided in the business plan that was previously drawn up in order to define the acquisition price of the German group.

The FS Group has carried out numerous initiatives, also during 2011, aimed at making progress in the search for a balance between financial, social and environmental aspects. These initiatives are supported, in the same way as core business activities, in order to provide a response to the common interests of stakeholders. However, the development of core business activities also plays a significant role in terms of environmental sustainability considering the importance of rail transport in creating a sustainable transport model. Indeed, travelling by train means that each passenger produces on average 70% less greenhouse gases than when making the same journey by aeroplane and 60% less than the same journey by car. One only need think that, with the more than 1,000 km of new High-Speed/High-Capacity lines entering into operation during 2011 with the Frecciarossa and Frecciargento trains, more than 25 million people travelled using this mode of transport, thus preventing more than 600,000 tonnes of CO^2 from being released into the atmosphere. The FS Group provides therefore a strategic opportunity for the country to achieve a sustainable development model. And it is fully aware of this.

As evidence of how the FS Group has now become a point of reference for the financial/economic and professional community it should be remembered that Ferrovie dello Stato Italiane SpA won the 2011 Oscar for its 2010 Annual Report made up of the Consolidated Financial Statements of the Group, the Financial Statements of the Parent Company and the Sustainability Report, in the "Large Unlisted Companies and Businesses" category.

The Prize – promoted, run and organised annually by FERPI (*Federazione Relazioni Pubbliche Italiana*, Italian Federation of Public Relations) – is held under the patronage of the President of the Italian Republic and represents the highest award in Italy for the quality of financial reporting, also with regard to sustainability.

Looking to 2012, as well known the “market” sector was affected from the second quarter of the year by the change in equilibrium following the entry of new private operators who started operations on the most profitable part of the market itself, to the detriment of shares currently held.

The difficult economic situation and the consequent uncertainty in the market expected in 2012, the complex challenge underway in connection to the measures to reorganise the Cargo sector and the Universal passenger service and the factor linked to the abovementioned arrival on the market of new operators of the High Speed service are all elements which lead one to believe that the results achieved in 2011 will be difficult to replicate in the current year, although forecasts are still positive.

The Group, while on the one hand it is continuing to concentrate maximum attention on strengthening the rail services offer – in particular for the “Market Services” segment through targeted restructuring measures, with the objective of better understanding the requirements of traffic demand and seizing the new opportunities that the market itself offers – on the other hand it is pursuing, in parallel, the previously mentioned commitment to investments undertaken in compliance with the Service Contracts signed with the Italian Regional governments, as well as carrying out a demanding process of reorganising the Cargo sector in accordance with the guidelines outlined during the second half of 2009; this process should lead, within the period of the current business plan, to all Trenitalia business sectors being able to generate positive results.

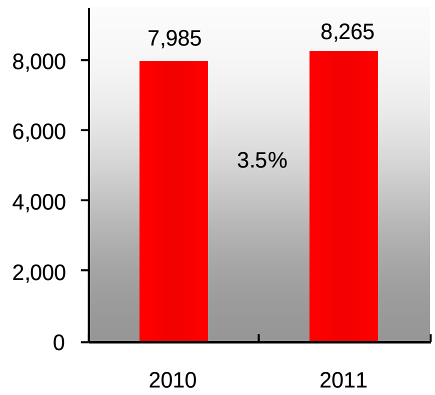
Report on Operations

2011 CONSOLIDATED RESULTS

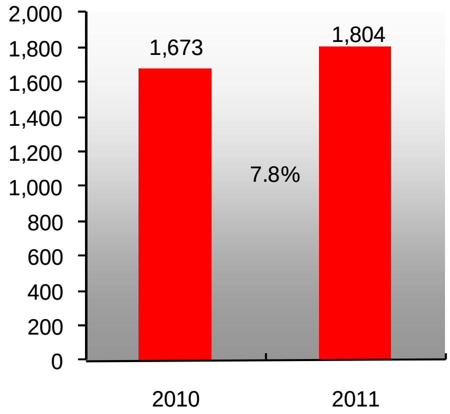
in €/mil.

	2011	2010	Delta	%
Economic, capital and financial highlights				
Operating revenues	8,265	7,985	280	3.5%
Operating costs	(6,461)	(6,312)	(149)	(2.4%)
EBITDA	1,804	1,673	131	7.8%
EBIT	664	507	157	31.0%
Net result	285	129	156	120.9%
Net invested capital	45,178	46,483	(1,305)	(2.8%)
Shareholders' equity	36,846	36,509	337	0.9%
Net financial position	8,332	9,974	(1,642)	(16.5%)
Debt/Equity	0.23	0.27	0.04	14.6%
Technical investments for the period	3,808	4,143	(335)	(8.1%)

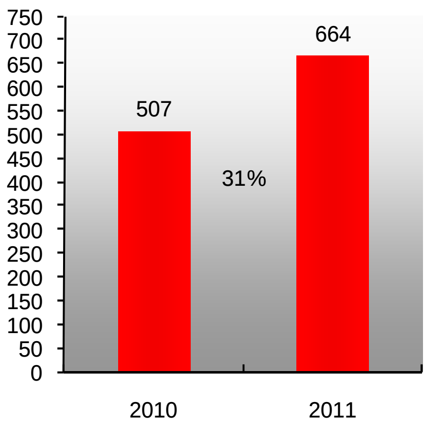
Operating revenues
(in €/mil.)



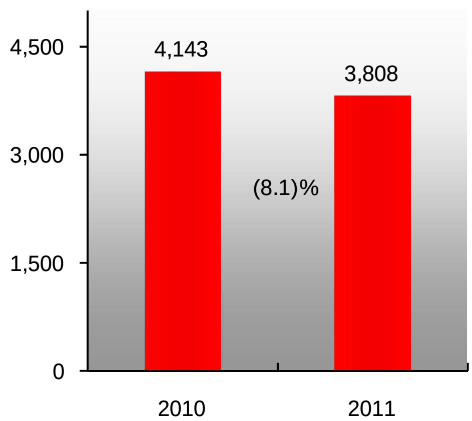
EBITDA
(in €/mil.)



EBIT
(in €/mil.)

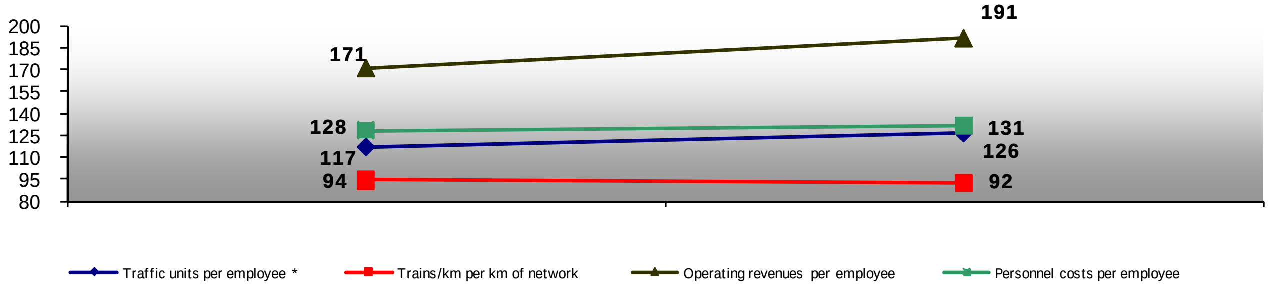


Investments
(in €/mil.)



Main economic ratios	2011	2010
EBITDA/OPERATING REVENUES	21.83%	20.95%
ROS (EBIT/OPERATING REVENUES)	8.03%	6.35%
PERSONNEL COSTS/OPERATING REVENUES	(49.57%)	(54.13%)

Trend in corporate benchmarks
n.i. 2000 = 100



* For a consistent comparison, the 2010 traffic does not consider the traffic developed by Trenord Srl

MAIN EVENTS IN THE FINANCIAL YEAR.

REGULATORY MEASURES

February

- On 2 February 2011, the Ministry of Infrastructures and Transport (MIT, *Ministero delle Infrastrutture e dei Trasporti*) adopted – pursuant to article 58 of law no. 99 of 23 July 2009 - the decree aimed at identifying the requirements to be met by the railway companies for the release and maintenance of the "national passenger licence".
- On 16 February 2011, the 2011/7/EU directive was adopted, aimed at reducing payment delays in commercial transactions; it provides for the obligation for public administrations (including bodies governed by public law whose activities are financed by the State for the most part) to pay within 30 days (subject to extension up to a maximum of 60 days).
- 26 February 2011 saw the adoption of Law no. 10, which converted Decree Law no. 225 of 29 December 2010, "extension of time limits", which extended the time limit under Law no. 166 of 1 August 2002, for the execution of public service contracts of national interest up to 31 March 2011, and authorised the Ministry of Economy and Finance (MEF, *Ministero dell'Economia e delle Finanze*), pending the execution of the contracts, to pay Trenitalia SpA the sums envisaged for 2009 and 2010.

March

- On 24 March 2011, legislative decree 43/2011 implemented directive 2008/110/EC, which amended directive 2004/49/EC, on safety on the Community's railways, and aimed at regulating - *inter alia* - the maintenance of railway vehicles.
- On 28 March, the European Commission submitted a new white paper entitled "Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system." The document defines the priorities for the future of European transport policy until 2050 by means of a series of objectives. As regards the objectives of greatest interest in terms of rail transport, the EU emphasised its ambition to transfer 30% of the goods currently transported by road for distances of up to 300 km to other more sustainable modes of transport (rail, sea) by 2050, to treble the length of the current European High-Speed network by 2030, complete it by 2050 and connect it to the major European airports in order to be able to transport the majority of passenger traffic by rail over medium distances. Among the legislative measures that the Commission intends to adopt in 2012-2013 is the Fourth Railway Package, which aims, *inter alia*, to complete the single market by opening national passenger markets to competition – including public service contracts to be awarded through tender procedures – in order to ensure non-discriminatory access to infrastructure and study the costs and advantages of the "structural separation" between the infrastructure manager and the transport operator.

April

- On 11 April 2011, the Council of Ministers approved Legislative Decree no. 61 "Implementation of directive 2008/114/EC on the identification and designation of European critical infrastructures (ECIs) and the assessment of the need to improve their protection, which aims to introduce common measures in Member States in order to increase prevention against possible attacks and improve protection of critical infrastructures in the energy and transport sectors, as identified using the methods described in the Legislative Decree, in the event of threats caused accidentally or intentionally by human activity, by technology or by natural disasters.

May

- On 6 May 2011, legislative decree no. 68 “Provisions on the autonomy of revenue for Ordinary Regions (*Regioni a Statuto Ordinario*) and provinces, as well as the determination of costs and requirements in the healthcare sector” provided – *inter alia* - for the resources for local public transport to come from the State, providing – with effect from 2012 – for the abolition of the relative state transfers to the regional governments, with a general and permanent nature (subsequently, decree law no. 201 of 6 December 2011 postponed this effect to 2013).
- On 10 May 2011, the European Commission adopted regulation (EC) no. 445/2011, which establishes a system of certification of entities in charge of maintenance for freight wagons.

June

- On 29 June 2011 the European Commission adopted the proposal related to the EU Multiannual Financial Framework 2014-2020 which provides for a budget of Euro 1,083 billion of commitments, equal to about 1.11% of the GDP. The proposal provides for an important increase in the resources intended for the Trans-European Transport, Energy and Telecommunications Networks. In this context, the amount specifically proposed by the commission for TEN transports is Euro 21.6 billion, to which must be added at least Euro 10 billion of Structural funds to be managed at national and regional level.

July

- On 6 July 2011, decree law no. 98/2011, “Urgent measures for financial stabilisation”, as converted by article 1, paragraph 1, of law no. 111 of 15 July 2011, amongst other things:
  - introduced a surcharge (to be determined in a subsequent decree of the MIT) to the fee payable for the operation of the medium/long-distance passenger transport services not provided under the service contracts, in relation to the part carried out on lines specially built or adapted for high speed and equipped for speeds of 250 km/h and above. The relative revenues are paid into the state budget and used to contribute to financing the costs of the universal rail transport services of national interest and subject to service contracts;
  - provided that a portion, up to Euro 314 million, of the resources deriving from the recovery of aids under article 24 of decree law no. 185 of 29 November 2008 (tax exemption regime for so-called former municipal concerns), can be assigned to ordinary regions to meet the needs of local public transport, including rail, connected to the purchase of rolling stock;
  - established, at the MEF starting from 2011, the fund for the financing of the local public transport, including rail transport, in the ordinary regions, with an annual budget of Euro 400 million;
  - granted the organisational and accounting autonomy to the Office for Regulation of Railway Services (*Ufficio per la Regolazione dei Servizi Ferroviari*), within the limits of the financial and economic resources assigned;
  - transferred duties and tasks of the governmental railway commissioners to the Head Office of the MIT.

September

- Law no. 148 of 14 September 2011, “Conversion of Decree law no. 138 of 13 August 2011, bearing additional urgent measures for financial stabilisation and development.” Insofar as it is relevant to the FS group, note the following provisions:

- o TPL Fund: the Fund for the financing of the local public transport, including rail transport, established by article 21, paragraph 3, of decree law 98/2011, equal to Euro 400 million, excluded from the obligations under the Stability Law;
- o Infrastructure fund: a portion of the Infrastructure fund equal to Euro 250 million for each of the 2013 and 2014 years is intended, according to a decree issued by the MIT in agreement with the MEF, for infrastructural actions in the territories of the local entities which take steps to dispose of equity investments in the company that provide local public services.

- Legislative decree no. 159 of 6 September 2011, "Code of anti-mafia laws and prevention measures, as well as new provisions governing anti-mafia documentation, according to articles 1 and 2 of law no. 136 of 13 August 2010", implements the provisions under Law no. 136/2010 (Extraordinary plan against mafias), which updates the relevant regulation, with the objective of obtaining the harmonization and coordination of the entire regulations. The text provides, *inter alia*, that anti-mafia documentation, i.e. anti-mafia reports and anti-mafia information, must be acquired by public authorities, public bodies, state-controlled companies or businesses, public works concessionaires and general contractors before entering into, approving or authorising public contracts and subcontracts relating to works, services and supplies, the value of which is equal to or higher than that laid down by law in implementation of the European directives on the subject of public works. A later Regulation, adopted by a decree of the Minister of Internal Affairs, in agreement with the Ministers of Justice, Infrastructure and Transport and Economic Development, requires those activities which are liable to mafia infiltration to be identified; for such activities it is always necessary to acquire anti-mafia documentation regardless of the value of the contract.

October

- 15 October 2011 saw the entry into force of Directive 2011/76/EU of the European Parliament and of the Council of 27 September 2011 amending Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures. The new text provides for Member States to introduce infrastructure tolls on heavy vehicles, calculated on so-called external costs such as air and noise pollution, distance travelled, road usage, vehicle weight and times in which vehicles travel. The directive shall be adopted by the Member States by 16 October 2013.
- On 19 October the European Commission published the Financial Regulation on "Connecting Europe Facility" and the new Regulation on the TEN Guidelines. Furthermore, it decided to launch a first tranche of Project Bonds for an amount of about Euro 230 million. Within the framework of the Financial Regulation "Connecting Europe Facility", the Commission has proposed to allocate, out of a total budget of Euro 50 billion, the amount of Euro 31,694 for transport, mainly intended for railways. Only the projects included in the "Core Network" may benefit from these funds and, as regards the TEN corridors involving Italy, the regulation identifies and includes the 5 European corridors, except for the Messina Bridge and the Corridor 6 Rotterdam-Genoa. As regards the proposal for the future guidelines of the new Trans-European Transport Networks (TEN-T), the new strategy provides for a transport network that is structured into two levels, i.e. the so-called central "Core Network" to be completed in 2030 and a global or "Comprehensive Network" to be completed in 2050.

November

- Law no. 180 of 11 November 2011, bearing "Norms for the safeguard of enterprises' freedom. Statute of enterprises" is aimed at the protection and development of small- and medium-sized enterprises (PMI, *Piccole Medie Imprese*) in compliance with the European Small Business Act for SMEs (EC communication 2008/394) and in brief provides for: greater simplification in relations with public administrations and the reduction and transparency of administrative costs; measures aimed at combatting payment delays of public administrations and large companies in commercial transactions, with the Government being granted delegated powers for the approval of directive 2011/7/EC on payment delays; transparency and simplification of access to public tenders for SMEs – favouring the use of temporary associations of businesses; establishment of the "Supervisory Authority for micro, small and medium-sized enterprises" at the Ministry of Economic Development (MISE, *Ministero dello Sviluppo Economico*) with the introduction of the annual law for the protection and development of SMEs.

- Law no. 183 of 12 November 2011, the "2012 Stability Law", provides for reductions to the obligatory expenditure of Ministries; these include the following:
  - the regulation that allowed cargo transport operators to obtain a refund, including by means of set-off, of the increase in excise duties on diesel fuel has been amended to provide for the expenditure authorisation to be replaced by special allocations by the MEF;
  - the reduction, for an amount of Euro 5 million, starting from 2012, in the resources intended for railways under the management of the government commissioner;
  - the reduction in the transfers to the Fund for the functioning of the national Railway Safety Agency (*Agenzia Nazionale per la Sicurezza Ferroviaria* – ANSF), for an amount of Euro 6 million for 2012 and Euro 2 million for 2013.
- On 22 November the Official Gazette of the European Union published the Text of the Directive on consumer rights. The passenger transport is excluded from the scope of application of the Directive, except for transport contracts sold on–line or remotely.

December

- On 20 December the European Commission formalised its proposals for simplifying and updating the European regulations on public contracts and concessions. The proposals adopted follow the publication of the Green Paper on Contracts, with which the European executive boards launched an extensive consultation process from January to April 2011 - in which the Ferrovie dello Stato Italiane Group also participated - in order to receive suggestions of possible amendments to be made to the European regulations on public contracts.

In particular, the new regulatory measures are made up of:

- a new proposed Directive on public contracts in ordinary sectors , replacing Directive 2004/18/EC;
- a new proposed Directive on public contracts in special sectors , (water, energy, transport and postal services) which will replace Directive 2004/17/EC;
- a new proposed Directive on concessions, a matter that has not yet been regulated at European level.

- Decree law no. 201 of 6 December 2011, "Urgent measures for growth, equity and the strengthening of public accounts", as converted by article 1, paragraph 1, of law no. 214 of 22 December 2011, as amended by decree law no. 1 of 24 January 2012, provided, *inter alia*, for the Government to present a bill, within three months of the law that converted the decree law, to establish a special independent authority for the regulation of transport. Pending the establishment of this authority, the functions relating to the regulation of transport - as identified in detail in the decree - are carried out by the Regulatory Authority for Electricity and Gas. Furthermore, this regulation contains a series of measures concerning local public transport; in particular:

- the abolition of state transfers to regions for local public transport of a general and permanent nature has been postponed until 2013;
- the Fund for the financing of local public transport, including rail transport, in Ordinary Regions, is increased by an annual amount of Euro 800 million, starting from 2012; from 2013 this fund will be fed by a share of the revenues from excise duties on fuels;
- the resources of the Fund for investments of the Ferrovie dello Stato Italiane Group can be used, in 2011, to contribute to ensuring the performance of the local public rail transport services by Trenitalia in Ordinary regions;
- a number of specific measures that were previously in force relating to criteria and methods for allotting specific resources to local public transport have been repealed and the need to apply efficiency-improvement and streamlining measures from 2012 has been confirmed.

- On 29 December 2011, decree law 216/2011, “Extension of time limits set out by legislative provisions”, as converted by article 1, paragraph 1, of law no. 14 of 24 February 2012, provided for the Government to define in agreement with the State-Regions Conference - by February 2012 - the efficiency-improvement and streamlining objectives for the local public transport as a whole in the 2012-2014 period, the consequent measures to be adopted in the first quarter of 2012, as well as the procedures for monitoring and the criteria for allocating the Fund for the financing of the local public transport.

EXTRAORDINARY TRANSACTIONS

January

- 3 January 2011 saw the registration of the newly-established company TAV Srl with the Register of Companies of Rome. The company has its registered office in Rome, at Piazza della Croce Rossa, has Ferrovie dello Stato Italiane SpA as its sole shareholder, a share capital equal to Euro 50,000 and its corporate purpose is to provide medium/long-distance railway passenger transport, as well as metropolitan and regional transport.

February

- On 16 February 2011 the clearance antitrust was formally notified on the transaction that has seen Ferrovie dello Stato Italiane SpA in partnership with the CUBE Infrastructure Investment Fund submit a binding offer for the purchase of 100% of the share capital of Arriva Deutschland and Arriva Grundstücksgesellchaft within the competitive tender launched by Deutsche Bahn upon instruction from the European Union. The acquisition was then formalized on 25 February. With this transaction, the Ferrovie dello Stato Italiane SpA - Cube Infrastructure consortium (holding 51% and 49% respectively) captured a large market share, equal to more than 4% of German public transport and set itself the objective of further increasing its presence on this market. Indeed, the Arriva Deutschland Group represents one of the major private operators in the regional public rail and road passenger transport in Germany. In 2010 the Group recorded a consolidated turnover of more than Euro 470 million, more than 30 million trains-km and 31 million bus-km. The acquisition of the Arriva Deutschland Group is in line with the growth strategy of the FS Group and it represents another major success in strengthening its international position as the third-largest European rail operator. At the beginning of April 2011, following FS’s choice of a new name to identify the newly-acquired Group instead of the name Arriva (which can no longer be used in compliance with specific instructions of the SPA) the companies concerned changed their name to Netinera.

March

- On 22 March 2011, the shareholders' meetings of RFI SpA and FS Logistica SpA resolved to approve the plan for the partial demerger of RFI SpA, through the allocation of a part of its assets in favour of FS Logistica SpA, on the basis of the values resulting from the financial positions at 30 September 2010. 6 July 2011 saw the execution of the Deed of demerger that entailed, effective from 14 July 2011, the reduction in the share capital of RFI SpA by Euro 3,186,760 and the increase in the share capital of FS Logistica for the same amount.

May

- On 3 May, the alliance between Trenitalia SpA and the FNM Group gave rise to Trenord Srl, the first large operator specialised in the local public rail transport, thus completing the process for the consolidation between Le Nord and the Lombardy Regional Head Office (*Direzione Regionale Lombardia*), which started at the end of 2009 and which concluded with the contribution of the related business complexes.

- 19 May 2011 saw the execution of the deed of merger by incorporation of Sogin into Sita and the simultaneous deed of demerger in favour of FS Trasporti su Gomma (FSTG) and Sicurezza Trasporti Autolinee-Sita Sud. It is a non-proportional demerger as the capital increases of both FS Trasporti su Gomma Srl and Sicurezza Trasporti Autolinee - Sita Sud Srl have been attributed to the shareholders of Sita on a non-proportional basis with respect to the shareholding held in the latter company. The beneficiary company FS Trasporti su Gomma Srl has received part of the assets of the demerged company and specifically the Nord Branch of Business. The Demerge became effective from 20 May 2011.

- On 25 May 2011 the Shareholders' Meeting of Italcertifer ScpA resolved the transformation from a joint-stock consortium into a Joint-Stock Company.

- On 26 May 2011 the Ordinary Quotaholders' Meeting of Ferport Napoli Srl resolved the early dissolution of the company and the consequent liquidation effective from 1 July 2011.

June

- On 9 June 2011 the Extraordinary Shareholders' Meeting of RFI SpA approved the plan for the partial demerger of the company through the allocation of a part of its assets to Ferrovie dello Stato Italiane SpA, made up of non-instrumental properties located in the stations of Milan C. le, Rome Termini, Naples C. le and Turin Porta Nuova, on the basis of the financial positions at 31 March 2011. The demerger will entail, starting from the effective date of the demerger, the reduction in the capital of the demerged company RFI SpA for the amount of Euro 149,512,294 through the cancellation of no. 149,512,294 shares, with a par value of Euro 1.00 each. The actual value of the shareholders' equity allocated to the beneficiary company is equal to the amount of Euro 149,512,294, corresponding to the same amount of share capital.
- On 28 June 2011 the Shareholders' Meeting of Sinter-Inland Terminal SpA in liquidation resolved the early dissolution of the company and to put it into liquidation.

July

- On 11 July 2011, the Board of Directors of RFI SpA approved the proposed contribution of the branch of business named "Ferry navigation of road vehicles and passengers" to the company Bluferries Srl. The branch of business comprises the sea links operated on a free market on the Strait of Messina and relating to passenger transport and so-called road transport.
- On 27 July 2011, the Quotaholders' Meeting of Metroscai Scarl in liquidation – with the presence of the sole quotaholder Ferservizi SpA – decided to liquidate the stakes of the former bankrupt quotaholders (Gecom Srl, stake equal to 10%, S.I.G. '96 Srl, stake equal to 10%, and R.G. Srl in liquidation, stake equal to 5%),

with a total value of Euro 2,500.00 (by offsetting the amounts receivable from each of them) and to allocate the available share capital equal to Euro 2,500 to the quotaholder Ferservizi SpA. During the meeting, this latter expressed its willingness to acquire the available shares and, as a consequence, on 30 September 2011, it carried out the accounting settlement with the company. Subsequently, on 20 December, the Board of Directors, as a result of the activities initiated by the subsidiary Metroscai Scarl in liquidation aimed at the dissolution of the same, appointed the Managing Director to finalise the corporate process for the definitive closure of the company by means of a merger by incorporation.

August

- 30 August 2011 saw the execution of the deed of merger of Netinera Deutschland GmbH by incorporation into FS 2 Move. At the same time as the merger, FS 2 Move changed its company name to Netinera Deutschland GmbH. The merger became effective on 26 September 2011, while the accounting and tax effects started from 1 January 2011.

September

- On 6 September 2011 the Extraordinary Shareholders' Meeting was held for the deed of merger of Italcontainer SpA by incorporation into FS Logistica SpA, with legal effects from 1 October 2011 and accounting effects from 1 January 2011. The merger by incorporation took place on the basis of the financial statements at 31 December 2010 of the companies participating in the merger, with no capital increase of the merging company.

October

- On 5 October 2011, the Shareholders' Meeting resolved the early dissolution of Network Terminali Siciliani Srl pursuant to article 2484 no. 4 of the Italian Civil Code.

November

- On 4 November 2011, the Shareholders' Meetings of RFI SpA and FS Sistemi Urbani Srl resolved to approve the proposed partial demerger through the allocation of a part of the assets of the former company (a total of 48 real estate complexes) to FS Sistemi Urbani Srl, whose quota will be assigned to the sole shareholder of the demerged company, with no cash settlement, on the basis of the values resulting from the financial positions at 30 June 2011. 22 December 2011 saw the execution of the Deed of demerger that entailed, effective from 31 December 2011, the reduction in the share capital of the demerged company RFI SpA for an amount of Euro 10,612,012.
- On 14 November 2011, the Quotaholder's Meeting of Artesia SAS, 50% owned by Trenitalia SpA, resolved the early dissolution of the company and to put it into liquidation.

December

- On 13 December 2011, the Extraordinary Shareholders' Meeting of FS Formazione SpA resolved the early dissolution of the company and, accordingly, to put the company into liquidation with effect from 15 December 2011.
- On 16 December 2011 Porta Sud SpA held a Shareholders' Meeting during which it acknowledged the updated financial position at 30 November 2011. During the meeting FS Sistemi Urbani Srl expressed its intention to take steps to transform into a limited liability company.

EQUITY INVESTMENTS

Acquisitions and sales of equity investments

March

- On 22 March Trenitalia SpA acquired 25% of the stake of TX Logistik AG from the minority shareholders, which held 49%, for a consideration equal to Euro 49,340,587.00; subsequently, on 24 March 2011, it acquired the entire shareholding (the residual 24%) of TX Logistik AG from the same shareholders for a consideration equal to Euro 32,193,913.00.

April

- 30 April 2011 saw the transfer of the entire stake held by Trenitalia SpA in Tilo SA, equal to 50%, of the share capital, for a value of Euro 650 thousand, to Trenord Srl.

July

- On 22 July Trenitalia SpA acquired 50% of the French company Trenitalia Veolia Transdev S.a.s. through the payment of Euro 19 thousand; subsequently, on 27 July, the company subscribed to the capital increase resolved by the Shareholders' Meeting for the relevant share of Euro 731.5 thousand.

September

- On 29 September 2011, RFI SpA transferred the entire stake held in Italcertifer SpA to Ferrovie dello Stato Italiane SpA for a consideration equal to Euro 672,605.

EQUITY TRANSACTIONS

January

- On 24 January 2011 the Register of Companies of Rome registered the capital increase of RFI SpA for Euro 250 million, which was resolved by the Board of Directors of the company on 22 June 2010.
- On 31 January 2011 RFI SpA paid out the relevant share (13% of the share capital) of Stretto di Messina SpA following the Board of Directors' resolution dated 19 October 2010, which called for the payment of an additional 2/10 of the share capital of the company, equal to Euro 383,179,794 (fully paid up and subscribed for Euro 260,562,259.92).

April

- On 13 April the Extraordinary Shareholders' Meeting of Tunnel Ferroviario del Brennero - Finanziaria di Partecipazioni SpA approved the capital increase in cash, in a divisible form, to cover the 2011 requirements for the activities of the second phase, equal to Euro 20 million, as determined according to the needs expressed by the investee company BBT SE for the progress of works. The capital increase was subscribed and paid up for an overall amount of equal to Euro 19,484,000. On 16 May 2011 RFI SpA subscribed and paid out the relevant share equal to Euro 16,996,000; subsequently, on 20 June 2011, it further paid out an amount of Euro 450,126 following the subscription and payment of non-opted shares by the Provincial Government of Verona for a total amount of Euro 516,000.

July

- On 5 July 2011, the Quotaholders' Meeting of Network Terminali Siciliani resolved to cover the losses for the period from 1 January 2011 to 30 April 2011 through the capital decrease for an amount of Euro 39,654.00. Therefore, the share capital passed from Euro 65,272 to Euro 25,618.

November

- On 8 November 2011, the Quotaholders' Meeting of Trenitalia Logistics France Sas resolved to reduce the nominal value of the company's shares from Euro 1,200 to Euro 1 and to multiply the number of the shares that make up the company's share capital for Euro 1,200, so that the share capital is made up of 1,350,000 shares with a value of Euro 1 each and, at the same time, to settle the account "losses carried forward", which amounts to Euro 1,306,580, through a capital decrease justified by losses for the same amount; subsequently, the Meeting itself resolved to reduce the number of the shares by 1,306,580 shares, from 1,350,000 shares to 43,420 shares. Therefore, the share capital of Trenitalia Logistics France Sas, subscribed and paid up, is currently equal to Euro 43,420, divided into no. 43,420 ordinary shares with a par value of Euro 1.
- On 15 November 2011, the Quotaholders' Meeting of Italia Logistica Srl resolved to approve the company's financial position at 30 September 2011, which would report total losses of Euro 11,986,152, balancing said losses by using all reserves for Euro 6,891,814, setting the share capital to zero for Euro 5,000,000 euro and making shareholders' payments by way of share premium for Euro 94,338, an amount corresponding to residual losses, for the replenishment of the share capital. Furthermore, the Meeting resolved to increase the share capital up to Euro 900,000. On 19 December 2011 the capital increase was fully subscribed and paid up by the quotaholders FS Logistica SpA and SDA Express Courier SpA.

LOANS

June

- On 15 June Centostazioni SpA entered into a loan agreement with BIIS – Banca Intesa Infrastrutture e Sviluppo – for an amount of Euro 14 million, linked to the 6-month Euribor rate, expiring in 2019 and paid out in a single payment on 17 June 2011. The loan is aimed at optimising the capital structure of the company as well as at hedging investments relating to the 2009 – 2014 period; in this respect, we note in particular that the share of the loan destined for investments is equal to Euro 3 million and it comes indirectly from the financing of the EIB – European Investment Bank provided by means of the funds made available at BIIS and destined for SMEs.

July

- On 8 July RFI SpA entered into a loan agreement with the EIB, for an amount of Euro 300 million, linked to the 6-month Euribor rate, expiring in 2021 and being amortised on a straight-line basis starting from 2016. The loan was disbursed in a single payment on 21 July. The sums are intended for the continuation of the works relating to the "High Speed/High Capacity" Project of the Milan-Naples line. This transaction is a completely new way of accessing the financing of the EIB as it is the first loan on a "single risk" basis aided exclusively by the guarantee of the Parent Company.

August

- On 3 August 2011, GSCR – Grandi Stazioni Ceska Republika signed a loan agreement for an amount of CZK 730 million (equal to about Euro 30 million), linked to the Czech variable rate PRIBOR 6m, expiring in 2024 and being amortised starting from 2013. The loan presents some typical characteristics of the project financing and is backed, among the other securities, by a 5-year guarantee of Grandi Stazioni. The proceeds of the transaction have been used in a single payment on 9 August 2011 and are mainly intended for the repayment of a previous bridge loan disbursed by the controlling company Grandi Stazioni (Euro 27 million), while the residual amount has been used to cover the additional requirements for completing the restyling project of the Prague station.

October

- During the month, the Banca Infrastrutture Innovazione e Sviluppo (BIIS), which had the responsibility of advancing to Grandi Stazioni SpA the subsidies granted by the Ministry of Infrastructure and Transport and by the Ministry of Economy and Finance, did not grant an extension of the period of use of the loan agreement of 15 December 2003 (Loan "B") of about Euro 250 million, as envisaged in the first programme of the strategic Infrastructures (Law 443/2001) under the CIPE (*Comitato Interministeriale per la Programmazione Economica*, Interministerial Committee for Economic Planning) resolution no. 12 of 21 December 2001 and in the programme of actions for the rehabilitation and construction of the infrastructures additional to Grandi Stazioni (CIPE resolutions no. 10 of 14 March 2003 and no. 129 of 6 April 2006), which expired in December 2008. Furthermore, in November 2011, taking account of the time required for the disbursement of the grant under the Target Law (*Legge Obiettivo*) and of the updated programme for the progress of works, Grandi Stazioni SpA asked the Ministry of Infrastructure and Transports to authorize the direct disbursement of the residual grant. In December, the Ministry of Economy and Finance – Treasury Department – provided clearance and in February 2012 Grandi Stazioni SpA received clearance from the State General Accounting Department which completed the procedure of direct disbursement of the subsidy by the Ministry of Infrastructure and Transport; therefore, in March 2012 the company submitted the request for disbursement of the grant for about Euro 30 million.

OTHER EVENTS

January

- On 13 January Alstom submitted an appeal before the Council of State, against the rejection by the Regional Administrative Court (TAR, *Tribunale Amministrativo Regionale*) of the Lazio Region on 9 December 2010, by which it confirmed the result of the tender for the supply of 50 new High Speed trains. Subsequently, on 15 June the Council of State rejected the appeal filed by Alstom in January. This judgment confirmed the performance of the Company Trenitalia SpA, on a final basis and, therefore, the result of the tender for the construction of 50 new trains for High-Speed lines awarded to the RTI Ansaldo-Breda/Bombardier Transportation Italy. The purchase value of the new trains will be equal to about Euro 1.5 billion.

February

- On 4 February 2011 the Court of Auditors registered the update of the 2007 – 2011 Programme Contract, investment side, which was executed between the Ministry of Infrastructures and Transport and RFI SpA on 23 December 2010.

March

- On 16 March 2011 the Board of Directors of Ferrovie dello Stato Italiane SpA approved the Group's 2011–2015 Business Plan. The main objectives included:
    - investments of Euro 27 billion over 5 years, 6 billion of which for new trains, and Group turnover which aims to exceeds Euro 10 billion in 2015 including foreign operations. Reduction of operating costs by a further Euro 300 million with a moderate impact on the turnover of 74% and an objective of improving all the main profitability ratios (ROI transport services 7.3% - EBITDA margin 26% - EBIT margin 10%);
    - an "ad hoc" offer for the transport needs of large urban areas, re-launching cargo transport, expansion into international markets, creating the possibility for some businesses to access private and institutional capital, rendering non-core assets profitable.

April

- During the month the European tender was launched for 90 new electric trains intended for the regional railway service. The tender is another step forward in the implementation of the plan of investments worth two billion euros which was officially submitted in September 2009 by Ferrovie dello Stato Italiane SpA to the MIT, in the presence of 19 Regional Directors. This was possible thanks to the signing of Service Contracts with Regional governments, which were entered into for a duration of six years and renewable for another six, i.e. for a period that for the first time is sufficient to plan measures to develop and improve the offer and access the necessary credit lines.
- Prague central station was opened by the President of the Italian Republic Giorgio Napolitano and the President of the Czech Republic Vaclav Klaus.

May

- On 18 May 2011, the Board of Directors of RFI SpA expressed a favourable opinion with regard to rendering the Rome Tiburtina real estate complex profitable and it appointed the Managing Director of RFI SpA to implement all the necessary and/or appropriate negotiation instruments in order to entrust its management to third parties with the best conditions for the company. Therefore, a restricted tender procedure was launched, carried out at European level through the publication of the relative call for tenders in the Official Journal of the European Union on 21 June and in the Official Gazette of the Italian Republic on 22 June, with the purpose of assigning the Rome Tiburtina real estate complex for financial exploitation where practical management is entrusted to third-party businesses providing management and maintenance services. Following the examination of bids received, Grandi Stazioni SpA emerged as the highest bidder.
- On 24 May 2011 the Extraordinary Shareholders' Meeting of Ferrovie dello Stato SpA approved the change of the name to Ferrovie dello Stato Italiane SpA; on the contrary, the business name, the activities falling within the corporate purpose and the basic rules of organisation remained unchanged.

June

- On 7 June 2011 the Tuscany Region and Trenitalia SpA amended the service contract so as to take account of the postponement in the supply of new rolling stock as per contract, providing for the commitment for seven additional double-deck coach with respect to what had already been agreed. Trenitalia SpA will provide the Regional government with four totally-restructured trains and three double-deck electric trains "Vivalto" by 2011.
- On 8 June 2011 Trenitalia signed the agreement with Venezia Lines, a Maltese maritime company that operates in the North Adriatic region. It envisages reductions of 25% on tickets for catamarans to Croatia for Ferrovie dello Stato Italiane customers who arrive in Venice by Frecciargento and Frecciabianca train.

July

- On 12 July 2011, the Shareholders' Meeting of FS Trasporti su Gomma Srl changed its name to Busitalia – Sita Nord Srl.
- At 4.00 a.m. on 24 July 2011 a fire broke out in the equipment room of the Rome Tiburtina station, with heavy repercussions on local and medium/long-distance traffic which however was restored in the course of the same Sunday albeit to a reduced extent. A substantially regular service was gradually restored by 26 July. Fortunately the event did not cause any great damage to persons and its possible causes are still being verified by the investigation committee, which was promptly set in motion within the FS Group, and by the

expert departments of the Fire Brigade, as well as by the investigating bodies which became involved due to them having jurisdiction. As regards the accident, to our current knowledge, the resulting material damage is covered, with the exception of the insurance excess, by the insurance policies that the FS Italiane Group immediately set in motion, including the policy that covers Group companies for damage to third parties.

August

- On 9 August 2011 an agreement was signed between TX Logistik AG, the cargo transport company of Trenitalia, and the Dutch logistics company Har Vaessen B.V. (Jan de Rijk Group) for the creation of a new freight link between the Netherlands and Italy. The freight train from Venlo in the Netherlands to Melzo (Milan) and back will run five times a week.
- On 4 August 2011, two new E464 model locomotives entered into service, thereby bringing the number of these modern vehicles that are already circulating in Liguria to a total of 33. The new locomotives fall within the scope of the contract which was signed between Trenitalia and Bombardier in 2009, for the supply of 150 vehicles intended for the entire national territory, for an investment of about Euro 400 million.

September

- On 5 September 2011, in compliance with the objectives of the Group, the so-called “link road” for Florence S.M. Novella station was opened for railway operations; it is a part of the “bypass” system. This work has the purpose of reducing interference between High Speed/High Capacity trains and other types of traffic (long-distance, regional transport, cargo) and it is located in the area between the Florence Castello and Florence Rifredi stations.
- On 9 September 2011 the new integrated Porta Susa station in Turin was opened; it appears as a modern and futuristic station, built using innovative technology and according to a new transport concept, and envisages full integration between metro and railway. In fact, the user will be able to access the metro from the railway station and vice versa, within the same building and without ever having to exit to street level. The new Porta Susa station will be the main station in Turin for regional, national and international rail traffic and for High Speed trains. The station will not only be a point of reference for transporting people and goods by rail, but also a central reference point for hospitality and tourism.
- On 22 September 2011 the Court of Rome rejected the claim submitted by the commuters of the line Fr 8, Rome - Nettuno, who had brought a Class Action on 18 February against the transport company of the FS Group. The order issued by the Court considered that all the petitions submitted by the commuters were inadmissible. As regards the alleged economic damages, the Court declared the claim inadmissible as it considered that the rights expressed by the commuters that brought the action were not “homogenous individual rights that can be defended by means of a class action.” The claim for non-economic damages and the request to bring the service level offered into line with the standards envisaged in the service contract (the latter is an issue that, according to the order, is outside the scope of the class action) were also considered to be inadmissible and rejected.
- On 30 September the French Ministry of Transport granted the Railway Company (*Impresa Ferroviaria*) licence to Trenitalia Veolia Transdev (TVT) which then became the first private railway company authorized to operate in the passenger transport in France. TVT arrived on the international market with a new night service on the Paris-Milan-Venice stretch. The new service, operated under the Thello brand (“The train that says hello”), started in mid-December.

November

- From 7 November 2011, purchasing tickets online on the Trenitalia website – in the section “Le Frecce” (www.lefrecce.it) - became easier and more secure thanks to PayPal, the online payment system. The agreement entered into by Trenitalia and PayPal is part of a larger project for the growth and consolidation of e-commerce services, which are increasingly popular and taken advantage of by customers of the FS Group transport company.
- On 11 November 2011 RFI SpA and the General Contractor COCIV signed in Rome the contract for the works of the High Speed/High Capacity “Terzo Valico dei Giovi” line on the Milan – Genoa route. The High Speed/High Capacity “Terzo Valico dei Giovi” line will be constructed based on construction lots, as required by the 2010 Finance Law. The new High Speed/High Capacity line, which is an integral part of the Lyon/Genoa - Basel - Duisburg - Rotterdam/Antwerp European Two Seas Corridor is mainly being built in tunnels and has a total length of around 67 km. The Customer of the work is RFI SpA whereas overall supervision is entrusted to Italferr. The overall investment for the Terzo Valico dei Giovi line is Euro 6.2 billion. Works are expected to be concluded by the end of 2019.
- On 26 November 2011, the first *Frecciarossa* trains entered into circulation on the High-Speed network without the traditional division between first and second class. Instead, there are four service levels and a variety of travel solutions to ensure that the *Frecciarossa* is a train for everyone, even more than it already is, capable of meeting every need. The elimination of the two classes and the transition to four levels (Standard, Premium, Business and Executive) is a revolutionary initiative without parallel in any other country.
- On 28 November 2011, the President of the Italian Republic Giorgio Napolitano opened the new Rome Tiburtina High-Speed terminal, the first of the five large hubs connected to the High-Speed rail system to be completed. As part of the celebrations marking the 150th anniversary of the unification of Italy, Tiburtina station was named after Camillo Benso, Count of Cavour, who is considered one of the main architects of the Italian railway system. Thanks to the property development work in the spaces of Tiburtina that are no longer useful for railway operations, Ferrovie dello Stato Italiane was able to cover the cost of works carried out for the new structure. The station covers a total surface area of around 50,000 m^2, with a total investment of more than Euro 320 million, of which Euro 170 million for the main body of the station.

December

- On 1 December 2011, Ferrovie dello Stato Italiane SpA won the “2011 Accounting Oscar” (*Oscar di Bilancio*) in the “Large Unlisted Companies and Businesses” category with its Annual Report made up of the Group’s Consolidated Financial Statements and of the Parent Company’s Separate Financial Statements, as well as by the Sustainability Report, at 31 December 2010. The OSCAR - promoted, run and organised by FERPI (*Federazione Relazioni Pubbliche Italiana*, Italian Federation of Public Relations) under the patronage of the President of the Italian Republic – is unanimously recognised as a benchmark for the economic/financial and professional community and its 2011 edition bore the meaningful subtitle: “*The Award for Italy that produces, invests, grows and proudly explains how*”. The explanation provided by the final judging panel when it awarded the Prize to the FS Italiane Group was as follows: “*The Consolidated and Separate Financial Statements, as well as the Sustainability Report of the Group, show considerable improvement compared to previous years as regards the elements subject to assessment. They are, to all effects, comparable with those of a listed company, even with regard to the adoption of IFRSs (first adoption). Reading the financial statements, which are full of information, is made easier by the use of a light and* *consistent layout and a good balance between text, photos, charts and tables. The notes on the final results are complete and the description of the outlook for operations is appropriate.*"

- On 20 December 2011, during the Italian/French Intergovernmental Commission's meeting, an Agreement was signed which defines the conditions for the construction and operation of the High Capacity Turin-Lyon line, whose overall value is Euro 8.2 billion. The work, because it is a segment of the Mediterranean Corridor which links the Iberian Peninsula to Kiev, has been included in the strategic European infrastructure and can therefore apply for the maximum co-financing of 40%.

SUSTAINABILITY

The Ferrovie dello Stato Italiane Group is continuing its Sustainability journey, certain that it has taken the best route for success also in the medium/long term, particularly in difficult phases of the economy such as the current one.

In line with this belief, the FS Group took, also in 2011, a number of actions aimed at progressing in the search for a balance between economic, social and environmental aspects. These initiatives were supported, in the same manner as the core business activities, for the purpose of meeting the general interests of all stakeholders.

In particular, the importance of interaction with the environment is clear in the corporate purpose itself of the Ferrovie dello Stato Italiane Group: the construction and management of infrastructure networks for railway transport and the carrying out of the activity of transporting goods and people, predominantly by rail. Indeed, rail transport plays a key role in the creation of a sustainable transport model. For example, the regular operation, for more than a year now, of more than 1,000 km of new High-Speed/High-Capacity lines with the Frecciarossa and Frecciargento trains has contributed to improving the sustainability profile of the transport sector, as well as to changing the travelling habits of travellers. In 2011, more than 25 million people travelled using this mode of transport, thus preventing more than 600,000 tonnes of CO_2 from being released into the atmosphere. Indeed, travelling by train means that each passenger produces on average 70% less greenhouse gases than when making the same journey by aeroplane and 60% less than the same journey by car. The FS Group provides therefore a strategic opportunity for the country to achieve a sustainable development model. And it is fully aware of this.

Below are reported the main initiatives for Human Resources, Customers and Environment, promoted in 2011 by a Group which, with its 70,000 employees, 500 million customers and 50 million tons of goods per year and 9 thousand trains which circulate every day on the railway network, supports Italy towards a sustainable development model.

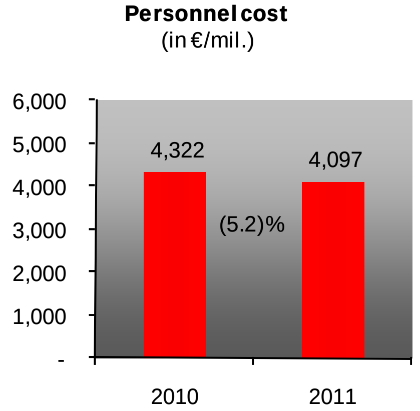
HUMAN RESOURCES

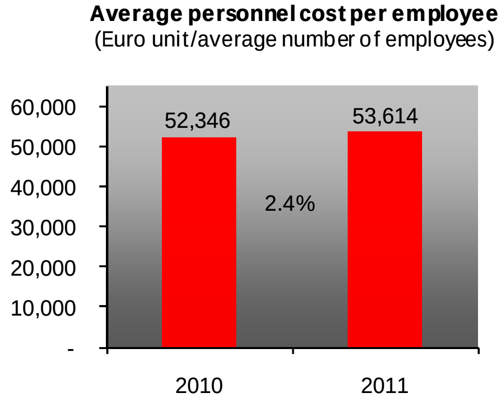
The number of Group employees passed from 80,153 units at 31 December 2010 to 73,616 units at 31 December 2011, reporting a net decrease equal to 6,537 units. A similar decrease was recorded for the average number (-6,149 units).

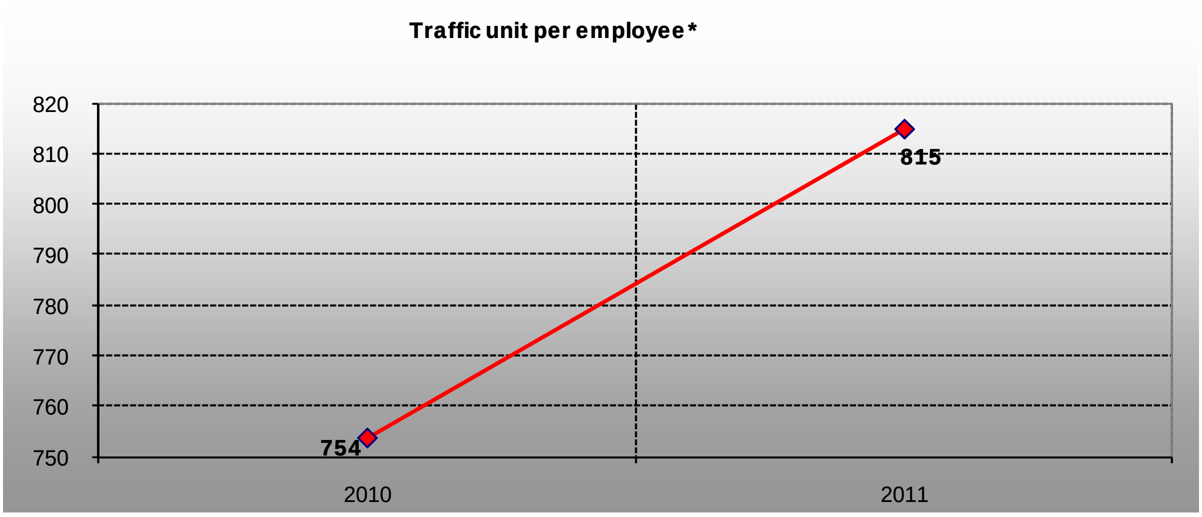
Employees at 31.12.2010	**80,153**
Ins	980
Outs(*)	7,517
Employees at 31.12.2011	**73,616**

(*) of which 6,160 terminations of the employment relationship and 1,357, net, arising from changes in the corporate perimeter (Sogin Group, Trenord, Netinera)

2010 average number	82,566
2011 average number	76,417







* For a consistent comparison, the 2010 data does not include the traffic developed by Trenord.

Industrial relations

2011 saw the application of the important understandings signed on 17 November 2010, in particular as regards:

- the production reorganisation and work organisation in the Cargo Division of Trenitalia through the start of the new driving crew module with a train driver and a multi-purpose agent in day services;

- the conclusion of local procedures for access to the extra-benefits of the so-called bilateral Fund (pension allowance), which involved in 2011 about 2,500 workers, in all sectors of the Cargo Division, as well as any persons unsuitable for security activities and the staff responsible for administrative structures and support activities of all Group companies/divisions.

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 at the technical understanding, which is not yet operational, reached on 30 September 2010 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), with the mediation of the Ministry of Infrastructures and Transport and the Ministry of Labour, in the implementation of the Memorandum of Understanding on the National Single Collective Labour Agreement on Mobility (*CCNL Unico della Mobilità*) which was signed on 14 May 2009, in the presence of the Minister of Infrastructures and Transport, the confrontation continued for the renewal of the remaining part of the CCNL of Railway Operations between the delegation of employers Federtrasporto/ Agens and the FS Group and the Trade Unions, which is still in progress.

On 25 February 2011 the Framework Agreement was signed with the Trade Unions of the sector, which allows the FS Group Companies to access, for training activities, the Fondimpresa funds, which are financed also with the quota of the grant for involuntary unemployment that the Group companies are required by law to pay from 1 January 2009.

Personnel management and development policies

The measures taken during 2011 by the FS Group with regard to human resources were aimed at increasing productivity levels and at adapting the professional skills in the Group to the new environment, both internally and externally.

The reduction in staff, consequent to the effects of introducing new technologies and to an improvement in production efficiency, was managed - in particular - both by means of early retirement packages and through the activation of the extraordinary benefits of the abovementioned Bilateral Fund. The use of these tools has allowed the downsizing of the workforce to be managed without any critical issues or conflicts.

In this context, the recourse to the external market in the search for expert personnel was very limited also thanks to an active policy of internal job posting and intergroup mobility that led to the greater enhancement of professional skills and potential of the internal resources already employed by the Group.

The recruitment of recent graduates with high potential was mainly carried out through the profitable cooperation with the academic community and through a series of targeted initiatives for this purpose, of which 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 deserves a mention.

Development of human resources focused on three activities:

- evaluation and monitoring of targets of interest to the Group;

- provision of feedback to the executives assessed between 2009 and 2011 for the return of the results of the appraisal;
- implementation of the Group's Integrated Appraisal System (*Sistema Integrato di Valutazione,* SIV).

Fund for the pursuit of active policies in support of income and employment for the personnel of the FS Group companies

It should be remembered that the so-called Bilateral 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.

As highlighted in the comments on the operations of the previous period, a trade union agreement was reached nationally in November 2010 which allowed, in subsequent months, trade union procedures to be launched at local level and agreements to be reached for the identification of surplus workers to be made redundant from March 2011 through the activation of the special benefits of the Fund.

In parallel to this, an intense relational activity with the INPS units to implement the procedures for the management of/for the Fund, thus allowing the Fund to be accessed and the special benefits to be paid out on schedule.

Training

Training in the FS Group, in line with company policy and in order to support the management in dealing with change and in facing the challenge of competition, was focused on strengthening and on developing skills for planning and control, management and coordination of people and innovation and on the maintenance and updating of technical and specialist knowledge.

Within the scope of institutional training, induction courses were also continued on the main railway processes, aimed at recently recruited young people in the various operating companies of the Group (Trenitalia, RFI, Italferr, Ferservizi, GrandiStazioni and Cento Stazioni, FS Logistica and FS Sistemi Urbani).

With regard to managerial training, activities continued in relation to two major projects: the first relates to "Strategic Skills Development", it is aimed at executives and focuses on subjects of people management and innovation; the second supports and strengthens the role of "Top Managers" and is focused on subjects of planning, decision-making, leadership and coordination.

To support managerial and company training courses, the new version of the "Training" section on the Group intranet site was developed; named "Direct Line", as well as being an archive of educational material, it will allow consultation of innovation projects developed by intercompany and inter-functional teams of executives participating in training courses and consultation of best practices developed in the environment of Top Manager training.

Technical and professional training continued to focus on updating regulations and working methods for specific professional categories.

Health and Safety at Work

Health and Safety at Work is a key element for the FS Group in the development of its business nationally and internationally. The 2011-2015 Business Plan reiterates and emphasises this value, reaffirming the commitment to ensure an ever higher level of safety for each activity carried out by staff, also by constantly reinforcing organisation and safety management models.

In the current five-year period (2011-2015), the main objectives, in line with the improvement guidelines of the European Union, are the reduction of the total number of accidents by 25% and the reduction of the accident rate by 10% (number of accidents per 1,000 employees).

In order to make the achievement of these objectives more pressing, a performance indicator for safety at work was included for the first time in 2011 in the criteria for assessing the performance of top managers and executives of Group companies: "Rating of organisational quality of safety at work". The fixed benchmark objective was the reduction in the accident rate value by 2%, expressed for the Group and for the individual companies.

The activities carried out in 2011 were focused on the full implementation of the objectives for the reduction of accidents and the improvement of prevention in accordance with the new 2011-2015 medium-term guidelines and the adaptation of the prevention measures to the new regulations that were introduced in 2011.

In this context, Trenitalia completed the procedure for the certification of the integrated management system for safety at work, environment and quality of its production units, in accordance with the OHSAS 18001/2007, ISO 14001 and ISO 9001 standards.

Furthermore, an in-depth analysis was carried out on the legislation and case law pertaining to the obligations of employers with regard to employees sent abroad, which is an increasingly relevant subject given the growth of the Group internationally.

The trend in accidents at work concerning the main Group companies (Ferrovie dello Stato Italiane, RFI, Trenitalia, Ferservizi and Italferr), on the basis of the data provided by the insurance entity INAIL (*Istituto Nazionale* per *l'Assicurazione contro gli Infortuni sul Lavoro*, National Institute for Insurance against Accidents at Work) with reference to accidents compensated in the 2005-2011 period (the data relating to 2011 have not yet been consolidated), shows a constant improvement as a result of both a fall in the number of accidents and a reduction in the accident rate.

The objective of reducing the instances of accidents by 15%, as set by the previous DG 113/2008 for the 2008-2010 period, was met and exceeded, with an actual reduction equal to 21% being recorded. The improvement in the management of safety activities is highlighted by the reduction in the accident rate which, in 2010, was equal to 38.18, allowing an overall reduction in percentage terms of 4.7%.

The 2011 data, although being defined, shows a marked improvement on the objectives: the reduction of accidents, assessed on the basis of accidents compensated and accidents not yet processed by INAIL, is more than 10% compared to the pre-set target of 5%; likewise the reduction of the accident rate is around 5% compared to an objective of 2%.

In this regard the completion of the third-party certification on safety at work, the environment and railway traffic is still in progress.

ENVIRONMENT

In 2011, the project for the development of the Group's Environmental Management System (SGA, *Sistema di Gestione Ambientale*) was carried out with the conclusion of the European tender for the supply of professional services to support the Parent Company and the operating companies in implementing the relative Environmental Management Sub-Systems. The Group's Environmental Policy was issued, followed by the preparation, or updating, of the Environmental Policies of RFI, Trenitalia, Italferr, Ferservizi, FS Sistemi Urbani and FS Logistica. Finally, during 2011, the training course on environmental matters was finally launched, targeted at staff in the new Environment professional category which groups together professional staff in the operating companies that hold a role of coordination and control within the SGA Project.

The Group initiated a major project to adopt an IT solution for the planning, monitoring and reporting of Sustainability, with the objective of:

- supporting the application of the Sustainability Governance Model;

- promoting integration with the business planning process;
- facilitating the reporting of Sustainability indicators to increase the reliability of the information.

Furthermore, work is continuing to ensure the proper adoption of the procedures required by the SISTRI system (*Sistema Informatico di Rintracciabilità dei Rifiuti*, Waste traceability control System) within the operating companies of the Group, monitoring changes in legislation, identifying critical issues generated within the railway premises and participating in working groups with the Technical Office of the Ministry of the Environment and the Confederation of Italian Industry, Confindustria.

The Group's attention to promoting a sustainable transport system aimed at reducing levels of traffic congestion and air pollution in densely populated areas was also expressed by the launch of a series of activities to facilitate the mobility of staff in the company. During 2011, 28 Mobility Managers were appointed by 8 Group companies, in the 14 main urban areas in Italy.

The main initiatives carried out by the Group Companies in 2011 are listed below:

- The promotion of a 'green procurement' approach in procedures for the purchase of goods and services, which envisages the inclusion of environmental criteria in the technical specifications of new tenders (Trenitalia introduced environmental criteria into the tender for the supply of paper for train tickets while Ferservizi took action in the tenders relating to the purchase of service vehicles and in those for the supply of furnishings and for office paper). The new fittings of the Frecciarossa trains were also chosen in consideration of environmental sustainability factors (LED lighting in carriages, replacement of fibreglass with recyclable materials, seat leather obtained from certified producers with low environmental impact, water-based paints).
- The realisation of the twenty-first edition of the "Green Train" campaign, in collaboration with the Italian environmental organisation Legambiente, to monitor air quality and noise pollution in towns and make citizens aware of environmental issues.
- The formulation of the "Green Facility Project" aimed at optimising energy standards in the 64 industrial sites owned by Trenitalia.
- The reduction of CO_2 emissions in the technical facilities of Trenitalia which was achieved not least because of compliance with the advice shown in the "Guidelines for the rational use of energy and water resources" issued in February 2011.
- The testing by RFI of a solution in Fabriano station for the remote management of systems relating to additional services; this allows the adjustment of station area and platform roof lighting according to rail traffic, wireless monitoring of water and gas meters and command and control of point heating in accordance with indicators measured by a weather station.
- The start of research by RFI aimed at developing the "INAC 3D" software to allow the current acoustic simulation system to be integrated with the system for designing the noise barriers. Moreover, RFI started the preparatory phases for the testing of a system to reduce train noise at source using mechanical devices applied to the tracks (rail dampers).
- The entering into of a contract between FS Sistemi Urbani and RFI in order to identify assets owned by FS Sistemi Urbani in connection with aspects of environmental safety.
- The definition of a plan by Italferr for the improvement of environmental monitoring and performance, though the application of a methodology for the calculation and elimination of greenhouse gas emissions and a methodology for the evaluation of the environmental sustainability of the railway infrastructures. In this context, Italferr received major recognition, the "Merit Award", from the certification company SGS, for having integrated the three systems of Quality (ISO 9001), Environment (UNI EN ISO 14001) and Health and Safety at Work (BS OHSAS 18001) into a single Integrated System.

- The implementation, by Italferr, of the SIGMAP (*Sistema Informativo Geografico Monitoraggio Ambiente e Progetti*, Geographic Information System for Environment and Project Monitoring) database, with a new section dedicated to environmental reclamation works.
- The publication of the Environmental Watchdog portal, which is the result of the shared commitment of the Ministry of the Environment and Land and Sea Protection, RFI and Italferr to promote a wide dissemination of information about the environmental quality of land affected by railway activities.
- The development, by Italferr, of the Cartography Portal in order to gather local geographic information and share thematic maps, which can then be accessed by internal users thanks to the GIS web portal. This cartographic information is suitably rearranged and then made available to the public through the information websites created by Italferr.

Energy

During the year, the energy monitoring and analysis activities continued in the operating companies of the Group, designed to ensure greater efficiency. Following a process of accurately identifying the points of collection and separation of utilities, it was possible to carry out measures aimed at rationalising electricity (and water) consumption.

The main initiatives were:

- The adaptation, by RFI, of documentation pertaining to station systems to include an LED lighting system in stations, platforms and underpasses in the technical specifications.
- The continuation, by RFI, of testing on the Multifunctional Energy Platform at the Catanzaro Lido railway yard, for the application of technological solutions to produce renewable energy. The platform is made up of a system fuelled by biomass energy, a mini wind turbine and a solar photovoltaic system.
- The completion, by Centostazioni, of the energy investigations for the issue of the Energy Certification pertaining to the passenger buildings of Ancona, Brescia, Campobasso, Ferrara, Novara and Trieste stations.
- The adaptation, by FS Logistica, of the lighting plant for the lighting towers at the Padua freight terminal.

As regards renewable energy sources, the companies of the Group are committed to promoting the use of these sources and highlight this in calls for tender for the supply of electricity (Grandi Stazioni asked for 20% of the supply to be from certified renewable sources).

Emissions into the atmosphere

The Ferrovie dello Stato Italiane Group, in addition to the abovementioned activities to improve energy efficiency, carried out various activities aimed at reducing greenhouse gas emissions such as: technical studies on containing energy dispersion; analyses aimed at mapping buildings in order to optimise actual consumption; daily monitoring of the emissions of heating and cooling plants. Within the context of the works to upgrade the main stations, Grandi Stazioni also started the executive phase of the project for the construction of the new high-output heating plants, which will gradually replace the oil-fired ones.

Busitalia-Sita Nord purchased 15 new buses with exhaust control engines, to replace the same number of more dated vehicles.

Noise impact

In order to contain noise pollution from rail traffic, various measures were carried out in 2011:

- Trenitalia carried out analyses and measurements of acoustic environments in various local facilities (workshops, depots, stations) and close to the areas where the ETR500 locomotives stop.
- Italferr developed acoustic and vibration studies in the preliminary, definitive and executive planning phases for various stretches (Fortezza-Verona line, San Lorenzo–Andora stretch, Rho-Gallarate stretch) and railway junctions (Turin Junction, Genoa Junction).

- RFI carried out acoustic mapping of the main railway axes with more than 30,000 transits per year in urban areas with an average population size, in accordance with the requirements set out by Legislative Decree no. 194/2005.
- In relation to the measures for the containment and reduction of noise on existing lines, work continued as envisaged by the RFI Reorganisation Plan, which was approved by the Joint State-Regions Conference (*Conferenza Unificata Stato-Regioni*) in July 2004.

Contaminated sites

The activity for land reclamation and recovery was continued by Italferr. Within the infrastructural upgrade of the Genoa Junction, reclamation works (1st segment) started for Tabacchi Park with simultaneous monitoring during execution; the monitoring during execution of the first phase of the reclamation works was completed for Genoa Brignole station and post-operational monitoring started pending the restart of the reclamation works; as regards Genoa Piazza d'Armi station the reclamation project was approved and the pre-operational phase of environmental monitoring started; as regards Genoa Terralba station, additional risk analysis work was requested and activities of monitoring groundwater are in progress.

Reclamation actions were taken according to the project approved by the authorities for the Viadotto Fiumarella area (Catanzaro Lido).

As regards the rail connection between the Port of Taranto complex and the national network, characterisation plans for three areas that fall within the contaminated site of national interest of the Port of Taranto were prepared and subsequently approved by the Ministry of the Environment and by the Puglia ARPA (*Agenzia Regionale per la Protezione Ambientale*, Regional Environmental Protection Agency) for Puglia in the Services Conference.

As part of the works for the new High-Speed terminal in Bologna, reclamation activities for the soil matrix were completed and the reclamation activities for the groundwater matrix are currently being planned.

Similar land reclamation and recovery activities were continued by Trenitalia on 19 sites, 3 of which are of national interest.

Archaeology

Italferr carries out preventive archaeological studies and research during the planning phase in order to identify and resolve any critical issues that could be caused by the new railway network. The outcome of such activities allows the locally responsible Archaeological Supervisory Offices to formulate their opinions on the projects examined and lay down the rules for the construction phase of the major railway works.

During 2011, Italferr carried out various archaeological studies and research at the same time as planning a number of stretches and rail interventions such as: the Palermo–Catania Line, the Novara Junction and the Ciampino–Capannelle stretch. Italferr also performs activities to provide on-going support to the works management of contractors, carrying out periodical checks on the progress of works, identifying solutions for the management of excavations and managing relations with the Supervisory Office.

SAFETY

Operation of the Network

The monitoring of rail accidents occurring on the National Railway Infrastructure (*Infrastruttura Ferroviaria Nazionale*, IFN) managed by RFI is carried out by means of input from the Safety Database (*Banca Dati Sicurezza*, BDS) in accordance with the international criteria in force (Ministerial Decree 138T of 31/10/2000). In particular, as the FS Group has joined the UIC (*Union Internationale des Chemins des Fer*, International Union of Railways) as an active member, both the criteria provided by Fiche A91 of the UIC and those of Directive 2004/49/EC as amended (Eurostat) and adopted by Italian legislation with Legislative Decree 162/2007 are used for benchmarking and internal analyses. Given that the criteria adopted for the definition of an «accident» are consistent, in brief:

- the Eurostat statistics (Directive 2004/49 as amended) refer to accident data relating to all Infrastructure Operators operating in the individual country, thus also including all the Regional Operators for Italy;
- the UIC statistics (Fiche A91UIC) refer only to Operators of the individual country that are members of the organisation (only the FS network for Italy).

In the Eurostat data, as opposed to that of the UIC, accidents were also included that occurred in the vicinity of tracks that were temporarily closed. The category of accidents at level crossings, according to international benchmarking (UIC/ERA), includes both collisions with obstacles on the level crossing (vehicles etc.) and the running over of persons who wrongfully cross the tracks when the level crossing is closed. In terms of internal analysis, it is possible to break accidents down into those that are closely connected with rail traffic (Typical) and those that are caused by the wrongful behaviour of people (Atypical). Therefore, in implementation of the legal obligations concerning rail accidents using the criteria of Directive 2004/49 EC as amended, the following accidents were recorded in RFI's Safety Database in 2011:

- 6 "collisions" of trains against 2 in 2010;
- 4 "derailments" of trains against 3 in 2010;
- 82 instances of "damage to persons" caused by moving rolling stock against 80 in 2010;
- 2 "others" against 3 in 2010;
- 18 at level crossings against 15 in 2010;
- 0 fires involving rolling stock as in 2010.

The "research and development activities" paragraph lists all the initiatives aimed at maximising the safety of the railway infrastructure.

Transport Operation

In 2011 the frequency of "typical UIC" accidents relating to Trenitalia fell to 5, against the 7 recorded in 2010. The commitment to safety concerned various areas of intervention and actions in the technological and organisational fields included in the annual Safety Plan.

With reference to the Operational Safety Management System (SGSE, *Sistema di Gestione della Sicurezza dell'Esercizio*), note the continuation of the activities for updating and continuous improvement of the system, in accordance with the relevant national and international principles. In this perspective, taking account of the experience feedback, some SGSE procedures were changed and integrated in order to make them more suitable to the organizational changes that have occurred over time.

30 November 2011 saw the updating of the Safety Certificate, part A and part B, which had been obtained in March 2011, to carry out cargo and passenger traffic on the national railway infrastructure (IFN, *Infrastruttura Ferroviaria Nazionale*). Furthermore, December saw the updating of part B of the Safety Certificate on the French railway infrastructure (which

was obtained in 2010) for the section of the Cuneo - Breil – Ventimiglia line in France, for the purposes of performing passenger transport services.

Finally, the activity continued for the processing of the Regulations relating to operational safety (Railway Company Operating Regulations – DEIF, *Disposizioni Esercizio Impresa Ferroviaria*) and Instructions (Railway Company Operating Instructions – PEIF, *Prescrizioni Esercizio Impresa Ferroviaria*) to deal with particular aspects of safety.

CUSTOMERS

2011 was characterised by an improvement in the offer in the Market Service segment**, which increased by +4%**, and by the introduction, as we will discuss below, of the diversification in service levels.

The main developments in 2011 were:

AV – Frecciarossa

- reorganisation of the system of Milan-Rome non-stop trains in order to provide better/more homogeneous coverage of time bands, with trains now arriving before 9.00 a.m. in Milan and Rome, and trains departing every hour between 6.00 a.m. and 7.00 p.m.;
- strengthening the Turin-Rome offer (+ 5 connections from the beginning of the year compared to the previous year) with the introduction of new direct connections to Naples (+2 from the beginning of the year, +4 additional connections from June 2011);
- 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);
- introduction of an incremental service package on “code red” days”, days with peak traffic demand, with around 3,000 additional seats with the objective of satisfying unmet demand.

The resulting service model has been focused on three types of trains:

NON-STOP TRAINS Milan Centrale - Rome Termini: hourly scheduled timetables (from 6.00 a.m. to 7 p.m.) which connect the two cities with a 60-minute frequency extending the spot service to Naples C.le or Turin Porta Nuova / Porta Susa. The number of daily connections is equal to 28 + 6 on a periodical basis.

STANDARD TRAINS Milan Centrale - Rome Termini: This system is the backbone of the Frecciarossa offer and connect Milan Centrale, Bologna Centrale, Florence Santa Maria Novella and Rome Termini with hourly frequency connections (between 6.00 a.m. and 8.00 p.m.) on Milan Centrale, Bologna Centrale, Florence Santa Maria Novella and Rome Termini; and with systematic extensions of the service from/to Naples Centrale and spot extensions to Salerno and Turin Porta Nuova / Porta Susa. 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. The number of daily connections is 32 + 6 trains at the beginning/end of the day.

TRAINS Turin Porta Nuova – Milan P.G. - Rome Tiburtina. This is a type of service which connects Turin to Rome in the time bands with high mobility demand. It includes intermediate stops in Turin Porta Susa, Milan Garibaldi, Milan Rogoredo, Bologna Centrale and Florence Santa Maria Novella. Trains continue on to Rome Termini or Naples Centrale. The number of daily connections is equal to 12.

On the product/service innovation front, 2011 marked a major turning point as a result of the abolition of the traditional 1st and 2nd classes. They were replaced by the new Frecciarossa service levels which confirm the Ferrovie dello Stato Italiane Group as a pioneer of experimentation and innovation in Europe.

In fact, the first commercial trains made with completely renovated Frecciarossa carriages entered into service offering a tailor-made service for the various types of customers; from the possibility of travelling quickly and comfortably at advantageous prices in Standard to the opportunity to indulge in a trip in Executive with all the optional extras and in elegant and highly refined surroundings, and with an even wider intermediate choice thanks to the Premium and Business service levels. This latter is characterised by the possibility of choosing the relaxation and privacy option offered by the two 4-seater loungers (renovated and with two large monitors) or a seat in the Silent Zone, where you can travel without the background noise of ringtones and telephone conversations.

As early as December 2010, the new Frecciarossa train, thanks to the Wi-Fi system and to 62 on-board monitors for all service levels, provide access to broadband Internet through the cooperation with Telecom Italia that has constructed an appropriate infrastructure for Trenitalia.

Furthermore, it offers more comfort provided by large ergonomic seats (in leather for three of the four service levels), more baggage space, new LED lighting and a wide range of services to make the journey a pleasant and relaxing experience such as gourmet meals designed by famous chefs (Executive), welcome drinks (Executive, Business, Premium), magazines (Executive) and daily newspapers in the morning (Executive, Business and Premium) and video entertainment for all levels of service.

AV Frecciargento

In 2011, the High Speed Frecciargento train offer, in continuing in the direction already defined in 2010, was characterised:

- by the installation on board (ETR 600 fleet) of the Wi-Fi/Internet system in the same manner as what has been implemented for the Frecciarossa train;
- by the strengthening of connections on the Rome-Venice route, extending the service from/to Naples, and on the Rome-Verona route;
- by the streamlining of stops on the Rome-Bari route, consistently with the market demand;
- by the review of the timetables of the existing connections for a better coverage of time bands and for enlarging the system of connections with the local offer.

Specifically, for any route served by High Speed Frecciargento trains:

Rome-Venice: The offer includes a system of standard trains with hourly scheduled timetables from 6.00 a.m. to 8.00 p.m., which make intermediate stops in Florence Santa Maria Novella, Bologna Centrale, Padua and Venice Mestre. 2 of them have Naples Centrale as their origin/destination, while 2 trains from/to Venice Mestre continue on to/leave from Udine. The standard offer also includes 2 Fast trains, which only stop at the stations of Padua and Venice Mestre; June 2011 will also see a couple of additional trains in the bands with higher demand. The number of Rome-Venice connections is equal to 30, of which 2 fast trains (in 2010: 26, of which 2 fast trains).

Rome-Verona: In June 2011 the offer was increased with the introduction of 6 new trains; furthermore, all North-South timetables were remodulated to allow systematic arrival in Rome at minute 50. From August 2011 the offer is made up of 10 trains distributed in time bands with higher mobility demand. 4 of them have Bolzano as their origin/destination and 4 have Brescia. The number of daily Rome-Verona connections is equal to 10 (6 in 2010).

Rome-Puglia: The number of stops served has been rationalised, above all by cancelling minor stops which are more appropriate for local transport, thereby providing advantages for journey times. The timetables of some connections have been changed to respond to market needs and to allow connections to the local transport. The number of Rome-Bari connections is equal to 8, 2 of which have Lecce as their origin/destination.

Rome-Reggio Calabria: The offer remained unchanged: two trains with intermediate stops in Naples Centrale, Salerno, Paola, Lamezia Terme and Villa San Giovanni. The number of Rome-Reggio Calabria connections is equal to 2.

Freccia Bianca

The Frecciabianca product travels on traditional lines and serves three main lines: Padana Cross Road (Turin-Milan-Venice/Udine/Trieste), Adriatic (Milan-Bologna-Ancona-Bari/Lecce/Taranto) and North Tyrrhenian (Rome-Genoa-Milan).

The frequency and regularity of the schedules for Frecciabianca trains suffered repercussions as regards punctuality rates as a result of the exceptional situations that occurred during 2011; in particular the North Tyrrhenian route had to deal with problems caused by changes in traffic flow following the fire that occurred at Rome Tiburtina station at the end of July and with flooding in the Cinque Terre region in October 2011.

The "**Contributed Universal Service"** segment included all trains which fall within the scope of the Service Contract with the State. The service contract for long-distance routes provided, under article 12, for a check of economical sustainability to be carried out at the end of 2010, with prices or products adapted as a consequence. As a result of this, the 2012 timetable launched the new model of products offered to the customer, MIT; this timetable sees all night trains from the South stopping at the Rome hub and trains from Puglia stopping at Bologna. Passengers travelling on from these two hubs towards the cities of northern Italy can continue their journey using High-Speed trains. The prices of these connections have remained unchanged even though High-Speed stretches of track are used.

Finally, **the Intercity product** was characterised by a review of its configurations which affected the segment out of the scope of the service contract with the State, providing for actions to streamline the offer.

In 2011 the **Regional Transport** segment recorded a 4.4% increase in revenues from traffic, equal to Euro 31 million, compared to the previous financial year. This change was mainly linked to the increase in regional fares which increased by 5.5% on average, against a reduction in volumes equal to 0.8% linked to the reduction in the services offered (-3.4%) as required by the customer Regions.

Customer satisfaction data also recorded improvements; specifically, overall travel customer satisfaction passed from 68.7% in 2010 to 71.6% in 2011; as regards the quality of cleanliness perceived on board regional trains, a 11.3% improvement was reported compared to 2010, passing from 40.9% in 2010 to 46.2% in 2011.

Furthermore, 2011 saw the completion 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". In fact, service contracts were signed with the Regional Governments of Calabria and Piedmont, while the other contracts had already been signed in the previous two-year period. 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 related contract is still in progress with the State.

The formalization of Service Contracts, with an initial term of 6 years, plus 6 years, allowed the planning of medium-to-long term resources, which *inter alia* allowed a plan to be started for the renewal of the rolling stock functional to the improvement of the local transport.

As regards the **regional transport segment**, it is appropriate to remember the situation that arose in the course of the year as a result of the various public finance acts. Only in the second half of 2011, the Government took steps to allocate the various financing sources, which had been assumed in the course of the previous months, in the National Budget, thus providing the necessary coverage of both funds to the Regional Governments and the funds envisaged under article 25 of decree law 185/2008.

The recent Legislative Decree no. 1 of 24 January 2012 bearing "Urgent measures for competition, development and competitiveness" (*Disposizioni urgenti per la concorrenza, lo sviluppo e la competitività*) provides, under article 25, for the

Regional Government's obligation to launch tenders for the Regional transport service. This decree will be implemented upon the expiry of the contracts in place with Trenitalia. The contracts in question are expected to expire, in most cases, in 2014. In this regard, note that the service contract with Emilia Romagna will expire on 30 June 2012; in compliance with the abovementioned Decree, relating to liberalisations on the Local Public Transport, the tender formalities shall have to be fulfilled for this contract.

It is absolutely evident, as more specifically referred to below, in the paragraph on the outlook of operations, that the new legislative scenario could modify, as a result, the commitments undertaken by Trenitalia with the Regional Governments in defining the Service Contracts, with specific regard to the amounts to be intended for investments.

For the **Cargo segment** the industrial production index showed a decline in industrial production of about 1.0% compared to the previous year. This context had an impact on the railway transport market in Italy through a weak demand for transport, notwithstanding a strong offer of services from rail and road transport operators, in order to defend their market shares, also through price leverage.

The policy implemented has allowed the maintenance, despite the crisis, of the share of volumes of traditional and combined traffic recorded in the previous year.

Below are the main actions taken in the various customer segments:

- Traditional Traffic:

Iron and steel sector: Direct intervention on the main international industrial customers for the purpose of acquiring the management of traffic. The export commercial offer has been targeted at services in which the market showed good performance, i.e. "special productions" intended for the German mechanical and automotive industry and at "heavy products" intended for North African markets (with use in public works and infrastructures).

Automotive sector: the commercial action has been driven by the extension of trade agreements, the definition of a global offering to the customer, while offering part of the services previously offered by third parties.

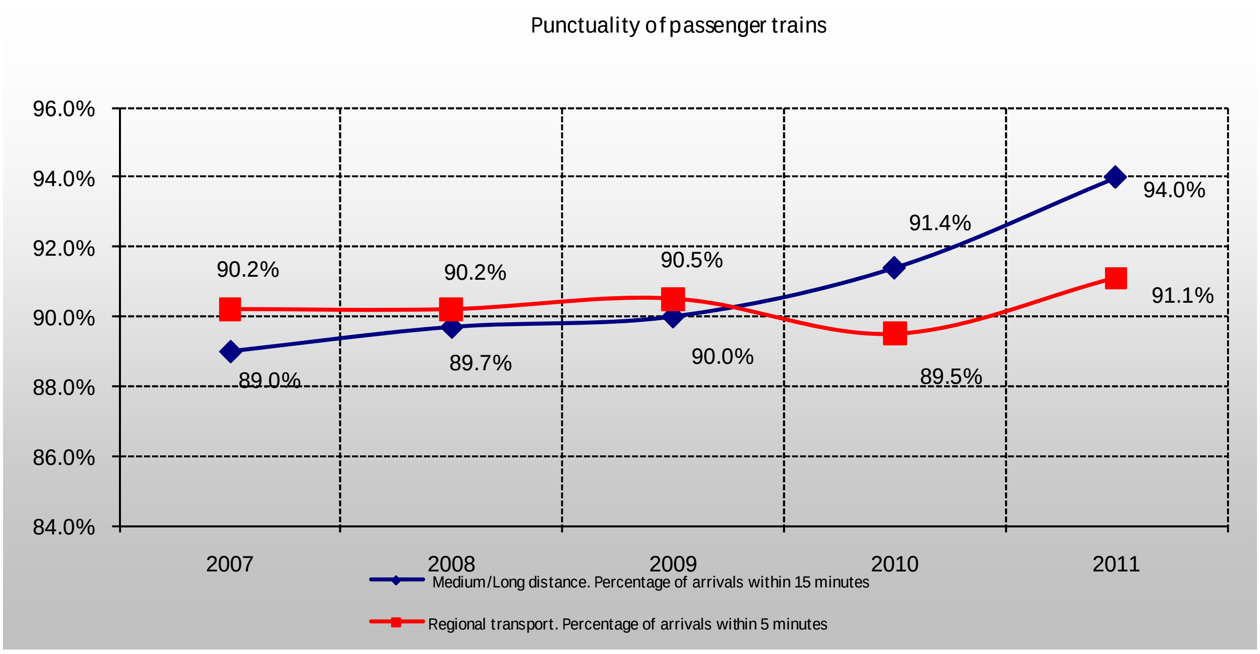
Raw Materials sector: new multimodal services have been proposed for the specific needs of the customers (in the Large Scale Retail Trade [*Grande Distribuzione Organizzata*]), offering daily connections between the main Terminals and the Central Italy area and reactivating some services directed to Sicily on a weekly basis. Furthermore, the traffic to France was consolidated for cereals, also offering train drive services abroad with Trenitalia staff.

Chemical sector: the commercial offer was also reorganised because of the changes made to the supplies by the companies in the energy sector, with a significant reduction in the use of coal. Furthermore, the partnership was improved for the development of traffic abroad, through subsidiary companies operating on the North-Europe network (TX Logistik).

- Combined traffic:

Long-term trade agreements were entered into with the major customers, targeting the commercial action to a recovery of international traffic, which was also threatened by the scarce industrial production recorded in the neighbouring areas, in particular in Spain and Great Britain. The National offer was focused on the identification of the primary network of inland terminals and of ports, while focusing offer on round-trip trains in order to reduce its production costs and to generate a more competitive offer. Commercial synergies were also started with the subsidiary Serfer and with other railway companies operating at regional level.

As regards the "Universal Service", actions were aimed at maintaining planned volumes, for both cargo and multi-customer trains.


Punctuality of passenger trains
96.0%
94.0%
92.0%
90.0%
88.0%
86.0%
84.0%
90.2%
90.2%
90.5%
91.4%
94.0%
91.1%
89.0%
89.7%
90.0%
89.5%
2007
2008
2009
2010
2011
Medium/Long distance. Percentage of arrivals within 15 minutes
Regional transport. Percentage of arrivals within 5 minutes

MACRO-ECONOMIC SCENARIO

During 2011, the international economic environment was characterized by a situation of growing uncertainty and by the deteriorating trend in development prospects.

The economic activity was affected by events, some of which were already known - as the ongoing financial crisis and the sovereign debt of some European countries -, while other were unexpected, such as the revolts in North Africa, the armed intervention in Libya and the very strong earthquake in Japan.

Global Economic data	**2010**	**2011**
	(% change over the previous year)	
GDP		
World	5.2	3.7
Developed countries		
USA	3	1.7
United Kingdom	1.8	0.9
Eurozone	1.8	1.5
Emerging Countries		
China	10.4	9.3
India	10.4	7.6
Latin America	6.6	4.4
World Trade	15.5	6.5
Oil	($ per barrel)	
Brent	79.9	111.6

Source: Prometeia Rapporto di Previsione gennaio 2012 (Forecast Report of January 2012)

The economic situation that has emerged has led to a difference in the performances of different countries and regions, as has been happening for several years; the slowing down of economic activity in advanced economies contrasts with the growth in emerging and developing economies, even if this latter slowed down slightly towards the end of the year due to uncertainties in the international context and the reduction in domestic demand.

In view of this, the monetary authorities of countries with advanced economies adopted stimulus measures, whereas the approach was quite restrictive in emerging countries, with a gradual slackening during the year.

In terms of percentage changes, the world GDP increased by 3.7% (5.2% in 2010), with much higher rates for emerging economies (the highest being China 9.3% and India 7.6%) than advanced economies (USA 1.7%, Eurozone 1.5%, United Kingdom 0.9%). Barter trades also recorded a sharp deceleration (6.5% compared to 15.5% in 2010), while the Brent oil price recorded an increase of almost 40% compared to the previous year.

In the Euro zone, the economic situation, after a fairly positive start to the year, worsened because of the growing tensions on the markets caused by signs of crisis in the levels of sovereign debts.

Economic growth in the area was modest (1.5% of annual percentage change in the GDP) with different countries performing differently; on the one hand Germany, Europe's dominant economic power, grew at twice the rate (3.0%) with France recording a rate close to the average figure (1.6%) and at the other extreme Portugal (-1.7%) and Greece (-6.8%), whose enormous public debt has made it necessary to implement a number of actions aimed at avoiding default.

In terms of inflation, a considerable increase in rates was recorded in 2011 compared to the previous year; the overall figure for the Euro zone was equal to 2.7 per cent, which reflects slightly lower rates for some countries such as France and Germany (2.4%) and higher rates for others, including Italy (2.8%) and Spain (3.1%).

Internal demand grew significantly less than in the previous year in average terms of the entire area (0.6% in 2011 against 1.0% in 2010). Also in this case there is a distinction between countries with higher growth, including France (1.8%) and Germany (2.4%) and others which recorded negative growth, such as Italy (-1.1%) and Spain (-1.7%).

France 1.7 2.4
Italy 1.6 2.8
Spain 2.0 3.1
Domestic demand (% change over the previous year)
Eur
Gern
Fran
Italy
Spai
Source: Prometeia Rap

Eurozone Economic data	2010	2011
GDP (% change over the previous year)		
Eurozone	**1.8**	**1.5**
Germany	3.6	3.0
France	1.4	1.6
Italy	1.4	0.3
Spain	-0.1	0.7
Inflation (% change over the previous year)		
Eurozone	**1.6**	**2.7**
Germany	1.2	2.4
France	1.7	2.4
Italy	1.6	2.8
Spain	2.0	3.1
Domestic demand (% change over the previous year)		
Eurozone	**1.0**	**0.6**
Germany	2.3	2.4
France	1.3	1.8
Italy	1.6	-1.1
Spain	-0.9	-1.7

Source: Prometeia Rapporto di Previsione gennaio 2012 (Forecast Report of January 2012).

As regards Italy, the main causes of economic growth that is significantly slower than the average for the Euro zone are to be found in the slowdown in global economic activity and, from the second half of the year, in the strong tensions on the market triggered by the state of the national debt of Italy.

After a feeble growth in the 1st quarter (0.1%) and in the 2nd quarter (0.3%), the cyclical profile of the economic situation, as measured in terms of GDP growth, showed a decline in the 3rd quarter (-0.2%) and entered into recession in the 4th quarter (-0.6% according to the last national accounting data). On an annual basis, GDP grew only by 0.3%.

Inflation at the end of the year was 2.8 per cent in Italy, fuelled by the rise in oil products. On the other hand, the weak increases in salaries and the uncertain prospects on the employment market curbed consumption. Investments also declined as a result of uncertainties regarding the economic situation and on-going difficulties in the credit market. As already referred to, internal demand decreased by 1.1% on average per year.

Italy Economic data	I Q	II Q	IIIQ	IV Q
	(% changes)			
GDP	0.1	0.3	-0.2	-0.6
Domestic demand	-0.8	-0.3	-0.9	-0.9
Household spending	0.0	0.1	-0.2	-0.5
PA* and ISP** spending	0.4	0	-0.6	-0.3
Gross capital formation	-0.5	0.1	-0.8	-1.3
Costructions	-0.4	-1.1	-1.2	-1.5
Other investment assets	-0.6	1.3	-0.5	-1.0
Imports of goods and services	-2.6	-1.2	-1.1	-1.4
Exports of goods and services	0.4	1	1.6	-0.4

Source: Prometeia Rapporto di Previsione gennaio 2012 (Forecast Report of January 2012)

* PA = *Pubblica Amministrazione* , Public Administration

**ISP = *Istituzioni Sociali Private* , Private Social Institutions

Performance of the relevant markets and of the national railway traffic

An analysis of trends in the land, sea and air transport of passengers and goods sector shows a picture of general uncertainty with strong signs of a slowdown towards the end of the year.

In 2011 cargo transport was affected by a substantial stagnation (+0.1% compared to 2010) in industrial production and by an increase in barter trades (export +6.2%; import +0.7% compared to 2010), which was lower in percentage terms compared to the previous year. Air transport, which was affected by the phase of recession in the second half of the year, the growth in tonnes handled was limited to 3.5% compared to 2010. Milan Malpensa confirmed itself as the first cargo transport airport in Italy by volume of cargo handled (about 48% of the total), with a change of 4.2% compared to 2010. Highway traffic also showed worrying signs, above all at the end of the year. Flows, as measured in heavy vehicles/km, showed growth of just 0.3% in the period from January to November 2011. A slight growth was also recorded by maritime transport of containers in the main Italian ports, as demonstrated by the data in the first 9, 8 and 11 months of 2011, respectively: Genoa (+4.7%), La Spezia (+5.3%) and Taranto (+9.6%).

Passenger transport was also characterised by uneven performance and fluctuating trends in the various sectors.

2011 recorded a total growth of 6.4% in the air traffic, with a higher performance for the national component (+7.1%) compared to the international one (+6.3%). In terms of value, passengers in transit through Italian airports amounted to more than 148 million (+9 million compared to 2010). The two major Italian hubs, Rome Fiumicino and Milan Malpensa, reported, in the year, limited increases compared to the average (+3.6% and +1.8%, respectively), while important growths were recorded for the airports of Milan Linate (+9.2%), Bergamo (+9.7%) and Venice (+24.9%), on which the traffic from the Treviso airport converged, which was closed for expansion works in the second half of the year. Otherwise, road transport, as measured in light vehicles/km on the highway network, recorded a decline of 1.5% in the period from January to November 2011. In the maritime transport segment, a sharp expansion was showed by the cruise market, which recorded a change of about +17% compared to the previous year.

In railway transport, the liberalization process, which is ahead of the European regulations, allowed an increasing number of railway companies. During 2011 National Railway Safety Agency [*Agenzia Nazionale per la Sicurezza Ferroviaria*] (ANSF) issued 2 new certificates and 12 renewals/updates. As a whole, third-party operators realised, on the railway network run by Rete Ferroviaria Italiana, about 41.2 million trains/km.

Focus on the Group's passenger and cargo traffic

Despite the on-going situation of a contracting economic system and a reduction in overall levels of mobility in Italy, the FS Group confirmed, also in 2011, its ability to develop the competitiveness of the train by ensuring, through an increase in the quality of the railway transport offer, a valid alternative to other modes of transport.

In 2011 the total passenger rail traffic volume, as measured in terms of passengers-Km, showed a slight decline (-1.6%) compared to 2010. In terms of value, the number of passengers/km came to 39.4 billion, of which about 20.2 billion related to the set of services for medium and long distance and about 19.2 billion related to the regional service.

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

- an increase of 3.4% in the market service, which was supported by the strong success of the "Freccia" products, with about 25 million transported passengers and a growing level of overall travel satisfaction, which was 96.1% at the end of the year (94% in 2010);
- a significant fall (-13.3%) in the contributed universal service, sized, both in quality and quantity, in the implementation of requests submitted by the public customer.

The overall production of medium- and long-distance services, as expressed in trains/km, showed a slight decline (-1.9% compared to 2010) with differences of opposite signs for the market service (+2.1%) and for the contributed universal service (-8.1%). In absolute terms, the production of medium- and long-distance services amounted to about 76.6 million trains/km broken down as follows:

- 48.7 million trains/km as regards market services, a share equal to 63.6% of the total and mainly made up of the offer of Frecciarossa and Frecciargento services.
- 27.9 million trains/km as regards the contributed universal service.

In the regional transport segment, against a 0.8% decline in the demand volumes (expressed in passengers-km, the perimeter being equal compared to 2010) compared to the previous year, the production was 157.7 million trains/km, with a decline of 3.4% compared to 2010, depending on the customers expressed by the Regional Governments.

Furthermore, note the entry of the Netinera group which, with a production of trains/km equal to 27.9 million, ranks third in the German market (4.4% of the overall share).

The table below summarises performances listed by relevant businesses.

Medium- and long-distance traffic data		2011	2010	% Change
PASSENGERS/KM - MARKET (*)	millions	14,093	13,626	3.4
PASSENGERS/KM - UNIVERSAL CONTRIBUTED	millions	6,077	7,012	(13.3)
TOTAL	millions	**20,170**	**20,638**	**(2.3)**
TRAINS/KM - MARKET	thousands	48,721	47,725	2.1
TRAINS/KM - UNIVERSAL CONTRIBUTED	thousands	27,913	30,372	(8.1)
TOTAL	thousands	**76,634**	**78,097**	**(1.9)**
Regional transport traffic data (**)				
PASSENGERS/KM	millions	19,198	19,358	(0.8)
TRAINS – KM	thousands	157,746	163,300	(3.4)
TOTAL PASSENGER TRAFFIC				
TOTAL PASSENGERS – KM	millions	**39,368**	**39,996**	**(1.6)**
TOTAL TRAINS – KM	thousands	**234,380**	**241,397**	**(2.9)**

(*) This item includes the Profitable Market Service and Market Services with negative margins

(**) For a consistent comparison, the 2010 figure does not take account of Trenord Srl; the 2011 data does not include the Netinera group

In 2011 activities continued on the actions taken by the Group to improve the quality of the service offered in terms of comfort, punctuality, information and cleanliness on board train. At the end of the year, the level of overall travel satisfaction was 93.6% for the market service, 80.9% for the contributed universal service and 71.6% for the regional service. The punctuality of the medium- and long-distance services improved compared to the previous year, with 94% of trains arriving at destination in the 0-15 minutes band. Also as regards the regional transport, the percentage of trains arriving at destination in the 0–5 minutes improved by 1.6 percentage points, passing from 89.5% in 2010 to 91.1% of 2011.

In the sector of cargo traffic, in a weak economic environment and with an on-going industrial crisis, the FS Group achieved an overall volume of 21.7 billion tons-km in 2011, with growth (+5.7% on the previous year) that confirms the validity of the strategic-industrial decisions to rationalise the business, aimed at achieving the necessary competitiveness on the deregulated market.

This allows the share of volumes of the previous year to be maintained, at national level, on traditional and combined traffic services and activities to be increase, at international level, for the subsidiary TX Logistik AG (+17% compared to 2010), as well as the volumes achieved abroad through outsourcing contracts (+39% compared to 2010).

Cargo traffic data - Drive only		2011	2010	% Change
TONS – KM	millions	**21,700**	**20,527**	**5.7**
TRAINS - KM	thousands	**44,600**	**43,200**	**3.2**

Accordingly, production increased by 3.2%, coming to a level of 44.6 million trains/km. The average load also increased compared to the previous year, achieving about 487 tons by train in 2011.

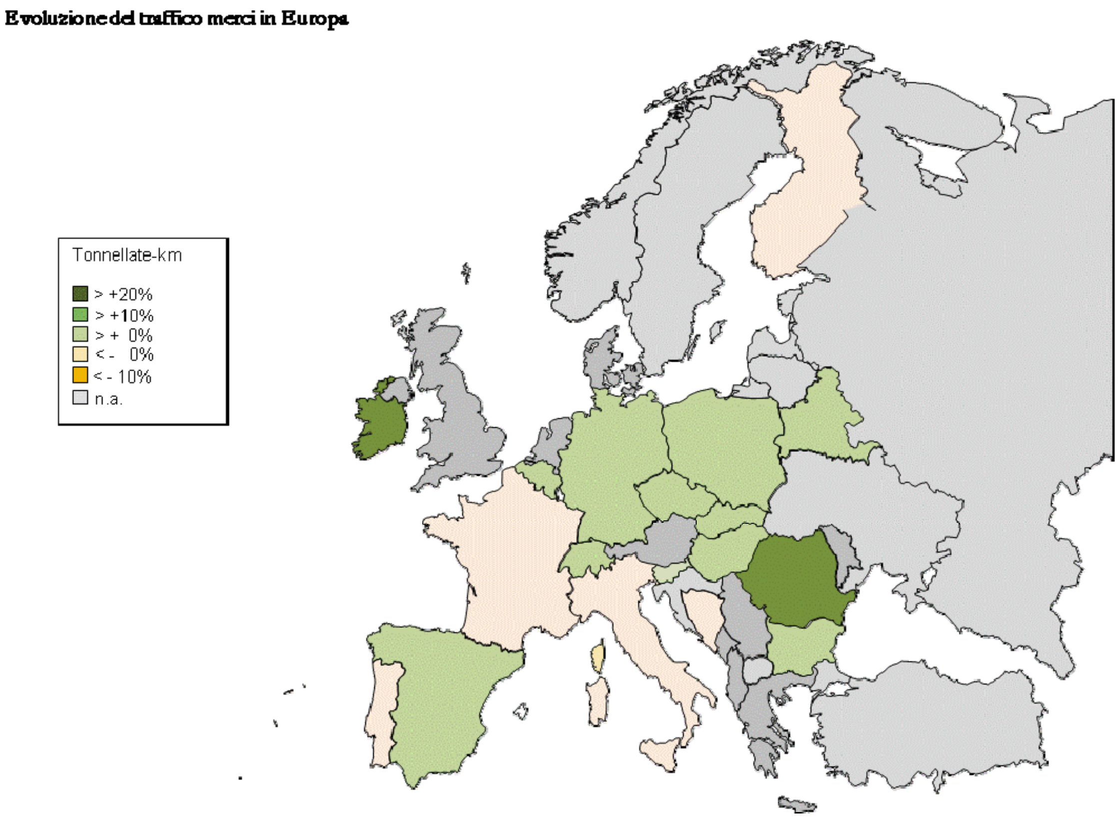
The traffic results of the main European Railway Companies

Despite the weakened state of the economy, the demand for rail transport in Europe shows faint signs of a recovery in passenger volumes, and to a greater extent, in volumes of goods.

The results show an overall steady trend in the recovery of cargo traffic (+5.1% compared to 2010, as measured in tons/km), which was higher than the change in industrial production (+3.5%, source: Eurostat) and a slight recovery in passenger traffic (+0.5% compared to 2010 in passengers/km).

In the field of cargo transport by rail, the sector benefits on the one hand from the vigorous rationalisation of railway businesses started during the years of economic crisis and on the other hand from the positive effects of the recent European rules (Regulation 913 of November 2010) on the creation of a European rail network for more competitive cargo transport. In terms of traffic volumes achieved, the German company DB AG was confirmed as the leader in Europe with an increase of 5.6% compared to 2010 (in the period from January to November 2011). In the Eastern Europe countries, the Polish company PKP continued its positive trend, with an increase of 8.3% in volumes.

The picture below reports, by percentage ranges, the trend in the cargo railway traffic in Europe in 2011.

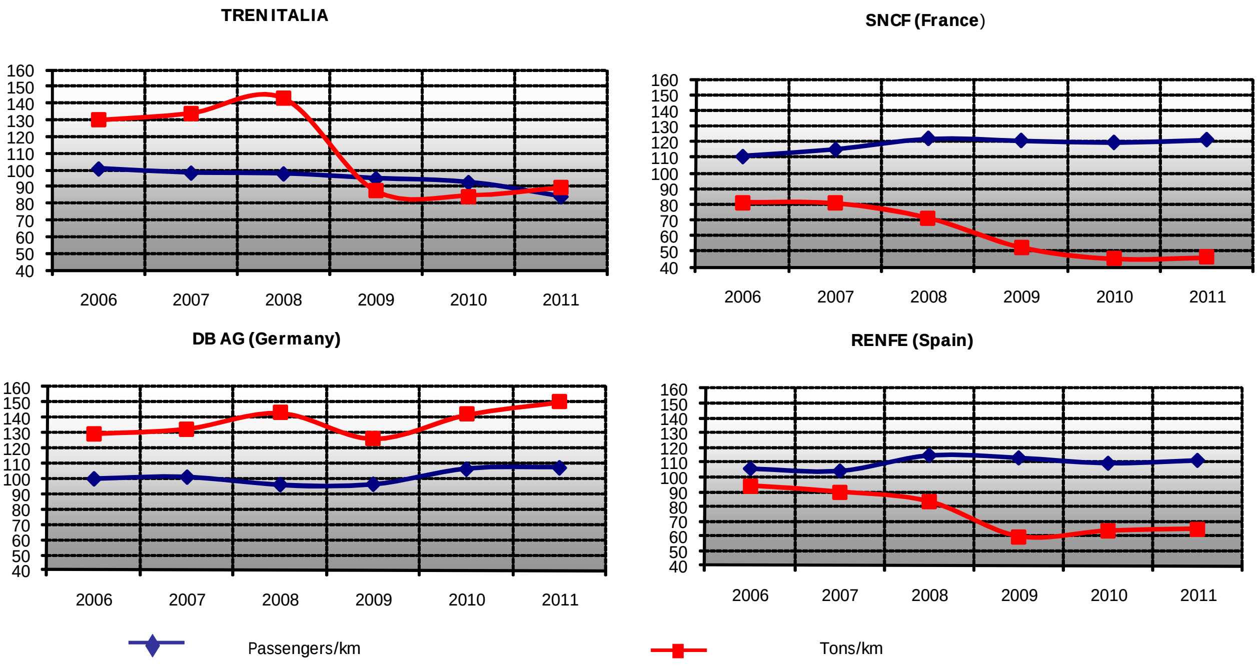


Keys

Trend in cargo traffic in Europe
Tons/km
n.a.

As regards the main relevant European railway companies, the Spanish company RENFE recorded, in the passenger segment, the highest growth (+1.8%), followed by the French company SNCF (+1.5%) and the German DB AG (+0.8% in the period from January to November 2011).

Trend in passenger and cargo traffic in the main European railway companies
index number 2001 = 100



THE FS GROUP 'S INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION

Main operating data	2011	2010	Delta	%
Length of the railway network (km)	16,726	16,704	22	0.1%
Trains-km - medium/long-distance passengers (thousands)	76,634	78,097	(1,463)	(1.9%)
Trains-km - regional transport passengers (thousands) (3)	157,746	163,300	(5,554)	(3.4%)
Passengers/km - rail transport (millions)(1)	39,368	39,996	(628)	(1.6%)
Passengers/km - road transport (millions)	1,194	1,700	(506)	(29.8%)
Tons/km (millions) (2)	21,700	20,527	1,173	5.7%
Traffic unit/Trains-KM (unit) (3)	223	219	4	1.8%
Traffic unit/KM of line (millions) (3)	3.65	3.62	0.03	0.8%
Employees (3)	73,616	80,153	(6,537)	(8.2%)

(1) For a consistent comparison, the 2010 traffic does not include the traffic developed by Trenord Srl

(2) Data referred to railway transport - Drive only

(3) 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 FS Group's **Reclassified Consolidated Income Statement.**

€/mil.

	2011	2010	Change	Change %
Operating revenues	**8,265**	**7,985**	**280**	**3.5%**
Revenues from sales and services	**7,488**	**7,272**	**216**	**3.0%**
Revenues from transport services	6,185	6,141	44	0.7%
Revenues from Infrastructure Services	1,115	1,038	77	7.4%
Other revenues from services	188	93	95	102.2%
Other income	**777**	**713**	**64**	**9.0%**
Operating costs	**(6,461)**	**(6,312)**	**(149)**	**(2.4%)**
Personnel costs	(4,097)	(4,322)	225	5.2%
Other net costs	(2,364)	(1,990)	(374)	(18.8%)
EBITDA	**1,804**	**1,673**	**131**	**7.8%**
Amortisation and depreciation	(1,002)	(983)	(19)	(1.9%)
Write-downs, impairment losses and provisions for risks and charges	(138)	(183)	45	24.6%
EBIT	**664**	**507**	**157**	**31.0%**
Finance income and costs	(247)	(262)	15	5.7%
PRE-TAX RESULT	**417**	**245**	**172**	**70.2%**
Income taxes	(132)	(116)	(16)	(13.8%)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**285**	**129**	**156**	**120.9%**
PROFIT FOR THE YEAR FROM ASSETS HELD FOR SALE, NET OF TAX EFFECTS	**0**	**0**	**0**	**0.0%**
NET PROFIT FOR THE YEAR	**285**	**129**	**156**	**120.9%**
Net attributable to the Group	**272**	**118**	**154**	**130.5%**
Net profit attributable to Minority interests	**13**	**11**	**2**	**18.2%**

Even in 2011 the financial results of the Ferrovie dello Stato Italiane Group showed strong growth, confirming and improving, for the fourth year running, the positive performance that has been recorded since 2008. In fact, 2011 reported a significant improvement in the net result, equal to Euro 285 million (of which Euro 272 million achieved by the Group and Euro 13 million achieved by minority interests), which more than doubled compared to the previous financial year (Euro +156 million compared to 2010, showing an increase of more than 120%).

This further growth trend - which assumes even more significance in a period of economic crisis which sees our country still in a position of great difficulty – is essentially due to the increase in operating revenues, which came to about Euro 8.3 billion (Euro 8 billion at the end of 2010), driven by the higher volumes produced above all in the passenger market segment (+4%).

In fact, during 2011, the Group, in continuing its path aimed at strengthening its economic stability, recorded an improvement in the performances at **EBITDA** level, exceeding Euro 1.8 billion, thanks to the higher revenues from infrastructure services (Euro +77 million, of which Euro 68 million for tolls) and to the growth in revenues from passenger traffic and other revenues, which recorded almost twice increase as a whole compared to the data recorded for operating costs.

EBIT, equal to Euro 664 million, also showed sharp growth, up by Euro 157 million (+31%).

Under **operating revenues**, which exceeded the threshold of Euro 8 billion, **revenues from sales and services** came to Euro 7,488 million, of which Euro 6,185 million related to revenues from transport services, while the residual part related to revenues from infrastructure services (Euro 1,115 million) and to other revenues (Euro 188 million).

In detail, **revenues from transport services** recorded an increase of Euro 44 million (+0.7%), arising from the growth in **market revenues** (Euro +197 million), which was offset by the reduction in **revenues from public service contracts** with the Regional Governments and with the State (Euro -153 million).

The increase in **market revenues** was in turn generated by:

- higher **revenues from passenger traffic** on medium- and long-distance routes (Euro +49 million) mainly attributable to the “Market Services” segment (Euro +81 million) that benefitted from the larger High Speed offer relating to the Turin-Milan-Naples-Salerno line, while the components of the “contributed Universal Service” showed reduced revenues (Euro -32 million) as a result of the streamlining of the offer carried out by the customer;
- a decrease of about Euro 115 million in the national **regional passenger traffic** segment, mainly linked to the decrease of about Euro 147 million, arising both from the contribution of the branch of business to the JV Trenord (Euro -86 million) and from the decline in revenues attributable to the Sogin/Sita group (Euro -61 million), as a result of the merger/demerger transaction which led to the creation of Busitalia-Sita Nord Srl and the consequent renunciation of the market of central and southern Italy in return for the exclusive retention of the passenger market in northern Italy, which was partially offset by the increase in revenues (Euro +32 million) arising from the growth in fares (about + 5.5%) despite the decline in traffic volumes both in terms of passengers-km and trains-km;
- the increase in revenues from **foreign regional traffic**, following the inclusion of the German Netinera group in the scope of consolidation which contributed revenues of Euro 145 million;
- the increase (Euro +119 million) in **revenues from cargo traffic**, arising from the combined effect of the increase in revenues mainly recorded by Trenitalia (Euro +57 million) and by its subsidiaries above all in the international business (Euro +31 million) – to which must be added an additional amount of 35 million revenues reported by Netinera again in the international cargo transport segment – and the slight reduction in revenues of FS Logistica (Euro -4 million).

Revenues from public service contracts decreased by Euro 153 million as a result of:

- lower revenues from Service Contracts with the Government, which decreased by Euro 8.4 million in particular within the Medium and Long Distance Universal Service;
- lower revenues from Regional Governments by Euro 144 million, mainly due to the effects arising from the reduction, linked to the abovementioned contribution of the branch of business to JV Trenord (Euro -200 million), the reduction in revenues recorded by the Sogin/Sita group (Euro -37 million) and the reduction by Trenitalia SpA of the fees within the services acquired by the Regional Governments (Euro -38 million) as a result of the public finance obligations, which were partially offset by the increases recorded for the inclusion of the Netinera Group (Euro +130 million) in the scope of consolidation.

Revenues from infrastructure services increased by Euro 77 million mainly due to the toll paid by Trenord (Euro +67 million), as well as, to a lower extent, for the increases recorded in the High Speed/High Capacity traffic and in the sale of electric traction (Euro + 6 million).

Finally, note the sharp increase in **other revenues from services** (Euro +95 million), mainly linked to the increase in the hires of rolling stock (Euro +52.2 million), maintenance actions on the material itself (Euro +20.6 million), the increase in handling services rendered (Euro +4 million), as well as to the higher receipts for engineering services (Euro +10.6 million), referred in particular to the foreign no-captive market (Euro +7 million).

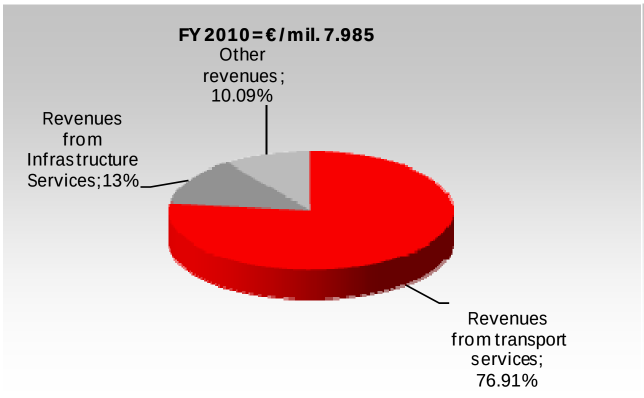
Other income recorded an increase of 9%, coming to Euro 777 million; the growth of Euro 64 million, compared to 2010, was attributable to the capital gains recorded on the transfer of properties (Euro +25 million) recognised in particular by Grandi Stazioni (Euro +15 million) and by Trenitalia (Euro +9.4 million), to the increase in the lease rentals (Euro +17.5 million) and, to a lower extent, to the sale of advertising spaces that increased by Euro 4.4 million.

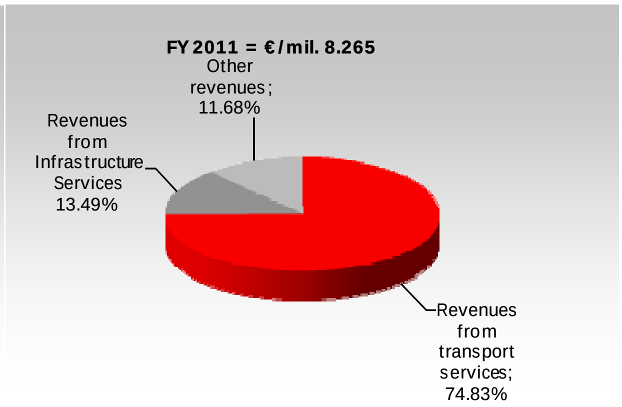
Operating costs, net of the adjustment due to capitalisations, showed an increase of Euro 149 million arising from the following factors:

- the decrease of Euro 225 million in **labour costs**, as a result of a reduction of 6,149 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 automatic increases envisaged in the contracts themselves and to the payment of incentives for early retirement;
- an increase of Euro 374 million in **other net costs**, due to higher costs for services (Euro +182 million) - mainly for increased toll costs of the Netinera Group (Euro 99 million) and for increased costs for the maintenance and repair of real and personal properties equal to Euro 63 million – relating to the railway line and to the rolling stock -, to higher charges for leases and rentals (Euro + 61 million) and to lower capitalisations (Euro 89 million).

EBIT came to Euro 664 million (with an improvement of Euro 157 million compared to 2010), also thanks to lower **write-downs, impairment losses and provisions for risks and charges** (Euro -45 million), despite higher **net amortisation and depreciation** (Euro +19 million).

The **net result**, which recorded sharp growth also in 2011, was finally affected by **the balance of the financial management**, which was negative by Euro 247 million and which showed a slight increase of Euro 15 million compared to the previous financial year, essentially due to the dynamics of average interest rates.


FY 2010=€/mil. 7.985
Other revenues; 10.09%
Revenues from Infrastructure Services;13%
Revenues from transport services; 76.91%


FY 2011 = €/mil. 8.265
Other revenues; 11.68%
Revenues from Infrastructure Services 13.49%
Revenues from transport services; 74.83%

Reclassified balance sheet

in €/mil.

	31.12.2011	31.12.2010	Changes
Net current operating assets	361	1,180	(819)
Other net assets	1,538	(89)	1,627
Current assets	**1,899**	**1,091**	**808**
Net fixed assets	46,966	49,412	(2,446)
Other provisions	(3,691)	(4,037)	346
Net Assets Held for Sale	4	17	(13)
Total net invested capital	**45,178**	**46,483**	**(1,305)**
Short-term net financial position	(1,435)	227	(1,662)
Medium/long-term net financial position	9,767	9,747	20
Net financial position	**8,332**	**9,974**	**(1,642)**
Net worth	**36,846**	**36,509**	**337**
Total coverage	**45,178**	**46,483**	**(1,305)**

In 2011 **Net invested capital,** equal to Euro 45,178 million, decreased by Euro 1,305 million, mainly as a result of the decrease in **Net fixed assets** (Euro -2,446 million) which were offset by the use of **Other provisions** (Euro +346 million) and by the increase in **Current assets** (Euro +808 million).

Net current operating assets, which came to Euro 361 million, recorded a decrease of Euro 819 million essentially attributable to:

- lower receivables relating to the Service Contract of the MEF (Euro 670 million) due to the collection by Trenitalia of the 2010-2011 fees that took place at the end of the financial year;
- higher trade payables (Euro 300 million) that were partially offset by higher current trade receivables (Euro 155 million).

On the contrary, **Other net assets** recorded an increase of Euro 1,627 million that mainly arose from the combined effect of:

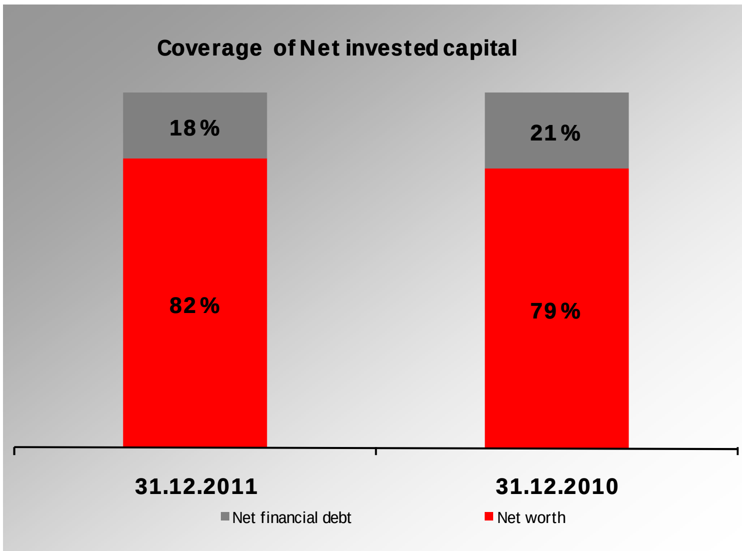
- higher receivables from the MEF for set-up grants intended for infrastructural investments (Euro 2,712 million);
- a decrease in VAT credits (Euro 507 million) mainly as a result of the refund by the Tax Office;
- higher advances for set-up grants received by RFI for Euro 375 million;
- an increase in other non-current payables for Euro 107 million.

Net fixed assets showed a decrease of Euro 2,446 million, mainly attributable to increased investments for the period, equal to Euro 3,808 million, the increase in advances for investments for Euro 153 million and the increase in equity investments for Euro 60 million, which were fully offset by set-up grants of Euro 5,681 million, write-downs, amortisation and depreciation of Euro 1,035 million for the period.

The **Net financial position** came to a negative value of Euro 8,332 million, with a decrease of Euro 1,642 million compared to 31 December 2010. This change was essentially due to the improvement in the short-term financial position, correlated to:

- an increase in the balance of the treasury current account (Euro 1,311 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;
- higher bank and postal deposits in 2011 (Euro 134 million);
- a decrease in loans from banks (Euro 124 million).

Net worth passed from Euro 36,509 million to Euro 36,846 million, mainly as a result of the profit for the year (Euro 285 million); the additional change is attributable to the increase in the Equity attributable to minority interests, essentially linked to the effects of the P.P. partnership of the Netinera group.



STATEMENT OF RECONCILIATION AT 31.12.2011 AND AT 31.12.2010 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 2011		31 December 2010	
	Equity	Profit for the year	Equity	Profit for the year
Financial statements of Ferrovie dello Stato S.p.A.	36,103	41	36,062	21
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	521	281	171	177
- derecognition of write-down of equity investments	57	111	178	42
- reversal of dividends	(4)	(122)	(5)	(40)
	574	**269**	**344**	**178**
Other consolidation adjustments:				
- investments in unconsolidated subsidiaries and associates valued at equity	41	1	32	3
- reversal of intergroup profits	(334)	(20)	(314)	(31)
- amortisation of consolidation differences	(11)	0	(52)	0
- reversal of taxes from consolidated tax base	223	(9)	232	(52)
- others	9	(10)	30	0
Total	**(72)**	**(38)**	**(72)**	**(80)**
- Valuation reserves	(418)		(317)	
- Reserve for translation differences	19		17	
EQUITY ATTRIBUTABLE TO THE GROUP	**36,207**	**273**	**36,034**	**119**
- Equity attributable to minority interests (excluding profit/loss)	203		120	
- Profit attributable to minority interests	13	13	11	11
MINORITY INTERESTS	**216**	**13**	**131**	**11**
TOTAL CONSOLIDATED EQUITY	**36,423**	**285**	**36,165**	**130**

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 at the end of 2011, 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 both consolidated financial statements and 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 medium- and long-distance 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 High Speed lines and the related additional services allowed the railway sector to start competition with the other means of transport (airplane and 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 FS Group, through Trenitalia, 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 diversification of the service levels in lieu of classes, the new Frecciarossa services (WiFi, multi-media services, etc.) and the new sales platform via Web and on traditional channels. Starting from 2012 the “market” sector will be also affected by the change 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 shares currently held.

Operational risks arising from the entry of the new operator on the High Speed segment have been assessed in the Business Plan of Trenitalia and, therefore, reflected in the 2012 budget.

In the Regional Transport segment the formalization of Service Contracts, with an initial term of 6 years, plus 6 years, allowed the planning of medium-to-long term resources, which *inter alia* allowed a plan to be started for the renewal of the rolling stock functional to the improvement of the regional transport. For 2012 the funds that shall be transferred by the State to the Regions for financing rail transport have been significantly reduced in a first phase and then partially replenished only through subsequent measures and with a visible applicability solely to the 2012. The agreements executed between the Regional Governments and the Government provide for the financial support by the State for the Local Public Railway Transport to be equal, in 2012, to Euro 1,600 million, of which two thirds covered by the funds envisaged under article 21, paragraph 3, of Decree Law 98/2011 and one third covered by funds to be allocated with subsequent regulatory measures that also take account of the effects of the “Agreement for the Efficiency-improvement and Streamlining of the Italian Local Public Transport.”

Legislative Decree no. 1 of 24 January 2012 bearing “Urgent measures for competition, development and competitiveness” provides, under article 25, for the Regional Government’s obligation to launch tenders for the Regional transport service. This decree will be implemented upon the expiry of the contracts in place with Trenitalia. The contracts in question are expected to expire, in most cases, in 2014. It is absolutely evident that the new legislative scenario could modify, as a result, the commitments undertaken by the company with the Regional Governments in defining the service contracts, with specific regard to the amounts to be intended for investments. Trenitalia 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. These processes, even if included within Trenitalia’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. However, in relation to this specific risk, suitable safeguards for investments have been provided for in executing the Service Contracts.

In this context, considering the prolonged negative economic trend and, accordingly, the increasing lack of financial resources in general and public resources in particular, the Group’s management is constantly monitoring the performance of receipts, with particular attention to those that fall within the scope of the public administration sector (first of all the State and the Regional Governments). The market risks are particularly evident in the sector of Cargo transport and Logistics. In fact, this sector is particularly affected by the negative trend in the economy in general, which entails a reduced industrial production and, accordingly, a reduced demand for transport, which is offset by the increased offer, both for road and rail transport, with the effect that below-cost services are also offered.

Therefore, the Group's policy is to contain prices for customers, together with the streamlining of the offer and costs, and to focus on relations with higher operating impact, even with limited margins.

Furthermore, in the light of the renewed attention of legislation to the subject of property taxation and given the interpretative uncertainties of the subject, we are constantly monitoring the situation to identify the possible impact, also with regard to the enhancement and the overall cost of assets affected by the process of asset allocation. In particular we are referring to the ICI tax (*Imposta Comunale sugli Immobili*, Local Tax on Properties) (now IMU [*Imposta Municipale Unica*, Local Single Tax]) which affects areas that can potentially be developed or those for which a building permit has already been obtained. The corporate areas of the Group that are affected by the matter are carrying out the appropriate checks and inspection activities in order to arrive at a consequent quantification of the impact of the case in point.

Finally, considering the extent to which the size of the workforce is a central factor for the management of the Group, the recent changes in legislation with regard to the social security and pensions reform - still in the definition phase with discussions between the Government, Institutions, Companies and Trade Unions - represent an element of high risk due to the repercussions they could cause in terms of their impact on the policies planned for the reorganisation and the restructuring of the Group, which include, for example, the activation of the special benefits of the so-called Bilateral Fund, which has been mentioned above. Pending a clear definition of the new situation and, therefore, of the impact that it will have, an initial assessment of this risk (increased time spent by resources in the Fund) was reflected in the 2012 budget of the main subsidiaries and of the Group.

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 or of the rolling stock subject to maintenance at Private Garages. The different issues reported on important job orders that have generated disputes, but above all operational difficulties and heavy disservices in some cases, are still being monitored. 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 the Group taking delivery of the rolling stock. In other cases, contracts were terminated due to the non-compliance by the suppliers themselves, activating the enforcement of the sureties given to secure contracts. It is absolutely evident that the general crisis of the credit market also affected heavily railway sub-suppliers, thus creating, in some cases, strong tensions on the manufacturers, which are also small/medium-sized businesses.

An additional risk may arise from the management of cleaning service contracts that could have an impact on the quality of the service.

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 governance.

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 ITALIANE SpA

Reclassified income statement

amounts in €/mil.

	2011	2010	Changes	Changes %
Operating revenues	**146**	**153**	**(7)**	**(4.6)%**
- Revenues from sales and services	140	148	(8)	(5.4)%
- Other revenues	6	5	1	20%
Operating costs	**(152)**	**(157)**	**5**	**3.2%**
EBITDA	**(6)**	**(4)**	**(2)**	**(50)%**
Amortisation and depreciation	(19)	(20)	1	5%
Write-downs and impairment losses	(2)	(2)	0	0
Provisions for risks and charges	(3)	(5)	2	40%
EBIT	**(30)**	**(31)**	**1**	**3.2%**
Finance income and costs	13	(29)	42	144,9%
PRE-TAX RESULT	**(17)**	**(60)**	**43**	**71.7%**
Income taxes	58	81	(23)	(28.4)%
NET PROFIT FOR THE YEAR	**41**	**21**	**20**	**95.2%**

The **net profit** for the 2011 financial year came to a positive value of Euro 41 million, which almost doubled compared to the previous year which closed with a profit of Euro 21 million.

The 2011 net result was specifically affected by the sharp improvement (from Euro -29 to Euro +13 million) of the financial management.

At **EBITDA** level, note a decrease of Euro 2 million, with a margin that passed from a negative value of Euro 4 million to a negative value of Euro 6 million as a result of the decrease of Euro 7 million in operating revenues, which was offset by a decrease of only Euro 5 million in operating costs.

Operating revenues came to Euro 146 million (Euro 153 million in 2010) 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 152 million (Euro 157 million in 2010) 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 30 million compared to the negative value of Euro 31 million in 2010. The change in this result was affected by lower amortization and depreciation (Euro 1 million) and lower provisions for risks and charges (Euro 2 million).

The **balance of finance income and costs** improved, as mentioned, by Euro 42 million, mainly due to the combined effect of:

- the increase in the dividends distributed by the subsidiaries Rete Ferroviaria Italiana SpA, Ferservizi SpA, Grandi Stazioni SpA, Centostazioni SpA, Fercredit SpA and Italferr SpA (for a total of Euro 95 million);
- the net decrease in interest income for medium- and long-term loans granted to subsidiaries (Euro 6 million);

- the increase in other income from subsidiaries (Euro 5 million) for the interest income accrued on the sums paid out to FS 2 MOVE GmbH (now Netinera Deutschland GmbH after the direct merger) for the acquisition of the Netinera Group;
- the increase in charges for interest on debenture loans subscribed by Eurofima (Euro 16 million), which were offset by lower interests on medium- and long-term loans granted by banks and by other lenders (Euro 19 million);
- the positive net effect of foreign exchange gains and losses (Euro 24 million) for adjustments to payables for subscribed capital to be paid out to the investee company Eurofima;
- the allocation in 2010 of provision for losses estimated for extraordinary transactions relating to the equity investments Sogin/Sita (Euro 31 million);
- the write-down of the equity investment in FS Logistica SpA (Euro 102 million).

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 63 million in 2011 and 81 million in 2010).

Reclassified balance sheet

amounts in €/mil.

	31.12.2011	31.12.2010	Changes
ASSETS			
Net current operating assets	399	419	(20)
Other net assets	(301)	(220)	(81)
Current assets	**98**	**199**	**(101)**
Tangible fixed assets	609	502	107
Non-current equity investments	35,733	35,926	(193)
Net Fixed Assets	**36,342**	**36,428**	**(86)**
TFR	(17)	(18)	1
Other provisions	(470)	(522)	52
TFR and Other provisions	**(487)**	**(540)**	**53**
Net assets held for sale	**63**	**0**	**63**
NET INVESTED CAPITAL	**36,016**	**36,087**	**(71)**
COVERAGE			
Short-term net financial position	(456)	(352)	(104)
Medium/long-term net financial position	369	377	(8)
Net financial position	**(87)**	**25**	**(112)**
Net worth	**36,103**	**36,062**	**41**
COVERAGE	**6,016**	**36,087**	**(71)**

In 2011 **Net invested capital,** equal to Euro 36,016 million, decreased by Euro 71 million mainly as a result of the decrease in the **Net fixed assets** (Euro -86 million) and of the decrease in **Current assets** (Euro -101 million), which was offset by the increase in the **TFR and Other provisions** (Euro +53 million), as well as **in Assets held for sale** (Euro +63 million).

Current assets passed from Euro 199 million at 31 December 2010 to Euro 98 million at 31 December 2011, with a reduction of Euro 101 million, arising from the combined effect of:

- the decrease in Net current operating assets (Euro 20 million), due to the reduction in inventories of properties and land held for trading (Euro 38 million) and the increase in trade receivables and payables (Euro 18 million);
- the increase in the negative balance of Other net assets (Euro 81 million), mainly arising from the effect of the negative change in the balance of the VAT management (Euro 71 million).

Net fixed assets came to Euro 36,342 million against Euro 36,428 million at 31 December 2010; the reduction (Euro 86 million) was essentially due to:

- the increase in net property, plant and equipment and intangible assets (Euro 107 million);
- the decrease in equity investments (Euro 193 million) following the write-down of FS Logistica SpA (Euro 102 million), the increase in the equity investment in FS 2 MOVE GmbH (Euro 89 million), including the Shareholder Loan for the acquisition of the Netinera Group, the decrease in the equity investment in RFI following the demerger in favour of the Company (Euro 149 million) and the extraordinary transaction Sogin/Sita (Euro 31 million) which entailed, for the same amount, the use of the appropriate Provision for risks set aside in 2010.

The decrease in **TFR and Other Provisions** (Euro 53 million) reflected the reduction recorded in the year in the Provision for other risks and charges (Euro 5 million), the net decrease in provisions for deferred tax liabilities (Euro 16 million) which was almost exclusively attributable to the reduction in the Provision for taxes from consolidated tax base, the decrease in the Provision for risks on equity investments for the extraordinary transaction concerning the companies Sogin/Sita that took place in 2011 (Euro 31 million) and the decrease in the provision for TFR and other employee benefits (Euro 1 million).

The increase in **Net assets held for sale** (Euro 63 million) is attributable to the reclassification of the net book values of the railway workshops – land and buildings – falling within the scope of the plan of contribution to the subsidiary Trenitalia SpA from tangible fixed assets and from Inventories held for trading.

As regards the coverage, note a **Net financial position** that passed from a positive value of Euro 25 million at 31 December 2010 to less than Euro 87 million at 31 December 2011, with a decrease of Euro 112 million in indebtedness, mainly due to the Short-term net financial position, which passed from a liquidity balance of Euro -352 million at 31 December 2010 to -456 million at 31 December 2011, with an improvement equal to Euro 104 million.

The medium-long term net financial position passed from Euro 377 million at 31 December 2010 to Euro 369 million at 31 December 2011, with a slight improvement in the indebtedness equal to Euro 8 million.

Finally, **Net worth** showed an increase of Euro 41 million due to the recognition of the profit for the year.

RELATIONS WITH RELATED PARTIES

The interrelationships between Ferrovie dello Stato Italiane, 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 Italiane 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.

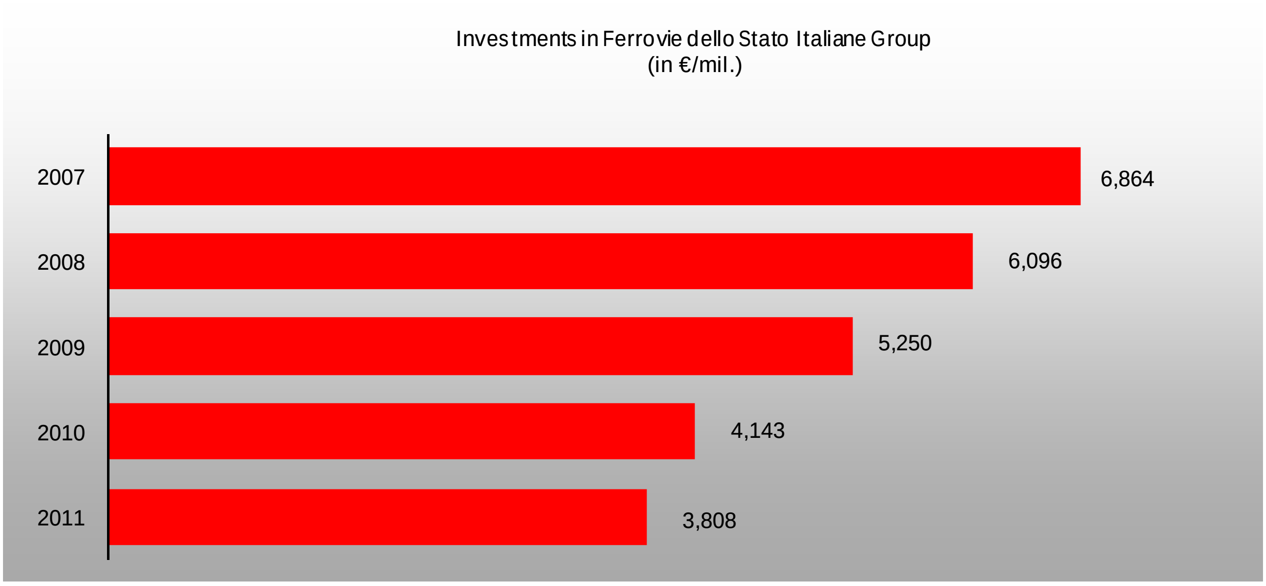
These processes and transactions take place in compliance with the specific regulations governing the sector, statutory and tax regulations, in accordance with the policies set out by the supervising Ministries and taking account of the features and peculiarities of the activities carried out by many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

2011 represented - with the launch of the new 2011-2015 Business Plan which envisages investments equal to around Euro 27 billion, of which Euro 6 billion are destined for the purchase of new trains - the first year that the FS Group sought to lay the foundations of a major five-year programme of measures designed to considerably increase the infrastructure of the country and to provide ever better and more diversified services thanks to an offer that includes new trains that are more comfortable and technologically advanced, as well as modern stations that are increasingly integrated with the urban fabric.

The total investment expenditure of the Ferrovie dello Stato Italiane Group during 2011 (Euro 3,808 million) continued to follow the same, planned, trend as the last two years, showing a “targeted” decrease (-8%) compared to the volume of accounting carried out in the previous year.



Specifically, with reference to technical investments, Euro 2,927 million were accounted for actions linked to the infrastructure (of which Euro 2,493 million were for the Traditional Network and Euro 434 million for the High Speed/High Capacity Network on Turin-Milan-Naples); Euro 385 million for transport-related measures and Euro 89 million for other investments.

The breakdown of investments is as follows:

RFI allocated, in relation to the Traditional Network:

- 53% 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;
- 47% of expenditure to the construction of works relating to large infrastructural development projects (modernisation and upgrade of corridors, metropolitan and regional areas).

The table below reports the volumes of 2011 activations broken down by type of work, as well as the comparative data referred to the two previous years.

		2009	2010	2011
HIGH SPEED/HIGH CAPACITY NETWORK				
New lines	**km**	**143**	**0**	**0**
TRADITIONAL NETWORK				
New infrastructures	**km**	**63**	**36**	**17**
New lines	km	24	36	17
Second lines	km	35	-	-
Bypasses	km	4	-	-
Upgrading of lines		**284**	**40**	**74**
Electrifications	km	-	-	-
Blocks	km	284	40	74
Safety technology	**km**	**613**	**102**	**443**
SCMT	km	29	-	351
SSC	km	10	-	-
SCC/CTC	km	432	102	86
ERTMS	km	142	-	6
Station equipment	**no.**	**32**	**18**	**16**
ACEI		16	14	10
ACC		16	4	6
Suppression of level crossings	**no.**	**73**	**52**	**70**
Automation of level crossings	**no.**	**10**	**2**	**3**

Always RFI, recorded, for the High Speed Network, an investment volume of Euro 434 million and at the end of 2011 the entire High Speed/High Capacity Network project Turin - Milan - Naples reached a total accounting progress of 89%.

Furthermore, the Network Manager took actions for the upgrading, rehabilitation and restructuring of the real estate assets concerning the stations owned by it (about 2,300 stations, for a total area of more than 11 million square metres), part of which are managed – in any case for the commercial portions only – by various entities (Grandi Stazioni SpA, Centostazioni SpA).

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

- Turin Porta Susa: landfill and quadrupling works of the station tracks (By-pass) reached progress of about 85%, while for the Passenger Building (for which September 2011 saw the opening of the portion comprising the metro station) the progress is about 60%. The completion is expected in July 2012, with the simultaneous transfer of all railway services, while the tracks of quadrupling of Porta Susa – Stura are expected to be completed in December 2012;
- Reggio Emilia: works, which were started in May 2010, show a progress of 30%. The stop is expected to be activated with the 2012 winter timetable. The Agreement is being defined with the Municipality of Reggio Emilia in order to specify the procedures for the construction of the adjacent parking, of which the final design has already been completed;
- Bologna Centrale: works reached a state of progress of 70% of the total. The High Speed Station is expected to be activated in phases, according to the following timing: June 2012 for the High Speed bypass without passenger

service, December 2012 as the date of activation of the High Speed Station, July 2013 for the completion of all works;

- Florence Belfiore: railway works were completed, while works are being completed for lot 1 (Bypass); instead, works are in progress in relation to lot 2, which were started in March 2010. The activation of the High Speed station for railway operations is expected in August 2015, where commercial activities are expected to be completed by December 2016;
- Rome Tiburtina: the new Tiburtina Station was inaugurated in November 2011, with the opening of the passenger service to the public. Currently some works are in progress for the completion of the road system on the Pietralata side, as well as some activities relating to the public information systems, based on both variable and fixed message. Furthermore, works continued for the New Internal Ring Road (*Nuova Circonvallazione Interna*) and the related infrastructures;
- Naples Afragola: the construction of the new station building, for which the contract was already awarded in May 2006 and then terminated due to non-compliance by the contractor Company, was awarded once again on 17 June 2009 with the delivery of the services to the contractor A.T.I. (*Associazione Temporanea di Imprese*, Temporary Business Combine) on 29 July 2009. The latter prepared the Executive Project and site operations started on 20 April 2010. The start of the first functional phase with the opening of the passenger service to the public is expected in the second half of 2012, while works relating to commercial services are expected to be completed in the first half of 2013;
- Vesuvio Est Station Passenger Building: in consideration of the suspension by the Campania Region of the Resolution for the allocation of the POR (*Programma Operativo Regionale*, Regional Operational Programme) resources relating to the phase of final design and construction of the station building, as well as of the cut in the funds for the project under the 2007-2013 PON (*Programma Operativo Nazionale*, National Operational Programme), the activities were substantially reviewed. Given the current situation, the final design is expected to be started in January 2016, while the station is expected to be opened to the public in the first quarter of 2021.

For any works on the stations managed by Grandi Stazioni, the current progress of the investment is about 78% of the overall amount pertaining to RFI.

As regards the network of Centostazioni, the current progress of investment is about 60% of the overall amount pertaining to RFI as per contract.

Furthermore, with reference to the development of the programme relating to 101 small/medium stations located in Southern Italy that form part of the Pegasus (*Programma Evoluto per la Gestione di Aree di Stazioni Ubicate nel Sud Italia*, Advanced Programme for the Management of Station Areas Located in Southern Italy) network, the actions started and completed in 2011 concerned in particular the contracts performed for the stations of Agrigento Centrale (Euro 2.8 million), Mazara del Vallo (Euro 1.6 million), Palermo Notarbartolo (Euro 2.6 million), Trapani 1st phase (Euro 1.8 million), Paola (Euro 4.2 million), Bagheria (Euro 1.7 million) and Castellammare del Golfo (Euro 1.2 million). In 2011 no additional works were delivered, but a new impetus was given to the designs with some reviews of the planned actions. It should be pointed out that the overall investments for the Pegasus network amounted to about Euro 50 million, of which Euro 1.9 million were financed by public grants.

As regards the other Stations exclusively managed by RFI, in 2011 about Euro 98 million were invested 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 385 million (net of advances for the purchase of rolling stock for Euro 125 million), intended to enlarge the offer and to improve quality of the services, for the technological upgrading of traffic safety vehicles and the fitting out of equipment and IT systems.

Investments specifically concerned:

- for the "Frecciarossa" product, restyling actions that provide, according to the new commercial model, for the elimination of the class concept and the introduction, as previously said, of four service levels. Furthermore, as regards market services, and in particular in order to develop the High Speed offer and to better meet the needs of the customers, new series "1000" electric trains are being purchased. Finally, activities continued in relation to the implementation of information services and internet on board trains through the diffusion of a wireless network connection signal in each coach, through the installation of WI-FI hot spots;
- for the "Frecciargento" product, the completion of the actions for multi-voltage and restyling of the ETR 480 fleet and the implementation of information services and internet on board trains;
- for the "Frecciabianca", "Eurostar" and "Base" products, the continuation of the projects aimed at the restructuring of coaches and locomotives that circulate on conventional lines and connect medium and large sized cities outside the High Speed Network;
- within the context of Regional Transport the development/upgrading of services within urban areas, which was also implemented through an offer based on three different segments of rolling stock: "urban" at the major railway junctions, "medium distance" between regional capitals and "mass" for local services. The year saw the start of projects for the purchase of 90 electric trains and 40 diesel trains; furthermore, the right of option was exercised for the purchase of 50 additional E464 locomotives – to replace locomotives belonging to E656, E632/633 types – that are added to 250 E464 locomotives already ordered and for which the delivery is being completed for the first tranche (150 locomotives). An order is being implemented in relation to the expansion of the fleet of double-decker trains with the purchase of 350 coaches. The renovation of 243 low-deck coaches is continuing, with the objective of improving the internal fixtures and installing new air-conditioning systems. Finally, the transformation of 30 UIC-X carriages with a driving van trailer continued in order to guarantee the full reversibility of trains used for regional transport and the face-lift of around 1,300 Medium-Distance carriages for the purpose of increasing comfort and ensuring compliance with safety regulations;
- in Cargo Transport, activities continued in relation to the process of adapting the fleet of wagons to the technical regulations concerning "coupling parts" of rolling stock which must comply with the requirements of interoperability;
- 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). In 2011 were completed in relation to the SCMT system (*Sistema Controllo Marcia Treno*, Train Movement Control System); activities continued for upgrading the STB system (*Sistema Tecnologico di Bordo*, On-Board Technology System) in order to complete the equipment of the rolling stock with the CAB RADIO and DIS (Driver Information System) (Black Box). Installation is being completed for the equipment of the SSC system (*Sistema di Supporto alla Condotta*, Train Driving Support System);
- IT projects, in relation to which actions continued which were aimed at improving efficiency of the production processes and at streamlining and improving efficiency of the sales channels;
- the maintenance and technological upgrading projects relating to the systems for the maintenance of rolling stock and cargo, with the upgrading, reorganization and streamlining of the maintenance network;
- research and development and safety projects.

As regards new rolling stock, 70 locomotives, of which 7 were intended for national/international medium/long-distance transport and 63 for regional transport, were put into operation. Furthermore, 52 locomotives, 1,614 coaches and wagons and 17 trains were brought back into operation after restructuring measures. The breakdown is reported in the table below.

NEW MATERIAL	no. of vehicles
Locomotives	**70**
National and International transport	7
Regional transport	63
Coaches/wagons	**0**
Trains	**0**

RESTRUCTURED MATERIAL	no. of vehicles
Locomotives	**52**
National and International transport	44
Regional transport	8
Coaches/wagons	**1,614**
National and International transport	156
Regional transport	161
Cargo	1,297
Trains	**17**
National and International transport	4
Regional transport	13

The other Group companies (Grandi Stazioni, Centostazioni, Busitalia-Sita Nord, Italferr, Ferservizi, FS Logistica, FS Sistemi Urbani, Ferrovie dello Stato Italiane and Netinera Group) made total investments of about Euro 89 million, which mainly related to the enhancement and rehabilitation of the stations and of the real estate assets, the local road and rail transport, and the IT equipment in support of corporate processes.

Financing of investments

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 2009 update of the 2007-2011 Programme Contract signed on 23 December 2010 between the Infrastructure Manager and the MIT.

During 2011, RFI set about obtaining a further update of the Contract Deed, in order to seek adequate cover for the urgent needs relating to extraordinary maintenance and legal obligations, even in the absence of new public funds. A new draft update of the Contract for 2010-2011 was prepared, on which the CIPE expressed a favourable opinion, with qualifications, at its meeting on 20 January 2012. The abovementioned draft ratified the financing cuts, amounting to Euro 922 million, for resources already under contract, as laid down by Decree Law 78/2010, as converted by Law 122 of 30 July 2010, and additional resources were contracted to the value of Euro 5,857 million, originating from funds established in the budget of the Ministry of Economic Development and the Ministry of Infrastructure and Transport from EU sources and third-party Bodies, as detailed below:

- Euro 240 million as a result of article 33, paragraph 3, of Law 183/2011 – 2012 Stability Law which grants financing of Euro 2,800 million to the "Development and cohesion fund", to be allocated as a priority to the continuation of infrastructure works that cannot be put off;
- Euro 2,619 million coming from the newly-established "Railway and road infrastructures fund" pursuant to Decree Law 98/2011 (as converted by Law 111/2011);

- Euro 1,230 million allocated by the CIPE, by Resolution no. 62/2011, for the National Plan for Southern Italy, of which Euro 1,030 million for national strategic infrastructures and Euro 200 million for interregional and regional infrastructures;
- Euro 36 million coming from EU TEN-T resources relating to the 2007 – 2013 programming cycle;
- Euro 517 million coming from agreements with third-party Bodies and self-financing;
- Euro 1,215 million coming from the reduction in the national co-financing rate.

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

- in the meeting held on 3 August 2011, the CIPE approved the final project for the "1st functional lot of the railway connection between the Orte-Falconara line and the Adriatic line (Falconara Junction)" and the preliminary project of the "New Turin-Lyons railway connection, international section, Italian/French common part, stretch on the Italian side";
- pursuant to article 32, paragraph 2, of decree Law no. 98 of 6 July 2011 "Urgent measures for financial stabilisation" - as converted by law 111/2011 - financing cuts were brought in for the resources entered in the Contract on the MIT 7060 chapter, equal to Euro 16 million, relating to the financing for the High Speed/High Capacity Verona junction included in the Strategic Infrastructure Programme;
- the approval by CIPE of the draft update of the Programme Contract for 2010-2011, and therefore of the changes to the financial cover and of the reassessed plans resulting from the cuts to financing brought in by law, also entails the amendment of the provisions in the resolutions and in the preliminary documentation for a number of works included in the Strategic Infrastructure Programme for which the final plan has already been approved, or is currently being examined (Genoa Junction: infrastructural upgrading of the Genoa Voltri-Genoa Brignole line, CIPE resolution no. 85 of 29 March 2006; 1st functional lot of the railway connection between the Orte-Falconara line and the Adriatic line – Falconara Junction, CIPE's meeting of 3 August 2011; Completion of the doubling connection of the Parma-La Spezia railway line, Parma-Vicofertile stretch, which is being subject to preliminary investigation).

Trenitalia continued its investment plan aimed at supporting growth in traffic volumes on High Speed lines and at renewing the fleet dedicated to the service in urban junctions with the aim of making the fleet of vehicles increasingly adequate 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 investments were authorised for about Euro 1,370 million, of which more than 75% for the purchase of new trains – in particular electric trains and diesel traction trains – and about 8% for the revamping of the rolling stock, both dedicated to High Speed (cosmetic and functional upgrading of the interior fittings, in accordance with the new product offer model based on four new levels of service) and dedicated to regional transport.

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

During 2011 meetings were held with the competent Ministries for the definition of the Programme Contract, Services Part which has not yet been signed, despite the problems relating to financial cover having been resolved that to date have hindered *de facto* any possibility of completion.

As to the financial resources, 21 December 2010 saw the enactment of the decree for division of the amount allocated by the Budget Law of 13 December 2010 (Law No. 221 – National Budget) into chapters (2011, 2012 and 2013). The decree allocates resources out of the MEF 1541 chapter equal to Euro 975 million for 2011, Euro 1,211 million for each of the 2012 and 2013 years, respectively. An additional amount of Euro 292 million was 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.”

1 December 2011 saw the enactment of the decree for division of the amount allocated by the Budget Law of 12 November 2011 (Law No. 184 – National Budget) into chapters (2012, 2013 and 2014). The decree allocates resources out of the MEF 1541 chapter equal to Euro 1,211 million for each of the 2012 and 2013 years and Euro 975 million for 2014, respectively.

In terms of cash, the year saw the disbursement of Euro 975 million pertaining to 2011, out of the 1541 chapter, to which must be added Euro 200 million of residual receivables. On the contrary, the amount of Euro 292 million was not disbursed which was ordered by CIPE resolution no. 64/2010, despite the fact that RFI provided the Supervising Ministry, by a memo of 7 March 2011, with the necessary elements for completing the procedure envisaged in the abovementioned resolution.

RESEARCH AND DEVELOPMENT ACTIVITY

In 2011 the Group’s expenditure volume for research and development investments was equal to Euro 8 million, of which Euro 12 million were almost fully charged to RFI.

The main investments concerned activities relating to traffic safety technology for about 80% and to the diagnostics for the control of the efficiency of the network and of the rolling stock for 20%. 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, a decrease was recorded compared to 2010 in the activities concerning the innovative Diagnostics, due to the substantial completion of the fitting out of equipment of the Y2 train which was concluded in 2011.

On the other hand, initiatives are continuing in connection with safety technology, as is the research and testing on the new components and systems. In particular, we highlight the following main activities carried out in 2011:

- Infrastructure: the study was concluded - with the cooperation of the University of Genoa and of the Politecnico University of Milan - for the new High Speed/High Capacity lines in order to assess the influence of crosswinds on the movement of ETR500 trains with a speed of up to 300 km/h. Accordingly, the standard type of wind barrier has been defined and the related executive design is being prepared.
- Site protection: research is in progress with the CNR-IMAA (Institute of Methodologies for Environmental Analysis of the National Research Council of Italy), in relation to the development of an innovative monitoring system based on electromagnetic techniques for the control of slopes subject to landslide.
- Testing of rail damper-type systems: the preparatory phases were started for the testing of a system to reduce train noise at source consisting of rail dampers.
- Equipment: the-two year study was started, with the creation of a pilot site in the Naples district, on the influence of the basic parameters of the ballast (consolidation, standard section etc.) which influence the lateral resistance of the track and its stability to the effects of thermal stress (continuously welded rail). Testing was started on prototypes of a sensor to detect mechanical damage to glued insulated joints.

- Development of the High Speed pilot site: in the testing area adjacent to the High Speed/High Capacity line (km 91 of the Rome-Naples line) various types of tests and measurements were conducted (detection of emissions of High Speed trains like noise, vibration, electromagnetic fields) and the system was tested for the measurement of the thrust of pantographs during operation.
- Development of a fixed station for the measurement of the interaction quality between catenary and pantograph: the functionality was checked of the prototype system, the only one of its kind, installed at the pilot site (as mentioned in the above item), which allowed measurements to be carried out relating to the lifting of the contact line and the interaction quality between the catenary and the pantograph during the passage of trains in transit at any speed.
- Measures designed to counteract the formation of ice on the contact line: research continued aimed at looking into how to counteract the formation of ice (or how to melt ice that has already formed) on the contact conductors, by means of specific configurations of the electric system which allow the heating of the contact line and thus the melting of the ice.
- Testing on board Y1 train: testing activities are being completed on systems and components installed on board trains.

OWN SHARES OF THE PARENT COMPANY

As at 31 December 2011, Ferrovie dello Stato Italiane SpA did not hold own shares, neither directly, nor through trustee companies or third parties, and, during the 2011 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 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 in the accounts. In the cases when circumstances existed, the said 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 the period.

- in relation to criminal proceedings no. 6679/2009 R.G.N.R. (*Registro Generale delle Notizie di Reato, General Register of Notices of Offence*) pending before the GUP (*Giudice dell'Udienza Preliminare*, Judge for Preliminary Hearing) at 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, it should be pointed out that, as a result of the acceptance of the appearance of the Puglia Region and of the Municipality of Molfetta as aggrieved parties to recover damages for an alleged environmental damage, FS Logistica SpA also appeared at the hearing of 22 July 2011 as it was summoned as person liable for damages. On the same date, the GUP admitted the summary trial requested by ENI SpA and by the employees of the same. Following the admission of the abovementioned special procedure, the judge had to resolve the severance of actions: 1) as at 7 May 2012 the ordinary proceedings within which FS Logistica appeared as person liable for damages was still in the preliminary hearing phase; 2) the summary trial brought against ENI SpA and its employees was settled on 5 December with the acquittal of all the accused persons.
- In relation to criminal proceedings no. 6305/09 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) - which are pending in the phase of preliminary investigations before the Public Prosecutor's Office at the Court of Lucca - for the railway accident that occurred in Viareggio on 29 June 2009 – which caused a devastating fire with significant consequences in terms of human lives and enormous damages to the assets of both third parties and the FS Group companies -, it should be pointed out that the hearings of 2, 3 and 4 November 2011 saw the conclusion of the pre-trial evidentiary hearing (*incidente probatorio*) relating to the expert's report on the questions submitted by the Judge in charge of Preliminary Investigations (GIP, *Giudice per le Indagini Preliminari*) at the previous hearing of 7 March 2011.

  The conclusions reached by the experts confirm that the derailment of the wagon (owned by "GATX", which is not a member of the FS Group) was triggered by the failure under stress of axle no. 98331, installed at the rear of the front bogie, because of a crack that, because of the size it must have been at the time of the last service, could have been detected using the ultrasonic equipment in use at the Jungenthal Workshop in Hannover, where the last service of the wagon was carried out before the accident.

  As regards the cause of the crack in the tank car, which led to the leakage of gas which then caught fire, according to the experts appointed by the Judge in charge of Preliminary Investigations, the theory of the crack in the tank car being caused by the impact of the tank car with the folded wing rail of the points, an integral part of the track, appears to be compatible with the pattern of the break and with the overall dynamics of the movement of the wagon which can be deduced from the results of observations after the accident; on the other hand, in relation to the same aspects, the experts gave an assessment of non-compatibility with regard to the theory of the crack being caused by the impact of the tank car with a rod, which was located outside the tracks as a tool for the adjustment of the curves, which the car encountered while moving after overturning.

After having concluded the pre-trial evidentiary hearing, the investigating offices continued their investigations which concerned 38 indicted persons, including the employees of "GATX Rail Austria GmbH", "GATX Rail Germany GmbH", "GATX Rail Germany GmbH - Jungenthal Waggon GmbH Workshop" and "Cima Riparazioni Spa", as well as executives of RFI Companies, Trenitalia, FS Logistica, and Managing Directors of the aforesaid Companies and of Ferrovie dello Stato Italiane.

Furthermore, FS Italiane, as well as RFI, Trenitalia and FS Logistica are still subject to investigation, together with "GATX Rail Austria GmbH", "GATX Rail Germany 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.

Currently, no liabilities can be surmised that are payable by the companies in the FS Italiane Group, which are covered by suitable insurance policies.

- In relation to criminal proceedings no. 9592/2008 R.G.N.R. (*Registro Generale delle Notizie di Reato, General Register of Notices of Offence*), 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 pointed out that, at the preliminary hearing of 8 March 2012, the Gup (*Giudice dell'Udienza Preliminare*, Judge for Preliminary Hearing) of Milan issued a decree for the committal for trial against RFI executives and employees, entered in the register of indicted persons for manslaughter and the breach of the rules on safety at work. The hearing for discussion will be held at the end of May 2012.
- In relation to criminal proceedings no. 78261/2007 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) at the Public Prosecutor's Office of Rome, which were initially launched against unknown persons, and now against the Managing Directors of RFI and Trenitalia, it should be pointed out that they originated from reports submitted by a number of workers after a series of incidents in which passengers and/or staff were involved and which occurred as a result of the alleged malfunctioning of the door opening, closing and control systems. The Public Prosecutor's Office, which found that the facts acquired led it to consider the crime report unfounded and that in any case they did not appear suitable to support the charge in court, submitted a request to dismiss the proceedings in February 2010. The Judge in charge of Preliminary Investigations (GIP, *Giudice per le Indagini Preliminari*), as a result of the objection to the dismissal request submitted by the complainants, ordered instead the continuation of the preliminary investigations. The investigation activities, aimed at ascertaining the possible breach of the rules concerning the protection of health and safety in the workplace, are currently studying in depth a number of aspects of the matter such as, for example, the structure of corporate responsibilities, information flows

regarding operating abnormalities and the circulation of certain types of rolling stock.

- Criminal proceedings no. 11126/2011 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) pending before the Public Prosecutor's Office of Rome against the Chief Executive Officer of Trenitalia and the Chief Executive Officer of Ferrovie dello Stato Italiane for alleged "bid rigging" (article 353 of the Italian Criminal Code) originated from a report submitted by a supplier following measures adopted by Trenitalia (termination of contracts and master agreements, as well as the exclusion from tender bids) after it ascertained serious breaches by the same supplier in its management of the cleaning of trains.

In relation to the other pending criminal proceedings, there are no significant changes to be reported with respect to what was reported in the 2010 Financial Statements.

As regards civil proceedings, the main updates concern:

1) the proceedings brought by the writ of summons served on 4 June 2011, by which a former partner (Vinella group) of Ferrovie dello Stato Italiane SpA (hereinafter FS) asked the Court to declare the alleged "invalidity/voidability" of the Settlement Agreement entered into on 16 December 2010, in spite of the grave importance of this signed agreement.

2) the decision of "negative clearance" by FS on 19 January 2011 aimed at establishing the inexistence of the alleged right to compensation that the same former shareholders of the joint venture claimed to hold against FS.

As regards the case under item 1, with reference to the request relating to the invalidity/voidability of the Settlement Agreement, as things stand it appears probable that this request will be rejected, therefore with a favourable result for FS; thus, it is reasonably foreseeable that no potential liabilities will result from this case. In relation to the request for compensation for damages submitted by the Vinella group, it is highly probable that this will not be upheld considering that the admissibility and the grounds appear rather debatable.

As regards the case under item 2, as things stand it can reasonably be considered that the abnormal requests of the opposite party will be rejected as they are lacking any substantial probative evidence.

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.

Finally, it should be pointed that, as a result of the merger of TAV by incorporation into RFI that took place in 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

With respect to what was already specified in the 2010 financial statements, it should be pointed out that the hearing for discussion was held on 8 June 2011; at the end of the same, the Arbitration Board retained the case for decision in relation to the issues concerning the first phase of preparation of the Court-Appointed Expert's Report, concerning the reservations relating to the price of the changes and other minor reservations.

Furthermore, following the conclusion of the second phase of the Court-Appointed Expert's Report, concerning the time for performing the works (delays/abnormal progress), the parties filed their respective final briefs and the related replies in April 2012.

The time limit for the issue of the final Award is currently set at 31 December 2013.

With reference to the partial Award issued on 17-23 March 2009, which was challenged by Cepav Uno by a Writ of Summons dated 9 April 2010, the hearing for specifying the conclusions will be held on 9 October 2013.

Bologna-Florence section

With respect to what was previously indicated in the 2010 financial statements, it is highlighted that on 31 March 2011, the Court-Appointed Expert filed the supplement to the Court-Appointed Expert's Report which provided the in-depth analyses requested by the Arbitration Board and the replies to the observations put forward by the Parties. On 23 May 2011 the hearing was held to discuss the dispute verbally with the outcome that the Arbitration Board admitted the dispute for a decision.

On 31 January 2012, the Award, against a *petitum* equal to about Euro 524 million, acknowledged, in favour of the General Contractor FIAT, the amount of about Euro 20 million (equal to 3.8% of the *petitum*) -, plus currency appreciation and interest equal to about Euro 5 million -, which can be almost fully capitalised on the value of the works, without any effect on the full-life value of the Turin-Milan-Naples High Speed/High Capacity line project which is still confirmed at Euro 32 billion. For the portion relating to any charges that cannot be capitalised (Euro 0.6 million), it should be pointed out that RFI has set aside an appropriate provision in the accounts.

The award has been enforced by the payment of the amount due by virtue of the Award itself in favour of FIAT.

High Speed / High Capacity Turin - Milan line

<u>Novara-Milan sub-section: 1st RFI – FIAT Arbitration proceedings</u>

Novara-Milan sub-section: 1st RFI – FIAT Arbitration Proceedings

With respect to what was previously indicated in the 2010 financial statements, it is highlighted that the new Arbitration Board was re-established on 18 July 2011 and it specified the terms to carry out the full renewal of the Court-Appointed Expert's Report as requested by RFI's defence.

However, on 11 January 2012, notification was received of the resignation of the Chairman of the Arbitration Board as a result of him having taken on an institutional role, with simultaneous notification of the suspension of the terms relating to the arbitration proceedings.
On 23 February 2012 the arbitrator appointed by RFI also resigned, as he also took on an institutional role.
By a Deed served on 13 April 2012, RFI appointed the new party-appointed arbitrator.
As things stand, we are waiting for the appointment of the new Chairman of the Board on the part of the two party-appointed arbitrators.
The time limit for the issue of the award is set at 30 December 2012.

<u>Novara-Milan sub-section: 2nd RFI – FIAT Arbitration Proceedings</u>

As already specified in the 2010 financial statements, on 30 December 2010 the Arbitration Board issued the Award by which it partially granted the request submitted by FIAT and ordered RFI to pay an amount of Euro 5,834,664.52, in addition to legal interest accrued from the date of the request for arbitration up to the settlement.

FIAT's request is due to the alleged higher costs resulting from the imposition by the then TAV SpA of the change concerning the modification of the Noise Barriers of the High Speed/High Capacity Novara-Milan sub-section.

By a Writ of Summons sent to the opposite party on 28 June 2011, RFI challenged the abovementioned Award before the Court of Appeal of Rome.

By a memo dated 7 June 2011, FIAT, through its defence counsel, asked RFI to pay the aforesaid sum.

On 13 January 2011 the Award was filed with the Chamber of Arbitration of the Supervisory Authority on Public Contracts (AVCP, *Autorità di Vigilanza sui Contratti Pubblici*), while by a decree of 6 September 2011 the Court of Rome declared that the Award was enforceable. By a Writ of execution dated 20 October 2011, FIAT notified RFI of the Award as enforceable, ordering it to pay the total amount of Euro 7,378,497.50 within 10 days of the notification itself, with an express warning that, if payment was not made within the abovementioned deadline, it would resort to enforcement even with third parties pursuant to law.

On 29 November 2011, RFI and FIAT drew up the Minutes of Settlement Agreement with which RFI granted FIAT the fully comprehensive sum of Euro 5,850,000 which relates entirely to acknowledgment of the higher value of the works carried out by the General Contractor and which therefore can be fully capitalised without any effect on the full-life value of the Turin-Milan-Naples High Speed/High Capacity project which is still confirmed at Euro 32 billion.

Rome-Naples section

With respect to what was previously indicated in the 2010 financial statements, it should be pointed out that, by an order of 21 June 2011, the Arbitration Board ordered the preparation of a Court-Appointed Expert's Report on some of the reservations subject to arbitration.

In January-March 2012, the experts appointed by the Arbitration Board filed their respective reports, while the defence counsels to RFI and Iricav Uno filed their respective observations on the aforesaid reports on 26 March 2012. The parties filed the related final briefs in April and, subject to the filing of the related replies, the hearing for discussion will be held on 18 May 2012. The time limit for the issue of the final award is set at 18 June 2012.

By a Writ of Summons served on RFI on 1 July 2011, the Iricav Uno Consortium challenged the partial Award issued on 19 May 20011 before the Court of Appeal of Rome. On the same date RFI also challenged the aforesaid partial Award issued on 19 May 2011 before the Court of Appeal of Rome. The two proceedings were consolidated at the hearing of 13 January 2012. The next hearing for specifying the conclusions will be held on 1 December 2013.

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

Milan-Verona section

The dispute pending between RFI and Cepav Due/ENI was settled by the Settlement Agreement signed between the Parties by an exchange of memos of RFI, Cepav Due and ENI dated 7 March 2011, 15 March 2011 and 12 April 2011, respectively. The Settlement Agreement became effective on 30 June 2011. Furthermore, on 16 November 2011 the Arbitration Board declared that the second arbitration proceedings brought by Cepav Due on 7 February 2007 was settled.

Verona-Padua section

With respect to what was indicated in the 2010 financial statements, it should be pointed out that the final briefs were filed on 31 May 2011, while the related statements of defence were filed on 20 June 2011.

By an award issued on 26 March 2012 the Arbitration Board:

- rejected the claim submitted by Iricav Due for design fees and expenses concerning the Verona-Padua Sub-Section and accepted the arguments submitted by RFI according to which these fees and expenses were already paid with the previous Award *inter partes* dated 17 July 2003;
- in partially accepting the alternative claim submitted by Iricav Due for compliance with the Agreement, acknowledged the Consortium's right to be compensated for damage awarded - on an equity basis pursuant to article 1226 of the Italian Civil Code and to the extent of 0.79% of the *petitum* only – for an amount of Euro 9

million, including interest and currency appreciation from the date when the request for arbitration was served up to the date of signature of the Award, and as a result, ordered RFI to make the related payment; this sentence was handed down by the Arbitration Board unanimously as to the amount of Euro 2 million and by majority as to the amount of Euro 7 million; the overall amount of Euro 9 million was covered by the specific provision set aside by the company;

- declared the persisting effectiveness of the RFI-Iricav Due/Fintecna Agreement of 15 October 1991, solely with regard to the executive design and to the construction of the High Speed/High Capacity Verona-Padua line and related infrastructures and interconnections, thus rejecting the main request for termination submitted by Iricav Due due to the non-compliance with the Agreement.

Terzo Valico dei Giovi/Milan- Genoa

With respect to what was indicated in the 2010 financial statements, it should be pointed out that the report prepared by the Court-Appointed Expert and the supplementary report replying to the abovementioned observations submitted by the Party-Appointed Experts were filed on 31 May 2011.

On 11 November 2011 RFI and the COCIV Consortium signed the Supplementary Deed of Agreement, for the construction, in construction lots, of the High Speed/High Capacity Terzo Valico dei Giovi section, authorising the start of works for the 1st construction lot. Following the entry into force - on 2 April 2012 - of the abovementioned Supplementary Deed, the waiver of the Cociv consortium became effective which renounced any claim for compensation, even in the future, relating to any failure or delay in funding the whole project and, therefore, the Consortium's only remaining claim to be decided in the Arbitration Proceedings relates to the project activities previously carried out by the Consortium during the period from 1 January 1999 to 31 December 2000, and thereafter from 14 October 2002 to 31 January 2007.

The time limit for the issue of the award, which was set at 18 December 2012, is being extended to 7 July 2013.

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As regards the abovementioned arbitration proceedings, following on from the specific in-depth analyses carried out for each of them – with the exclusion of the special allocations of limited amounts (around Euro 10 million) described above - the three conditions required by international accounting standards in order to make a provision in the financial statements (IAS 37) do not appear to occur. In particular, as at the closing date of the financial statements, there are no current obligations to the General Contractors (hereinafter GCs) in relation to the abovementioned arbitration proceedings; in evaluation terms it is considered improbable that the claims of the GCs will be upheld; finally, any amounts that may be awarded to the GCs cannot be reliably estimated due to the fact that the amounts in the claims made in the successive stages have fluctuated very considerably and do not allow a quantitative assessment of the cases brought before arbitration to be made considering that the arbitration boards have not yet expressed themselves on numerous legal objections put forward by RFI in the various arbitration proceedings which, if upheld, are suitable to rule out and/or reduce any award to the GCs.

These considerations are also supported by the opinions rendered by the legal counsels appointed to defend the Group's interest within the arbitration proceedings referred to above.

Other proceedings

Proceeding before the Supervisory Authority for Public Contracts

In Resolution no. 80 of 14 September 2011, the Supervisory Authority for Public Contracts (AVCP) provided, in relation "to the works on the so-called horizontal axis" ... for the Works, Services and Supplies Management to verify the size of any reductions" obtained by the GCs through the tendering 60% of the civil and equipment works and "to verify that their purpose is in the public interest of economy and effectiveness in the construction of works." By letter dated 10 November

2011, RFI notified the AVCP, "in the interests of transparency and collaboration" with the Authority, of the grounds on which the aforesaid provision could not have been applied to the RFI-GC contracts relating to the horizontal axis. In particular it was stated: *(i)* that, the Lump-Sum Price envisaged in the RFI-GC contracts compensates the GC not only for all the activities for which it is responsible but also for the risks assumed by it in relation to circumstances that could have an impact on the costs and the timing of the performance of works in accordance with the provisions of the contractual documents - including risks relating to the "management of contracts with third parties" - and this is different to the contractual relations between the GC and third-party contractors, which concern the individual "parts" of the total railway works and which "do not include the typical work and risks of the GC"; *(ii)* that, because of the aforesaid characteristics, the RFI-GC contractual relationship has the form of a "turnkey" relationship that is fundamentally incompatible, unlike other types of contracts, "with any clause that allows the Clients to recover any reductions obtained on the tender price"; *(iii)* that, in spite of the fact that during the negotiations RFI had repeatedly asked for the introduction of a mechanism to recover any reductions obtained on the tender price, the GCs were unwilling to even negotiate such an agreement and considered it incompatible with the structure and the balance of the contract, given its "turnkey" nature. At the conclusion of the considerations presented, RFI asked the AVCP for a specific hearing in order to further explain its position on the subject.

As to the criticalities found in the previous financial years on the other sections and Junctions, no significant developments are reported which took place in 2011 with respect to what was already described in the financial statements for the previous financial year to which reference is made.

The same applies to the request for clarification sent by the Ministry of Infrastructure and Transport in relation to the alleged anomalies concerning the subcontracted works entrusted by the Cavtomi Consortium to the Consortium Companies Agognate and Biandrate and entrusted by these to the consortium member Cogefer.

Antitrust Proceeding: A436 – Arenaways S.p.A./RFI,FS/Obstacles to the access to the market of railway passenger transport services .

On 15 December 2010, the Competition Authority (*Autorità Garante della Concorrenza e del Mercato*, AGCM) started a proceeding against Ferrovie dello Stato Italiane SpA ("FS") and Rete Ferroviaria Italiana SpA ("RFI"), for an alleged infringement of article 102 of the Treaty on the Functioning of the European Union, carrying out an inspection both at the offices of the companies involved and at the registered office of Trenitalia SpA ("Trenitalia").

The conduct of FS, through RFI, which has been questioned consists in it having adopted unjustified delaying tactics within the procedure for assigning the tracks to the new entrant Arenaways SpA ("Arenaways"), in order to obstruct, if not actually prevent, with a disadvantage for the end customer, access to the national rail infrastructure and, as a result, entry onto the Italian passenger transport market for a new operator, thus favouring Trenitalia. On 23 September 2011 the proceedings were subjectively extended to Trenitalia and the adoption of the following behaviour was contested in that it is eligible to constitute the abuse of a dominant position: (i) incorrect representation to the Office for the Regulation of Rail Services ("URSF", *Ufficio di Regolazione dei Servizi Ferroviari*) of the impact of the new Arenaways services on the public service contract entered into by Trenitalia with the Regional Government of Piedmont; *(ii)* improper delaying of the timing of the proceedings carried out by the regulatory body; *(iii)* artificial increase of services provided.

During the proceedings, the Authority made requests for information and listened, during hearings, not only to the parties to the proceedings but also stakeholders with a particular interest (including, in addition to the complainant company Arenaways, the URSF, the Ministry of Infrastructure and Transport – Railway Transport Head Office, the Lombardy Region and the Piedmont Region).

Following a gradual definition of the objections, RFI and Trenitalia decided to present the Authority with a commitment to adopt a series of behaviours in order to close the proceedings without ascertainment of an infringement; however, the Authority decided to reject the proposed commitments.

On 17 April 2012, the parties were notified of the preliminary findings, which contained the results of the inspection activities carried out by the offices of the Authority and which presented in detail the complaints against the individual companies involved.

The time limit for closing the preliminary investigation, which was initially extended to 8 March 2012, was further postponed, by virtue of the progress of the preliminary investigation phase, to 26 July 2012.

Furthermore, FS and RFI have filed an appeal with the Regional Administrative Court (TAR, *Tribunale Amministrativo Regionale*) of the Lazio Region for the cancellation, subject to prior suspension of the effects, of the Authority's resolution for the start of preliminary investigation proceedings, as well as of the authorization for inspection against it.

The TAR has rejected the appeals submitted by FS and RFI by two separate judgments.

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 hearing for the discussion of the merits of the appeals was held on 6 October 2011.

On 13 April, judgments no. 3393/2012, no. 3394/2012, no. 3392/12, no. 3390/12 were filed by which the Lazio TAR granted the appeals submitted by the Railway Companies and, as a result, cancelled Ministerial Decree 92/T of 11 July 2007 and the URSF Order no. 300/URSF/Segr. of 15 October 2007.

The TAR pointed out, *inter alia*:

- the Ministry's lack of power to intervene to resolve the matter; instead it considered the URSF to have the legal power to resolve the dispute in administrative proceedings;
- the Ministry's lack of power as a result of the fact that - on the basis of regulatory provisions - any amendment to the current regulations regarding the access fee (Legislative Decree 188/2003, article 17) would require compliance with the procedure provided for therein;
- that a comparison between the Ministerial Decree 44/T and the later 92/T highlighted that the latter did not merely acknowledge but rather reformed the former, as it attributed a meaning to Ministerial Decree 44/T that was not in line with the full rationale of the act that was interpreted. The TAR also provided a technical assessment and stated that the reference in Ministerial Decree 44/T to the conditions for allowing trains to be driven by a single agent is to be understood to mean that "only the installation of the system as a whole (SST and SSB), which allows a dialogue between the vehicle and the railway infrastructure, can eliminate this [network technology] backwardness and lead to the elimination of the application of the K2 Discount by way of compensation".

The most appropriate measures to be taken are being assessed in agreement with the appointed lawyer.

Antitrust Proceedings SP 7127-Bluferries

This is a preliminary investigation initiated by the Competition Authority against RFI for having breached article 8 (2) of law 287/90, by not operating using a separate company to perform services for the sea transport of people, vehicles and goods in the Strait of Messina and therefore by not fulfilling the obligations to provide prior notification of the establishment of said company.

The proceedings concluded with the finding of a breach of the obligations for corporate separation and a failure to provide prior notification, with RFI being handed two separate fines amounting to a total of Euro 25,000. The company decided not to challenge the notice of findings and paid the fine on 9 March 2012. The necessary arrangements are being carried out to make the company Bluferries Srl operative; the company was established in November 2010 in order to provide services to the market for the sea transport of people, vehicles and goods in the Strait of Messina.

Appeal to the President of the Republic against the Directive issued by the President of the Council of Ministers on 7 July 2009 for the redefinition of the perimeter of cargo plants and stations, as well as of the maintenance plants

With respect to what was reported in the consolidated financial statements at 31 December 2010, it should be pointed out that on 14 June 2011 the President of the Republic, in concluding the proceedings, adopted the Decree for decision of the extraordinary appeal, declaring the inadmissibility of the latter, in accordance with the opinion already given by the Council of State.

Measures/transfers of public resources for the Group accrued in 2011

values in €/mil.

	RFI	Trenitalia	Sita	FS Logistica	Cemat	Busitalia	Total
Operating grants							
Programme Contract	975						975
Other grants from the State		5		1			6
From local Public bodies			4			3	8
Sundry grants from others							0
Investment grants							
From the State	3,080 (*)						3,080
From local Public bodies	0	0					0
European Union grants	75						75
Total	**4,130**	**5**	**4**	**1**	**0**	**3**	**4,145**

(*) The item does not include discounted grants equal to Euro 3,287 million (total grants of Euro 4,000 million for the financial years from 2012 to 2021), under decree 47339 of 1 June 2011

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 FS Sistemi Urbani and FS Formazione (the latter was put into liquidation in the course of the financial year) were prepared according to current approaches.

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 Italiane 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 Italiane 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 Italiane 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, more than 250 administrative and accounting procedures had been issued within the Group.

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 Italiane SpA deemed it appropriate to also promote the appointment of "Managers responsible for the preparation of corporate accounting documents" in the main subsidiaries. Therefore, to date, these Managers have been appointed in the following companies: RFI SpA, Trenitalia SpA, Grandi Stazioni SpA., Centostazioni SpA., FS Logistica SpA and Busitalia-Sita Nord Srl.

On an annual basis, the abovementioned Managers will certify, by joint signature with the Managing Directors of each 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 Italiane SpA.

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 do not have a "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 Manager of the entities indicated and sent to their Chief Executive Officer, as well as to the Managers responsible for the preparation of corporate accounting documents of the Parent Company and of their controlling company, if any.

In relation to the 2011 financial year, note the implementation of the project “Segregation of duties – SOD” on some processes of Ferrovie dello Stato Italiane and the start of the same project at the main Group companies, 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 from what has been reported, 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 Italiane 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'S BUSINESS SEGMENTS

OPERATING SEGMENTS OF THE FERROVIE DELLO STATO ITALIANE GROUP

Transport services

Within this macro-sector the FS Group operates through one of its main subsidiaries: Trenitalia SpA

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

(values in €/mil.)

Main indicators	2011	2010	DELTA	%
Operating revenues	5,708.0	5,707.8	0.2	0.0%
EBITDA	1,410.5	1,270.4	140.1	11.0%
EBIT	496.2	341.9	154.3	45.1%
Result for the year	156.4	73.1	83.3	114.0%
Investments	861.3	822.0	39.3	4.8%
Net financial position	5,854.0	6,337.0	(483.0)	(7.6%)
Net worth	1,819.0	1,657.2	161.8	9.8%
Workforce	36,700	39,668	(2,968)	(7.5%)

Main ratios	2011	2010
ROE	9.4%	4.7%
ROI	6.3%	4.3%
ROS (EBIT MARGIN)	8.7%	6.0%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	24.7%	22.3%
DEBT/EQUITY	3.22	3.82

In 2011 Trenitalia SpA also recorded, as in the last years, a significant increase in the main operating margins (EBITDA +11%; EBIT +45.1%); it also recorded a significant increase in the Net Result, which more than doubled compared to the previous financial year (Euro +83.3 million, equal to +114%).

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 2011 performances achieved by the corporate business units.

Through the **Medium- and Long-Distance Passengers Transport Operating Segment**, Trenitalia SpA provides mobility services for passengers at national and international level. 2011 was characterised by an overall growth of 6.8% in Traffic revenues in the Market Segment and by a reduction of 8.3% in the Universal service segment. In fact, it should be pointed out that the Market Segment reported an increase in revenues thanks to the improvement of the offer on the High Speed System, while a slight reduction was recorded in low-return services for the streamlining of some Intercity trains for which the average load is particularly unfavourable.

On the contrary, the Universal service segment was affected by the gradual shifting of the modal share of transport on long-distance routes to alternative means of transport, in any case in line with what has already happened in Europe.

The **Regional Passenger Transport Operating Segment** provides mobility services for passengers at local level. In 2011 the regional transport recorded a 4.4% increase in revenues from traffic, equal to Euro 31 million, compared to the previous financial year. This change is mainly linked to the increase in regional fares which increased by 5.5% on average, against a decline in volumes equal to 0.8% due to the reduction in services offered (-3.4%) as requested by the customer Regional Governments.

2011 saw the completion of the renewal of the service contracts with the Regional Governments: in fact, service contracts were signed with the Regional Governments of Calabria and Piedmont, while the others had already been signed in the previous two-year period.

The **Cargo Transport Operating Segment** provides cargo mobility services at national and international level. During 2011 the “Cargo Division” continued its streamlining and reorganisation process started in previous years, aimed at improving efficiency of production units, the offer network on most profitable services and at acquiring competitiveness. The business sectors, which follow the relevant product areas, are represented by: “Traditional Business” and “Combined Business”.

In 2011 cargo trains – Traditional Business – recorded the same volumes as those recorded in 2010 in terms of trains-km, in line with the process for maintaining traffic and focusing on export services on the main international lines of Northern Europe and Eastern Countries. The turnover recorded a good increase (+6.3%) compared to the previous year.

Also railway traffic data from the National/international Combined Business came to the same levels as the previous year, in terms of both volumes and revenues. The overall data were affected by the suspension of some traffic on the part of the main intermodal operators in Spain and Great Britain; however, the growth in the international traffic of trains/km produced was able to offset losses from national traffic in which the operators themselves have become railway companies.

Another important corporate entity which operates within the **Regional Passenger Transport Operating Segment** – specifically in the road transport - together with the Trenitalia Division the performance of which has just been described, is:

Busitalia-Sita Nord Srl

(values in €/mil.)

Main indicators	2011
Operating revenues	68.5
EBITDA	4.5
EBIT	1.7
Result for the year	0.4
Investments	5.0
Net financial positions	4.6
Net worth	25.7
Workforce	939

Main ratios	2011
ROE	3.2%
ROS (EBIT MARGIN)	2.5%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	6.6%
DEBT/EQUITY	0.18

Busitalia–Sita Nord Srl is the company in the Ferrovie dello Stato Italiane Group which operates in the sector of public road transport. In this context, the company carries out its activity in various business areas, such as local public transport, both urban and suburban, long-distance bus service (both national and international), tourism and hires.

Busitalia was established in May 2011 through the reverse merger of the controlling company Sogin Srl (100% owned by FS Italiane) into the controlling company Sita SpA (100% owned by Sogin Srl) and the simultaneous partial non-proportional demerger of Sita SpA.

2011 was characterised by profound changes in the situation both from the point of view of the market in which the business operates and from the point of view of the corporate reality, which was affected by a process of reorganisation which took up almost the whole of the first half of the year. Nevertheless, the company equipped itself in a short space of time to deal with the new requirements created by situations that are made even more complex by the full unfolding of the effects of the international crisis and its impact on local finance. This ability is shown by the positive performance results achieved by the company – which are significant when looked at in the context of this data – in the period from 20 May 2011 when the effects of the demerger started and 31 December 2011.

The company recorded a net profit of Euro 336 thousand and revenues of Euro 68,491 thousand, mainly arising from the market, from service contracts with the Regional, Provincial and Municipal Governments, as well as revenues arising from additional Service Contracts with the same granting authorities and referred to the Regional Head Offices of the Veneto and Tuscany regions only. In 2011 the company also made investments of Euro 4,987 thousand for Local Public Transport Lines and for the Lines concerning market services and structure investments.

Netinera Deutschland GmbH also operates in the **Regional Passenger Transport** segment of the Group, through a group of about 50 companies active in Germany.

(values in €/mil.)

Main indicators	2011 (*)
Operating revenues	389.8
EBITDA	38.6
EBIT	12.8
Result for the year	(8.6)
Net financial position	223.6
Net worth	42.3
Workforce	2,292

(*): data referred to the period 26 February - 31 December 2011

Main ratios	2011
ROE	(33.8%)
ROI	9.6%
ROS (EBIT MARGIN)	3.3%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	9.9%
DEBT/EQUITY	5.29

On 25 February 2011, the Arriva Deutschland group was acquired by the SPV FS 2 Move GmbH, 51% held by Ferrovie dello Stato Italiane SpA and 49% held by the Cube Infrastructure SCA Investment Fund; subsequently, at the end of August, FS 2 Move GmbH merged Netinera Deutschland GmbH (the new name took on by the Berlin parent company in March 2011) and took on its name.

The current Netinera group mainly carries out rail and road transport activities in the German local and metro transport market, through about 50 investee companies. The group also carries out activities on international routes to the Czech Republic, Poland and the Netherlands.

In addition to passenger and cargo transport service, the group performs services for the maintenance and revamping of vehicles.

In the course of 2011, the first 10-month financial year (March – December 2011), which saw the application of the international accounting standards IAS/IFRS in the same manner as and according to an approach of integration with the administrative and accounting model of the FS Group, the Netinera group recorded revenues of about Euro 389 million, against costs of Euro 352 million, recording EBITDA of Euro 38 million; after amortization and depreciation of Euro 25 million and finance costs of Euro 20 million (substantially towards the shareholders), it was also able to contain losses below Euro 9 million, in any case in line with the forecasts and assumptions behind the business plan used to define the acquisition price of the group.

On the other hand, these losses must be considered to be a substantial breakeven at the level of the margin of contribution to the consolidated result of the FS Group, as the same take about Euro 8.1 million of finance costs out of the total of about Euro 20 million to the 2011 income statement, acknowledged to Ferrovie dello Stato SpA against the loans disbursed by it to the German parent company.

Finally, with reference to the process for allocating the price (Euro 172.4 million) paid by the shareholders FS and Cube at the time of the purchase, which was implemented according to the international accounting standard IFRS 3 (Business

Combinations) through the measurement at fair value of assets and liabilities acquired, reference is made to note 6 “Business combinations” of the notes to the consolidated financial statements.

As regards, for the sake of completeness, the 2011 financial statements of the parent company Netinera Deutschland GmbH, which were drawn up – as opposed to the related consolidated financial statements of the group – pursuant to the German civil code and accounting standards and on the basis of accounting data which was sent on an unofficial basis by the management of the company in the last few days, the operating loss appears much higher than the consolidated loss. This loss – if confirmed in the official final statements – is basically due to a very specific aspect linked expressly to the German civil law rules which provide for the statutory results of subsidiaries with which long-term contracts have been signed to that end (so-called profit/loss transfer agreements) to be absorbed by the parent company into its financial statements. In the case in point, it appears that a large part of the 2011 profits generated by subsidiaries of the company were not transferred as these subsidiaries were not among those that had signed such agreements, or because there were past losses; on the other hand, these profits are clearly reflected in the consolidated result of the Netinera group, as previously commented upon.

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.

(values in €/mil.)

Main indicators	2011	2010	DELTA	%
Operating revenues	136.4	149.7	(13.3)	(8.9%)
EBITDA	(7.9)	(9.7)	1.8	18.6%
EBIT	(12.0)	(14.4)	2.4	16.7%
Result for the period	(18.5)	(19.4)	0.9	4.6%
Investments	2.0	1.9	0.1	5.3%
Net financial position	87.2	63.5	23.7	37.3%
Net worth	124.5	139.8	(15.3)	(10.9%)
Workforce	189	163	26	16.0%

Main ratios	2011	2010
ROE	(13.1%)	(12.2%)
ROI	(5.8%)	(4.6%)
ROS (EBIT MARGIN)	(8.8%)	(9.6%)
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	(5.8%)	(6.5%)
DEBT/EQUITY	0.70	0.45

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, environment and territory (ICA [*Industria, Chimica, Ambiente*] Business Unit – Industry, Chemicals and Environment), major institutional clients (Omniaexpress Business Unit), the combined road/rail transport of containers (Italcontainer Business Unit) and steel industry (Steel Industry Business Unit). The Company also deals with the design and construction of logistic infrastructures on the company-owned assets, through the organisational Asset Management and Development unit, in order to enhance the corporate assets through investments aimed at the rehabilitation of areas.

2011 saw the merger by incorporation of the direct subsidiary Italcontainer SpA, which took place on 1 October 2011, but which became effective on 1 January 2011. FS Logistica SpA in redefining its strategies deemed it more appropriate to implement the integration process, to be realized through the merger and the subsequent establishment of a Business Unit for 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.

The 2011 Net Result recorded a slight improvement compared to the previous year, which was mainly attributable to the reduction in operating revenues and to a more than proportional reduction in the costs correlated thereto. The continuation of such damaging performance, although it has abated, can mainly be ascribed to the highly negative results recorded in the combined transport sector in which the Italcontainer Business Unit operates and to the reduction in volumes transported in the chemical sector as a result of the assignment of purchase contracts with Trenitalia Spa – Cargo Division which was concluded during the year.

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.

RFI SpA

(values in €/mil.)

Main indicators	2011	2010	DELTA	%
Operating revenues	2,541.4	2,581.4	(40.0)	(1.5%)
EBITDA	239.8	290.5	(50.7)	(17.5%)
EBIT	112.8	135.1	(22.3)	(16.5%)
Result for the year	98.1	91.6	6.5	7.1%
Investments	3,023.0	3,028.6	(5.6)	(0.2%)
Net financial position	2,054.5	3,199.2	(1,144.7)	(35.8%)
Net worth	33,358.3	33,520.7	(162.4)	(0.5%)
Workforce	28,120	30,209	(2,089)	(6.9%)

Main ratios	2011	2010
ROE	0.3%	0.3%
ROI	0.3%	0.7%
ROS (EBIT MARGIN)	4.4%	5.2%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	9.4%	11.3%
DEBT/EQUITY	0.06	0.10

RFI SpA è is the company responsible for the design, construction, installation, management and maintenance of the national railway infrastructure. Its revenues are constituted by tolls paid by the transport companies that use the infrastructure and by the State grants for covering the costs for the ordinary maintenance of the infrastructure itself . During 2011 the company recorded higher revenues from tolls arising from higher traffic volumes relating to the High Speed/High Capacity network against a fall in revenues from property management and other income. The performance achieved by the company in 2011 was also affected by the extraordinary transactions of the partial demerger towards FS Logistica, the Parent Company and FS Sistemi Urbani, 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 Group

(values in €/mil.)

Main indicators	2011	2010	DELTA	%
Operating revenues	216.4	193.5	22.9	11.8%
EBITDA	68.6	46.7	21.9	46.9%
EBIT	53.9	35.2	18.7	53.1%
Result for the year	31.6	19.7	11.9	60.4%
Investments	34.8	20.5	14.3	69.8%
Net financial position	168.2	177.9	(9.7)	(5.5%)
Net worth	160.1	143.8	16.3	11.3%
Workforce	274	279	(5)	(1.8%)

Main ratios	2011	2010
ROE	23.2%	15.1%
ROI	16.6%	11.3%
ROS (EBIT MARGIN)	24.9%	18.2%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	31.7%	24.1%
DEBT/EQUITY	1.05	1.24

The Grandi Stazioni group operates through the parent company, as well as two subsidiaries: Grandi Stazioni Ceska Republika Sro (51%), based in Prague, and Grandi Stazioni Ingegneria Srl (100%).

Below are reported the values relating to the consolidated financial statements of the group, which substantially reflect the values of the separate financial statements of the Parent Company, Grandi Stazioni SpA, the service company of the FS 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, managed by the Prague subsidiary - 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 continued its investment projects. In fact, works continued for the rehabilitation of internal works, mainly in the stations of Bari, Bologna, Florence, Genoa Brignole and Principe, Palermo and Venice Mestre and S. Lucia and works were substantially completed at the station of Verona. At the same time, in Prague, works were completed for the rehabilitation of the Marianske Lazne and central Prague stations.

The 2011 Net Result showed a substantial increase mainly due to the capital gain arising from the transfer of the former departmental building located in Rome, at via Marsala and from the increased revenues from leases, contract work in progress, engagement activities and special systems and services to customers.

CENTOSTAZIONI SpA

(values in €/mil.)

Main indicators	2011	2010	DELTA	%
Operating revenues	77.6	76.7	0.9	1.2%
EBITDA	18.4	19.6	(1.2)	(6.1%)
EBIT	15.8	15.6	0.2	1.3%
Result for the year	9.9	9.7	0.2	2.1%
Investments	1.5	2.1	(0.6)	(28.6%)
Net financial position	31.5	17.2	14.3	83.1%
Net worth	27.2	37.3	(10.1)	(27.1%)
Workforce	128	124	4	3.2%

Main ratios	2011	2010
ROE	36.3%	32.4%
ROI	27.9%	29.6%
ROS (EBIT MARGIN)	20.4%	20.3%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	23.7%	25.6%
DEBT/EQUITY	1.2	0.5

Centostazioni SpA is the FS Group company that is responsible for the management of the assets comprised of the real estate complexes of the network of 103 medium-sized railway Stations owned by RFI and for the management of assets that are in any way connected to the commercial exploitation of means of transport. 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 also in the 2011 financial year, thus improving the overall perception of the company's image on the part of customers, authorities and the public opinion in general.

The 2011 Net Result showed a slight increase due to the growth in operating revenues, operating costs and to the significant reduction in provisions. The increase in revenues is due to the combined effect of higher revenues from the recharging of service charges following the increase in the volumes handled and lower revenues from leases because of the persistence of the effects of the economic crisis in progress as early as from 2009, while operating costs increased following higher costs incurred for service charges which were only partially recharged to the lessor, and for the increase in production materials and services. During 2011 the company distributed dividends of Euro 6.7 million.

FS SISTEMI URBANI Srl

(values in €/mil.)

Main indicators	2011	2010	DELTA	%
Operating revenues	22.1	16.2	5.9	36.3%
EBITDA	6.5	7	(1)	(7.1%)
EBIT	5.9	6.4	(0.5)	(7.8%)
Result for the year	5.9	5.8	0.1	1.7%
Investments	0.45	0.3	0	50.0%
Net financial position	(5.2)	(8.8)	3.6	40.9%
Net worth	543.6	527.0	16.6	3.1%
Workforce	32	26	6	23.1%

Main ratios	2011	2010
ROE	1.1%	1.1%
ROI	1.1%	1.2%
ROS (EBIT MARGIN)	26.7%	39.5%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	29.4%	43.2%
DEBT/EQUITY	(0.01)	(0.02)

FS Sistemi Urbani Srl is the company in the Ferrovie dello Stato Italiane Group which carries out activities concerning integrated urban services and the enhancement of the assets which are not functional to the conduct of the railway business, also through the integrated management and the development of real estate services.

The company closed with the best result achieved from the start of the operations in terms of sales and cash volumes. In fact, 2011 saw the sale of a total of 6 assets for a value of more than Euro 12 million. This result was achieved despite the heavy influence exercised by the global economic and financial crisis and by the state of recession in which Italy finds itself.

Important projects were carried out and completed for the transformation of railway areas. In particular, note the important transformation projects concerning the Turin area where the Group completed the enhancement of the three complexes of Spina 1, Spina 2 and Lingotto, which allowed the sale of the former, as well as started procedures to subject the other areas to town-planning changes.

The 2011 Net Result of FS Sistemi Urbani Srl showed an increase substantially due to the sale of properties that generated capital gains of Euro 5.6 million and to real estate income, mainly attributable to lease rentals and fees for the enhancement of the assets of the Group companies.

ITALFERR SpA

(values in €/mil.)

Main indicators	2011	2010	DELTA	%
Operating revenues	162.3	171.6	(9.3)	(5.4%)
EBITDA	14.5	19.1	(4.6)	(24.1%)
EBIT	8.8	13.5	(4.7)	(34.8%)
Result for the year	1.5	4.0	(2.5)	(62.5%)
Investments	10.6	21.2	(10.6)	(50.0%)
Net financial position	29.5	(22.4)	51.9	N/A
Net worth	48.7	51.5	(2.8)	(5.4%)
Workforce	1,350	1,433	(83)	(5.8%)

Main ratios	2011	2010
ROE	3.0%	7.7%
ROI	16.4%	37.7%
ROS (EBIT MARGIN)	5.4%	7.9%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	8.9%	11.1%
DEBT/EQUITY	0.61	(0.43)

Italferr SpA is the engineering service company of the FS Group which is responsible for the design, works management and supervision, competitive tenders and project management activities for all the large infrastructural investments of the Group. Italferr SpA is also strongly committed to the design and construction of eco-friendly works compatible with the needs and expectations expressed by the community. In this context, it has adopted an Integrated Management System for Quality, Environment, Health and Safety.

The Net Result showed a decrease of about Euro 2.5 million, while EBITDA were equal to Euro 14.5 million, with a decline of about Euro 4.6 million compared to the previous financial year. The two results fully confirm the expected trend for 2011, characterized by a reduction in production volumes compared to previous years, accompanied by a decrease in operating costs which, although less significant, allowed the company to maintain a positive net result. On the contrary, production volumes were affected by a reduction in public expenditure in infrastructural investments, related to the level of indebtedness of the Italian Government, which did not allow the new investments made in the year to offset the substantial completion of those on the High Speed / High Capacity lines. Even the highly competitive international market made the commercial penetration of Italferr SpA difficult, thus preventing any new orders acquired on the foreign market from offsetting the decline in production on the Italian and, more properly, captive market.

FERCREDIT SPA

(values in €/mil.)

Main indicators	2011	2010	DELTA	%
Interest earned and similar income	21.6	14.9	6.7	45.0%
Interest expense and similar charges	7.1	3.5	3.6	102.9%
Business margin	17.6	14.2	3.4	23.9%
Labour cost	3.2	3.0	0.2	6.7%
EBIT	13.7	10.5	3.2	30.5%
Net result for the year	9.0	6.9	2.1	30.4%
Workforce	31	33	(2)	(6.1%)

Main ratios	2011	2010
ROE	11.4%	9.3%
Availability ratio *	1.18	1.09
DEBT/EQUITY	4.15	4.86

*(Current Assets/Current liabilities)

Fercredit SpA is the company responsible for the financial services of the Ferrovie dello Stato Italiane 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.

In 2011, 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 Italiane Group, also because of lower funds set aside by the State. Despite the consequent fall in traded volumes, the company, anyhow, 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, in the light of the entire context in which the company operated, the results achieved in terms of profitability, during the financial year, were more than satisfactory. In fact, an improvement was recorded in the business margin, in the operating result and in the net 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 and by a significant increase in doubtful debts. These economic results were due to the policy of utmost attention that has always been paid to management costs, as well as to the constant caution adopted in the policies of granting of credit.

Within the **Other services**, and in particular within the **Administrative, Facilities and Real Estate Services,** Ferservizi SpA constitutes the "Integrated Services Centre" of the Ferrovie dello Stato Italiane Group appointed to manage activities which are not directly connected with the conduct of the railway business.

(values in €/mil.)

Main indicators	2011	2010	DELTA	%
Operating revenues	202.6	214.1	(11.5)	(5.4%)
EBITDA	29.3	27.7	1.6	5.8%
EBIT	17.0	14.6	2.4	16.4%
Result for the year	5.3	2.9	2.4	82.8%
Investments	2.5	3.9	(1.4)	(35.9%)
Net financial position	115.1	116.4	(1.3)	(1.1%)
Net worth	56.3	54.8	1.5	2.7%
Workforce	1,797	1,973	(176)	(8.9%)

Main ratios	2011	2010
ROE	10.0%	6.9%
ROI	30.0%	27.7%
ROS (EBIT MARGIN)	8.4%	6.8%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	14.5%	12.9%
DEBT/EQUITY	2.0	2.1

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. The Net Result for the period came to Euro 5.3 million, with a significant increase of Euro 2.4 million compared to the 2010 closing figure, as well as an increase in intermediate margins (EBITDA +6%, up to more than Euro 29 million, and EBIT of Euro 17 million, equal to +16.9%).

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 2011 financial year confirmed the path to the full alignment with the strategic and operational objectives defined in the FS Group's 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.

In fact, the 2011 financial year of the Ferrovie dello Stato Italiane Group also showed growth in its economic results, with a significant improvement in the net result, equal to Euro 285 million, which more than doubled compared to the previous financial year (Euro +156 million compared to 2010).

With reference to the summary comment on the prospects referred to the two operating entities of major importance in the Group, the 2011 results for **Trenitalia (passenger and cargo rail transport business)** also confirm the path outlined in the Business Plan of the company, fully in line with the 2015 Plan.

Operating cash flows (before investments) showed a positive balance, even if they were still affected - despite the objective, higher effort on the part of the Government to settle its debt positions to the company in the last months of 2011– by the non-collection of some resources allocated by the MEF out of the services rendered by Trenitalia for the Service Contracts with the “State-Customer” (relating to some services in the sectors of Medium- and long-distance, Cargo and services to Special Regions) both in 2009 and 2010, which was also confirmed in the 2011-2015 business plan; likewise, some delays must be reported in the receipts from some Italian regional governments.

The compliance with the payments by the State and the Regional Governments would allow Trenitalia and, accordingly, the Group to improve the operating cash flow, thus being able to further limit finance costs.

The company is continuing to pay 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; on the other hand, it is effectively developing the implementation of a demanding restructuring plan of the Cargo sector according to the guidelines already outlined in the second half of 2009; this plan shall lead Trenitalia to have all its business sectors able to generate positive results, without adversely affecting the contribution from those sectors with a higher value.

The results achieved in 2011, considering the difficult economic trend and the consequent market riskiness expected in 2012, the restructuring transactions of the Cargo sector and of the Universal passenger service, as well as the entrance of new High Speed service operators in the market, in the event of them affecting the current financial year, may not be confirmed, although they remain positive.

It is appropriate to point out that the maintenance of the investment plan resolved in previous years entails considerable financial commitments for the company. The recapitalization transactions resolved by the Board of Directors of Trenitalia in September 2009, and partly already implemented, will allow a gradual re-equilibrium of the equity structure towards more acceptable indicators. Investments in the market service sector will not create problems for the company with regard to meeting obligations that have been undertaken, as it is evident that these sectors are able to produce the sufficient liquidity suitable to support the necessary cash flow of the investment.

The situation is more delicate with reference to the investment commitments undertaken in accordance with the Service Contracts executed with the Italian Regional Governments, closely correlated to the compliance by the individual Regional Governments with the contractual conditions, including *in primis* the levels of fees defined. 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 on the basis of which the economic sustainability has been assessed.

As already pointed out in previous years, the non-compliance with the commitments undertaken by the Regional Governments – even if protected by regular private law contracts and in the presence of clauses providing for the repurchase by the Regional Governments themselves of the rolling stock being invested in within the scope of the same contracts – may also cause damage to the immediate economic equilibrium of the company; therefore, the amendments introduced by Decree Law 98/2011 on the possible non-renewal of the Service Contracts for the second 6-year tranche

upon the natural expiry of the first one, could entail the review of the investment commitments undertaken by the company at the time of the execution of the Contracts themselves.
The above necessarily involves a different approach by Trenitalia and, accordingly, by the FS Group, in assessing the prospective business scenarios for regional rail transport, thus evidently becoming a new element of possible uncertainty regarding production volumes of trains-km, which have been previously acquired as they were contracted and, therefore, regarding the relative volumes of revenues and cash flows over the period of the Group's business plan.
Finally, all this is even more important when you consider that, according to international accounting standards IAS/ IFRS, adopted by the FS Group starting from the 2010 financial year, maximum emphasis is placed on the need to constantly check that the values of the company's assets prospectively generate adequate cash flows so as to ensure that the "value in use" of the asset is greater than its "book value" (impairment test under IAS 36).

The positive results achieved by **RFI (which conducts its business in the sector of the construction and management of the infrastructural, traditional and high speed network)** in the year also fall within the scope of the guidelines under the new 2011-2015 Business Plan, by which the company, even remaining oriented to effectively ensuring growth in railway transport, identified a number of optimal actions, aimed at redesigning an increasingly "streamlined" operating structure, with performance levels among the best in Europe, from the perspective of production efficiency, safety and quality and in stable conditions of economic and financial equilibrium.

The result for the year, which showed a profit of Euro 98 million, was achieved in a phase of a global economic crisis, with a national GDP which grew at a pace slower than in 2010 and in any case lower than that of the most important European partners.

These results were mainly driven by the economic exploitation of the High Speed/High Capacity network and, in a phase of high tension of financial markets, may be partially used by the company to complete the infrastructural investment of the Turin/Milan/Naples line, thus reducing the trend of indebtedness expected in the next financial year and allowing greater flexibility in choosing the time of access to the market of loans.

In any case, the search for new equilibriums in the relations with the State remains essential, also through the adoption of 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.

From a financial point of view, within the contractual relationships with the State, 2012 sees the adoption of the 2010 – 2011 update of the 2007 – 2011 Programme Contract; this update, after having been formalised with the submission to the Chambers and the final registration, will provide certainties to the related financial resources, which are essential to ensure the financial sustainability of the overall investment plan of RFI.

On the other hand, the new 2012 - 2016 Programme Contract is being defined, which will lay out the overall outlook of the business in terms of investment projects.

To these scenario elements must be added the new obligations that will arise from the execution of the Institutional Development Contracts, relating to the routes being financed also pursuant to the "Cohesion Plan", with particular regard to Southern Italy.

Finally, as regards extraordinary and ordinary maintenance, an in-depth analysis is being carried out within the company in order to consider the procedures for optimising the use of the (relatively scarce) resources made available by the State up to now, through the unit management of the maintenance activity, both ordinary and extraordinary, assuming a single long-term contractual deed (Availability Contract), in accordance with European guidelines (Multi-Annual Contract).

In brief, the simultaneous development of the new Programme Contract, investment side, (as regards both the 2010 – 2011 update and the new 2012 – 2016 version) and the approval of the new Availability Contract of the network for the management of maintenance, both ordinary and extraordinary, represent the challenges for 2012 to ensure higher certainty in the availability of the necessary resources. As to the ordinary operations of the Company, in addition to the abovementioned issue of the formalisation of the Availability Contract with the MIT, the central issue is the development of the traffic of the High Speed/High Capacity network. In fact, the forecasts show growth in the production volumes of the High Speed/High Capacity network, with a trend of approaching the volumes assumed in full operation for the network itself.

As to the relationship with the customer railway companies (IF), note the entry into operation of the "Single Office" (*Sportello Unico*)"; in fact, the Sales Management of RFI constitutes by now the sole interface with the Railway Companies, not only for the purchase of the hourly tracks and of the other services additional to traffic envisaged in the Network Information Sheet (*Prospetto Informativo Rete*, PIR), but also for the purchase of services related to railway ferrying and handling.

In 2012 the Navigation sector of RFI should be affected by an extraordinary transaction to contribute the "market" branch of business to the subsidiary Blueferries, also for the purpose of complying with specific requests submitted by the Competition Authority.

From the point of view of the overall operating cost structure of the company, we have already mentioned a policy of synergy between ordinary and extraordinary maintenance linked to a new maintenance model that should allow the containment of costs, while pursuing the improvement of the traditional safety performance standards in close connection, as in the past, with the reengineering of processes and the continuous introduction of new technology.

Therefore, we expect that the positive economic results will continue also in 2012, thus outlining a trend that has been consolidated for years.

Finally, from the point of view of financial coverage, it could be necessary, as occurred in 2011, to find additional debt resources necessary to complete (for the portion of the current year) the works for the construction of the entire High Speed/High Capacity network, as required by the 2015 Business Plan.

- **of Ferrovie dello Stato Italiane SpA**

The Parent Company also closed 2011 with a significant improvement of its result, as it almost doubled the net profit compared to the past financial year (Euro 41 million compared to Euro 21 million in at the end of 2010).

On the assumption of the achievement of the main objectives of each Group company in 2012, we can confirm, also for the current financial year, the forecasts of a positive result of the Parent Company.

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

The company's financial statements for the year ended 31 December 2011 showed a net profit of Euro 41,305,322.

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 2,065,266 to Legal Reserve;
- the residual amount, equal to Euro 39,240,056 to Profits carried forward.

Rome, 24 May 2012

The Board of Director

The Chief Executive Officer

Oscar di Bilancio
Società e
Grandi Imprese
Non Quotate

WINNER
2011

Consolidated Financial Statements: accounting statements and notes to the financial statements

Consolidated statement of financial position

values in €/mil.

	Notes	31.12.2011	31.12.2010 revised (*)	01.01.2010 revised (*)
Assets				
Plant, property and equipment	(8)	44,242	47,035	46,066
Investment properties	(9)	1,667	1,556	1,583
Intangible assets	(10)	533	359	381
Deferred tax assets	(11)	238	241	223
Investments (equity method)	(12)	334	288	281
Non-current financial assets (including derivatives)	(13)	1,812	1,916	2,040
Non-current trade receivables	(16)	36	33	36
Other non-current assets	(14)	4,671	2,572	2,910
Total non-current assets		**53,533**	**54,000**	**53,520**
Construction contracts	(15)	16	10	8
Inventories	(15)	1,693	1,668	1,714
Current trade receivables	(16)	2,285	2,805	2,808
Current financial assets (including derivatives)	(13)	178	168	174
Cash and cash equivalents	(17)	2,064	613	1,135
Tax receivables	(18)	91	87	87
Other current assets	(14)	1,655	1,603	1,891
Assets held for sale and disposal groups	(7)	4	18	32
Total current assets		**7,986**	**6,972**	**7,849**
Total assets		**61,519**	**60,972**	**61,369**
Equity	**(19)**	**36,423**	**36,165**	**36,098**
Equity atttributable to the Group	**(19)**	**36,207**	**36,034**	**35,962**
Share capital	(19)	38,790	38,790	38,790
Reserves	(19)	(99)	(3)	(34)
Profits (losses) carried forward	(19)	(2,756)	(2,871)	(2,831)
Profits (Losses) for the year	(19)	272	118	37
Minority interests	**(19)**	**216**	**131**	**136**
Profit/(loss) attributable to minority interests	(19)	13	11	17
Capital and reserves attributable to Minority Interests	(19)	203	120	119
Liabilities				
Medium/long term loans	(20)	11,390	11,489	11,928
Severance pay and other employee benefits	(21)	1,879	2,147	2,415
Provisions for risks and charges	(22)	1,545	1,662	1,778
Deferred tax liabilities	(11)	243	221	193
Non-current financial liabilities (including derivatives)	(23)	422	341	273
Non-current trade payables	(25)	54	24	25
Other non-current liabilities	(24)	412	290	270
Total non-current liabilities		**15,945**	**16,174**	**16,882**
Short-term loans and current portion of medium/long-term loans	(20)	804	979	791
Short-term portion of Provisions for risks and charges	(22)	24	8	7
Current trade payables	(25)	3,747	3,447	3,659
Income taxes payable	(26)	25	15	7
Current financial liabilities (including derivatives)	(23)	24	52	66
Other current liabilities	(24)	4,527	4,132	3,859
Total current liabilities		**9,151**	**8,633**	**8,389**
Total liabilities		**25,096**	**24,807**	**25,271**
Total equity and liabilities		**61,519**	**60,972**	**61,369**

(*) Consolidated statement of financial position reviewed in the recognition of some items of assets and liabilities for:

- the application of the equity method in the consolidation of *joint ventures* (for more information, reference is made to notes 4.a.ii and 47);
- reclassifications aimed at a better representation of accounting items;
- decrease in FTA reserves, equal to about Euro 13 million, arising from the reversal of the balance sheet asset component "Land and Buildings held for Trading".

Consolidated income statement

values in €/mil.

	Note	2011	2010 revised (*)
Revenue and income			
Revenues from sales and services	(27)	7,488	7,272
Other income	(28)	777	713
Total revenues		**8,265**	**7,985**
Operating costs			
Personnel cost	(29)	(4,097)	(4,322)
Raw and secondary materials, consumables and goods for resale	(30)	(877)	(838)
Costs for services	(31)	(2,044)	(1,862)
Leases and rentals	(32)	(197)	(136)
Other operating costs	(33)	(100)	(98)
Capitalisation of internal construction costs	(34)	854	944
Amortisation and depreciation	(35)	**(1,002)**	**(983)**
Write-downs, impairment losses and value write-backs	(36)	**(54)**	**(95)**
Provisions for risks and charges	(37)	**(84)**	**(88)**
EBIT		**664**	**507**
Finance income and costs			
Finance income	(38)	96	76
Finance costs	(39)	(343)	(341)
Share of profit (loss) of investments accounted for at equity		0	3
Pre-tax result		**417**	**245**
Income taxes	(40)	(132)	(116)
Profit for the year from continuing operations		**285**	**129**
Net profit for the year (Group and Minority Interests)		**285**	**129**
Net profit attributable to the Group		*272*	*118*
Net profit attributable to Minority Interests		*13*	*11*

(*) Consolidated statement of financial position reviewed in the recognition of some items of assets and liabilities for:

- the application of the equity method in the consolidation of *joint ventures* (for more information, reference is made to notes 4.a.ii and 47);
- reclassifications aimed at a better representation of accounting items;
- decrease in FTA reserves, equal to about Euro 13 million, arising from the reversal of the balance sheet asset component "Land and Buildings held for Trading".

Consolidated statement of comprehensive income

values in €/mil.

	Notes	31.12.2011	31.12.2010 revised (*)
Net profit for the year (Group and Minority Interests)		**285**	**129**
Other components of the consolidated statement of comprehensive income			
Effective portion of changes in fair value of cash flow hedge	(19)	(72)	(54)
Exchange differences	(19)	2	12
Gains (losses) relating to actuarial benefits	(19)	(28)	70
Other components of the comprehensive income for the year, net of tax effects	**(19)**	**(99)**	**28**
Comprehensive income for the year (Group and Minority Interests)		**186**	**157**

(*) Consolidated statement of financial position reviewed in the recognition of some items of assets and liabilities for:

- the application of the equity method in the consolidation of *joint ventures* (for more information, reference is made to notes 4.a.ii and 47);
- reclassifications aimed at a better representation of accounting items;
- decrease in FTA reserves, equal to about Euro 13 million, arising from the reversal of the balance sheet asset component "Land and Buildings held for Trading".

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 2010 revised (*)	**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									(74)		**(74)**	(8)	**(82)**
Comprehensive Income/(Losses) recognised													
of which:													
Income/(Loss) recognised directly in equity					12	(54)	70	28			**28**		**28**
Profit (Losses) for the year										118	**118**	11	**129**
Balance as at 31 December 2010 revised (*)	**38,790**	**14**	**28**	**255**	**17**	**(342)**	**25**	**(3)**	**(2,871)**	**118**	**36,034**	**131**	**36,165**
Capital increase													
Distribution of dividends												(14)	**(14)**
Allocation of the net profit for the previous year		2						2	116	(118)	**0**		**0**
Change in the consolidation area						(1)	(6)	(7)	(1)		**(8)**	86	**78**
Comprehensive Income/(Losses) recognised													
of which:													
Income/(Loss) recognised directly in equity					2	(71)	(22)	(91)			**(91)**		**(91)**
Profit (Losses) for the year										272	**272**	13	**285**
Balance as at 31 December 2011	**38,790**	**16**	**28**	**255**	**19**	**(414)**	**(3)**	**(99)**	**(2,756)**	**272**	**36,207**	**216**	**36,423**

(*) Consolidated statement of financial position reviewed in the recognition of some items of assets and liabilities for:
- the application of the equity method in the consolidation of *joint ventures* (for more information, reference is made to notes 4.a.ii and 47);
- reclassifications aimed at a better representation of accounting items;
- decrease in FTA reserves, equal to about Euro 13 million, arising from the reversal of the balance sheet asset component "Land and Buildings held for Trading".

Consolidated Statement of cash flows

Values in €/mil.

	2011	2010 revised (*)
Profit (loss) for the year	**285**	**129**
Amortisation and depreciation	1,002	983
Provisions and write-downs	405	382
Capital gains (-)/Losses from disposal of fixed assets	(107)	(94)
Change in Inventories	(18)	44
Change in trade receivables	627	5
Change in trade payables	283	(227)
Change in deferred tax assets and liabilities	4	(17)
Change in tax payables and receivables	0	7
Change in other liabilities	236	314
Change in other assets	1,026	670
Use of provisions for risks and charges	(331)	(388)
Payment of employee benefits	(360)	(290)
Cash flows generated from (used in) operating activities	**3,051**	**1,520**
Investments in property, plant and equipment	(3,830)	(3,799)
Investment properties	(5)	(11)
Investments in intangible assets	(126)	(63)
Investments in equity investments	0	(86)
Investments, including grants	**(3,962)**	**(3,959)**
	0	0
Grants in property, plant and equipment	2,393	1,808
Grants in investment properties	1	3
Grants in intangible assets	1	3
Grants	**2,395**	**1,814**
	0	0
Disinvestments in property, plants and equipment	140	281
Disinvestments in intangible assets	2	3
Disinvestments in equity	0	46
Disinvestments	**142**	**330**
Change in financial assets	135	131
Net cash flow used in investing activities	**(1,289)**	**(1,684)**
Use of medium/long term loans	0	0
Repayments of medium/long-term loans	(200)	(324)
Change in short-term loans	(182)	(9)
Change in financial liabilities	(1)	(1)
Dividends	0	(7)
Change in equity	71	(16)
Net cash flow generated from financing activities	**(312)**	**(357)**
Total cash flows generated/(used) in the year	**1,450**	**(521)**
Cash and cash equivalents at the beginning of the year	**614**	**1,135**
Cash and cash equivalents at the end of the year	**2,064**	**614**

(*) Consolidated statement of financial position reviewed in the recognition of some items of assets and liabilities for:
- the application of the equity method in the consolidation of *joint ventures* (for more information, reference is made to notes 4.a.ii and 47);
- reclassifications aimed at a better representation of accounting items;
- decrease in FTA reserves, equal to about Euro 13 million, arising from the reversal of the balance sheet asset component "Land and Buildings held for Trading".

Notes to the consolidated financial statements

1 Preamble

These consolidated financial statements for the financial year ended 31 December 2011 (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 Italiane (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 FS Group's business and structure of the consolidated financial statements

Ferrovie dello Stato Italiane 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 Italiane" or the "FS Group") provide services relating to passenger transport, cargo transport and logistics and manage an extensive railway network. The FS Group's structure is reported in Annex 2.

On 24 May 2012 the Directors approved the financial statements as at 31 December 2011 and their distribution to the Shareholders within the time limits set out in article 2429 of the Italian Civil Code. These financial statements will subsequently be submitted to the Shareholders' Meeting for approval within the period of time prescribed by the law and will be filed within the time limits set out in 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 under IAS 10, the date of the Directors' authorisation to publish the financial statements is 24 May 2012, which corresponds to the date of approval by the Board of Directors.

PricewaterhouseCoopers SpA has been appointed to carry out the statutory audit of accounts, pursuant to article 14 of Legislative Decree 39/2010 and to articles 2409-*bis* and ff. of the Italian Civil Code.

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 in accordance with EU-IFRS, including all International Financial Reporting Standards, 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 up to 24 May 2012, 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 pointed out that these financial statements were prepared on the basis of the best knowledge of EU-IFRSs and taking account of the best doctrine on the subject; future guidelines and interpretation updates (if any) will be reflected in subsequent financial years, according to the procedures envisaged from time to time by the relevant accounting standards.

The Consolidated Financial Statements were prepared and presented in Euro, which represents the FS Group's functional currency, i.e. the current money of the countries where the FS 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 FS 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 FS 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 FS Group manages financial risks, including liquidity and capital risks, is contained in the note relating to the "Financial and operating 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 FS 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 and associates

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.

For a better representation of the economic and financial data of consolidated financial statements of companies subject to joint control, it was decided to change the policy from the proportional method to the equity method.

Associates are those companies over which the FS 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, by the application of the FS Group's standards 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 FS 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 FS 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 FS 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 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 FS Group.

The scope of consolidation of the FS Group has changed since last year due to the acquisition of the Netinera Deutschland group, for the corporate Busitalia transaction, which was characterised by the exit of the companies Tevere TPL, Viaggi e Turismo Marozzi and Atirom, and for the companies that were put into liquidation in 2011 and no longer consolidated (Sinter Inland Terminal, FS Formazione, Network Terminali Siciliani, Ferport Napoli and Artesia).

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 annex 2 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	
Euro	**2011**	**2010**	**2011**	**2010**
CHF	1.23	1.38	1.22	1.25
CZK	24.58	25.29	25.58	25.02
DKK	7.45	7.45	7.43	7.45
SEK	9.03	9.54	8.92	8.97

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

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

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, including interest payable (if any) accrued during and for the development of fixed assets 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 RFI 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 2011 and 2010 financial years:

Line	Production ratio 2011	2010
High Speed/High Capacity network	**1.71%**	**1.55%**
Traditional Network		
Padana cross road and international transport	1.79%	1.74%
North Tyrrhenian line and confluent lines	1.84%	1.77%
Ridge and confluent lines	1.63%	1.59%
South Tyrrhenian line	1.93%	1.87%
Adriatic line and Apennine cross-roads	1.85%	1.79%
Complementary network	1.88%	1.93%

The useful life of property, plant and equipment and their residual value are updated, where necessary, at least at the end of every financial year. Land is depreciated for the portion relating to capitalised reclamation costs.

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 when the asset is derecognised from the accounts.

Below are the depreciation rates used by the FS 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.

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 FS Group, are recognised as FS 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 FS 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 used and is carried out in a period equal to 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.

Any profits and losses arising from the disposal of an intangible asset are determined as the difference between the disposal value, 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. 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.

Business Combinations

According to IFRS 3 a business combination is "the bringing together of separate entities or businesses into one reporting entity."

A business combination can be created according to different procedures as determined by legal, tax or any other reasons. It can also entail the acquisition of the capital of an entity by another entity, the purchase of the net assets of another entity, the assumption of the liabilities of another entity or the purchase of a part of the net assets of another entity which, when combined, constitute one or more businesses. The combination can be realized through the issue of equity instruments, the transfer of cash, of other cash equivalents or of any other assets, or through their combination. The transaction can take place between the partners of the entities that are being combined or between an entity and the partners of another entity. It can entail the establishment of a new entity that controls the entities that are participating in the combination or the net assets transferred or the restructuring of one or more entities that are participating in the combination.

Business combinations are accounted for according to the purchase method. This method assumes that the acquisition price is to be reflected in the value of the assets of the acquired entity and this recognition must be made at fair value (of assets and liabilities) and not at their book values. The (positive) difference constitutes goodwill.

Financial Instruments

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 FS 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 FS 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 FS Group becomes entitled to receive the related payment.

At each balance sheet date the FS Group assesses 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.

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.

Loans, trade payables and other financial liabilities

Loans, trade payables and other financial liabilities 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, trade payables and other financial liabilities 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 FS Group has an unconditional right to defer their settlement for at least twelve months after the reporting date. Loans, trade payables and other financial liabilities are derecognised from the accounts at the time of their repayment and when the FS Group has transferred all risks and charges relating to the instruments themselves.

Derivative financial instruments

Derivative financial instruments entered into by the FS 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.

This item also includes properties held for trading which are recognised at the lower of the acquisition cost and market value determined by the report of an independent third-party expert. They are entered net of the provision for write-down and value-improving costs are capitalized. The write-down is derecognised in subsequent financial years if the relevant requirements cease to be met.

Construction contracts

Construction contracts (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 FS 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 FS 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.

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 FS 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 FS 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 FS 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 FS 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 FS Group.

Therefore, a provision has been set aside in the accounts, on the basis of the actuarial techniques previously mentioned, which includes the discounted charge relating to retired employees who are entitled to the benefit, as well as the portion of benefit accrued for the employees in service and to be paid out after the termination of the employment relationship.

The accounting treatment of the benefits produced by the Free Travel Card and the effects arising from the actuarial measurement are the same as those envisaged for the provision for Severance Pay.

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 FS 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 FS 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 set-up grants refer to sums paid out by the Government and by any other Public Bodies to the FS 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 FS Group by way of reduction in costs and charges incurred. Operating grants are charged to the item "Revenues from sales and services", as a positive component of the income statement.

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 FS 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 FS 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 not relevant for the FS Group

The EU legislator has adopted some accounting standards and interpretations, whose application became compulsory on 1 January 2011, which regulate cases and case studies that were not present within the FS

Group at the date of this annual financial report, but which could have accounting effects on future transactions and agreements.

- Amendments to IAS 32 - "Classification of the rights issues", in order to regulate accounting for the issue of rights denominated in a currency other than the functional currency of the issuer;
- Amendments to IFRIC 14 - "Prepayments of a Minimum Funding Requirement", which allows the companies that pay a minimum funding in advance to recognise it as an asset;
- Amendments to IFRIC 19 - "Extinguishing Financial Liabilities with Equity Instruments", which provides guidelines as to the recognition of the extinguishment of a financial liability through the issue of equity instruments.

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 is included in a project structured into three phases, which 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 has the objective of simplifying and reducing the complexity of the accounting for financial instruments, provides for the classification of financial instruments into three categories to be defined on the basis of the business model used, the contractual features and the related cash flows of the instruments in question.

On 19 October 2010 the IASB published an addition to IFRS 9 which, for the purpose of normalizing any effects relating to the volatility that arises from the decision to measure financial liabilities at the related fair value, provides for the recognition of the changes in question in the statement of comprehensive income, without any impacts on the net result of the period reported in the income statement.

On 7 October 2010 the IASB published some amendments to IFRS 7 – "Financial Instruments: Disclosures", applicable for accounting periods that commence on or after 1 July 2011. The amendments were issued with the intention to improve understanding of the transactions for the transfer (derecognition) of financial assets, including the understanding of the possible effects arising from any risk that has remained with the company that has transferred these assets. It is believed that the adoption of this revised version will not entail any significant effects on the consolidated financial statements of the FS Group.

On 20 December 2010 the IASB issued a minor amendment to IAS 12 – "Income taxes", applicable on a retrospective basis from 1 January 2012, which clarifies the determination of deferred taxes on investment properties measured at fair value. This amendment introduces the presumption that deferred taxes relating to investment properties measured at fair value (IAS 40) must be determined by taking account that the book value of this asset will be recovered through the sale. Accordingly, SIC-21 – "Income taxes - Recovery of Revalued Non-Depreciable Assets" will no longer be applicable to this amendment. It is believed that the adoption of this revised version will not entail any significant effects on the consolidated financial statements of the FS Group, as the investment properties are currently valued at cost.

On 12 May 2011 the IASB issued IFRS 10 – "Consolidated Financial Statements", which will replace SIC-12 "Consolidation - Special Purpose Entities" and parts of IAS 27 – "Consolidated and Separate Financial Statements", which will be renamed "Separate Financial Statements" and will regulate the accounting treatment of equity investments in separate financial statements. The new standard moves from the existing standards, identifying the concept of control as the decisive factor for the purpose of the consolidation of a company in the Consolidated Financial Statements of the parent company. It also provides guidance to determine the existence of the control where it is difficult to be established. This standard will be applicable on a retrospective basis from 1 January 2013. The FS Group is assessing any impacts arising from the application of the amendment.

In May 2011 the IASB issued IFRS 11 - "Joint Arrangements", which will be applicable on a retrospective basis from 1 January 2013, and which eliminates the option for the consolidation of joint ventures on a proportional basis; its intention is to provide a representation of the arrangements that is more faithful to the substance of the transactions. It is believed that the adoption of this standard will not entail any significant effects on the Consolidated Financial Statements of the FS Group, in consideration of the fact that currently the Group, as already described in the policies under note 4.a.ii, in line with the options under IAS 31, consolidates these types of company according to the equity method.

On 12 May 2011 the IASB issued IFRS 12 – "Disclosure of Interests in Other Entities", which will be applicable on a retrospective basis from 1 January 2013. This standard regulates the additional information to be provided on any type of equity investment, including those held in subsidiaries, joint arrangements, associates, unconsolidated special purpose entities and any other vehicle company. The FS Group is assessing any impacts arising from the application of the amendment.

On 12 May 2011 the IASB issued IFRS 13 – "Fair value measurement", which will be applicable on a prospective basis from 1 January 2013. This standard clarifies the procedures for determining the fair value for the purposes of the financial statements and will be applicable to all the IFRS that require or allow fair value measurement or the presentation of information based on the fair value. The FS Group is assessing any impacts arising from the application of the amendment.

On 16 June 2011 the IASB issued an amendment to IAS 1 – "Presentation of financial statements", which will be applicable from the financial years commencing from or after 1 July 2012. This standard regulates the recognition of all the components reported under "Other comprehensive income/(losses)", depending on whether or not they can be subsequently reclassified to the income statement.

No significant effects are expected for the FS Group from the adoption of this standard.

On 16 June 2011 the IASB issued an amendment to IAS 19 – "Employee benefits", which will be applicable on a retrospective basis from the financial year commencing on 1 January 2013. This standard eliminates the option to defer the recognition of actuarial gains and losses according to the corridor method, requiring the presentation of the deficit or surplus of the fund in its entirety in the statement of financial position, and the separate recognition of the cost components linked to the working activity and net financial charges in the income statement, as well as the recognition of actuarial gains and losses that arise from the re-measurement of liabilities and assets under "Other comprehensive income/(losses)" in each financial year. Furthermore, the return of the assets included under net financial charges shall be calculated on the basis of the discount rate of the liabilities and no longer on the basis of the expected return of the same. Finally, the amendment introduces new additional information to be provided in the notes to the financial statements. It is believed that the adoption of this amendment will not entail any significant effects on the Consolidated Financial Statements of the FS Group, as this method is not applied.

On 16 December 2011 the IASB issued some amendments to IAS 32 – "Financial Instruments: presentation", which will be applicable on a retrospective basis for the financial years commencing from or after 1 January 2014, to clarify the application of some criteria for the setoff of financial assets and liabilities under IAS 32.

No significant effects are expected for the FS Group from the adoption of this standard.

On 16 December 2011 the IASB issued some amendments to IFRS 7 – "Financial Instruments: Disclosures". The amendment requires information on the effects or potential effects of the contracts for the setoff of financial assets and liabilities on the statement of financial position. The amendments will be applicable for the financial years commencing from or after 1 January 2013 and the interim periods after this date. The information shall be provided on a retrospective basis. It is believed that the adoption of this revised version will not entail any significant effect on the consolidated financial statements of the FS Group.

Use of estimates and valuations

The preparation of the Consolidated financial report 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 on 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, whose current calculation is based on the abovementioned estimates and assumptions, may in the future 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.

Therefore, 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.

vii) Operating segments

At the date of this Consolidated financial report, the Parent 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 and operating financial risk

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

- credit risk;
- liquidity risk;
- market risk, specifically interest rate and exchange risks.

This section provides information relating to the Group's exposure to each of the risks listed above, the objectives, policies and processes for the management of these risks and the methods used to assess them, as well as the management of the capital. These Consolidated Financial Statements also include additional quantitative information.

The Group's risk management focuses on the volatility of financial markets and is aimed at minimizing potential side effects on the Group's economic and financial performance.

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. The credit risk mainly arises from trade receivables, financial receivables from the public administration, the potential exposure relating to derivative financial instruments and from the Group's financial investments.

For the credit risk arising from investing activities, a policy is applied for the use of liquidity managed by the Parent Company at a centralised level, which defines:

- the minimum requirements of the financial counterparty in terms of credit rating and the related concentration limits;
- the types of financial product that can be used.

As regards the assessment of the credit risk of customers, each Group company is responsible for managing and analysing the risk of all important new customers, as well as constantly controlling its commercial and financial exposure and monitoring the collection of receivables and amounts due from public authorities within the time limits set out as per contract.

The table below reports the Group's exposure to credit risks:

values in €/mil.

	Notes	31.12.2011	31.12.2010
Current trade receivables	(16)	2,285	2,805
Other current assets	(14)	1,484	1,208
Non-current financial assets (including derivatives)	(13)	1,623	1,742
Other non-current assets	(14)	3,763	1,409
Cash and cash equivalents	(17)	2,064	613
Current financial assets (including derivatives)	(13)	178	168
Non-current trade receivables	(16)	36	33
Construction contracts	(15)	16	10
Total, net of provision for write-down		**11,449**	**7,988**

The table below reports the exposure to credit risks by counterparty:

	31.12.2011	31.12.2010
Public Administration, Italian Government, Regions	62.1%	49.7%
Ordinary customers	12.9%	16.0%
Financial Institutions	19.1%	8.9%
Other debtors	5.9%	25.4%
Total, net of provision for write-down	**100.0%**	**100.0%**

It should be pointed out that a significant portion of the trade and financial receivables is attributable to government and public bodies, such as the Italian Regional Governments and the Ministry of Economy and Finance (*Ministero dell'Economia e delle Finanze*, MEF).

The amount of financial assets considered to be doubtful and of a non-significant amount is covered by an appropriate provision for bad debts.

The table below provides a distribution of financial assets at 31 December 2011, as broken down by overdue items, net of provision for bad debts.

	31.12.2011					
		Expired since				
	Not expired	0-180	180-360	360-720	Beyond 720	Total
Public Administration, Italian Government, Regions	38%	8%	26%	27%	1%	100%
Ordinary customers	60%	20%	7%	9%	4%	100%
Financial Institutions	100%	0%	0%	0%	0%	100%
Other debtors	87%	2%	1%	8%	2%	100%

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. Cash flows, financing requirements and the liquidity of Group companies are generally monitored and managed centrally under the control of the Finance department of the Finance, Control and Assets Head Office of the Parent Company, with the objective of ensuring the efficient and effective management of financial resources.

The Parent Company adopts asset liability management techniques in raising debt capital and financing for Group companies.

The Group's objective is the prudential management of the liquidity risk arising from ordinary operations.

Specifically, in order to meet potential temporary liquidity requirements, in 2011 the Parent Company obtained a Backup Credit Facility of a maximum amount of Euro 1,500 million, raised, on a "committed" basis, with a pool of eight lenders and expiring within three years; this credit line has been created with a general purpose, thus granting the Company the possibility of resorting to this borrowing instrument for the most diverse types of operating requirements.

Furthermore, again for the purposes of meeting temporary liquidity requirements, the Group has access to additional "uncommitted" credit lines granted by the banking system.

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

Values in €/mil.

31-Dec-11	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	3,300	3,842	28	24	637	925	2,228
Loans from banks	6,947	7,747	436	290	1,256	1,999	3,766
Payables to other lenders	1,942	2,356	139	121	242	731	1,123
Trade payables	3,801	3,801	3,801				
Financial liabilities	8	8					8
Total	**15,998**	**17,754**	**4,404**	**435**	**2,135**	**3,655**	**7,125**
Derivative financial liabilities	**444**	**462**	**52**	**60**	**121**	**175**	**54**

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	3,297	4,169	19	23	54	1,102	2,971
Loans from banks	7,071	8,796	617	305	486	2,784	4,604
Payables to other lenders	2,099	2,603	147	128	241	721	1,366
Trade payables	3,471	3,471	3,307	164			
Financial liabilities	31	31	1	30			
Total	**15,969**	**19,070**	**4,091**	**650**	**781**	**4,607**	**8,941**
Derivative financial liabilities	**362**	**382**	**62**	**58**	**101**	**119**	**42**

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 capital quotas and interest.

The table below reports the redemptions of financial liabilities by expiry date within 12 months, from 1 to 5 years and beyond five years.

Values in €/mil.

31-Dec-11	Book value	Within 12 months	1-5 years	Beyond 5 years
Non-derivative financial liabilities				
Debenture loans	3,300	8	1,385	1,907
Loans from banks	6,947	610	2,872	3,465
Payables to other lenders	1,942	186	745	1,011
Trade payables	3,801	3,801		
Financial liabilities	8			8
Total	**15,998**	**4,605**	**5,002**	**6,391**

Values in €/mil.

31-Dec-10	Book value	Within 12 months	1-5 years	Beyond 5 years
Non-derivative financial liabilities				
Debenture loans	3,297	5	848	2,444
Loans from banks	7,071	779	2,644	3,648
Payables to other lenders	2,099	193	733	1,173
Trade payables	3,471	3,471		
Financial liabilities	31	31		
Total	**15,969**	**4,479**	**4,225**	**7,265**

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.

Market risk

In carrying out its operations, the Group is exposed to various market risks, and it is mainly exposed to the risk of fluctuations in interest rates and, to a lesser extent, to fluctuations in exchange rates. The objective of the market risk management is the management and control of the Group companies' exposure to these risks 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 Group is mainly exposed to interest rate risk related to indexed variable-rate medium/long-term loans payable. The Group companies that are most exposed to this risk (including Trenitalia, RFI and Grandi Stazioni) have chosen to carry out hedging transactions on the basis of specific risk management policies approved by the respective Boards of Directors and implemented with the technical and operating support of the Finance department of the Finance, Control and Assets Head Office of the Parent Company.

Although there are various customized solutions attributable to the financial and business peculiarities of the various companies, the common objective of the policies adopted is expressed by the limitation on changes in cash flows associated with the financing operations in place and, where possible, by the exploitation of opportunities to optimize the cost of debt arising from the indexing of variable-rate debt.

Based on the abovementioned policies, the Group only uses hedging derivative financial instruments of the so-called "plain vanilla" type, such as interest rate swaps, interest rate collars and interest rate caps*.* With reference to RFI, it should be pointed out that, prior to the definition of a specific policy adopted in 2011, a portion of the long-term loans necessary for the High Speed Programme was hedged through 3 interest rate swaps, which 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 Speed/High Capacity project and with the objective of facilitating the perspective determination of the economic performance of the initiatives.

The table below reports medium/long-term loans (including the short-term portion) at variable rate and at fixed rate.

Medium/long term loans (including short-term portion)

values in €/mil.

	Book value	Contractual cash flows	Current portion notional value	1 and 2 years	2 and 5 years	beyond 5 years
- variable rate	8,092	8,164	244	1,689	2,171	4,060
- fixed rate	4,098	4,113	359	302	976	2,476
Balance as at 31 December 2011	**12,190**	**12,277**	**603**	**1,991**	**3,147**	**6,536**
- variable rate	8,230	8,124	287	290	2,754	4,793
- fixed rate	4,237	4,174	265	282	911	2,716
Balance as at 31 December 2010	**12,467**	**12,298**	**552**	**572**	**3,665**	**7,509**

The table below reports the impact of medium/long-term loans (including the short-term portion) at variable rate and at fixed rate before and after the consideration of the hedging derivative instruments that convert variable rates into fixed rates or that provide hedge against rises in the variable rate beyond predefined maximum levels.

	31.12.2011	31.12.2010
Before hedging with derivatives		
- variable rate	66%	66%
- fixed rate	34%	34%
After hedging with derivatives		
- variable rate	13%	18%
- protected variable rate	25%	19%
- fixed rate	62%	63%

Below is reported a sensitivity analysis that shows the effects that would have been recorded in terms of changes in financial charges had a change arisen, either as an increase or a decrease, of 50 basis points in the Euribor interest rates applied to loans payable in the course of 2011.

values in €/mil.

	Shift +50 bps	Shift -50 bps
Interest on variable-rate payables	36	(36)
Net Cash Flow from hedging transactions	(19)	21
Total	**17**	**(15)**

Exchange risk

The FS Group is mainly active in the Italian market, and in any away in countries of the Euro zone and, therefore, it is exposed only very limitedly to the exchange risk arising from the different currencies in which it operates.

Equity capital management

The FS Group's main objective within the capital risk management is that of safeguarding the going-concern basis of the business so as to ensure returns to the shareholder and benefits to the other stakeholders. Furthermore, the FS Group intends to maintain an optimal structure of the capital so as to reduce the cost of indebtedness.

Financial assets and liabilities by category

To complete information on financial risks, the table below reports a reconciliation between financial assets and liabilities as reported in the consolidated statement of financial position and category of financial assets and liabilities identified on the basis of the requirements of IFRS 7:

values in €/mil.

31 December 2011	Receivables and loans	Payables and borrowings	Hedging derivatives
Non-current financial assets (including derivatives)	1,623		
Non-current trade receivables	36		
Current financial assets (including derivatives)	178		
Other non-current assets	3,763		
Construction contracts	16		
Current trade receivables	2,285		
Other current assets	1,484		
Medium/long term loans		11,390	
Non-current financial liabilities (including derivatives)		422	422
Other non-current liabilities		412	
Short-term loans and current portion of medium/long-term loans		804	
Current trade payables		3,801	
Current financial liabilities (including derivatives)		24	21
Other current liabilities		4,527	

values in €/mil.

31 December 2010	Receivables and loans	Payables and borrowings	Hedging derivatives
Non-current financial assets (including derivatives)	1,742		
Non-current trade receivables	33		
Current financial assets (including derivatives)	168		
Other non-current assets	1,409		
Construction contracts	10		
Current trade receivables	2,805		
Other current assets	1,208		
Medium/long term loans		11,489	
Non-current financial liabilities (including derivatives)		341	341
Other non-current liabilities		290	
Short-term loans and current portion of medium/long-term loans		979	
Current trade payables		3,471	
Current financial liabilities (including derivatives)		52	21
Other current liabilities		4,132	

6. Business combinations and change in the scope of consolidation

Netinera Group

On 25 February 2011, following the completion of the procedure envisaged as per contract and in particular following the approval of the transaction by the European Commission, Ferrovie dello Stato Italiane completed the acquisition of 51% of the holding company Arriva Deutschland (now Netinera Deutschland) of the Arriva Deutschland Group (now Netinera Deutschland group) and of 51% of Arriva Grundstücksgesellchaft (now

Netinera Immobilien), which were previously held by Deutsche Bahn. At the same time the remaining 49% was acquired by the private equity fund Cube Transport S.C.A..

The Netinera group is the third major railway operator in Germany and its acquisition is in line with the development strategy of the FS Group, which intends to become an important player also in the sector of the European railway transport.

The Netinera group has contributed a turnover of about Euro 390 million for 10 months (from 26 February 2011 to 31 December 2011) and has closed with a breakeven result in terms of contribution to the result of the FS Group. In fact, specifically, the loss of about Euro 8.6 million reported by the Netinera group, when read in terms of the margin of contribution to the consolidated result of the FS Group, represents a substantial breakeven as it absorbs a burden of net financial charges equal to Euro 19.8 million, of which about Euro 8.1 million have been acknowledged to Ferrovie dello Stato Italiane for the remuneration of the Subordinated Shareholder's Loan and against the Bridge Facility Loan disbursed by FS itself.

The costs incurred for the acquisition, equal to Euro 3 million, were expensed in the income statement (Euro 2.5 million in 2010 and Euro 0.5 million in 2011).

The table below shows the allocation of the overall price paid (by the two partners FS and Cube) for the purchase of the Netinera group carried out by applying the accounting standards required by IFRS 3 – "Business Combinations":

Values in €/mil.

	Allocation of the purchase price
Cash and cahs equivalents	32
Shareholders Loan	141
Purchase price	**173**
Minorities value	19
Total Value	**192**

The fair value of the identifiable assets, of the liabilities assumed and therefore of the residual goodwill is:

Equity of the Netinera group upon purchase	**115**
Active contracts in place at the date of acquisition (net of the write-down of the active contracts reporting losses at the date of acquisition)	6
Allocations for future potential liabilities	(8)
Net assets after price allocation	**113**
Goodwill	**78**

The net assets reported above are the result of the application of the international accounting standards IAS/IFRS and of the consequent recognition, on the basis of the same, of all the identifiable assets and liabilities as falling within the scope of acquisition as at 25 February 2011. The table below reports the breakdown of the same:

Values in €/mil.	
Assets	
Property, plant and equipment	274
Intangible assets	57
Deferred tax assets	0
Equity in Joint Venture and associates	10
Warehouse	16
Trade receivables	26
Financial assets	1
Other assets	60
Cash and cash equivalents	70
Total Assets	**513**
Liabilities	
Financial liabilities	158
Employee benefits	3
Provision for risks and charges	92
Deferred tax liabilities	25
Trade payables	53
Other liabilities	70
Total Liabilities	**400**
Net Assets	**113**

The goodwill of Euro 78 million is the amount arising from the excess of purchase cost over the fair value of the net assets identified; in fact, it represents the reasonable value of the synergies expected from the acquisition, in particular of those arising from the future expansion plans of the group, which are mostly based on the business which is expected to be acquired through the TPL (*Trasporto Pubblico Locale*, Local Public Transport) tenders in Germany.

This goodwill is attributed to the Netinera group, which is considered to be a single CGU, and was subject to impairment test on 31 December 2011. Furthermore, it is not deductible for tax purposes.

For the method applied, reference is made to the details reported in note 10 below.

Extraordinary Sogin/Sita group transaction

In May the corporate structure of the Sogin-Sita group was significantly redesigned by the extraordinary transactions described below.

The corporate reorganisation involved Sogin Srl, Sita SpA, 100% held by Sogin Srl, as well as FS Trasporti su gomma Srl (100% held by FS Italiane) and Sicurezza Trasporti Autolinee-Sita Sud Srl (100% held by the Vinella Group), a company identified as the beneficiary of the so-called “Ramo Sud” of Sita SpA, made up of the Basilicata, Campania and Puglia Regional Head Offices of the same.

The reorganisation was implemented through two consecutive transactions, which were closely and functionally connected to each other. Firstly, Sogin Srl was merged by incorporation into Sita SpA (the so-called reverse merger); a second phase saw the separation which was implemented through a non-proportional partial demerger of the company resulting from the merger in favour of two already existing limited liability companies: FS Trasporti su gomma Srl and Sicurezza Trasporti Autolinee-Sita Sud Srl. Therefore, the demerger was subject to the implementation of the merger; both transactions took place on 20 May 2011. The table below reports the value of the assets, liabilities and equity outside of the scope of consolidation.

	Values in €/mil.
Assets	
Property, plant and equipment	(36)
Intangible assets	(0.2)
Equity in Joint Venture and associates	(3)
Warehouse	(2)
Trade receivables	(122)
Financial assets	(1)
Other assets	(19)
Cash and cash equivalents	(8)
Total Assets	**(191)**
Liabilities	
Financial liabilities	(48)
Employee benefits	(21)
Provision for risks and charges	(14)
Deferred tax liabilities	(2)
Trade payables	(78)
Other liabilities	(10)
Total Liabilities	**(173)**
Net equity attributable to the Group	**(4)**
Net equity attributable to Minority interests	**(14)**
Total Libilities	**(191)**

7. Assets held for sale

At 31 December 2011 assets held for sale were made up of the value of the former departmental building in Genoa, for which procedures have been started for disposal.

The negative change recorded with respect to the last financial year concerns the transfer of the former departmental building in Rome (Via Marsala) that took place in August 2011.

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. In 2011 no changes were reported in the estimated useful life of the assets.

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	88,671	13,202	729	766	27,386	**130,754**
Depreciation and impairment losses	(44,721)	(5,636)	(463)	(570)	(1,553)	**(52,943)**
Grants	(13,551)	(497)	(48)	(31)	(17,618)	**(31,745)**
Balance as at 1.1.2010	**30,399**	**7,069**	**218**	**165**	**8,215**	**46,066**
Investments	107	83	44	7	3,830	**4,071**
Entries into service	904	823	8	13	(1,730)	**18**
Depreciation	(96)	(767)	(21)	(27)		**(911)**
Impairment losses	(3)	(52)			(4)	**(59)**
Extraordinary transactions						**0**
Sales and disposals	(51)	(21)			(120)	**(192)**
Other changes	2,442				(2,442)	**0**
Change in grants	(33)	(10)	(41)	(8)	(2,340)	**(2,432)**
Other reclassifications	(116)	4	13	3	570	**474**
Total changes	**3,154**	**60**	**3**	**(12)**	**(2,236)**	**969**
Historical cost	79,038	14,047	776	758	20,101	**114,720**
Depreciation and impairment losses	(24,988)	(6,393)	(466)	(567)	(1,547)	**(33,961)**
Grants	(20,497)	(525)	(89)	(38)	(12,575)	**(33,724)**
Balance as at 31.12.2010	**33,553**	**7,129**	**221**	**153**	**5,979**	**47,035**
Investments	8	21	1	7	3,793	**3,830**
Entries into service	648	541	22	48	(1,259)	**0**
Depreciation	(74)	(800)	(18)	(37)		**(929)**
Impairment losses		(24)			(9)	**(33)**
Extraordinary transactions	44	53	1	3	25	**126**
Sales and disposals	(1)	(6)	(1)		(19)	**(27)**
Other changes	(94)				(9)	**(103)**
Change in grants	(3,302)	(1)	(17)	(3)	(2,357)	**(5,680)**
Other reclassifications	(3)	1	(2)	8	19	**23**
Total changes	**(2,774)**	**(215)**	**(14)**	**26**	**184**	**(2,793)**
Historical cost	79,469	14,497	785	808	22,643	**118,202**
Depreciation and impairment losses	(24,907)	(7,124)	(473)	(588)	(1,552)	**(34,644)**
Grants	(23,783)	(459)	(105)	(41)	(14,928)	**(39,316)**
Balance as at 31.12.2011	**30,779**	**6,914**	**207**	**179**	**6,163**	**44,242**

The increase in investments entered under "Fixed assets under construction and advances", equal to Euro 3,793 million, was mainly attributable to:

- the costs incurred for the completion of the infrastructures of the High Speed network and for the design and construction of works in progress both for the High Speed/High Capacity network and for the Traditional Network (Euro 2,917 million) as detailed in note 14;
- the costs incurred for the acquisition, restructuring and requalification of the rolling stock and for the reorganisation of the maintenance systems of the new High Speed trains (Euro 822 million).

The entries into service of "Plant and machinery" mainly related to the entry into service of new locomotives and to value-increasing maintenance (Euro 538 million).

Extraordinary transactions include the positive effect of Euro 274 million arising from the Netinera group joining the scope of consolidation, a transaction which has been already detailed previously and in the Report on operations, and the negative effect of Euro 36 million due to the exit of the Sogin/Sita Group from the perimeter, following the already mentioned extraordinary transactions. Furthermore, following the establishment of the Trenord joint venture, extraordinary transactions also include the negative effect of Euro 112 million of the contribution of assets from Trenitalia to Trenord.

The increase in set-up grants entered under the item "Land, buildings, etc." and under the item "Fixed assets under construction and advances" relates to grants received from the Ministry of Economy and Finance, the European Union and Other Public Bodies mainly for the railway infrastructure. Capitalised financial charges included under property, plant and equipment were equal to Euro 84 million, of which Euro 83 million were contributed.

"Other changes" report the effects of partial demergers on the part of RFI in favour of the Parent Company, of FS Logistica and of FS Sistemi Urbani, which have entered these assets under investment properties and under properties and land held for trading under the item Inventories.

At 31 December 2011 property, plant and equipment were not encumbered with mortgages or liens, except for a portion of the rolling stock of Trenitalia pledged in favour of Eurofima against medium- and long-term loans raised through the Parent Company, for a value of Euro 3,292 million, and excluding housings owned by RFI to be disposed of pursuant to law no. 560/93.

9. Investment properties

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

Values in €/mil.

	2011		2010	
	Land	**Buildings**	**Land**	**Buildings**
Balance as at 1 January				
Cost	2,278	879	2,249	878
of which:				
Historical Cost	2,279	906	2,250	903
Grants	(1)	(27)	(1)	(25)
Depreciation Fund		(162)		(405)
Provision for Write-Down	(1,051)	(388)	(969)	(170)
Book value	**1,227**	**329**	**1,280**	**303**
Changes in the year				
Acquisitions		5		6
Reclassifications	18	3	(53)	24
Other changes	79	17		
Grants		(1)		(2)
Amortisation and depreciation	(2)	(8)		(3)
Total Changes	**95**	**16**	**(53)**	**26**
Balance as at 31 December				
Cost	2,386	860	2,278	879
Depreciation Fund		(399)		(162)
Provision for Write-Down	(1,064)	(116)	(1,051)	(388)
Book value	**1,322**	**345**	**1,227**	**329**

The item "Investment properties" includes non-instrumental land and buildings valued at cost and 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.

This item includes, under "Other changes", the effects of the partial demergers by RFI in favour of the Parent Company, of land and buildings entered by RFI under "Property, plant and equipment" that are no longer instrumental to the conduct of the railway business.

10. Intangible assets

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	115	9	815	52	28	4	1,023
Amortisation and impairment losses	(87)	(8)	(483)		(25)	(4)	(607)
Grants	(4)		(28)				(32)
Balance as at 1.1.2010	**24**	**1**	**304**	**52**	**3**	**0**	**384**
Investments		1	1	60	1		63
Entries into services			3	(1)			2
Amortisation	(1)	(1)	(62)		(1)		(65)
Sales and disposals					(2)		(2)
Changes in grants			(3)				(3)
Other reclassifications	1		33	(54)			(20)
Total changes	**0**	**0**	**(28)**	**5**	**(2)**	**0**	**(25)**
Historical cost	115	9	791	57	15	4	991
Amortisation and impairment losses	(87)	(8)	(484)		(14)	(4)	(597)
Grants	(4)		(31)				(35)
Balance as at 31.12.2010	**24**	**1**	**276**	**57**	**1**	**0**	**359**
Investments			4	121	1		126
Entries into services			56	(57)			0
Amortisation			(54)		(8)		(63)
Extraordinary transactions			2	(1)	54	78	133
Changes in grants			(1)				(1)
Other reclassifications			1	(22)			(21)
Total changes	**0**		**8**	**41**	**47**	**78**	**174**
Historical cost	115	9	847	98	71	91	1,231
Amortisation and impairment losses	(87)	(8)	(531)		(23)	(13)	(662)
Grants	(4)		(32)				(36)
Balance as at 31.12.2011	**24**	**1**	**284**	**98**	**48**	**78**	**533**

Investments in "Fixed assets under development and advances" and the entries into service relate to costs incurred for the development and implementation of the software, for actions aimed at improving efficiency of production processes, the streamlining and efficiency improvement of sales channels and for the Group's IT system.

Extraordinary transactions report the positive effect of the already mentioned Netinera group's entry in the scope of consolidation (for Euro 132 million), which has entailed the recognition of the income-generating contracts in place as at the date of acquisition for Euro 54 million and the entry of a residual goodwill equal to Euro 78 million (for more details, reference is made to note 6 relating to "Business Combinations").

This goodwill has been subject to impairment test, based on the estimated future cash flows generated by the group according to the 5-year business plan officially adopted by the same, according to a weighted discount rate equal to 6.78% and long-term growth rate of 1%. No element has been identified for any impairment of the goodwill. The management of the Netinera group consider that, even if the parameters described above were changed, in any case no elements would emerge which would cause an impairment of the same.

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 2011 in deferred taxes entered for the main temporary differences.

values in €/mil.

	31.12.2010	Increase(decrease) through P&L	Increase(decrease) through P&L	Other changes	31.12.2011
Deferred tax assets	**241**	4	1	(8)	**238**
Deferred tax liabilities	**221**	10	(2)	14	**243**

Deferred tax assets and deferred tax liabilities are mainly attributable to the misalignment between book values and tax values of assets and properties held for trading, the assets making up the traditional network for the write-down made directly on the initial cost at the time of the first adoption of IAS/IFRS and to the provisions for risks and charges and for impairment losses with deferred tax deductibility.

12. Investments (valued at equity)

At 31 December 2011, investments valued at equity, as a result of the application of this method in the consolidation of joint ventures, included equity investments held in associates, as well as the value of equity investments held in entities subject to joint control.

The table below reports the breakdown of the equity investments, specifying the ownership percentages and the related book value, net of subscribed capital (if any) to be paid up, compared to the value at 31 December 2010.

values in €/mil.

Investments valued at equity	Net value as at 31.12.2011	Ownership %		Net value as at 31.12.2010	Ownership %
Equity investments in companies subject to joint control					
Cisalpino SA	78	50.00		75	50.00
Italia Logistica Srl	0	50.00		1	50.00
Trenord Srl	33	50.00			
ODEG Ostdeutsche Eisenbahngesellschaft mbH	0.3				
ODIG Ostdeutsche Instandhaltungsgesellschaft mbH	0.3	50.00			
Trenitalia Veolia Transdev SAS	0	50.00			
Equity investments in associates					
B.B.T. SE SpA	65	50.00		62	50.00
Ferrovie Nord Milano SpA	41	14.74	(*)	38	14.74
Logistica SA	1	50.00		1	50.00
LTF - Lyon Turin Ferroviarie Sas	95	50.00		95	50.00
Pol Rail Srl	2	50.00		2	50.00
Quadrante Europa Terminal Gate SpA	8	50.00		8	50.00
TILO SA				1	50.00
Viaggi e Turismo Marozzi Srl				2	26.95
Verkehrsbetriebe Osthannover GmbH	2	83.42	(**)		
KVG Stade Verwaltungs GmbH	3	50.05	(**)		
Others	5			3	
Total	**334**			**288**	

(*) The company must be considered as an associate, because even if it is held for a percentage less than 20%, the Group exercises a significant influence on the investee company following significant transactions between the investee company and the Group.

(**) The company must be considered as an associate, because even if it is held for a percentage exceeding 50%, there are shareholders' agreements following which the investing company Netinera Deutschland does not retain actual control

The table below reports the amounts of the equity investments in question, as broken down by category, and of the related changes that were recorded in 2011.

values in €/mil.

	Closing value as at 31.12.2010	Change in scope	Difference in exchanges	Capital increases	Recognition through P&L	Closing value as at 31.12.2011
Equity investments in companies subject to joint control	76	30	2		4	112
Equity investments in associates	212	4		3	3	222
Total	**288**	**34**	**2**	**3**	**7**	**334**

The recognition through P&L refers to the results achieved in 2011.

On the contrary, the positive change of Euro 30 million in the scope of consolidation of companies subject to joint control is due to Euro 29 million for the abovementioned extraordinary transaction concerning the contribution of the branches of business by Trenitalia and Ferrovie Nord Milano, as a result of which the Trenord joint venture was completed, and to the entry of the jointly-controlled companies belonging to the Netinera group for about Euro 1 million. For the details of these transactions, reference is made to the Report on Operations ("Main events in the financial year").

The further change in the scope of consolidation of equity investments in associates for 2011, which was positive for Euro 4 million, is due to the entry of the Netinera group’s associates for Euro 8 million, the exit of Viaggi e Turismo Marozzi and Ati Rom from the FS Group for a total of Euro 3 million, following the non-proportional demerger of Sita SpA, and to the transfer of Tilo for Euro 1 million.

As regards Trenitalia Veolia Transdev, which became operational in December 2011, the value of the equity investment is equal to zero, following the operating loss of about Euro 1 million, which entailed a financial deficit of about Euro 0.2 million. This negative value was reclassified to the item “provision for risks”.

The 2011 capital increases referred to the subscription by TFB Spa of the capital increase of BBT Se (for a value equal to Euro 20 million), partially offset by set-up grants received from the Ministry of Economy and Finance in relation to chapter 7122 for financial investments, for an amount equal to Euro 17 million, 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 FS Group as at 31 December 2011, 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 FS Group.

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

values in €/mil.

Equity investments in associates 31.12.2011	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	90	382	472	238	2	240	12	(12)	0
Ferrovie Nord Milano SpA	14.74	262	287	549	169	98	267	242	(221)	21
Logistica SA	50.00	2	3	5	2		2	0	0	0
LTF - Lyon Turin Ferroviarie Sas	50.00	38	592	630	394	44	438	21	(21)	0
Pol Rail Srl	50.00	7		7	4		4	15	(15)	0
Quadrante Europa Terminal Gate SpA	50.00	2	20	22	0	6	6	1	(1)	0

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)

values in €/mil.

Equity investments in companies subject to joint control 31.12.2011	Ownership %	Current assets	Non-current assets	Total Assets	Current liabilities	Non-current liabilities	Total Liabilities	Revenues	Costs	Profit / (loss)
Cisalpino Sa	50.00	223	473	696	153	308	461	38	(36)	2
Italia Logistica Srl	50.00	56	15	71	69	2	71	91	(94)	(3)
Trenord Srl	50.00	330	150	480	280	123	403	679	(671)	8

13. Financial assets (including derivatives)

The table below reports the breakdown of financial assets at the end of the two financial years under comparison:

values in €/mil.

	Book value as at 31.12.2011			31.12.2010			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Financial assets									
- Other equity investments	189	0	189	174	0	174	15	0	15
- Non-current (Securities and) Loans	111	15	126	84	15	99	27	0	27
- Receivables from the Ministry of Economy and Finance for 15-years grants to be collected	1,463	142	1,605	1,606	136	1,742	(143)	6	(137)
- Receivables for loans	49	17	66	52	16	68	(3)	1	(2)
- Other financial receivables	0	4	4	0	1	1	0	3	3
Total	**1,812**	**178**	**1,990**	**1,916**	**168**	**2,084**	**(104)**	**10**	**(94)**

The decrease recorded in the financial assets in 2011 was mainly related to the item "Receivables from the Ministry of Economy and Finance" that decreased following the payment of the two six-monthly grant tranches relating to the 15-year grants envisaged under article 1, paragraph 84, of the 2006 Finance Act (equal to Euro 133 million).

14. Other non-current and current assets

This item is broken down as follows:

values in €/mil.

	31.12.2011			31.12.2010			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Other receivables from group companies	0	2	2	0	3	3	0	(1)	(1)
VAT credits	908	171	1,079	1,163	395	1,558	(255)	(224)	(479)
Ministry of Economy and Finance	3,657	1,026	4,683	1,321	650	1,971	2,336	376	2,712
Set-up grants from the EU, other Ministries and others	0	45	45	0	66	66	0	(21)	(21)
Other State Administrations	0	21	21	0	68	68	0	(47)	(47)
Sundry receivables and accruals/deferrals	106	401	507	88	432	520	18	(31)	(13)
Total	**4,671**	**1,666**	**6,337**	**2,572**	**1,614**	**4,186**	**2,099**	**52**	**2,151**
Provision for write-down	0	(11)	(11)	0	(11)	(11)	0	0	0
Total net provision for write-down	**4,671**	**1,655**	**6,326**	**2,572**	**1,603**	**4,175**	**2,099**	**52**	**2,151**

Receivables from the MEF are broken down as follows:

values in €/mil.

Description	Values as at 31.12.2010	Increases	Decreases	Value as at 30.12.2011
Operating grants:				
- Sums due by virtue of the Programme Contract	781	975	(1,175)	581
Set-up grants	1,190	6,165	(3,253)	4,102
TOTAL	**1,971**	**7,140**	**(4,428)**	**4,683**

Receivables relating to the "Sums due by virtue of the Programme Contract" were recognised, in the financial year, for Euro 975 million, for an amount equal to the provision provided for in Law no. 220 of 13 December 2010, "2011 Stability Act". During the year, the company collected residual receivables relating to 2000 for Euro 200 million and receivables accrued in 2011 for Euro 975 million.

In 2011 receivables from the MEF were entered for "Set-up grants" for an amount equal to the provisions set aside for 2011 (Euro 2,878 million), intended for infrastructural investments also relating to the High Speed/High Capacity System, for an amount equal to the provision provided for in Law no. 220 of 13

December 2010, "2011 Stability Act", and discounted grants for Euro 3,287 million referred to in decree 47339 of 1 June 2011, totalling Euro 4,000 million for the financial years from 2012 to 2021.

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

In 2011 Euro 3,253 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.

Below is the maximum exposure to credit risks, as broken down by geographical area:

values in €/mil.

	31.12.2011	31.12.2010	Changes
National regions	6,282	4,127	2,155
Eurozone countries	50	49	1
United Kingdom	0	0	0
Other European countries (non-Euro EU)	2	2	0
Other non-EU European Countries	3	8	(5)
United States of America	0	0	0
Other countries	0	0	0
Totale	**6,337**	**4,186**	**2,151**

15. Inventories and Construction contracts

The item is broken down as follows:

valiues in €/mil.

	31.12.2011	31.12.2010	Changes
Raw and secondary materials, and consumables	1,157	1,099	58
Provision for write-down	(230)	(221)	(9)
Net value	**927**	**878**	**49**
Work in progress and semi-finished goods	4	0	4
Provision for write-down	0	0	0
Net value	**4**	**0**	**4**
Construction contracts	16	10	6
Provision for write-down	0	0	0
Net value	**16**	**10**	**6**
Advances	**0**	**1**	**(1)**
Written-off assets to be disposed of	16	32	(16)
Provision for write-down	(14)	(27)	13
Net value	**2**	**5**	**(3)**
Properties and Land held for Trading	1,071	1,023	48
Provision for write-down	(311)	(239)	(72)
Net value	**760**	**784**	**(24)**
Total Inventories and construction contracts	**1,709**	**1,678**	**31**

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 held by the FS Group and intended for sale. Their decrease was substantially connected to the sales made in the year.

16. Non-current and current trade receivables

values in €/mil.

	31.12.2011			31.12.2010			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Ordinary customers	19	1,439	1,458	29	1,250	1,279	(10)	189	179
State Administrations and other Public Administrations	30	146	176	15	160	175	15	(14)	1
Foreign Railways	0	35	35	0	54	54	0	(19)	(19)
Railways under concession	0	9	9	0	6	6	0	3	3
Agencies and other transport companies	0	34	34	0	35	35	0	(1)	(1)
Receivables from Service Contracts:									
- Service Contract with Regional Governments	0	620	620	0	585	585	0	35	35
- Service Contract with the Government	0	386	386	0	1,055	1,055	0	(669)	(669)
Receivables from Group companies	0	16	16	0	21	21	0	(5)	(5)
Total	**49**	**2,685**	**2,734**	**44**	**3,166**	**3,210**	**5**	**(481)**	**(476)**
Provision for write-down	(13)	(400)	(413)	(11)	(361)	(372)	2	39	41
Total net provision	**36**	**2,285**	**2,321**	**33**	**2,805**	**2,838**	**3**	**(520)**	**(517)**

The decrease in current trade receivables compared to the previous financial year, equal to Euro 481 million, is substantially attributable to the combined effect of:

- lower "Receivables from Service Contract with the Government" (Euro 669 million), following the collection by the Group's Transport companies of the 2010-2011 fees at the end of the financial year;
- higher "Receivables from Ordinary Customers" (Euro 189 million) and higher "Receivables from Service Contract with the Regional Governments" (Euro 35 million). The latter change was affected by the extension of the time for the payment of the fees (Euro 84 million) and by the decrease (Euro 49 million) attributable to a different scope of comparison of 2011 compared to 2010 connected to the contribution of the branch of business to the JV Trenord.

The provision for bad debts recorded an increase of Euro 39 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.

	31.12.2011	31.12.2010	Changes
National regions	2,605	3,111	(506)
Eurozone countries	79	68	11
United Kingdom	1	0	1
Other European countries (non-Euro EU)	8	12	(4)
Other non-EU European Countries	29	14	15
United States of America	1	1	0
Other countries	11	4	7
Total	**2,734**	**3,210**	**(476)**

17. Cash and cash equivalents

The item is broken down as follows:

values in €/mil.

Description	31.12.2011	31.12.2010	Changes
Bank and postal accounts	376	242	134
Cash and cash on hand	39	33	6
Treasury current accounts	1,649	338	1,311
Total	**2,064**	**613**	**1,451**

The increase compared to 2010 was mainly attributable to the treasury current account (Euro 1,311 million), which reports the payments made by the MEF at the end of the year in relation to the Programme Contract and to the Service Contracts with the Regional Governments.

18. Tax receivables

In 2011 Tax receivables amounted to Euro 91 million (Euro 87 million in 2010) and related to receivables for income taxes relating to previous years. The increase recorded in the year (Euro 4 million) is substantially connected to excess IRAP tax advances compared to the current tax actually entered in the accounts.

19. Shareholders' equity

The changes recorded in 2011 and 2010 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 2011 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 16 million, increased for the share of profits of Euro 2 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 19 million.

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

At 31 December 2011 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 414 million (Euro –342 million at 31 December 2010).

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 2011 the balance of the reserve was negative for Euro 3 million (Euro + 25 million at 31 December 2010).

Profits (losses) carried forward

The negative value of Euro 2,756 million substantially referred to the profits and losses carried forward by consolidated companies and to the consolidation adjustments arisen in previous years.

Other components of the statement of comprehensive income (tax effect)

The accounting statements report the Statement of comprehensive income, which reports the other components of the comprehensive income, net of tax effect. The table below reports the gross amount and the related tax effect of said other components.

values in €/mil.

	31.12.2011			31.12.2010		
	Gross amount	Tax effect	Net amount	Gross amount	Tax effect	Net amount
Effective portion of change in fair value of hedging financial instruments	(74)	2	(72)	(56)	2	(54)
Exchange differences	2		2	12		12
Profits (losses) relating to actuarial benefits	(29)	1	(28)	73	(3)	70
Other comprehensive income for the year	**(101)**	**3**	**(99)**	**29**	**(1)**	**28**

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

This item amounted to Euro 12,194 million and was broken down as follows:

values in €/mil.

Medium/long-term loans	Book value 31.12.2011	Book value 31.12.2010	Changes
Debenture loans	3,292	3,292	0
Loans from banks	6,337	6,293	44
Payables to other lenders	1,756	1,904	(148)
Other	5	0	5
Total	**11,390**	**11,489**	**(99)**

values in €/mil.

Short-term loans	Book value 31.12.2011	Book value 31.12.2010	Changes
(Short-term) Debenture loans	8	5	3
(Short-term) Loans from banks	610	778	(168)
(Short-term) Payables to other lenders	186	196	(10)
Total	**804**	**979**	**(175)**
Total loans	**12,194**	**12,468**	**(274)**

The item "Debenture Loans" is made up of twenty-one debenture loans issued by the Parent Company and fully subscribed by the Swiss investee company, Eurofima SA (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 2011 the medium/long-term loans from banks recorded an increase equal to Euro 44 million, essentially due to:

- a 10-year variable-rate loan intended for the High Speed network received from the European Investment Bank (EIB), equal to Euro 300 million;
- a 13-year loan received by Grandi Stazioni Ceska Republica, equal to Euro 29 million, at the Czech variable rate PRIBOR 6m, expiring in 2024 and to be amortised starting from 2013; the majority of the loan is intended for the repayment of a previous bridge loan disbursed by the controlling company Grandi Stazioni and only the residual part is intended for covering the additional requirements relating to the completion of the project for the revitalisation of Prague station;
- loans arising from the acquisition of the Netinera group (Euro 22 million);
- repayments of capital quotas essentially for the loans raised with the European Investment Bank (EIB) for about Euro 170 million;
- reclassifications of the capital quotas expected to be repaid in 2011 (Euro 153 million) 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 2012 and of the financial exposure to banks. The decrease of Euro 168 million was mainly due to the net reduction of loans from banks repaid by the Parent Company.

Payables to other lenders (as regards both the medium/long-term and the short-term portion) 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. The decrease of Euro 158 million recorded in the item mainly arises from the repayment of the capital quotas of the abovementioned loan that took place in the year, equal to Euro 133 million and from the repayment of the loan with UBI Factor for Euro 25 million.

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

values in €/mil.

	31.12.2011	31.12.2010
Present value of severance pay obligations	1,838	2,104
Present value of Free Travel Card obligations	41	43
Total present value of obligations	**1,879**	**2,147**

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

values in €/mil.

Severance Pay and Travel Smart Card	2011	2010
Defined benefit obligations at 1 January	2,147	2,415
Service Costs	0	1
Interest Cost (*)	86	93
Actuarial (Profits) losses recognised in equity	27	(70)
Adavances and uses	(381)	(292)
Total defined benefit obligation	**1,879**	**2,147**

(*) with recognition through P&L.

Actuarial assumptions

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

	2011	2010
Discount rate of Severance Pay	4.05%	4.5%
Discoun rate of Travel Smart Card	4.6%	5%
Annual increase rate of severance pay	3%	3%
Rate of inflation	2%	2%
Expected turnover rate of employees	2%-4%	3.50%
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	

22. 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 in 2011, showing the short-term portion.

values in €/mil.

Description	31.12.2010	Provisions	Uses and other changes	Release of excess provisions	31.12.2011
Provision for taxes	28	1	0	(6)	23
Other provisions	1,634	318	(321)	(109)	1,522
Total non-current and current portion	**1,662**	**319**	**(321)**	**(115)**	**1,545**

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 FS 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 by suppliers equal to Euro 449 million.

The short-term portion of provisions for risks and charges was equal to Euro 24 million in 2011.

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

values in €/mil.

	Book value				Changes	
	31.12.2011		31.12.2010			
	Non-current	Current	Non-current	Current	Non-current	Current
Financial liabilities						
Hedging derivative financial instruments	422	21	341	21	81	0
Other financial liabilities	0	3	0	31	0	(28)
	422	**24**	**341**	**52**	**81**	**(28)**

The item "Hedging derivative financial instruments" essentially reports the overall value of the transactions of Interest Rate Swaps and Interest Rate Collars, 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 81 million in 2011 was due to the change in the market value.

The fair value of the hedging derivatives is attributable to level 2 on the basis of the hierarchy established by IFRS 7, or input data other than the prices listed in an active market for identical financial instruments that can be observed for the asset or liability, both directly (i.e. prices) and indirectly (i.e. derived from prices).

The decrease in "Other financial liabilities" is essentially attributable to the corporate transactions relating to the Sogin/Sita group.

24. Other non-current and current liabilities

The item is broken down as follows:

values in €/mil.

	31.12.2011		31.12.2010	Chanegs	
	Non-current	Current	Non-current	Non-current	Current
Advances for grants	0	3,227	0	0	579
Payables to Social Security Institutions	78	262	81	(3)	(43)
VAT payables	0	54	0	0	15
Other payables to Group companies	0	16	0	0	1
Other payables and accrued expenses and deferred income	334	968	209	125	(157)
Total	**412**	**4,527**	**290**	**122**	**395**

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

values in €/mil.

Description	31.12.2010	Increases	Decreases and grants	31.12.2011
Avances for grants:				
Ministry of Economy and Finance	1,653	6,232	(5,857)	2,028
- FESR	547	63		610
- TEN	86	13		99
- Other	362	134	(6)	490
Total	**2,648**	**6,442**	**(5,863)**	**3,227**

Other payables and current prepaid expenses and deferred income, equal to Euro 968 million (down by Euro 157 million compared to 2010) 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..

Prepaid expenses and deferred income, which amounted to Euro 211 million as at 31 December 2011 mainly related to the portions of revenue accruing in future financial years, which can be referred 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. Note those pertaining to RFI in relation to the deferment of revenues arising from the transfer to Basictel (Euro 78,806 thousand) 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, to the Vodafone fees for access to and maintenance of tunnels (Euro 30,323 thousand), to the transfer to Infostrada (Euro 6,199 thousand) of the right to use inert fibres, including the installation and replacement of fibre separators and of any other equipment necessary to connect inert fibres to the other parts of the IS (*Impianti di Segnalamento e Sicurezza della circolazione Treni*, Signalling and Train Traffic Safety Systems) network.

25. Non-current and current trade payables

The item is broken down as follows:

values in €/mil.

	31.12.2011	31.12.2010	Changes
Payables to suppliers	3,696	3,366	330
Commercial advances	71	76	(5)
Trade payables to Group companies	33	26	7
Payables for construction contracts	1	3	(2)
Total	**3,801**	**3,471**	**330**

The 2011 balance mainly included payables to ordinary suppliers for investment activities.

At 31 December 2011 the decrease of Euro 330 million in payables to suppliers compared to the previous year was mainly attributable to the slowdown in the payment plan and to the entry of the Netinera group in the scope of consolidation.

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

26. Income taxes payable

The 2011 balance, equal to Euro 25 million (Euro 15 million at the end of 2010), 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), 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), as offset by the advances paid.

27. Revenues from sales and services

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

values in €/mil.

	2011	2010	Changes
Revenues from Transport Services	**6,185**	**6,141**	**44**
Market Revenues	**3,845**	**3,648**	**197**
• Passenger traffic products	2,951	2,870	81
• Cargo traffic products	894	778	116
Revenues from Service Contract	**2,340**	**2,493**	**(153)**
• Public Service Contract and other Contracts	537	546	(9)
• Revenues from Regional Governments	1,803	1,947	(144)
Revenues from Infrastructure Services	**1.115**	**1,038**	**77**
Other revenues from services	**159**	**79**	**80**
Capitalisation of works on fixed assets held for trading and other changes in inventories of products	**2**	**1**	**1**
Revenues from contract work in progress	**27**	**13**	**14**
Total	**7,488**	**7,272**	**216**

The positive change of Euro 216 million in the item "Market Revenues" compared to 2010 was attributable to:

- Passenger Transport: the increase in turnover related to the medium-and long-distance segment for Euro 49 million, to the regional transport for Euro 34 million; furthermore, a different 2011 scope of comparison compared to 2010, linked to the main changes recorded in the equity investments in the year, generated effects of Euro -2 million (Euro 145 million due to the acquisition of the Netinera Group, Euro -61 million linked to the smaller perimeter of business of the new Busitalia and Euro -86 million relating to the contribution of the branch of business to the JV Trenord).
- Cargo transport: the increase in revenues relating to the Cargo sector, despite the unfavourable market, is attributable:
  - to pure cargo transport (Euro 86 million, of which Euro 32 million in Germany with the TX group) and to the combined international and national transport (Euro 15 million), which we partially offset by the losses linked to the integrated logistics activity (Euro -20 million);
  - to the different 2011 scope of comparison compared to 2010, due to the acquisition of the Netinera group (up by Euro 35 million).

Fees for Public Service Contracts with the Government decreased by about Euro 153 million compared to 2010, mainly due to the abovementioned different perimeter (lower fees from Trenord and Busitalia for about Euro 237 million, which were only partially offset by the fees obtained from Netinera equal to Euro 130 million) and to a decline, equal to Euro 46 million, due to the contracts with the Ordinary Regions (*Regioni a Statuto Ordinario*) as a result of the public finance obligations that have led to streamlining the services requested.

The increase in "Revenues from Infrastructure Services", equal to Euro 77 million, is due to the toll collected from Trenord and is no longer derecognised as an intergroup item starting from May 2011.

The balance of "Other revenues from services" and "Revenues from contract work in progress" shows an increase of Euro 95 million, compared to the previous financial year, and is due to the effect of the consolidation of the Netinera group and to higher revenues from the hire of rolling stock, accompaniment, handling and drive services provided to the JV Trenord on the basis of the new contracts entered into with the same following the contribution of the branch of business "Lombardy Regional Transport".

28. Other income

The table below reports the breakdown of other income:

values in €/mil.

	2011	2010	Changes
Rvenues from Property Management	**265**	**240**	**25**
· Lease rentals	167	146	21
· Charge-back of service charges and IRE	13	10	3
· Sale of properties and land held for trading	49	52	(3)
· Sale of advertising spaces	36	32	4
Sundry income	**512**	**473**	**39**
Total	**777**	**713**	**64**

"Revenues from Property Management" are mainly due to the increase in the lease rentals as a result of the actions implemented in the course of the financial year on some station areas, with specific regard to those of Milan, Turin and Naples, which entered into operation in the course of the period.

The increase in "Sundry income" of Euro 39 million was largely due to the capital gains realised from the sales of properties for Euro 20 million (former departmental building located in Rome, Via Marsala).

29. Personnel cost

The table below reports personnel cost:

values in €/mil.

	2011	2010	Changes
Permanent staff	**4,014**	**4,234**	**(220)**
• Wages and salaries	2,955	3,054	(99)
• Social security contributions	826	863	(37)
• Other permanent staff costs	47	109	(62)
• Severance pay	186	208	(22)
Self-employed staff and Collaborators	**4**	**3**	**1**
Other costs	**79**	**85**	**(6)**
Total	**4,097**	**4,322**	**(225)**

The decrease in personnel cost was substantially attributable to the considerable reduction in average amounts (which passed from 82,566 units in 2010 to 76,417 units in 2011), arising from the continuous and gradual process for the reorganisation of production, the organisation of labour and the access to the extraordinary benefits of the Bilateral Fund, 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 FS Group's average staff broken down by category:

PERSONNEL	2011 (*)	2010	Changes
Executives	867	912	(45)
Middel managers	12,533	13,480	(947)
Other staff	63,017	68,174	(5,157)
Total	**76,417**	**82,566**	**(6,149)**

*including the Netinera group, for about 2,668 average resources

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

The item is broken down as follows:

values in €/mil.

	2011	2010	Changes
Materials and consumables	603	612	(9)
Electricity and traction fuels	184	140	44
Lighting and driving force	67	61	6
Change in inventories of properties and land held for trading	23	25	(2)
Total	**877**	**838**	**39**

The total increase in costs for purchases of materials was mainly due to the combined effect of the following factors:

- lower consumption of materials, mainly in the sector of infrastructures, for Euro 9 million;
- increase in electricity (Euro 19 million) and the use of fuels and lubricants for traction purposes (Euro 29 million) due to the acquisition of the Netinera group.

31. Costs for services

The balance is broken down in the table below:

values in €/mil.

	2011	2010	Changes
Transport services	**515**	**373**	**142**
• Other services linked to Transport	50	77	(27)
• Toll	135	31	104
• Handling services	18	23	(5)
• Cargo transport services	312	242	70
Maintenance, cleaning and other contracted services	**912**	**861**	**51**
• Services and works contracted on behalf of Third Parties	62	65	(3)
• Cleaning services and other contracted services	341	350	(9)
• Maintenance and repair of intangible assets and property, plant and equipment	509	446	63
Real estate services and utilities	**67**	**63**	**4**
Administrative and IT services	**127**	**121**	**6**
External communication and advertising costs	**17**	**19**	**(2)**
Sundry costs	**406**	**425**	**(19)**
• Professional services and consultancy	36	32	4
• Tenders and fees to other Railway Companies	18	16	2
• Insurance	88	93	(5)
• Sleeping cars and catering	80	78	2
• Commissions to agencies	53	51	2
• Engineering services	29	23	6
• Other	102	132	(30)
Totale	**2,044**	**1,862**	**182**

Below are reported the changes and reasons for the most significant items compared to the amounts relating to 2010:

- increased toll costs mainly due to the consolidation of the Netinera group in 2011 (Euro 99 million);

- increased costs connected to increased volumes and traffics in cargo transport, equal to about Euro 66 million, linked to the corresponding increase in the respective revenues;
- increased costs for the maintenance and repair of real and personal properties equal to Euro 63 million, mainly relating to the railway line, but also to the buildings and personal property and extraordinary maintenance actions;
- the item "Other" contains the effects of releases of excess provisions for risks.

32. Leases and rentals

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

values in €/mil.

	2011	2010	Changes
Operating lease	2	1	1
Lease rentals, service charges and IRE	46	49	(3)
Rentals and indemnities of rolling stock and other	149	86	63
Total	**197**	**136**	**61**

The change compared to 2010 is mainly due to:

- the hire of rolling stock carried out mainly by the Netinera group for Euro 38 million;
- higher costs for the hire of rolling stock due to the hire of carriages for car transport and the entry into operation of additional ETR 610 trains, equal to Euro 23 million.

33. Other operating costs

The table below reports the breakdown of other operating costs:

values in €/mil.

	2011	2010	Changes
Other costs	96	89	7
Capital losses	4	9	(5)
Total	**100**	**98**	**2**

The decrease recorded in "other costs" is due to the offset effects of higher costs for Euro 26 million for the different scope of comparison and to the lower membership fees and contributions to various entities, lower penalties payable, indemnities, municipal taxes on properties and waste collection tax for Euro 24 million.

34. Capitalization of internal construction costs

Capitalisation of internal construction costs mainly related to the value of costs of materials and personnel costs capitalised in 2011 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 FS Group). The total amount of the item amounted to about Euro 854 million.

Lower capitalisations recorded in 2011 for Euro 90 million were essentially due to the deferment of the availability of financial resources, which entailed the need to reallocate available resources with the consequent postponement of the related activities.

35. Amortisation and depreciation

The item, which totalled Euro 1,002 million, is broken down as follows:

values in €/mil.

	2011	2010	Changes
Amortisation of intangible assets	60	60	0
Depreciation of property, plant and equipment	942	923	19
Total	**1,002**	**983**	**19**

The increase in the item, compared to the previous year, mainly related to depreciation of property, plant and equipment for:

- amortisation and depreciation of the assets contributed by the Netinera group in 2011 for Euro 24 million;
- decreased amortisation and depreciation on the works of the High Speed/High Capacity network, equal to Euro 16 million, mainly arising from the effect of the allocation of the set-up grants concerning receivables from the Ministry of Economy and Finance set aside by the 2007 Finance Act, as detailed under note 16.

The entry into service of new assets, as required by the Group's investment plan, entailed increased amortization and depreciation of Euro 10 million.

36. Write-downs and impairment losses (value write-backs)

The item is broken down as follows:

values in €/mil.

	2011	2010	Changes
Write-down of intangible assets, property, plant and equipment	33	82	(49)
Value adjustments and write-backs on receivables	21	13	8
Total	**54**	**95**	**(41)**

The decrease recorded in the year is attributable to the existence of both higher losses from the elimination of assets relating to the railway infrastructure for Euro 11 million, and write-downs of 2-level maintenance actions taken on rolling stock for Euro 23 million in 2010.

37. Provisions for risks and charges

Provisions for risks and charges totalled about Euro 84 million. Additional information is reported in the comment on the corresponding items in the Statement of Financial Position.

38. Finance income

The table below reports the breakdown of finance income:

values in €/mil.

	2011	2010	Changes
Finance income from non-current receivables and securities	2	1	1
Sundry finance income	90	72	18
Revaluation of financial assets	3	0	3
Foreign exchange gains	1	3	(2)
Total	**96**	**76**	**20**

Finance income recorded an increase which was mainly due to the recognition by the CEPAV DUE Consortium of the currency appreciation, equal to Euro 27 million, in consideration of the financial loan in 1992 for the High Speed works relating to the Milan-Verona section and of the effect of a capital gain recorded in 2010 following the transfer of the equity investment in Wisco for about Euro 11 million.

39. Finance costs

The table below reports the breakdown of finance costs:

values in €/mil.

	2011	2010	Changes
Finance costs on payables	228	206	22
Finance costs for employee benefits (*)	98	92	6
Finance income on derivatives	8	1	7
Write-downs of financial assets	1	0	1
Foreign exchange loss	8	42	(34)
Total	**343**	**341**	**2**

(*) Include 11% of tax on the revaluation already paid out

Overall finance costs, equal to about Euro 343 million, remained in line with the previous year; this effect mainly arises from the setoff of:

- a sharp reduction in the exchange rate against the Swiss franc, which entailed lower losses of Euro 34 million relating to the commercial positions towards the JV Cisalpino and to payables for uncalled capital to be paid to Eurofima;
- higher finance costs connected to the derivatives relating to the time value component of Caps and Collars for Euro 7 million;
- higher finance costs for employee benefits for Euro 6 million attributable to the discounting of the TFR and CLC funds;
- higher finance costs on payables for Euro 22 million, mainly due to a significant increase in interest rates that took place on the international markets.

Finance costs covered by Government grants amounted to Euro 160 million.

40. Current, deferred tax assets and liabilities for the year

The table below reports the breakdown of income taxes:

values in €/mil.

	2011	2010	Changes
IRAP tax	121	134	(13)
IRES tax	5	9	(4)
Deferred tax assets and liabilities	6	(14)	20
Adjustments to income taxes relating to previous years	0	(13)	13
Total income taxes	**132**	**116**	**16**

For more details on the changes in the Provision for deferred tax liabilities, reference is made to note 11 of the balance sheet items "Deferred tax assets and deferred tax liabilities".

Reconciliation of the effective tax rate

values in €/mil.

	2011		2010	
	€	%	€	%
Net profit for the year	285		129	
Total income taxes	132		116	
Pre-tax profit	417		245	
IRES (theoretical rate)	**115**	**27.50%**	**67**	**27.50%**
Permanent Differences	(399)		(211)	
Total IRES taxable income	18		34	
IRES (effective rate)	**5**	**1.20%**	**9**	**3.80%**
IRAP tax	**121**	**4.81%**	**134**	**4.81%**
Difference on estimated taxes from previous years			**(13)**	
Total deferred taxes	**6**		**(14)**	
Total income taxes	**132**		**116**	

41. Contingent liabilities and assets

Contingent liabilities concerned, in particular, the arbitration proceedings relating to the various sections of the High Speed/High Capacity network, as reported in the paragraph "Judicial investigations and proceedings" of the Report on Operations to which reference is made for more details, as well as for other cases that could produce Liabilities and that are reported in the same paragraph.

42. 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, for the 2011 financial year, is equal to Euro 3,489 thousand, including accrued fees paid out to the same in the year for other auditing services other than statutory audit (Euro 1,151 thousand).

43. 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 €/mil.

Recipients	2011	2010	Change
Directors	1,477 (1)	1,660 (1)	(183)
Statutory Auditors	100	106	(6)
Total	**1,577**	**1,766**	**(189)**

(1) This item includes all fees due to the Chairman and the CEO, including amounts relating to variable elements, in accordance with the provisions regulating the administration relationship. The amount also includes fees for the remaining members of the Board of Directors.

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 2011 only, fees of Euro 52 thousand due to the external member of the Supervisory Board.

44. 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.

	2011	2010
Short-term benefits	13.2	12.3
Post-employment benefits	0.9	0.9
Benefits due for termination of the employment relationship	0.3	0
Total	**14.4**	**13.2**

The benefits relate to the fees paid to the persons indicated for various reasons. In addition to short-term benefits of Euro 13.2 million paid out in 2011, note a variable part to be paid in 2012, for an amount not exceeding Euro 2.8 million (Euro 2.3 million in 2010).

The executives with strategic responsibilities did not carry out any transaction in the period, either directly or through close relatives with the FS 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 FS Group, which are regulated at arm’s length.

Business and other relations

values in €/mil.

Description	Receivables	Payables	Purchases for investments	Guarantees	Revenues	Costs
Enel Group	67	41	2	8	17	71
Eni Group	6	11		1	14	61
Finmeccanica Group	1	107	10	33	6	110
Invitalia Group		10				
Anas Group	1	1			4	
Cassa Depositi e Prestiti Group		24		22	3	66
ENAV Group	1				1	
Fintecna Group						3
GSE Group	2	70		150	1	431
Poste Italiane Group	2	5			1	4
SACE Group						1
EUROFER		4				
PREVINDAI		2				1
Other Related Parties		1			1	1
Total	**80**	**276**	**12**	**214**	**48**	**749**

Financial relations

values in €/mil.

Description	Receivables	Payables	Income	Costs
Cassa Depositi e Prestiti Group		1,605		69
Poste Italiane Group	3			
Total	**3**	**1,605**		**69**

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 Italiane Group mainly concerned lease rentals, while debt relationships related to postal charges.

45. 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 Italiane (Euro 3,292 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 172 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;
- bank guarantees issued for an amount of Euro 15 million in favour of other entities for the participation in tenders (Bid Bond) or in consideration of the good performance of the contracts awarded;
- guarantee issued to the tax office (Euro 630 million) to secure the reimbursements of receivables to the office itself;
- guarantees issued in favour of Eurofima (Euro 117 million) for loans granted to Cisalpino AG for the purchase of rolling stock.

The commitments undertaken by the FS Group were substantially attributable to:

- 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);
- a commitment arising from the execution of a preliminary contract between Grandi Stazioni and Metropolitana di Napoli in 2011, concerning the commitment by Metropolitana di Napoli to grant a lease to Grandi Stazioni in relation to the property making up the Shopping Centre, for an overall term of 35 years from the date of delivery, which provides for the advance payment by Grandi Stazioni of the lease rental, equal to Euro 21 million, plus VAT, as at the date of execution of the final contract.

46. Events after the balance sheet date

January

- On 19 January 2012 the subsidiary Italferr established a sole-shareholder company named Infrastructure Engineering Services, with registered office in Cika Ljubina - Belgrade (Serbia). The company's corporate purpose is the engineering, architecture and technical consultancy activity. The subscribed and paid up share capital is equal to Euro 20 thousand.
- In January, just a month after the launch, more than 64,000 travellers had already purchased tickets to travel between Paris, Milan and Venice on the *Thello* trains, the result of the partnership between Trenitalia and Veolia Transdev. The success has also been achieved thanks to the sales strategies used: almost 40% of the tickets were sold through the Trenitalia.com and Thello.com online channels, while 57% of the travel tickets were issued in the *ticketless* format, thus testing this type of service for the first time on a cross-border train.
- 24 January 2012 saw the enactment of decree law 1/2012 bearing "Urgent measures for competition, development of infrastructures and competitiveness" (*Disposizioni urgenti per la*

concorrenza, lo sviluppo delle infrastrutture e la competitività). This measure amended, *inter alia*, law decree no. 201 of 6 December 2011, relating to the regulatory authority for transport. In particular, with specific reference to the railway sector, it provides for:

- the establishment of the regulatory authority for transport, including functions concerning, *inter alia*, the access to the infrastructures (definition of criteria for the determination of tolls on the part of the infrastructure manager and of the criteria for allocating train paths and capacity). Starting from the date that the Authority starts operations, the Office for the regulation of railway services will be abolished;
- the preparation by the regulatory Authority for transport (by 30 June 2013) of a report to the Government and to the Parliament on the various degrees of separation between the railway business and the infrastructure manager;
- the obligation to use tender procedures for awarding local public service contracts; in any case, this will apply without prejudice, until the natural expiry of the first six years of validity, to the contracts awarded and to the service contracts already signed in accordance with the EU and national regulations previously in force;
- the elimination of the obligation for railway companies that provide cargo and passenger transport services on the national railway infrastructure network to comply with the national collective labour agreements in the relevant sector;
- the compliance with the European rules on the project regulation of railway infrastructures (construction of the new High Speed lines without taking account of the High Capacity technical specifications; general principle of bringing national rules into line with the European rules with reference to the technical parameters and standards for the design and construction of new infrastructures, as well as for upgrading the existing ones).

Furthermore, the same decree introduced strongly innovative provisions concerning the refund of excise duties on diesel oils. In particular, starting from 2012, the tax credit acknowledged according to the new procedures for application of the benefit will no longer be subject to the limit set out in article 1, paragraph 53, of law no. 244/2007 (paragraph 2); starting from the product quantities consumed in 2012, entities that carry out transport activities will be permitted to request the refund of excise duty on diesel oils used as fuels on a fractional basis or with reference to the consumption reported in each quarter of the calendar year (January-March, April-June, July-September, October-December).

February

- Between the end of January and the beginning of February a wave of exceptionally bad weather hit the entire country with very low temperatures and heavy snow fall. The weather warning, which was issued in the days preceding the event by the Civil Protection Agency, required the implementation of organisational measures necessary to deal with the emergency; the plans, drawn up beforehand at local level and sent in advance to the Civil Protection Centres, activated in all regions of Italy, and to the relevant Local Bodies, envisaged a reduction in the speed of trains and in the regularity of traffic, as well as a reduction in the service and the number of trains. On a commercial note, however, Trenitalia, given the exceptional weather conditions, adopted a commercial initiative that went beyond the requirements of the EU regulations in force. Indeed, as well as providing a full refund of the ticket price to customers who decided not to travel, it also provided compensation for delays even though this is not required in the event of adverse weather conditions.

- On 8 February 2012, the Quotaholders' Meeting of Busitalia-Sita Nord Srl resolved to increase the share capital from Euro 2,300,000 to Euro 15,000,000 pursuant to article 2481/*ter* of the Italian Civil Code through the use of the reserves in the accounts for Euro 12,700,000.
  The change in the capital was registered in the Register of Companies on 14 February 2012. Therefore, the subscribed and paid-up share capital of the company is currently equal to Euro 15,000,000.

- On 9 February 2012 the CEO of Ferrovie dello Stato Italiane, Mauro Moretti, was appointed, for the third, consecutive, time, as Chairman of the CER (Community of European Railway and Infrastructure Companies). He is the first Chairman to be confirmed three consecutive times. The recognised authority and skill of the manager are among the reasons why the 73 delegates of the Community of European Railway and Infrastructure Companies reappointed him unanimously.

- On 16 February 2012 Ferrovie dello Stato Italiane and the Ranza Group entered into a strategic alliance aimed at implementing a partnership between their respective subsidiaries Busitalia-Sita Nord Srl and Autoguidovie Italiane SpA. In this way a leading operator was established in Central-Northern Italy in road transport services and in integrated rail/road transport services for the near future, with the purpose of meeting in the best possible way the challenges on the Italian market and regionally in local public transport. On 15 May 2012 the FS partners and the Ranza group signed the joint venture contract.

- February 2012 saw the enforcement of the contract by which UniCredit Leasing, which has financed the acquisition by Netinera Deutschland – a subsidiary of Ferrovie dello Stato Italiane – of the new trains which will serve to strengthen the fleet of vehicles of the second-largest private local transport operator in the German market. UniCredit Leasing has been awarded the international tender launched by Netinera Deutschland with the support of Ferrovie dello Stato Italiane, thanks to its well-established experience in the financing of rolling stock. The transaction, which was concluded between UniCredit Leasing GmbH and Netinera Deutschland, is based on two lease agreements with a term of 11 and 10 years, respectively, for three GWT trains and eight Double Deck trains, which are all produced by the Swiss Stadler. The financing, for a total amount of Euro 73.2 million, covers the entire purchase cost of the eleven trains and has already permitted Netinera Deutschland to put into operation the first three new trains, which are used in the metropolitan area of Berlin, while the remaining eight trains will enter into service at the beginning of 2013 on regional routes that are also based on the German capital city.

- On 22 February, Trenitalia was certified by the SGS organisation – which is recognised by Accredia, the Italian accreditation body – for its integrated Quality, Environment and Health and Safety at Work management system. The Certifications awarded to Trenitalia certify the full compliance of all systems and procedures with the many requirements laid down by national and local legislation, especially in the field of environmental protection, thereby providing value added to the assets of the company. Trenitalia is therefore the top transport company in Europe and the only major Italian firm to have the validity of its management system recognised and certified for all 50 production units and operational sites by obtaining the ISO 9001 certification for quality, ISO 14001 for environmental management and OHSAS 18001 for health and safety at work.

- On 27 February 2012 Trenitalia was awarded a prize in Brussels for the Sipax platform, which emerged as the best European system for journey planning. The System of the FS Group transport company was voted as the winner of the competition - organised by the European Commission - by thousands of users in an online poll. The Sipax platform, which emerged as the best out of no less than 28 participating systems, has to date allowed millions of customers to purchase train tickets and plan their intermodal journey, combining their train journey with coach, bus and ferry journeys.
  The Sipax system, which has achieved this success at European level, is about to be replaced by a new and more efficient platform, named Pico. The new Journey Planner of Trenitalia will replace the current system by 2013 and has been designed to operate on more than one network and with more than one supplier of services. It will be able to propose, in real time, "all inclusive" travel solutions: not only the transport service, but also hotel, tourism and cultural services, according to the needs of customers, as well as information on city bus timetables and opening hours of museums.

March

- The new Frecciarossa Portal has been active since 1 March 2012 on all Trenitalia High-Speed trains on the Turin-Milan-Rome-Naples-Salerno route. The new entertainment service, created by Ferrovie dello Stato Italiane and Telecom Italia, offers a wide selection of films, TV dramas, cartoons, documentaries and music supplied by Cubovision and also allows information on the journey to be provided and allows passengers to browse issues of the on-board magazine "la Freccia".

- Starting from 1 March 2012, prices were increased by 6.5% on average for all the Frecciabianca connections.

- On 6 March 2012, in compliance with the resolution passed by the Board of Directors of the subsidiary FS Logistica on 20 December 2011, the company took steps, through the defence counsels appointed, to enter the appeal for payment order into the docket of the Court of Rome, in the interests of FS Logistica itself against the Presidency of the Council of Ministers for the receivable claimed from the Government Commissioner of the Campania region for the waste emergency. 11 April 2012 saw the filing of the payment order by which the Court ordered the Presidency of the Council of Ministers to pay the entire sum requested by FS Logistica, for Euro 103,776,693.75, plus legal interest.
  The order will be served on the Presidency of the Council of Ministers at its office in Rome, at the Attorney General's Office and also on the Administrative Technical Unit (*Unità Tecnica Amministrativa*) of Naples in that it may take account of it in order to accelerate the payment of the amount claimed by FS Logistica.
  The execution, including the writ of execution, may be started only after 120 days have elapsed from the notification of the title empowering to levy execution.

Failing an appeal, the existence of a final title would give priority within the plan for the repayment of liabilities that must be prepared by the Administrative Technical Unit pursuant to article 3, paragraph 4, of Decree Law 195/09 and article 5 of the Decree issued by the Head of the Liquidation Unit (*Unità Stralcio*) on 1 December 2010.

- On 15 March 2012, the sole shareholder Ferrovie dello Stato Italiane proposed to reduce the Share Capital of Ferservizi from Euro 43,043 thousand to Euro 8,170 thousand, through the cancellation of no. 162,200 shares, with a value of Euro 215 each, for a total amount of Euro 34,873 thousand, to be returned to the sole shareholder FS Italiane SpA within the time limits prescribed by law. The proposal arises from the results of a review by the Parent Company of the financial structure of its subsidiaries. Within this context, it emerged that Ferservizi, in light of the performance recorded in the past and in consideration of the objectives confirmed by the new 2011/2015 Business Plan, has excess liquidity in its financial resources with respect to the requirements needed to implement its mission, which aims to offer increasingly efficient and economic services to Group companies.
- On 22 March 2012, within the initiatives envisaged in the 2011-2015 Business Plan of the FS Group, the Extraordinary Shareholders' Meeting of RFI resolved to approve the plan for the partial demerger of RFI through the allocation of a portion of its assets in favour of Ferrovie dello Stato Italiane.

  Through the demerger in question, the beneficiary company will receive a real estate complex located in the municipal district of Trieste, Passeggio S. Andrea, made up of areas with a total surface of about 45,000 sq. m., including buildings and fixed equipment owned by RFI which have been declared as equipment that is no longer instrumental to the railway business.

  Starting from the effective date of the demerger, the share capital of RFI will be reduced by the amount of Euro 1,777,628, through the cancellation of no. 1,777,628 shares, with a par value of Euro 1.00 each. The actual value of the net assets allocated to the beneficiary company will be equal to the amount of Euro 1,777,628, corresponding to an equal amount of share capital. The demerger plan was prepared on the basis of the companies' financial positions at 30 November 2011.
- From March, Trenitalia started to print its train tickets on paper certified as compliant with the standards of the Forest Stewardship Council (FSC). Thanks to the agreement between the National and International Passenger Division and Postel S.p.A. – the company that supplies the tickets – around 10 million tickets printed each month can boast this important certification. In fact, the Forest Stewardship Council is an authoritative international independent non-governmental and non-profit organization that is present in more than 50 Countries and that certifies the use of paper produced using cellulose that originates exclusively from forests managed in a responsible manner, or from post-consumption recycling.

April

- On 16 April 2012 Trenitalia set 15 June as the time limit for the submission of bids for the supply of 130 electric and diesel trains, plus an option for 60 additional trains, which are intended to upgrade and strengthen the fleet of regional trains, thus improving journey quality and comfort and service regularity, in accordance with the service contracts executed by the regional Governments.

  The two tenders, one for electric trains and one for diesel trains, both of which will be based on a negotiated procedure, have already concluded the selection phase; and the supply, whose value can be estimated at around Euro 1 billion and 250 million, will be competed for by the main national and international players in the sector.

The participants in the tender for electric trains, divided into two lots, will be required to produce 70 electric trains with at least 280 seats, plus an option for 20 additional trains, and 20 electric trains with at least 500 seats, plus an option for other 20 trains.

The other tender concerns 40 diesel trains with at least 130 seats, plus an option for another 20 trains that are able to circulate on the entire traditional railway network and that are intended for regional services on non-electrified lines.

May

- On 7 May 2012 a first filling of the bucket symbolically kicked off the construction of the Treviglio – Brescia section at the site of Travagliato, in the presence of the Minister for Economic Development, Infrastructures and Transport, the President of the Lombardy Region, the CEO of Ferrovie dello Stato Italiane. The new line, which is an integral part of the future trans-European corridor TEN-T no. 3 "Mediterranean", represents an additional step in the construction of the Milan - Verona High Speed/High Capacity line (with an overall length of 140 km), which is already in service for the 27 km between Milan and Treviglio (activated in July 2007) and in the planning stage between Brescia and Verona.

47. Accounting statements relating to the change in the method of consolidation of JVs

In line with IAS 31, in 2011 it was decided to change the method of consolidation of joint ventures, passing from the proportional method to the equity method, as already specified in note 4.a.(ii).

Below are reported the effects arising from this amendment. In particular, the company took steps to prepare the consolidated statement of financial position and the consolidated income statement, with the reconciliation of the financial and economic values before and after the application of the equity method; on the contrary, the company did not consider the reconciliations of the statement of comprehensive income, of the changes in equity and the cash flow statement to be significant in terms of amount.

The changes reported in relation to both 2010 and 2009 concern the main balance sheet items of the two joint ventures Cisalpino and Italia Logistica, which are no longer proportionally consolidated on a line-by-line basis.

Reconciliation of the consolidated statement of financial position

values in €/mil.

	31.12.2010 ante	Change	31.12.2010 post	01.01.2010 ante	Change	01.01.2010 post
Assets						
Property, plant and equipment	47,213	(174)	47,039	46,200	(134)	46,066
Investment properties	1,556	0	1,556	1,583	0	1,583
Intangible assets	361	(5)	356	389	(8)	381
Deferred tax assets	242	(1)	241	223	(1)	223
Investments valued at equity	212	76	289	203	78	281
Non-current financial assets (including derivatives)	1,916	0	1,916	2,041	0	2,041
Non-current trade receivables	33	0	33	36	0	36
Other non-current assets	2,583	(12)	2,572	2,910	0	2,910
Total non-current assets	**54,116**	**(115)**	**54,002**	**53,584**	**(64)**	**53,520**
Construction contracts	10	0	10	8	0	8
Inventories	1,681	0	1,681	1,714	0	1,714
Current trade receivables	2,817	(11)	2,806	2,807	1	2,808
Current financial assets (including derivatives)	169	0	169	174	0	174
Cash and cash equivalents	640	(27)	614	1,143	(8)	1,135
Tax receivables	87	0	87	87	0	87
Other currrent assets	1,621	(18)	1,603	1,934	(45)	1,889
Assets held for sale and disposal groups	18	0	18	32	0	32
Total current assets	**7,042**	**(56)**	**6,986**	**7,899**	**(52)**	**7,847**
Total assets	**61,159**	**(171)**	**60,988**	**61,484**	**(116)**	**61,367**
Equity	**36,177**	**0**	**36,177**	**36,098**	**0**	**36,098**
Net Equity attributable to the Group	**36,046**	**0**	**36,046**	**35,962**	**0**	**35,962**
Share capital	38,790	0	38,790	38,790	0	38,790
Reserves	327	(6)	321	271	(2)	269
Profits (losses) carried forward	(3,190)	6	(3,185)	(3,135)	2	(3,133)
Profit (Loss) for the Year	118	0	118	37	0	37
Net Minority Interests	**131**	**0**	**131**	**136**	**0**	**136**
Profit (Loss) attributable to Minority Interests	11	0	11	17	0	17
Capital and Reserves attributable to Minority Interests	120	0	120	119	0	119
Liabilities						
Medium/long term loans	11,613	(124)	11,489	11,992	(64)	11,928
Severance pay and other employee benefits	2,147	0	2,146	2,415	(1)	2,415
Provisions for risks and charges	1,668	0	1,669	1,778	0	1,779
Deferred tax liabilities	221	0	221	193	0	193
Non-current financial liabilities (including derivatives)	341	0	341	273	0	273
Non-current trade payables	24	0	24	40	(15)	25
Other non-current liabilities	290	0	290	270	0	270
Total non-current liabilities	**16,304**	**(124)**	**16,180**	**16,962**	**(80)**	**16,882**
Short-term loans and current portion of medium/long term loans	980	(1)	979	811	(20)	791
Short-term portion of Provisions for risks and charges	8	0	8	7	0	7
Current trade payables	3,491	(42)	3,449	3,658	0	3,659
Income taxes payable	15	0	15	7	0	7
Current financial liabilities (including derivatives)	52	0	52	66	0	66
Other current liabilities	4,133	(4)	4,129	3,875	(16)	3,859
Total current liabilities	**8,679**	**(47)**	**8,631**	**8,425**	**(36)**	**8,389**
Total liabilities	**24,983**	**(171)**	**24,811**	**25,387**	**(116)**	**25,271**
Total equity and liabilities	**61,159**	**(171)**	**60,988**	**61,485**	**(116)**	**61,369**

The main balance sheet items that changed due to the change in the criterion reported above are:

- property, plant and equipment, mainly relating to rolling stock (ETR610 and ETR470) owned by Cisalpino;
- equity investments as a result of the consolidation of both companies according to the equity method;
- medium/long-term and short-term loans, relating to Cisalpino's payables to Eurofima.

Consolidated Income Statement

values in €/mil.

	31.12.2010 ante	Change	31.12.2010 post	31.12.2009 ante	Change	31.12.2009 post
Revenue and income						
Revenues from sales and services	7,288	(16)	7,272	6,994	(54)	6,939
Other income	776	(30)	747	989	(23)	966
Total revenues	**8,064**	**(46)**	**8,018**	**7,983**	**(77)**	**7,906**
Operating costs						
Personnel cost	(4,325)	3	(4,322)	(4,560)	5	(4,555)
Raw and secondary materials, consumables and goods for resale	(841)	3	(838)	(818)	0	(818)
Costs for services	(1,925)	34	(1,891)	(1,971)	48	(1,923)
Leases and rentals	(136)	(1)	(136)	(142)	12	(130)
Other operating costs	(121)	0	(121)	(96)	1	(95)
Capitalisation of internal construction costs	944	0	944	1,055	0	1,055
Amortisation and depreciation	**(988)**	**5**	**(983)**	**(862)**	**9**	**(853)**
Write-downs, impairment losses (value write-backs)	**(72)**	**0**	**(72)**	**(59)**	**2**	**(57)**
Provisions for risk and charges	**(90)**	**0**	**(90)**	**(95)**	**0**	**(95)**
EBIT	**508**	**(0)**	**508**	**435**	**0**	**435**
Finance income and costs						
Finance income	79	(3)	76	97	0	97
Finance costs	(346)	5	(341)	(346)	2	(344)
Share of profit (loss) of investments accounted for at equity	4	0	3	(1)	(3)	(4)
Pre-tax result	**245**	**1**	**246**	**184**	**(1)**	**183**
Income taxes	(116)	0	(116)	(130)	1	(129)
Profit for the year from continuing operations	**129**	**1**	**131**	**54**	**0**	**54**
Net profit for the year (Group and Minority Interests)	**129**	**0**	**129**	**54**	**0**	**54**
Net profit attributable to the Group	*118*	*0*	*118*	*37*	*0*	*37*
Net profit attributable to Minority Interests	*11*	*0*	*11*	*17*	*0*	*17*

The main income statement items that reported changes due to the change in the criterion reported above are the revenues relating to the activity of Cisalpino and Italia Logistica in 2009 and of Italia Logistica only in 2010 (Cisalpino ceased its activity in 2009) and the operating costs linked to the integrated logistics service and lease rentals of Italia Logistica.

Consolidation area and equity investments of the Group

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS **ANNEX NO. 1**

Name	HQ	Share Capital	Investing Company	Ownership %
a) Controlling company:				
Ferrovie dello Stato SpA	Rome	38,790,425,485		
b) Directly-controlled companies:				
BUSITALIA - Sita Nord (former FS Trasporti su Gomma Srl)	Rome	2,300,000	FS Italiane SpA	100
Fercredit - Servizi Finanziari SpA	Rome	32,500,000	FS Italiane SpA	100
FS Logistica SpA	Rome	143,095,524	FS Italiane SpA	100
FS Sistemi Urbani Srl	Rome	532,783,501	FS Italiane SpA	100
FS Telco Srl	Rome	20,000	FS Italiane SpA	100
Ferservizi SpA	Rome	43,043,000	FS Italiane SpA	100
Italferr SpA	Rome	14,186,000	FS Italiane SpA	100
Rete Ferroviaria Italiana - RFI SpA	Rome	32,174,873,314	FS Italiane SpA	100
Società Elettrica Ferroviaria – S.EL.F. Srl	Rome	34,535	FS Italiane SpA	100
Trenitalia SpA	Rome	1,654,464,000	FS Italiane SpA	100
Italcertifer SCpA	Florence	480,000	FS Italiane SpA	66.66
Centostazioni SpA	Rome	8,333,335	FS Italiane SpA	59.99
Grandi Stazioni SpA	Rome	4,304,201	FS Italiane SpA	59.99
Sita SpA	Florence	200,000	FS Italiane SpA	55
Netinera Deutschland GMbH (former FS2MOVE GMbH)	Mainz	25,000	FS Italiane SpA	51

Name	HQ	Share Capital	Investing Company	Ownership %
c) Indirectly-controlled companies:				
Grandi Stazioni Ingegneria Srl	Rome	20,000	Grandi Stazioni spA	100
Metropark SpA	Rome	3,016,463	FS Sistemi Urbani SpA	100
Servizi ferroviari-Serfer Srl	Genoa	5,000,000	Trenitalia SpA	100
Terminali Italia Srl	Milano	11,237,565	RFI SpA; Cemat spA	100
Trenitalia Logistic France Sas	Paris	43,420	Trenitalia SpA	100
TX Consulting Gmbh	Bad Honnef	25,000	TX Logistik AG	100
TX Logistik AG	Bad Honnef	286,070	Trenitalia SpA	100
TX Logistik Austria	Wels	35,000	TX Logistik AG	100
TX Logistik Denmark	Padborg	500000 (1)	TX Logistik AG	100
TX Logistik Sweden	Malmo	400000 (1)	TX Logistik AG	100
TX Logistik Switzerland	Basel	50000 (1)	TX Logistik AG	100
TX Service Management	Bad Honnef	50,000	TX Logistik AG	100
ASC Bus und TruckCenter GmbH	Hofheim am Taunus	25,000	Autobus Sippel GmbH	100
Autobus Paproth GmbH	Hofheim am Taunus	25,565	Autobus Sippel GmbH	100
Autobus Sippel GmbH	Hofheim am Taunus	50,000	NETINERA Deutschland GmbH	100
B.B. - Reisen GmbH	Neustrelitz	25,565	NETINERA Region Ost AG	100
B. B. Touristik GmbH	Neustrelitz	25,565	NETINERA Region Ost AG	100
Heidekreuz GmbH	nd	25,000	NETINERA Deutschland GmbH	100
Kraftverkehr - GMBH - KVG Lüneburg	Lüneburg	25,565	KVG Stade GmbH & Co. KG	100
Kraftverkehr Osthannover GmbH	Celle	256,000	NETINERA Deutschland GmbH	100
Lausitzer Nahverkehrsgesellschaft mbH	Senftenberg	26,000	Südbrandenburger Nahverkehrs GmbH	100
NETINERA Deutschland GmbH	Viechtach	612,000	Netinera Deutschland GMbH (già FS2MOVE GMbH)	100
NETINERA Immobilien GmbH	Berlin	240,000	Netinera Deutschland GMbH (già FS2MOVE GMbH)	100
NETINERA Region Ost AG	Putlitz	250,000	Netinera Deutschland GMbH (già FS2MOVE GMbH)	100
NETINERA Werke GmbH	Neustrelitz	25,000	NETINERA Region Ost AG	100
PE Cargo GmbH	Berlin	25,100	NETINERA Region Ost AG	100
Prignitzer Eisenbahngesellschaft mbH	Putlitz	200,000	NETINERA Region Ost AG	100
Prignitzer Lokomotiv- und Waggonbau GmbH	Putlitz	25,000	NETINERA Region Ost AG	100
Regentalbahn AG	Viechtach	2,444,152	NETINERA Deutschland GmbH	100
Regental Bahnbetriebs-GmbH	Viechtach	1,023,000	Regentalbahn AG	100
Regental Fahrzeugwerkstätten-GmbH	Viechtach	132,936	Regentalbahn AG	100
Rhein-Main-Bus GmbH	Hofheim am Taunus	25,000	Autobus Sippel GmbH	100
Sippel-Coach GmbH	Hofheim am Taunus	25,565	Autobus Sippel GmbH	100
Sippel-Travel GmbH	Frankfurt am Main	127,950	Autobus Sippel GmbH	100
Südbrandenburger Nahverkehrs GmbH	Senftenberg	1,022,584	NETINERA Deutschland GmbH	100
UNIKAI Hafenbetrieb Lüneburg GmbH	Lüneburg	25,600	Osthannoversche Eisenbahn Aktiengesellschaft	100
Verkehrsbetriebe Bils GmbH	Sendenhorst	25,000	NETINERA Deutschland GmbH	100
Verkehrsbetriebe Osthannover GmbH	Celle	590,542	Osthannoversche Eisenbahn Aktiengesellschaft	100
Vogtlandbahn GmbH	Neumark	1,022,584	Regentalbahn AG	100
NETINERA Bachstein GmbH	Celle	150,000	NETINERA Deutschland GmbH	95.33
Osthannoversche Eisenbahn Aktiengesellschaft	Celle	21,034,037	NETINERA Bachstein GmbH	87.51
Società Gestione Terminali Ferro Stradali-SGT	Pomezia-Roma	200,000	Fs Logistica; Cemat SpA	87.5
Tunnel Ferroviario del Brennero SpA	Rome	145,790,910	RFI SpA	85.29
Neißeverkehr GmbH	Guben	1,074,000	Autobus Sippel GmbH	80
Uelzener Hafenbetriebs- und Umschlaggesellschaft mbH	Uelzen	102,258	Osthannoversche Eisenbahn Aktiengesellschaft	74
metronom Eisenbahngesellschaft mbH	Uelzen	500,000	NiedersachsenBahn GmbH & Co. KG	69.9
Kraftverkehr Celle Stadt und Land GmbH	Celle	1,099,278	Osthannoversche Eisenbahn Aktiengesellschaft	61
KVG Stade GmbH & Co. KG	Stade	4,600,000	Osthannoversche Eisenbahn Aktiengesellschaft	60
KVG Stade Verwaltungs GmbH	Stade	25,000	Osthannoversche Eisenbahn Aktiengesellschaft	60
NiedersachsenBahn GmbH & Co. KG	Celle	100,000	Osthannoversche Eisenbahn Aktiengesellschaft	60
NiedersachsenBahn Verwaltungsgesellschaft mbH	Celle	25,000	Osthannoversche Eisenbahn Aktiengesellschaft	60
Cemat SpA	Milan	7,000,000	FS Logistica SpA	53.28
Grandi Stazioni Ceska Republika	Prague	240,000,000 (1)	Grandi Stazioni spA	51

(1) Data expressed in foreign currency

LIST OF JOINT VENTURES VALUED AT EQUITY **ANNEX NO. 2**

Name	HQ	Share Capital	Investing Company	Ownership %
ODIG Ostdeutsche Instandhaltungsgesellschaft mbH	Eberswalde	250,000	ODEG Ostdeutsche Eisenbahngesellschaft mbH	100
Autobus Dreischmeier GmbH	Lich	100,000	Autobus Sippel GmbH	50
Berchtesgardener Land Bahn GmbH	Freilassing	25,000	Regentalbahn AG	50
Cisalpino AG	Berna	162.500.000 (1)	Trenitalia SpA	50
ItaliaLogistica srl	Rome	900,000	FS Logistica SpA	50
ODEG Ostdeutsche Eisenbahngesellschaft mbH	Parchim	500,000	Prignitzer Eisenbahngesellschaft mbH	50
Schieneninfrastrukturgesellschaft mbH	Putlitz	25,000	Prignitzer Eisenbahngesellschaft mbH	50
Trenitalia Veolia Transdev	Paris	1,500,000	Trenitalia SpA	50
Trenord Srl	Milan	76,120,000	Trenitalia SpA	50

(1) Data expressed in foreign currency

LIST OF ASSOCIATES VALUED AT EQUITY **ANNEX NO. 3**

Name	HQ	Share Capital	Investing Company	Ownership %
GVB Gifhorner Verkehrsbetriebe GmbH	Gifhorn	25,000	Verkehrsgesellschaft Landkreis Gifhorn	100
KVB Kraftverkehrsbetriebe GmbH	Isenbüttel	50,000	Verkehrsgesellschaft Landkreis Gifhorn	100
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
Pol Rail Srl	Rome	2,000,000	Trenitalia SpA	50
Quadrante Europa Terminal Gate SpA	Verona	16,626,000	RFI SpA	50
Eurogateway Srl	Novara	99,000	Trenitalia SpA; Cemat SpA	37
Porta Sud SpA	Bergamo	247,000	FS Sistemi Urbani SpA	35
Celler Straßenbahngesellschaft mbH	Celle	572,680	Kraftverkehr Celle Stadt und Land GmbH	34.72
CeBus GmbH & Co. KG	Aachen	25,000	Kraftverkehr Celle Stadt und Land GmbH	34.5
Padova Container Service Srl	Padua	516,000	Cemat SpA	34.5
CeBus Verwaltungsgesellschaft mbH	Aachen	25,000	Kraftverkehr Celle Stadt und Land GmbH	34.4
Alpe Adria SpA	Trieste	120,000	Trenitalia SpA	33.33
EVG Euregio - Verkehrsgesellschaft mbH & Co. KG	Münster	60,000	Verkehrsbetriebe Bils GmbH	33.33
EVG Euregio Verwaltungs- und Beteiligungs GmbH	Münster	25,500	Verkehrsbetriebe Bils GmbH	33.33
Osthannoversche Umschlagsgesellschaft mbH	Wittingen	153,600	Osthannoversche Eisenbahn Aktiengesellschaft	33.33
Terminal Tremestieri Srl	Messina	900,000	RFI SpA	33.33
Novatrans Italia Srl	Milan	100,000	Cemat SpA	30
Verkehrsgesellschaft Landkreis Gifhorn	Gifhorn	25,565	Osthannoversche Eisenbahn Aktiengesellschaft	25.2
Cesar Information Services - CIS Scrl	Bruxelles	100,000	Cemat SpA	25.1
Novolog GmbH	Wolfsburg	25,000	Kraftverkehr Osthannover GmbH	25
COMBIMED SA	Bruxelles	61,973	Cemat SpA	20
FNM- (former Ferrovie Nord Milano SpA)	Milan	130,000,000	FS Italiane SpA	14.74

LIST OF NON-CONSOLIDATED COMPANIES **ANNEX NO. 4**

Name	HQ	Share Capital	Investing Company	Ownership %
Bluferries Srl	Messina	100,000	RFI SpA	100
Tav Srl	Rome	50,000	FS Italiane SpA	100
FS Formazione SpA in liquidation	Rome	637,000	Fs Italiane SpA; Trenitalia SpA; RFI SpA	81
Metroscai Scarl in liquidation	Rome	10,000	Ferservizi SpA	75
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
Servizi Ferroviari Portuali-Ferport Napoli Srl in liquidation	Naples	480,000	Serfer Srl	51
Network Terminali Siciliani SpA in liquidation	Catania	65,272	RFI SpA	50
Sideuropa Srl in liquidation	Milan	450,000	FS Logistica SpA	50
East Rail Srl in liquidation	Trieste	130,000	Trenitalia SpA	32
Sinter Inland Terminal in liquidation	Milan	2,550,000	FS Logistica SpA	21.27

CONSOLIDATION AREA OF FERROVIE DELLO STATO ITALIANE GROUP

Keys

CONSOLIDATION AREA OF FERROVIE DELLO STATO ITALIANE GROUP AS AT 31 DECEMBER 2011

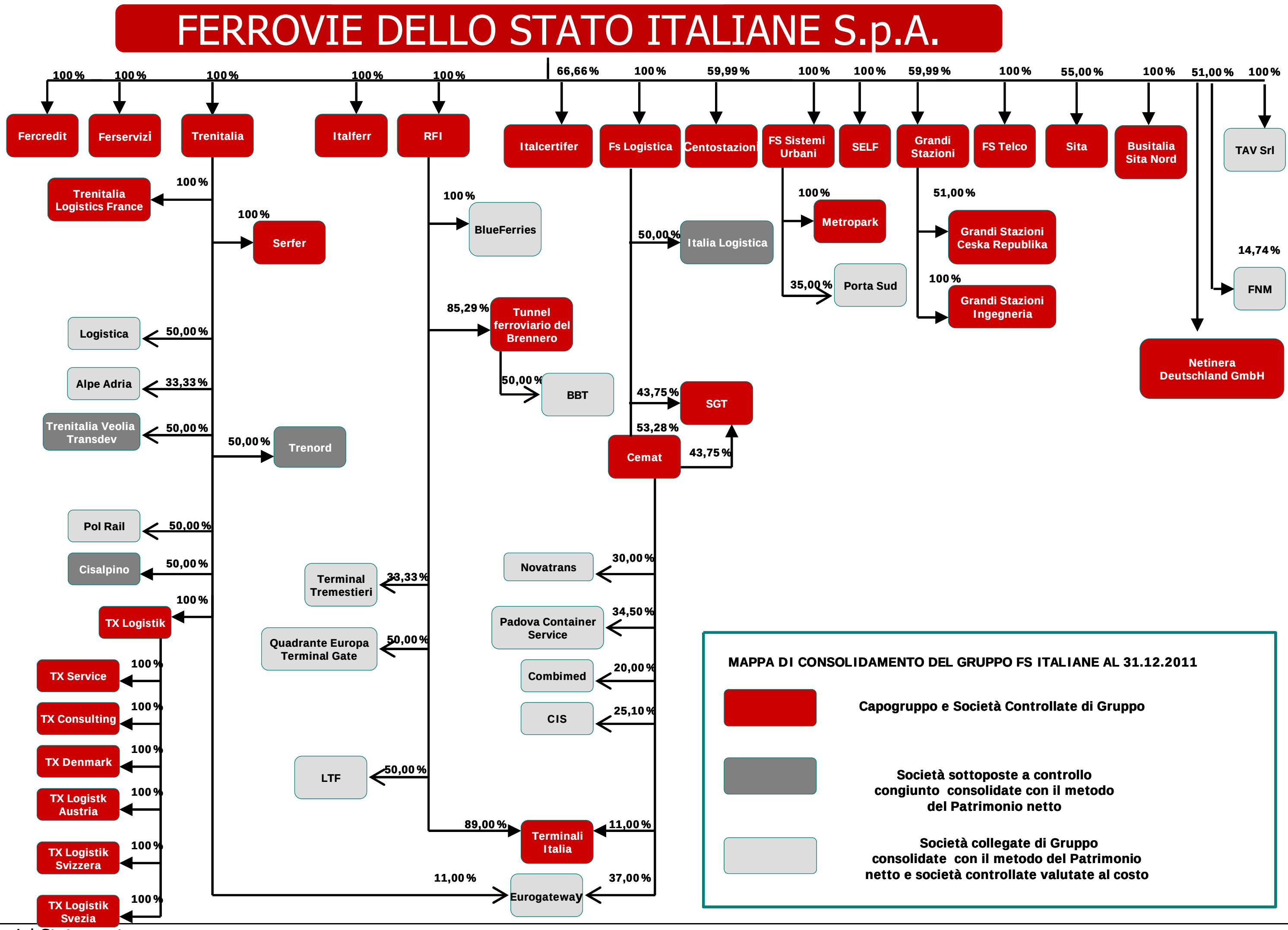
Parent Company and Group subsidiary companies

Companies subject to joint control consolidated at equity

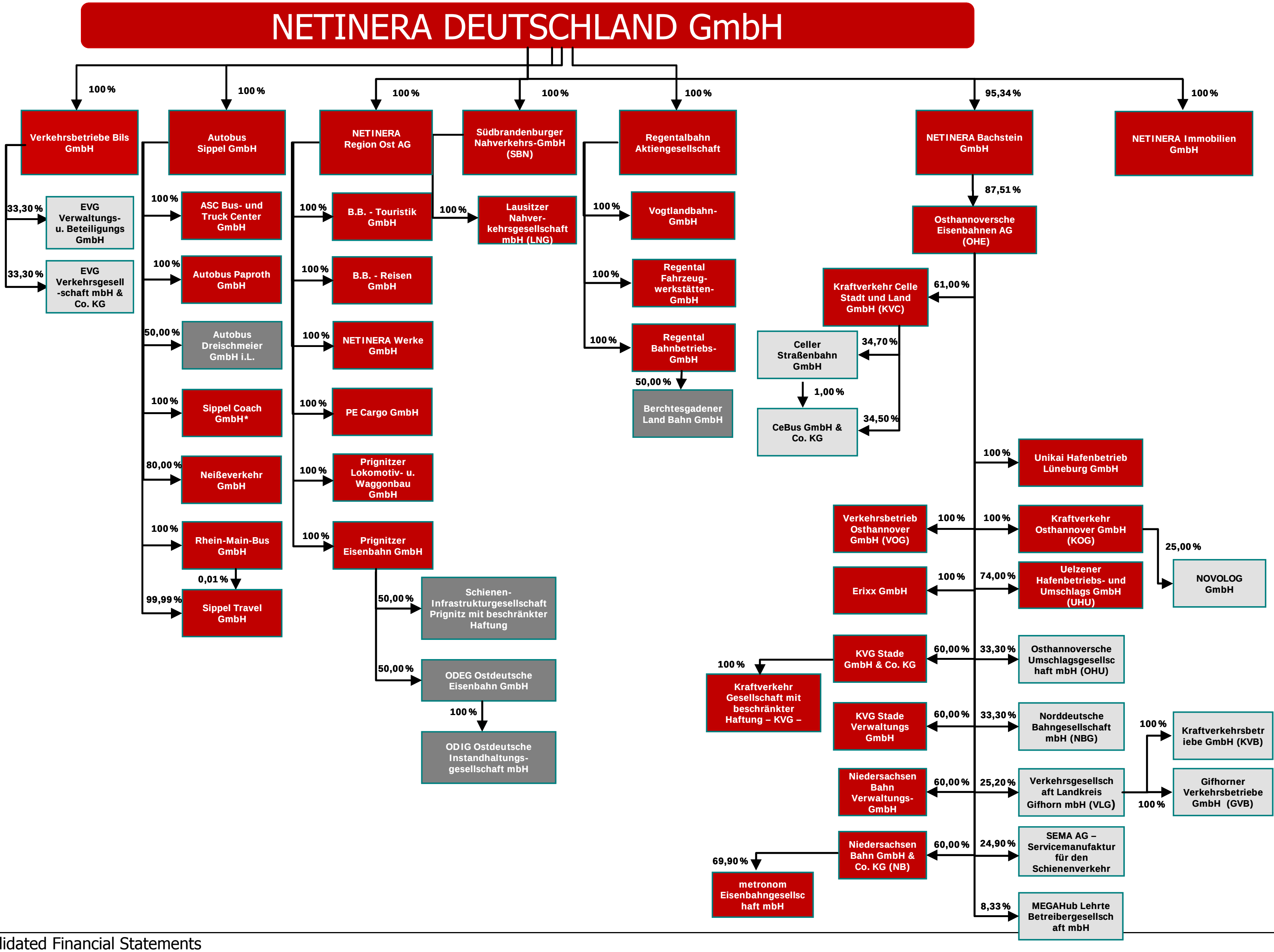
Group associated companies consolidated at equity and

subsidiaries valued at cost

ANNEX NO. 5



FERROVIE DELLO STATO ITALIANE S.p.A.
Fercredit
Ferservizi
Trenitalia
Italferr
RFI
Italcertifer
Fs Logistica
Centostazioni
FS Sistemi Urbani
SELF
Grandi Stazioni
FS Telco
Sita
Busitalia Sita Nord
TAV Srl
Trenitalia Logistics France
Serfer
BlueFerries
Italia Logistica
Metropark
Porta Sud
Grandi Stazioni Ceska Republika
Grandi Stazioni Ingegneria
FNM
Netinera Deutschland GmbH
Tunnel ferroviario del Brennero
BBT
SGT
Cemat
Logistica
Alpe Adria
Trenitalia Veolia Transdev
Trenord
Pol Rail
Cisalpino
TX Logistik
TX Service
TX Consulting
TX Denmark
TX Logistk Austria
TX Logistik Svizzera
TX Logistik Svezia
Terminal Tremestieri
Quadrante Europa Terminal Gate
LTF
Novatrans
Padova Container Service
Combimed
CIS
Terminali Italia
Eurogateway
100 %
66,66 %
59,99 %
55,00 %
51,00 %
50,00 %
35,00 %
14,74 %
85,29 %
43,75 %
53,28 %
33,33 %
30,00 %
34,50 %
20,00 %
25,10 %
89,00 %
11,00 %
37,00 %
MAPPA DI CONSOLIDAMENTO DEL GRUPPO FS ITALIANE AL 31.12.2011
Capogruppo e Società Controllate di Gruppo
Società sottoposte a controllo congiunto consolidate con il metodo del Patrimonio netto
Società collegate di Gruppo consolidate con il metodo del Patrimonio netto e società controllate valutate al costo



NETINERA DEUTSCHLAND GmbH
100 %
Verkehrsbetriebe Bils GmbH
33,30 %
EVG Verwaltungs- u. Beteiligungs GmbH
33,30 %
EVG Verkehrsgesell -schaft mbH & Co. KG
100 %
Autobus Sippel GmbH
100 %
ASC Bus- und Truck Center GmbH
100 %
Autobus Paproth GmbH
50,00 %
Autobus Dreischmeier GmbH i.L.
100 %
Sippel Coach GmbH*
80,00 %
Neißeverkehr GmbH
100 %
Rhein-Main-Bus GmbH
0,01 %
99,99 %
Sippel Travel GmbH
100 %
NETINERA Region Ost AG
100 %
B.B. - Touristik GmbH
100 %
B.B. - Reisen GmbH
100 %
NETINERA Werke GmbH
100 %
PE Cargo GmbH
100 %
Prignitzer Lokomotiv- u. Waggonbau GmbH
100 %
Prignitzer Eisenbahn GmbH
50,00 %
Schienen-Infrastrukturgesellschaft Prignitz mit beschränkter Haftung
50,00 %
ODEG Ostdeutsche Eisenbahn GmbH
100 %
ODIG Ostdeutsche Instandhaltungs-gesellschaft mbH
100 %
Südbrandenburger Nahverkehrs-GmbH (SBN)
100 %
Lausitzer Nahver-kehrsgesellschaft mbH (LNG)
100 %
Regentalbahn Aktiengesellschaft
100 %
Vogtlandbahn-GmbH
100 %
Regental Fahrzeug-werkstätten-GmbH
100 %
Regental Bahnbetriebs-GmbH
50,00 %
Berchtesgadener Land Bahn GmbH
95,34 %
NETINERA Bachstein GmbH
87,51 %
Osthannoversche Eisenbahnen AG (OHE)
61,00 %
Kraftverkehr Celle Stadt und Land GmbH (KVC)
34,70 %
Celler Straßenbahn GmbH
1,00 %
34,50 %
CeBus GmbH & Co. KG
100 %
Unikai Hafenbetrieb Lüneburg GmbH
100 %
Verkehrsbetrieb Osthannover GmbH (VOG)
100 %
Kraftverkehr Osthannover GmbH (KOG)
25,00 %
NOVOLOG GmbH
100 %
Erixx GmbH
74,00 %
Uelzener Hafenbetriebs- und Umschlags GmbH (UHU)
60,00 %
KVG Stade GmbH & Co. KG
100 %
Kraftverkehr Gesellschaft mit beschränkter Haftung – KVG –
33,30 %
Osthannoversche Umschlagsgesellschaft mbH (OHU)
60,00 %
KVG Stade Verwaltungs GmbH
33,30 %
Norddeutsche Bahngesellschaft mbH (NBG)
100 %
Kraftverkehrsbetriebe GmbH (KVB)
60,00 %
Niedersachsen Bahn Verwaltungs-GmbH
25,20 %
Verkehrsgesellschaft Landkreis Gifhorn mbH (VLG)
100 %
Gifhorner Verkehrsbetriebe GmbH (GVB)
60,00 %
Niedersachsen Bahn GmbH & Co. KG (NB)
69,90 %
metronom Eisenbahngesellschaft mbH
24,90 %
SEMA AG – Servicemanufaktur für den Schienenverkehr
8,33 %
MEGAHub Lehrte Betreibergesellschaft mbH
100 %
NETINERA Immobilien GmbH

Oscar di Bilancio
Società e
Grandi Imprese
Non Quotate
WINNER
2011

Financial Statements: accounting statements

and notes to the

financial statements

Accounting statements

Statement of financial position

values in Euro units

	Notes	31.12.2011	31.12.2010
Assets			
Property, plant and equipment	*(6)*	42,054,287	43,043,696
Investment properties	*(7)*	523,955,997	417,941,244
Intangible assets	*(8)*	43,043,875	40,636,754
Deferred tax assets	*(9)*	201,033,717	205,603,818
Equity investments	*(10)*	35,732,853,286	35,925,806,509
Non-current financial assets (including derivatives)	*(11)*	5,624,425,083	5,824,997,662
Non-current trade receivables	*(14)*	8,494,141	8,287,562
Other non-current assets	*(12)*	909,108,182	1,164,366,964
Total non-current assets		**43,084,968,568**	**43,630,684,209**
Inventories	*(13)*	336,014,210	374,191,805
Current trade receivables	*(14)*	121,824,836	92,369,526
Current financial assets (including derivatives)	*(11)*	1,485,924,587	1,067,864,538
Cash and cash equivalents	*(15)*	229,582,570	169,849,646
Tax receivables	*(16)*	81,577,960	81,812,059
Other currrent assets	*(12)*	216,717,219	443,315,872
Assets held for sale and disposal groups	*(17)*	63,037,803	0
Total current assets		**2,534,679,185**	**2,229,403,446**
Total assets		**45,619,647,753**	**45,860,087,655**
Equity			
Share capital	*(18)*	38,790,425,485	38,790,425,485
Reserves	*(18)*	298,230,856	297,168,094
Profits (losses) carried forward	*(18)*	(3,026,752,981)	(3,046,628,381)
Profit (Loss) for the Year	*(18)*	41,305,322	20,921,474
Total Equity		**36,103,208,682**	**36,061,886,672**
Liabilities			
Medium/long term loans	*(20)*	5,993,259,963	6,201,735,216
Severance pay and other employee benefits	*(21)*	16,587,683	18,024,579
Provisions for risks and charges	*(22)*	100,391,654	105,036,255
Deferred tax liabilities	*(9)*	369,499,079	385,419,822
Non-current trade payables	*(25)*	0	281,600
Other non-current liabilities	*(24)*	1,121,891,853	1,368,817,965
Total non-current liabilities		**7,601,630,232**	**8,079,315,437**
Short-term loans	*(20)*	30,252,753	130,018,507
Current portion of medium-long term loans	*(20)*	219,783,158	208,073,966
Short-term portion of Provisions for risks and charges	*(22)*	0	31,444,338
Current trade payables	*(25)*	68,467,921	55,763,934
Income taxes payable	*(26)*	409,034	29,332
Current financial liabilities (including derivatives)	*(23)*	1,009,731,467	547,252,396
Other current liabilities	*(24)*	586,164,506	746,303,073
Total current liabilities		**1,914,808,839**	**1,718,885,546**
Total liabilities		**9,516,439,071**	**9,798,200,983**
Total equity and liabilities		**45,619,647,753**	**45,860,087,655**

Income statement

values in Euro units

	Notes	2011	2010
Revenue and income			
Revenues from sales and services	*(27)*	139,402,127	148,027,849
Other income	*(28)*	6,378,916	4,656,568
Total revenues		**145,781,043**	**152,684,417**
Operating costs		**151,972,256**	**156,999,619**
Personnel cost	*(29)*	54,340,397	51,350,131
Raw and secondary materials, consumables and goods for resale	*(30)*	17,139,687	22,592,922
Costs for services	*(31)*	57,437,902	55,392,342
Leases and rentals	*(32)*	8,996,685	11,948,299
Other operating costs	*(33)*	14,252,525	15,854,263
Capitalisation of internal construction costs	*(34)*	(194,940)	(138,338)
Amortisation and depreciation	*(35)*	**18,901,977**	**19,940,815**
Write-downs, impairment losses (value write-backs)		**1,552,091**	**1,573,361**
Write-downs of intangible assets	*(36)*	0	322,643
Write-down of property, plant and equipment	*(36)*	0	268,736
Value adjustments (write-backs) on receivables	*(36)*	1,552,091	981,982
Provisions for risk and charges	*(37)*	**3,190,876**	**5,040,979**
EBIT		**(29,836,157)**	**(30,870,357)**
Finance income and costs			
Finance income	*(38)*	330,145,289	234,838,892
Finance costs	*(39)*	316,907,738	263,846,936
Pre-tax result		**(16,598,606)**	**(59,878,401)**
Income taxes	*(40)*	57,903,928	80,799,875
Net profit for the year		**41,305,322**	**20,921,474**

Statement of comprehensive income

values in Euro units

	Notes	2011	2010
Net profit for the year	*(18)*	**41,305,322**	**20,921,474**
Other components of the statement of comprehensive income			
Gains (losses) relating to actuarial benefits	*(19)*	16,688	407,653
Total statement of comprehensive income		**41,322,010**	**21,329,127**

STATEMENT OF CHANGES IN EQUITY

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 2010	**38,790,425,485**	**10,988,202**	**27,896,982**	**254,599,169**	**(227,540)**	**(3,118,940,207)**	**75,815,454**	**36,040,557,545**
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**	**(3,046,628,381)**	**20,921,474**	**36,061,886,672**
Capital increase								
Distribution of dividends								
Allocation of the net profit for the previous year		1,046,074				19,875,400	(20,921,474)	0
Recognised comprehensive Profit/(Loss)								
of which:								
Income/(Loss) recognised directly in equity								
Other changes					16,688			16,688
Profit (Loss) for the year							41,305,322	41,305,322
Balance as at 31 December 2011	**38,790,425,485**	**15,537,904**	**27,896,982**	**254,599,169**	**196,801**	**(3,026,752,981)**	**41,305,322**	**36,103,208,682**

STATEMENT OF CASH FLOWS

Statement of cash flows

		amounts in Euro
	2011	**2010**
Profit (loss) for the year	41,305,322	20,921,474
Amortisation and depreciation	18,901,977	19,940,815
Provisions and write-downs	108,087,365	38,545,243
Capital gains (-)/Losses from disposal of fixed assets	0	0
Change in Inventories	14,177,058	21,200,923
Change in trade receivables	(29,661,889)	12,381,008
Change in trade payables	12,422,387	(7,369,643)
Change in deferred tax assets and liabilities	(11,350,642)	(46,458,012)
Change in tax payables and receivables	613,801	(2,553,489)
Change in other assets	481,861,213	806,458,174
Change in other liabilities	(412,464,679)	(806,878,471)
Use of provisions for risks and charges	(3,983,105)	(4,253,376)
Payment of employee benefits	(2,271,729)	(2,487,366)
Cash flows generated from (used in) operating activities	**217,637,079**	**49,447,280**
Investments in property, plant and equipment	(314,310)	(657,166)
Investment properties	(2,149,693)	(3,105,281)
Investments in intangible assets	(13,399,187)	(14,639,955)
Investments in equity investments	(90,500,749)	(250,220,819)
Investments	(106,363,939)	(268,623,221)
Disinvestments in property, plants and equipment	0	268,737
Disinvestments in intangible assets	0	322,643
Disinvestments in equity	0	30,031,452
Disinvestments	0	30,622,832
Change in financial assets	48,835,382	352,353,501
Net cash flow used in investing activities	**(57,528,557)**	**114,353,112**
Repayments of medium/long-term loans	(196,766,061)	(190,902,121)
Change in short-term loans	(99,765,754)	124,018,432
Change in financial liabilities	(63,654)	45,438
Net cash flow generated from financing activities	**(296,595,469)**	**(66,838,251)**
Total cash flows generated/(used) in the year	**(136,486,947)**	**96,962,141**
Cash and cash equivalents at the beginning of the year	**288,016,054**	**191,053,913**
Cash and cash equivalents at the end of the year	**151,529,107**	**288,016,054**
of which: balance of the intercompany current account	(78,053,463)	118,166,408

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Preamble

These separate financial statements for the financial year ended 31 December 2011 (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 Italiane 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.

2. The Company

Ferrovie dello Stato Italiane S.p.A. (hereinafter also referred to as the "Company" or "FS") 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 24 May 2012 the Directors approved the financial statements at 31 December 2011 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 24 May 2012, 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 36,207 million and a profit for the year attributable to the Group of Euro 282 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 24 May 2012, 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.

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 "7. 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 standards applied

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
Lands	0%
Reclamation costs	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%
- Mobile phones	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. 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) 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 any impairment.

Should the equity investment held by the company, which is neither a subsidiary or an associate, not be listed in an active market and should the use of an appropriate valuation model not be reliable, the investment must in any case be valued at cost.

In the case of equity investments valued at cost, they are written down through profit and loss for any lasting losses of value. If the reasons for a write-down no longer apply, it is necessary to restore the value at most up to the amount of the initial cost. This reinstatement is entered in the income statement.

Financial Instruments

Loans and receivables

Financial assets and receivables are recognised under assets when the company becomes a party to the contractual clauses of the instrument and are derecognized when the related contractual rights expire or are transferred together with the risks and rewards arising from the asset. Loans and receivables are non-derivative instruments with fixed or determinable payments that are not listed in an active market. This category classifies the following items: “Non-current financial assets”, “Current financial assets”, “Current trade receivables”, “Non-current trade receivables”, “Other current assets” and “Other non-current assets”.

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 Company 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 “Value adjustments (write-backs) on receivables”. Unrecoverable loans and receivables are recognised in the 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.

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, trade payables and other financial liabilities

Loans, trade payables and other financial liabilities 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, trade payables and other financial liabilities 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, trade payables and other financial liabilities are derecognized at the time of their repayment and when the Company has transferred all risks and charges related to the instrument itself.

Derivative financial instruments

Derivative financial instruments are aimed at coping with the exposure to the 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, as they are hedging derivative 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 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.

The time when the derivative financial instruments must be accounted for is 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, which are made up of properties held for trading resulting in 2007 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

I) Short-term 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.

II) Other post-employment benefits (TFR and CLC)

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 Italiane SpA Group.

Therefore, a provision has been set aside in the accounts, on the basis of the actuarial techniques previously mentioned, which includes the discounted charge relating to retired employees who are entitled to the benefit, as well as the portion of benefit accrued for the employees in service and to be paid out after the termination of the employment relationship.

The accounting treatment of the benefits produced by the Free Travel Card and the effects arising from the actuarial measurement are the same as those envisaged for the provision for Severance Pay.

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 under “revenues from sales and services”, as a positive component of the income statement.

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

Any 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;
- is part of a co-ordinated plan to dispose of a major line of business or geographical area of operations;

- 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 not relevant for the Company

The EU legislation adopted some accounting standards and interpretations, whose application became compulsory on 1 January 2011, which regulate cases and case studies that were not present within the Company at the date of these financial statements, but which could have accounting effects on future transactions and agreements.

- Amendments to IAS 32 – “Classification of rights issues”, in order to regulate accounting for the issue of rights denominated in a currency other than the functional currency of the issuer;
- Amendments to IFRIC 14 – “Prepayments of a Minimum Funding Requirement”, which allows the companies that pay a minimum funding in advance to recognise it as an asset;
- Amendments to IFRIC 19 – “Extinguishing Financial Liabilities with Equity Instruments”, which provides guidelines as to the recognition of the extinguishment of a financial liability through the issue of equity instruments.

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 is included in a project structured into three phases, which 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 has the objective of simplifying and reducing the complexity of the accounting for financial instruments, provides for the classification of financial instruments into three categories to be defined on the basis of the business model used, the contractual features and the related cash flows of the instruments in question.

On 19 October 2010 the IASB published an addition to IFRS 9 which, for the purpose of normalizing any effects relating to the volatility that arises from the decision to measure financial liabilities at the related fair value, provides for the recognition of the changes in question in the statement of comprehensive income, without any impacts on the net result of the period reported in the income statement.

On 7 October 2010 the IASB published some amendments to IFRS 7 – “Financial Instruments: Disclosures”, applicable for accounting periods that commence on or after 1 July 2011. The amendments were issued with the intention to improve understanding of the transactions for the transfer (derecognition) of financial assets, including the understanding of the possible effects arising from any risk that has remained with the company that has transferred these assets. It is believed that the adoption of this revised version will not entail any significant effects on the future financial statements of the Company.

On 20 December 2010 the IASB issued a minor amendment to IAS 12 – “Income taxes”, applicable on a retrospective basis from 1 January 2012, which clarifies the determination of deferred taxes on investment properties measured at fair value. This amendment introduces the presumption that deferred taxes relating to investment properties measured at fair value (IAS 40) must be determined by taking account that the book value of this asset will be recovered through the sale. Accordingly, SIC-21 – “Income taxes - Recovery of Revalued Non-Depreciable Assets” will no longer be applicable to this amendment. It is believed that the adoption of this revised version will not entail any significant effects on the future financial statements of the Company.

On 12 May 2011 the IASB issued IFRS 10 – “Financial Statements”, which will replace SIC-12 “Consolidation - Special Purpose Entities” and parts of IAS 27 – “Consolidated and Separate Financial Statements”, which will be renamed “Separate Financial Statements” and will regulate the accounting treatment of equity investments in separate financial statements. The new standard moves from the existing standards, identifying the concept of control as the decisive factor for the purpose of the consolidation of a company in the Consolidated Financial Statements of the parent company. It also provides guidance to determine the existence of the control where it is difficult to be established. This standard will be applicable on a retrospective basis from 1 January 2013. The Company is assessing any impacts arising from the application of the amendment.

On 12 May 2011 the IASB issued IFRS 12 – “Disclosure of Interests in Other Entities”, which will be applicable on a retrospective basis from 1 January 2013. This standard regulates the additional information to be provided on any type of equity investment, including those held in subsidiaries, joint arrangements, associates, unconsolidated special purpose entities and any other vehicle company. The Company is assessing any impacts arising from the application of the amendment.

On 12 May 2011 the IASB issued IFRS 13 – “Fair value measurement”, which will be applicable on a prospective basis from 1 January 2013. This standard clarifies the procedures for determining the fair value for the purposes of the financial statements and will be applicable to all the IFRS that require or allow fair value measurement or the presentation of information based on the fair value. The Company is assessing any impacts arising from the application of the amendment.

On 16 June 2011 the IASB issued an amendment to IAS 1 – “Presentation of financial statements”, which will be applicable from the financial years commencing from or after 1 July 2012. This standard regulates the recognition of all the components reported under “Other comprehensive income/(losses)”, depending on whether or not they can be subsequently reclassified to the income statement.
No significant effects are expected for the Company from the adoption of this standard.

On 16 June 2011 the IASB issued an amendment to IAS 19 – "Employee benefits", which will be applicable on a retrospective basis from the financial year commencing on 1 January 2013. This standard eliminates the option to defer the recognition of actuarial gains and losses according to the corridor method, requiring the presentation of the deficit or surplus of the fund in its entirety in the statement of financial position, and the separate recognition of the cost components linked to the working activity and net financial charges in the income statement, as well as the recognition of actuarial gains and losses that arise from the re-measurement of liabilities and assets under "Other comprehensive income/(losses)" in each financial year. Furthermore, the return of the assets included under net financial charges shall be calculated on the basis of the discount rate of the liabilities and no longer on the basis of the expected return of the same. Finally, the amendment introduces new additional information to be provided in the notes to the financial statements. The Company is assessing any impacts arising from the application of the amendment.

On 16 December 2011 the IASB issued some amendments to IAS 32 – "Financial Instruments: presentation", which will be applicable on a retrospective basis for the financial years commencing from or after 1 January 2014, to clarify the application of some criteria for the setoff of financial assets and liabilities under IAS 32. No significant effects are expected for the Company from the adoption of this standard.

On 16 December 2011 the IASB issued some amendments to IFRS 7 – "Financial Instruments: Disclosures". The amendment requires information on the effects or potential effects of the contracts for the setoff of financial assets and liabilities on the statement of financial position. The amendments will be applicable for the financial years commencing from or after 1 January 2013 and the interim periods after this date. The information shall be provided on a retrospective basis. It is believed that the adoption of this revised version will not entail any significant effect on the separated financial statements of the Company.

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, specifically interest rate and exchange risks.

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 loss in not complying with an obligation and this risk mainly arises from trade receivables and from the financial investments of the Company towards third parties. However, it is clarified that the financial assets are mainly made up of loans to Group companies and, therefore, they do not generate any credit risk.

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 of trade receivables 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..

For the credit risk arising from investing activities, a policy is applied for the use of liquidity which defines *(i)* the minimum requirements of the financial counterparty in terms of creditworthiness and the related concentration limits *(ii)* the types of financial products that can be used.

Below are reported the tables that show the exposure to credit risks:

	31.12.2011	31.12.2010
Current trade receivables	138,180	107,173
Tax receivables	81,578	81,812
Other current assets	216,870	443,316
Non-current financial assets (including derivatives)	5,624,425	5,824,998
Other non-current assets	909,108	1,164,367
Cash and cash equivalents (a)	229,583	169,850
Current financial assets (including derivatives)	1,485,925	1,067,864
Non-current trade receivables	8,640	8,434
Total, net of provision for write-down	**8,694,309**	**8,867,814**

(a) Total balance sheet item

	31.12.2011	31.12.2010
Public Administration, Italian Government, Regions	1,122,252	1,612,389
Ordinary customers	40,084	35,599
Financial Institutions (b)	174,356	112,036
Group companies	7,201,694	6,958,934
Other debtors	100,697	91,042
Total, net of provision for write-down	**8,639,083**	**8,810,000**

(b) This item only specifies receivables from banks and post offices

The table below reports the receivables on exposures by percentage and by maturity, net of the provision for bad debts.

	31.12.2011				
		Expired from			
	Falling due	**0-180**	**180-365**	**beyond 365**	**Total**
Public Administration, Italian Government, Regions	99.91	0.02	0.03	0.04	100%
Ordinary customers	62.80	13.85	2.28	21.07	100%
Financial Institutions	100.00				100%
Group companies	99.05	0.53	0.03	0.39	100%
Other debtors	100.00				100%
Total	99.09	0.49	0.03	0.39	**100%**

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 financial debt is essentially aimed at the payment of loans payable to Group companies. The Parent Company adopts asset liability management techniques in raising debt capital and financing for Group companies. Currently, the loans granted repeat to the subsidiaries the technical characteristics of the underlying debt such as to allow a time coincidence between monetary revenues and expenses arising from interest and repayments of capital.

Together with the abovementioned guidelines, in order to meet temporary liquidity requirements, in 2011 the Company obtained a Backup Credit Facility of a maximum amount of Euro 1,500 million, raised, on a "committed" basis, with a pool of eight lenders and expiring within three years; this credit line has been created with a general purpose, thus granting the Company the possibility of resorting to this borrowing instrument for the most diverse types of operating requirements.

Furthermore, again for the purposes of meeting temporary liquidity requirements, the Company has access to additional "uncommitted" credit lines granted by the banking system.

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

31 December 2011	Book value	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
Financial liabilities							
Debenture loans	3,300,514	3,841,273	27,950	24,465	636,530	924,582	2,227,746
Loans from banks	1,377,489	1,628,640	34,181	114,276	593,544	332,490	554,149
Payables to other lenders	1,565,292	1,900,000	100,000	100,000	200,000	600,000	900,000
Trade payables	68,468	68,468	68,468	0	0	0	0
Fiancial liabilities	1,009,732	1,009,732	1,009,732	0	0	0	0
Total	**7,321,495**	**8,448,113**	**1,240,331**	**238,741**	**1,430,074**	**1,857,072**	**3,681,895**

31 December 2010	Book value	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
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**

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.

Furthermore, it is specified that the debt expiring within 6 months is mainly made up of payables, whose service is financially covered by the provisions set aside in the Finance Laws and by the book balance of the intercompany current account of the companies with net uses on the cash pooling system of the Parent Company.

The table below reports the book values of financial liabilities by expiry date within 12 months, from 1 to 5 years and beyond five years.

31 December 2011	Total book value	within 12 months	1-5 years	Beyond 5 years
Financial liabilities				
Debenture loans	3,300,514	8,114	1,384,600	1,907,800
Loans from banks	1,377,489	103,562	789,885	484,042
Payables to other lenders	1,565,292	138,360	612,039	814,893
Trade payables	68,468	68,468	0	0
Financial liabilities (excluding derivatives)	1,009,732	1,009,732	0	0
Total	**7,321,495**	**1,328,236**	**2,786,524**	**3,206,735**

		Maturities of book value		
31 December 2010	**Total book value**	**within 12 months**	**1-5 years**	**Beyond 5 years**
Financial liabilities				
Debenture loans	3,297,621	5,221	848,300	2,444,100
Loans from banks	1,543,961	199,918	775,793	568,250
Payables to other lenders	1,698,246	132,954	588,123	977,169
Trade payables	56,046	56,046	0	0
Financial liabilities (excluding derivatives)	547,252	547,252	0	0
Total	**7,143,126**	**941,391**	**2,212,216**	**3,989,519**

Market risk, specifically interest rate and exchange 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.

Within market risks the Company is exposed, to a limited extent, to the Interest rate risk and to the Exchange risk.

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 to the Company with the already mentioned deed of demerger by former Ferrovie Real Estate SpA. Specifically, variable-rate financial liabilities are almost totally offset by corresponding financial assets towards subsidiaries, except for the abovementioned loan equal to Euro 475,000 thousand.

Medium/long term loans (including short-term portion)

	Book value	Notional value	% compared to debt	Current portion of notional value	*Portion of notional value expiring in* 1 and 2 years	2 and 5 years	beyond 5 years
- variable rate	3,776,898	3,767,400	0.61	-	1,075,000	784,600	1,907,800
- fixed rate	2,436,145	2,434,335	0.39	208,475	217,387	709,538	1,298,935
2011	**6,213,043**	**6,201,735**		**208,475**	**1,292,387**	**1,494,138**	**3,206,735**
- variable rate	3,773,594	3,767,400	0.59	-	-	1,323,300	2,444,100
- fixed rate	2,636,215	2,634,266	0.41	199,931	208,475	680,441	1,545,419
2010	**6,409,809**	**6,401,666**		**199,931**	**208,475**	**2,003,741**	**3,989,519**

Sensitivity analysis of cash flows of variable-rate financial instruments.

Below is reported the sensitivity analysis that shows the effects that would be recorded in terms of change in finance charges against a change of +/- 50 basis points in Euribor interest rates applied to all loans received in 2011, showing the substantial setoff arising from the simultaneous change in income from loans granted against the same change in interest rates.

	Shift +50 bps	Shift -50bps
Interest on variable-rate payables	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.

Financial assets and liabilities by category

To complete information on financial risks, the table below reports a reconciliation between financial assets and liabilities as reported in the consolidated statement of financial position by category of financial assets and liabilities identified on the basis of the requirements of IFRS 7:

31 December 2011	Receivables and loans	Payables and borrowings
Non-current financial assets (including derivatives)	5,624,425	
Non-current trade receivables	8,494	
Other non-current assets	909,108	
Current trade receivables	121,825	
Current financial assets (including derivatives)	1,485,925	
Other current assets	216,717	
Medium/long term loans		5,993,260
Non-current trade payables		0
Other non-current liabilities		1,121,892
Short-term loans and current portion of medium/long-term loans		250,036
Current trade payables		68,468
Current financial liabilities (including derivatives)		1,009,731
Other current liabilities		586,165

31 December 2010	Receivables and loans	Payables and borrowings
Non-current financial assets (including derivatives)	5,824,998	
Non-current trade receivables	8,288	
Other non-current assets	1,164,367	
Current trade receivables	92,370	
Current financial assets (including derivatives)	1,067,865	
Other current assets	443,316	
Medium/long term loans		6,201,735
Non-current trade payables		282
Other non-current liabilities		1,368,818
Short-term loans and current portion of medium/long-term loans		338,092
Current trade payables		55,764
Current financial liabilities (including derivatives)		547,252
Other current liabilities		746,303

In consideration of the abovementioned assets and liabilities, no hedging derivative instruments have been entered into.

6. 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 2011, 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	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**
Investments	0	0	0	314	**314**
Entries into service	493	0	193	(686)	**0**
Depreciation	(706)	(85)	(513)	0	**(1,304)**
Sales and disposals	0	0	0	0	**0**
Reclassifications	0	0	0	0	**0**
Total changes	**(213)**	**(85)**	**(320)**	**(372)**	**(990)**
Historical cost	51,482	523	13,237	443	**65,685**
Depreciation and impairment losses	(11,150)	(284)	(12,197)	0	**(23,631)**
Balance as at 31.12.2011	**40,332**	**239**	**1,040**	**443**	**42,054**

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”.

In 2011 “Other assets”, fully depreciated, were disposed of, which entailed a reduction of Euro 18 thousand of the historical cost and of the related depreciation fund.

7. 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 2011, no changes were recorded in the estimated useful life of the assets.

	2011		2010	
	Land	**Buildings**	**Land**	**Buildings**
Balance as at 1 January				
Cost	413,022	283,181	416,406	281,855
Depreciation fund	(6,044)	(93,678)	(4,084)	(89,392)
Provision for Write-Down	(147,689)	(30,851)	(147,750)	(31,076)
Book value	**259,289**	**158,652**	**264,572**	**161,387**
Changes in the year				
Increases	0	2,150	0	3,106
Reclassifications (1)	(24,925)	(14,112)	(3,323)	(539)
Disposals (2)	0	0	0	(264)
Depreciation	(1,960)	(4,646)	(1,960)	(5,038)
Demerger (3)	76,484	73,025	0	0
Total Changes	**49,599**	**56,417**	**(5,283)**	**(2,735)**
Balance as at 31 December				
Cost	455,614	392,579	413,022	283,181
Depreciation fund	(8,004)	(156,095)	(6,044)	(93,678)
Provision for Write-Down	(138,722)	(21,415)	(147,689)	(30,851)
Book value	**308,888**	**215,069**	**259,289**	**158,652**
(1) Reclassifications				
Cost	(42,876)	(46,227)	(3,384)	(1,235)
Depreciation fund	0	22,297	0	385
Provision for Write-Down	17,951	9,818	61	311
Total	**(24,925)**	**(14,112)**	**(3,323)**	**(539)**
(2) Disposals				
Cost	0	0	0	(545)
Depreciation fund	0	0	0	281
Provision for Write-Down	0	0	0	0
Total	**0**	**0**	**0**	**(264)**
(3) Demerger				
Cost	85,468	153,475	0	0
Depreciation fund	0	(80,068)	0	0
Provision for Write-Down	(8,984)	(382)	0	0
Total	**76,484**	**73,025**	**0**	**0**

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.

The net reduction relating to reclassifications (Euro 39,037 thousand) is attributable to:

- the transfer from the item “Inventories” of the assets that are no longer held for sale for Euro 14,609 thousand;

- the transfer to the item "Inventories" of the assets to be held for sale for Euro 1,538 thousand;
- the transfer to the item "Assets held for sale" of buildings and land of the railway workshops falling within the scope of the plan for the contribution to the subsidiary Trenitalia SpA, for a total of Euro 52,108 thousand.

Any increases for demergers relate to the transfer by Rete Ferroviaria Italiana SpA of the non-operating properties located at the stations of Milan Centrale, Rome Termini, Naples Centrale and Turin Porta Nuova.

8. Intangible assets

This item amounted to Euro 43,044 thousand, showing an increase of Euro 2,408 thousand compared to 31 December 2010.

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 construction and advances	Total
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**	**40,636**
Investments		13,400	**13,400**
Entries into service	11,538	(11,538)	**0**
Depreciation	(10,992)	0	**(10,992)**
Impairment losses	0	0	**0**
Other reclassifications	0	0	**0**
Total changes	**546**	**1,862**	**2,408**
Historical cost	102,350	4,553	**106,903**
Depreciation and impairment losses	(63,859)	0	**(63,859)**
Balance as at 31.12.2011	**38,491**	**4,553**	**43,044**

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 2011 increases amounted to Euro 13,400 thousand.

9. 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 deferred taxes entered for the main temporary differences reported between accounting values and the corresponding fiscal values.

	31.12.2010	Impacts through P&L	Impacts through equity	31.12.2011
Deferred tax assets				
Value differences on property, plant and equipment and intangible assets	122,108	358	0	122,466
Provisions for risks and charges and impairment losses with deferred tax deductibility	39,176	(4,091)	0	35,085
Value differences on properties held for *Trading* - Inventories	44,320	(837)	0	43,483
Total deferred tax assets	**205,604**	**(4,570)**	0	**201,034**
Deferred tax liabilities				
- Provision for deferred tax liabilities				
Value differences on property, plant and equipment and intangible assets	110,943	1,076	0	112,019
Value differences on properties held for *Trading* - Inventories	44,107	(590)	0	43,517
Other	869	(1,249)	0	(380)
Total provision for deferred tax liabilities	**155,919**	**(763)**	0	**155,156**
- Provision for taxes from consolidated IRES tax base	229,501	(63,356)	48,198	214,343
Total deferred tax liabilities	**385,420**	**(64,119)**	**48,198**	**369,499**

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. The table reported above for this provision, the positive impacts on the income statement recorded in 2011 (Euro 63,356 thousand) refer to the release of the 2006 provision for training (Euro 62,987 thousand), to the adjustments for minor IRES taxes assessed by the Company in the previous financial year with respect to those precisely determined (Euro 1,195 thousand) and to the same taxes estimated for 2011 (Euro 826 thousand); the financial impacts (Euro 48,198 thousand) are essentially made up of the taxes estimated by the companies that participate in the consolidated IRES tax base, net of the uses necessary to remunerate the subsidiaries for any tax losses contributed at the relevant time (Euro 48,454 thousand) and the adjustments to the taxes estimated in the previous financial year compared to those precisely determined (Euro 256 thousand).

10. 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 2011.

	31.12.2011	31.12.2010	Accumulated provision for write-downs
Equity investments in			
Subsidiaries	35,576,148	35,769,102	41,605
Associates	23,061	23,061	0
Other companies	133,644	133,644	0
Total	**35,732,853**	**35,925,807**	**41,605**

Equity investments amounted to Euro 35,732,853 thousand, showing a decrease of Euro 192,954 thousand compared to 31 December 2010 recorded in equity investments in subsidiaries.

	Net Value 31.12.2010	Changes in the year			Net Value 31.12.2011	Accumulated provision for write-downs
		Acquisitions / subscriptions	Other changes	Decreases		
Equity investments in subsidiaries						
Centostazioni SpA	3,050				3,050	
Fercredit SpA	31,413				31,413	
Ferservizi SpA	43,251				43,251	
FS Formazione SpA in liquidation	258				258	
FS Logistica SpA	242,268		3,187	(102,360)	143,095	
FS Sistemi Urbani Srl	523,482		10,612		534,094	
Grandi Stazioni SpA	17,601				17,601	
Netinera Deutschland GmbH (former FS2Move GmcH)	14	89,580			89,594	
FS Telco Srl	5				5	15
Italcertifer SpA	211	672			883	
Italferr SpA	8,047				8,047	
RFI SpA	33,227,273		(163,311)		33,063,962	
Self Srl	35				35	
Sita SpA	0	248	452	(138)	562	
Sogin Srl	59,225		(59,225)		0	
Trenitalia SpA	1,612,874				1,612,874	41,590
Busitalia - Sita nord Srl	45		27,329		27,374	
Tav Srl	50				50	
	35,769,102	**90,500**	**(180,956)**	**(102,498)**	**35,576,148**	**41,605**
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	**35,925,807**	**90,500**	**(180,956)**	**(102,498)**	**35,732,853**	**41,605**

The changes related to:

- the increase in the equity investment in Netinera Deutschland GmbH of Euro 89,580 thousand. This increase is correlated to the acquisition by the subsidiary FS2Move GmbH (which is now Netinera Deutschland GmbH after the direct merger) of the German group Arriva Deutschland and includes Euro 17,904 thousand (20%) for the capital increase and Euro 71,676 thousand (80%) for a subordinated shareholder loan;
- the increase in the equity investment in Italcertifer SpA for Euro 672 thousand following the purchase from Rete Ferroviaria Italiana SpA of the stake held by the same;
- the completion of the extraordinary transaction Sogin/Sita which entailed the merger of Sogin Srl by incorporation into Sita SpA (whose effective date was 19 May 2011) and the subsequent partial demerger in favour of FS Trasporti su Gomma (now Busitalia - Sita Nord Srl), 100% held by Ferrovie dello Stato Italiane SpA and of Sicurezza Trasporti Autolinee – Sita Sud, 100% held by third parties. Specifically, the transaction entailed:

  - for the merger, the cancellation of the equity investment in Sogin Srl for the amount of Euro 59,225 thousand and the subscription of the capital in Sita SpA for Euro 27,781 thousand, with a loss of Euro 31,444 thousand which is fully covered by the use of the Provision for risks set aside as at 31 December 2010;
  - for the partial demerger of Sita SpA, the capital decrease of Euro 27,329 thousand, in the same company, and the simultaneous increase in the equity investment in Busitalia - Sita Nord Srl;
- the increase in the equity investment in Sita SpA for Euro 248 thousand, as a result of the reduction of the share capital and the consequent replenishment of the same;
- the partial demergers of the subsidiary Rete Ferroviaria Italiana SpA towards:

  - FS Logistica SpA for Euro 3,187 thousand;
  - FS Sistemi Urbani Srl for Euro 10,612 thousand;
  - Ferrovie dello Stato Italiane SpA for Euro 149,512 thousand;
- the decreases for the write-downs of FS Logistica SpA, for Euro 102,360 thousand, and Sita SpA, for Euro 138 thousand, as a result of the reduction of the share capital for losses.

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 31.12.2011	Ownership %	Accrued equity (a)	Book value as at 31.12.2011 (b)	Difference (b) - (a)
Equity investments in subsidiaries								
Busitalia - Sita Nord Srl	Rome	2,300	336	25,739	100.00%	25,739	27,374	1,635
Centostazioni SpA	Rome	8,333	9,940	27,243	59.99%	16,343	3,050	(13,293)
Fercredit SpA	Rome	32,500	8,975	86,144	100%	86,144	31,413	(54,731)
Ferservizi SpA	Rome	43,043	5,293	56,311	100%	56,311	43,251	(13,060)
FS Formazione SpA in liquidation	Rome	637		908	31.40%	285	258	(27)
FS Logistica SpA	Rome	143,096	(18,546)	124,464	100%	124,464	143,095	18,631
FS Sistemi Urbani Srl	Rome	532,783	5,927	543,630	100%	543,630	534,094	(9,536)
Grandi Stazioni SpA	Rome	4,304	29,995	148,705	59.99%	89,208	17,601	(71,607)
Netinera Deutschland GmbH (former FS2Move GmbH) (*)	Berlin	35,160	(38,118)	(2,962)	51%	(1,511)	89,594	91,105
FS Telco Srl (**)	Rome	20	(17)	93	100%	93	5	(88)
Italcertifer SpA	Florence	480	78	2,205	66.66%	1,470	883	(587)
Italferr SpA	Rome	14,186	1,521	48,692	100%	48,692	8,047	(40,645)
RFI SpA	Rome	32,174,873	98,105	33,183,984	100%	33,183,984	33,063,962	(120,022)
Self Srl	Rome	35	0	35	100%	35	35	0
Sita SpA (***)	Florence	200	0	200	55%	110	562	452
Trenitalia SpA	Rome	1,654,464	156,369	1,576,509	100%	1,576,509	1,612,874	36,365
TAV Srl	Rome	50	(12)	38	100%	38	50	12
Totals						**35,751,545**	**35,576,148**	**(175,397)**
Equity investments in associates								
Ferrovie Nord Milano SpA	Milan	**130,000**	**97,544**	**273,566**	**14.74%**	**40,324**	**23,061**	**(17,263)**
Totals						**35,791,868**	**35,599,209**	**(192,659)**

(*) the values reported relate to the 2011 statutory accounts of Netinera that are being approved, prepared according to the German accounting standards

(**) 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

(***) This item only reports the value of the share capital, as the other data are not available.

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 Busitalia – Sita Nord Srl whose operations are substantially being started.

The difference between the book value of Netinera Deutschland GmbH and the corresponding portion of equity is mainly represented by the shareholder loan (Euro 71,676 thousand) paid out to FS2Move GmbH (now Netinera Deutschland GmbH) and, for the residual part, by the effects resulting from the application of other different accounting standards.

For TAV Srl no write-down has been made as the company is not operational.

Below is reported the summary of the main financial and economic items of the associate Ferrovie Nord Milano SpA.

	Ownership %	Current assets	Non-current assets	Total Assets	Current liabilities	Non-current liabilities	Total Liabilities	Revenues	Costs	Profit / (loss)
31.12.2010	**14.74%**	163,474	212,808	376,282	167,568	208,714	376,282	53,767	45,251	8,516
31.12.2011	**14.74%**	202,888	257,991	460,879	148,992	311,887	460,879	144,342	46,798	97,544

11. Financial assets (including derivatives)

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

	31.12.2011		31.12.2010	
	Non-current	Current	Non-current	Current
Financial assets				
- Financial assets held to maturity	5,614,970	222,992	5,824,661	212,945
- Payments on account of future capital increases	0	135	0	135
- Receivables for short-term loans	0	327,585	0	189,510
- Other financial receivables	9,455	935,213	337	665,274
TOTAL	**5,624,425**	**1,485,925**	**5,824,998**	**1,067,864**

In 2011 financial assets recorded, as a whole, an increase of Euro 217,488 thousand.

"Financial assets held to maturity" related to loans granted to the subsidiaries Rete Ferroviaria Italiana SpA, Trenitalia SpA and Fercredit SpA, for a total amount of Euro 5,751,252 thousand, down by Euro 202,428 thousand compared to the previous year; the current portion (Euro 222,992 thousand) represents the portion expiring within the next financial year. The additional amount of the non-current portion (Euro 86,710 at the end of 2011 and Euro 83,926 thousand at the end of 2010) related to receivables from Euterpe Finance connected with the securitization of receivables towards the Tax Office that was completed in 2004, the increase of Euro 2,784 thousand is attributable to the interest income accrued following the transaction connected with the transfer of the receivable itself.

"Payments on account of future capital increases" related to FS Telco Srl.(Euro 135 thousand).

"Receivables for short-term loans" (Euro 327,585 thousand) related to the short-term loans granted to subsidiaries; the increase was Euro 138,075 thousand.

"Other non-current financial receivables" (Euro 9,455 thousand) are mainly made up of the receivables for any interest accrued on the shareholder loan granted to FS2Move GmbH, now Netinera Deutschland GmbH, for the purchase of the Netinera Group, (Euro 4,934 thousand), the financial charges on the Backup Facility incurred in 2011 pertaining to the financial years after 2012 (Euro 4,229 thousand) and the receivables from banks for sums confiscated (Euro 261 thousand).

"Other current financial receivables" (Euro 935,213 thousand) are made up of the balance of the intercompany current account of Trenitalia SpA (Euro 897,426 thousand) and Italferr SpA (Euro 34,171 thousand) and of the financial charges on the Backup Facility incurred in 2011, pertaining to the 2012 financial year (Euro 3,616 thousand).

12. 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 481,858 thousand and was essentially attributable to VAT receivables from the Tax Office.

	31.12.2011		31.12.2010	
	Current	**Non-current**	**Current**	**Non-current**
Other receivables from group companies	80,836	0	71,287	0
VAT receivables	131,226	907,877	366,414	1,163,154
Sundry receivables	2,365	1,231	1,030	1,213
Accrued income and prepaid expenses	2,443	0	4,738	0
Total	**216,870**	**909,108**	**443,469**	**1,164,367**
Provision for write-down	(153)	0	(153)	0
Total, net of Provision for write-down	**216,717**	**909,108**	**443,316**	**1,164,367**

"Other receivables from Group Companies" (Euro 80,836 thousand) related to the transfers for Group VAT (Euro 49,800 thousand) and for the consolidated IRES tax base (Euro 15,536 thousand), the transfer by the Company of IRES receivables from the Tax Office (Euro 1,910 thousand) and other sundry receivables (Euro 13,590 thousand) that mainly concerned Rete Ferroviaria Italiana SpA (Euro 4,707 thousand) and Trenitalia SpA (Euro 8,835 thousand).

At the end of 2011 "VAT receivables", relating to the VAT receivable from the Tax Office, totalled Euro 1,039,103 thousand (Euro 1,529,568 thousand at the end of 2010).

"Non-current sundry receivables" (Euro 1,231 thousand) 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 158 thousand). The current portion (Euro 2,365 thousand) mainly related to receivables from personnel (Euro 192 thousand) for advances granted to employees for various reasons, to recover through deductions from payrolls, to receivables from the INPS (Euro 120 thousand) for advances on the TFR and advances paid to suppliers (Euro 1,201 thousand).

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

	31.12.2011	**31.12.2010**
National regions	1,125,533	1,607,647
Eurozone countries	253	13
United Kingdom	118	0
Other European countries	0	0
United States	0	0
Other countries	74	23
Total	**1,125,978**	**1,607,683**

13. Inventories

Inventories are broken down as follows:

	31.12.2011	**31.12.2010**
Land and Buildings held for Trading	557,420	604,427
Provision for write-down	(221,406)	(230,235)
Total	**336,014**	**374,192**

Inventories are made up of properties held for sale. The reduction in inventories compared to 31 December 2010 (Euro 38,178 thousand) is attributable to the sales made in the financial year, net of the use of the provision for write-down (Euro 15,707 thousand), the increases in works carried out (Euro 1,530 thousand) and the total reductions attributable to the reclassifications carried out (Euro 24,001 thousand).

14. Non-current and current trade receivables

Trade receivables are broken down as follows:

	31.12.2011		31.12.2010	
	Current	**Non-current**	**Current**	**Non-cuurent**
Ordinary customers	31,444	8,640	27,165	8,434
State Administrations and other Public Administrations	1,382	0	961	0
Receivables from group companies	105,354	0	79,047	0
Total	**138,180**	**8,640**	**107,173**	**8,434**
Provision for write-down	(16,355)	(146)	(14,803)	(146)
Total, net of Provision for write-down	**121,825**	**8,494**	**92,370**	**8,288**

In 2010 current and non-current trade receivables, net of provision for write-down, recorded an increase of Euro 29,661 thousand.

Current receivables from Group companies mainly concerned trade receivables from the subsidiaries Rete Ferroviaria Italiana SpA (Euro 21,965 thousand), FS Logistica SpA (Euro 4,827 thousand), Ferservizi SpA (Euro 12,678 thousand), Trenitalia SpA (Euro 38,676 thousand) and FS Sistemi Urbani Srl (Euro 20,064 thousand).

Other trade receivables, net of the provision for bad debts, were equal to Euro 24,966 thousand and were essentially attributable to the sales of properties held for trading.

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

	31.12.2011	**31.12.2010**
National regions	145,171	113,938
Eurozone countries	49	68
United Kingdom	0	0
Other European countries	1,600	1
United States	0	0
Other countries	0	1,600
Total	**146,820**	**115,607**

15. Cash and cash equivalents

The item is broken down as follows:

Description	31.12.2011	31.12.2010
Bank and postal accounts	174,356	112,036
Cheques	104	0
Cash and cash on hand	30	27
Treasury current accounts	55,093	57,787
Total	**229,583**	**169,850**

Cash and cash equivalents recorded an increase of Euro 59,733 thousand compared to the previous year, mainly due to the increase in short-term uses of liquidity (Euro 22,004 thousand) and the increase in fixed deposits (Euro 40,316 thousand).

16. Tax receivables

At 31 December 2011 tax receivables amounted to Euro 81,578 thousand (Euro 81,812 thousand at the end of 2010) 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.

17. Assets held for sale and disposal groups

Assets held for sale are made up of the railway workshops – land and buildings – that fall within the scope of the plan of contribution to the subsidiary Trenitalia SpA, to be carried out in 2012.

These assets refer to the reclassification of investment properties for a total of Euro 52,108 thousand, including land of Euro 38,345 thousand and buildings of Euro 13,763 thousand, as well as to the reclassification from inventories for a total of Euro 10,930 thousand, including land of Euro 9,292 thousand and buildings of Euro 1,638 thousand.

18. Shareholders' equity

The changes recorded in 2011 and 2010 for the main equity items are reported analytically in the statement reported after the financial statements formats.

Share capital

At 31 December 2011 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 2011 it amounted to Euro 15,538 thousand, following the allocation of the share of 2010 profits for an amount equal to Euro 1,046 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 2011 the actuarial gain was equal to Euro 197 thousand.

Profits (losses) carried forward

At 31 December 2011 net loss carried forward increased by Euro 19,875 thousand as a result of the allocation of 2010 profits.

Profit for the year

The 2011 profit for the year was equal to Euro 41,305 thousand.

19. 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.

20. 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	31.12.2011	31.12.2010
Debenture loans	3,292,400	3,292,400
Loans from banks	1,273,928	1,344,043
Payables to other lenders	1,426,932	1,565,292
Total	**5,993,260**	**6,201,735**

Short-term loans	31.12.2011	31.12.2010
(Short-term) Debenture loans	8,114	5,221
(Short-term) Loans from banks	103,562	199,918
(Short-term) Payables to other lenders	138,360	132,953
Total	**250,036**	**338,092**
Total Loans	**6,243,296**	**6,539,827**

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	31.12.2011 Face value	31.12.2011 Book value	31.12.2010 Face value	31.12.2010 Book value
EUROFIMA	EUR	6-month Euribor + Spread	2018	200,000	200,038	200,000	200,028
EUROFIMA	EUR	6-month Euribor + Spread	2018	200,000	200,038	200,000	200,028
EUROFIMA	EUR	6-month Euribor + Spread	2018	149,400	149,428	149,400	149,421
EUROFIMA	EUR	6-month Euribor + Spread	2019	160,000	160,141	160,000	160,106
EUROFIMA	EUR	6-month Euribor + Spread	2019	183,000	183,134	183,000	183,100
EUROFIMA	EUR	6-month Euribor + Spread	2016	194,000	194,144	194,000	194,106
EUROFIMA	EUR	6-month Euribor + Spread	2016	32,300	32,324	32,300	32,318
EUROFIMA	EUR	6-month Euribor + Spread	2015	83,000	83,089	83,000	83,064
EUROFIMA	EUR	6-month Euribor + Spread	2018	62,700	62,711	62,700	62,708
EUROFIMA	EUR	6-month Euribor + Spread	2020	62,700	62,706	62,700	62,704
EUROFIMA	EUR	6-month Euribor + Spread	2015	165,300	166,183	165,300	165,851
EUROFIMA	EUR	6-month Euribor + Spread	2016	310,000	311,256	310,000	310,836
EUROFIMA	EUR	6-month Euribor + Spread	2026	190,000	190,405	190,000	190,303
EUROFIMA	EUR	6-month Euribor + Spread	2026	100,000	100,214	100,000	100,160
EUROFIMA	EUR	6-month Euribor + Spread	2027	128,700	129,263	128,700	129,062
EUROFIMA	EUR	6-month Euribor + Spread	2026	116,000	116,248	116,000	116,186
EUROFIMA	EUR	6-month Euribor + Spread	2022	120,000	120,509	120,000	120,322
EUROFIMA	EUR	6-month Euribor + Spread	2024	122,200	122,421	122,200	122,363
EUROFIMA	EUR	6-month Euribor + Spread	2027	65,700	65,990	65,700	65,887
EUROFIMA	EUR	6-month Euribor + Spread	2020	47,400	47,404	47,400	47,403
EUROFIMA	EUR	6-month Euribor + Spread	2013	600,000	602,868	600,000	601,665
				3,292,400	3,300,514	3,292,400	3,297,621
Unicredit	EUR	3-month Euribor + Spread		475,000	476,384	475,000	475,973
BEI	EUR	4.685%		869,043	870,853	936,020	937,968
CASSA DD.PP.	EUR	4.026%		1,565,292	1,565,292	1,698,245	1,698,245
Total Loans				**6,201,735**	**6,213,043**	**6,401,665**	**6,409,807**

21. Severance pay and other employee benefits

	31.12.2011	31.12.2010
Present value of severance pay obligations	16,445	17,895
Present value of Free Travel Card obligations	140	130
Other benefits	3	0
Total present value of obligations	**16,588**	**18,025**

The table below illustrates the changes that were recorded in the present value of liabilities for defined benefit obligations for TFR and CLC (excluding “Other benefits”).

	31.12.2011	31.12.2010
Defined benefit obligations at 1 January	18,025	20,145
Service Costs	2	2
Interest Cost (*)	850	772
Actuarial (Profits) losses recognised in equity	(17)	(408)
Adavances and uses	(2,275)	(2,487)
Total defined benefit obligation	**16,585**	**18,025**

(*) with recognition through P&L.

The use of the Severance Pay and of the Free Travel Card, equal to Euro 2,275 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.

This calculation generated, in the current financial year, actuarial gains of Euro 17 thousand that are compared to the 2010 actuarial gains equal to Euro 408 thousand.

Actuarial assumptions

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

	31.12.2011	31.12.2010
Discount rate of Severance Pay	4.05%	4.50%
Discoun rate of Travel Smart Card	4.60%	5.00%
Annual increase rate of severance pay	3.00%	3.00%
Rate of inflation	2.00%	2.00%
Expected turnover rate of employees	3.00%	3.00%
Expected rate of advances	2.00%	2.00%
Disability	INPS tables broken down by age and gender	
Retirement age	100% subject to meeting the Compulsory General Insurance requirements	
Mortality	Mortality tables RG48 published by the General Accounting Office	

Below is reported the average number of employees broken down by category:

PERSONNEL	2011	2010	Change
Executives	104	106	(2)
Middle managers	241	256	(15)
Other staff	221	178	43
TOTAL	**566**	**540**	**26**

22. 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 2011, showing the short-term portion.

Description	31.12.2010	Provisions	Uses	Other changes	Release of excess provisions	31.12.2011
Provision for taxes	15	191	0	0	0	206
Decreases and losses relating to equity investments	31,444	0	(31,444)	0	0	0
Disputes with personnel and third-parties	28,943	0	(208)	0	0	28,735
Other minor risks	76,078	4,548	(3,775)	(5,400)	0	71,451
Total non-current and current portions	**136,480**	**4,739**	**(35,427)**	**(5,400)**	**0**	**100,392**
Of which current portion	**31,444**		**(31,444)**			**0**

The Provision for taxes was increased in order to meet the probable expenses relating to the notice of assessment issued by the Provincial Head Office of Genoa – Local Office of Genoa, correlated to the sale of a real estate complex located in the Municipal district of Levanto (SP). The Company has filed an appropriate appeal against the measure.

The Provision for decreases and losses relating to equity investments, which was set aside in 2010 to cover estimated charges as a capital loss arising from the extraordinary transaction Sogin/Sita, was used following the completion of the transaction.

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 208 thousand.

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 53 thousand), charges incurred for the contractual obligations referred to above (Euro 2,230 thousand) and the payment of the charges incurred by the Inps for income-deprived early retirees (“esodati”) who have had access to the Fund and of the related contribution (Euro 1,492 thousand). The increases related to personnel costs (Euro 1,548 thousand) and to the sums allocated for planned retirements (Euro 3,000 thousand). The other changes (Euro 5,400 thousand) refer to the transfer of the estimated charges to be incurred towards the Inps for the personnel who have had access to the Bilateral management fund – extraordinary component as at 31 December 2011.

23. Current financial liabilities (including derivatives)

	31.12.2011		31.12.2010	
	Non-current	Current	Non-current	Current
Financial instruments	0	81	0	145
Other financial liabilities	0	1,009,650	0	547,108
Total	**0**	**1,009,731**	**0**	**547,253**

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 an increase of Euro 462,542 thousand compared to the previous year.

24. Other non-current and current liabilities

	31.12.2011		31.12.2010	
	Non-current	Current	Non-current	Current
Payables to social security institutions	0	5,052	0	4,334
Payables for consolidated IRES tax base	0	8,440	0	8,572
Other payables to Group companies	919,410	375,794	1,174,946	538,908
Other payables	202,478	193,762	193,872	189,007
Accruals and deferred income	4	3,117	0	5,482
Total	**1,121,892**	**586,165**	**1,368,818**	**746,303**

Other current and non-current liabilities recorded a decrease of Euro 407,064 thousand, mainly attributable to “Other payables to Group companies” (Euro 418,650 thousand).

“Payables for consolidated IRES tax base” (Euro 8,440 thousand) 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” (Euro 919,410 thousand) exclusively related to payables for VAT required for reimbursement pertaining to Rete Ferroviaria Italiana SpA, Trenitalia SpA and FS Sistemi Urbani Srl. The current portion (Euro 375,794 thousand) 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 351,574 thousand (Euro 514,656 thousand at the end of 2010) and to payables to the subsidiary Rete Ferroviaria Italiana SpA (Euro 23,802 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” (Euro 202,478 thousand) essentially relating to the subscribed capital to be paid for the capital increases of Eurofima (Euro 192,127 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 5,347 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 6,149 thousand), and to the Bilateral Management fund, as regards its ordinary component (Euro 130,567 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 2011; it should be noted that contributions ceased effective from 1 July 2005.

25. (Non-current and current) trade payables

The item is broken down as follows:

	31.12.2011	31.12.2010
Payables to suppliers	36,478	32,080
Commercial advances	2,797	1,956
Trade payables to Group companies	29,193	22,010
Total	**68,468**	**56,046**

The increase in trade payables (Euro 12,422 thousand) was substantially attributable to the increase in payables to Group companies (Euro 7,183 thousand) and to third-party suppliers (Euro 4,398 thousand).

26. Income taxes payable

This item amounted to Euro 409 thousand (Euro 29 thousand at the end of 2010) and related to IRAP tax (*Imposta Regionale sulle Attività Produttive,* Regional Tax on Production Activities).

27. Revenues from sales and services

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

	2011	2010	Changes
Revenues from property management	75,844	86,403	(10,559)
Rent income for use of the brand	36,700	36,704	(4)
Services:			0
Finance Area	3,762	4,192	(430)
Tax and Budget Area	497	435	62
Executive staff administration	438	472	(34)
Corporate Secretary's Office	1,178	1,235	(57)
Legal Affairs and Labour	4,391	4,421	(30)
Industrial relations	3,578	4,449	(871)
Development and Organisation Area	962	687	275
External Relations Area	2,354	2,354	0
Communications	1,755	2,031	(276)
Facilities	2,729	0	2,729
Capitalisation of works on properties held for trading	1,530	539	991
Other services	3,684	4,106	(422)
Total	**139,402**	**148,028**	**(8,626)**

The most significant item was attributable to revenues from property management relating to leases (Euro 36,419 thousand) and sales of properties and land held for trading (Euro 36,253 thousand) and to the charge-backs of service charges (Euro 3,172 thousand).

The main sales made in 2011 concerned: a real estate complex located in Rome, via Pigafetta, for Euro 11,117 thousand, real estate complexes sold in various locations to the Working Men's Club of Railways (*Dopolavoro Ferroviario*) for a total of Euro 6,737 thousand, a real estate complex located in Milan, via Rivoltana for Euro 1,001 thousand, a real estate complex located in Cremona, via dei Platani for Euro 990 thousand and a portion of the real estate complex of the former cargo terminal of Grosseto located at via Don Minzoni for Euro 963 thousand.

In 2011 a reclassification was made from the item "Revenues from property management" to the item "Raw and secondary materials, consumables and goods for resale", which entailed a similar reclassification in 2010 for an amount equal to Euro 606 thousand.

28. Other income

The table below reports the breakdown of other income:

	2011	2010	Changes
Operating grants	0	85	(85)
Commissions earned on sureties	1,306	660	646
Reimbursements			0
Corporate positions of executives with FS Group companies	2,352	2,667	(315)
From staff	89	40	49
Other reimbursements	743	918	(175)
Sundry income	1,889	286	1,603
Total	**6,379**	**4,656**	**1,723**

The most significant amount related to reimbursements from Group companies of fees due to the executives of Ferrovie dello Stato Italiane SpA who hold corporate positions with the companies themselves.

29. Personnel cost

The table below reports personnel cost:

	2011	2010	Variazioni
Permanent staff			
• Wages and salaries	39,294	37,489	1,805
• Social security contributions	10,857	10,355	502
• Other permanent staff costs	(2,153)	(2,142)	(11)
• Severance pay	2,480	2,437	43
Self-employed staff and Collaborators			
• Wages and salaries	96	128	(32)
• Social security contributions	53	43	10
Other costs	3,713	3,040	673
Total	**54,340**	**51,350**	**2,990**

In 2011 the item "Personnel cost" recorded a total increase of Euro 2,990 thousand compared to the previous year, mainly due to higher charges for permanent staff and to the related social security contributions.

The increase in the item "Other costs" was mainly due to the increase in costs for seconded staff.

In 2011 a reclassification was made from the item “Other permanent staff costs” to the item “Wages and salaries”; this entailed a similar reclassification in 2010 for an amount equal to Euro 545 thousand.

The table below reports the Company’s average staff broken down by category:

PERSONNEL	2011	2010	Changes
Executives	104	106	(2)
Middle managers	241	256	(15)
Other staff	221	178	43
TOTAL	**566**	**540**	**26**

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

The item is broken down as follows:

	2011	2010	Changes
Materials and consumables	1,332	752	580
Lighting and driving force	101	102	(1)
Change in inventories of properties and land held for trading	15,707	21,739	(6,032)
Total	**17,140**	**22,593**	**(5,453)**

The most significant change related to the item “Change in inventories of properties and land held for trading” (Euro 6,032 thousand) for sale of properties made in the year.

In 2011 a reclassification was made from the item “Revenues from sales and services – revenues from property management” to the item “Raw and secondary materials, consumables and goods for resale – Change in inventories of properties and land held for trading”, which entailed a similar reclassification in 2010 for an amount equal to Euro 606 thousand.

31. Costs for services

The table below reports the breakdown of the item:

	2011	2010	Changes
Transport services	11	13	(2)
Maintenance, cleaning and other contracted services			0
Services and works contracted on behalf of Third Parties	1,230	551	679
Cleaning services and other contracted services	22	47	(25)
Maintenance and repair of intangible assets and property, plant and equipment	2,581	2,796	(215)
Real estate services and utilities	21,952	22,503	(551)
Administrative and IT services	9,953	7,430	2,523
External communication and advertising costs	6,263	8,534	(2,271)
Sundry costs			0
Professional services	1,567	1,715	(148)
Insurance	1,654	1,385	269
Consultancy	3,375	2,808	567
Commissions to agencies	0	2	(2)
Engineering services	0	5	(5)
Fees due to Directors and Statutory Auditors	761	617	144
Other	8,069	6,986	1,083
Total	**57,438**	**55,392**	**2,046**

For some of the sundry services indicated above, any costs centralised at Ferrovie dello Stato Italiane SpA have their corresponding revenue under “other income” for the charge-back to Group companies, limited to the portions referable thereto.

It should be pointed out that the item “Administrative and IT services” recorded an increase equal to Euro 2,523 thousand due to the act that 2011 saw the entry into force of the new outsourcing contract for IT services, which entailed a decrease in the subsequent item “Leases and rentals” for the rentals for the use of IT systems.

In 2011 a reclassification was made from the item “Other operating costs” to the item “Real estate services and utilities”, which entailed a similar reclassification in 2010 for an amount equal to Euro 16 thousand.

32. Leases and rentals

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

	2011	2010	Changes
Lease rentals and service charges	8,938	10,776	(1,838)
Rentals for the use of IT systems	59	1,172	(1,113)
Total	**8,997**	**11,948**	**(2,951)**

33. Other operating costs

	2011	2010	Changes
Membership fees and contributios	4,797	5,625	(828)
Non-deductible VAT (pro-rata)	3,485	3,824	(339)
Duties and taxes	4,749	5,003	(254)
Other sundry charges	1,222	1,402	(180)
Total	**14,253**	**15,854**	**(1,601)**

In 2011 a reclassification was made from the item “Other operating costs” to the item “Write-downs and impairment losses (value write-backs)” which entailed a similar reclassification in 2010, for an amount of Euro 264 thousand, to the item “Costs for services – real estate services and utilities” for an amount equal to Euro 16 thousand and to the item “Financial charges for payables” equal to Euro 2,771 thousand.

The 2011 amounts, equal to Euro 14,253 thousand, mainly referred to the membership fees and contributions to various entities (Euro 4,797 thousand), to non-deductible VAT relating almost exclusively to exempt transactions of the real estate business for the 2011 financial year (Euro 2,071 thousand) and to the adjustment to that relating to the previous financial year, which was made at the time of the 2011 VAT return (Euro 1,415 thousand); taxes and duties are mainly made up of the ICI tax (*Imposta Comunale sugli Immobili*, Local Tax on Properties) (Euro 4,322 thousand) and of the stamp duty (Euro 322 thousand).

34. Capitalisation of internal construction costs

Capitalisation of internal construction costs, equal to Euro 195 thousand, related to personnel costs attributable to investments, connected with the implementation and development of software.

35. Amortisation and depreciation

The item is broken down as follows:

	2011	2010	Changes
Amortisation of intangible assets	10,992	11,362	(370)
Depreciation of property, plant and equipment	7,910	8,579	(669)
Total	**18,902**	**19,941**	**(1,039)**

36. Write-downs and impairment losses (value write-backs)

The item is broken down as follows:

	2011	2010	Changes
Losses for derecognition of assets	0	591	(591)
Value adjustments (write-backs) on receivables	1,552	982	570
Total	**1,552**	**1,573**	**(21)**

In 2011 a reclassification was made from the item "Other operating costs" to the item "Write-downs and impairment losses (value write-backs)" which entailed a similar reclassification in 2010 for an amount equal to Euro 264 thousand.

37. Provisions for risks and charges

Provisions for risks and charges amounted to Euro 3,191 thousand (Euro 5,041 thousand at the end of 2010) and related to Euro 3,000 thousand for the increase in the Bilateral management fund – extraordinary component and to Euro 191 thousand for the increase in the Provision for taxes.

38. Finance income

The table below reports the breakdown of finance income:

	2011	2010	Changes
Finance income from non-current receivables	161,467	166,988	(5,521)
Sundry finance income	49,856	44,369	5,487
Dividends	118,819	23,473	95,346
Foreign exchange gains	3	9	(6)
Total	**330,145**	**234,839**	**95,306**

"Finance income from non-current receivables" related to interest on receivables for medium- and long-term loans granted to the subsidiaries Rete Ferroviaria Italiana SpA (Euro 110,760 thousand), Trenitalia SpA (Euro 50,404 thousand) and Fercredit SpA (Euro 303 thousand).

"Sundry finance income" were mainly made up of: interest income on the intercompany current account towards Trenitalia SpA (Euro 14,041 thousand); interest income on short-term loans granted to the subsidiaries Netinera Deutschland GmbH (Euro 2,965 thousand), Trenitalia SpA (Euro 2,355 thousand), FS Logistica SpA (Euro 1,243 thousand) and Fercredit SpA (Euro 740 thousand); the interest accrued on the *shareholder loan* granted to FS2Move GmbH (now Netinera Deutschland GmbH after the direct merger) for the purchase of the then Arriva Deutschland group (Euro 4,934 thousand); commissions earned on sureties granted to the subsidiaries Rete Ferroviaria Italiana SpA (Euro 703 thousand), Trenitalia SpA (Euro 816 thousand), Cisalpino AG (Euro 809 thousand) and Netinera Deutschland GmbH (Euro 202 thousand); interest on the VAT credit requested for reimbursement (Euro 16,826 thousand); income from bank and postal accounts (Euro 2,251 thousand).

"Dividends" include dividends from subsidiaries Rete Ferroviaria Italiana SpA (Euro 87,013 thousand), Grandi Stazioni SpA (Euro 9,250 thousand), Centostazioni SpA (Euro 12,000 thousand), Fercredit SpA (Euro 3,000 thousand), Italferr SpA (Euro 3,617 thousand), Ferservizi SpA (Euro 3,930 thousand) and Hit Rail BV (Euro 10 thousand).

39. Finance costs

The table below reports the breakdown of finance costs:

	2011	2010	Changes
Finance costs on payables	208,212	202,266	5,946
Finance costs for employee benefits	850	772	78
Write-downs of financial assets	102,497	31,444	71,053
Foreign exchange losses	5,349	29,365	(24,016)
Totale	**316,908**	**263,847**	**53,061**

The item "Finance costs on payables" was essentially made up of interest expense on VAT requested for reimbursement pertaining to Rete Ferroviaria Italiana SpA (Euro 14,908 thousand), Trenitalia SpA (Euro 1,549 thousand) and FS Sistemi Urbani Srl (Euro 369 thousand); interest expense on intercompany current accounts, mainly towards the subsidiaries Rete Ferroviaria Italia SpA (Euro 10,302 thousand), Ferservizi SpA (Euro 1,288 thousand), Grandi Stazioni SpA (Euro 335 thousand), Fercredit SpA (Euro 133 thousand) and Italferr SpA (Euro 88 thousand); charges for interest on debenture loans subscribed by Eurofima (Euro 48,987 thousand); interest on medium/long-term granted by banks and other lenders (Euro 118,439 thousand); interest and commissions for the non-use of the "Backup Facility" (Euro 6,185 thousand); charges for fixed deposits (Euro 1,646 thousand) and interest expenses on financial instruments (Euro 2,250 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" is attributable to the write-down of the equity investment in the subsidiary FS Logistica SpA.

The item "Foreign exchange losses" included the adjustment to the exchange rate at 31 December 2011 of the subscribed capital to be paid to the investee company Eurofima, as expressed in Swiss Francs.

In 2011 a reclassification was made from the item "Other operating costs" to the item "Finance costs on payables" which entailed a similar reclassification in 2010 equal to Euro 2,771 thousand.

40. Current, deferred tax assets and liabilities for the year

The table below reports the breakdown of income taxes:

	2011	2010
IRAP tax	(2,364)	(2,673)
IRES tax	(826)	(4,454)
Deferred tax ssets and liabilities	(3,807)	3,576
Adjustments to income taxes relating to previous years	1,914	3,992
Income from participation in the consolidated IRES tax base	62,987	80,360
Total income taxes	**57,904**	**80,800**

The table below reports the reconciliation of the effective tax rate:

	2011		2010	
		%		**%**
Profit (Loss) for the year	41,305		20,921	
Total income taxes	(57,904)		(80,800)	
Profit (Loss) before taxes	(16,599)	**27.5%**	(59,879)	**27.5%**
IRES tax (theoretical rate)	**0**		**0**	
Lower taxes:				
dividends from shareholdings	(112,878)		(22,300)	
uses of provisions	(9,646)		(4,867)	
other decreases	(8)		(4,216)	
Higher taxes:				
allocations to provisions	5,698		38,518	
impairment of investments	102,497		-	
contingent liabilities	1,974		2,073	
exchange difference	5,347		29,359	
amortisation and depreciation	5,029		5,806	
changes in inventories	-		8,437	
non-deductible taxes	1,910		5,793	
other increases	19,679		17,472	
total IRES taxable income	3,003		16,196	
IRES tax (effective rate)	**(826)**	**5.0%**	**(4,454)**	**7.4%**
IRAP tax	**(2,364)**	**5.57%**	**(2,673)**	**4.81%**
Foreign taxes	**0**		**0**	
Difference on estimated taxes from previous years	**1,914**		**3,991**	
Total deferred taxes	**(3,807)**		**3,576**	
Income from participation in the consolidated tax base	**62,987**		**80,360**	
TOTAL INCOME TAXES	**57,904**		**80,800**	

41. Contingent assets and liabilities

At the balance sheet date there were no contingent assets or liabilities to be reported.

42. 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 291 thousand, including accrued fees (if any) paid out to the same in the year for other services (Euro 36 thousand); the residual part fully relates to statutory audit services (Euro 255 thousand).

43. Fees due to Directors and Statutory Auditors

RECIPIENTS	2011	2010	Changes
Directors	1,264 (1)	1,355 (1) (2)	(91)
Statutory Auditors	100	106	(6)
TOTAL	**1,364**	**1,461**	**(97)**

(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.

(2) 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 the fees due to the external member of the Supervisory Board, which were equal, for both financial years, to Euro 50 thousand. It should be pointed out that the fees due to the representatives of the Ministry of Economy and Finance (board members and auditors) are transferred, where there is a subordination relationship, to the mentioned Government department.

44. Related parties

Transactions with executives with strategic responsibilities

	31.12.2011	31.12.2010
Short-term benefits	5,483	5,289
Post-employment benefits	366	392
Employee benefits for termination of employment relationship	325	
Total	**6,174**	**5,681**

The benefits relate to the fees paid to the persons indicated for various reasons.

In addition to short-term benefits of Euro 5,483 thousand paid out in 2011, note a variable part to be paid in 2012, for an amount not exceeding Euro 1,200 thousand, after having carried out the checks about the achievement of the predetermined objectives.

It should be pointed out that no long-term benefits have been paid out to executives with strategic responsibilities.

The executives with strategic responsibilities did not carry out 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 described the main relations with related parties maintained by Ferrovie dello Stato Italiane SpA, which are regulated at arm's length.

	CREDIT RELATIONSHIPS	DEBT RELATIONSHIPS
Subsidiaries		
RFI SpA	**Servizi dell'area**	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	Employment indemnity
	Organisation Development	Service charges
	External communication and Media relations	
	Corporate Protection	
	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	
	Charge-back of service charges of the Bilateral Management Fund	
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
	Corporate Protection	Accounting/Treasury
		Training financing
	Corporate positions	Staff administration
	Staff services	Facilities and building management
	Insurance refunds	Administrative services
	Use of IT services	Training
	Use of the brand	Asset Allocation Services
	Lease and sub-lease of office premises	Rental of premises
	Charge-back of service charges	Tender procedures management
	Charge-back of service charges for Bilateral Fund	Legal protection of assets
		Service charges for Bilateral Fund
		Assistance Services for the Manager

Subsidiaries	CREDIT RELATIONSHIPS	DEBT RELATIONSHIPS
Fercredit SpA	**Area services**	
	Finance	Staff services
	Tax/Budget	
	Corporate affairs	
	Legal and Labour Affairs	
	External communication and Media relations	
	Corporate Protection	
	Corporate positions	
	Insurance refunds	
	Charge-back of service charges	
	Leases and sub-leases of office premises	
	Use of the brand	
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	
	Reimbursements - IT services	
	Insurance refunds	
Centostazioni SpA	**Area services**	
	Finance	Advertising and marketing
	Tax/Budget	
	Corporate affairs	
	Executive staff administration	
	External communication and Media relations	
	Use of IT services	
	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	Training financing
	Legal and Labour Affairs	
	Executive staff administration	
	Industrial relations	
	External communication and Media relations	
	Corporate protection	
	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 for Bilateral Management Fund	
	Charge-back of service charges	

	CREDIT RELATIONSHIPS	DEBT RELATIONSHIPS
Subsidiaries		
Ferport Srl in liquidation	Insurance refunds	
Nord Est Terminal SpA in liquidation	Insurance refunds	
Serfer Srl	Insurance refunds	
TX Logistik AG	Corporate positions	
	Rimborsi assicurazioni	
Sita SpA	**Area services**	
	Tax/Budget	Advertising and marketing
	Corporate affairs	Transport
	Legal and labour affairs	
	Executive staff administration	
	Corporate positions	
	Staff services	
	Insurance refunds	
Trenitalia SpA	**Area services**	
	Finance	Staff services
	Tax/Budget	Advertising and marketing
	Corporate affairs	Passenger transport costs
	Legal and labour affairs	Training financing
	Executive staff administration	Administrative services
	Industrial relations	
	Organisation Development	
	External communication and Media relations	
	Corporate Protection	
	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	
	Charge-back of service charges for Bilateral Fund	
	Fee for the contribution of workshops	
	Reimbursements for convention	
Italferr SpA	**Area services**	
	Finance	Staff services
	Tax/Budget	Training financing
	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	
	Charge-back of service charges for Bilateral Fund	

	CREDIT RELATIONSHIPS	DEBT RELATIONSHIPS
Subsidiaries		
FS Logistica SpA	**Area services**	
	Finance	Transport and forwarding
	Tax/Budget	Facilities management
	Corporate affairs	Staff services
	Industrial relations	
	Legal and labour affairs	
	Corporate positions	
	Insurance refunds	
	Charge-back of IT services	
	Leases of office premises	
	Use of the brand	
	Charge-back of service charges	
Busitalia - Sita Nord Srl	**Area services**	
	Finance	Advertising and marketing
	Tax/Budget	Trasport
	Corporate affairs	
	Legal and labour affairs	
	Executive staff administration	
	External communication and Media relations	
	Staff services	
	Use of IT services	
	Corporate positions	
	Insurance refunds	
Italcertifer SpA	Executive staff administration	
	Staff services	
Cemat SpA	Insurance refunds	
	Corporate positions	
Metropark SpA	**Area services**	
	Corporate Protection	
	Insurance refunds	
	Charge-back of service charges	
	Leases of office premises	
Netinera Deutschland GmbH	Staff services	
	Consultancy services	
Trenitalia Logistic France SaS	Corporate affairs	
Trenord Srl	Insurance refunds	
	leases of office premises and workshops	
FS Formazione SpA in liquidation	Corporate positions	
	Insurance refunds	Training
	Staff services	
Terminali Italia Srl	Insurance refunds	
	Leases of office premises	
	Charge-back of service charges	

	CREDIT RELATIONSHIPS	DEBT RELATIONSHIPS
Subsidiaries		
Italia Logistica Srl	**Area services**	
	Executive staff administration	
	Corporate positions	
	Staff services	
	Insurance refunds	
	Administrative services	
Associates		
Ferrovie Nord Milano SpA	Corporate positions	
Associates of subsidiaries		
L.T.F.-Lyon Tourin Ferroviaire	Leases of office premises	
Logistica SA	Insurance refunds	
BBT SE	Corporate positions	
Terminal Tremestieri Srl	Corporate positions	

	CREDIT RELATIONSHIPS	DEBT RELATIONSHIPS
Other related parties(*)		
ANAS Group	Corporate positions 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
Invitalia Group	Rentals for crossings	
POSTE Italiane Group	Rentals for lease of buildings	Postal charges
	Staff services	
	Insurance refunds	
	Corporate positions refunds	
Eurofer	Staff services	Grants
	Insurance refunds	
HDI Assicurazioni		Insurance policies
Previndai		Grants

(*) Companies sharing with Ferrovie dello Stato SpA the same controlling entity (i.e. Ministry for the Economy and Fiannce).

The tables below summarise the financial and economic values of transactions with related parties for the financial year ended 31 December 2011.

OTHER RELATIONSHIPS

CONSOLIDATED TAX BASE	POOL VAT	INTERCOMPANY CURRENT ACCOUNT AND POSTAL ACCOUNTS	LOANS GRANTED	DEPOSITS PAYABLE AND LOANS RECEIVED	ISSUE OF SURETIES IN THE INTERESTS OF	SUPPLEMENTARY PENSION FUNDS
Subsidiaries						
RFI	RFI	RFI	RFI		RFI	
Fercredit	Fercredit	Fercredit	Fercredit			
Ferservizi	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						
Metropark	Metropark	Metropark				
FS Formazione in liquidation						
FS Logistica	FS Logistica	FS Logistica	FS Logistica		FS Logistica	
FS Sistemi Urbani	FS Sistemi Urbani	FS Sistemi Urbani				
FS Telco	FS Telco		FS Telco			
Italcertifer						
Cemat	Cemat					
Ferport in liquidation	Ferport in liq.ne					
Ferport Napoli in liquidation						
Self	Self					
Serfer	Serfer	Serfer	Serfer			
SGT						
Terminali Italia	Terminali Italia	Terminali Italia	Terminali Italia			
Tunnel Ferroviario del Brennero						
Busitalia Sita Nord	Busitalia Sita Nord	Busitalia Sita Nord	Busitalia Sita Nord			
Nord Est Terminal						
					TX Logistik	
			Netinera Deutschland GmbH		Netinera Deutschland GmbH	
					Cisalpino AG	
		Italia Logistica	Italia Logistica		Italia Logistica	
Other related parties						
				Cassa DD.PP.		
		POSTE Italiane				
						Eurofer
						Previndai

BUSINESS AND OTHER RELATIONS

Name	31.12.2011			2011	
	Receivables	Payables	Guarantees and commitments	Charges	Income
Subsidiaries					
Busitalia - Sita Nord Srl	1,500	671		2	335
Cemat SpA	271	979			9
Centostazioni SpA	954	934		12	496
FS Logistica SpA	4,830	3,832		33	1,750
Fercredit SpA	1,236	3,797		4	366
Ferport Srl in liquidation		294			
Ferport Napoli Srl in liquidation	3	52			3
Ferservizi SpA (1)	18,480	18,461	1,063	27,789	16,256
FS Formazione SpA in liquidation	145	675		1,084	28
FS Sistemi Urbani Srl	22,354	19,822		497	1,006
FS Telco Srl		6			
Grandi Stazioni SpA	6,119	496	116	212	750
Grandi Stazioni Ingegneria Srl	145	83			
Italcontainer SpA			400		
Italcertifer SpA	145	125			334
Italferr SpA	17,755	1,478	368	318	1,506
Italia Logistica Srl	498	6			147
Metropark SpA	699	2		24	93
Metroscai Scarl in liquidation	11				
Netinera Deutschland GmbH	255		78,761	45	214
Nord Est Terminal SpA in liquidation		207			4
Rete Ferroviaria Italiana SpA	26,672	1,195,105	770,306	3,552	38,401
Self Srl		85			
Serfer Srl	2,242	91			7
SGT SpA	29	0			
Sita SpA		1,405		25	150
Terminali Italia Srl	368	10			21
Trenitalia Logistic France Sas	6				3
Trenitalia SpA	81,327	85,412	9,873	1,697	51,150
Trenord Srl	97	2			80
Tunnel Ferroviario del Brennero SpA		61			
TX Logistik AG	47	5	27		13
TOTAL	**186,189**	**1,334,097**	**860,914**	**35,293**	**113,123**

(1) Costs include Euro 303 thousand of capitalised costs

Associates					
Ferrovie Nord Milano SpA	**2**	**0**	**0**	**0**	**2**

OTHER BUSINESS RELATIONS

Associates of subsidiaries					
BBT SE	10				10
Terminal Tremestieri Srl	9				9
L.T.F. Lyon Tourin Ferroviarie	32				32
Logistica SA	33	2			3
Total	**84**	**2**	**0**	**0**	**54**
TOTAL	**186,275**	**1,334,099**	**860,914**	**35,293**	**113,179**

Other related parties					
ANAS Group	28				28
CDDPP Group	1				0
ENEL Group	45	2		723	302
ENI Group	62	21		213	49
Finmeccanica Group		22			
INVITALIA Group	4				
POSTE Italiane Group	1,005	283		50	156
Eurofer	17	95		5	62
Other welfare funds	1	57			
Previndai		582		531	
TOTAL	**1,162**	**1,061**	**0**	**1,523**	**597**

FINANCIAL RELATIONS

Name	31.12.2011			2,011	
	Receivables and current accounts	Payables	Guarantees and commitments	Charges	Income
Subsidiaries					
Busitalia - Sita Nord Srl	2,003	26			
Centostazioni SpA		239		87	12,000
Cisalpino AG			116,834		809
FS Logistica SpA	77,481	994	675	32	1,244
Fercredit SpA	97,354	4,440		133	4,044
Ferservizi SpA		115,077		1,288	3,930
FS Sistemi Urbani Srl		5,195		391	23
FS Telco Srl	135				
Grandi Stazioni SpA		16,974		335	9,250
Grandi Stazioni Ingegneria Srl				2	
Italcertifer SpA				2	
Italferr SpA	34,171		1,670	88	3,874
Italia Logistica Srl	2,002	3	2,490	0	8
Metropark SpA		2,529		19	
Netinera Deutschland GmbH	109,721		163,687		8,100
Rete Ferroviaria Italiana SpA	2,436,145	862,516	702,816	25,210	198,475
Serfer Srl	4,131	1,489		11	113
Sita SpA		167		2	14
Terminali Italia Srl	1,000				33
Trenitalia SpA	4,251,360		1,418,581	1,549	67,616
Trenord Srl					1
TOTAL	**7,015,503**	**1,009,651**	**2,406,753**	**29,147**	**309,534**
Other related parties					
CDDPP Group		1,565,292		67,047	
POSTE Italiane Group	2,910				8
TOTAL	**2,910**	**1,565,292**	**0**	**67,047**	**8**

45. Guarantees

The table below reports the guarantees given by Ferrovie dello Stato Italiane SpA, in the interests of the subsidiaries, in favour of third parties or of other subsidiaries, as broken down in financial and other guarantees.

Issued in the interests of	Financial	Non-financial
Rete Ferroviaria Italiana SpA	702,816	770,306
Italferr SpA	1,670	368
Cisalpino AG	116,834	0
Ferservizi SpA	0	1,063
Italia Logistica Srl	2,490	50
FS Logistica SpA	675	400
Grandi Stazioni SpA	0	116
Netinera Deutschland GmbH	163,687	78,761
TX Logistik AG	0	27
Trenitalia SpA	1,418,581	9,873
Total	**2,406,753**	**860,964**

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 direct guarantees amounted to Euro 1,141,484 thousand and related to Euro 860,963 thousand of non-financial guarantees and to Euro 280,521 thousand of financial guarantees. The main direct non-financial guarantees have been issued to the Tax Office (Euro 630,447 thousand), to secure the refund of tax credits to the subsidiaries Rete Ferroviaria Italiana SpA, Trenitalia SpA and Ferservizi SpA and in favour of 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 direct financial guarantees are represented by the guarantees released in favour of Eurofima (Euro 116,834 thousand) for loans granted to Cisalpino AG for the purchase of rolling stock and in favour of banks and finance companies for the loans granted to the companies in the Netinera Deutschland GmbH group (Euro 163,687 thousand).

The counter-guarantees amounted to Euro 1,706,232 thousand; the main ones have been issued to a pool of banks for the loans granted by the EIB to the subsidiary Trenitalia SpA (Euro 971,250 thousand), to Unicredit Corporate Banking (Euro 367,000 thousand) and to the EIB (Euro 300,000 thousand) for the loans granted to the subsidiary Rete Ferroviaria Italiana SpA, to Deutsche Bank (Euro 15,900 thousand) and to Banca Popolare di Sondrio (Euro 9,379 thousand), respectively, for the public service contracts of Trenitalia SpA with the Regional governments of Campania and Emilia Romagna.

Furthermore, a “Comfort Letter” (Euro 420,000 thousand) has been issued for financing the OPI (now BIIS) loan granted to Trenitalia SpA in 2004.

46. Events after the balance sheet date

No significant events are reported that occurred after the closing date of the 2011 Financial Statements.

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