



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

**FS ITALIANE GROUP AND
FERROVIE DELLO STATO ITALIANE S.P.A.
2016 ANNUAL REPORT HIGHLIGHTS**

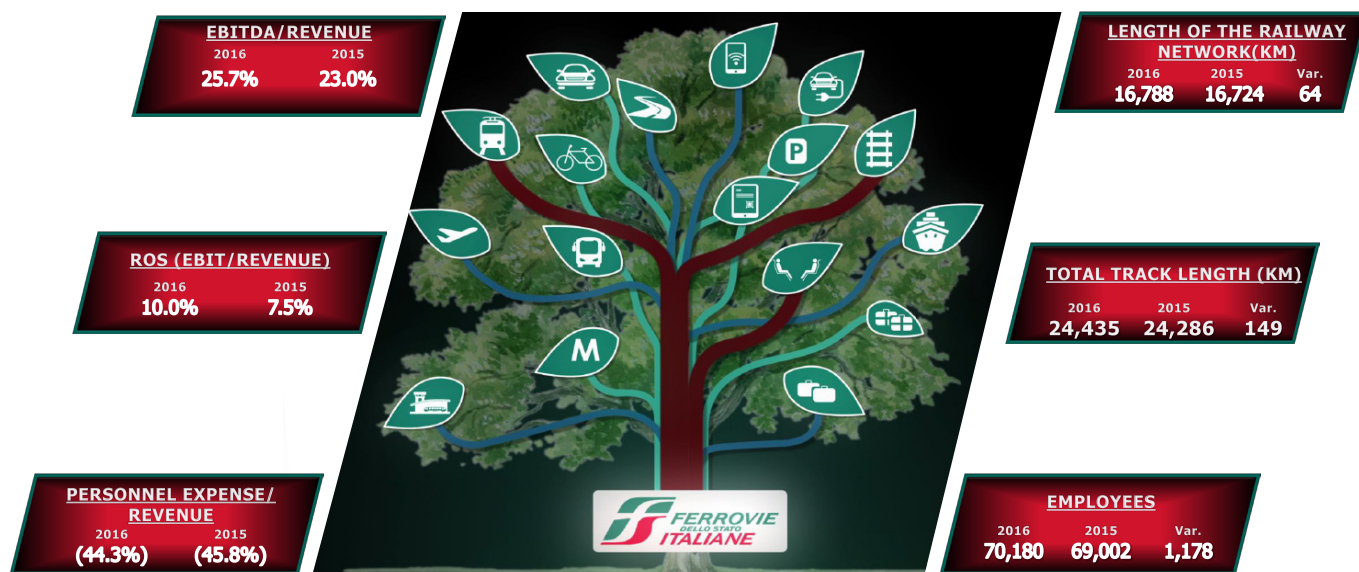
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Consolidated highlights



millions of Euros

Main results and financial data	2016	2015	Change	%
Revenue	8,928	8,585	343	4.0
Operating costs	(6,635)	(6,610)	(25)	(0.4)
Gross operating profit	2,293	1,975	318	16.1
Operating profit	892	644	248	38.5
Profit for the year	772	464	308	66.4
	31.12.2016	31.12.2015	Change	%
Net invested capital (NIC)	45,257	44,695	562	1.3
Equity (E)	38,497	37,953	544	1.4
Net financial debt (NFD)	6,760	6,742	18	0.3
NFD/E	0.18	0.18		
Investments of the year	5,950	5,497	453	8.2
Total cash flows generated/(used) in the year	1,032	(2)	1,034	>200

The group's financial position and performance

Consolidated income statement

	millions of Euros			
	2016	2015	Change	%
REVENUE	8,928	8,585	343	4.0
Revenue from sales and services	7,908	7,881	27	0.3
Other income	1,020	704	316	44.9
OPERATING COSTS	(6,635)	(6,610)	(25)	(0.4)
GROSS OPERATING PROFIT	2,293	1,975	318	16.1
Amortisation, depreciation, provisions and impairment losses	(1,401)	(1,332)	(70)	(5.3)
OPERATING PROFIT	892	644	248	38.5
Net financial expense	(94)	(107)	13	12.1
PRE-TAX PROFIT	798	537	261	48.6
Income taxes	(26)	(73)	47	64.4
PROFIT FROM CONTINUING OPERATIONS	772	464	308	66.4
Profit (loss) from assets held for sale, net of taxes				
PROFIT FOR THE YEAR	772	464	308	66.4
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT	758	448	310	69.2
PROFIT FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	14	16	(2)	(12.5)

2016 ended with a **profit** of €772 million, with a significant increase (+66.4%) on the previous year, when the group recorded a profit of €464 million.

The increase is mainly due to the asset enhancement activities completed by management in 2016 as part of the group's broader vision as it is poised to become an integrated mobility operator following the decision in September, when FS S.p.A.'s board of directors approved the new 2017-2026 business plan. This includes the above-mentioned sale of the business related to the management of non-core commercial premises through the sale of Grandi Stazioni Retail S.p.A. to third parties, which generated a gain of €365 million in the year. Furthermore, at the end of 2015, a similar transaction was successfully completed, entailing the sale of the electricity grid to Terna S.p.A., generating a gain of €18 million.

Consequently, the main top line operating indicators, **Gross operating profit** and **Operating profit**, also grew significantly, up by €318 million (+16.1%) and €248 million (+38.5%), respectively.

The effects of the changes in legislation in 2015 had a less significant impact on the results for the year. In this respect, the legislative measure of 22 January 2016 ("Eco bonus") provided additional support to freight transport by reducing the toll by

€2.5/train-km, thereby re-establishing a sustainable framework for the sector, compared to the extremely negative impact caused in the past by the earlier reduction in the freight service contract. Conversely, 2016 was affected by greater charges related to the rise in the costs incurred for electrical energy used for traction (up by €33 million), caused by the simultaneous coming into force of a series of legal and regulatory provisions (specifically, Resolutions nos. 654 and 668/2015) issued at the end of 2015 by the Electricity, Gas and Water Regulator (AEEGSI).

Revenue increased by €343 million as a result of the rise in **revenue from sales and services** (+€27 million) and **other income** (+€316 million).

The increase (+0.3%) in **revenue from sales and services** is due to the revenue from transport services which grew by €2 million, and the rise in revenue from infrastructure services (+€26 million). Conversely, the other residual items comprising revenue from sales and services are slightly down by €1 million.

With respect to the main factors behind the increase in **revenue from transport services** (+€2 million), a positive contribution came from the short-haul passenger transport service revenue (+€119 million), broken down into domestic rail revenue (+€76 million), international rail revenue (+€24 million, mainly by Netinera group operating in Germany) and road transport revenue (+€19 million). Conversely, the long-haul rail segment contributed negatively. Indeed, during the year, despite the increase in the volume of the HS (high speed) service generated by the Frecciarossa brand, its revenue in Italy and abroad decreased by €99 million, mainly as a consequence of the lower average market yield, in addition to the absence of the positive effects of Expo 2015 generated in 2015. The freight service decreased by €18 million.

For additional information on the trend in revenue from transport services, reference should be made to the notes to the Transport segment.

The increase in **revenue from infrastructure services**, up by €26 million on 2015, mainly includes the €20 million increase in toll revenue due to the rise in production volumes and the greater contributions for service contracts related to the entry of FSE S.r.l. in the consolidation scope (+€5 million). Revenue from the government for grants related to income paid to RFI S.p.A. pursuant to the 2016 "Legge di Stabilità" are unchanged on the previous year (€976 million).

Other revenue, included in **revenue from sales and services**, dropped slightly by €1 million (a total of 0.4%), mainly as a consequence of trends in operations.

Other income rose by €316 million, mainly as a result of the above-mentioned €365 million gain from the sale of Grandi Stazione Retail S.p.A.'s assets to third parties, compared to the €18 million received in 2015 from the sale of the electrical assets to Terna S.p.A.. Furthermore, revenue from leases, recharges of condominium expenses and the sale of advertising spaces decreased by €28 million following the sale of the retail business unit, in addition to lower sales of land and buildings held for trading during the year (-€11 million).

Operating costs amount to €6,635 million, up by €25 million (+0.4%) on 2015 (€6,610 million). They may be analysed as follows:

- the rise in personnel expense (+€17 million) mainly due to the increase in employees provided for by the new national labour agreement for the mobility sector/contractual railway which took full effect. However, the increase is almost fully

absorbed by the streamlining of work, the reduction in average workforce, the social security contribution tax benefits related to production bonuses and lower costs for leaving incentives. The costs for the Netinera Deutschland group increased due to the personnel hired following the acquisition of new routes (+€9 million) as well as those related to FSE S.r.l.'s entry in the consolidation scope (+€5 million);

- the rise in other costs, net (+€8 million), mainly as a consequence of the following changes:
 - i) the increase in raw materials, consumables, supplies and goods (+€71 million). The consumption of materials rose by €86 million following the investments in Infrastructure; the cost of electrical energy grew by €33 million due to the above-mentioned new regulatory provisions, offset, in part, by smaller costs for fuel for traction (-€7 million) and other general savings (-€11 million); buildings and land held for trading decreased due to the reduction in selling costs (-€5 million) and lower impairment losses compared to 2015 (-€25 million);
 - ii) services rose by €35 million following the net effect of the increase in transport services (+€42 million), offset by savings totalling €7 million, specifically in relation to maintenance. The above increases in services are essentially attributable to Netinera Deutschland group following the acquisition of new routes during the year;
 - iii) other operating costs rose by €34 million following the increase in membership fees and contributions to sundry bodies, penalties received and compensation, non-deductible VAT and other taxes, and the larger accruals of the years, specifically in respect of sundry taxes on areas zoned for building;
 - iv) greater capitalisations (+€134 million), basically due to the increase in investments in infrastructure, specifically the technological upgrade and the renewal of safety, as well as greater value-increasing maintenance of rolling stock.

Gross operating profit increased by €318 million or 16.1% to €2,293 million as a result of the variations in revenue and operating costs described above.

Operating profit amounts to €892 million, up by €248 million or 38.5% on the previous year. The increase is mainly due to that described above in respect of revenue and operating costs, as well as greater amortisation/depreciation and impairment losses (+€78 million and +€15 million, respectively), offset by smaller provisions (-€23 million). Provisions of €25 million (€48 million in 2015) comprise the accruals recognised by FS Italiane group companies for the extraordinary portion of the Bilateral fund for income assistance.

Net financial expense of €94 million improved on 2015 by €13 million. The improvement is actually due to significant non-recurring items which affected both income and expense. Specifically:

- the absence of financial income, unlike in 2015, from the derecognition of the financial liability related to the equity investment in Eurofima SA (€75 million);
- greater financial income for the year (+€14 million) generated by the settlement agreement between Mercitalia Logistics S.p.A. and the Campania waste emergency government commissioner;
- other changes related to the decrease in borrowing costs and exchange rate losses of approximately €49 million.

Income taxes amount to €26 million, down by €47 million (-64.4%).

In addition to the above observations, the following table shows the directly generated economic value and that distributed by FS group, highlighting its redistribution to stakeholders. The group acknowledges the importance of a balanced distribution of

the value generated by its operations to its stakeholders, value that they contributed to creating directly or indirectly. The analysis of the economic value distributed shows the flows allocated to employees, providers of goods, services and capital, the public administration and the communities in which the group is present.

This table was prepared in accordance with the guidelines adopted by FS group (GRI-G4 Sustainability Reporting Guidance) to prepare the non-financial information governed by Legislative decree no. 254/2016, which will become mandatory as of 2017:

	millions of Euros			
	2016	%	2015	%
Directly generated economic value	9,004	100%	8,709	100%
Revenue from sales and services	7,908		7,881	
Other sundry income	1,096		828	
Economic value distributed	6,837	76%	6,879	79%
Operating costs for materials and services	2,623		2,614	
Personnel expense	3,951		3,934	
Payments to financial backers	170		231	
Payments to public bodies	93		100	
Economic value withheld	2,167	24%	1,830	21%
Amortisation, depreciation, provisions and impairment losses	1,401		1,332	
Other sundry costs and taxes	(6)		34	
Profit for the year	772		464	

The group's economic value withheld (approximately €2.2 billion) is mainly comprised of self-financing investments and accruals to reserves, to be reinvested in order to ensure the business continuity and sustainability in the medium/long-term and, therefore, in relation to FS group, further benefiting part of the stakeholders indirectly (for example, employees and the community by increasing service quality, including the universal service).

Reclassified statement of financial position

	millions of Euros		
	31.12.2016	31.12.2015	Change
ASSETS			
Net operating working capital	404	929	(525)
Other assets, net	591	(581)	1,172
Working capital	995	348	647
Net non-current assets	47,330	47,357	(27)
Other provisions	(3,068)	(3,010)	(58)
Net assets held for sale			
NET INVESTED CAPITAL	45,257	44,695	562
COVERAGE			
Net current financial debt	353	884	(531)
Net non-current financial debt	6,407	5,858	549
Net financial debt	6,760	6,742	18
Equity	38,497	37,953	544
COVERAGE	45,257	44,695	562

Net invested capital of €45,257 million increased by €562 million in the year due to the rise in **working capital** (+€647 million), offset in part by the decrease in **net non-current assets** (-€27 million) and the increase in **other provisions** (€58 million).

Net operating working capital amounts to €404 million, down by €525 million as a result of:

- lower receivables arising from the service contracts with the Ministry of the Economy and Finance (also "MEF") (-€189 million) and the Regions (-€309 million) due to the increase in the payment of considerations during the year and accurate monitoring of the repayment procedures and plans, agreed with the counterparties, in order to collect receivables;
- lower trade payables (-€27 million) affected, in particular, by the decrease in the amounts due for services rendered in previous years to the Campania region waste emergency government commissioner to manage the USW (urban solid waste) emergency in the region (€100 million). The decrease, which reflects the completion of the above-mentioned settlement agreements, is offset by the increase in the scope (approximately +€71 million) and the rise in fee income for HV (high voltage) line maintenance and remote control;
- greater inventories (+€107 million) mainly due to the increase in raw materials, consumables and supplies following the increase in the purchase of material for the infrastructure, the rise in production by the Officine Nazionali Armamento e Apparecchiature Elettriche (national armaments and electrical device workshops) in Pontassieve, Bologna and Bari and the acquisition of FSE S.r.l.. The increase in this caption is also affected by the growth in receivables arising from construction contracts and land and buildings held for trading included in the group's real estate properties classified as held for sale;
- greater trade payables (+€107 million) mainly due to the change in the consolidation scope following the above-mentioned transfer of FSE S.r.l. to the group. Other minor changes refer to the group's ordinary internal payment trends.

Other assets, net increased by €1,172 million, mainly as a result of the combination of the following factors:

- lower receivables from the MEF, the Ministry of Infrastructures and Transport ("MIT") and other bodies (-€556 million) following the collections of the year and lower advances for grants related to assets (-€1,578 million) allocated to the projects launched by the group. The grants mainly refer to the amounts due in connection with the Government Programme Contract and are aimed at extraordinary maintenance or urgent measures that cannot be postponed concerning the railway network as well as infrastructural investments to complete HS/HC (high speed/high capacity) lines, works to improve the railway network, the design of the Turin-Lyon tunnel and to ensure that FSE S.r.l. continues operating as a going concern;
- lower other liabilities (€180 million) mainly due to the elimination of the bilateral fund for income assistance following the winding up of the relevant Foundation and the transfer of its assets to INPS (Italy's social security institution);
- lower other receivables (€110 million) essentially related to Grandi Stazioni Rail S.p.A.'s partial demerger which took place during the year;
- the increase in VAT assets (+€89 million), mainly due to the combined effect of the VAT reimbursement by the tax authorities in 2012, 2013 and 2015 and the VAT paid in the year;
- the decrease in deferred tax assets (-€9 million).

Net non-current assets decreased by €27 million mainly as a result of greater investments for the year (€5,950 million), partly offset by the grants related to assets recognised on an accruals basis (€4,301 million), and the advances recouped during the year (-€125 million), amortisation and depreciation of the year (€1,306 million), non-recurring transactions of the year (-€184 million), other sales and impairment losses (-€80 million) and other changes and reclassifications (-€10 million). Furthermore, equity-accounted investees rose by €29 million as a consequence of TFB S.p.A.'s subscription of BBT SE's share capital and the results of the year achieved by the investees.

Other provisions increased by €58 million as a consequence of the contrasting effects of the increase in the provisions for risks and taxation (+€67 million and +€5 million, respectively), offset by the decrease in post-employment benefits (-€14 million), mainly for utilisations and advances of the year.

Net financial debt of €6,760 million worsened by only €18 million on 31 December 2015, mainly due to the following:

- the increase in the cash pooling balance (-€301 million), which comprises the payments made by the MEF during the year in relation to the Government Programme Contract and the European Commission's payments for other contributions to meet the group's operating requirements, essentially relating to RFI S.p.A.;
- the decrease in the financial receivable from the MEF (+€477 million) following the combined effect of the net reduction due to the collection of the year and the disbursement of the grants related to the 2006 and the 2007 Finance Act;
- the decrease in loans and borrowings from other financial backers (-€90 million) mainly due to the repayments of the loans and borrowings from Cassa Depositi e Prestiti for the railway infrastructure (Traditional and High speed network), new factoring transactions and Netinera Deutschland group loans and borrowings for new rolling stock leases. To provide complete information, it is noted that the repayment of the loans and borrowings with Cassa Depositi e Prestiti is ensured by the government grants to be received for the 2007-2021 period;
- the decrease in other financial liabilities (-€116 million), related to the factoring business;

- the increase in bonds (+€152 million) due to the issue of three new instalments (€700 million) of the bonds as part of the Euro Medium Term Notes Programme, offset, in part, by the repayment of the instalments expired during the year and related to the loans granted by Eurofima SA (€548 million);
- the increase in bank loans and borrowings (+€657 million) mainly due to the new syndicated loans taken on to purchase new rolling stock for regional transport and the non-recurring acquisitions mentioned earlier;
- the increase in other financial assets (-€762 million) following the sale of Grandi Stazioni Retail S.p.A..

Equity rose from €37,953 million to €38,497 million, up by €544 million mainly as a result of the following:

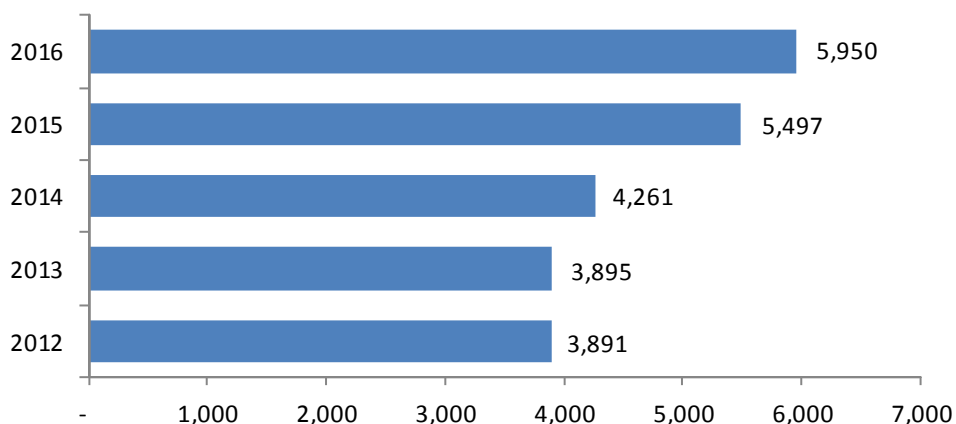
- the increase in the profit for the year (+€772 million);
- the decrease due to the above-mentioned changes in the consolidation scope (-€185 million);
- the dividends paid in 2015 amounting to €46 million (€31 million of which was paid to the MEF and €15 million to non-controlling interests);
- the increase in the fair value reserve for derivatives and the reserve for actuarial gains (losses) (total of +€19 million);
- the increase in equity attributable to non-controlling interests of Tunnel Ferrovia del Brennero S.p.A. resolved by the shareholders (+€20 million);
- the decrease in liabilities for derivatives (-€32 million).

Investments

In Italy, the recovery of investments which began in the last few months of 2014 continued in 2016 thanks to the momentum regained by investments in plant and machinery (+2.8%), while investments in construction are still facing difficulties in recovering from the long downturn which began in 2008 (+0.9%).

However, according to experts, the recovery is moderate since investments in plant and machinery have not yet exceeded pre-crisis levels, unlike other major countries of the Eurozone. This is due to the increased sensitivity of demand to the political uncertainties, despite the many stimulus factors. Although the recovery is unfolding in an investment-poor context in which the market does not generally ensure the replacement of capital which becomes obsolete year after year (investments/depreciation ratio <1), FS Italiane group has managed to continuously implement its Investment plan and has maintained, from 2012 to date, an average investment/depreciation ratio of above 1 (1.67 in 2016 with an average of 1.6 since 2012). Furthermore, it has shown, again in 2016, an upwards trend in investment expenditure, confirming its position as the leading investor in the development of transport, infrastructure and logistics.

FS Italiane group's total spending for investments in 2016 came to €5,950 million (€1,649 million of which self-financed and €4,301 million through government grants) and it continues its targeted trend of the past few years, showing significant growth (+8.2%) on the previous year.



This being said, FS Italiane group's¹ investments in plant and machinery totalled €6,018 million in 2016 (+6% on a like-for-like basis) up on 2015 due to projects involving the infrastructural network and the purchase/renewal of road and rail transport vehicles.

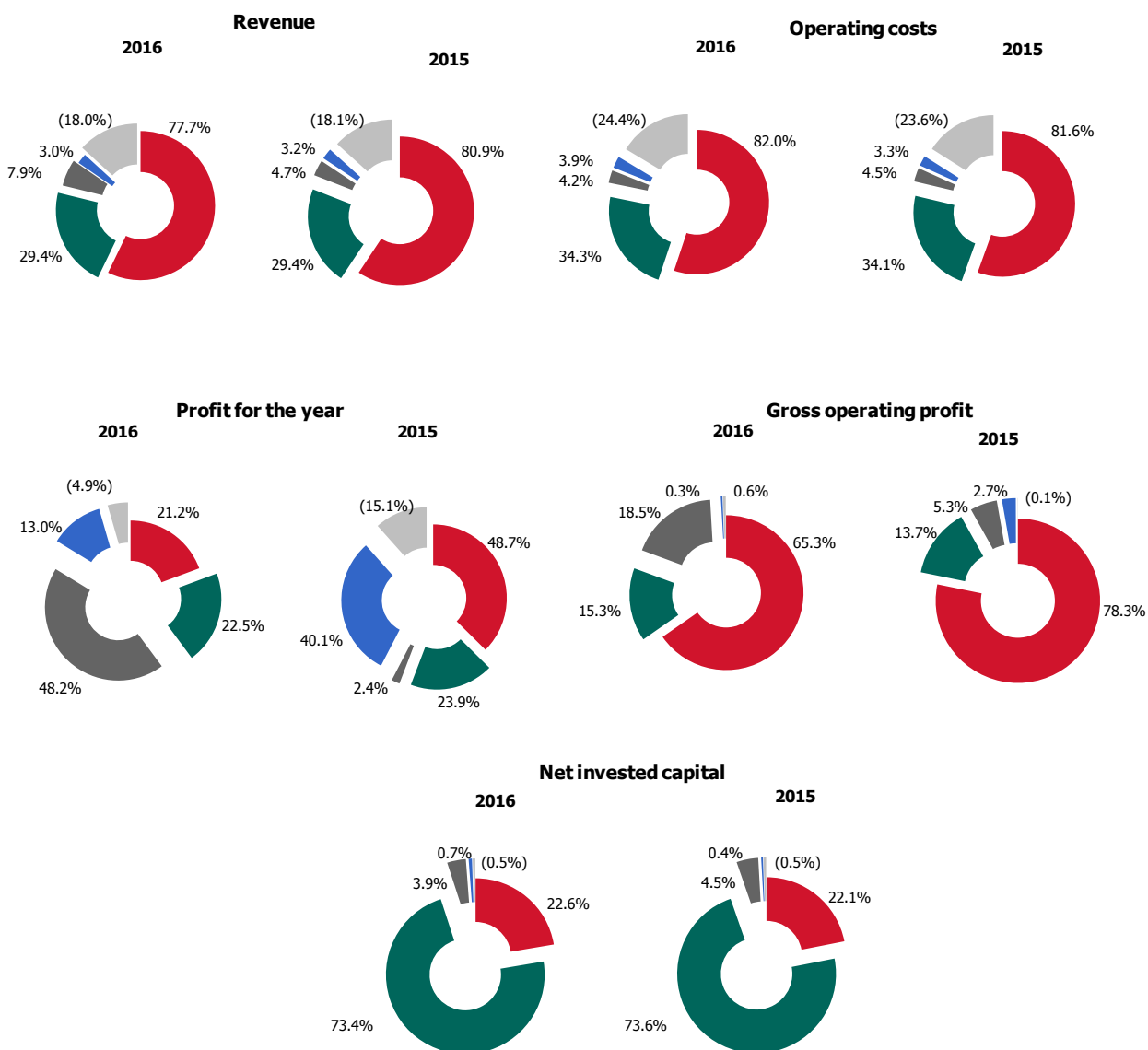
Approximately 71% of investments refers to the Infrastructure operating segment, with RFI S.p.A. investing a total of €4,173 million, while those of TELT Sas, which is in charge of constructing and operating the future Turin-Lyon freight and passenger infrastructure, amounting to €81 million. Roughly 27% of investments refers to the Transport operating segment, specifically road and railway passenger services, both in Italy and abroad, and freight transport services. Specifically, Trenitalia S.p.A. invested €1,557 million, Netinera Deutschland approximately €53 million and the Busitalia group companies, which operate in

¹ They include works related to special-purpose companies (TELT and BBT)

the Italian road transport sector, about €24 million. The Real estate segment accounts for approximately 2% of the group's investments and they mainly related to Grandi Stazioni S.p.A. (now Grandi Stazioni Rail S.p.A.) and Centostazioni S.p.A. to relaunch and improve the main railway stations, which are being redesigned as large service centres for cities and which, based on the group's 2017-2026 business plan, will become fully integrated mobility hubs.

Segment reporting

FS Italiane group's performance is analysed below with reference to each of the operating segments that make up its business (Transport, Infrastructure, Real Estate Services and Other Services). The charts below summarise the 2016 and 2015 performance with indication of the percentages of revenue and operating costs, gross operating profit, profit for the year and net invested capital attributable to each segment.



■ Transport
 ■ Infrastructure
 ■ Real Estate Services
 ■ Other Services
 ■ Adjustments and eliminations

Transport

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

More specifically, Trenitalia S.p.A. mainly operates by rail, handling services for passenger and freight transport both domestically and internationally. The German group, Netinera Deutschland, also contributes to the results of this segment, as it carries out transport activities by rail and road on the local and metropolitan transport market in Germany, through approximately 40 investees, and FSE S.r.l..

The companies that mainly handle rail freight transport comprise the Mercitalia hub (which, as of 1 January 2017, also includes Trenitalia S.p.A.'s freight business unit) operating both domestically and internationally, and TX Logistik group (mainly active in Germany, Austria, Switzerland and Denmark).

The Transport segment also includes road passenger transport, which is mainly handled by Busitalia-Sita Nord S.r.l. and its investees as well as FSE S.r.l..

	millions of Euros			
	2016	2015	Change	%
Revenue from sales and services	6,619	6,617	2	0.0
Other income	318	324	(6)	(1.9)
Revenue	6,937	6,941	(4)	(0.1)
Operating costs	(5,440)	(5,396)	(44)	(0.8)
Gross operating profit	1,497	1,546	(49)	(3.2)
Operating profit	280	417	(137)	(32.9)
Segment profit (attributable to the owners of the parent and non-controlling interests)	164	226	(62)	(27.4)
	31.12.2016	31.12.2015	Change	
Net invested capital	10,218	9,898	320	

The Transport segment showed a **profit for the year** of €164 million, down by €62 million on 2015 (-27.4%).

millions of Euros

	2016	2015	Change	%
Revenue from sales and services	6,619	6,617	2	0.0
Revenue from transport services	6,402	6,406	(4)	(0.1)
Market revenue	4,044	4,107	(63)	(1.5)
Revenue from public service contracts	2,358	2,299	59	2.6
Other income	318	324	(6)	(1.9)
Revenue	6,937	6,941	(4)	(0.1)

Revenue generated in the Transport segment amounts to €6,937 million, in line with 2015 (€6,941 million), reflecting the combined effect of the varying performances recorded by the individual businesses comprising this segment: market revenue (passengers and freight) amounts to €4,044 million, down by €63 million on 2015, offset by the €59 million increase in revenue from public service contracts (with the regions and the government).

Specifically, the strong performance of the short-haul passenger transport (both rail and road) and the International service (Netinera Deutschland group with the routes acquired at the end 2015 becoming fully operational) segments was offset by the decrease in the long-haul passenger transport segment, mainly due to the contraction in the average yield following the increased intramodal and intermodal competitive pressure on 2015, in addition to the lack of the incremental traffic originated by Expo 2015.

millions of Euros

	2016	2015	Change	%
Personnel expense	2,299	2,290	9	0.4
Other costs, net	3,141	3,106	35	1.1
Raw materials, consumables, supplies and goods	600	603	(3)	(0.5)
Services	2,650	2,648	2	0.1
Use of third-party assets	224	234	(10)	(4.3)
Other operating costs	88	87	1	1.1
Internal work capitalised	(421)	(466)	45	(9.7)
Operating costs	5,440	5,396	44	0.8

Operating costs in the Transport segment amount to €5,440 million in 2016, up by €44 million on 2015 (+0.8%). The increases in toll costs (due to larger supply volumes) and electrical energy used for traction (+€61 million and +€33 million, respectively) are offset by overall savings of more than €50 million. The rise in electrical energy used for traction is solely due

to the charges resulting from a series of measures (Resolutions nos. 654/2015 and 668/2015) issued by the AEEGSI at the end of 2015.

Gross operating profit in the Transport segment comes to €1,497 million, down by €49 million on 2015. The decrease is mainly due to the greater operating costs incurred in 2016 compared to 2015, related, in particular, to the costs incurred for electrical energy used for traction which rose due to the above-mentioned AEEGSI resolutions.

Operating profit amounts to €280 million, down by €137 million on the previous year. In addition to the effects described earlier, this decrease is also due to the €88 million rise in amortisation and depreciation, as a direct consequence of the group's significant investments and, above all, the roll-out of new rolling stock.

Net financial expense of €85 million improved significantly by €84 million compared to 2015. This improvement is mainly due to:

- financial income of €18 million, €14 million of which arising from the above-mentioned settlement agreement between Mercitalia Logistics S.p.A. and the Technical and administrative unit (UTA) of the Prime Minister's Office covering the amounts due for services rendered in previous years to the Campania region waste emergency government commissioner to manage the USW emergency in the region;
- lower financial expense of €53 million, €7 million of which related to the decrease in exchange rate losses compared to 2015. The residual balance refers to the reduction in interest expense, mainly on the liabilities to Trenitalia S.p.A.;
- the increase (€5 million) in profits from equity-accounted investees.

Income taxes for this segment amount to €31 million, up by €9 million.

Loans and borrowings - Transport segment

Bond issue subscribed by the European Investment Bank (EIB)

On 23 December 2015, the EIB fully subscribed the bond issued by FS Italiane as part of the EMTN Programme. It amounts to €300 million, bears interest at a floating rate and has a 10-year term. Settlement took place on 12 January 2016. The rating agencies issued a rating in line with those already assigned to FS Italiane and the EMTN Programme (S&P: BBB-; Fitch: BBB+ with stable outlook). As part of the issue and substantially in accordance with the contractual characteristics and conditions in terms of the parties' commitments and constraints, FS Italiane S.p.A. granted Trenitalia S.p.A. an intercompany loan to purchase new rolling stock for regional transport operations in the Lazio, Tuscany, Veneto, Piedmont and Liguria regions.

Private bond placement – EMTN series 4

On 18 July 2016, FS Italiane S.p.A. issued a €350 million six-year floating-rate bond through a private placement, again as part of the EMTN Programme listed on the Irish Stock Exchange. Fitch and S&P confirmed their ratings of BBB+ and BBB-, respectively. The proceeds from said issue were used sign an intercompany loan between FS Italiane S.p.A. and Trenitalia S.p.A., which substantially reflects the contractual characteristics and conditions of the issue in terms of the parties' commitments and constraints, in order to finance the projects to purchase rolling stock for regional transport and medium- and long-haul transport.

Private bond placement – EMTN series 5

On 25 July 2016, FS Italiane S.p.A. issued a €50 million 15-year bond with a 1.65% fixed coupon, again through a private placement. BNP Paribas was the transaction's sole manager. Fitch and S&P confirmed their ratings of BBB+ and BBB-, respectively. The proceeds from said issue will finance Trenitalia's purchase of rolling stock for regional transport and medium- and long-haul transport through an intercompany loan between FS Italiane S.p.A. and Trenitalia which substantially reflects the contractual characteristics and conditions of the issue in terms of the parties' commitments and constraints.

Two loan agreements

On 15 and 20 September 2016, FS Italiane entered into two loan agreements totalling €300 million. These agreements have a four-year term and amount to €150 million each. They were signed with Cassa Depositi e Prestiti and Intesa Sanpaolo S.p.A. following a tender procedure called in July, in which nine banks were invited to participate. Also in this case, the proceeds of this transaction will be used to invest in rolling stock for medium- and long-haul and regional transport through the agreement of two intercompany loans of the same amount between FS Italiane S.p.A. and Trenitalia S.p.A. which substantially reflect the contractual characteristics and conditions of the issue in terms of the parties' commitments and constraints.

TLTRO-I loan restructuring

On 10 November 2016, the €300 million loan granted to FS Italiane S.p.A. in 2015 (as part of provisions then governing the "TLTRO 1" loan which did not provide for negative rates for ECB re-financed banks) was restructured to further reduce borrowing costs by introducing the floor of the overall 0% coupon only. This transaction was also part of the intercompany loan with Trenitalia S.p.A. which, therefore, also benefited from this contractual amendment.

Interest rate risk hedging

With respect to the December 2015 EIB bond issue, in March 2016, in order to hedge the interest rate risk on the intercompany loan with FS Italiane, Trenitalia S.p.A. agreed four three-year interest rate caps with a total notional amount of €300 million, setting a strike rate on the six-month Euribor at 0.0%.

With respect to the EMTN series 4 bond issue, in July 2016, in order to hedge the interest rate risk on the intercompany loan with FS Italiane, Trenitalia S.p.A. agreed three interest rate caps due in January 2020 with a total notional amount of €350 million, setting a strike rate on the six-month Euribor at 0.0%.

With respect to the EMTN series 5 bond issue, in July 2016, Trenitalia S.p.A. concurrently transformed the intercompany loan with FS Italiane into a variable-rate loan by agreeing a fix-to-float interest rate swap.

With respect to the signing of the above two loan agreements, in September 2016, in order to hedge the interest rate risk on the intercompany loan with FS Italiane, Trenitalia S.p.A. agreed four interest rate caps due in September 2020 with a total notional amount of €300 million, setting a strike rate on the six-month Euribor at 0.0%.

Finally, with respect to the restructuring of the TLTRO-I loan, in December 2016, again in order to hedge the interest rate risk on the intercompany loan with FS Italiane, Trenitalia S.p.A. agreed three interest rate caps due in November 2019 with a total notional amount of €300 million, setting a strike rate on the six-month Euribor at 0.0%.

Infrastructure

The main group company operating in the Infrastructure segment is Rete Ferroviaria Italiana S.p.A. ("RFI") which, as the national railway network operator, maintains, develops and uses it and the related safety systems, in addition to managing research and development in the field of railway transport and ensuring connections to Italy's largest islands by sea. Moreover, RFI S.p.A. manages real estate assets that are not functional to railway operations as owner.

To a lesser extent, Italferr S.p.A., the group's engineering company, also contributes to the results of this segment, along with other group companies that handle infrastructure, such as FSE S.r.l., and companies whose core business is the construction of tunnels between Italy and Austria and Italy and France, namely Brenner Basis Tunnel ("BBT"), Tunnel Ferroviario del Brennero ("TFB") and Tunnel Euralpin Lyon Turin ("TELT").

	millions of Euros			
	2016	2015	Change	%
Revenue from sales and services	2,325	2,222	103	4.6
Other income	302	305	(3)	(1.0)
Revenue	2,627	2,527	100	4.0
Operating costs	(2,276)	(2,256)	(20)	(0.9)
Gross operating profit	351	271	80	29.5
Operating profit	208	151	57	37.7
Segment profit (attributable to the owners of the parent and non-controlling interests)	174	111	63	56.8

	31.12.2016	31.12.2015	Change
Net invested capital	33,219	32,880	339

The Infrastructure segment showed a **profit** for 2016 of €174 million, up by €63 million (+56.8%) on the previous year.

	millions of Euros			
	2016	2015	Change	%
Revenue from sales and services	2,325	2,222	103	4.6
Revenue from infrastructure services	2,255	2,159	96	4.4
Other service revenue	70	63	7	11.1
Other income	302	305	(3)	(1.0)
Revenue	2,627	2,527	100	4.0

Revenue from sales and services is up by €100 million on 2015 to €2,627 million. The increase is due to the rise in the revenue from infrastructure services provided by RFI S.p.A. (€93 million) attributable to:

- a €52 million increase in toll revenue due to the greater route volumes requested by railway companies (trains-km increased by 2.7%, up 12.8% on the HS/HC network) and the rise in the unit toll charge (different mix of routes sold);
- a €41 million increase in revenue from the sale of electrical energy due to the rise in the costs incurred by the company (as per the above-mentioned AEEGSI resolutions at 2015 year end).

millions of Euros

	2016	2015	Change	%
Personnel expense	1,506	1,502	4	0.3
Other costs, net	770	754	16	2.1
Raw materials, consumables, supplies and goods	778	640	138	21.6
Services	691	656	35	5.3
Use of third-party assets	53	48	5	10.4
Other operating costs	142	120	22	18.3
Internal work capitalised	(894)	(710)	(184)	25.9
Operating costs	2,276	2,256	20	0.9

Operating costs amount to €2,276 million and are up by €20 million on 2015 (increase mainly attributable to RFI S.p.A.), as the net effect of:

- a €21 million increase in the cost of electrical energy for traction due to the rise caused by the above-mentioned AEEGSI resolutions which was only partly offset by the reduced market cost. Law no. 116/2014 indeed prevented the full recharging of the costs incurred to procure electrical energy for traction to railway companies (from 50% in 2015 to 30% in 2016).
- net savings of €8 million as the net effect of greater maintenance costs, which were more than offset by the increased capitalisations following the insourcing processes launched in 2016.

Gross operating profit in the Infrastructure segment came to €351 million in 2016, up by €80 million on 2015.

Operating profit came to €208 million and is affected by:

- amortisation and depreciation of €94 million, in line with 2015;
- net impairment losses of €24 million, up by €13 million on the previous year, due to the increase in impairment losses on loans and receivables and non-current assets;
- provisions for risks and charges of €25 million, up by €10 million following the greater accruals to the fund for income and employment assistance.

Net financial expense of €35 million is unchanged from the previous year.

Real Estate Services

The main companies operating in the Real Estate Services segment are those that manage the main railway stations (Grandi Stazioni Rail S.p.A. - formerly Grandi Stazioni S.p.A., after the demerger of latter's retail and real estate business unit, and Centostazioni S.p.A.). In addition, this segment also includes FS Sistemi Urbani S.r.l. which develops real estate assets that are not functional to railway operations.

Furthermore, the parent's real estate activities also contribute to the results of this segment, as it provides support/consultancy services to the group companies and handles the sale of the group's land and buildings held for trading. Finally, this segment includes Metropark S.p.A. which studies, designs and builds car parks and operates the car parks and depots for all types of private and public means of transport.

millions of Euros

	2016	2015	Change	%
Revenue from sales and services	7	16	(9)	(56.3)
Other income	695	384	311	81.0
Revenue	702	400	302	75.5
Operating costs	(279)	(295)	16	5.4
Gross operating profit	423	105	318	> 200
Operating profit	392	49	343	> 200
Segment profit (attributable to the owners of the parent and non-controlling interests)	372	11	361	> 200

	31.12.2016	31.12.2015	Change
Net invested capital	1,744	2,000	(256)

The Real Estate Services segment shows a **profit for the year** of €372 million, up by €361 million on 2015.

millions of Euros

	2016	2015	Change	%
Revenue from sales and services	7	16	(9)	(56.3)
Revenue from the sale of electrical energy for traction		8	(8)	(100.0)
Other service revenue	7	8	(1)	(12.5)
Other income	695	384	311	81.0
Revenue	702	400	302	75.5

The segment's performance and results for 2016 are clearly and absolutely affected by the impacts of FS Italiane S.p.A. above-mentioned sale of 55% of GS Retail S.p.A. on 20 July 2016 (which generated a net gain of €365 million included under other income), as part of the company restructuring plan that led to the demerger of Grandi Stazioni S.p.A..

Consequently, based on the above, almost all changes are due to GS Retail S.p.A.'s exit from the segment scope. Net of the gain from the sale, the transaction generated a decrease of approximately €25 million in **gross operating profit**, offset only in part by smaller amortisation/depreciation charges and financial expense (impact on the **profit the year** of roughly €-13 million).

Net invested capital also decreased by approximately 13%, again mainly as a consequence of the demerger of Grandi Stazioni Rail S.p.A. (formerly Grandi Stazioni S.p.A.) and the subsequent sale of GS Retail S.p.A..

Other Services

Ferrovie dello Stato Italiane S.p.A. operates in the Other Services segment in its role as the group's holding company, steering and coordinating the operating companies' business policies and strategies. The other companies that operate in this segment are: Ferservizi S.p.A., which manages the activities not directly related to railway operations as outsourcer for the group's main companies, Fercredit S.p.A. principally developing the credit factoring and lease business on the captive market and strives to expand the consumer credit business for the group's employees, and Italcertifer S.p.A. which carries out certification, validation and testing activities on transport and infrastructure systems.

	millions of Euros			
	2016	2015	Change	%
Revenue from sales and services	(1)	(1)		
Other income	267	275	(8)	(2.9)
Revenue	266	274	(8)	(2.9)
Operating costs	(258)	(220)	(38)	(17.3)
Gross operating profit	8	54	(46)	(85.2)
Operating profit (loss)	(3)	28	(31)	(110.7)
Segment profit (attributable to the owners of the parent and non-controlling interests)	100	186	(86)	(46.2)

	31.12.2016	31.12.2015	Change
Net invested capital	311	160	151

In 2016, Other services recorded a profit for the year of €100 million, down by €86 million or 46.2% on the previous year.

	millions of Euros			
	2016	2015	Delta	%
Revenue from sales and services	(1)	(1)		
Other income	267	275	(8)	(2.9)
Revenue	266	274	(8)	(2.9)

Gross operating profit amounts to €8 million, down by €46 million on 2015. Of this decrease, €18 million refers to the prior year recognition in the segment of the gain on the sale of net assets related to RFI S.p.A.'s electricity grid to Terna S.p.A.. The residual amount refers to the increase in the costs incurred by the holding company, specifically, personnel expense, lease charges and membership fees to Fondazione FS.

millions of Euros

	2016	2015	Delta	%
Personnel expense	141	135	6	4.4
Other costs, net	117	85	32	37.6
Raw materials, consumables, supplies and goods				0.0
Services	85	64	21	32.8
Use of third-party assets	14	6	8	133.3
Other operating costs	18	15	3	20.0
Internal work capitalised				0.0
Operating costs	258	220	38	17.3

The **operating loss** for the year amounts to €3 million and is affected by:

- amortisation/depreciation of €13 million, down by €4 million on 2015;
- impairment losses (reversals of impairment losses) and provisions of €2 million. The €11 million improvement on 2015 is substantially due to the accruals, in 2015, to the fund for income and employment assistance.

Net financial income decreased by €25 million on the previous year, down from €92 million in 2015 to €67 million in 2016. The decrease is mainly due to the reduction in the net contribution from some specific items in 2015 and 2016. Specifically, 2016 benefited from the parent's revaluation of the equity investment in Trenitalia S.p.A. (€42 million), while 2015 included the income from the equity investment in Eurofima SA, with registered office in Basel, generated by the restatement of the bonds related to callable shares following the analyses of Swiss company law with had a total impact of €75 million.

Income taxes show a net positive balance of €36 million, down by €31 million on 2015. This caption reflects the positive effects of the domestic tax consolidation scheme managed by the parent on behalf of the group.

Loans and borrowings

Loans and borrowings and guarantees related to the acquisition of NXET in the UK

On 7 December 2016, for the purposes of Trenitalia UK's acquisition of NXET Trains Limited on 10 February 2017, FS Italiane S.p.A. issued a guarantee of a maximum of GBP115 million to guarantee Trenitalia UK with the seller National Express Trains Limited, in relation to Trenitalia UK's commitments from the signing of the SPA until the acquisition is completed.

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

Income statement

	millions of Euros			
	2016	2015	Change	%
Revenue	157	147	10	6.8
- Revenue from sales and services	141	140	1	0.7
- Other revenue	16	7	9	128.6
Operating costs	(167)	(145)	(22)	(15.2)
GROSS OPERATING PROFIT (LOSS)	(10)	2	(12)	600.0
Amortisation and depreciation	(20)	(24)	4	
Impairment losses (reversals of impairment losses)	(1)	(13)	12	(92.3)
Provisions		(3)	3	NA
OPERATING LOSS	(31)	(38)	7	(18.4)
Net financial income	566	177	389	219.8
PRE-TAX PROFIT	535	139	396	284.9
Income taxes	104	(2)	106	NA
PROFIT FOR THE YEAR	639	137	502	366.4

The **profit** for 2016 amounts to €639 million, showing an improvement of €502 million on the previous year mainly due to financial income (+€389 million) and taxation (+€106 million).

Net financial income improved mainly due to the combined effect of:

- the increase in dividends distributed by group companies, totalling €45 million, mainly by Trenitalia S.p.A. (+€23 million), Italferr S.p.A. (+€6 million), Grandi Stazioni Rail S.p.A. (+€4 million), Ferservizi S.p.A. (+€6 million), Netinera Deutschland GmbH (+€3 million);
- greater other financial income, for a total of €295 million, due to the net effect of the gain on the sale of Grandi Stazioni Retail S.p.A. to Alba Bidco S.p.A. (€383 million) and the lack of another gain like the one recorded in 2015 on the restatement of the carrying amount of the equity investments in Eurofima SA (€75 million);
- the reversal of the impairment loss on the equity investment in Trenitalia S.p.A. (€42 million) recognised in prior years following the significant losses incurred by the investee. The impairment loss was reversed based on the positive results achieved by the company over the past few years.

Income taxes improved by €106 million on the previous year mainly as a consequence of the recognition of the tax income from the tax consolidation scheme (+€102 million), recognised on the tax losses transferred to the group over the years and used during the year, as their subsequent remuneration is not deemed probable.

Reclassified statement of financial position

millions of Euros

	31.12.2016	31.12.2015	Change
ASSETS			
Net operating working capital	543	537	6
Other assets, net	136	(232)	368
Working capital	679	305	374
Non-current assets	580	583	(3)
Equity investments	35,131	35,062	69
Net non-current assets	35,711	35,645	66
Post-employment benefits	(11)	(12)	1
Other provisions	(599)	(644)	45
Post-employment benefits and other provisions	(610)	(656)	46
NET INVESTED CAPITAL	35,780	35,294	486
COVERAGE			
Net current financial debt	(1,207)	(1,084)	(123)
Net financial debt	(1,207)	(1,084)	(123)
Equity	36,987	36,378	609
COVERAGE	35,780	35,294	486

Net invested capital of €35,780 million increased by €486 million in the year due to the rises in **working capital** (+€374 million) and **net non-current assets** (+€66 million) and the decrease in **post-employment benefits and other provisions** (-€46 million).

Net operating working capital of €543 million increased by €6 million in the year, mainly due to the net rise in trade receivables and payables (€5 million).

Other assets, net increased by €368 million mainly following the settlement, in May 2016, of the liability recognised in connection with the sale of the electrical assets to FS group to the national transmission system operator for electricity Terna S.p.A. to Rete Ferroviaria Italiana S.p.A. (€272 million) and the settlement of the liability related to the bilateral fund for income assistance (€124 million) following its transfer to INPS.

Net non-current assets come to €35,711 million, up by €66 million on 2015, mainly due to the capital injection made into the investee Busitalia-Sita Nord S.r.l. (€42 million), the reversal of the impairment loss on the equity investment in Trenitalia S.p.A. (€42 million) based on the positive results achieved by the company over the past few years, as well as the €14 million decrease due to the above-mentioned sale of the equity investment in Grandi Stazioni Retail S.p.A. to Alba Bidco S.p.A..

The decrease in **post-employment benefits and other provisions** (-€46 million) mainly reflects the utilisation of the tax provision for tax consolidation (€57 million) to remunerate the group companies in respect of the tax losses previously

transferred and offset during the year against their taxable income (mainly Trenitalia S.p.A., Busitalia-Sita Nord S.p.A. and Mercitalia Logistics S.p.A.), net of the increase in the risk provisions (+€24 million) substantially accrued to estimate the possible charges related to the guarantees included in Grandi Stazioni Retail S.p.A.'s sale agreement.

Net financial debt increased by €123 million, with net cash rising from €1,084 million at 31 December 2015 to €1,207 million at 31 December 2016. This change is mainly due to the increase in cash and cash equivalents following the sale of GS Retail S.p.A.'s (€424 million), offset by cash outflows, during the year, represented by the dividends paid to the MEF (€30 million), the transfers of the bilateral fund for income assistance (€124 million) to INPS and the payment to RFI of the above-mentioned liability related to the sale of FS group's electrical assets (€272 million).

Finally, **equity** shows a €609 million increase, mainly due to the profit for the year (€639 million), net of the €30 million dividends paid to the MEF 19 October 2016.

Consolidated financial statements

Statement of financial position

millions of Euros

	31.12.2016	31.12.2015
Assets		
Property, plant and equipment	44,590	44,692
Investment property	1,565	1,578
Intangible assets	766	713
Deferred tax assets	183	192
Equity-accounted investments	331	302
Non-current financial assets (including derivatives)	2,326	2,788
Non-current trade receivables	8	94
Other non-current assets	1,995	1,866
Total non-current assets	51,764	52,225
Construction contracts	53	46
Inventories	2,053	1,953
Current trade receivables	2,337	2,776
Current financial assets (including derivatives)	630	607
Cash and cash equivalents	2,337	1,305
Tax assets	121	125
Other current assets	3,392	4,069
Total current assets	10,923	10,881
Assets held for sale and disposal groups		
Total assets	62,687	63,106
Total equity and liabilities		
Share capital	36,340	36,340
Reserves	10	(96)
Reserves for unrealised gains and losses	(512)	(533)
Retained earnings	1,559	1,388
Profit for the year	758	448
Equity attributable to the owners of the parent	38,155	37,547
Profit for the year	14	16
Share capital and reserves attributable to non-controlling interests	243	273
Total equity attributable to non-controlling interests	257	289
Equity	38,412	37,836
Liabilities		
Non-current loans and borrowings	8,652	8,571
Post-employment benefits and other employee benefits	1,785	1,799
Provisions for risks and charges	968	889
Deferred tax liabilities	271	293
Non-current financial liabilities (including derivatives)	83	112
Non-current trade payables	15	18
Other non-current liabilities	142	344
Total non-current liabilities	11,916	12,026
Current loans and borrowings and current portion of non-current loans and borrowings	3,210	2,572
Current portion of provisions for risks and charges	44	30
Current trade payables	4,097	3,952
Tax liabilities	4	10
Non-current financial liabilities (including derivatives)	119	244
Other current liabilities	4,885	6,436
Total current liabilities	12,359	13,244
Total liabilities	24,275	25,270
Total equity and liabilities	62,687	63,106

Income statement

millions of Euros

	2016	2015
Revenue		
Revenue from sales and services	7,908	7,881
Other income	1,020	704
Total revenue	8,928	8,585
Operating costs		
Personnel expense	(3,951)	(3,934)
Raw materials, consumables, supplies and goods	(1,230)	(1,159)
Services	(2,421)	(2,386)
Use of third-party assets	(183)	(181)
Other operating costs	(199)	(165)
Internal work capitalised	1,349	1,215
Total operating costs	(6,635)	(6,610)
Amortisation and depreciation	(1,306)	(1,228)
Reversals of impairment losses	(70)	(55)
Provisions	(25)	(48)
Operating profit	892	644
Financial income and expense		
Financial income	62	116
Financial expense	(170)	(231)
Net financial expense	(108)	(115)
Share of profits of equity-accounted investees	14	8
Pre-tax loss	798	537
Income taxes	(26)	(73)
Profit for the year (attributable to the owners of the parent and non-controlling interests)	772	464
<i>Profit for the year attributable to the owners of the parent</i>	758	448
<i>Profit for the year attributable to non-controlling interests</i>	14	16

Statement of comprehensive income

millions of Euros

	2016	2015
Profit for the year (attributable to the owners of the parent and non-controlling interests)	772	464
Other comprehensive income		
Items that will not be reclassified to profit or loss, net of the tax effect:		
Actuarial gains (losses) attributable to the owners of the parent	(29)	72
attributable to non-controlling interests	(29)	72
Items reclassified to profit or loss	21	24
Items that will or may be reclassified to profit or loss, net of the tax effect:		
Cash flow hedges - effective portion of changes in fair value attributable to the owners of the parent	26	55
attributable to non-controlling interests	2	1
Net exchange rate gains (losses)	(1)	1
Total other comprehensive income, net of the tax effect	19	153
Comprehensive income (attributable to the owners of the parent and non-controlling interests)	791	617
<i>Comprehensive income attributable to:</i>		
Owners of the parent	775	600
Non-controlling interests	16	17

Statement of changes in equity

millions of Euros

Equity														
	Reserves									Retained earnings (losses carried forward)	Profit for the year	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
	Share capital	Legal reserve	Extraordinary reserve	Other reserves	Translation reserve	Reserve for unrealised gains and losses			Total reserves					
Balance at 1 January 2015	38,790	25	28	255	3	(291)	(395)	(375)	(1,661)	292	37,046	272	37,318	
Capital increase (capital decrease)	(2,450)	(25)	(28)	(255)			2	(306)	2,756			9	9	
Dividend distribution												(8)	(8)	
Allocation of profit for the previous year									292	(292)				
Change in consolidation scope												1	1	
Other changes				(100)				(100)	1		(99)	(2)	(101)	
Recognised gains/(losses)					1	79	72	152		448	600	17	617	
of which:														
Profit for the year										448	448	16	464	
Gains/(losses) recognised directly in equity					1	79	72	152			152	1	153	
Balance at 31 December 2015	36,340	7	(100)	4	(212)	(321)	(629)	1,388	448	37,547	289	37,836		
Capital increase (capital decrease)												20	20	
Dividend distribution											(31)	(15)	(46)	
Allocation of profit for the previous year		7		100				107	310	(417)				
Change in consolidation scope							3	3	(142)		(139)	(46)	(185)	
Other changes									3		3	(7)	(4)	
Recognised gains/(losses)					(1)	47	(29)	17		758	775	16	791	
of which:														
Profit for the year										758	758	14	772	
Gains/(losses) recognised directly in equity					(1)	47	(29)	17			17	2	19	
Balance at 31 December 2016	36,340	7	3	(162)	(350)	(502)	1,559	758	38,155	257	38,412			

Statement of cash flows

millions of Euros

	2016	2015
Profit for the year	772	464
Amortisation and depreciation	1,306	1,228
Share of losses of equity-accounted investees	(14)	(8)
Accruals to provisions and impairment losses	116	267
Profits on sales	(36)	(52)
Change in inventories	(54)	18
Change in trade receivables	631	(368)
Change in trade payables	(175)	317
Change in current and deferred taxes	(4)	15
Change in other liabilities	(1,826)	(1,139)
Change in other assets	896	1,005
Utilisation of the provisions for risks and charges	(121)	(153)
Payment of employee benefits	(95)	(126)
Net cash flows generated by operating activities	1,395	1,468
Increases in property, plant and equipment	(5,599)	(5,203)
Increases in investment property	(12)	(5)
Increases in intangible assets	(135)	(167)
Increases in equity investments	(154)	(144)
Investments, before grants	(5,899)	(5,519)
Grants for property, plant and equipment	4,280	2,884
Grants for investment property		
Grants for intangible assets	6	161
Grants for equity investments	128	133
Grants	4,414	3,178
Disinvestments in property, plant and equipment	291	432
Disinvestments in investment property	11	
Disinvestments in intangible assets	2	1
Disinvestments, net of annual results of equity investments	4	30
Disinvestments	308	463
Net cash flows used in investing activities	(1,177)	(1,878)
Disbursement and repayment of non-current loans	(596)	(426)
Disbursement and repayment of current loans	1,098	457
Change in financial assets	445	468
Change in financial liabilities	(107)	12
Dividends	(46)	
Changes in equity	20	(104)
Net cash flows generated by financing activities	815	407
Total cash flows	1,032	(3)
Opening cash and cash equivalents	1,305	1,308
Closing cash and cash equivalents	2,337	1,305

Financial statements of Ferrovie dello Stato Italiane S.p.A.

Statement of financial position

Euros

	31.12.2016	31.12.2015
Assets		
Property, plant and equipment	45,912,015	46,631,796
Investment property	496,581,439	495,697,316
Intangible assets	36,567,865	40,751,376
Deferred tax assets	209,764,905	216,513,175
Equity investments	35,131,499,060	35,061,749,047
Non-current financial assets (including derivatives)	5,675,844,687	4,955,020,659
Non-current trade receivables	6,097,873	5,951,878
Other non-current assets	937,430,282	741,695,836
Total non-current assets	42,539,698,126	41,564,011,083
Inventories	489,140,792	489,746,963
Current trade receivables	125,646,941	129,455,018
Current financial assets (including derivatives)	2,594,210,723	2,701,009,924
Cash and cash equivalents	984,494,166	257,675,108
Tax assets	86,430,873	82,388,664
Other current assets	988,372,683	1,068,079,921
Total current assets	5,268,296,178	4,728,355,598
Total assets	47,807,994,304	46,292,366,681
Share capital	36,340,432,802	36,340,432,802
Reserves	6,868,981	(100,000,000)
Reserves for unrealised gains and losses	251,083	357,416
Profit for the year	638,773,063	137,379,615
Total equity	36,986,325,929	36,378,169,833
Liabilities		
Non-current loans and borrowings	5,675,526,623	4,953,357,794
Post-employment benefits and other employee benefits	11,160,014	11,878,392
Provisions for risks and charges	171,147,753	146,844,806
Deferred tax liabilities	428,103,401	497,569,561
Non-current financial liabilities (including derivatives)	372,822	1,331,993
Other non-current liabilities	1,013,665,270	958,185,773
Total non-current liabilities	7,299,975,883	6,569,168,319
Current loans and borrowings and current portion of non-current loans and borrowings	2,096,878,874	1,416,336,462
Current trade payables	79,601,131	89,034,700
Tax liabilities		4,094,971
Current financial liabilities (including derivatives)	275,049,399	458,263,790
Other current liabilities	1,070,163,088	1,377,298,606
Total current liabilities	3,521,692,492	3,345,028,529
Total liabilities	10,821,668,375	9,914,196,848
Total equity and liabilities	47,807,994,304	46,292,366,681

Income statement

	2016	2015
		Euros
Revenue from sales and services	140,716,589	139,585,661
Other income	15,974,879	7,375,619
Total revenue	156,691,468	146,961,280
Personnel expense	(53,887,166)	(43,578,423)
Raw materials, consumables, supplies and goods	(6,616,521)	(15,133,477)
Services	(70,589,474)	(51,760,695)
Use of third-party assets	(3,442,392)	(3,556,502)
Other operating costs	(32,906,271)	(31,375,939)
Internal work capitalised	175,917	259,262
Total operating costs	(167,265,907)	(145,145,774)
Amortisation and depreciation	(19,994,276)	(23,672,488)
Reversals of impairment losses	(1,055,258)	(13,300,509)
Provisions for risks and charges		(2,968,643)
Operating loss	(31,623,973)	(38,126,134)
Gains on equity investments	130,901,228	85,693,134
Other financial income	577,383,046	250,192,095
Losses on equity investments	(326,791)	(11,431,788)
Other financial expense	(142,052,956)	(147,532,610)
Net financial income	565,904,527	176,920,831
Pre-tax profit	534,280,554	138,794,697
Income taxes	104,492,509	(1,415,082)
Profit from continuing operations	638,773,063	137,379,615
Profit for the year	638,773,063	137,379,615

Statement of comprehensive income

	2016	Euros 2015
Profit for the year	638,773,063	137,379,615
Items that will not be reclassified to profit or loss:		
Actuarial gains (losses)	(145,969)	491,879
Tax effect on actuarial gains (losses)	39,636	(134,463)
Other comprehensive income (expense), net of the tax effect	(106,333)	357,416
Total comprehensive income	638,666,730	137,737,031

Statement of changes in equity

Euros

Equity									
	Share capital	Reserves			Reserve for unrealised gains and losses	Total reserves	Retained earnings (losses carried forward)	Profit for the year	Total equity
		Legal reserve	Extraordinary reserve	Other reserves					
Balance at 1 January 2015	38,790,425,485	25,106,231	27,896,982	254,599,169	(1,869,832)	305,732,551	(2,844,937,242)	89,212,009	36,340,432,802
Share capital decrease	(2,449,992,683)	(25,106,231)	(27,896,982)	(254,599,169)	1,869,832	(305,732,551)	2,755,725,233		
Dividend distribution									
Allocation of profit for the previous year							89,212,009	(89,212,009)	
Other changes				(100,000,000)		(100,000,000)			(100,000,000)
Recognised profits of which:									
Profit for the year								137,379,615	137,379,615
Gains recognised directly in equity					357,416	357,416			357,416
Balance at 31 December 2015	36,340,432,802			(100,000,000)	357,416	(99,642,584)		137,379,615	36,378,169,833
Share capital decrease									
Dividend distribution								(30,510,634)	(30,510,634)
Allocation of profit for the previous year		6,868,981		100,000,000		106,868,981		(106,868,981)	
Other changes									
Recognised gains of which:									
Profit for the year								638,773,063	638,773,063
Gains/(losses) recognised directly in equity					(106,333)	(106,333)			(106,333)
Balance at 31 December 2016	36,340,432,802	6,868,981			251,083	7,120,064		638,773,063	36,986,325,929

STATEMENT OF CASH FLOWS

	2016	2015
Profit for the year	638,773,063	137,379,615
Income taxes	(104,492,509)	1,415,081
Net financial income	(10,605,622)	(85,207,821)
Amortisation and depreciation	19,994,276	23,672,488
Accruals to provisions and impairment losses	34,339,454	80,558,643
Impairment losses	26,791	13,732,217
Accruals for employee benefits	124,411	152,160
Accruals and impairment losses	34,490,656	94,443,020
Profits on sales	(383,279,451)	(17,623,746)
Change in inventories	1,605,534	1,620,896
Change in trade receivables	3,662,081	(7,780,400)
Change in trade payables	(9,433,996)	13,011,585
Change in other assets	4,512,792	(434,913,133)
Change in other liabilities	(372,140,795)	687,768,596
Utilisation of the provisions for risks and charges	(10,091,732)	(11,664,608)
Payment of employee benefits	(988,758)	(1,687,540)
Financial income collected/financial expense paid	10,605,622	9,712,606
Change in tax assets/liabilities	33,677,074	58,209,163
Net cash flows generated by (used in) operating activities	(143,711,765)	468,355,802
Increases in property, plant and equipment	(361,277)	(553,402)
Increases in investment property	(10,138,952)	(556,612)
Increases in intangible assets	(12,746,353)	(16,442,193)
Increases in equity investments	(123,867,008)	(5,489,500)
Investments, before grants	(147,113,590)	(23,041,707)
Grants for property, plant and equipment	38,741	
Grants for intangible assets	5,022,361	
Grants for equity investments	40,250,296	
Grants	45,311,398	
Decreases in property, plant and equipment	19	18,417
Decreases in investment property	114,540	43,396
Decreases in intangible assets	1,096,882	
Decreases in equity investments	397,119,360	405,036,872
Decreases	398,330,801	405,098,685
Net cash flows generated by investing activities	296,528,609	382,056,978
Disbursement and repayment of non-current loans	207,689,888	(176,029,302)
Disbursement and repayment of current loans	1,195,021,353	405,194,574
Change in financial assets	(1,415,548,898)	(223,636,279)
Change in financial liabilities	(879,715)	2,295,450
Dividends	(30,510,634)	
Changes in equity		(100,000,000)
Net cash flows used in financing activities	(44,228,006)	(92,175,557)
Total cash flows generated in the year	108,588,838	758,237,223
Opening cash and cash equivalents	1,046,135,280	287,898,057
Closing cash and cash equivalents	1,154,724,118	1,046,135,280
of which infragroup	170,229,952	788,460,175

Segment reporting by operating segment

The financial highlights of the group's operating segments for 2016 and 2015 are show below:

	millions of Euros					
2016	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and eliminations of operating segments	Ferrovie dello Stato Italiane group
Revenue from third parties	6,668	1,425	532	21	22	8,668
Inter-segment revenue	269	1,202	170	245	(1,626)	260
Revenue	6,937	2,627	702	266	(1,604)	8,928
Personnel expense	(2,299)	(1,506)	(31)	(141)	26	(3,951)
Other costs, net	(3,141)	(770)	(248)	(117)	1,593	(2,683)
Operating costs	(5,440)	(2,276)	(279)	(258)	1,619	(6,634)
Gross operating profit	1,497	351	423	8	15	2,294
Amortisation and depreciation	(1,174)	(94)	(26)	(13)		(1,306)
Impairment losses and accruals	(43)	(49)	(5)	2		(95)
Operating profit (loss)	280	208	392	(3)	15	893
Financial income and expense	(85)	(35)	(3)	67	(39)	(95)
Income taxes	(31)	(1)	(17)	36	(13)	(26)
Segment profit (attributable to the owners of the parent and non-controlling interests)	164	174	372	100	(38)	772

	millions of Euros					
31.12.2016	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and eliminations of operating segments	Ferrovie dello Stato Italiane group
Net invested capital	10,218	33,219	1,744	311	(235)	45,257

millions of Euros

2015	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and eliminations of operating segments	Ferrovie dello Stato Italiane group
Revenue from third parties	6,673	1,377	226	40		8,316
Inter-segment revenue	268	1,150	174	234	(1,557)	269
Revenue	6,941	2,527	400	274	(1,557)	8,585
Personnel expense	(2,290)	(1,502)	(33)	(135)	26	(3,934)
Other costs, net	(3,106)	(754)	(262)	(85)	1,531	(2,676)
Operating costs	(5,396)	(2,256)	(295)	(220)	1,557	(6,610)
Gross operating profit	1,546	271	105	54		1,975
Amortisation and depreciation	(1,086)	(94)	(31)	(17)		(1,228)
Impairment losses and accruals	(43)	(26)	(25)	(9)		(103)
Operating profit	417	151	49	28		644
Financial income and expense	(169)	(37)	(4)	92	11	(107)
Income taxes	(22)	(3)	(34)	66	(81)	(73)
Segment profit (attributable to the owners of the parent and non-controlling interests)	226	111	11	186	(70)	464

millions of Euros

31.12.2015	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and eliminations of operating segments	Ferrovie dello Stato Italiane group
Net invested capital	9,898	32,880	2,000	160	(243)	44,695

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