



Official Global Rail Carrier



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

# **FERROVIE DELLO STATO ITALIANE SPA AND FS ITALIANE GROUP**

## **2014 ANNUAL REPORT HIGHLIGHTS**

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## Consolidated highlights of the Ferrovie dello Stato Italiane Group

millions of Euros

<b>Main results and financial data</b>	<b>2014</b>	<b>2013</b>	<b>Change</b>	<b>%</b>
Revenue	8,390	8,329	61	0.7
Operating costs	(6,276)	(6,296)	20	0.3
Gross operating profit	2,113	2,033	80	3.9
Operating profit	659	822	(163)	(19.8)
Profit for the year	303	460	(157)	(34.1)
	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>Differences</b>	<b>%</b>
Net invested capital (NIC)	43,715	43,077	638	1.5
Equity (E)	37,497	37,342	155	0.4
Net financial debt (NFD)	6,218	5,735	483	8.4
NFD/E	0.17	0.15	0.01	8.0
Investments of the year	4,261	3,895	366	9.4
Cash flows generated by operations	(315)	353	(668)	(189.2)

<b>Main performance indicators</b>	<b>2014</b>	<b>2013</b>
GROSS OPERATING PROFIT/REVENUE	25.18%	24.41%
ROS (OPERATING PROFIT/REVENUE)	7.85%	9.87%
PERSONNEL EXPENSE/REVENUE	(46.69%)	(46.94%)

## The Group's performance

Main operating data	2014	2013	Delta	%
Length of the railway network (km)	16,723	16,752	(29)	(0.2)
Long-haul passengers train-km (thousands)	78,782	79,255	(473)	(0.6)
Regional passengers train-km (thousands)	189,574	192,214	(2,640)	(1.4)
Passenger-km by rail (millions)	42,471	41,718	753	1.8
Passenger-km by road (millions)	899	894	5	0.6
Tonne-km (millions) <sup>(1)</sup>	23,188	22,854	334	1.5
Employees <sup>(2)</sup>	69,115	69,425	(310)	(0.4)

(1) This figure includes traffic outsourced to other companies in the Group's Cargo Division

(2) Year-end total

The Ferrovie dello Stato Italiane Group's **consolidated income statement** is presented and discussed below.

	2014	2013	Change	%
	millions of Euros			
<b>REVENUE</b>	<b>8,390</b>	<b>8,329</b>	<b>61</b>	<b>0.7</b>
Revenue from sales and services	7,734	7,597	137	1.8
Other income	656	732	(76)	(10.4)
<b>OPERATING COSTS</b>	<b>(6,276)</b>	<b>(6,296)</b>	<b>20</b>	<b>0.3</b>
<b>GROSS OPERATING PROFIT</b>	<b>2,113</b>	<b>2,033</b>	<b>80</b>	<b>3.9</b>
Amortisation, depreciation, provisions and impairment losses	(1,455)	(1,212)	(243)	(20.0)
<b>OPERATING PROFIT</b>	<b>659</b>	<b>822</b>	<b>(163)</b>	<b>(19.8)</b>
Net financial expense	(111)	(234)	123	52.6
<b>PRE-TAX PROFIT</b>	<b>548</b>	<b>587</b>	<b>(39)</b>	<b>(6.6)</b>
Income taxes	(245)	(127)	(118)	(92.9)
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>303</b>	<b>460</b>	<b>(157)</b>	<b>(34.1)</b>
Profit (loss) from assets held for sale, net of taxes				
<b>PROFIT FOR THE YEAR</b>	<b>303</b>	<b>460</b>	<b>(157)</b>	<b>(34.1)</b>
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT	292	459	(167)	(36.4)
PROFIT FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	11	1	10	>200

2014 was characterised by significant changes in legislation with a considerable negative impact on the Group's performance of operations; accordingly, the **profit for the year** came to €303 million, down by €157 million on the previous year (-34.1%).

Despite this decrease, the Ferrovie dello Stato Italiane ("FS") Group showed a strong performance in terms of gross operating profit, which grew by €80 million (+3.9%), in line with the targets set in the 2014-2017 business plan, while the profit for the year reflects the negative economic effects due to factors completely unrelated to operations, as a result

of the aforementioned changes in legislation that occurred, in particular, at year end.

**Revenue** total €8,390 million for the year, up by €61 million (+0.7%) on 2013 (€8,329 million).

**Revenue from sales and services** of €7,734 million shows an overall increase of €137 million (+1.8%). This growth was due to greater revenue from transport services (€194 million, +3.2%) and other services (€31 million, +13.4%), offset by lower revenue from infrastructure services (€88 million, -6.6%). The growth in revenue from transport services is due to the rise in revenue from passenger transport (+€130 million), revenue from freight transport (+€36 million) and revenue from the public service contract with the regions and the government, totalling €28 million. More specifically:

- passenger transport shows varying results for the different services offered. Long-haul transport performed well, up by approximately 7% on 2013, mostly boosted by greater revenue from the “*Freccia*” trains (accounting for over €113 million), mainly in connection with the strengthening of the offer and the implementation of particularly effective marketing strategies; long-haul transport service revenue relating to the “universal service” agreement, i.e., revenue from transport services based on a specific public service contract with the government, remained substantially in line with the previous year (+1.3%). The regional transport business grew by €5 million, €1 million of which domestically and €4 million of which on the German market thanks to the performance of the Netinera Deutschland group. Road transport was positively affected (€22 million) by the consolidation of Umbria Mobilità Esercizio Srl and its subsidiary Savit Srl; while international transport saw a decrease in the revenue reported by Thello (-€7 million, -19.4%).
- freight transport shows both a decrease in domestic revenue (which continues to be influenced by the difficult economic situation on the Italian market, although there are considerable differences between the various sectors), contrasting with the international scenario, given greater flows to and from Germany, Austria, Holland, Hungary and Poland. The following companies contributed to these increases: of TX Logistik AG (+€11 million), Trenitalia (+€10 million), the Netinera Deutschland group (+€6 million), Trenitalia Logistik France and FS Logistica (roughly +€4 million each).
- revenue from the public service contract with the regions and the government saw a €53 million increase in revenue from the regions, while revenue from the public service contract with the government decreased by €25 million. The growth in revenue from the regions is mainly due to the consolidation of Umbria Mobilità Esercizio (+€49 million) and the Netinera Deutschland group companies (+€7 million). In this segment, Trenitalia reported a decrease of roughly €3 million, due to reduced production, partially offset by the rise in considerations as a result of contractual indexing mechanisms. On the other hand, revenue from the government shows a decrease of some €25 million with respect to services to special-status regions (Sicily and Valle d’Aosta) and joint services in the Triveneto region.

Lower revenue from infrastructure services was mainly due to the €75 million reduction in government grants, as a result of the lower funds earmarked in the Government Programme Contract for 2012-2014 services, which implements, over its term, the effects of an extensive revision of the maintenance models applied to the Italian railway network, and the €17 million decrease in toll revenue, as the toll charge for the most profitable lines, i.e., the HS (high speed) and HC (high capacity) lines, was reduced in accordance with the provisions of Ministerial decree no. 330/2013 (reducing the HS toll charge by 15%) and resolution no. 70/2014 of the Italian Transport Regulator’s (“ART”) (reducing the individual toll by 36%, from €12.81/km to €8.2/km as of 6 November 2014).

The increase in other service revenue was mainly due to the growth in services provided to railway companies and traffic-related services (€20 million), particularly in relation to the maintenance of rolling stock for Trenord Srl (+€26 million). Revenue from contract work in progress also grew considerably, by €14 million, mainly due to the many contracts that

the Group's engineering company, Italferr SpA, acquired abroad.

**Other income** of €656 million decreased by a total of €76 million (-10.4%). This change was due to both a drop in revenue from real estate management (€31 million, -11.2%), as less land and fewer buildings held for trading were sold in the year than in the previous year, and a €45 million decrease in other income (-9.9%). In 2013, this caption included, in particular, the €49 million gain on the sale of an area at the Roma Tiburtina station.

**Operating costs** of the year amount to €6,276 million, down by €20 million (-0.3%) on 2013 (€6,296 million). This decrease was due to the €8 million increase in personnel expense (+0.2%), which more than offset the total drop of €28 million in other costs, net (-1.1%).

The most significant changes are described below:

- personnel expense incurred for hired employees remained substantially the same as in the previous year, mainly due to the constant reduction in the average number of employees (1,544 fewer employees than in 2013), which offset the growth in costs due to the aforementioned increase in the consolidation scope. On the other hand, increases were seen in personnel expense for temporary staff and interns (+€3 million), meal vouchers and canteen costs (+€3 million) and training (+€5 million);
- raw materials decreased considerably, by €38 million (-4.1%). Within this caption, costs incurred for electrical energy used for traction rose by roughly €19 million due to the Electricity and Gas Regulator's resolution no. 641/2013, which substantially cuts the tariff subsidies previously reserved for railway companies, with a consequent rise in costs. In addition, the €54 million decrease in connection with the turnover in land and buildings held for trading was due to lower sales in the year, down by €19 million, and lower impairment losses, down by €35 million.
- Finally, internal work capitalised increased by €15 million (+1.5%), due to the growth in in-house work to improve the network and maintenance that increased the value of rolling stock.

The improvement in the Group's overall business performance pushed the **gross operating profit** for 2014 up by €80 million (+3.9%) on 2013 to €2,113 million.

On the other hand, the **operating profit** decreased by €163 million (-19.8%) on the previous year to €659 million. This decrease was due to the €30 million increase in amortisation and depreciation and the €228 million growth in impairment losses, offset by the €15 million decrease in provisions. In particular, the €228 million increase in impairment losses includes the impairment of over €185 million recognised on Trenitalia's cargo division CGU (following impairment testing), and the net impairment losses of €56 million recognised by FS Logistica on five real estate complexes, in addition to the revaluation of another complex to reverse impairment losses recognised previous years. The impairment test performed on the Cargo CGU was necessary after the government, with the approval of Law no. 190/2014 (the 2015 Stability Act), decided not to renew the Cargo Service Contract with Trenitalia S.p.A., a completely unexpected decision that was entirely out of keeping with the past.

**Net financial expense** amount to €111 million, showing an improvement of €123 million on the previous year (+52.6%). The change is mainly due to the €20 million increase in financial income, the €84 million decrease in financial expense and the €19 million increase in the share of profits from equity-accounted investees.

**Income taxes** amount to €245 million, showing an increase of €118 million (+92.9%), mainly due to the release of the net balance of deferred tax assets and liabilities of €143 million as a result of the new legislation introduced in article 1.20

of Law no. 190/2014 (the 2015 Stability Act), that allows the full deductibility of all personnel expense relating to employees hired under open-ended contracts for IRAP purposes; this measure made it highly unlikely that the deferred tax assets previously recognised by the infrastructure operator will be recovered, as it completely eliminated the possibility of any future tax base for RFI SpA.

Further on in this report, the section providing an analysis of the performance of the FS Group's operating segments also describes the Group's performance in 2014 with specific reference to the segments that make up its business.

## Reclassified statement of financial position

millions of Euros

	31.12.2014	31.12.2013	Differences
<b>ASSETS</b>			
Net operating working capital	844	1,015	(171)
Other assets, net	(909)	(1,210)	301
<b>Working capital</b>	<b>(65)</b>	<b>(195)</b>	<b>130</b>
Net non-current assets	46,785	46,503	282
Other provisions	(3,008)	(3,232)	224
Net assets held for sale	3	1	2
<b>NET INVESTED CAPITAL</b>	<b>43,715</b>	<b>43,077</b>	<b>638</b>
<b>COVERAGE</b>			
Current net financial position	(181)	(688)	507
Non-current net financial debt	6,399	6,423	(24)
<b>Net financial debt</b>	<b>6,218</b>	<b>5,735</b>	<b>483</b>
<b>Equity</b>	<b>37,497</b>	<b>37,342</b>	<b>155</b>
<b>COVERAGE</b>	<b>43,715</b>	<b>43,077</b>	<b>638</b>

**Net invested capital** of €43,715 million rose by €638 million in the year due to the increase in **working capital** (+€130 million), the increase in **net non-current assets** (+€282 million), the decrease in **other provisions** (+€224 million) and the decrease in **net assets held for sale** (+€2 million).

**Net operating working capital** amounts to €844 million, down by €171 million as a result of:

- greater receivables arising from public service contracts with the Ministry of the Economy and Finance (+€131 million) due to longer collection times for considerations;
- lower receivables relating to the public service contract with regions (-€248 million) due to the settlement of considerations in the year and the reduction in production volumes;
- greater non-current receivables (+€65 million) mainly due from government administrations and other public administrations for services previously provided to the government commission handling the waste emergency in the Campania region to manage solid urban waste in the region;
- greater inventories (+€44 million) mainly due to the increase in raw materials, consumables and supplies (€18 million) following purchases of materials and production by the Officine Nazionali Armamento e Apparecchiature Elettriche (national armaments and electrical device workshops) in Pontassieve and Bologna, and greater receivables arising from construction contracts (€13 million for infrastructure and €8 million design and engineering);
- greater trade payables (-€133 million), particularly to ordinary supplies for investments of €114 million;
- lower other trade receivables (-€30 million).

**Other assets, net** increased by €301 million, mainly as a result of the combination of the following factors:

- greater receivables from the Ministry of the Economy and Finance, the Ministry of Infrastructures and Transport and other bodies, particularly for grants related to assets to be used for infrastructural investments (+€904 million);
- net decrease in other receivables and payables (-€156 million);
- increase in the net VAT balance (+€127 million), mainly due to the VAT asset for 2014, offset by the tax authorities' refund of 2011 VAT;
- increase in advances on grants related to assets received by RFI (-€441 million);
- decrease in deferred tax assets (-€148 million).



**Net non-current assets** increased by €282 million mainly due to the €4,261 million increase in investments in the year, partly offset by grants related to assets of €2,484 million, amortisation and depreciation of €1,153 million, impairment losses of €276 million, sales of €49 million and, finally, the €28 million increase in equity investments, essentially following results for 2014, income from the penalties that Cisalpino SA applied to Alstom and the quota capital increases of Terminal Alptransit Srl and BBT SE.

**Other provisions** decreased by €224 million, due, in particular, to the utilisation of provisions in the year. The utilisations mainly relate to the bilateral company-INPS (Italian social security institution) fund for income assistance, set up to cover the launch of the Group's production structure rationalisation projects (€165 million), the provision for litigation with personnel to cover expenses and contributions arising from disputes with personnel (€29 million) and the provision for litigation with third parties (€29 million).

**Net financial debt** of €6,218 million increased by €483 million on 31 December 2013. This change is mainly related to:

- reduction in the cash pooling balance (€125 million) that comprises the payments made by the Ministry of the Economy and Finance 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;
- decrease in other loan assets (€30 million);
- decrease in the receivable from the Ministry of the Economy and Finance following the collection of the annual portion of the fifteen-year grants (€438 million), offset by lower payables (-€175 million) to the Cassa Depositi e Prestiti (Savings and Loans Bank);
- decrease in bank and postal accounts and other liquid funds (€189 million) due to the repayment of loans to the European Investment Bank and the Cassa Depositi e Prestiti and the increase in bank overdrafts (€50 million);
- decrease in loans from banks and other financial backers (-€169 million);
- decrease in bonds (-€5 million).

**Equity** rose from €37,342 million to €37,497 million, mainly due to the increase in the profit for the year (€303 million), offset by the decrease in the reserve for unrealised gains and losses (-€136 million) and losses carried forward (-€12 million) following Busitalia-Sita Nord Srl's acquisition of another 30% interest in Umbria Mobilità Esercizio.

**RECONCILIATION at 31.12.2014 and 31.12.2013 between profit for the year and equity in the separate financial statements of Ferrovie dello Stato Italiane SpA and the consolidated financial statements**

millions of Euros

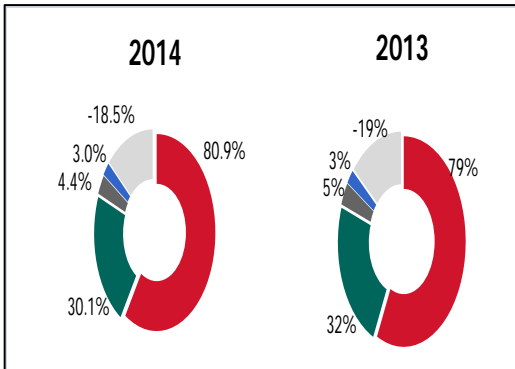
	31 December 2014		31 December 2013	
	Equity	Profit for the year	Equity	Profit for the year
Separate financial statements of Ferrovie dello Stato Italiane SpA	36,340	89	36,252	77
Profits (losses) for the year of consolidated investees since acquisition, net of dividends and impairment losses:				
- portion of current and previous profits (losses) attributable to the owners of the parent	1,377	262	1,228	501
- elimination of impairment losses on equity investments	97	1	96	43
- reversal of dividends	(4)	(116)	(4)	(128)
<b>Total</b>	<b>1,470</b>	<b>147</b>	<b>1,320</b>	<b>416</b>
Other consolidation adjustments:				
- equity accounting of investments in unconsolidated subsidiaries and associates	53	23	31	4
- reversal of intragroup profits	(413)	(17)	(396)	(30)
- reversal of taxes arising on tax consolidation	282	49	233	(2)
- other	(4)	1	7	(4)
<b>Total</b>	<b>(82)</b>	<b>56</b>	<b>(125)</b>	<b>(32)</b>
- Reserves for unrealised gains and losses	(686)		(557)	
- Translation reserve	3		3	
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT</b>	<b>37,046</b>	<b>292</b>	<b>36,892</b>	<b>459</b>
- Equity attributable to non-controlling interests (excluding profit for the year)	261		261	
- Profit attributable to non-controlling interests	11	11	1	1
<b>EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>	<b>272</b>	<b>11</b>	<b>262</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>37,318</b>	<b>303</b>	<b>37,154</b>	<b>460</b>

The Group's performance is analysed below with reference to each of the operating segments that make up the FS Group business (Transport, Infrastructure, Real Estate Services and Other Services).

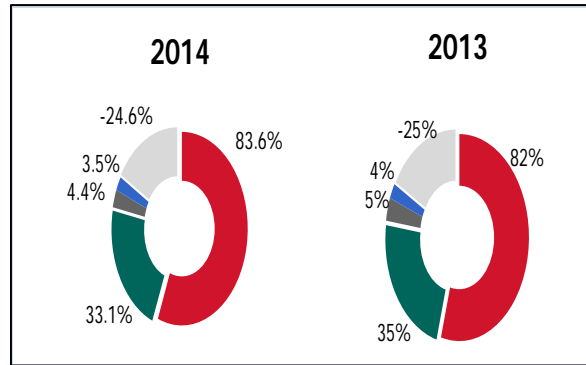
	millions of Euros					
2014	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and Eliminations Operating Segments	Ferrovie dello Stato Italiane Group
Revenue from Third Parties	6,491	1,385	200	21	1	8,097
Inter-segment revenues	295	1,142	173	232	(1,549)	293
<b>Revenue</b>	<b>6,787</b>	<b>2,527</b>	<b>372</b>	<b>253</b>	<b>(1,548)</b>	<b>8,390</b>
Personnel expense	(2,248)	(1,517)	(33)	(144)	25	(3,917)
Other costs, net	(3,000)	(562)	(241)	(78)	1,522	(2,359)
<b>Operating costs</b>	<b>(5,248)</b>	<b>(2,079)</b>	<b>(274)</b>	<b>(222)</b>	<b>1,547</b>	<b>(6,276)</b>
<b>Gross operating profit</b>	<b>1,539</b>	<b>448</b>	<b>98</b>	<b>31</b>	<b>(2)</b>	<b>2,114</b>
Amortisation and depreciation	(1,019)	(87)	(32)	(16)		(1,153)
Write-downs and provisions	(269)	(15)	(8)	(10)		(302)
<b>Operating profit</b>	<b>251</b>	<b>346</b>	<b>58</b>	<b>5</b>	<b>(1)</b>	<b>659</b>
Finance income and costs	(80)	(43)	(19)	32	(1)	(111)
Income taxes	(79)	(175)	(22)	31	(1)	(245)
<b>Net profit for the year (Owners of the parent and Non-controlling Interests)</b>	<b>92</b>	<b>129</b>	<b>17</b>	<b>68</b>	<b>(3)</b>	<b>303</b>
<b>Net invested capital</b>	<b>8,867</b>	<b>32,897</b>	<b>1,977</b>	<b>155</b>	<b>(181)</b>	<b>43,714</b>

	millions of Euros					
2013	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and Eliminations Operating Segments	Ferrovie dello Stato Italiane Group
Revenue from Third Parties	6,285	1,513	230	21	17	8,065
Inter-segment revenues	301	1,176	172	237	(1,620)	264
<b>Revenue</b>	<b>6,586</b>	<b>2,689</b>	<b>401</b>	<b>258</b>	<b>(1,603)</b>	<b>8,329</b>
Personnel expense	(2,216)	(1,540)	(32)	(146)	24	(3,910)
Other costs, net	(2,926)	(640)	(307)	(81)	1,566	(2,386)
<b>Operating costs</b>	<b>(5,142)</b>	<b>(2,180)</b>	<b>(339)</b>	<b>(227)</b>	<b>1,590</b>	<b>(6,296)</b>
<b>Gross operating profit</b>	<b>1,444</b>	<b>509</b>	<b>62</b>	<b>31</b>	<b>(13)</b>	<b>2,033</b>
Amortisation and depreciation	(983)	(95)	(29)	(16)		(1,123)
Write-downs and provisions	(14)	(35)	(31)	(8)		(89)
<b>Operating profit</b>	<b>446</b>	<b>380</b>	<b>2</b>	<b>6</b>	<b>(13)</b>	<b>822</b>
Finance income and costs	(177)	(81)	(5)	28		(234)
Income taxes	(85)	(45)	21	23	(40)	(127)
<b>Net profit for the year (Owners of the parent and Non-controlling Interests)</b>	<b>184</b>	<b>253</b>	<b>18</b>	<b>58</b>	<b>(53)</b>	<b>460</b>
<b>Net invested capital</b>	<b>8,871</b>	<b>32,338</b>	<b>1,996</b>	<b>46</b>	<b>(176)</b>	<b>43,076</b>

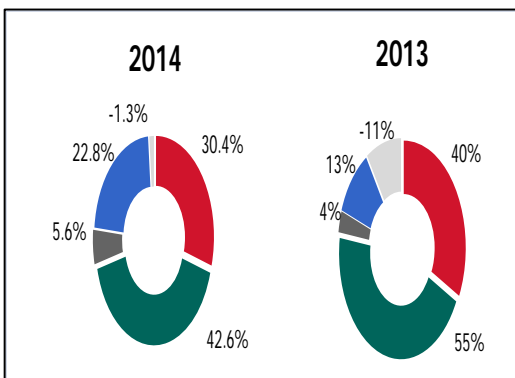
**Revenue**



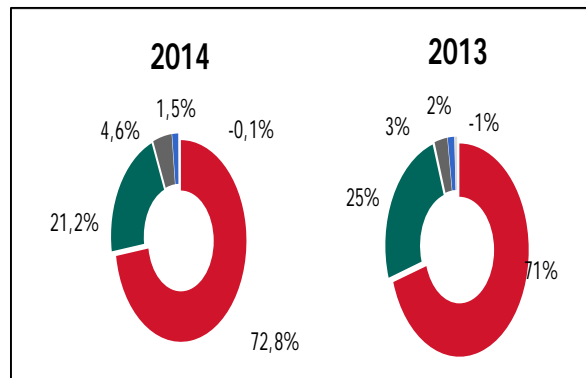
**Operating costs**



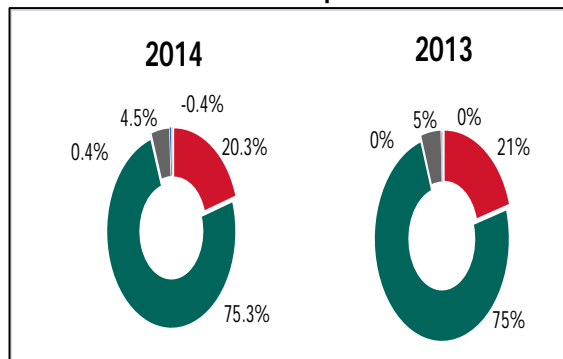
**Profit for the year**



**Gross operating profit**



**Net invested capital**



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

## Transport

The FS Group companies operating in the transport of passengers and/or cargo/freight by rail, road or sea are part of the **Transport** segment - the Group's primary segment. Trenitalia is, by far, the most important company in this segment, in which the Netinera Deutschland group, the TX Logistik group (both operating mainly in Germany), the FS Logistica group, the Busitalia group and other smaller companies also operate.

More specifically, Trenitalia SpA mainly operates by rail, handling services for passenger and cargo 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. The companies that mainly handle rail cargo transport are FS Logistica SpA and its investees at domestic level and the TX Logistik group internationally (mainly operating in Germany, Austria, Switzerland and Denmark). The Transport segment also includes road passenger transport, which is mainly handled by Busitalia-Sita Nord Srl, Ataf Gestioni Srl and, since 2014, by Umbria Mobilità Esercizio Srl as well. Finally, the Transport segment also includes companies like Serfer Srl, which provides operating and engineering services to railway companies, Cemat SpA which handles combined, unaccompanied domestic and international transport, SGT SpA, operating in the intermodal transport sector, and Blufferies Srl which transports people, vehicles and goods by sea.

	millions of Euros			
	2014	2013	Change	%
Revenue from sales and services	6,480	6,274	206	3.3
Other income	307	312	(5)	(1.6)
<b>Revenue</b>	<b>6,787</b>	<b>6,586</b>	<b>201</b>	<b>3.1</b>
<b>Operating costs</b>	<b>(5,248)</b>	<b>(5,142)</b>	<b>(106)</b>	<b>2.1</b>
<b>Gross operating profit</b>	<b>1,539</b>	<b>1,444</b>	<b>95</b>	<b>6.6</b>
<b>Operating profit</b>	<b>251</b>	<b>446</b>	<b>(195)</b>	<b>(43.7)</b>
<b>Segment profit (attributable to the owners of the parent and non-controlling interests)</b>	<b>92</b>	<b>184</b>	<b>(92)</b>	<b>(50.0)</b>
<b>Net invested capital</b>	<b>8,867</b>	<b>8,871</b>	<b>(4)</b>	

The Transport segment showed a **profit for 2014** of €92 million, down by the same amount (€92 million), and therefore presenting a decrease of 50% in 2013.

millions of Euros

	2014	2013	Change	%
<b>Revenue from sales and services</b>	<b>6,480</b>	<b>6,274</b>	<b>206</b>	<b>3.3</b>
<b>Revenue from transport services</b>	<b>6,256</b>	<b>6,063</b>	<b>193</b>	<b>3.2</b>
Market revenue	3,989	3,824	165	4.3
Revenue from public service contracts	2,267	2,239	28	1.3
<b>Other service revenue</b>	<b>224</b>	<b>211</b>	<b>13</b>	<b>6.2</b>
<b>Other income</b>	<b>307</b>	<b>312</b>	<b>(5)</b>	<b>(1.6)</b>
<b>Revenue</b>	<b>6,787</b>	<b>6,586</b>	<b>201</b>	<b>3.1</b>

**Revenue** generated in the Transport segment in 2014 amount to €6,787 million, up by €201 million on 2013 (+3.1%), substantially due to revenue from sales and services (+€206 million), which includes revenue from transport services.

Indeed, **revenue from transport services**, which includes both **market revenue** (passengers and cargo) and **revenue from public service contracts (with the regions and the government)**, rose from €6,063 million to €6,256 million. This €193 million increase (+3.2%) applies inconsistently to the various operating segments of the group companies active in this segment. The main factors that affected the changes are listed below:

- total revenue from long-haul passenger transport services increased by €104 million, with the “*Freccia*” trains clearly posting the highest revenue, showing growth of over €113 million. This performance, which is partly due to the strengthening of the HS offer on the Turin-Milan-Naples-Salerno route, is above all the result of Trenitalia’s launch of successful marketing campaigns and the continuance of considerable investments to improve the “*Freccie*” fleet. Internationally, revenue generated by Thello decreased by €7 million. Long-haul transport revenue under the “universal service” agreement did not show a material change in 2014 with respect to 2013 (+1.3%); in line with the provisions of the long-haul public service contract, Trenitalia has confirmed the service offer model defined with the customer, the Ministry of Infrastructure and Transport;
- regional transport revenue increased by €5 million, €4 million of which due to the sound performance of the German Netinera group companies, mainly due to new contracts signed with the German regions, and €1 million due to Trenitalia regional passenger division;
- cargo transport revenue grew by roughly €36 million (+4.1%), performing well in nearly all business areas. The German companies contributed in particular: TX Logistik AG (+€11 million) and the Netinera Deutschland group companies (+€6 million). Trenitalia’s cargo division showed growth of over €8 million in revenue, with international traffic volumes up as domestic traffic volumes fell. In terms of product areas, the most significant drops were concentrated in the transport of steel and chemical products, while the transport of raw materials, consumables, imports of timber and grain and the automotive sector fared the best. Finally, FS Jit Italia Srl contributed positively to this segment, generating €6 million.
- Road transport improved by €22 million, mainly benefitting from the inclusion of Umbria Mobilità Esercizio Srl and Savit Srl in the consolidation scope;
- lastly, sea transport saw a €2 million decline in Blufferies’ revenue from considerations.

Revenue from the public service contract with the regions and the government saw a €53 million increase in revenue from the regions, while revenue from the public service contract with the government decreased by €25 million. The growth in revenue from the regions is mainly due to the consolidation of Umbria Mobilità Esercizio (+€49 million) and the Netinera Deutschland group companies (+€7 million). In this segment, Trenitalia reported a decrease of roughly €3 million, due to reduced production, partially offset by the rise in considerations as a result of contractual indexing mechanisms. Most of the public service contracts in place with the regions expired on 31 December 2014. Negotiations are underway and various understandings are being reached for the renewal of these agreements. In most cases, bridge agreements are being negotiated in view of upcoming tenders, through which the regions have expressed their plans to sign new agreements. On the other hand, revenue from public service contracts with the government decreased by approximately €25 million. The public service contract with the Ministry of Infrastructure and Transport for the special-statute regions has not been renewed since 2009 and Trenitalia is continuing to provide its services on the basis of instructions that the Ministry provides from one year to the next. At the same time, the progressive transfer of responsibility to the special-status regions continues. Indeed, following the programme agreement dated 7 June 2012 between Sardinia and the relevant ministries, the transfer of financial resources from the Ministry of Infrastructure and Transport to the region was completed and negotiations began to directly award the services to Trenitalia. A similar procedure is underway with the Sicily Region.

**Other service revenue** amounted to €224 million, up by €13 million (+6.2%) on 2013, mainly due to the following:

- greater revenue from services to railway companies, particularly in connection with the maintenance of rolling stock, performed by Trenitalia on Trenord's behalf (+€27 million);
- lower revenue from other transport-related services (-€9 million);
- lower revenue from contract work in progress (-€8 million).

**Other income** of €307 million decreased by €5 million on 2013 (-1.6%), mainly due to greater amounts contributed by Umbria Mobilità Esercizio (€6 million), greater income from sundry services (€6 million), lower ordinary profits and lower profits on sales of non-current assets by FS Logistica (€9 million).

millions of Euros

	2014	2013	Change	%
<b>Personnel expense</b>	<b>2,248</b>	<b>2,216</b>	<b>32</b>	<b>1.4</b>
<b>Other costs, net</b>	<b>3,000</b>	<b>2,926</b>	<b>74</b>	<b>2.5</b>
Raw materials, consumables, supplies and goods	545	519	26	5.0
Services	2,604	2,555	49	1.9
Use of third party assets	223	211	12	5.7
Other operating costs	88	84	4	4.8
Internal work capitalised	(460)	(443)	(17)	3.8
<b>Operating costs</b>	<b>5,248</b>	<b>5,142</b>	<b>106</b>	<b>2.1</b>

**Operating costs** in the Transport segment amounted to €5,248 million in 2014, up by €106 million on 2013 (+2.1%), due to the growth in both personnel expense and other costs, net.

**Personnel expense** of €2,248 million rose by €32 million (+1.4%), substantially due to the increase recorded by the Netinera Deutschland group (+€8 million), Serfer (+€6 million) and Umbria Mobilità Esercizio and Savit (+€44 million and +€4 million, respectively), partly offset by the decrease recorded by Trenitalia (-€31 million), mainly due to the decrease in the average number of employees.

**Other costs, net** of €3,000 million increased by €74 million (+2.5%), mainly due to the increase in service costs and costs for raw materials, consumables, supplies and goods, partly offset by the increase in internal work capitalised. The main changes are analysed below:

- under service costs, which are closely related to the increase in revenue from sales and services, the most significant changes relate to maintenance, cleaning, services and contracted work (+€30 million), cargo transport services (+€19 million) and other (+€16 million); showing a dissimilar trend, toll costs fell by €21 million, mainly due to the reduction in costs to access infrastructure following the decrease in the individual toll applicable to HS railway sections implemented by ART resolution no. 70/2014, and due to the decrease in the regional transport offer;
- raw materials, consumables, supplies and goods saw a €20 million increase in the cost of electrical energy for train traction, mainly related to Trenitalia (over €18 million), resulting from the Electricity and Gas Regulator's resolution no. 641/2013, which substantially cuts the tariff subsidies previously reserved for railway companies, with a consequent rise in costs.
- internal work capitalised mainly related to materials, personnel expense and transport costs capitalised for maintenance increasing the value of rolling stock.

The **gross operating profit** in the Transport segment came to €1,539 million in 2014, up by €95 million (+6.6%) on 2013.

The **operating profit** amounted to €251 million, down by €195 million (-43.7%) on the previous year. This decrease was due to the €36 million increase in amortisation and depreciation and the €243 million growth in impairment losses, along with the €11 million increase in provisions. In particular, impairment losses include the impairment of Trenitalia's Cargo CGU (following impairment testing) of over €185 million and FS Logistica's net impairment losses of €56 million on five real estate



complexes, in addition to the revaluation of another complex to adjust its carrying amount to market value. With the approval of Law no. 190/2014 (the 2015 Stability Act), the government decided not to renew the Cargo Service Contract with Trenitalia SpA, which reduced considerations for the Group's main transport company by approximately €105 million per year, requiring a revision of the Cargo Division's business plan in order to check whether the amount of capital invested in this division is recoverable. In 2015, the elimination of costs to use infrastructure in Southern Italy and ferry costs, which are calculated in proportion to train-km generated by the railway companies, for transport services originating and/or terminating in Central and Southern Italy, will only partly offset the impact this development.

**Net financial expense** of €80 million improved by €97 million (+54.8%) on the previous year. The change is due to the €49 million increase in financial income, in addition to the €29 million decrease in financial expense and the €19 million increase in the share of profits from equity-accounted investees.

**Income taxes** for this segment amounted to €79 million, down by €6 million (-8.1%).

## Loans

- **October 2014: Amendment to the loan granted to Trenitalia in 2005, for an initial amount of €925 million and the related parent guarantee from Ferrovie dello Stato Italiane SpA**

In August 2013, the European Investment Bank ("EIB") announced the need to revise the terms of the loan granted to Trenitalia in 2005 for an initial amount of €925 million, secured by guarantees from five Italian banks, which no longer meet the minimum rating requirements provided for by the loan agreement. The EIB accepted the proposal that Ferrovie dello Stato Italiane SpA ("FS SpA") submitted to replace only those guarantees issued by banks presenting the highest level of credit stress with a direct guarantee from the parent FS SpA, in order to avoid the early settlement of the loan: this amendment was possible because of the investment grade rating that FS SpA received in 2013. On 14 October 2014, FS SpA signed a commitment with EIB to guarantee an initial maximum amount of €218,500,000.00 euro (the maximum amount at 31 December 2014 was €185,437,500.00 given the loan instalments that have been repaid in the meantime) over the same term as the loan, i.e., until Trenitalia has met all its obligations under the loan agreement, which provides for settlement of the final balance on 30 April 2018. In line with the original provisions of the loan agreement, this replacement also includes an amendment to the loan agreement: i) adjusting the initially-agreed interest rate; ii) adjusting the minimum rating of guarantor banks and iii) including integrations to ensure that the EIB loan treatment is substantially in line with the terms and conditions of FS SpA's EMTN Programme.

## Infrastructure

The main Group company operating in the **Infrastructure** segment is Rete Ferroviaria Italiana ("RFI"). Its mission is, on one hand, to operate as the national railway network operator, which entails maintaining, using and developing the network and the related safety systems, in addition to providing sea transport to and from Italy's largest islands. On the other hand, RFI owns and manages the Group's assets that are not functional for railway operations.

To a lesser extent, Italferr, the Group's engineering company, also contributes to the results of this segment, along with other Group companies that handle infrastructure, such as Brenner BasisTunnel ("BBT"), Tunnel Ferroviario del Brennero ("TFB") and Lyon Turin Ferroviare ("LTF"), now known as Tunnel Euralpin Lyon Turin ("TELT"). The core business of all these companies is the construction of tunnels between Italy and Austria and Italy and France.

	millions of Euros			
	2014	2013	Change	%
Revenue from sales and services	2,218	2,320	(102)	(4.4)
Other income	309	369	(60)	(16.3)
<b>Revenue</b>	<b>2,527</b>	<b>2,689</b>	<b>(162)</b>	<b>(6.0)</b>
<b>Operating costs</b>	<b>(2,079)</b>	<b>(2,180)</b>	<b>101</b>	<b>(4.6)</b>
<b>Gross operating profit</b>	<b>448</b>	<b>509</b>	<b>(61)</b>	<b>(12.0)</b>
<b>Operating profit</b>	<b>346</b>	<b>380</b>	<b>(34)</b>	<b>(8.9)</b>
<b>Segment profit (attributable to the owners of the parent and non-controlling interests)</b>	<b>129</b>	<b>253</b>	<b>(124)</b>	<b>(49.0)</b>
<b>Net invested capital</b>	<b>32,897</b>	<b>32,338</b>	<b>559</b>	<b>2</b>

The **Infrastructure** segment showed a **profit for 2014** of €129 million, down by €124 million (-49.0%) on the previous year.

	millions of Euros			
	2014	2013	Change	%
<b>Revenue from sales and services</b>	<b>2,218</b>	<b>2,320</b>	<b>(102)</b>	<b>(4.4)</b>
<b>Revenue from infrastructure services</b>	<b>2,138</b>	<b>2,248</b>	<b>(110)</b>	<b>(4.9)</b>
Other service revenue	80	72	8	11.1
<b>Other income</b>	<b>309</b>	<b>369</b>	<b>(60)</b>	<b>(16.3)</b>
<b>Revenue</b>	<b>2,527</b>	<b>2,689</b>	<b>(162)</b>	<b>(6.0)</b>

**Revenue from sales and services** consist of revenue from infrastructure services and traffic-related services provided by RFI (€2,178 million) and revenue for engineering services provided by Italferr (€40 million). In particular, **revenue from infrastructure services** fell by €110 million from €2,248 million in 2013 to €2,138 million in 2014. Because RFI is the

railway network operator, its revenue trend is closely related to and influenced by the legislative measures that regulate the sector. Specifically, the following changes were seen in the year:

- a €75 million reduction in government grants as a result of the lower funds earmarked in the Government Programme Contract for 2012-2014 services, which implements, over its term, the effects of an extensive revision of the maintenance models applied to the Italian railway network;
- a €52 million decrease in toll revenue, mainly due to the reduction in the toll charge for the HS network (36% reduction in the individual toll from €12.81/km to €8.2/km as of 6 November 2014, approved by Ministerial decree no. 330 of 10 September 2013 and ART resolution no. 70 of 31 October 2014);
- a €17 million increase in revenue from the sale of electrical energy for traction due to the growth in the purchase cost of the same energy and the implementation of the Electricity, Gas and Water Regulator's resolution no. 641 of 27 December 2013.

**Other service revenue** of €80 million increased slightly (+€8 million), the net effect of the decrease in revenue from traffic-related services generated by RFI (-€17 million) and the increase in Italferr's revenue from engineering services (+€25 million).

**Other income** almost entirely relates to RFI and fell from €369 million to €309 million (-€60 million), mainly due to lower gains (-42 million) than in 2013, when they were recognised primarily on the sale of Roma Tiburtina (€49 million) in the first half of the year, the 2013 reduction in income following the favourable outcome of ruling no. 4154/2012 (ordering Autostrade per l'Italia SpA to pay the costs incurred to reclaim polluted sites in the municipality of Casoria), partly offset by greater revenue for work on behalf of third parties (+€6 million).

	millions of Euros			
	2014	2013	Change	%
<b>Personnel expense</b>	<b>1,517</b>	<b>1,540</b>	<b>(23)</b>	<b>(1.5)</b>
<b>Other costs, net</b>	<b>562</b>	<b>640</b>	<b>(78)</b>	<b>(12.2)</b>
Raw materials, consumables, supplies and goods	419	416	3	0.7
Services	552	632	(80)	(12.7)
Use of third party assets	44	47	(3)	(6.4)
Other operating costs	118	110	8	7.3
Internal work capitalised	(571)	(565)	(6)	1.1
<b>Operating costs</b>	<b>2,079</b>	<b>2,180</b>	<b>(101)</b>	<b>(4.6)</b>

**Personnel expense** showed a total decrease of €23 million on 2013, mainly due to the reduction in RFI's workforce following the rationalisation of the company's organisational structure and its use of the extraordinary benefits under the bilateral fund for income assistance.

**Other costs** decreased by €78 million in the year, from €640 million in 2013 to €562 million in 2014; this decrease was due to the general reduction of €80 million in service costs, the net effect of RFI's decrease (-€93 million) and Italferr's increase (+€13 million). RFI's decrease is mainly due to the €111 million release of the provision for maintenance costs, as the reasons for the accrual no longer apply. This decrease was partly offset by the increase in the provision due to accruals and releases (€36 million), following greater accruals of €26 million mainly for civil court litigation and reduced accruals of (€10 million).

Italferr's increase is a result of the increased outsourcing of engineering services for contracts acquired abroad (roughly €10 million) and the increases in IT service costs and insurance premiums, amounting to €1 million each.

The **operating profit** came to €346 million and was affected not only by the weaker profit from the core business (-€61 million), but by the €8 million decrease in amortisation and depreciation as well, due to the cut in the HS/HC network rate affecting RFI, mainly in connection with the growth in forecast train/km volumes, and the increase in impairment losses (€5 million) due to higher impairment of property, plant and equipment.

**Net financial expense** improved by €38 million from €81 million to €43 million. This change relates to RFI and is mainly the result of the €21 million decrease in financial income following lower interest income from the COCIV consortium in relation to the Terzo Valico dei Giovi HS/HC railway section, but is also due to lower accruals for the equity investment in Stretto di Messina (€49 million) and the €27 million decrease in other expense due to two arbitration proceedings in 2013, partly offset by greater financial expense of €20 million on the loans agreed with the parent for the issue of the Euro Medium Term Notes in 2013.

**Income taxes** increased by €129 million, mainly in relation to RFI, partly due to the €143 million release of deferred tax assets and liabilities - as a result of the new legislation introduced in article 1.20 of Law no. 190/2014 (the 2015 Stability Act) - entailing the full deductibility of all personnel expense relating to employees hired under open-ended contracts for IRAP purposes. This measure has made it highly unlikely that the deferred tax assets previously recognised by the infrastructure operator will be recovered. The increase in income taxes is also due to RFI's €17.5 million decrease in the IRAP tax charge, mainly due to the decrease in gross production revenue and the rise in the tax-deductible depreciation pursuant to article 1.86/87 of Law no. 266 of 23 December 2005.

## Loans

### • **November 2014: Exercise of the option to adjust the interest rate on the "EIB 4-4" loan**

In November, with effect from 15 December 2014, the interest rate applied to the tranche of the "EIB 4-4" loan agreement that the European Investment Bank ("EIB") and Treno Alta Velocità SpA ("TAV"), now known as Rete Ferroviaria Italiana SpA, signed on 14 July 2000, was adjusted. The tranche subject to the adjusted interest rate presented outstanding debt of €148 million and provided for repayment in increasing half yearly instalments, with the final instalment due in December 2030. RFI and the parent, as co-debtors, exercised the interest rate adjustment option in the original provisions of the loan agreement, thereby modifying the interest rate structure; specifically, the original fixed rate of 5.43% applied since disbursement was replaced, at the adjustment date, with a more favourable variable rate indexed to the 3-month Euribor plus a spread that is capped at 0.15%. Given the current market conditions, this adjustment should significantly reduce future interest on the "EIB 4-4" loan.

## Real Estate Services

The main companies operating in the **Real Estate Services** segment are those that manage the main railway stations (Grandi Stazioni group and Centostazioni SpA). In addition, this segment also includes the FS Group companies that develop real estate assets that are not functional to railway operations and handle the sale of land and buildings held for trading.

In particular, the Grandi Stazioni group manages and redevelops the 13 main Italian railway stations (Roma Termini, Milano Centrale, Torino Porta Nuova, Firenze Santa Maria Novella, Bologna Centrale, Napoli Centrale, Venezia Mestre and Santa Lucia, Verona Porta Nuova, Genova Piazza Principe, Genova Brignole, Palermo Centrale and Bari Centrale), manages the Roma Tiburtina station and, through its subsidiary Grandi Stazioni Repubblica Česká Sro, manages the Central Prague and Mariánské Lázně stations in the Czech Republic.

On the other hand, Centostazioni SpA redevelops and oversees the optimal management of 103 station complexes throughout Italy, leveraging their use as commercial centres by developing various business opportunities within the stations.

The Real Estate Services segment also includes FS Sistemi Urbani Srl, which develops real estate assets not functional to railway operations through the integrated management, real estate service development and redevelopment of the areas that surround the stations and connect the adjacent cities with stations and transport hub infrastructures.

Furthermore, the parent FS SpA'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 FS Group's land and buildings held for trading.

Finally, this segment includes companies like Self Srl, which manages the transport and dispatching of electrical energy, and Metropark SpA, which studies, designs and builds car parks and manages the car parks and depots for all types of private and public means of transport.

millions of Euros

	2014	2013	Change	%
Revenue from sales and services	15	16	(1)	(6.3)
Other income	357	385	(28)	(7.3)
<b>Revenue</b>	<b>372</b>	<b>401</b>	<b>(29)</b>	<b>(7.2)</b>
<b>Operating costs</b>	<b>(274)</b>	<b>(339)</b>	<b>65</b>	<b>(19.2)</b>
<b>Gross operating profit</b>	<b>98</b>	<b>62</b>	<b>36</b>	<b>58.1</b>
<b>Operating profit</b>	<b>58</b>	<b>2</b>	<b>56</b>	<b>(&gt;200)</b>
<b>Segment profit (attributable to the owners of the parent and non-controlling interests)</b>	<b>17</b>	<b>18</b>	<b>(1)</b>	<b>(5.6)</b>
<b>Net invested capital</b>	<b>1,977</b>	<b>1,996</b>	<b>(19)</b>	<b>(1)</b>

The Real Estate Services segment showed a **profit for 2014** of €17 million, down only slightly (-€1 million) on 2013, despite the worsening real estate market crisis.

millions of Euros

	2014	2013	Change	%
<b>Revenue from sales and services</b>	<b>15</b>	<b>16</b>	<b>(1)</b>	<b>(6.3)</b>
Revenue from the sale of electrical energy for traction	7	8	(1)	(12.5)
Other service revenue	8	8		
<b>Other income</b>	<b>357</b>	<b>385</b>	<b>(28)</b>	<b>(7.3)</b>
<b>Revenue</b>	<b>372</b>	<b>401</b>	<b>(29)</b>	<b>(7.2)</b>

**Revenue** amounted to €372 million, down by €29 million on 2013 (-7.2%), almost entirely as the result of the drop in **other income** from €385 million in 2013 to €357 million (-7.3%) in 2014. This decrease (€28 million) is due to the decrease in revenue from leases reported by FS Sistemi Urbani (€25.7 million) and Ferrovie dello Stato Italiane (€9.5 million), partly offset by the rise in revenue of Metropark (+€1.2 million), the Grandi Stazioni group (+€5.5 million), Centostazioni (+€0.4 million) and Self (+€0.1 million).

millions of Euros

	2014	2013	Change	%
<b>Personnel expense</b>	<b>33</b>	<b>32</b>	<b>1</b>	<b>3.1</b>
<b>Other costs, net</b>	<b>241</b>	<b>307</b>	<b>(66)</b>	<b>(21.5)</b>
Raw materials, consumables, supplies and goods	8	59	(51)	(86.4)
Services	146	149	(3)	(2.0)
Use of third party assets	62	63	(1)	(1.6)
Other operating costs	28	40	(12)	(30.0)
Internal work capitalised	(3)	(4)	1	(25.0)
<b>Operating costs</b>	<b>274</b>	<b>339</b>	<b>(65)</b>	<b>(19.2)</b>

**Operating costs** amount to €274 million, down by €65 million on 2013 (-19.2%), substantially due to the decrease in other costs, net.

**Personnel expense** of €33 million grew by €1 million (+3.1%), mainly following leaving incentives and performance-based bonuses granted by the Grandi Stazioni group.

**Other costs, net** of €241 million show a €66 million decrease (-21.5%), mainly due to the €51 million reduction in costs for raw materials, consumables, supplies and goods (-86.4%) and the €12 million drop in other operating costs (-30%).

**Raw materials, consumables, supplies and goods** decreased by €51 million; of this decrease, €37.9 million relates to the change in the balance of the parent FS SpA's land and buildings held for trading, while another €13.1 million relates to FS Sistemi Urbani, due to the lower cost of sales in 2014 compared to 2013.

**Other operating costs** decreased by €12 million and substantially relate to the Grandi Stazioni group. In particular, this decrease reflects the improvement in litigation and disputes (-€10.4 million), which in 2013 included Grandi Stazioni SpA's €7.7 million accrual for the litigation with former agents, which was settled in 2014, generating prior year income equal to the refund of €2.7 million of the amount paid. Furthermore, the Grandi Stazioni group shows a decrease of €1.3 million due to lower accruals for other pending litigation.

The Real Estate segment's **gross operating profit** for 2014 is €98 million, up by €36 million on 2013 (+58.1%) due to the decrease in operating costs (-19.2%), which was more than proportionate to the decrease in revenue (-7.2%).

In 2014, **amortisation and depreciation** in this segment grew by €2.5 million on 2013, while **net impairment losses** decreased by €23.5 million, mainly due to the lower impairment losses (€19.8 million), which the parent FS SpA recognised in 2014 on investment property.

The **operating profit** for this segment came to €58 million in 2014, showing a net improvement of €56 million on 2013.

**Net financial income** increased by €14.9 million on the previous year. The parent FS SpA accounts for €14.5 million of this increase, due to higher interest income accrued on non-current loan assets with the subsidiaries.

**Income taxes** decreased by €43.2 million on the previous year. This difference is mainly relates to the parent FS SpA's income taxes of €34.6 million, due the deferred tax assets that arose in 2013 on, in particular, the impairment losses recognised that year. The difference also relates to the Grandi Stazioni group (€3.6 million), following the increase in its pre-tax profit and to FS Sistemi Urbani (€5.9 million).

## Other Services

Ferrovie dello Stato Italiane SpA 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. Ferservizi SpA also operates in this segment, providing the Group's main companies with services for the integrated management of activities not directly related to railway operations. The other companies that operate in this segment are: Fercredit SpA, which mainly develops the credit factoring and leasing business on the captive market and strives to expand the consumer credit business for Ferrovie dello Stato Italiane employees, and Italcertifer SpA which carries out certification, validation and testing activities on transport and infrastructure systems.

	millions of Euros			
	2014	2013	Change	%
Revenue from sales and services	1	2	(1)	(50.0)
Other income	252	256	(4)	(1.6)
<b>Revenue</b>	<b>253</b>	<b>258</b>	<b>(5)</b>	<b>(1.9)</b>
<b>Operating costs</b>	<b>(222)</b>	<b>(227)</b>	<b>5</b>	<b>2.2</b>
<b>Gross operating profit</b>	<b>31</b>	<b>31</b>		
<b>Operating profit</b>	<b>5</b>	<b>6</b>	<b>(1)</b>	<b>(16.7)</b>
<b>Segment profit (attributable to the owners of the parent and non-controlling interests)</b>	<b>68</b>	<b>58</b>	<b>10</b>	<b>17.2</b>
<b>Total net invested capital</b>	<b>155</b>	<b>46</b>	<b>109</b>	<b>237</b>

Other Services showed a **profit for 2014** of €68 million, up by €10 million on the previous year (+17.2%).

	millions of Euros			
	2014	2013	Delta	%
Revenue from sales and services	1	2	(1)	(50.0)
<b>Other income</b>	<b>252</b>	<b>256</b>	<b>(4)</b>	<b>(1.6)</b>
<b>Revenue</b>	<b>253</b>	<b>258</b>	<b>(5)</b>	<b>(1.9)</b>

**Revenue** of €253 million decreased by €5 million (-1.9%) and almost exclusively consists of **other income** of €252 million, which includes revenue from the non-core business.

In particular, other income consists of the following:

- revenue from real estate management generated by Ferservizi SpA in connection with the management of spaces and offices for the Group, totalling €31.3 million and showing no material changes in the year;
- revenue generated by Ferservizi SpA from facility management and administrative services, amounting to €135.4 million, down by €2.1 million;
- revenue generated by the parent from recharging Group companies for services and consultancy provided under the service and consultancy agreement and for fee income from the use of trademarks, totalling €69.5 million, down by €3.8 million;



- revenue generated by Italcertifer from the completion of several contracts, amounting to €11.9 million, up by €4 million;
- revenue generated by Fercredit from the sale of its leasing, factoring and consumer credit products, amounting to €3.7 million, down by €0.5 million.

**Revenue from sales and services** of €1 million includes only the change in work in progress relating to Italcertifer SpA. This company, which carries out certification, validation and testing activities on transport and infrastructure systems in all industrial sectors, acquired a substantial amount of contracts in 2014 (900, compared to 400 in 2013), although these contracts were individually worth less, leading to a smaller increase in work in progress than the increase seen in 2013.

	millions of Euros			
	2014	2013	Delta	%
<b>Personnel expense</b>	<b>144</b>	<b>146</b>	<b>(2)</b>	<b>(1.4)</b>
<b>Other costs, net</b>	<b>78</b>	<b>81</b>	<b>(3)</b>	<b>(3.7)</b>
Raw materials, consumables, supplies and goods		1	(1)	(100.0)
Services	59	63	(4)	(6.3)
Use of third party assets	6	6		
Other operating costs	13	11	2	18.2
<b>Operating costs</b>	<b>222</b>	<b>227</b>	<b>(5)</b>	<b>(2.2)</b>

**Personnel expense** of €144 million shows an overall decrease of €2 million (-1.4%) compared to the previous year. This change is the result of the reduction in the average number of employees following the gradual, ongoing reorganisation of production and labour at Group companies.

**Other costs** of €78 million decreased by €3 million (-3.7%) in the year. This change was due to a general reduction in costs. The **operating profit** of €5 million was affected by a decrease in amortisation and depreciation (-€1 million), mainly due to the effect of the parent's 2013 impairment losses, the increase in impairment losses (+€3 million), mainly relating to the parent and Fercredit SpA's lower accruals (-€1 million) to the extraordinary section of the bilateral company-INPS fund for income assistance.

**Net financial income** rose by €4 million from €28 million to €32 million. This change is mainly due to:

- €33 million increase in financial income, €29 million of which relates to interest income on non-current loans that the parent granted to subsidiaries and €4 million of which to the increase in loans to factoring clients and the disbursement of new targeted loans by Fercredit;
- €29 million increase in financial expense, mainly due to the rise in interest expense on the notes issued as part of the Euro Medium Term Notes programme and interest expense on the loan from Eurofima covering the purchase cost of rolling stock, offset by the decrease in interest expense on the non-current loans from banks and other financial backers to the parent.

The profit for the year is net of **income taxes** of €31.3 million, which reflects the positive effects of the national tax consolidation scheme among the parent's core operations.

## Loans

- **Update of the Base Prospectus for the Euro Medium Term Notes Programme**

On 2 December 2014, the Central Bank of Ireland approved the update of the Base Prospectus for FS SpA's Euro Medium Term Notes (*"EMTN"*) Programme, which was listed on the Dublin stock exchange in July 2013. The update mainly affected the sections *"Description of the Issuer"*, *"Information incorporated by reference"*, *"Taxation"* and *"Risk Factor"* in order to include the 2013 financial statements and 2014 half year report data in the prospectus and to include additional adjustments necessary following developments in legislation and corporate events that in 2014 had a material impact on the FS Group's business. No changes were made to the section *"Terms and Conditions of the Notes"*. Furthermore, in conjunction with the update, a new *Programme Manual* and a new *Dealer Agreement* were signed, to encourage subscription by the three banks as new dealers for the programme. The updating of this documentation was necessary as FS SpA plans to issue additional notes.

- **S&P downgrade**

On 12 December 2014, Standard & Poor's downgraded FS SpA's Long-Term Corporate Credit Rating to 'BBB-' from 'BBB'. It also revised the company's outlook from negative to stable. Consequently, the agency downgraded the rating of FS SpA's EMTN and the two notes issued as part of the programme from 'BBB-' to 'BBB'. This downgrading was the direct result of the same agency's country downgrading of Italy on 5 December 2014. FS SpA's rating is closely correlated to the country rating given the methodology used to rate government-related companies like FS SpA. On the other hand, FS SpA's Stand Alone Credit Profile (SACP) was not revised and remains 'BBB'.

## Ferrovie dello Stato Italiane SpA's performance

### Income statement

	millions of Euros			
	2014	2013	Change	% change
<b>Revenue</b>	<b>148</b>	<b>160</b>	<b>(12)</b>	<b>(7.5)</b>
- Revenue from sales and services	142	152	(10)	(6.6)
- Other revenue	6	8	(2)	(25.0)
<b>Operating costs</b>	<b>(142)</b>	<b>(181)</b>	<b>39</b>	<b>21.5</b>
<b>GROSS OPERATING PROFIT (LOSS)</b>	<b>6</b>	<b>(21)</b>	<b>27</b>	<b>(128.6)</b>
Amortisation and depreciation	(22)	(22)		
Net reversals of impairment losses	(6)	(22)	16	(72.7)
<b>OPERATING LOSS</b>	<b>(22)</b>	<b>(65)</b>	<b>43</b>	<b>(66.2)</b>
Net financial income	115	109	6	5.5
<b>PRE-TAX PROFIT</b>	<b>93</b>	<b>44</b>	<b>49</b>	<b>111.4</b>
Income taxes	(4)	32	(36)	(112.5)
<b>PROFIT FOR THE YEAR</b>	<b>89</b>	<b>76</b>	<b>13</b>	<b>17.1</b>

The **profit for 2014** amounts to €89 million, showing an improvement of €13 million (+17.1%) on the previous year.

**Gross operating profit** rose by €27 million, from a gross operating loss of €21 million to a gross operating profit of €6 million, the net result of the following factors:

- €12 million decrease in **revenue** (€148 million in 2014, compared to €160 million in 2013), mainly due to the effect of lower revenue from sales of land and buildings held for trading (-€9 million);
- €39 million decrease in **operating costs** (€142 million in 2014, compared to €181 million in 2013), mainly due to the fact that there were no impairment losses on land and building held for trading in 2014 (-€31 million), where impairment losses had been recognised in 2013 to align the carrying amount of such assets to their market values, and to the reduction in sales in the year (-€6 million), in connection with the lower revenue described in the previous point.

While the company reports another **operating loss** of €22 million, this result has improved with respect to the much more significant operating loss of €65 million for 2013 (+66.2%). The comparison of the operating profit in the two years shows an improvement of €16 million, in addition to the increase seen in the gross operating profit, entirely due to the greater impairment losses recognised in 2013 on investment property following testing to check that carrying amounts were consistent with fair value, as described above for properties held for trading.

**Net financial income** improved by €6 million, mainly due to the combined effect of:

- on one hand, the decrease in dividends distributed by subsidiaries, totalling €12 million;
- on the other, the decrease following the impairment losses of €33 million recognised in 2013 on the equity investment in FS Logistica SpA;
- lower financial income totalling €8 million, mainly due to the decrease in interest on the infragroup current account, infragroup credit lines and postal and bank accounts and the write-off of interest when the shareholder loan was extinguished;

- the €7 million exchange rate loss in relation to capital proceeds due to the investee Eurofima SA, expressed in Swiss francs.

**Income taxes** show a negative balance of €4 million; the €36 million difference compared to the previous year is due to the effect of deferred tax income of €39 million for 2013 following the impairment losses recognised that year, in particular.

### Reclassified statement of financial position

	millions of Euros		
	31.12.2014	31.12.2013	Change
<b>ASSETS</b>			
Net operating working capital	543	560	(17)
Other assets, net	(173)	(314)	141
<b>Working capital</b>	<b>370</b>	<b>246</b>	<b>124</b>
Property, plant and equipment	602	614	(12)
Non-current equity investments	35,563	35,552	11
<b>Net non-current assets</b>	<b>36,165</b>	<b>36,166</b>	<b>(1)</b>
Post-employment benefits	(14)	(16)	2
Other provisions	(515)	(475)	(40)
<b>Post-employment benefits and other provisions</b>	<b>(529)</b>	<b>(491)</b>	<b>(38)</b>
<b>NET INVESTED CAPITAL</b>	<b>36,006</b>	<b>35,921</b>	<b>85</b>
<b>COVERAGE</b>			
Current net financial position	(334)	(329)	(5)
Non-current net financial position		(2)	2
<b>Net financial position</b>	<b>(334)</b>	<b>(331)</b>	<b>(3)</b>
<b>Equity</b>	<b>36,340</b>	<b>36,252</b>	<b>88</b>
<b>COVERAGE</b>	<b>36,006</b>	<b>35,921</b>	<b>85</b>

**Net invested capital** of €36,006 million increased by €85 million in the year due to the rise in **working capital** (€124 million), offset by the increase in **post-employment benefits and other provisions** (€38 million) and the decrease in **net non-current assets** (€1 million).

**Net operating working capital** of €543 million decreased by €17 million in the year, mainly due to:

- the net decrease in trade receivables and payables (€13 million);
- the decrease in properties and land held for trading (€4 million), mainly due to sales in the year.

**Other assets, net** decreased by €141 million, mainly due to the effect of the improvement in the net VAT balance.

**Net non-current assets** came to €36,165 million, down by €1 million on 2013, mainly due to:

- the increase in the investment in Busitalia Sita Nord (€11 million);

- the decrease in property, plant and equipment (€12 million) mainly due to the combined effect of depreciation of the year (€22 million) and the capitalisation of investment projects relating to software (€12 million).

The increase in **post-employment benefits and other provisions** (€38 million) mainly reflects the net increase in the tax provision for tax consolidation (€50 million), offset by the decrease in other sundry risks (€4 million), the provision for deferred tax liabilities (€6 million), the provision for post-employment benefits and other employee benefits (€2 million).

**Net financial debt** increased by €3 million, with net cash rising from 331 million at 31 December 2013 to €334 million at 31 December 2014; this change is due to the net effect of the improvement in the current net financial position (€5 million) and the decrease in non-current net financial debt (€2 million).

Finally, **equity** shows an €88 million increase, mainly due to the profit for the year.

## Consolidated financial statements

## Statement of financial position

millions of Euros

	31.12.2014	31.12.2013
<b>Assets</b>		
Property, plant and equipment	44,002	43,775
Investment property	1,643	1,756
Intangible assets	647	507
Deferred tax assets	139	287
Equity-accounted investments	301	273
Non-current financial assets (including derivatives)	3,385	4,107
Non-current trade receivables	93	28
Other non-current assets	1,127	1,464
<b>Total non-current assets</b>	<b>51,337</b>	<b>52,197</b>
Construction contracts	43	20
Inventories	1,940	1,917
Current trade receivables	2,396	2,541
Current financial assets (including derivatives)	597	343
Cash and cash equivalents	1,308	1,622
Tax assets	101	91
Other current assets	5,809	4,508
<b>Total current assets</b>	<b>12,194</b>	<b>11,043</b>
<b>Assets held for sale and disposal groups</b>	<b>3</b>	<b>2</b>
<b>Total assets</b>	<b>63,534</b>	<b>63,241</b>
<b>Equity and liabilities</b>		
Share capital	38,790	38,790
Reserves	311	307
Reserves for unrealised gains and losses	(686)	(558)
Losses carried forward	(1,661)	(2,106)
Profit for the year	292	459
<b>Equity attributable to the owners of the parent</b>	<b>37,046</b>	<b>36,892</b>
Profit for the year attributable to non-controlling interests	11	1
Share capital and reserves attributable to non-controlling interests	261	261
<b>Total equity attributable to non-controlling interests</b>	<b>272</b>	<b>262</b>
<b>Equity</b>	<b>37,318</b>	<b>37,154</b>
<b>Liabilities</b>		
Non-current loans and borrowings	9,591	10,336
Post-employment benefits and other employee benefits	1,964	1,880
Provisions for risks and charges	822	1,114
Deferred tax liabilities	199	211
Non-current financial liabilities (including derivatives)	155	191
Non-current trade payables	20	25
Other non-current liabilities	553	559
<b>Total non-current liabilities</b>	<b>13,304</b>	<b>14,316</b>
Current loans and borrowings and current portion of non-current loans and borrowings	1,498	1,104
Current portion of provisions for risks and charges	22	28
Current trade payables	3,628	3,490
Tax liabilities	5	7
Current financial liabilities (including derivatives)	272	194
Other current liabilities	7,487	6,948
<b>Total current liabilities</b>	<b>12,912</b>	<b>11,771</b>
<b>Total liabilities</b>	<b>26,216</b>	<b>26,087</b>
<b>Total equity and liabilities</b>	<b>63,534</b>	<b>63,241</b>

## Income statement

millions of Euros

	2014	2013
<b>Revenue</b>		
Revenue from sales and services	7,734	7,597
Other income	656	732
<b>Total revenue</b>	<b>8,390</b>	<b>8,329</b>
<b>Operating costs</b>		
Personnel expense	(3,918)	(3,910)
Raw materials, consumables, supplies and goods	(898)	(936)
Services	(2,185)	(2,178)
Use of third party assets	(172)	(159)
Other operating costs	(161)	(156)
Internal work capitalised	1,058	1,043
<b>Amortisation and depreciation</b>	<b>(1,153)</b>	<b>(1,123)</b>
<b>Net reversals of impairment losses</b>	<b>(296)</b>	<b>(68)</b>
<b>Provisions</b>	<b>(6)</b>	<b>(21)</b>
<b>Operating profit</b>	<b>659</b>	<b>822</b>
<b>Financial income and expense</b>		
Financial income	107	87
Financial expense	(245)	(329)
Share of profits of equity-accounted investees	27	8
<b>Pre-tax profit</b>	<b>548</b>	<b>587</b>
Income taxes	(245)	(127)
<b>Profit for the year from continuing operations</b>		
<b>Profit for the year (attributable to the owners of the parent and non-controlling interests)</b>	<b>303</b>	<b>460</b>
<i>Profit for the year attributable to the owners of the parent</i>	292	459
<i>Profit for the year attributable to non-controlling interests</i>	11	1



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**Statement of comprehensive income**

millions of Euros

	2014	2013
<b>Profit for the year (attributable to the owners of the parent and non-controlling interests)</b>	<b>303</b>	<b>460</b>
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified to profit or loss, net of the tax effect:</i>		
<b>Actuarial gains (losses)</b>	<b>(164)</b>	<b>84</b>
attributable to the owners of the parent	(163)	84
attributable to non-controlling interests	(1)	
<b>Items reclassified to profit or loss</b>	<b>27</b>	<b>29</b>
<i>Items that will or may be reclassified to profit or loss, net of the tax effect:</i>		
<b>Effective portion of net fair value gains on cash flow hedges</b>	<b>8</b>	<b>143</b>
attributable to the owners of the parent	8	143
attributable to non-controlling interests		
Net exchange rate losses		(17)
Net fair value losses on available-for-sale financial assets		
<b>Total other comprehensive income (expense), net of the tax effect</b>	<b>(129)</b>	<b>239</b>
<b>Comprehensive income (attributable to the owners of the parent and non-controlling interests)</b>	<b>174</b>	<b>698</b>
<b>Comprehensive income attributable to:</b>		
The owners of the parent	165	697
Non-controlling interests	9	1
	<b>174</b>	<b>698</b>

## Statement of changes in equity

millions of Euros

	Equity													Total equity
	Share capital	Reserves								Losses carried forward	Profit for the year	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	
		Legal reserve	Extraordinary reserve	Other reserves	Translation reserve	Hedging reserve	Actuarial reserve	Fair value reserve	Total reserves					
<b>Balance at 1 January 2013</b>	<b>38,790</b>	<b>17</b>	<b>28</b>	<b>255</b>	<b>20</b>	<b>(498)</b>	<b>(316)</b>		<b>(493)</b>	<b>(2,485)</b>	<b>379</b>	<b>36,191</b>	<b>210</b>	<b>36,401</b>
Capital increase					(15)				(15)			(15)	64	49
Dividend distribution													(9)	(9)
Allocation of profit for the previous year		4							4	375	(379)			
Change in consolidation scope										4		4	(3)	1
Other changes						29			29			29	(1)	28
Recognised profits/(losses) of which:														
Profit for the year											459	459	1	460
Gains/(losses) recognised directly in equity					(2)	143	84		225			225		225
<b>Balance at 31 December 2013</b>	<b>38,790</b>	<b>21</b>	<b>28</b>	<b>255</b>	<b>3</b>	<b>(326)</b>	<b>(232)</b>		<b>(251)</b>	<b>(2,106)</b>	<b>459</b>	<b>36,892</b>	<b>262</b>	<b>37,154</b>
Capital increase													7	7
Dividend distribution													(6)	(6)
Allocation of profit for the previous year		4							4	455	(459)			
Change in consolidation scope										(12)		(12)		(12)
Other changes										2		2	(2)	
Recognised profits/(losses) of which:														
Profit for the year											292	292	11	303
Gains/(losses) recognised directly in equity						35	(163)		(128)			(128)		(128)
<b>Balance at 31 December 2014</b>	<b>38,790</b>	<b>25</b>	<b>28</b>	<b>255</b>	<b>3</b>	<b>(291)</b>	<b>(395)</b>		<b>(375)</b>	<b>(1,661)</b>	<b>292</b>	<b>37,046</b>	<b>272</b>	<b>37,318</b>

## Statement of cash flows

millions of Euros

	2014	2013
<b>Profit for the year</b>	<b>303</b>	<b>460</b>
Amortisation and depreciation	1,153	1,123
Share of profits of equity-accounted investees	(27)	(8)
Accruals to provisions and impairment losses	413	234
Profits on sales of assets	(60)	(106)
Change in inventories	(36)	(45)
Change in trade receivables	79	264
Change in trade payables	133	(578)
Change in current and deferred taxes	124	(15)
Change in other liabilities	391	(311)
Change in other assets	(968)	(537)
Utilisation of the provisions for risks and charges	(271)	(195)
Payment of employee benefits	(133)	(215)
<b>Net cash flows generated by operating activities</b>	<b>1,102</b>	<b>71</b>
Increase in property, plant and equipment	(3,953)	(3,942)
Increase in investment property	(5)	(2)
Increase in intangible assets	(205)	(107)
Increase in equity investments	(54)	(54)
<b>Investments, before grants</b>	<b>(4,217)</b>	<b>(4,105)</b>
Grants for property, plant and equipment	2,481	3,879
Grants for investment property	2	9
Grants for intangible assets	1	4
Grants for equity investments	46	50
<b>Grants</b>	<b>2,530</b>	<b>3,942</b>
Divestments of property, plant and equipment	108	244
Divestments of investment property		4
Divestments of intangible assets		66
Divestments of equity investments		
<b>Divestments</b>	<b>108</b>	<b>314</b>
<b>Net cash flows generated by (used in) investing activities</b>	<b>(1,579)</b>	<b>151</b>
Disbursement and repayment of non-current loans	(409)	(514)
Disbursement and repayment of current loans	55	200
Change in financial assets	469	356
Change in financial liabilities	48	37
Changes in equity	(1)	51
<b>Net cash flows generated by financing activities</b>	<b>163</b>	<b>131</b>
<b>Total cash flows</b>	<b>(315)</b>	<b>353</b>
<b>Opening cash and cash equivalents</b>	<b>1,622</b>	<b>1,270</b>
<b>Closing cash and cash equivalents</b>	<b>1,308</b>	<b>1,622</b>

Financial statements of Ferrovie dello Stato Italiane SpA

## Statement of financial position

Euros

	31.12.2014	31.12.2013
<b>Assets</b>		
Property, plant and equipment	44,801,369	41,540,337
Investment property	519,273,412	533,156,206
Intangible assets	38,439,199	39,022,954
Deferred tax assets	213,966,058	220,080,419
Equity investments	35,562,960,772	35,552,437,702
Non-current financial assets (including derivatives)	5,438,794,498	5,922,540,311
Non-current trade receivables	6,096,509	6,826,518
Other non-current assets	442,598,611	459,979,029
<b>Total non-current assets</b>	<b>42,266,930,428</b>	<b>42,775,583,476</b>
Inventories	491,166,892	494,799,580
Current trade receivables	121,529,987	129,052,885
Current financial assets (including derivatives)	1,342,170,011	1,269,624,318
Cash and cash equivalents	183,086,063	420,967,362
Tax assets	81,909,893	84,915,489
Other current assets	400,277,255	186,837,657
<b>Total current assets</b>	<b>2,620,140,101</b>	<b>2,586,197,291</b>
<b>Total assets</b>	<b>44,887,070,529</b>	<b>45,361,780,767</b>
<b>Equity</b>		
Share capital	38,790,425,485	38,790,425,485
Reserves	307,602,382	303,763,867
Reserves for unrealised gains and losses	(1,869,832)	(1,161,089)
Losses carried forward	(2,844,937,242)	(2,917,869,021)
Profit for the year	89,212,009	76,770,293
<b>Total equity</b>	<b>36,340,432,802</b>	<b>36,251,929,535</b>
<b>Liabilities</b>		
Non-current loans and borrowings	5,438,641,624	5,920,356,480
Post-employment benefits and other employee benefits	13,905,651	15,518,950
Provisions for risks and charges	77,897,585	81,696,655
Deferred tax liabilities	437,741,502	393,914,451
Other non-current liabilities	873,860,400	868,179,929
<b>Total non-current liabilities</b>	<b>6,842,046,762</b>	<b>7,279,666,465</b>
Current loans and borrowings and current portion of Non-current loans and borrowings	701,887,360	382,676,267
Current trade payables	76,023,115	71,130,043
Tax liabilities		291,173
Current financial liabilities (including derivatives)	489,518,719	978,613,424
Other current liabilities	437,161,771	397,473,860
<b>Total current liabilities</b>	<b>1,704,590,965</b>	<b>1,830,184,767</b>
<b>Total liabilities</b>	<b>8,546,637,727</b>	<b>9,109,851,232</b>
<b>Total equity and liabilities</b>	<b>44,887,070,529</b>	<b>45,361,780,767</b>

## Income statement

	Euros	
	2014	2013
Revenue from sales and services	141,582,415	152,576,142
Other income	6,432,633	7,833,431
<b>Total revenue</b>	<b>148,015,048</b>	<b>160,409,573</b>
<b>Operating costs</b>		
Personnel expense	(50,066,354)	(51,785,973)
Raw materials, consumables, supplies and goods	(6,347,152)	(44,320,376)
Services	(52,604,103)	(53,368,950)
Use of third party assets	(5,041,227)	(7,268,465)
Other operating costs	(28,478,694)	(24,692,044)
Internal work capitalised	231,908	202,670
<b>Total operating costs</b>	<b>(142,305,622)</b>	<b>(181,233,138)</b>
<b>Amortisation and depreciation</b>	<b>(21,638,745)</b>	<b>(22,111,619)</b>
<b>Net reversals of impairment losses</b>	<b>(6,227,977)</b>	<b>(21,877,807)</b>
<b>Operating loss</b>	<b>(22,157,296)</b>	<b>(64,812,991)</b>
<b>Financial income and expense</b>		
Gains on equity investments	113,022,859	124,809,426
Other financial income	167,340,955	153,331,393
Losses on equity investments	(348,363)	(32,659,596)
Other financial expense	(164,977,046)	(136,211,405)
<b>Pre-tax profit</b>	<b>92,881,109</b>	<b>44,456,827</b>
Income taxes	(3,669,100)	32,313,466
<b>Profit from continuing operations</b>	<b>89,212,009</b>	<b>76,770,293</b>
<b>Profit for the year</b>	<b>89,212,009</b>	<b>76,770,293</b>

## Statement of comprehensive income

	2014	2013
		Euros
<b>Profit for the year</b>	<b>89,212,009</b>	<b>76,770,293</b>
<b>Items that will not be reclassified to profit or loss:</b>		
Actuarial gains (losses)	(970,854)	623,068
Tax effect on actuarial gains (losses)	262,111	(172,641)
<b>Total other comprehensive income (expense), net of the tax effect</b>	<b>(708,743)</b>	<b>450,427</b>
<b>Comprehensive income</b>	<b>88,503,266</b>	<b>77,220,720</b>

## Statement of changes in equity

Euros

	Equity								
	Share capital	Reserves			Unrealised gains and losses	Total reserves	Losses carried forward	Profit for the year	Total equity
		Legal reserve	Extraordinary reserve	Other reserves					
					Actuarial reserve				
<b>Balance at 1 January 2013</b>	<b>38,790,425,485</b>	<b>17,603,169</b>	<b>27,896,982</b>	<b>254,599,169</b>	<b>(1,611,516)</b>	<b>298,487,804</b>	<b>(2,987,495,412)</b>	<b>73,290,939</b>	<b>36,174,708,816</b>
Capital increase									
Dividend distribution									
Allocation of profit for the previous year		3,664,547				3,664,547	69,626,392	(73,290,939)	
Other changes									
Recognised profits/(losses) of which:									
Gains/(losses) recognised directly in equity					450,427	450,427			450,427
Profit for the year								76,770,293	76,770,293
<b>Balance at 31 December 2013</b>	<b>38,790,425,485</b>	<b>21,267,716</b>	<b>27,896,982</b>	<b>254,599,169</b>	<b>(1,161,089)</b>	<b>302,602,778</b>	<b>(2,917,869,021)</b>	<b>76,770,293</b>	<b>36,251,929,535</b>
Capital increase									
Dividend distribution									
Allocation of profit for the previous year		3,838,515				3,838,515	72,931,778	(76,770,293)	
Other changes									
Recognised profits/(losses) of which:									
Gains/(losses) recognised directly in equity					(708,743)	(708,743)			(708,743)
Profit for the year								89,212,009	89,212,009
<b>Balance at 31 December 2014</b>	<b>38,790,425,485</b>	<b>25,106,231</b>	<b>27,896,982</b>	<b>254,599,169</b>	<b>(1,869,832)</b>	<b>305,732,551</b>	<b>(2,844,937,242)</b>	<b>89,212,009</b>	<b>36,340,432,802</b>



## Statement of cash flows

	Euros	
	2014	2013
<b>Profit for the year</b>	<b>89,212,009</b>	<b>76,770,293</b>
Income taxes	3,669,100	(32,313,466)
Net financial income	(6,667,832)	(7,499,556)
Amortisation and depreciation	21,638,746	22,111,619
Accruals to the provisions for risks		95,539
Impairment losses	1,444,747	52,563,721
Accruals for employee benefits	297,414	356,592
<b>Provisions and impairment losses</b>	<b>1,742,161</b>	<b>53,015,852</b>
Change in inventories	4,393,294	25,017,270
Change in trade receivables	8,252,907	(14,354,260)
Change in trade payables	1,828,072	(18,602,469)
Change in other assets	(188,633,170)	162,811,209
Change in other liabilities	39,001,934	(100,225,060)
Utilisation of the provisions for risks and charges	(1,793,631)	(1,097,637)
Payment of employee benefits	(2,881,566)	(2,338,234)
Financial income collected/financial expense paid	6,667,832	2,209,082
Change in tax assets/liabilities	49,248,846	27,475,099
<b>Net cash flows generated by operating activities</b>	<b>25,678,702</b>	<b>192,979,742</b>
Increase in property, plant and equipment	(466,355)	(897,356)
Increase in investment property	(765,835)	(898,169)
Increase in intangible assets	(12,367,196)	(12,309,485)
Increase in equity investments	(10,571,434)	(38,250,000)
<b>Investments, before grants</b>	<b>(24,170,820)</b>	<b>(52,355,010)</b>
Grants for intangible assets	1,008,071	4,417,745
<b>Grants</b>	<b>1,008,071</b>	<b>4,417,745</b>
Divestments of property, plant and equipment	1,098	2,307
Divestments of investment property		23,207
<b>Divestments</b>	<b>1,098</b>	<b>25,514</b>
<b>Net cash flows generated by (used in) investing activities</b>	<b>(23,161,651)</b>	<b>(47,911,751)</b>
Disbursement and repayment of non-current loans	(232,297,467)	58,183,543
Disbursement and repayment of current loans	69,227,703	99,966,643
Change in financial assets	224,637,968	(409,901,719)
Change in financial liabilities		(3,332,103)
<b>Net cash flows generated by (used in) financing activities</b>	<b>61,568,204</b>	<b>(255,083,636)</b>
<b>Total cash flows</b>	<b>64,085,255</b>	<b>(110,015,645)</b>
<b>Opening cash and cash equivalents</b>	<b>223,812,802</b>	<b>333,828,447</b>
<b>Closing cash and cash equivalents</b>	<b>287,898,057</b>	<b>223,812,802</b>
<b>of which infragroup</b>	<b>104,811,993</b>	<b>(197,154,560)</b>

*"The manager in charge of the Company's accounting documents preparation, Roberto Mannozi, declares, pursuant to article 154 bis paragraph 2 of Legislative Decree No. 58/1998, that the accounting information included in this document correspond to the Company's evidence and accounting books and records."*