



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

FS ITALIANE E FERROVIE DELLO STATO ITALIANE GROUP 2017 INTERIM REPORT HIGHLIGHTS

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Group highlights

millions of Euros

Main results and financial data	First half 2017	First half 2016	Change	%
Revenue	4,554	4,250	304	7.2
Operating costs	(3,515)	(3,245)	(270)	(8.3)
Gross operating profit	1,039	1,005	34	3.4
Operating profit	339	344	(5)	(1.5)
Profit for the period	273	286	(13)	(4.5)
Investments of the period	1,849	2,198	(349)	(15.9)
Total cash flows	(1,242)	424	(1,666)	<200
	30.06.2017	31.12.2016	Change	%
Net invested capital (NIC)	46,480	45,257	1,223	2.7
Equity (E)	38,407	38,497	(89)	(0.2)
Net financial debt (NFD)	8,073	6,760	1,313	19.4
NFD/E	0.21	0.18		

Main performance indicators	First half 2017	First half 2016
GROSS OPERATING PROFIT/REVENUE	22.82%	23.62%
ROS (OPERATING PROFIT/REVENUE)	7.44%	8.09%
PERSONNEL EXPENSE/REVENUE	(44.94)%	(46.69)%

The group's financial position and performance

For the purposes of describing its financial position and performance, the group prepared reclassified financial statements in addition to those required by the IFRS adopted by the FS group. The reclassified financial statements comprise alternative performance indicators which differ from those directly derived from the condensed interim consolidated financial statements and which management deems useful in monitoring the group's performance and in presenting the financial results of the business.

During the period and in line with the modal integration and internationalisation objectives set in the 2017-2026 business plan, the group carried out corporate transactions or finalised transactions already put in place during 2016. The transactions described below do not represent a break away from the group's business nor its entry into new operating segments. Consequently, also considering the immateriality of the relevant amounts, the following reclassified financial statements do not include pro forma schedules. For a better understanding of the comments on the group's performance during the period, the main transactions that have affected its results are described below:

- since 28 November 2016 (date of transfer of the shares and acquisition of control), Ferrovie del Sud Est e Servizi Automobilistici S.r.l. (FSE) has been included in the consolidation scope; therefore, the entire six months of the reporting period comprise its results unlike the corresponding period of 2016;
- Trenitalia c2c Ltd (formerly NXET Ltd) entered FS group (100% controlled by Trenitalia S.p.A.) on 10 February 2017;
- Busitalia Campania S.p.A. (from 1 January 2017) and Busitalia Simet S.p.A. (from 7 April 2017), part of Busitalia group, became fully operational during the period.

The effect of these transactions on the group's key income statement figures is shown below:

	First half 2017	Change on first half 2016	<i>of which: due to corporate transactions</i>
REVENUE	4,554	304	177
OPERATING COSTS	(3,515)	(270)	(164)
GROSS OPERATING PROFIT	1,039	34	13
OPERATING PROFIT	339	(5)	7
PROFIT FOR THE PERIOD	273	(13)	2

Income statement

millions of Euros

	First half 2017	First half 2016	Change	%
REVENUE	4,554	4,250	304	7.2
Revenue from sales and services	4,244	3,932	312	7.9
Other income	310	318	(8)	(2.5)
OPERATING COSTS	(3,515)	(3,245)	(270)	(8.3)
GROSS OPERATING PROFIT	1,039	1,005	34	3.4
Amortisation, depreciation, provisions and impairment losses	(700)	(661)	(40)	(6.1)
OPERATING PROFIT	339	344	(5)	(1.5)
Net financial expense	(48)	(46)	(2)	(4.3)
PRE-TAX PROFIT	291	298	(7)	(2.3)
Income taxes	(18)	(12)	(6)	(50.0)
PROFIT FROM CONTINUING OPERATIONS	273	286	(13)	(4.5)
Profit (loss) from assets held for sale, net of taxes				
PROFIT FOR THE PERIOD	273	286	(13)	(4.5)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT	268	281	(13)	(4.6)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	5	5		

The group recorded a **profit for the period** of €273 million, down 4.5% on the profit of €286 million for the first six months of 2016. External factors, such as the legally-imposed increase in the cost of electrical energy (€26 million), had a more than proportionate effect on this result as did the higher depreciation and amortisation expense for the period (€44 million), following the large investments in new rolling stock as per the business plan objectives.

The significant improvement (+€34 million) in the **gross operating profit**, demonstrating the group's satisfactory business performance, is offset by a slight drop (-€5 million or 1.5%) in the **operating profit**, mainly due to the above-mentioned rise in amortisation and depreciation. In addition, the above transactions affected the gross operating profit for the period by approximately €13 million, even though not all of them contributed for the whole six months.

Revenue increased by €304 million as a result of the rise in revenue from transport services (+€266 million), revenue from infrastructure services (+€41 million) and other service revenue (+€5 million), countered by a slight reduction of €8 million in other income.

The main factor driving the increase in **revenue from transport services** (+€266 million) is undoubtedly the long haul passenger transport service, both for its market component (+€51 million) and its universal service (+€47 million). Another factor was the excellent result achieved by the Freccia products, with higher volumes of the Frecciarossa brand. Again in the passenger transport sector, the regional market's performance was very encouraging (+€133 million), both on the domestic (+€44 million) and international (+€89 million) fronts. The former was due to the rise in passengers and average fares while the increase in the international market was attributable to the above-mentioned acquisition of c2c

Ltd (+€79 million).

Revenue from road transport increased by €46 million during the six months compared to the corresponding period of the previous year, nearly entirely as a result of the extended consolidation scope thanks to the new acquisitions within Busitalia group. On the other hand, revenue from cargo and logistics services decreased slightly by €14 million.

The €41 million increase in **revenue from infrastructure services** is mainly attributable to the rise in revenue from grants received for service contracts (€27 million), following FSE's entry into the group, and the increase in toll revenue and revenue from the sale of electrical energy for traction (€14 million). The last increase is due to both the greater route volumes requested by the railway companies and the higher sales prices of electrical energy for traction following recent legislative changes.

The €5 million increase in **other service revenue** chiefly reflects the higher revenue for rolling stock maintenance and, in general, the traffic-related services provided to railway companies that request them (+€13 million), offset by the reduction in revenue from contract work in progress, mostly due to fluctuations in the US dollar exchange rate (this is the reference currency for many contracts).

The €8 million decrease in **other income** is principally attributable to the reduction in property leases (-€26 million), partly offset by other sundry income, which increased by €19 million due to non-recurring items, such as, in particular, the sale of materials no longer in use (€20 million).

Operating costs amount to €3,515 million, up by 8.3% on the corresponding period of 2017. They may be analysed as follows:

- the €63 million increase in net personnel expense is mostly due to the extension of the consolidation scope (+€61 million);
- The €207 million increase in other costs, net is attributable to the following factors: a €104 million increase in the cost of raw materials, consumables, supplies and goods and a €103 million increase in the cost of services including i) the higher electrical energy costs following the changes to the electricity market conditions (+€29 million - price and volume effect); ii) the greater use of IT services to manage the network (+€22 million); iii) the higher costs incurred due to the larger consolidation scope (€103 million, including €67 million for the tolls related to c2c Ltd).

Gross operating profit increased by €34 million or 3.4% to €1,039 million as a result of the variations in revenue and operating costs described above.

Operating profit amounts to €339 million compared to €344 million for the first six months of 2016. Compared to the positive effects of the items that affected the gross operating profit, the operating profit reflects the negative effect of the higher amortisation and depreciation expense of roughly €44 million and smaller impairment losses of €5 million.

Net financial expense at €48 million shows a slight increase (€2 million) compared to the corresponding period of 2016, mainly due to the reduction in financial income (€4 million), partly offset by the less than proportionate but steady decrease in financial expense (€1 million).

Income taxes amount to €18 million, an increase of €6 million reflecting changes in deferred taxes.

Reclassified statement of financial position

	millions of Euros		
	30.06.2017	31.12.2016	Change
ASSETS			
Net operating working capital	1,353	404	949
Other assets, net	651	591	60
Working capital	2,004	995	1,009
Net non-current assets	47,459	47,330	129
Other provisions	(2,983)	(3,068)	85
Net assets held for sale			
NET INVESTED CAPITAL	46,480	45,257	1,223
COVERAGE			
Net current financial debt	951	353	598
Net non-current financial debt	7,122	6,407	715
Net financial debt	8,073	6,760	1,313
Equity	38,407	38,497	(90)
COVERAGE	46,480	45,257	1,223

Net invested capital of €46,480 million rose by €1,223 million in the first half of the year due to the increase in **working capital** (+€1,009 million), the increase in **net non-current assets** (+€129 million) and the decrease in **other provisions** (+€85 million).

Net operating working capital amounts to €1,353 million, up by €949 million as a result of:

- greater receivables arising from the service contracts with the Ministry of the Economy and Finance (MEF) (+€130 million) following application of the new 2017-2026 service contract which increased the related revenue, partly offset by smaller receivables from the regions (-€8 million). This decrease is due to the fact that, in 2016, these receivables were affected by additional services rendered which temporarily increased the group's exposure, while they were not provided in this period;
- greater trade receivables (+€81 million), affected by the invoicing method adopted by the main group entities in the six months;
- higher inventories (+€131 million), mainly due to the rise in superstructure materials in stock and technological materials required for the scheduled investments in Italy and abroad. The increase in this caption is also affected by the slight decrease in receivables related to construction contracts and land and buildings held for trading, included in the real estate portfolio held for sale;
- smaller trade payables (+€615 million) mainly due to settlements with suppliers during the six months.

Other assets, net increased by €60 million, mainly as a result of the combination of the following factors:

- larger net receivables/advances from the MEF, the Ministry of Infrastructure and Transport ("MIT") and other bodies (€12 million). They relate to the recognition of new grants (+€1,121 million) earmarked for infrastructural investments and

extraordinary maintenance or urgent measures that cannot be postponed concerning the railway network - as provided for by the 2016 Stability Act and refinanced by the 2015 Stability Act - offset by the rise in advances for grants related to assets (-€1,109 million) to be allocated to the group's work in progress;

- greater other receivables (+€87 million) and greater other payables (-€278 million). The latter caption's increase is mostly due to the payable for dividends to be paid to the MEF (as shareholder) using the 2016 profit (the €300 million dividend was paid on 7 July 2017);
- larger VAT assets (+€244 million) due to the reimbursements claimed for 2016 and 2017;
- the decrease in deferred tax assets (€5 million).

Net non-current assets increased by €129 million as a result of the larger investments made in the period (+€1,849 million), the advances recouped (€68 million) and the non-recurring transactions (€75 million), partly offset by the grants related to assets (€1,186 million), amortisation and depreciation (€692 million) and other small changes (€22 million, including €20 million for disposals and impairment losses). Equity-accounted investments increased by €37 million due to the change in the consolidation scope and the investees' results for the six months.

Other provisions decreased by €85 million, due to the utilisations and advances of post-employment benefits during the period and a decrease in these benefits to reflect their actuarial measurement.

Net financial debt of €8,073 million worsened by €1,313 million on 31 December 2016, mainly due to the following:

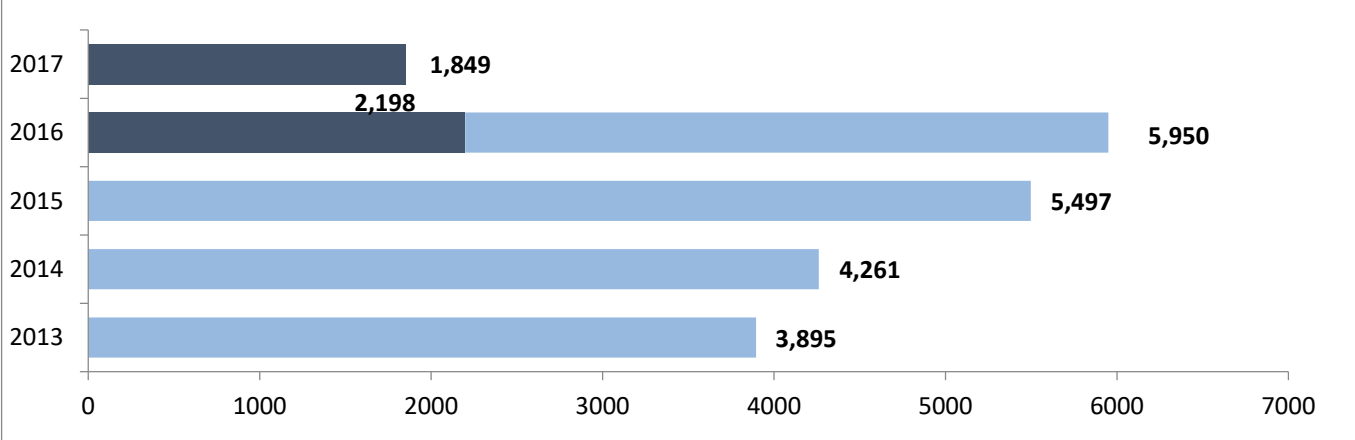
- the net reduction in the cash pooling balance (+€736 million), which comprises the payments made by the MEF during the period in relation to the Government Programme Contract and the European Commission's payments for other contributions to meet the group's operating requirements;
- the decrease in the amounts due from with the MEF (+€244 million), following receipt of the grants provided for under the 2006 and 2007 Finance Act, net of new allocations;
- the decrease in current and non-current loans and borrowings from banks and other financial backers (-€1,068 million), due to the combined effect of repayments of principal during the period and the reduction in loans given the group companies' smaller need for short-term funding;
- the decrease in other financial liabilities (-€83 million), related to the factoring business of Fercredit S.p.A.;
- the increase in bonds (+€1,000 million), due to the new bonds placed as part of the EMTN programme on 22 June 2017;
- the decrease in financial assets (+€484 million), related to the group companies' financial needs, and the payments made to acquire the remaining investment in Centostazioni S.p.A. as well as in METRO 5 S.p.A., c2c Ltd and Busitalia Simet S.p.A. during the period (€205 million).

Equity went from €38,497 million to €38,407 million, down by €90 million mainly as a result of the following:

- the increase in the profit for the period (+€273 million);
- the dividends paid in 2016 amounting to €307 million (€300 million of which was paid to the MEF and €7 million to non-controlling interests);
- the €66 million decrease, mainly due to the acquisition of 100% of Centostazioni S.p.A.;
- the increase in the fair value reserve for derivatives and the actuarial reserve (total of +€31 million);
- the decrease in liabilities for derivatives (-€21 million).

Investments

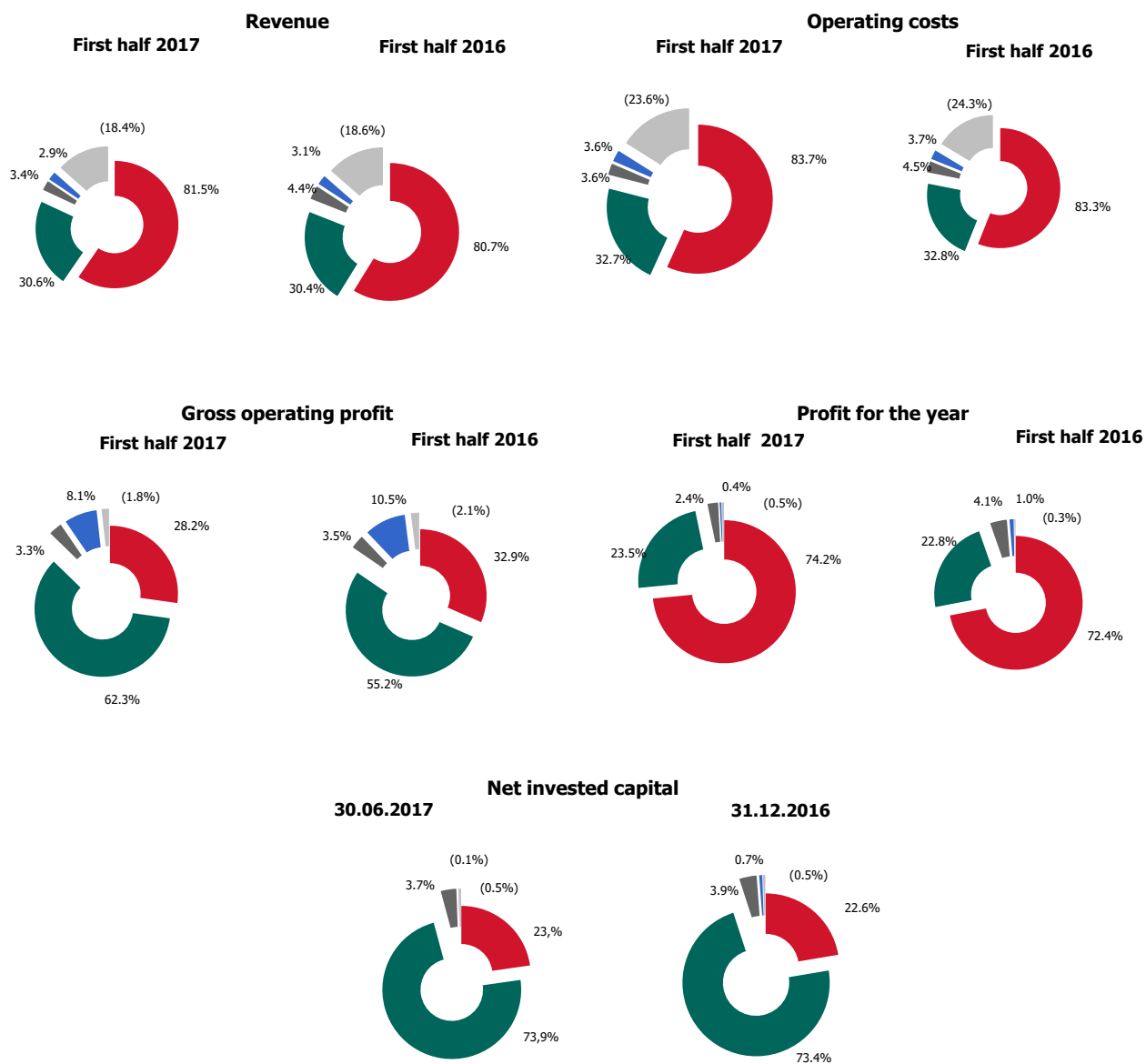
Investments of €1,849 million were made during the period, 16% less than in the corresponding period of 2016, while "technical" investments amounted to €1,840 thousand (-13%).



Approximately 66% of investments refers to the Infrastructure operating segment, with RFI S.p.A. investing €1,196 million, including €1,133.4 million for the traditional network and €62.4 million for the HS/HC network between Turin, Milan and Naples. Roughly 32% of investments refers to the Transport operating segment for projects devoted to the transport of passengers by road and rail, both in Italy and abroad, and to the transport of cargo. Specifically, Trenitalia S.p.A. invested €530 million (including ordinary maintenance), Netinera Deutschland GmbH €19 million, the Mercitalia hub (consisting of the Mercitalia Logistics S.p.A. group companies) approximately €25 million and the Busitalia group companies, which operate in road transport in Italy, €10 million. The Real estate segment accounts for approximately 2% of the group's investments and they were mainly made by Grandi Stazioni Rail S.p.A. and Centostazioni S.p.A. to relaunch and redevelop the main railway stations, in their new design concept as major service hubs for the cities.

Segment reporting

Ferrovie dello Stato 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 first half of 2017 and 2016 performance with indication of the percentages of revenue and operating costs, gross operating profit, profit for the period and net invested capital attributable to each segment.



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

Transport

Ferrovie dello Stato Italiane Group companies operating in the transport of passengers and/or cargo by rail, road or sea are part of the Transport segment - the group's primary segment.

More specifically, Trenitalia S.p.A. mainly handles rail operations, providing services for passenger and cargo transport both domestically and internationally, including through its subsidiaries, such as the newly-acquired c2c Ltd, controlled by Trenitalia UK. 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 urban 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 Cargo Division) 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, recently extended to include Busitalia Campania S.p.A. and Busitalia Simet S.p.A., as well as FSE S.r.l..

millions of Euros

	First half 2017	First half 2016	Change	%
Revenue from sales and services	3,569	3,290	279	8.5
Other income	143	138	5	3.6
Revenue	3,712	3,428	284	8.3
Operating costs	(2,942)	(2,701)	(241)	(8.9)
Gross operating profit	770	727	43	5.9
Operating profit	144	146	(2)	(1.4)
Segment profit (attributable to the owners of the parent and non-controlling interests)	79	93	(14)	(15.1)

	30.06.2017	31.12.2016	Change
Net invested capital	10,692	10,218	474

The Transport segment showed a **profit for the period** of €79 million, driven by the positive performance of all the passenger transport service components.

Its **revenue** of €3,712 million increased by €284 million compared to the corresponding period of 2016, nearly entirely due to the rise in transport services (€264 million) for both the internal part of the group's business and the cash flows generated by the companies that entered the consolidation scope around the end of 2016. Specifically:

- the long haul services performed very satisfactorily, contributing to the segment's growth (€98 million), together with the short haul services (€21 million). In particular, the market services component (+€51 million) benefited from the greater

offer of the Freccia product, while the Universal product (+€47 million) was affected by the new service contract. Introduction of the new regional ticket contributed to the rise in the short haul service's growth;

- higher revenue of €145 million was generated by the above-mentioned acquisitions, specifically, those of Busitalia Campania S.p.A., Busitalia Simet S.p.A., Trenitalia c2c Ltd and FSE S.r.l. (road and rail transport services);
- higher revenue of €10 million was generated by the German Netinera group, mostly as a result of the adjustment to the consideration of existing contracts for inflation and greater service volumes (Metronom and Vlexx).

The Transport segment's **gross operating profit** came to €770 million, up €43 million on the corresponding period of 2016. This improvement is nearly entirely due to the positive contribution of the long haul passenger transport business and the Mercitalia companies. The newly consolidated companies contributed €13 million. In addition, the segment achieved this increase despite the large rise in the cost of electrical energy for traction (+€26 million) due to the changed conditions of the electrical market.

The **operating profit** amounts to €144 million, down slightly by €2 million compared to the first half of 2016, as a result of higher amortisation and depreciation following the roll out of new rolling stock during the period.

Net financial expense of €45 million shows a €6 million increase on the first six months of 2016.

Infrastructure

The main group company operating in the Infrastructure segment is RFI S.p.A. which, as the national railway network operator, maintains, develops and uses the network 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, also partially, 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 SE ("BBT"), Tunnel Ferroviario del Brennero S.p.A. ("TFB") and Tunnel Euralpin Lyon Turin ("TELT").

millions of Euros

	First half 2017	First half 2016	Change	%
Revenue from sales and services	1,223	1,150	73	6.3
Other income	169	145	24	16.6
Revenue	1,392	1,296	96	7.4
Operating costs	(1,149)	(1,066)	(83)	(7.8)
Gross operating profit	243	229	14	6.1
Operating profit	189	176	13	7.4
Segment profit (attributable to the owners of the parent and non-controlling interests)	169	158	11	7.0

	30.06.2017	31.12.2016	Change
Net invested capital	34,342	33,219	1,123

The Infrastructure segment shows a **profit for the period** of €169 million, up by €11 million on the corresponding period of 2016.

Revenue amounts to €1,392 million, showing a €96 million increase on the first half of the previous year due to:

- the €49 million rise in revenue from infrastructure services, both for the toll component (+€20 million), due to the greater route volumes requested by railway companies, and the sales of electrical energy (+€29 million). The latter increase is a result of the higher volumes and that provided for by Law no. 116/2014, which changed the electrical tariff system of FS;
- the revenue contributed by FSE S.r.l. following its inclusion in the consolidation scope (€27 million);
- higher other revenue and income (€18 million), due to the greater income on the sale of unused materials.

The Infrastructure segment's **gross operating profit** increased by €14 million to €243 million for the period compared to the corresponding period of 2016 as the positive effect of the rise in revenue was accompanied by a less than proportionate increase in operating costs.

The segment's **operating profit** amounts to €189 million (+€13 million on the first six months of 2016) and reflects:

- amortisation and depreciation of €50 million, in line with the corresponding period of 2016;
- impairment losses and reversals of impairment losses of €4 million, up €2 million on the same six months of 2016.

Net financial expense of €17 million shows a €1 million decrease on the first six months of 2016.

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 the latter's retail and real estate business units, 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 for 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 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

	First half 2017	First half 2016	Change	%
Revenue from sales and services	3	2	1	50.0
Other income	151	185	(34)	(18.4)
Revenue	154	187	(33)	(17.6)
Operating costs	(129)	(145)	16	11.0
Gross operating profit	25	42	(17)	40.5
Operating profit	13	21	(8)	38.1
Segment profit (attributable to the owners of the parent and non-controlling interests)	7	10	(3)	30.0

	30.06.2017	31.12.2016	Change
Net invested capital	1,707	1,744	(37)

The Real Estate Services segment shows a **profit for the period** of €7 million, down €3 million on the corresponding period of the previous year. This is due to the negative effect (-€5 million) of the sale of GS Retail's assets by FS S.p.A. to third parties in July 2016, partly offset by the improved profitability of the ordinary business.

Specifically, the segment's results are affected by the exit of GS Retail S.p.A., as can be seen from the reduction in the operating profit (approximately €17 million), partly offset by smaller amortisation, depreciation and impairment losses and financial and tax expense.

Other Services

FS 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., which principally develops 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

	First half 2017	First half 2016	Change	%
Revenue from sales and services				
Other income	133	130	3	2.3
Revenue	133	130	3	2.3
Operating costs	(128)	(120)	(8)	(6.7)
Gross operating profit	5	10	(5)	(50.0)
Operating profit (loss)	(2)	4	(6)	(150.0)
Segment profit (attributable to the owners of the parent and non-controlling interests)	23	29	(6)	(20.7)

	30.06.2017	31.12.2016	Change
Net invested capital	(32)	311	(343)

This segment made a **profit for the period** of €23 million, which is a €6 million decrease on the same six months of 2016, mostly due to the parent's higher corporate costs.

Revenue of €133 million increased by €3 million, almost entirely related to Ferservizi S.p.A., as the net effect of higher revenue from fees and other real estate services (following the larger number of services requested by customers) and the smaller revenue from administrative services, mostly caused by the review of the unit prices of services provided to group companies.

Gross operating profit amounts to €5 million (-€5 million on the corresponding period of 2016) due to a more than proportionate increase in costs compared to the rise in revenue.

The segment's **operating loss** is €2 million (-€6 million on the corresponding period of 2016), affected by higher amortisation and depreciation (-€1 million) recognised on the parent's corporate component.

Net financial income improved slightly from €13 million in the first six months of 2016 to €14 million in the reporting period.

Income taxes show a net positive balance of €11 million, down by €1 million on the corresponding period of 2016 (€12 million). 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 10 February 2017, Trenitalia UK completed its acquisition of NXET Trains Limited. As guarantor of Trenitalia UK to the UK Department for Transport, the parent provided the following loans and borrowings and guarantees, in turn counter-guaranteed by Trenitalia S.p.A.:

- intragroup loan of GBP60 million (roughly €70.6 million) provided directly by FS S.p.A. to Trenitalia UK to finance part of the acquisition, together with a guarantee given by Trenitalia S.p.A. on FS S.p.A.'s behalf;
- in order to comply with the financial requirements imposed by the Department for Transport in the Funding Deed signed by FS S.p.A., the Department and NXET, FS S.p.A. also provided the operating company NXET with a subordinated credit facility of GBP140 million (of which GBP35 million made available on the closing) and bank guarantees (with hold harmless letters from FS S.p.A.) and direct guarantees of approximately GBP82 million, which were also counter-guaranteed by Trenitalia S.p.A..

The intragroup lending transactions in pounds sterling have been hedged against currency risk by cross currency swaps and FX swaps.

Bond placement - Series 6 EMTN

On 22 June 2017, with settlement on 28 June, FS S.p.A. placed bonds for €1 billion as part of the EMTN Programme. The bonds have a fixed coupon of 1.5% and are redeemable on 27 June 2025. The issue was placed by a bank syndicate comprising Barclays, BNP Paribas, Credit Agricole CIB, Deutsche Bank, Goldman Sachs International, JP Morgan and UniCredit as the joint bookrunners.

This placement, which received confirmation of the BBB ratings from Fitch and S&P's is part of the €2.1 billion bond issue resolved upon by the parent's board of directors on 21 April 2017 to meet the group's 2017 requirements.

The proceeds will be used to purchase rolling stock for the regional transport and the medium to long haul businesses of Trenitalia and RFI's HS/HC infrastructure through intragroup loans granted by FS to the two companies. The terms of these loans will be similar.

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

Income statement

	millions of Euros			
	First half 2017	First half 2016	Change	%
Revenue	92	70	22	31.4
- Revenue from sales and services	77	68	9	13.2
- Other revenue	15	2	13	NA
Operating costs	(93)	(72)	(21)	(29.2)
GROSS OPERATING LOSS	(1)	(2)	1	50.0
Amortisation and depreciation	(11)	(9)	(2)	22.2
Reversals of impairment losses	(1)	(1)		
OPERATING LOSS	(13)	(12)	(1)	8.3
Net financial income	157	132	25	18.9
PRE-TAX PROFIT	144	120	24	20.0
Income taxes	38	(6)	44	NA
PROFIT FOR THE PERIOD	182	114	68	59.6

The **profit for the period** amounts to €182 million, showing an improvement of €68 million on the previous year mainly due to financial income (+€25 million) and taxation (+€44 million).

The better **net financial income** is mostly attributable to the larger total dividends of €22 million distributed by the group companies and specifically RFI S.p.A. (+€70 million), Netinera GmbH (+€4 million) and Centostazioni S.p.A. (+€2 million) offset by Trenitalia (-€34 million), Grandi Stazioni S.p.A. (-€12 million), Ferservizi S.p.A. (-€5 million) and Italferr (-€2 million).

Income taxes improved by €44 million on the corresponding period of the previous year mainly as a consequence of the recognition of the income from the tax consolidation scheme (+€49 million), recognised on the tax losses transferred to the group over the years and used during the period, as their subsequent remuneration is not deemed probable.

Reclassified statement of financial position

millions of Euros

	30.06.2017	31.12.2016	Change
ASSETS			
Net operating working capital	545	543	2
Other assets (liabilities), net	(4)	136	(140)
Working capital	541	679	(138)
Non-current assets	577	580	(3)
Equity investments	35,228	35,131	97
Net non-current assets	35,805	35,711	94
Post-employment benefits	(11)	(11)	
Other provisions	(564)	(599)	35
Post-employment benefits and other provisions	(575)	(610)	35
NET INVESTED CAPITAL	35,771	35,780	(9)
COVERAGE			
Net current financial position	(993)	(1,207)	214
Net non-current financial position	(102)		(102)
Net financial position	(1,095)	(1,207)	112
Equity	36,866	36,987	(121)
COVERAGE	35,771	35,780	(9)

Net invested capital of €35,771 million decreased by €9 million in the period due to the reduction in **working capital** (-€138 million), the increase in **net non-current assets** (+€94 million) and the decrease in **post-employment benefits and other provisions** (-€35 million).

Net operating working capital of €545 million increased by €2 million in the period, as the combined result of the net increase in trade receivables and payables (€15 million) and the decrease in land and buildings held for trading (€13 million).

Other assets (liabilities), net decreased by €140 million, principally due to the recognition of payables to the shareholder for the dividends to be distributed using the 2016 profit (€300 million). They were offset, in turn, by the receivables due from the parent's investees for dividends authorised after approval of their financial statements at 31 December 2016 (€116 million) and the net group VAT asset (€46 million).

Net non-current assets amount to €35,805 million, showing a €94 million increase on 31 December 2016. This improvement is mostly due to acquisition of 40% of Centostazioni S.p.A. (€67 million) from Archimede 1 S.p.A. (Save group) and 36.70% of Metro 5 S.p.A. (€30 million) from Astaldi S.p.A..

The decrease in **post-employment benefits and other provisions** (€35 million) mainly reflects the utilisation of the tax provision for tax consolidation (€28 million) to remunerate the group companies in respect of the tax losses previously transferred and offset during the period against their taxable profits, and the decrease in the provision for other sundry risks (€6 million).

Net financial position decreased by €112 million, with a reduction in net liquidity from €1,207 million at 31 December 2016 to €1,095 million at 30 June 2017. This variation is mainly due to the above-mentioned non-recurring acquisition of equity investments (€97 million).

Finally, **equity** decreased by €121 million chiefly as a result of the distribution of dividends to the shareholder, after the distribution of the 2016 profit (€300 million) had been approved, compared to the profit for the period (€182 million).

Condensed interim consolidated financial statements

Statement of financial position

millions of Euros

	30.06.2017	31.12.2016
Assets		
Property, plant and equipment	44,628	44,590
Investment property	1,561	1,565
Intangible assets	831	766
Deferred tax assets	177	183
Equity-accounted investments	368	331
Non-current financial assets (including derivatives)	2,295	2,326
Non-current trade receivables	7	8
Other non-current assets	3,245	1,995
Total non-current assets	53,111	51,764
Construction contracts	47	53
Inventories	2,189	2,053
Current trade receivables	2,541	2,337
Current financial assets (including derivatives)	435	630
Cash and cash equivalents	1,095	2,337
Tax assets	117	121
Other current assets	3,596	3,392
Total current assets	10,020	10,923
Assets held for sale and disposal groups		
Total assets	63,131	62,687
Total equity and liabilities		
Share capital	36,340	36,340
Reserves	92	10
Valuation reserves	(484)	(512)
Retained earnings	1,878	1,559
Profit for the period/year	268	758
Equity attributable to the owners of the parent	38,094	38,155
Profit attributable to non-controlling interests	5	14
Share capital and reserves attributable to non-controlling interests	245	243
Total equity attributable to non-controlling interests	250	257
Equity	38,344	38,412
Liabilities		
Non-current loans and borrowings	9,339	8,652
Post-employment benefits and other employee benefits	1,706	1,785
Provisions for risks and charges	964	968
Deferred tax liabilities	272	271
Non-current financial liabilities (including derivatives)	67	83
Non-current trade payables	20	15
Other non-current liabilities	191	142
Total non-current liabilities	12,559	11,916
Current loans and borrowings and current portion of non-current loans and borrowings	2,455	3,210
Current portion of provisions for risks and charges	42	44
Current trade payables	3,479	4,097
Tax liabilities	5	4
Non-current financial liabilities (including derivatives)	31	119
Other current liabilities	6,217	4,885
Total current liabilities	12,229	12,359
Total liabilities	24,788	24,275
Total equity and liabilities	63,131	62,687

Income statement

millions of Euros

	First half 2017	First half 2016
Revenue		
Revenue from sales and services	4,244	3,932
Other income	310	318
Total revenue	4,554	4,250
Operating costs		
Personnel expense	(2,047)	(1,984)
Raw materials, consumables, supplies and goods	(553)	(449)
Services	(1,243)	(1,140)
Use of third-party assets	(106)	(89)
Other operating costs	(84)	(87)
Internal work capitalised	518	504
Total operating costs	(3,515)	(3,245)
Amortisation and depreciation	(692)	(648)
Reversals of impairment losses	(8)	(13)
Operating profit	339	344
Financial income and expense		
Financial income	30	34
Financial expense	(85)	(86)
Net financial expense	(55)	(52)
Share of profits of equity-accounted investees	7	6
Pre-tax profit	291	298
Income taxes	(18)	(12)
Profit for the period (attributable to the owners of the parent and non-controlling interests)	273	286
<i>Profit for the period attributable to the owners of the parent</i>	268	281
<i>Profit for the period attributable to non-controlling interests</i>	5	5

Statement of comprehensive income

millions of Euros

	First half 2017	First half 2016
Profit for the period (attributable to the owners of the parent and non-controlling interests)	273	286
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss, net of the tax effect:		
Actuarial gains (losses)	(3)	(86)
attributable to the owners of the parent	(3)	(86)
attributable to non-controlling interests		
Items reclassified to profit or loss	10	11
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	21	(4)
attributable to the owners of the parent	21	(4)
attributable to non-controlling interests		
Exchange rate gains and losses		
Total other comprehensive income (expense), net of the tax effect	28	(79)
Comprehensive income (attributable to the owners of the parent and non-controlling interests)	301	207
<i>Comprehensive income attributable to:</i>		
Owners of the parent	296	202
Non-controlling interests	5	5

Statement of changes in equity

millions of Euros

Equity													
	Reserves												Total equity
	Reserves					Valuation reserves			Retained earnings	Profit for the period	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	
	Share capital	Legal reserve	Extraordinary reserve	Other reserves	Translation reserve	Hedging reserve	Actuarial reserve	Total reserves					
Balance at 1 January 2016	36,340			(100)	4	(212)	(321)	(629)	1,388	448	37,547	289	37,836
Capital increase (capital decrease)												15	15
Dividend distribution												(12)	(12)
Allocation of profit for the previous year									448	(448)			
Change in consolidation scope													
Other changes												(1)	(1)
Comprehensive income						7	(86)	(79)		281	202	5	207
of which:													
Profit for the period										281	281	5	286
Gains/(losses) recognised directly in equity						7	(86)	(79)			(79)		(79)
Balance at 30 June 2016	36,340			(100)	4	(205)	(407)	(708)	1,836	281	37,749	296	38,045
Balance at 1 January 2017	36,340	7			3	(162)	(350)	(502)	1,559	758	38,155	257	38,412
Capital increase (capital decrease)												4	4
Dividend distribution										(300)	(300)	(7)	(307)
Allocation of profit for the previous year		32	50					82	376	(458)			
Change in consolidation scope									(57)		(57)	(9)	(66)
Other changes													
Comprehensive income						31	(3)	28		268	296	5	301
of which:													
Profit for the period										268	268	5	273
Gains/(losses) recognised directly in equity						31	(3)	28			28		28
Balance at 30 June 2017	36,340	39	50		3	(131)	(353)	(392)	1,878	268	38,094	250	38,344

Statement of cash flows

millions of Euros

	First half 2017	First half 2016
Profit for the period	273	286
Amortisation and depreciation	692	648
Share of losses of equity-accounted investees	(7)	(6)
Provisions and impairment losses	53	75
Profits on sales	(36)	(14)
Change in inventories	(129)	(136)
Change in trade receivables	(188)	336
Change in trade payables	(641)	(454)
Change in current and deferred taxes	2	24
Change in other liabilities	1,045	468
Change in other assets	(1,438)	(401)
Utilisation of the provisions for risks and charges	(46)	(47)
Payment of employee benefits	(52)	(29)
Net cash flows generated by (used in) operating activities	(472)	750
Increases in property, plant and equipment	(1,863)	(2,100)
Investment property	(3)	(1)
Increases in intangible assets	(54)	(34)
Increases in equity investments	(196)	(65)
Investments, before grants	(2,116)	(2,200)
Grants for property, plant and equipment	1,184	1,270
Grants for investment property		
Grants for intangible assets	2	5
Grants for equity investments	77	50
Grants	1,263	1,325
Decreases in property, plant and equipment	38	21
Decreases in investment property		
Decreases in intangible assets	1	
Decreases in equity investments and profit-sharing arrangements	4	1
Decreases	43	22
Net cash flows used in investing activities	(810)	(853)
Disbursement and repayment of non-current loans	473	(763)
Disbursement and repayment of current loans	(552)	1,175
Change in financial assets	222	207
Change in financial liabilities	(73)	(94)
Dividends	(4)	
Changes in equity	(26)	2
Net cash flows generated by financing activities	40	527
Total cash flows	(1,242)	424
Opening cash and cash equivalents	2,337	1,305
Closing cash and cash equivalents	1,095	1,729

Condensed interim financial statements of Ferrovie dello Stato
Italiane S.p.A. as at and for the six months ended 30 June 2017

Statement of financial position

Euros

	30.06.2017	31.12.2016
Assets		
Property, plant and equipment	46,322,918	45,912,015
Investment property	496,369,126	496,581,439
Intangible assets	34,422,029	36,567,865
Deferred tax assets	206,678,292	209,764,905
Equity investments	35,227,538,100	35,131,499,060
Non-current financial assets (including derivatives)	6,689,791,200	5,675,844,687
Non-current trade receivables	5,327,235	6,097,873
Other non-current assets	876,923,268	937,430,282
Total non-current assets	43,583,372,168	42,539,698,126
Inventories	476,389,937	489,140,792
Current trade receivables	136,983,292	125,646,941
Current financial assets (including derivatives)	2,517,405,672	2,594,210,723
Cash and cash equivalents	452,422,168	984,494,166
Tax assets	82,304,532	86,430,873
Other current assets	1,405,859,326	988,372,683
Total current assets	5,071,364,927	5,268,296,178
Total assets	48,654,737,095	47,807,994,304
Share capital	36,340,432,802	36,340,432,802
Reserves	88,807,634	6,868,981
Valuation reserves	356,708	251,083
Retained earnings	256,834,397	
Profit for the period/year	182,136,825	638,773,063
Total equity	36,868,568,366	36,986,325,929
Liabilities		
Non-current loans and borrowings	6,585,345,508	5,675,526,623
Post-employment benefits and other employee benefits	10,522,947	11,160,014
Provisions for risks and charges	164,992,877	171,147,753
Deferred tax liabilities	399,454,689	428,103,401
Non-current financial liabilities (including derivatives)		372,822
Other non-current liabilities	1,089,094,765	1,013,665,270
Total non-current liabilities	8,249,410,786	7,299,975,883
Current loans and borrowings and current portion of non-current loans and borrowings	1,622,267,605	2,096,878,874
Current trade payables	80,640,827	79,601,131
Current financial liabilities (including derivatives)	354,297,711	275,049,399
Other current liabilities	1,479,551,800	1,070,163,088
Total current liabilities	3,536,757,943	3,521,692,492
Total liabilities	11,786,168,729	10,821,668,375
Total equity and liabilities	48,654,737,095	47,807,994,304

Income statement

Euros

	First half 2017	First half 2016
Revenue from sales and services	76,620,193	67,603,704
Other income	15,507,477	2,256,002
Total revenue	92,127,670	69,859,705
Personnel expense	(27,876,579)	(24,334,258)
Raw materials, consumables, supplies and goods	(12,589,270)	(2,153,894)
Services	(36,420,288)	(25,560,817)
Use of third-party assets	(1,684,532)	(1,690,391)
Other operating costs	(14,713,180)	(18,606,570)
Internal work capitalised	41,685	83,180
Total operating costs	(93,242,164)	(72,262,750)
Amortisation and depreciation	(10,777,631)	(9,374,489)
Net reversals of impairment losses	(1,154,595)	(655,725)
Provisions for risks and charges		
Operating loss	(13,046,720)	(12,433,258)
Gains on equity investments	149,574,753	127,331,228
Other financial income	82,618,173	75,345,369
Losses on equity investments	(175,112)	(26,791)
Other financial expense	(75,191,251)	(70,699,526)
Net financial income	156,826,563	131,950,280
Pre-tax profit	143,779,843	119,517,022
Income taxes	38,356,982	(5,628,828)
Profit from continuing operations	182,136,825	113,888,194
Profit for the period	182,136,825	113,888,194

Statement of comprehensive income

Euros

	First half 2017	First half 2016
Profit for the period	182,136,825	113,888,194
Items that will not be reclassified to profit or loss:		
Actuarial gains (losses)	142,424	(521,162)
Tax effect on actuarial gains (losses)	(36,799)	136,933
Other comprehensive income (expense), net of the tax effect	105,625	(384,229)
Comprehensive income	182,242,450	113,503,965

Statement of changes in equity

Euros

Equity									
	Share capital	Reserves			Valuation reserves	Total reserves	Retained earnings (losses carried forward)	Profit for the period	Total equity
		Other reserves							
		Legal reserve	Extraordinary reserve	Other reserves					
Balance at 1 January 2016	36,340,432,802			(100,000,000)	357,416	(99,642,584)		137,379,615	36,378,169,833
Share capital decrease						(1)			
Dividend distribution							137,379,615	(137,379,615)	
Allocation of profit for the previous year									
Other changes									
Comprehensive income of which:									
Profit for the period								113,888,194	113,888,194
Net losses recognised directly in equity					(384,229)	(384,229)			(384,229)
Balance at 30 June 2016	36,340,432,802			(100,000,000)	(26,813)	(100,026,814)	137,379,615	113,888,194	36,491,673,798
Balance at 1 January 2017	36,340,432,802	6,868,981			251,083	7,120,064		638,773,063	36,986,325,929
Share capital decrease									
Dividend distribution							(300,000,013)		(300,000,013)
Allocation of profit for the previous year		31,938,653	50,000,000			81,938,653	556,834,410	(638,773,063)	
Other changes									
Comprehensive income of which:									
Profit for the period								182,136,825	182,136,825
Net gains recognised directly in equity					105,625	105,625			105,625
Balance at 30 June 2017	36,340,432,802	38,807,634	50,000,000		356,708	89,164,342	256,834,397	182,136,825	36,868,568,366

STATEMENT OF CASH FLOWS

Euros

	First half 2017	First half 2016
Profit for the period	182,136,825	113,888,194
Income taxes	(38,356,982)	5,628,828
Net financial income	(7,489,885)	
Amortisation and depreciation	10,777,631	9,374,489
Provisions and impairment losses	371,355	1,199,575
Impairment losses	112	
Accruals for employee benefits	48,648	82,968
Accruals and impairment losses	420,115	1,282,543
(Profits)/losses on sales		
Change in inventories	10,571,419	(96,078)
Change in trade receivables	(15,713,613)	(7,570,058)
Change in trade payables	1,039,696	(1,826,807)
Change in other assets	(356,979,629)	117,424,794
Change in other liabilities	190,043,990	(364,242,787)
Utilisation of the provisions for risks and charges	(6,604,126)	(8,779,547)
Payment of employee benefits	(543,290)	(438,512)
Financial income collected/financial expense paid		
Change in tax assets/liabilities	16,884,425	16,308,051
Net cash flows used in operating activities	(13,813,424)	(119,046,890)
Increases in property, plant and equipment	(337,812)	(112,983)
Investment property	(2,441,346)	(39,527)
Increases in intangible assets	(3,875,966)	(4,547,110)
Increases in equity investments	(110,734,586)	
Investments, before grants	(117,389,710)	(4,699,620)
Grants for property, plant and equipment		38,741
Grants for intangible assets		5,022,361
Grants for equity investments	14,695,434	
Grants	14,695,434	5,061,102
Decreases in property, plant and equipment	4,176	19
Decreases in investment property		114,556
Decreases	4,176	114,575
Net cash flows generated by (used in) investing activities	(102,690,100)	476,057
Disbursement and repayment of non-current loans	928,597,086	(289,289,032)
Disbursement and repayment of current loans	(493,389,470)	1,194,974,518
Change in financial assets	(771,242,335)	(911,089,944)
Change in financial liabilities	(406,862)	(479,095)
Net financial income that does not generate cash flows	7,489,885	
Changes in equity		
Net cash flows used in financing activities	(328,951,696)	(5,883,553)
Total cash flows	(445,455,220)	(124,454,386)
Opening cash and cash equivalents	1,154,724,118	1,046,135,283
Closing cash and cash equivalents	709,268,898	921,680,897
of which intragroup current account	256,846,728	73,859,403

Segment reporting by operating segment

The financial highlights of the group's operating segments for the first six months of 2017 and 2016 are shown below:

millions of Euros

First half 2017	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and inter-segment eliminations	Ferrovie dello Stato Italiane Group
Revenue from third parties	3,574	754	75	10	(1)	4,412
Inter-segment revenue	138	638	79	123	(837)	141
Revenue	3,712	1,392	154	133	(838)	4,553
Personnel expense	(1,206)	(767)	(14)	(72)	12	(2,047)
Other costs, net	(1,736)	(382)	(115)	(56)	822	(1,467)
Operating costs	(2,942)	(1,149)	(129)	(128)	834	(3,514)
Gross operating profit	770	243	25	5	(4)	1,039
Amortisation and depreciation	(624)	(50)	(10)	(7)	(1)	(692)
Impairment losses and provisions	(1)	(4)	(2)			(8)
Operating profit (loss)	144	189	13	(2)	(5)	340
Net financial income (expense)	(45)	(17)	(1)	14		(49)
Income taxes	(21)	(3)	(5)	11		(18)
Segment profit (attributable to the owners of the parent and non-controlling interests)	79	169	7	23	(5)	273

millions of Euros

30.06.2017	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and inter-segment eliminations	Ferrovie dello Stato Italiane Group
Net invested capital	10,692	34,342	1,707	(32)	(229)	46,480

millions of Euros

First half 2016	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and inter-segment eliminations	Ferrovie dello Stato Italiane Group
Revenue from third parties	3,299	708	104	10		4,121
Inter-segment revenue	129	588	83	120	(790)	130
Revenue	3,428	1,296	187	130	(790)	4,250
Personnel expense	(1,153)	(756)	(18)	(69)	12	(1,984)
Other costs, net	(1,548)	(310)	(127)	(51)	775	(1,261)
Operating costs	(2,701)	(1,066)	(145)	(120)	787	(3,245)
Gross operating profit	727	229	42	10	(3)	1,005
Amortisation and depreciation	(575)	(51)	(16)	(6)		(648)
Impairment losses and provisions	(6)	(2)	(5)			(13)
Operating profit	146	176	21	4	(3)	344
Net financial income (expense)	(39)	(18)	(2)	13		(46)
Income taxes	(14)		(9)	12	(1)	(12)
Segment profit (attributable to the owners of the parent and non-controlling interests)	93	158	10	29	(4)	286

millions of Euros

31.12.2016	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and inter-segment eliminations	Ferrovie dello Stato Italiane Group
Net invested capital	10,218	33,219	1,744	311	(235)	45,257

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