



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

# 2020 ANNUAL REPORT

## CONTENTS

<b>2020 ANNUAL REPORT</b>	<b>1</b>
Chairman's letter	4
Group highlights	7
<b>DIRECTORS' REPORT</b>	<b>14</b>
Directors' report and Consolidated non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016	15
Business model	22
Report on corporate governance and the ownership structure	24
The group's financial position and performance	52
Segment reporting	62
Ferrovie dello Stato Italiane S.p.A.'s financial position and performance	76
Investments	80
Research, development and innovation	89
Context and focus on FS Italiane group	93
Stakeholder engagement	127
Commitment to sustainable development	128
Main events of the year	169
Risk factors	179
Travel safety	193
Other information	194
The parent's treasury shares	203
Related party transactions	204
Outlook	205
<b>Consolidated financial statements of Ferrovie dello Stato Italiane group at 31 December 2020</b>	<b>206</b>
Consolidated financial statements	207
Notes to the consolidated financial statements	213
Annexes	331
Annex: GRI Content Index	348
<b>Separate financial statements of Ferrovie dello Stato Italiane S.p.A. at 31 December 2020</b>	<b>359</b>
Financial statements	360
Notes to the separate financial statements	366
Proposed allocation of the profit for the year of Ferrovie dello Stato Italiane S.p.A.	429

## FERROVIE DELLO STATO ITALIANE S.p.A. COMPANY OFFICERS

### **Board of directors** **Appointed on 30 July 2018<sup>1</sup>**

Chairman Gianluigi Vittorio Castelli

CEO and General Manager Gianfranco Battisti

Directors Andrea Mentasti

Francesca Moraci

Flavio Nogara

Cristina Pronello

Vanda Ternau

### **Board of statutory auditors** **Appointed on 3 July 2019<sup>2</sup>**

Chairwoman Alessandra dal Verme

Standing statutory auditors Susanna Masi

Gianpaolo Davide Rossetti

Alternate statutory auditors Letteria Dinaro

Salvatore Lentini

### **COURT OF AUDITORS' MAGISTRATE APPOINTED TO AUDIT FERROVIE DELLO STATO ITALIANE S.p.A.<sup>3</sup>**

Giovanni Coppola

### **MANAGER IN CHARGE OF THE COMPANY'S ACCOUNTING DOCUMENTS PREPARATION**

Roberto Mannozi

### **INDEPENDENT AUDITORS**

KPMG S.p.A. (2014-2022)

---

<sup>1</sup> Gianfranco Battisti was appointed CEO on 31 July 2018.

<sup>2</sup> Following the shareholder's resolution on the same date.

<sup>3</sup> During the meeting of 17-18 December 2019, the Court of Auditors appointed Section President Giovanni Coppola to oversee the financial management of the parent as from 1 January 2020 pursuant to article 12 of Law no. 259/1958. Section President Giovanni Coppola replaces Angelo Canale.

# Chairman's letter

Dear Shareholder,

The annual report that we submit for your approval covers a year heavily affected by the global public health emergency, which had a dramatic impact on Europe and Italy.

The death toll and infection rate remain high in the first few weeks of 2021, with many production activities still shuttered or grappling with significantly limited operations, while people face necessary, yet burdensome limitations to their freedom. Many crucial elements of our society and economy have been put to the test.

As the vaccination campaign progresses, providing a flicker of hope that the restrictions will be lifted within a reasonable amount of time, presenting our operations and results for 2020 gives us the chance to show how, despite the objective difficulties throughout the entire mobility sector and the overall economy, the FS Italiane group has managed to fully fill its role as a large industrial group serving the country with a deep sense of responsibility and benefiting from its steady, active cooperation with the government, regions and other institutions.

We helped ensure the continuity and safety of transport from the onset of the pandemic, when we were forced to write – becoming the first in the world to do so, out of nothing and in the span of a few short days – the rules to contain the risk of infection for our passengers and our more than 81,000 people, especially those personally exposed to the public. We outlined and rapidly rolled out measures on our trains and buses (personal protective equipment, social distancing, sanitisation, management of flows of people, air ventilation systems, etc.) that inspired other transport companies and provided a crucial contribution to the international guidelines issued by the Union Internationale des Chemins de fer ("UIC"). At year end, when we received international quality certification, it was a meaningful acknowledgement of the excellent work we had done.

In our offices, we significantly sped up the expansion of the work-from-home schemes that we had commenced in previous years. Maintaining continuity and service quality, we minimised the number of people in the office, spreading new practices and skills that will continue to improve the productivity and wellbeing of our employees in the future as well.

With the essential support of the government, despite the difficulties we faced, especially in the first half of the year, we confirmed and improved our investment capacity, with roughly €9 billion in capital expenditure (+5% on 2019), contributing 2.4% to Italian GDP. We did not stop operations at our work sites throughout Italy, ensuring the stability of thousands of companies and tens of thousands of people as a result of our induced impact on the economy, and we even issued new calls for tenders for contracts worth over €21 billion, laying the foundation for the acceleration of the large infrastructural projects that Italy needs.

Below are a few brief remarks on two key areas of focus:

- results, investments in the main segments and financial position;
- governance and sustainability.

## **Results, investments in the main segments and financial position**

In 2020, the FS Italiane group generated revenue of €10.8 billion (-€1.6 billion on 2019), with a gross operating profit of €1.6 billion (-€1 billion). However, the operating loss came to €0.3 billion and the loss for the year was €562 million (-€1.1 billion on 2019).

The severe repercussions of the public health emergency on group revenue are exhaustively detailed in the annual report (high speed transport saw a 68% contraction in passenger volumes, with a 42% drop in traffic volumes), alongside the actions that management has taken to control and cut costs and the benefits of the extraordinary government measures.

As part of an overall decrease in the number of employees (-778, excluding outgoing employees due to sales of companies), the personnel turnover plan continued, with 6,100 new hires (mostly young people under the age of 30) who immediately embraced the values that distinguish FS Italiane people.

55% of the €9 billion in capital expenditure was directed at railway infrastructure (98% for the traditional network, 2% for the HS network), 22% went to road infrastructure, 19% to transport (18% for passenger transport and 1% for freight), while the residual investments went to other services (real estate and urban regeneration in particular, as well as technologies and ICT services). In passenger transport, the upgrading campaign of the regional fleet progressed with 86 new trains placed in service (compared to 49 in 2019 and 11 in 2018).

Looking at financial soundness, the ratio of net financial debt (€8.9 billion at year-end 2020, +€1.2 billion on 2019) and equity attributable to the owners of the parent (€41.4 billion, -€0.9 billion) is 0.21, showing an increase on the previous year (+0.03) mainly due to the growth in investments and the impacts of the emergency on cash flows and income.

The success of bond placements in the year and the confirmation of the parent's BBB stand-alone credit rating demonstrate the market's positive view of the group's soundness.

## **Governance and sustainability**

The board of directors, with the support of its committees, has overseen the internal control and risk management system and has spurred the group's growth in all areas of sustainability (economic, social and environmental) as illustrated in the directors' report and, more extensively, in the group's 2020 sustainability report.

Social sustainability efforts included the help centres (which we host in 18 cities and which helped over 15,500 people) and the welcome centres for people facing serious difficulties (three in Rome and two in Milan), as well as the non-profit social, cultural and environmental projects that can be developed in the 418 stations throughout the country (+15 on 2019) where we offer spaces free of charge to local associations and other non-profit organisations (155,563 square metres in 2020, +8% on 2019).

\* \* \*

The information and data in the annual report that we submit to you show how the FS Italiane group remains a solid bulwark for our country, and not only because of its excellence in providing mobility services and in designing, building, operating and maintaining railway and road infrastructure, but because of the sound reputation and prestige that the group has earned over the years.

This is a genuine treasure trove of integrity, fairness, transparency and efficiency – let's never forget it – that must be defended, renewed and strengthened day after day, without compromise, at all levels.

In recent weeks, in close contact with the government and, in particular, with our shareholder and supervisor, we are participating in the definition of the National Recovery and Resilience Plan within the deadlines set by the European Commission. The new financing measures and the precious flexibility that the European Union has offered in response to the public health emergency and economic crisis create a fundamental opportunity to inject new life through the investments

planned for the next few years and inevitably drive us to implement the necessary reforms with extreme rapidity, maturity and a sense of responsibility.

Our people are ready to contribute and help achieve all the changes that our country needs to build the mobility system of the future and support sustainable growth in Italy and each of its different regions.

The Chairman

Gianluigi Vittorio Castelli

## Group highlights

### Ferrovie dello Stato Italiane group's annual report

---

This annual report includes the consolidated and separate financial statements of Ferrovie dello Stato Italiane S.p.A. and the directors' report, which meets the provisions of the Italian Civil Code and complies with the regulations of Legislative decree no. 254 of 30 December 2016 applicable to non-financial information.

#### *Disclaimer*

---

This document and, in particular, the part titled "Outlook" contain forward-looking statements based on current expectations and projections of future events. By their very nature, these statements present inherent risks and uncertainties. They refer to events and depend on circumstances that might, or might not, occur or arise in the future and, as such, cannot be fully relied upon. Actual results may differ, even significantly, from the data in these statements due to myriad factors - foremost the impact of the COVID-19 pandemic, which is still unfolding and which could lead to widely disparate potential future scenarios with many different effects - and including, but not limited to, the volatility and deterioration of capital and financial markets, changes in raw material prices, changes in macroeconomic conditions and economic growth and other changes in business conditions, changes in legislation and the institutional context (both in Italy and abroad), difficulties in carrying out production and providing services, including restrictions to the use of the infrastructural railway/road network, the use of plants and supplies and many other risks and uncertainties, most of which are exogenous to the group.

## Key and glossary

---

### **Non-GAAP performance indicators**

Below is a description of the criteria used to determine the non-GAAP performance indicators used in this report, which differ from the criteria applied to the IFRS financial statements. Management finds these indicators useful in monitoring the group's performance and believes they reflect the financial performance of its business segments.

**Gross operating profit:** this is an indicator of the performance of operations and reflects the group's core business only. It is calculated as the difference between revenue and operating costs.

**Operating profit:** this is an indicator of the performance of operations and is calculated as the algebraic sum of gross operating profit and amortisation and depreciation, impairment losses (impairment gains) and provisions.

**Net operating working capital:** this is the algebraic sum of inventories, contract assets, current and non-current trade receivables and current and non-current trade payables.

**Other assets, net:** these reflect the sum of assets and advances from the Ministry of the Economy and Finance for grants, deferred tax assets, other current and non-current assets and other current and non-current liabilities.

**Working capital:** this is the sum of net operating working capital and other assets, net.

**Net non-current assets:** these reflect the sum of property, plant and equipment, investment property, intangible assets and equity investments.

**Other provisions:** these reflect the sum of post-employment benefits and other employee benefits, the provision for litigation with employees and third parties, the provisions for other sundry risks and deferred tax liabilities.

**Net invested capital (NIC):** this is the algebraic sum of working capital, net non-current assets, other provisions and net assets held for sale.

**Net financial debt (NFD):** this is a financial indicator calculated as the algebraic sum of bonds, non-current bank loans and borrowings and the current portion thereof, current bank loans and borrowings, current and non-current loans and borrowings from other financial backers, loan assets with the Ministry of the Economy and Finance for current fifteen-year grants, cash and cash equivalents and current and non-current financial assets.

**Equity (E):** this is a financial statements indicator calculated as the algebraic sum of share capital, reserves, retained earnings (losses carried forward), current and non-current derivative liabilities and the profit (loss) for the year.

**Capital expenditure:** this indicator reflects the trend in group investments of the year and includes the group's investment programmes/projects (including investments via leases or special purpose vehicles) to support business development. These programmes/projects consist of investments in property, plant and equipment, concessions and other intangible assets, excluding financial investments (i.e., those relating to equity investment transactions). Specifically, the indicator is calculated as the algebraic sum of investments of the year/in progress in: i) property, plant and equipment, ii) intangible assets; iii) investment property; iv) change in concession work; v) trading property, net of asset acquisitions between group companies.

**Gross operating profit margin:** this profitability indicator is calculated as the ratio of gross operating profit to revenue.

**Operating profit margin – ROS (return on sales):** this sales profitability indicator is calculated as the ratio of operating profit to revenue.

**Debt/equity ratio:** this indicator is used to measure the group's debt. It is calculated as the ratio between net financial debt and equity.



**ROE (return on equity):** this is a profitability indicator for equity and is calculated as the ratio of profit (loss) for the year and average equity, using the average of opening equity (including the profit (loss) for the previous year) and closing equity (net of the profit (loss) for the year).

**ROI (return on investment):** this is a profitability indicator for invested capital through core business operations. It is calculated as the ratio of operating profit to average NIC (the average of opening and closing NIC).

**Net asset turnover:** this is an efficiency indicator that expresses invested capital's ability to transform into sales revenue. It is calculated as the ratio of operating revenue to average NIC (the average of opening and closing NIC).

**Generated economic value:** this indicator reveals how the group generates wealth for its stakeholders and it includes revenue from sales and services and other sundry income. It is calculated as the algebraic sum of other income, financial income and the share of profits (losses) of equity-accounted investees.

**Distributed economic value:** this indicator reveals how the group distributes the wealth it generates to stakeholders and it includes operating costs, employee remuneration, donations and other investments in the community, retained earnings and payments to financial backers and to the public administration.

**Income other than directly generated economic value:** this caption includes the financial statements caption "Other income" plus financial income.

**Payments to financial backers in distributed economic value:** this caption includes remuneration to financial backers, including distributed dividends, borrowing costs and other forms of debt.

**Payments to public bodies in distributed economic value:** this caption includes taxes and duties of the year included in the captions "Income taxes" and "Other operating costs", excluding deferred taxes.

**Contribution to GDP:** this indicator measures the group's contribution to the domestic economy, i.e., the increase in value generated by all group production factors. The group's methodological approach enables it to measure the direct, indirect and induced impacts of its operations and investments.

**FTE jobs impact:** this indicator reflects the full-time equivalent jobs created as a result of the group's existence and operations in Italy. It includes jobs created directly as well as indirect and induced jobs.

## Glossary

The following terms are frequently used in this report in relation to the group's operations:

**Computerised interlocking system:** electronic management system for control and signalling and station safety.

**ARIS:** All-relay interlocking system. This centralised system has one single button to control routes and routing and automatically shunts each individual body affected by the route.

**ATC:** Automatic train control. This system automatically controls the train's speed. It is the technological and functional evolution of the automatic train protection (ATP).

**HS/HC:** High speed/High capacity. This is the system of lines and means specifically developed for high speed transport and the consequent high capacity transport.

**Average load:** (pkm/tkm) This ratio expresses the number of passenger-km per train-km, i.e., how many people a train can transport on average.

**RFI Government Programme Contract (RFI GPC):** this is a long-term contract between the Ministry of Infrastructure and Transport (“MIT”) and Rete Ferroviaria Italiana S.p.A. (“RFI S.p.A.”) defining investment projects and other terms and conditions, such as network maintenance, to encourage the development of the railway system.

**Anas Government Programme Contract (Anas GPC):** this is a long-term contract between the MIT and Anas S.p.A. defining investment projects and other terms and conditions, mainly maintenance, to encourage the development of the road network.

**Public service contracts:** these are contracts between the MIT/Ministry of the Economy and Finance (“MEF”) and Trenitalia S.p.A. whereby the former reimburses the latter for the cost of public passenger transport services that could not otherwise sufficiently self-fund.

**Main line:** this is a particularly important series of railway lines in terms of traffic volumes and the transport role that it plays, as it joins major network centres or hubs.

**European Railway Agency (ERA):** this is the EU agency establishing the mandatory requirements for European railways and builders in the form of technical interoperability specifications applicable to the European railway system. The ERA sets common safety targets, along with the related methods and common safety indicators, in compliance with Directive no. 2004/49/EC, as amended .

**European Rail Traffic Management System (ERTMS):** this is the system that integrates the various railway networks in the EU from a functional and operational standpoint and provides for the European Train Control System.

**ETCS (European Train Control System):** this is the overall network of the various national automatic train control (ATC) systems. ATC systems consist of traditional and innovative signalling systems and can be based on continuous signal repetition (CSR) or continuous digital signal repetition (CDSR).

**GSM-R (Global System for Mobile Communication):** this is the European standard for public digital mobile telephony system with a transmission speed of 9.6 Kbps.

**Plant:** this is a railway company’s production unit with a fixed location and identifiable area of jurisdiction on the railway network. It may belong to either the infrastructure operator or the transport companies.

**Daily mobility ratio (DMI):** this is the ratio of the total number of journeys taken in a day by the inhabitants of a given city to its total number of inhabitants.

**Load factor (pkm/seat-km):** this indicator measures the saturation of the commercial offer.

**Hub:** this is a conventional term to define a railway area that generally coincides with major metropolitan destinations presenting highly dense and relatively complex medium-size to large stations and other railway systems that are interconnected by various lines, creating a continuation of the main routes into the same hub and other lines, built to manage various traffic flows and alternative routes, or service loops.

**Doubling:** this is the transformation of a single track to a double track.

**CCS/CTC:** this command and control system/large network central traffic control system regulates traffic on the main lines and hubs, outperforming traditional centralised traffic control systems.

**TSCS:** train speed control system. This is the first functional stage of the ATC system for constant control over train speed, making it possible to activate the emergency brakes if the train exceeds the maximum speed allowed on the line or if it proceeds past stop signals.

**Terminal:** this is the intermodal transport infrastructure for the transfer of large load units between carriers, with or without warehouses of modest size.

**Tonne-km (tonne/km):** this is the product of tonnes transported multiplied by kilometres travelled. It is, therefore, the sum of the kilometres effectively travelled by the tonnes transported over a given period of time. It is the commercial performance indicator for freight transport.

**Combined transport:** this is intermodal transport mainly carried out by rail, river or sea, when the initial and terminal journeys are by road. Combined transport uses specific carriages and coded lines for the sections by rail.

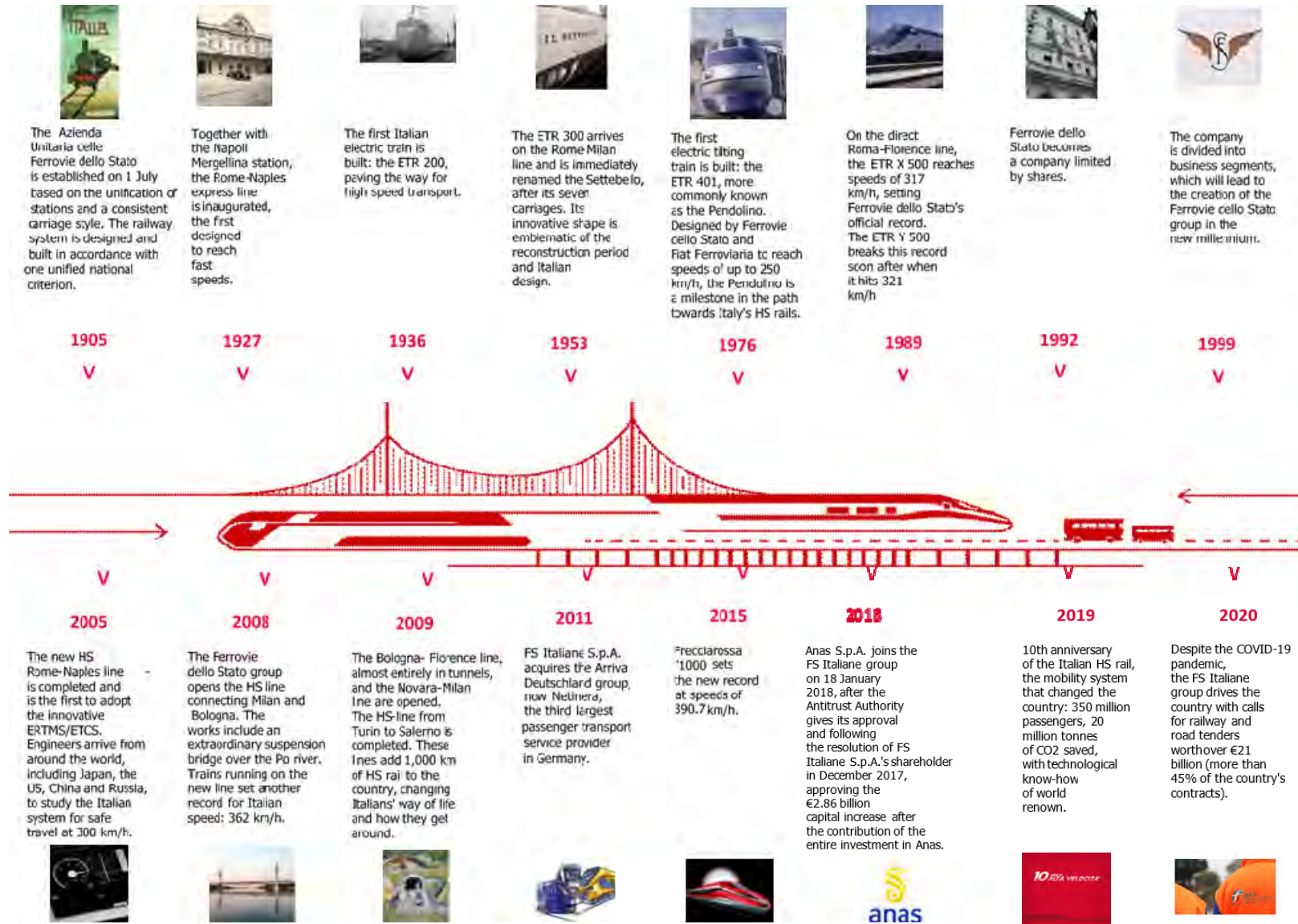
**Intermodal transport:** this is transport using two or more modes of transport (road, rail, sea or river) with the transfer of load units from one mode to another without breaking up the load, i.e., using a roadway vehicle or intermodal transport unit (containers, swap bodies and semitrailers).

**LPT:** local public transport.

**Train-km (tkm):** this is the number of train events per kilometre travelled. It is, therefore, the sum of kilometres travelled by all trains over a given period of time. It is the performance indicator for the railway network operator's production.

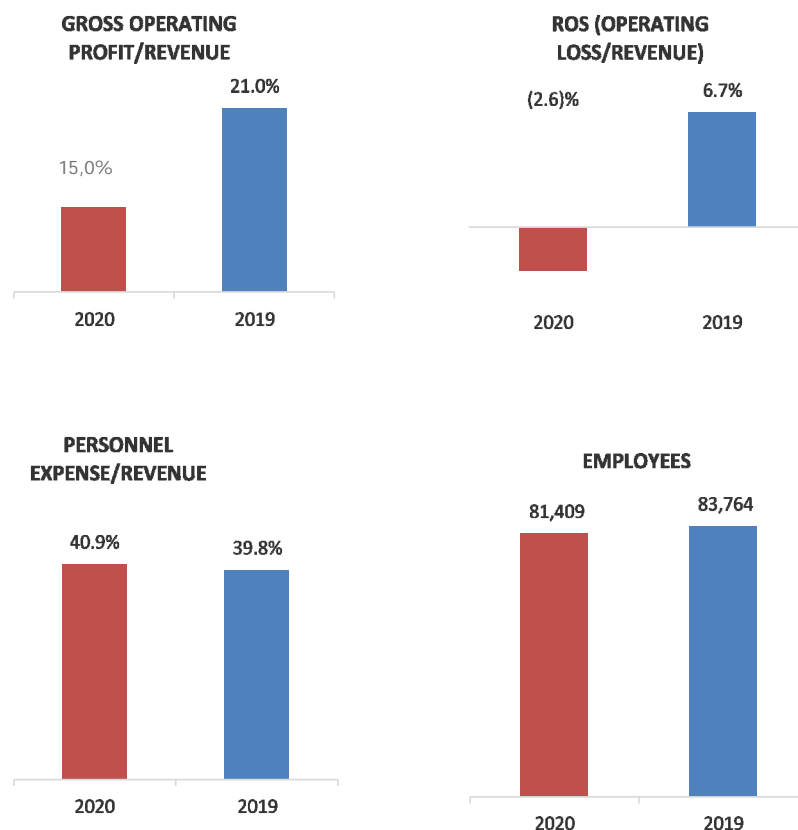
**Passenger-km (pkm):** this is the number of passengers multiplied by kilometres travelled. It therefore reflects the sum of kilometres effectively travelled by all transport service passengers over a given period of time (pkm). It is the commercial performance indicator for passenger transport.

# The future is founded on history



## Group highlights

These highlights show how the FS Italiane group's performance in 2020 was affected by the economic and financial impacts of the ongoing public health emergency that began in the wake of the global COVID-19 outbreak. These impacts are detailed and discussed further on, specifically in the "Developments in Italian legislation", "Developments in European legislation", "Risk factors" and "COVID-19 emergency" sections.



■ 2020 ■ 2019

	millions of Euros			
<b>Financial highlights</b>	<b>2020</b>	<b>2019</b>	<b>Change</b>	<b>%</b>
Revenue	10,837	12,423	(1,586)	(12.8)
Operating costs	(9,204)	(9,814)	610	6.2
Gross operating profit	1,633	2,609	(976)	(37.4)
Operating profit (loss)	(278)	829	(1,107)	(133.5)
Profit (loss) for the year	(562)	584	(1,146)	(196.2)
	<b>31.12.2020</b>	<b>31.12.2019</b>	<b>Change</b>	<b>%</b>
Net invested capital (NIC)	50,316	49,977	339	0.7
Equity (E)	41,423	42,318	(895)	(2.1)
Net financial debt (NFD)	8,893	7,659	1,234	16.1
NFD/E	0.21	0.18		
Investments of the year	6,693	6,943	(250)	(3.6)
Total cash flows	(276)	(254)	(22)	8.7



## DIRECTORS' REPORT

# Directors' report and Consolidated non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016

## Directors' report - Ferrovie dello Stato Italiane group

---

The directors' report of the Ferrovie dello Stato Italiane group (the "FS Italiane group") complies with the provisions of article 2428 of the Italian Civil Code, supplemented with specifically applicable legislation, where required. As further detailed in the following, this report also complies with the provisions of Legislative decree no. 254 of 30 December 2016 applicable to non-financial information and includes the information required by such decree.

## Consolidated non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016 - Methodology for reporting non-financial information

---

The FS Italiane group must comply with Legislative decree no. 254 (the "Decree"), which implemented Directive 2014/95/EU, amending Directive 2013/34/EU with respect to the disclosure of non-financial information by certain large companies and groups.

In compliance with the provisions of the Decree, as in the previous years, the group has included the consolidated non-financial statement ("NFS") in the directors' report, also considering that the information contained therein is pre-financial.

In accordance with the group's longstanding methodological choices in relation to the reporting of non-financial information, the NFS has been prepared in compliance with the "GRI Sustainability Reporting Standards" issued by the Global Reporting Initiative (GRI) in 2016 (the "Standards"), using the core reporting option. The group has always applied these Standards in the preparation of the Sustainability Report which are also applied by the majority of large Italian and international groups in reporting their non-financial information.

To ensure comparability, quantitative information relates (where available) to the 2018-2020 three-year period. Any differences with respect to the previous NFS are due to the fine-tuning of the reporting methods and are specifically indicated. Based on the criteria of materiality (actual or potential impacts with reference to material topics<sup>4</sup> and the nature of the companies' business) and control (direct/indirect), the following topic-specific boundary was identified. Reference should be made to the "GRI Content Index", which constitutes an integral part of the NFS and is attached hereto.

The relevant information was selected considering the various aspects of the Decree, the group's operations and the consequent impacts. In addition, the group considered the results of the materiality analysis and the "Guidelines on non-financial reporting" of July 2017 and the "Guidelines on non-financial reporting: supplement on reporting climate-related information" of June 2019, published by the European Commission, as well as the Regulation implementing Legislative decree no. 254/2016, issued by Consob (the Italian commission for listed companies and the stock exchange) on 18 January 2018.

Each year, the group updates the analysis to identify social, environmental economic topics that are material (the "materiality analysis") in order to recognise long-term value creation opportunities.

In 2020, for the first time, the materiality matrix was developed using a bottom-up approach (and therefore starting with an analysis of the information gathered by subsidiaries<sup>5</sup>) in three steps:

---

<sup>4</sup> The topics covered by Legislative decree no. 254/2016 or shown to be material based on the materiality analysis (as per the GRI standards)

## SELECTING



Identifying **potentially material issues** through an in-depth analysis of internal and external group documents

## ASSESSING



**Materiality for the group and stakeholders** was assessed via various channels for gathering feedback:

- Datamaran: a platform that uses AI to analyse external stakeholders (e.g., peers, competitors in the industrial sectors in which the group operates, voluntary and applicable national and international regulations)
- Surveys of residents
- Online surveys of group employees
- Online surveys of senior management of Ferrovie dello Stato Italiane S.p.A.
- Engagement activities targeting external stakeholders (e.g., suppliers, institutions, associations, etc.) and management by the main companies involved in the process

## PRIORITISING



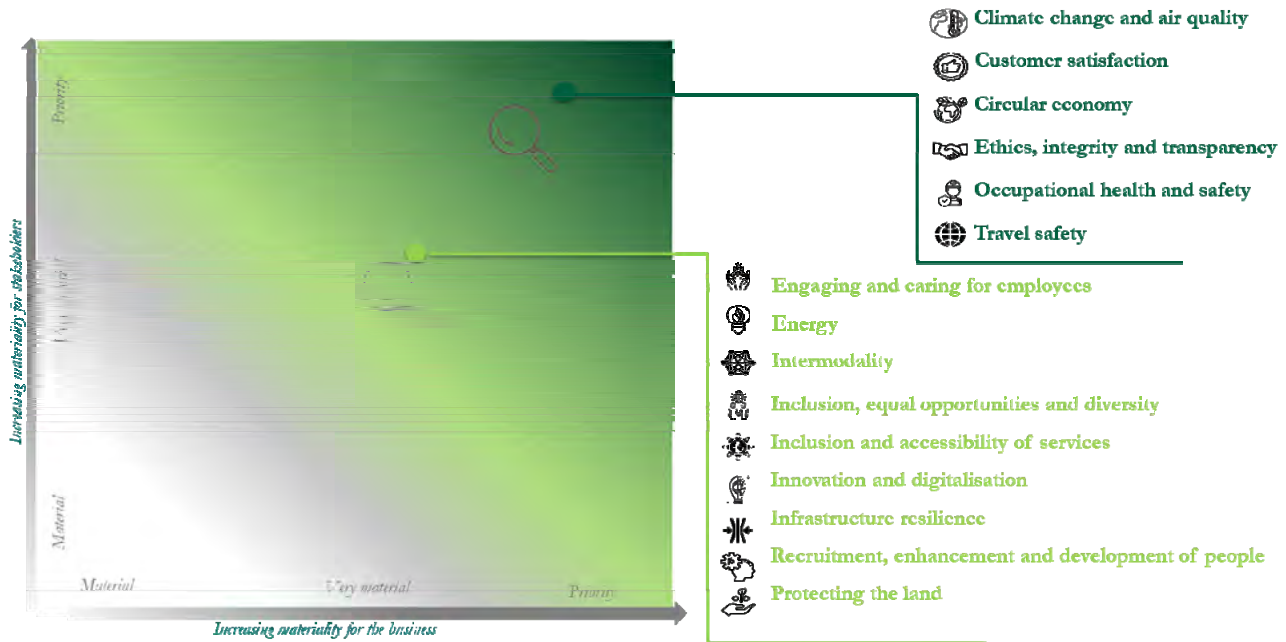
Developing a methodology to trace results and create the group's first bottom-up **materiality matrix**

The methodology used to group the data gathered by the companies considered: the company's materiality and size, the number of external stakeholders involved and the organisational weight of consulted management. The priority of the topics was mapped based on two dimensions: strategic materiality for the group (horizontal axis) and their perceived materiality for stakeholders (vertical axis). The topics placed in the "very material" and "priority" areas are described below:

---

<sup>5</sup> Trenitalia S.p.A., RFI S.p.A., Anas S.p.A., Polo Mercitalia, Busitalia Sita Nord S.p.A., Sistemi Urbani S.r.l., Italferr S.p.A., Ferrovie del Sud Est e Servizi Automobilistici S.r.l., Ferservizi S.p.A. and FS S.p.A. contributed to the materiality matrix.





The most material topics are shown below, with reference to the associated Sustainable Development Goals (SDGs) in the UN's Agenda 2030 on which the group operations have a significant impact<sup>6</sup>:

**Climate change and air quality**

Fight **climate change** by **reducing greenhouse gas emissions** (e.g., CO<sub>2</sub>, ozone-depleting substances, natural gas, etc.), actions to improve **air quality** and actions to reduce **air pollution** (e.g., particulate matter, nitrogen oxide, etc.)



**Engaging and caring for employees**

Foster the **well-being of employees** through **welfare policies** (e.g., engaging and listening to employees; health insurance/reimbursements; contributions for creches, elderly care, babysitters, etc.; managing operational changes - e.g., job rotation, professional retraining programmes, financial contribution measures, etc.); allowing **working from home**



**Customer satisfaction**

Commit to guarantee and improve the **quality of services** offered to current and potential customers at stations and on board trains and buses (e.g., comfort, design, cleanliness, punctuality, public information, security, etc.); **relationship of trust** with customers by setting up dedicated channels for dialogue; monitoring **customer satisfaction and complaints management**



**Circular economy**

Manage **hazardous and non-hazardous waste**; **fight illegal dumping of waste**; use **materials efficiently**; reuse, recycle, repurpose and upcycle materials



**Energy**

Reduce **energy consumption**; promote the **efficient use of energy resources** (e.g., smart grid, cogeneration, LED lighting, etc.) and **renewable sources** (e.g., alternative fuels, biofuels, "green" hydrogen energy, hybrid engines, solar power, wind power, etc.)



<sup>6</sup> Furthermore, in its daily operations, the group also contributes to the achievement of other SDGs not associated with material topics.

### Ethics, integrity and transparency

Adopt the **highest ethical standards** in company operations, in line with the company vision and values; fight **corruption and bribery**; strengthen **company identity and reputation**; **transparency** in business; protect and respect **freedom of competition**, codes of conduct and regulations on incorrect/monopolistic business practices



### Inclusion and accessibility of services

**Inclusion and accessibility** of stations so that everyone can fully use the services offered; provide unobstructed paths at stations; assistance services at stations and on board trains and buses for people with disabilities and reduced mobility (e.g., Sale Blue, tactile walkways, visual and sound alerts, etc.)



### Inclusion, equal opportunities and diversity

Inclusion; **non-discrimination** and appreciation of **diversity** at the company (age, gender, skills and experience, religion, political views, ethnicity, nationality, sexual orientation, physical ability, geographical origin, etc.); **equal opportunities**; **impartiality**; **gender pay gap**



### Innovation and digitalisation

Develop **innovative solutions** and **new technologies** to upgrade existing processes and services; **digitalise** company processes to boost time, cost reduction and energy consumption efficiency



### Intermodality

Promote **collective and shared means of transport** for passengers and freight that are increasingly efficient and with a lower impact on society and the environment (e.g., less traffic and better air quality); improve **integration** between all public transport systems and soft modes of transport (e.g., trains, urban and suburban transport and bicycles), including information of services



### Infrastructure resilience

Protect against and prevent **impacts** on railway and road **infrastructure** deriving from the growing effects of **climate change** and the **fragility of the land** (e.g., hydro-geological events, earthquakes, floods, etc.); strengthen railway and road assets to maintain functionality and efficiency in the long term



### Occupational health and safety

Promote **occupational health and safety**; prevent accidents and injuries; **psychophysical well-being** of people; **culture** of safety at the company; monitor work-related stress; ergonomics



### Recruitment, enhancement and development of people

**Marketing and promotion** strategies for the FS Italiane brand to attract young people and professionals; hire and select talent **based on merit**; **professional and career development** programmes; elevate know-how, experience and merit (e.g., internal job posting, professional development programmes, etc.); meritocratic, **incentive and remuneration** policies;



### Travel safety

Maintain **high** travel quality and safety standards; **reliability and maintainability** of all components of railway and road infrastructure; **protect** passengers at stations and on board trains and buses (from theft, harassment, assault, etc.); **traffic safety** of trains, buses and cars; commit to spreading a culture of safety



### Protecting the land

**Prevent and mitigate** the impact of operations on the **soil** and the **quality** of underground and surface **water**; **reclaim** contaminated areas; minimise **soil consumption**; **conserve** habitats and natural ecosystems; protect and develop **natural and archaeological heritage**



The management approaches to these topics<sup>7</sup> are presented in this report, in accordance with the Decree and the Standards. To make the information included in the NFS as useful as possible, a table bridging the information required by the Decree and applicable to the group and the sections of this report is given below. Moreover, for ease of reading, the chapters or sections that include the information of the NFS are marked with a specific symbol (DNE).

<sup>7</sup>Where the group has not yet adopted policies related to the aspects referred to in Legislative decree no. 254/2016, because it does not yet deem them necessary, the group reserves the right to adopt them in the medium to long-term. In this regard, in this report, the term policy refers to formalised and approved documentation, whereas the terms practices or procedures are used for those that have not yet been formalised.

Bridging table pursuant to Legislative decree no. 254/2016

Aspects covered by the Legislative decree	Material topic	Annual report	
		Reference	GRI - Core Code
Article 3.1.a Business model and governance		Chairman's letter Business model Report on corporate governance and the ownership structure The group's economic and financial performance – Directly generated economic value and distributed economic value Commitment to sustainable development: Approach, commitment and practices	102-1 – 102-7 102-11 102-13 102-14 102-16 102-18 102-22 102-24 201-1
Article 3.1.b Practices		Directors' report and non-financial information – Consolidated non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016 - Methodology for reporting non-financial information Commitment to sustainable development: – Approach, commitment and practices – Environmental sustainability – The travel experience – Sustainable supply chain – Human capital – Commitment to the community Consolidation scope and the group's equity investments <i>Annex: GRI content index</i>	102-9 102-10 102-12 103-1 103-2 103-3 102-40 – 102-44 102-45 – 102-56
Article 3.1.c Risk management model	Business ethics, integrity and transparency	Report on corporate governance and the ownership structure – The internal control and risk management system Risk factors	
Article 3.2.a/c Energy and water resources	Circular economy, Energy, climate change and air quality, land protection	Environmental sustainability	103-2 103-3 302-1 303-1 303-2 303-3
Article 3.2.b/c Greenhouse gas emissions	Circular economy Energy, climate change and air quality	Environmental sustainability	103-2 103-3 305-1 305-2
Article 3.2.d/c Personnel management	Inclusion, equality and diversity Recruitment, enhancement and development, Occupational health and safety	Commitment to sustainable development - Human capital Report on corporate governance and the ownership structure <i>Annex: GRI content index</i>	102-8 103-2 103-3 401-1 403-1 – 403-7 403-9 404-1 405-1 406-1
Article 3.2.e Human rights	Business ethics, integrity and transparency	Report on corporate governance and the ownership structure Risk factors <i>Annex: GRI content index</i>	103-2 103-3 411-1 412-3
Article 3.2.f Transparency and the fight against corruption	Business ethics, integrity and transparency	Report on corporate governance and the ownership structure Scenario and Focus on FS Italiane group - Transport Authority ("ART") regulations Risk factors	103-2 103-3 205-2 415-1 419-1

Article 3.1.c Supply chain	Circular economy	Commitment to sustainable development - Sustainable supply chain <i>Annex: GRI content index</i>	103-2 103-3 204-1 308-1 407-1 408-1 409-1 414-1
Article 3.2.d/c Community	Intermodality	Commitment to sustainable development - Commitment to the community	103-2 103-3 413-1 413-2
Article 3.3 Methodology and principles		Directors' report and non-financial information – Consolidated non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016 - Methodology for reporting non-financial information	102-46 102-47 102-48 102-49 102-54 102-56
Article 10.1.a Diversity policies	Inclusion, equality and diversity Employee engagement and care	Report on corporate governance and the ownership structure - Commitment to sustainable development - Human capital	103-2 103-3 405-1

The table bridging the topics identified during the materiality analysis but not explicitly covered by the Decree is set out below. These topics are, however, consistent with the GRI "Core" approach.

Other material topics	Annual report		GRI - Core
	Reference	Code	
Customer satisfaction, Inclusion and accessibility of services	Commitment to sustainable development - The travel experience	103-2 103-3	
Travel safety	Travel safety	103-2 103-3 416-1	
Circular economy, Land protection	Commitment to sustainable development - Environmental sustainability	103-2 103-3 301-1 303-4 304.1 306-2 306.3	
Business ethics, integrity and transparency	Scenario and Focus on the FS Italiane group - Transport Authority ("ART") regulations, Other information	206-1	
Innovation and digitalisation	Research, development and innovation		
Resilience of the infrastructures	Risk factors		

In accordance with the "Core" option provided for under the Standards, the GRI Content index is attached hereto as an integral part of this report. The references in the above table are to paragraphs of this report, as shown in the above bridging table.

Pursuant to article 5 of the Consob regulation adopted with Resolution no. 20267/2018, the FS Italiane group has engaged its independent auditors, KPMG S.p.A., responsible for performing the statutory audit, to perform a limited assurance engagement on its NFS. The report issued by KPMG S.p.A. is attached to this document.



## Business model

The aim of the FS Italiane group's business model is to enhance its various forms of capital (financial, physical, human and interpersonal, intellectual and organisational, natural)<sup>8</sup>, organising activities and processes to create value for all stakeholders in the medium and long-term.

Like in other public utilities sectors, the group's activities are subject to specific regulation by independent national and international authorities, in order to safeguard the correct operation of the market and customer rights.

---

<sup>8</sup> In accordance with the IIRC - International Integrated Reporting Council framework

# BUSINESS MODEL

## The group's vision

The FS Italiane group is determined to drive the country's recovery by creating value and contributing to a multi-modal transport of people and goods, while placing people's needs to the fore. Transport that is more sustainable, safe and, at the same time, focused on operational excellency, maintaining a leadership role at the cutting edge of technology and resilient digital transport infrastructure, not just in Italy but with a strong presence all over the world.

## The business model



<sup>1)</sup> services offered without commercial restrictions and without any government grants.  
<sup>2)</sup> public transport services offered at the request of the government or regions under service contracts, whereby the transport companies receive considerations in exchange for meeting agreed requirements in terms of the frequency of service, fares, service levels and stops

## Introduction

---

This section of the directors' report provides a description of the key corporate governance policies defined by the parent, Ferrovie dello Stato Italiane S.p.A. ("FS Italiane S.p.A.") and applied in the Ferrovie dello Stato Italiane group. Furthermore, this section meets the specific disclosure requirements of article 123-bis of Legislative decree no. 58/1998 - Consolidated Law on Finance (Report on corporate governance and the ownership structure) with respect to the information required by paragraph 2.b<sup>9</sup>. This section also includes the information "regarding the adoption of the criteria and methods for the appointment of members of the board of directors and the remuneration policies for senior managers of companies directly or indirectly controlled by the Ministry of the Economy and Finance" as required by the Ministry of the Economy and Finance (Directive 24 June 2013). Such requirement is addressed to issuers of financial instruments listed on regulated markets and is aimed at illustrating and justifying in the "Report on corporate governance and in the financial statements" the remuneration policies in place for directors with special powers, based on the recommendations of the Treasury Department.

## The group

---

The FS Italiane group's structure is based on a corporate process that began in 2000, leading to the current multi-company group with a parent, FS Italiane S.p.A., whose business purpose - as lastly amended with resolution of the shareholder's meeting of 5 June 2019 - is to:

- construct and manage infrastructure networks for domestic rail, road and motorway transport;
- carry out freight and passenger transport activities, also by plane and both domestic and international, including the promotion, implementation and management of initiatives and services in the transport sector;
- directly or indirectly carry out any other activity that is instrumental, complementary or connected to the above, expressly including customer services and activities aimed at enhancing the value of its assets used in the performance of the activities covered by its by-laws.

As explicitly stated by the by-laws, business activities are mainly, but not exclusively, carried out through subsidiaries and associates. Hence, the parent heads operating companies in various sectors along the chain and other service companies and companies supporting group functions. However, the companies have their own corporate characteristics and independently manage operations to achieve business targets.

Following the deregulation of the EU network market, the by-laws specify that separate subsidiaries are to oversee transport activities and the construction and operation of the railway transport network.

The group's organisational model - considering the current regulatory context - includes:

- the parent FS Italiane S.p.A., which is wholly owned by the state through the Ministry of the Economy and Finance (the "MEF") and mainly handles the strictly corporate activities that are typical of a holding company for a group of companies operating in Italy and abroad, while its investees retain their independent legal responsibilities. FS Italiane S.p.A. is focused on generating value for stakeholders, pursuing environmentally, socially and economically sustainable development based on the principles of lawfulness, ethics, integrity and transparency. It outlines the

---

<sup>9</sup> FS Italiane S.p.A. has issued bonds listed on regulated markets in the EU, with Italy as the originating member state. Consequently, it is considered a public interest entity under article 16 of Legislative decree no. 39/2010 and is subject to the regulatory obligations in place in Italy and the country where the bonds are placed. However, FS Italiane S.p.A. has not issued shares traded on regulated markets or multi-lateral trading systems. Accordingly, it exercises its right under article 123-bis.5 to not publish the information required by points 1 and 2 of said article, except for that required by letter b of point 2, i.e., information on the main characteristics of its risk management system and internal controls over financial reporting.



group strategies by establishing strategic guidelines for its subsidiaries and, in addition to its role as holding company, the parent also directly manages real estate assets.

- Operating companies responsible for managing and developing their respective businesses consistently with the strategic guidelines established by the parent.
- Highly specialised technical companies and/or service companies that provide services to the group - based on the principles of cost effectiveness, efficiency and quality - and, where applicable, to the market as well.

Over time, the development of the group's domestic and international businesses has led to the creation of sub-holding companies for groups of investees operating in the same business segments. The parent provides strategic guidance to ensure the synergistic and integrated implementation of a group-wide strategic/business approach in accordance with legislation, sector regulations and the independence of each company - especially the national railway infrastructure operator. It also steers and coordinates cross-sectional processes functionally by having group process owners supervise processes and the specialised tasks of each professional family, with respect to the same functions carried out by the subsidiaries, in order to achieve synergies, capitalise on shared experience and maximise the integration of professional expertise. The objective is, among other things, to optimise processes and make them more efficient.

The corporate governance structure of FS Italiane S.p.A. and its main subsidiaries is based on the traditional system. Hence, the Shareholders' Meeting appoints a Board of Directors (responsible for management and currently comprised of seven directors) and a Board of Statutory Auditors (responsible for controls and currently comprised of three standing statutory auditors and two alternate statutory auditors). The shareholders also appoints the independent auditors (currently KPMG S.p.A.), responsible for performing the statutory audit. Pursuant to article 12 of Law no. 259/1958, the Court of Auditors' Magistrate appointed to oversee FS Italiane S.p.A.'s financial management attends the meetings of the Board of Directors and the Board of Statutory Auditors, integrating the corporate governance system.

According to the by-laws, the Board of Directors: (i) appoints the CEO; (ii) can delegate powers to the Chairman, based on the Shareholders' resolutions and according to law provisions; (iii) can establish committees responsible for consultation and proposals (two committees were set up: the Appointments and Remuneration Committee and the Audit, Risk Control and Governance Committee); (iv) appoints the Manager in Charge of the Company's accounting documents preparation as per Law no. 262/2005. Furthermore, the Board of Directors appoints a General Manager (the CEO was assigned the duties of the General Manager).

At 31 December 2020, FS Italiane S.p.A.'s share capital amounted to €39,204,173,802.00 and was fully paid up.

FS Italiane S.p.A.'s corporate governance structure at the reporting date is illustrated below.

## THE SHAREHOLDERS' MEETING

### BOARD OF STATUTORY AUDITORS



### BOARD OF DIRECTORS



### INDEPENDENT AUDITORS

**KPMG S.p.A.**

### SUPERVISORY BODY PURSUANT TO LAW NO.231 <sup>(3)</sup>

**Rocco Blaiotta**  
Chairman

**Maurizio Bortolotto**  
**Umberto La Commara**

### COURT OF AUDITORS' MAGISTRATE APPOINTED TO FINANCIAL OPERATIONS

**Giovanni Coppola**

**Cristiana Rondoni<sup>(III)</sup>**  
Delegate

**Marcello Terragrossa**  
BoD secretary

### APPOINTMENTS AND REMUNERATION COMMITTEE

**Francesca Moraci**  
Chairwoman

**Flavio Nogara**  
**Vanda Ternau**

### REPORTING TO THE CEO <sup>(IV)</sup>

**Francesco Parlato**  
Institutional and Regulatory Affairs

**Guglielmo Bove**  
General Counsel, Corporate Affairs and Compliance (V)

**Roberto Mannozi**  
Administration, Budget and Tax

**Angelo Sferrazza**  
Company Security (VI)

**Angelo Bonerba**  
External Communication

**Angelo Sferrazza**  
Human Resources and Organisation (VII)

**Stefano Pierini**  
Finance, Investor Relations, Insurance and Asset

**Francesco Quintano**  
Strategies, Planning, Innovation and Sustainability (VIII)

**Filippo Scotti D'Albertis**  
FS International

**Fabio Ricci Feliziani**  
Risk Management

### AUDIT, RISK CONTROL AND GOVERNANCE COMMITTEE

**Vanda Ternau**  
Chairwoman

**Flavio Nogara**  
**Cristina Pronello**

### INTERNAL AUDIT DEPARTMENT

**Sergio Romiti<sup>(II)</sup>**

### MANAGER IN CHARGE OF THE COMPANY'S ACCOUNTING DOCUMENTS PREPARATION

**Roberto Mannozi**

- (I) Organizational Measure no. 584/AD of 9 April 2020 modified the composition of FS Italiane S.p.A.'s Supervisory Body, confirming Carlo Piergallini as Chairman of the Supervisory Body, Gustavo Olivieri as external member of the Supervisory Body and naming Sergio Romiti as member of the Supervisory Body responsible for the Internal Audit Department. On 17 December 2020, the Board of Directors appointed the new Supervisory Body, comprised as follows: Rocco Blaiotta (Chairman), Maurizio Bortolotto and Umberto La Commara.
- (II) With organisational measure no. 92/P of 28 February 2020, Sergio Romiti was appointed responsible for the Internal Audit Department as from 1 March 2020, replacing Gianfranco Cariola.
- (III) As resolved at the meeting held on 3 November 2020, with effect from 1 January 2021, Counsellor Roberto D'Alessandro was assigned the duties of the deputy supervisor overseeing the parent's financial management pursuant to article 12 of Law no. 259 of 21 March 1958. Counsellor Roberto D'Alessandro therefore replaces Counsellor Cristiana Rondoni.
- (IV) With Organisational Measure no. 113/AD of 25 November 2020, the Chief Risk Officer's position was eliminated. Risk Management now reports directly the CEO and General Manager.
- (V) With Organisational Measure no. 103/AD of 11 September 2020, the CEO and General Manager replaced Elisabetta Scosceria on an interim basis as Head of the Central General Counsel, Corporate Affairs and Compliance Department. With Organisational Measure no. 105/AD of 1 October 2020, Guglielmo Bove was appointed Head of the Central General Counsel, Corporate Affairs and Compliance Department.
- (VI) With Organisational Measure no. 112/AD of 20 November 2020, Angelo Sferrazza took over as Head of the Central Company Security Department on an interim basis. With Organisational Measure no. 124/AD of 26 February 2021, Giovanni Fabi was appointed Head of the Central Company Security Department starting 1 March 2021.
- (VII) With Organisational Measure no. 107/AD of 30 October 2020, Angelo Sferrazza replaced Riccardo Pozzi as Head of the Central Human Resources and Organisation Department.
- (VIII) With Organisational Measure no. 96/AD of 1 July 2020, Francesco Quintano replaced Fabrizio Favara as head of the Central Strategies, Planning, Innovation and Sustainability Department.

## The Shareholders' Meeting

---

FS Italiane S.p.A.'s Shareholders' Meeting is attended by the sole shareholder: the Ministry of the Economy and Finance. In 2020, it met once for an ordinary meeting and no extraordinary meetings were held.

## FS Italiane S.p.A.'s Board of Directors

---

### *Composition and appointment*

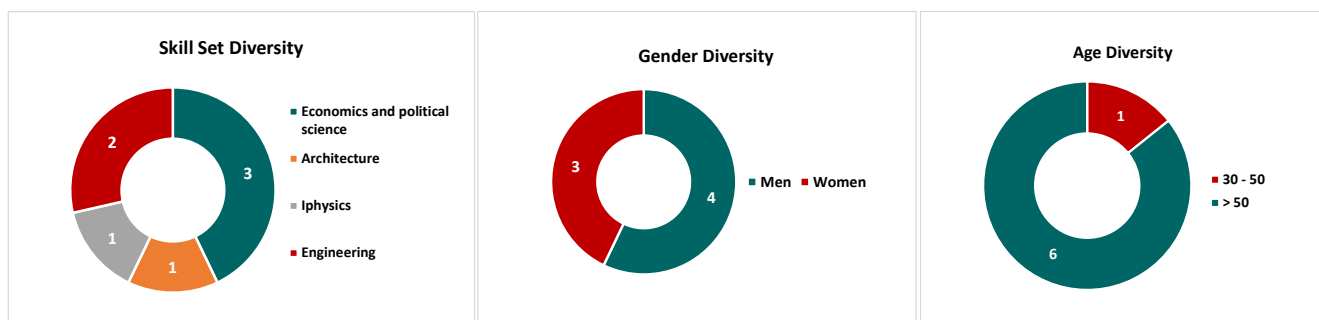
Pursuant to article 10 by the by-laws, the board of directors (the "BoD") is made up of three to nine members appointed by the shareholder.

In order to accept directorship of FS Italiane S.p.A., candidates must meet the specific professionalism and integrity criteria set out in the by-laws (article 10.6) and the MEF's requirements. Furthermore, the by-laws establish that directors assigned, on an ongoing basis, the BoD's operating duties, pursuant to article 2381.2 of the Italian Civil Code may not serve as directors on the boards of more than two other companies limited by shares (not considering their offices held in subsidiaries or associates); whereas directors who have not been assigned such operating duties can serve as directors on the boards of not more than five other companies limited by shares. The by-laws also provide that the composition of the BoD must ensure a balanced proportion of men and women, according to the applicable regulations and the terms provided for thereby.

With its resolution of 30 July 2018, the shareholder appointed Gianluigi Vittorio Castelli (Chairman), Gianfranco Battisti, Andrea Mentasti, Francesca Moraci, Flavio Nogara, Cristina Pronello and Vanda Ternau as members of the BoD for three years and, in any case, until the date of the Shareholders' Meeting called to approve the financial statements as at and for the year ended 31 December 2020..

The Board of Directors, at the meetings of 31 July 2018 and 2 August 2018, respectively, appointed Gianfranco Battisti as CEO and General Manager.

In the meeting of 25 September 2018, the board, following a resolution of the shareholder, assigned the Chairman the specific powers described below. The diversity of board members in 2020 is illustrated below, according to article 10 of Legislative decree no. 254/2016.



Five members of FS Italiane S.p.A.'s BoD are independent, as per the board's assessment – based on the representations and information provided by the same members – despite the absence of any formal obligation, and in accordance with the Corporate governance code for listed companies approved by Borsa Italiana.

#### Duties and roles

As appointed by the shareholder, FS Italiane S.p.A.'s management body operates in the form of the BoD.

The BoD is responsible for managing the company and carrying out all operations necessary to achieve the business object. According to the by-laws, the FS Italiane S.p.A.'s BoD also resolves on certain matters otherwise reserved to the extraordinary shareholder's meeting (such as mergers and partial demergers of companies that are at least 90% owned from/to FS Italiane S.p.A., establishing and closing branches, updating the by-laws to regulatory provisions). However, the shareholder retains the right to resolve on such matters. Finally, in accordance with article 2410 of the Italian Civil Code, FS Italiane S.p.A.'s BoD also approves bond issues.

Pursuant to the by-laws, the BoD delegates its duties, to the extent permitted by article 2381 of the Italian Civil Code, to one of its members (the CEO). Following the shareholder's resolution, the BoD can delegate operating duties to the

Chairman on the aspects that may be delegated pursuant to the law, indicated by the shareholder, and determine their actual content.

The Chairman calls the meetings of FS Italiane S.p.A.'s BoD and presides over them. The BoD usually meets once a month and, in any case, whenever the Chairman or CEO believes a meeting is necessary or whenever the majority of its members or the Board of Statutory Auditors present a justified written request. The Board met 13 times in 2020.

During the meeting held on 31 July 2018, FS Italiane S.p.A.'s BoD decided to maintain the same specific powers as for the previous term of office, with all remaining powers assigned to the CEO, with the exception of those assigned to the Chairman.

In particular, the BoD:

- retained exclusive responsibility for economic and strategic decisions such as defining - upon the CEO's proposal - the company's and the group's strategic guidelines; approving the company's and the group's annual and long-term business plans and budgets, which the CEO prepares; resolutions concerning the most significant financial transactions; resolutions, upon the CEO's proposal, on the purchase/sale of companies and business leases, on the purchase/sale of equity investments above a certain threshold and non-recurring transactions involving direct investees. Furthermore, the BoD also confirmed its exclusive responsibility for the appointment, upon the CEO's justified and documented proposal, of the strategic subsidiaries' boards of directors and boards of statutory auditors;
- entrusted the CEO with all powers to manage the company – which were compiled in a specific list for informational purposes only – except for those assigned to the chairman and those that the BoD exclusively retained (in addition to the powers that cannot be delegated by law); pursuant to article 12 of the by-laws, the CEO also ensures that the organisational and accounting system is consistent with the nature and size of the business and reports to the BoD and to the board of statutory auditors at least once every three months on the general performance of operations and outlook and on the company's and its subsidiaries' most significant transactions in terms of size or characteristics.

In the meeting of 25 September 2018, the BoD gave the Chairman, pursuant to article 12.3 of the by-laws, specific powers for external and institutional affairs in collaboration with the CEO and the coordination of internal audit activities.

The Chairman and CEO have separate powers of representation of FS Italiane S.p.A. pursuant to article 13 of the by-laws.

#### Committees

FS Italiane S.p.A. limits the establishment of advisory and proposing committees within the BoD to those that are necessary. Accordingly, two committees have been set up: the Internal Audit, Risk Control and Governance Committee and the Appointments and Remuneration Committee. The establishment of the latter was most recently confirmed by the BoD's resolution of 31 July 2018. The committees' composition, functioning and duties are governed by specific regulations approved by the BoD.

#### Internal Audit, Risk Control and Governance Committee

As defined in the aforementioned BoD resolution of 31 July 2018, the members of this committee are: Vanda Ternau (Chairwoman), Flavio Nogara and Cristina Pronello. They are all non-executive and independent directors. This committee is responsible for supporting, by presenting proposals and advising, the BoD's assessments and decisions concerning internal controls and the risk management system, the approval of periodic financial reports, assessments of the board's size/composition, the company's and the group's corporate governance and social responsibility.

#### Appointments and Remuneration Committee

This committee's members are Francesca Moraci (Chairwoman), Flavio Nogara and Vanda Ternau. They are all non-executive and independent directors. This committee is responsible for supporting, in a proactive and consultative manner, the BoD to define criteria and procedures for the appointment of key management personnel and members of the BoD and the Board of Statutory Auditors of FS Italiane S.p.A. and its direct subsidiaries; to co-opt the FS Italiane S.p.A.'s board members; to define the remuneration and incentives guidelines and policies; to determine the remuneration of FS Italiane S.p.A.'s CEO and Chairman (in case the Chairman receives executive powers).

#### Directors' fees

Based on the proposal of the Appointments and Remuneration Committee and the opinion of the board of statutory auditors, the BoD determines the amount of the fees that the Chairman and CEO will receive (including fees due for their position as director) pursuant to article 2389.3 of the Italian Civil Code, taking into account any guidance from the shareholder.

The approved fees for FS Italiane S.p.A.'s Chairman and the CEO for any duties they have on the BoDs of FS Italiane group companies are paid out directly by FS Italiane S.p.A..

The by-laws prohibit the payment of amounts to the directors and statutory auditors for their participation in meetings and limit the amount of fees that can be paid to members of the advisory and proposing committees that are set up within the board, where necessary.

For the 2018/2020 three-year term of office, at FS Italiane S.p.A.: (i) in the meeting held on 30 July 2018 the shareholder established the fees for the directors and the Chairman and informed the BoD of the total maximum fee (including fees for meetings ) that could be paid to the Chairman pursuant to article 2389.3 of the Italian Civil Code in case of power assigned; (ii) in the meeting held on 31 July 2018, the BoD determined the fee for Mr. Battisti as CEO (pursuant to article 2389.3 of the Italian Civil Code, including his fee as director); (iii) in the meeting held on 2 August 2018, the BoD resolved on Mr. Battisti's fee as General Manager; (iv) in the meeting held on 25 September 2018, following the resolutions of the shareholder, the BoD assigned powers for those matters authorised by the shareholder and resolved on the total fees of the Chairman, Mr. Castelli. Both of Mr. Battisti's fees, as CEO and General Manager, include fixed and variable components; the variable components were linked to the achievement of objectives and specific annual targets which the BoD defined upon the proposal of the Appointments and Remuneration Committee.

According to the by-laws, the members of the board's committees receive additional fees equal to 30% of the fees determined by the shareholder for directors.

The following table details the remuneration of the FS Italiane group's Chairman, CEO and General Manager<sup>10</sup>:

CHAIRMAN <sup>11</sup>	Annual fees for the chairman
Fixed component: fees for the position	50,000
Variable component	-

<sup>10</sup> The fees for FS Italiane S.p.A.'s current chairman, CEO and General Manager were determined in line with those resolved for such positions in the previous term of office.

<sup>11</sup> Pursuant to article 2389 of the Italian Civil Code, the chairman's total gross annual fees, including the amounts set out in the above table, come to €238,000.00 in addition to a monthly gross amount of up to €5,000.00 for the lease of a furnished apartment.

## CEO AND GENERAL MANAGER<sup>12</sup>

	Annual fees for the CEO
Fixed component: fees for the position	65,000
Variable component	25,000

### Criteria and methods for the appointment of BoD members of FS Italiane S.p.A.'s direct and indirect subsidiaries

According to the MEF Directives, pursuant to the current legislation on the gender quotas and based on management decisions, FS Italiane S.p.A.'s BoD has drafted certain general criteria for the selection of candidates for positions in the Board of Directors and Board of Statutory Auditors of its direct subsidiaries, creating a balance of diversity in such boards. Furthermore, according to the MEF Directive of 14 April 2020 (which updated the previous MEF Directive of 16 March 2017), the members of the corporate bodies of subsidiaries controlled by FS Italiane S.p.A. must be selected and appointed based on the following criteria: valuing the in-house skills of group employees, requiring the parent's directors to abstain from the appointment (unless they have been assigned ongoing management duties within the parent) and establishing that remuneration is all-inclusive, with the appointed members required to return the fees.

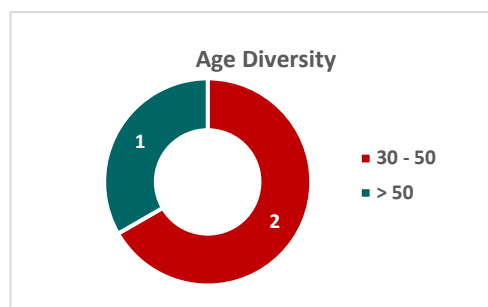
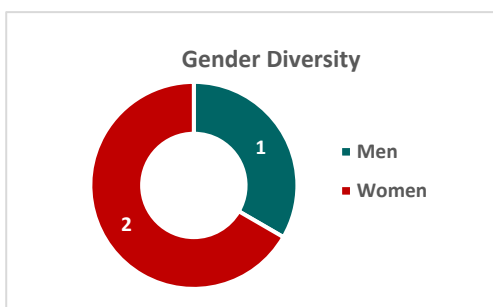
FS Italiane S.p.A. has transposed these criteria in its internal policies and has established procedures for the renewal of the corporate bodies of all the group companies. Furthermore, for the subsidiaries indirectly controlled by the MEF, according to the MEF Directive of 14 April 2020, before appointing the members of its bodies, FS Italiane S.p.A. informs the MEF of the outcome of its preliminary assessment of the quality and aptitude of the potential candidates.

### *Board of Statutory Auditors*

According to the by-laws, the shareholder appoints a Board of Statutory Auditors comprised of three standing statutory auditors. The shareholder is also required to appoint two alternate statutory auditors.

In the meeting of 3 July 2019, the shareholder appointed the standing statutory auditors Alessandra dal Verme (Chairwoman), Susanna Masi and Gianpaolo Davide Rossetti and the alternate statutory auditors Letteria Dinaro and Salvatore Lentini for 2019, 2020 and 2021 and, in any case, until the Shareholders' Meeting called to approve the financial statements as at and for the year ending 31 December 2021.

The diversity of the members of the Board of Statutory Auditors, in accordance with article 10 of Legislative decree no. 254/2016, is illustrated below.



<sup>12</sup> The total gross annual fees paid to the CEO and General Manager come to €770,000.00, including, for the CEO position, the amounts set out in the above table (fixed and variable component, the latter being due if annual objective and specific targets defined by FS Italiane S.p.A.'s BoD, upon the proposal of the Appointments and Remuneration Committee, are reached) and, for the General Manager position, come to €580,000.00 as a fixed component and €100,000 as a variable component (the latter is due if 100% of the annual objective and specific targets defined by FS Italiane S.p.A.'s BoD, upon the proposal of the Appointments and Remuneration Committee, are reached).

As for their qualifications, one standing statutory auditor is an employee of the MEF and the other two boast solid professional experience. Both alternate statutory auditors are MEF employees. All standing statutory auditors and one alternate statutory auditor have university degrees in economics and business and are enrolled in the register of certified auditors. One alternate statutory auditor has a university degree in law and is enrolled in the register of certified auditors. The Board of Statutory Auditors oversees compliance with the law, the by-laws and the principles of sound administration, particularly with respect to the adequacy of the organisational, administrative and accounting system adopted by FS Italiane S.p.A. and that it is effectively working.

When FS Italiane S.p.A. was attributed the Public Interest Entity status as noted earlier, pursuant to article 19 of Legislative decree no. 39/2010, the parent's Board of Statutory Auditors also became the "Internal Control and Audit Committee", with responsibility for monitoring financial reporting, the efficiency of internal controls, internal audit and the risk management system, the statutory audit and the independence of the independent auditors, particularly with respect to the type of any non-audit services they provide to the audited company.

In 2020, FS Italiane S.p.A.'s Board of Statutory Auditors met 20 times and the statutory auditors participated in one Shareholder's Meeting and 13 BoD meetings.



## Internal controls and risk management system

---

The internal controls and risk management system (ICRMS) consists of the series of tools, organisational structures, rules and regulations within a company to ensure sound and proper business management in line with the BoD's business targets by identifying, measuring, managing and monitoring the main risks and structuring adequate information flows to guarantee the circulation of information. An effective ICRMS encourages knowledgeable decisions and helps safeguard company assets, the efficiency and effectiveness of business processes, the reliability of financial reporting and compliance with laws and regulations, the by-laws and internal policies. Even if the ICRMS is adequate and effective overall, it can only provide "reasonable assurance" that the company's targets will be met. This is because the purpose of the ICRMS is to mitigate risks by managing them, and cannot eliminate all the risks in each management and control process. FS Italiane S.p.A. uses the internationally recognised CoSO framework to implement, analyse and assess the ICRMS.

The ICRMS provides for three levels of control:

- level 1 controls: to ensure the correct performance of operations and an adequate response to the related risks. These activities include periodically checking the effectiveness and efficiency of the design and effectiveness of controls to: i) ensure that they are tailored to their objectives, ii) check that they are updated to any changes in operations, iii) identify and promote any improvement actions. Management, working at all levels of the organisational structure, is responsible for defining and conducting these controls, and they are considered part of ordinary operations.
- level 2 controls: to monitor the main risks with the aim of ensuring the effectiveness and efficiency of the related risk management and to monitor the adequacy and effectiveness of controls (for main risks). Level 2 controls also support level 1 in the definition and implementation of adequate management systems for the main risks and related controls. Management and other specific functions, like Risk management, Compliance and the Manager in charge of the Company's accounting documents preparation conduct level 2 controls.
- level 3 controls: to provide independent and objective assurance on the adequacy and effectiveness of the level 1 and 2 controls and, in general on the overall ICRMS. Independent, non-operating units, such as the Internal Audit Department, perform level 3 controls.

The roles and responsibilities of the main parties involved in the ICRMS are described below.

### Internal Audit

The organisational and functional structure for the group's Internal Audit Department, completed in 2017, includes:

- an Internal Audit Department at the parent FS Italiane S.p.A. and its top level and consolidated subsidiaries. These subsidiaries evaluate - based on their specific characteristics and respective risk profiles and considering the recommendations of FS Italiane S.p.A.'s Central Internal Audit Department - the structure of their subsidiaries' Internal Audit Departments, in terms of efficiency, without prejudice to the objective of effectively overseeing their own ICRMS;
- coordination by the FS Italiane S.p.A.'s Central Internal Audit Department of the group's Internal Audit Departments through the: i) definition and updating of audit guidelines and methodologies; ii) management of the internal audit professional family as group process owner.

The Internal Audit Departments report hierarchically to the BoD's Chairman and functionally to the CEO and also to the Audit Committee, if established, as required by each company.

The Internal Audit Department at group level is independent and objective, provides assurance and serves an advisory purpose, to improve the company's efficiency and effectiveness. It also encompasses the mission and duties of the Anti-bribery & Corruption (ABC) and Continuous Auditing unit, which conducts analyses to detect any irregular trends, violations of procedures or regulations, on an ongoing basis, periodically and in response to indications of irregularities, based on the ABC model's information streams and using the KPIs for potentially irregular transactions (continuous auditing). Internal Audit helps the organisation pursue its objectives through a professional and systematic audit approach, which generates added value as it is aimed at assessing and improving control, risk management and corporate governance processes.

Hence, the Internal Audit Department is responsible for:

- verifying the ICRMS' effectiveness and adequacy on an ongoing basis and with respect to specific needs, and providing assessments and recommendations to promote efficiency and effectiveness;
- providing management with specialised support on the ICRMS to encourage the efficiency, effectiveness and integration of controls in business process and to promote constant improvements in governance and risk management.

All functions, units, processes and/or sub-processes and IT systems are subject to internal audits depending on risks and related objectives of:

- efficiency and effectiveness of business processes;
- reliability of financial reporting;
- compliance with laws, regulations, the by-laws and applicable regulations;
- safeguarding group assets.

The Internal Audit Departments provide the related companies' supervisory bodies with operational support in the performance of the supervisory activities.

### Risk Management

Management and the structures specialised in risk monitoring play a crucial role in risk management since they are responsible for level 1 controls monitoring. However, over time, FS Italiane group has organised various level 2 controls to support management in the definition and implementation of adequate management and monitoring systems for the main risks and controls (e.g., risk management, the Manager in charge of the Company's accounting documents preparation, anti-bribery & corruption, compliance and data protection). In this context, the group's Risk Management Department, directly reporting to FS Italiane S.p.A.'s CEO, coordinates the overall management of group risk governance, designing, implementing and governing the framework for the management and measurement of all business risks. With reference to the integrated monitoring process, the Risk management department combines strategies, policies, processes and operating mechanisms for the identification, assumption, management, mitigation, monitoring and reporting of the main risks to which the organisation is exposed and coordinates the group's various risk management controls.

According to the framework that the parent has developed, each subsidiary has a risk management unit reporting directly to the CEO. This organisational structure, in which the risk management units act as partners for the business, makes it possible to factorise the specific particularities of each company. The risk management units ensure the application of the operating methodologies and procedures defined in the group framework.

The FS Italiane group's risk management framework establishes the existing and potential areas, responsibilities, methodologies and tools for the effective management of the process to identify, assess, measure, manage and monitor the group risks which supports the risk-based decision-making process. Adopting a single group-wide framework has enabled the group to:

- establish the scope of application of the risk management process, identifying the areas for action and the decision-making processes embodying such process;
- identify tools and group-wide consistent and coherent risk assessment and management models, establishing responsibilities and their application in the parent and the group companies, based on the type of activities and the area in which these activities are carried out;
- establish methods to interpret, analyse and present the findings of the shared risk management activities;
- promote a more risk management-oriented corporate culture;
- drive the growth of the professional family via the dissemination of a common language and pathways for the development of the expertise and professionalism of the resources involved in the risk management process.

#### Data Protection Officer

In accordance with Regulation (EU) 2016/679 (the General Data Protection Regulation – “GDPR”), the FS Italiane group has set up an operating model for the protection of personal data (Data Protection Framework), which establishes a set of internal rules, methodologies, roles and responsibilities assigned to all the units involved in the personal data processing. Through the Group Measure no. 252/AD of 10 May 2018, the parent issued the “Data protection guidelines” laying out the Data Protection principles and describing the roles for their implementation within the FS Italiane group, along with the structure of macro responsibilities and information flows from and to the BoD, senior management, the units involved in the development of the Data Protection Framework and those involved in the processing of personal data, to protect data subjects as much as possible. All group companies have implemented this group measure and, depending on the complexity of their personal data processing, have appointed their own respective Data Protection Officers (“DPO”), responsible for ensuring that the operating methods and information flows indicated in the Group Measure are followed. As required by the GDPR, the Data Protection Officer is responsible for monitoring compliance with the GDPR and other legal provisions on the data protection and is, for all intents and purposes, part of the internal control and risk management system.

Furthermore, a data protection organisational chart has been defined for the FS Italiane group, with the following key figures:

- Controller: the CEO/Sole Director of each company, as appointed by the respective BoD;
- Data Manager: the macro organisational structure that, in relation to its assigned activities, the Controller has appointed to manage personal data processing;
- External Data Processor: a data processor to which the Controller has outsourced the processing, named whenever the Controller's company has data processed externally, including intragroup processing;
- Group DPO: the person appointed, upon the proposal of the CEO (Controller), by the parent's BoD, to which the DPO reports, responsible for defining the data protection methodologies, steering and coordinating data protection activities, developing the related professional family and liaising with the data protection authority;
- Company DPO: the person appointed by each company, upon the proposal of the CEO (Controller), by the company's BoD, to which the DPO reports, responsible for monitoring compliance with the GDPR and the application of the data protection framework within the company;
- Data Protection Officer: the contact person for the group DPO with respect to all activities, appointed by the Controller.

In addition to group measure no. 252/AD of 10 May 2018 "Data protection guidelines", FS Italiane S.p.A. and the group companies have each issued, insofar as they are concerned, organisational notices applying the aforementioned group measure to provide specific guidelines for compliance with the GDPR.

### Compliance

The Compliance department, established with Organisational Measure no. 133/AD of 2 May 2016, monitors the national and international legislation and best practices which the company and group rules must reflect. The Compliance department, provides the necessary support for the definition of actions to take to ensure compliance with new laws and regulations, as well as the resulting organisational, strategic and business implications. It also checks that the company and group guidelines, requirements and procedures are in line with legislation, proposing areas of improvement for the purpose of correct legal orientation. Furthermore, the Compliance department provides specialised support, coordinating with other relevant company units, for the implementation and management of internal control models and compliance programmes relating to the ABC system, the anti-trust compliance programme and the Data Protection Framework. In addition, under the coordination of the 231 Team, the Compliance department updates FS Italiane S.p.A.'s 231 model with respect to developments in the application regulations and changes in the organisation and processes. It supports decision-making processes by analysing business and trade compliance profiles with respect to trade development initiatives abroad (business partners, consultants and sales promoters), M&As, sponsorships and other strategic initiatives.

As provided for by Organisational Notice no. 536/AD of 28 February 2018 "Establishment of the 231 Steering Committee and update of the 231 Team", the Compliance department is the sole technical support unit for the 231 Steering Committee, which coordinates the 231 Team, permanently appointed to provide specialised technical support to the parent in updating the Organisational model pursuant to Legislative decree no. 231/2001.

With Group Measure no. 280/AD of 6 November 2019, the "FS Italiane group compliance model" was defined and issued, with a description of organisational aspects and processes regulating it.

This compliance model is transposed into the internal governance systems of the group companies, which issue their own organisational measures in this respect to apply its content to their specific business organisations. Based on the specific nature of their organisations and business and the operational complexity of their activities, the subsidiaries' compliance units ensure the application of methodologies and operating procedures that are consistent with those outlined in the group compliance model.

### The Manager in charge of the Company's accounting documents preparation of FS Italiane S.p.A.

In 2007, as per the request of the shareholder MEF, FS Italiane S.p.A. created the position of "Manager in charge of the Company's accounting documents preparation". The position became legally mandatory in 2013, pursuant to article 154-*bis* of the Consolidated Law on Finance, when the parent subsequently issued bonds listed on the Irish Stock Exchange (EMTN programme), resulting in FS Italiane S.p.A.'s status as a public interest entity pursuant to article 16 of Legislative decree no. 39/2010 as an "Issuer of listed financial instruments".

FS Italiane S.p.A.'s current Manager in charge of the Company's accounting documents preparation, most recently appointed by the BoD on 27 March 2018 upon the CEO's proposal and with the approval of the board of statutory auditors, is Roberto Mannozi, head of the parent's Administration, Budget and Tax Department. His term of office ends with the approval of the financial statements as at and for the year ended 31 December 2020.

The article 16 of FS Italiane S.p.A.'s by-laws and the Regulation for the Manager in charge of the Company's accounting documents preparation establish that the BoD appoints the Manager in charge of the Company's accounting documents preparation. The appointment has a duration for a period not less than the term of the BoD's office and not exceeding six years, with the prior mandatory approval of the Board of Statutory Auditors.

The by-laws also establish professional requirements for the Manager in charge of the Company's accounting documents preparation in terms of integrity, professionalism and expertise. Hence the Manager in charge of the Company's accounting documents preparation is selected among managers with experience in administration at companies, consulting or professional firms that is adequate to the length and complexity of the engagement and, however, of at least three years.

On 28 July 2015, the BoD approved the Regulation of the Manager in charge of the Company's accounting documents preparation to provide him with the appropriate means and powers to carry out the assigned duties. Such means and powers must be in line with the nature and complexity and the size of the company and the group, hence they, include the possibility to interact with the other bodies and departments.

Considering FS Italiane group's organisational and operational complexity, in order to reinforce and more effectively implement legislation, FS Italiane S.p.A.'s BoD decided to encourage the appointment of Managers in charge of the Company's accounting documents preparation by its main subsidiaries immediately. Currently, the following companies have appointed Managers in charge of the Company's accounting documents preparation: RFI S.p.A., Trenitalia S.p.A., Mercitalia Logistics S.p.A., Mercitalia Rail S.r.l., Busitalia-Sita Nord S.r.l., Ferservizi S.p.A., Fercredit S.p.A. and, following the appointment in 2020, FSTechnology S.p.A. and Ferrovie del Sud Est S.r.l.. Anas S.p.A. and its subsidiaries, Anas International Enterprise S.p.A. (AIE) and Quadrilatero Marche Umbria S.p.A. have also appointed Managers in charge of the Company's accounting documents preparation<sup>13</sup>.

*Main characteristics of the risk management system and internal controls over financial reporting pursuant to article 123-bis.2.b of the Consolidated Law on Finance (Report on corporate governance and the ownership structure)*

The purpose of the internal control system over financial reporting is to provide reasonable certainty about the reliability, accuracy and timeliness of financial reports, while also ensuring that the processes used to produce such reports comply with International Financial Reporting Standards (IFRS).

FS Italiane S.p.A.'s Manager in charge of the Company's accounting documents preparation defines and updates the group's internal control model over financial reporting (the "262 Model"). The "262 Model" is based on the applicable international standards (CoSO Report "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission) and is in line with the provisions of article 154-*bis* of the Consolidated Law on Finance.

As described earlier, this model provides for a Manager in charge of the Company's accounting documents preparation within the parent and in the main subsidiaries as well. FS Italiane S.p.A.'s Manager in charge of the Company's accounting documents preparation defines and monitors the annual plan of activities for group compliance with Law no. 262/2005, including the Tax Control Framework plan for the participating companies (see below). The plan is submitted to the parent's BoD for approval and to the subsidiaries' BoDs with reference to the sections regarding them (if they have a Manager in charge of the Company's accounting documents preparation). Furthermore, the FS Italiane S.p.A. Manager in charge of the Company's accounting documents preparation issues guidelines for the preparation of administrative/accounting procedures and for monitoring that such procedures are adequate and effective and issues certifications on internal controls over financial reporting. The subsidiaries' Managers in charge of the Company's accounting documents preparation implement and maintain the internal controls over financial reporting, continuously exchanging information with the parent's Manager in charge of the Company's accounting documents preparation. The stages and roles in the financial reporting control process are described below.

---

<sup>13</sup> Following Anas S.p.A.'s sale of the investment in Sitaf S.p.A. on 27 October 2020, Sitaf S.p.A. - which has a manager in charge of the Company's accounting documents preparation - is no longer a subsidiary.

The following aspects of the Model have been fine-tuned in recent years to be more closely aligned with the best practices of listed companies, progressively implemented throughout the group:

- strengthening the role of Process Owners/Control Owners for identification and certification purposes and to maintain adequate internal controls over financial reporting;
- introduction of a “262 risk” assessment methodology, based on impact and likelihood criteria for all stages of the process.

Another recent development in the 262 Model has been the integration of other group control models for an ever more efficient ICRMS. For example, for the companies that have implemented the Tax Control Framework (TCF) or ABC models, the 262 controls that mitigate fiscal risks of ABC risks as well are marked as Tax/ABC and are included in all stages of the 262 process below described. This means that they include additional information flows and process players. In order to benefit of the internal control system that has already been extensively implemented to comply with Law no. 262, the Manager in charge of the Company’s accounting documents preparation, together with the Tax Manager for matters within its competence, has validated and introduced 262 procedures marked as “fiscal” or “fiscalized” (see the section on the TCF).

According to the Group Measure no. 250/CEO of 26 March 2018 “The FS Italiane group’s financial reporting control model”, the financial reporting control process consists of the following stages: identification of the company/process within the 262 scope; process mapping; risk and control assessments; issuance/revision of procedures; self-certification of the adequacy and effectiveness of controls by Control owners/Process owners (i.e., self-assessment); independent tests; issues evaluation and action plan management; issuance of certifications.

The purpose of the scope definition stage is to identify - with a risk-based approach - relevant companies and processes on which to focus 262 process activities.

The companies that fall within the scope are identified based on:

- the various companies’ contribution to specific combined financial statements captions - revenue, assets, net financial position/(debt), equity, gross operating profit and pre-tax profit (loss);
- qualitative factors related to risk profiles and entity level control assessments.

Within the scope of relevant companies (known as the “262 scope”), significant processes are then identified on the basis of an analysis of quantitative factors (processes that contribute to the financial statements captions with amounts exceeding a specific percentage of the pre-tax profit or aggregate equity) and qualitative factors.

The processes are mapped by the staff of the Managers in charge of the Company’s accounting documents preparation or, if one has not been appointed, by the company’s administration managers and their staff, in collaboration with the relevant process owners. The processes are mapped based on organisational documents and practices used within the company. They are mapped in the administrative/accounting procedures, consisting of a narrative (document describing the various steps in the process) and a control matrix.

During the risk and control assessment, when the administrative/accounting procedure is prepared and together with the process owners, the staff of the Manager in charge of the Company’s accounting documents preparation assesses the 262 risks relating to the mapped process, using a qualitative and quantitative methodology that is tied to impact and probability parameters. The controls over such risks are identified and assessed for adequacy, with the identification of any needs to integrate or improve the design of the controls (at the reporting date, a total of roughly 5,500 controls of the corporate procedures had been mapped). In this stage the key and super key procedure controls are identified - in line with the assessment of the underlying risks. The key and super key risks are those that could lead to a more significant risk of incorrect disclosure or misstatement in the financial statements if they are missing or not effective. The risk assessment is updated at least once a year after the financial statements are published.

When the procedures are issued/revised, administrative/accounting procedures are formalised, which govern the information, data and administrative/accounting records and logically and chronologically describe the activities that must be carried out to produce or record them, the internal controls and how they are conducted.

The administrative/accounting procedures may be group-wide, and in this case, they are issued by FS Italiane S.p.A.'s Manager in charge of the Company's accounting documents preparation for the parent, and by the Managers in charge of the Company's accounting documents preparation or administration managers of the companies within the 262 scope and validated by the process owners. Before the issuance, corporate procedures are subject to quality assurance tests performed by the office of the parent's Manager in charge of the Company's accounting documents preparation to check the consistency and compliance with group standards, with the final quality assurance check by the parent's Manager in charge of the Company's accounting documents preparation.

At the reporting date, FS Italiane group had issued around 380 corporate and group administrative/accounting procedures, including the first 262/fiscal/fiscalized procedures (validated by the tax managers). They are sent to the main company departments/subsidiaries, senior management and all control bodies, and are published on the group's website.

In the self-assessment stage, the individual control owners/process owners self-certify that the administrative/accounting procedure controls have been adequately designed and are effectively operational in the period considered by filling out questionnaires received via the information system supporting the 262 process. The control owners fill out the questionnaires on the design and operation of the individual controls, while process owners validate their responses, certifying the procedure as a whole or the part of the procedure that concerns them.

Hence, this mechanism provides for the ongoing involvement of various company levels through adequate flows of information, which make it increasingly reliable to source the information and data used for financial disclosures. The self-assessment process also contributes to continuously update the system of administrative/accounting procedures on the basis of the evidence reported by the process owners.

During the independent testing stage, the design and effective application of these controls are checked, on the basis of audit standards and methodologies, coordinated by the staff of the parent's Manager in charge of the Company's accounting documents preparation. They consist of the following steps: 1) preparation of a periodic plan of checks for the group, identifying a schedule and appointed teams; 2) definition of testing procedures (test scripts); 3) performance of tests and formalisation of results; 4) analysis and evaluation of any critical issues. The staff of the parent's Manager in charge of the Company's accounting documents preparation also conducts quality assurance checks on the test scripts to check that they comply with group standards. Teams of specialists consisting of resources from the staff of the managers in charge of the Company's accounting documents preparation, internal audit resources and Ferservizi S.p.A. resources (with which the parent has signed a specific service contract) carry out testing activities. Furthermore, the outcome of tests on 262 controls that the independent auditors perform as part of the broader audit process is also considered. Furthermore, the combined assurance methodology was recently rolled out to integrate - where possible - 262 testing in planned audits to improve operational efficiency.

The action plan management stage consists of identifying the necessary actions to resolve the weaknesses that arise - both in terms of planning and effectiveness - in all other stages of the 262 process (in particular, in the independent testing and self-assessment stages), identifying the people responsible for implementing them and the time needed to do so. The action plans are defined by the staff of the Managers in charge of the Company's accounting documents preparation/administration managers together with the process owners and their implementation is continuously monitored.

Once this process is completed, the parent's Manager in charge of the Company's accounting documents preparation prepares a report on the activities performed in the period and sends it to the BoD when the draft financial statements

are approved. Finally the Manager in charge of the Company's accounting documents preparation, jointly with the CEO, issues a certification both on the separate and on the consolidated financial statements pursuant to article 154-bis of the Consolidated Law on Finance, using the formats provided by Consob.

Similarly, the subsidiaries' Managers in charge of the Company's accounting documents preparation, with joint signature of each company's CEOs, issue a certification on the financial statements and prepare their reports for the respective BoDs.

The administration managers of the other companies that fall within the "262 scope" (which have not appointed a Manager in charge of the Company's accounting documents preparation) issue similar certifications on the financial statements with joint signature of their CEOs for internal purposes. Additionally, the group's model also provides for internal certifications of the adequacy and effectiveness of the internal control system over financial reporting. Such internal certifications are issued by: the administration managers and CEOs of the subsidiaries that do not fall within the "262 scope", the managers of the parent's central departments and the outsourcers of administrative and IT services and all other services that affect financial reporting.

The process to ensure compliance with Law no. 262/2005 is carried out with the support of the group's MEGA – Hopex information system.

The FS Italiane group's controls over financial reporting are also extended through ongoing communication and training activities, with refresher courses on developments in internal controls over financial reporting.

The relationships between the Manager in charge of the Company's accounting documents preparation and the management/control bodies (CEO, BoD, the Board of Statutory Auditors, including the Internal Control and Audit Committee, the Internal Audit and the Risk Control and Governance Committee, the Supervisory Body, the independent auditors, the Internal Audit Department and the Risk Management Department), are described in the aforementioned Regulation for the Manager in charge of the Company's accounting documents preparation which actually identifies and describes all the inter-relationships and reporting flows. Specifically, the Manager in charge of the Company's accounting documents preparation collaborates with other control functions to share planned activities, outcome of such activities and action plans to create synergies and optimise the group's control process.

Lastly, to integrate the above-mentioned Law no. 262/2005 compliance model and, more in general, to strengthen internal controls and risk management, the group has implemented group-wide models for Segregation of Duties (SoD) and Information Technology General Controls (ITGC). The aim of the SoD model is to activate operational controls over processes with specific focus on financial reporting processes, to ensure that responsibilities are defined and duly assigned without functional overlapping or operational assignments that concentrate critical activities on one single operator. Another purpose of the SoD model is to provide a consistent and coherent view of the entire authorisation system for the management of roles and users in the information systems. The aim of the ITGC model is to define internal controls over IT processes to ensure the continuous and correct functioning of the business application systems that process the data used in financial reporting. The ITGCs include controls over the stages of development and maintenance of application systems, the purchase of software, logical access security, etc.. For the main group companies that have implemented the ITGC model, the heads of FSTechnology's business units provide the Managers in charge of the Company's accounting documents preparation/administration managers with IT certifications on the financial reporting systems effectiveness.



### Tax control framework

Ferrovie dello Stato Italiane S.p.A., along with its most important subsidiaries, Trenitalia and RFI, joined the tax cooperative compliance programme introduced by Legislative decree no. 128 of 5 August 2015, named "Provisions on legal certainty in relationships between the tax authorities and taxpayers". This optional scheme is intended to promote a new method of communication and reinforced cooperation between the tax authorities and taxpayers, clarifying the law and simplifying relationships with the tax authorities. Joining the scheme has required the adoption of an effective system to recognise, measure, manage and control tax risk (the tax control framework), i.e., the risk of operating in violation of tax regulations or in conflict with the principles or purposes of the legislation.

FS Italiane S.p.A.'s and the FS Italiane group's Tax Control Framework, as outlined in the documents "Ferrovie dello Stato Italiane S.p.A. and FS Italiane group tax strategy" and "Ferrovie dello Stato Italiane S.p.A. and FS Italiane group internal control model on the recognition, measurement, management and control of tax risk", provides for a control model for tax risks. The Tax Control Framework is based on the 262 Model in order to improve the organization process in terms of the economy and efficiency. Hence, it benefits from the controls already effectively adopted for compliance with Law no. 262/2005 to ensure the truthfulness of financial reporting. Specifically, this model provides for the integration of the administrative/accounting procedures of the Manager in charge of the Company's accounting documents preparation with tax annexes (i.e., the fiscalized procedures) and the issuance of additional procedures (i.e., fiscal procedures) to govern businesses processes that typically have a tax impact and were not previously governed.

FS Italiane S.p.A.'s Board of Directors governs and steers the Tax Control Framework, which is managed by the Tax Director with the assistance of the Tax Compliance unit within the tax organisational unit under the Administration, Budget and Tax Department.

### Planning and management control system

In line with the strategic guidelines and objectives that the board of directors has defined:

- in order to generate economic, environmental and social value for all stakeholders, the Central Strategies, Planning and Sustainability Department (CSPSD) identifies the group's strategies and the related planning, monitoring and strategic control process, as well as the related investment planning and control process and the optimisation and development of the group's business portfolio. Specifically, the CSPSD compiles the business plan for the parent and FS Italiane group by coordinating and supporting the development and consolidation of proposals/plans submitted by the individual structures/group companies, for subsequent verification and validation by the CEO, who monitors the implementation;
- the Administration, Budget and Tax Department (ABTD) is in charge of the group's planning and management control system through the operational implementation of strategies (budgeting process) and the calculation and the analysis of actual results; specifically, the ABTD ensures the preparation of the parent's and FS Italiane group's budget, defining the guidelines for the annual budget and management control process for the group and supporting the subsidiaries in the preparation of their budgets, and monitors their implementation;

Management control activities cover nearly all aspects of FS Italiane S.p.A. and group operations, encompassing various types of controls:

- strategic control (for which the CSPSD is responsible), to check whether the strategies are implemented on the basis of guidelines arising from the planning process and whether results reflect the expectations in the strategic plans;
- management control (for which the ABTD is responsible), to check whether short-term targets have been reached and, accordingly, monitor the achievement of budget targets;
- operational control (for which the ABTD is responsible), to monitor operations and the efficiency of processes.

Management and operational control activities - which are based on analysing differences between actual and budgeted figures at the end of each month - allow to check, with specific focus at the end of each quarter, whether the actions taken by the structures/companies are consistent with plans. Furthermore through management and operational control activities it is possible to identify any discrepancy, define the appropriate corrective action and evaluate the performance of those responsible as part of the management by objectives model.

#### Independent auditors

The engagement for the statutory audit of the financial statements of the parent and its subsidiaries has been assigned to KPMG S.p.A. from 2014. In accordance with the special applicable provisions of Legislative decree no. 39/10 (article 16 and subsequent articles), after FS Italiane S.p.A. took on the <sup>14</sup>status of a public interest entity following the 2013 issue of the listed bonds, the term of the engagement for the statutory audit is nine years (2014-2022).

To preserve the independent auditors' independence, group measure 246/AD of 19 February 2018, in accordance with EU regulation no. 537/14 and Legislative decree no. 135/2016 on auditing, formalised a specific procedure defining the principles and operating methods for the assignment of engagements to independent auditors and/or entities in their network. FS Italiane S.p.A.'s board of statutory auditors expresses a binding prior opinion on whether the respective group company should assign additional engagements – therefore other than the main audit engagement – to the auditors or entities in the same network.

#### The Court of Auditors' Magistrate appointed to oversee the financial management of FS Italiane S.p.A.

The Court of Auditors' Magistrate appointed to oversee the financial management of FS Italiane S.p.A., pursuant to article 12 of Law no. 259/1958 attends the meetings of the BoD and the Board of Statutory Auditors.

During the hearing of 17-18 December 2019, the Court of Auditors' delegated the duties of magistrate in charge of overseeing the company's financial management to Section President Giovanni Coppola. During the hearing of 22-23 November 2016, the Court of Auditors assigned the functions of acting magistrate in charge of overseeing the company's financial management to the director Cristiana Rondoni. As resolved during the hearing of 3 November 2020, as from 1 January 2021, these duties are delegated to director Roberto D'Alessandro, who therefore replaces director Cristiana Rondoni.

## Additional information on corporate governance

---

#### The Code of Ethics

The FS Italiane group's Code of Ethics, updated with the resolution of the board of directors of 28 February 2018, is a "charter of fundamental rights and responsibilities" whereby the FS Italiane group establishes and clarifies its ethical and social responsibilities and commitments to all internal and external stakeholders. The FS Italiane group's Code of Ethics, which the group companies are required to adopt via a resolution of the respective boards of directors, applies to company officers, managers, employees and everyone who, directly or indirectly, permanently or temporarily, transacts and interacts with group companies. The Code of Ethics sets out the group's fundamental values (such as integrity and honesty, responsibility and awareness, passion, courage, etc.) and establishes standards of conduct for each stakeholder category. Specifically, the Code of Ethics contains a section on conflicts of interest, which requires avoiding situations in which personal interests, external activities, financial interests or relationships conflict with the group's interest and abstaining from taking decisions or carrying out activities that are in conflict with the group's interests or incompatible

---

<sup>14</sup> With the exception of the Anas group

with one's duties. Potential conflicts of interest shall also be immediately reported to the relevant manager or to the parent's Ethics Committee (see "Other committees") to determine whether such conflict exists and for guidance in relation thereto.

The Code of Ethics is widely published on the FS Italiane group's intranet and internet sites and compliance with its provisions is a fundamental part of employees' contractual obligations. Contracts agreed by group companies also require third parties to comply with its principles.

#### Processing of corporate information

The processing of corporate information within FS Italiane group complies with the provisions of Regulation (EU) no. 569/2014 on market abuse.

Activities related to the processing of corporate information, started in 2016 with the adoption by FS Italiane S.p.A.'s BoD of the "Regulation for the internal management and disclosure of insider information and the processing of confidential information" (the insider dealing regulation) and subsequently amended in the meeting of 13 September 2017, continued in 2020 according to the current corporate measures. As of today, this regulation is implemented with Group Measure no. 261/AD of 21 January 2019 signed by the CEO and the General Manager<sup>15</sup>.

The aim of the regulation is to prevent the disclosure of insider and/or confidential data and information concerning the group at an unexpected or premature time to avoid the risk of the company being held liable for conduct by people within it or related to it constituting the crimes covered by current legislation. Hence, the regulation defines the principles, mandatory conduct, roles and responsibilities for the processing and management of the group's insider and confidential information. Parties like directors, statutory auditors and employees of FS Italiane S.p.A. and its subsidiaries, advisors and anyone with regular or occasional access to insider/confidential information for professional or work-related reasons must comply with the conduct obligations in the regulation. FS Italiane S.p.A. has also implemented a "Procedure for the internal management of the log of people with access to insider information", with Group Measure no. 261/AD of 21 January 2019, which establishes the operating methods for the compilation of the Insider register.

Furthermore, as part of the fight against market abuse, FS Italiane S.p.A.'s board of directors approved the "Code of Ethics for the identification of insiders and the notification of transactions involving FS financial instruments undertaken by them (the "Internal Dealing Code"). This code sets out the principles, behavioral obligations, roles and responsibilities of the Insiders. The code includes the definition of Insiders, which include the members of the BoD, the standing statutory auditors and those in charge of FS Italiane S.p.A.'s Central Management. Insiders are also those previously identified by FS Italiane S.p.A.'s CEO and General Manager having regular access to insider information directly or indirectly relating to FS, and having the power to make management decisions that affect the company's future direction and outlook. The same obligations also apply to persons closely associated with the parties referred to above.

The Internal Dealing Code was implemented with Group Measure no. 264/AD on 19 March 2019, signed by the CEO and General Manager<sup>16</sup>.

#### Organisational, management and control model pursuant to Legislative decree no. 231/2001 and the supervisory bodies

Group Measure no. 209/P of 9 June 2016, which replaced the previous measures introduced since 2002, requires FS Italiane group companies to adopt organisational, management and control models to prevent unlawful acts covered by Legislative decree no. 231/2001 (the 231 models) and establish a supervisory body responsible for monitoring models functionality and compliance and propose updates to them. According to the measure, supervisory bodies are normally

---

<sup>15</sup> Replacing group measure no. 239/AD of 9 October 2017.

<sup>16</sup> Replacing group measure no. 254/AD of 17 May 2018.

set up as boards<sup>17</sup>, which include a Chairman from outside the company with important and specific expertise in this respect, an internal audit manager and a legal expert from outside the group or, alternatively, a member of the Board of Statutory Auditors. To ensure the bodies' independence, their members may not hold similar positions with subsidiaries or parents nor have interests in or carry out material transactions with the company, subsidiaries or parents.

On 26 May 2020, FS Italiane S.p.A.'s board of directors approved the update to the company's 231 model to reinforce the organisation of the internal control system compliance programmes up to the highest standards and in line with best practices. FS Italiane S.p.A.'s Supervisory Body consisted of two external members up to 16 December 2020, one serving as Chairman and another internal member (the head of FS Italiane S.p.A.'s Central Audit Department). The BoD changed its composition on 17 December 2020, following the amendment that the BoD made to the by-laws of the Supervisory Body and the related section of the 231 model - General Part. In its new form, the Supervisory Body consists of: (i) at least two members from outside the group, one of whom - with specific expertise in Legislative decree no. 231/2001 - is also appointed Chairman, and (ii) another member from outside the group or, alternatively, the head of Internal auditing in charge. An external member other than the Chairman may be a member of the Board of Statutory Auditors. In case the Supervisory Body solely consists of external members, in order to encourage the integration and synergy of everyone involved in the internal control system, it is called to decide, through resolution, whether (i) the head of Internal audit permanently sits in on the body's meetings, offering advice and support, or if (ii) the head of Internal audit is called by the Supervisory Body to sit in on individual meetings or to discuss specific matters, offering advice and support.

FS Italiane S.p.A.'s Supervisory Body currently consists of three external members, one of whom has been appointed Chairman.

With Company Order no. 536/AD of 28 February 2018, FS Italiane S.p.A. set up a steering committee ("231 Steering Committee") whose task is to guide the activities and evaluate the proposals of the 231 Team. The 231 Team was set up in 2017 to provide permanent specialised technical support to the parent to update FS Italiane S.p.A.'s 231 model and ensure regular reporting to the CEO, the General Manager, the Supervisory Body and other control bodies.

The updated version of FS Italiane S.p.A.'s 231 Model (General Part) has been published on the new "Ethics, Compliance and Integrity" web page, which includes sections on the Code of Ethics, the 231 model, the ABC system, the antitrust compliance plan and the whistleblowing system.

#### *The company's anti-corruption and anti-bribery policies and the whistleblowing process*

The FS Italiane group acts with integrity, ethics and zero tolerance for corruption when conducting business. It has upheld these principles for years with the adoption of a group-wide Code of Ethics, the 231 model (which FS Italiane S.p.A. adopted in 2003) and specific guidelines for the prevention of corruption between private parties in the FS Italiane group (group measure no. 172). Furthermore, in 2017, the FS Italiane group signed off the United Nations Global Compact, the tenth principle of which is to "work against corruption in all its forms".

To confirm this commitment, in 2017, the parent FS Italiane S.p.A. voluntarily adopted a unified anti-corruption self-regulation framework which is structured on the 231 model (for acts of corruption – including between private parties – undue soliciting to give or promise benefits and misconduct) and on the ABC system. The unified anti-corruption self-regulation framework implements the anti-corruption policy guidelines, which also constitute an integral part of the framework and which contain the directive criteria for the creation of an effective anti-corruption system within FS Italiane S.p.A..

---

<sup>17</sup> Group measure no. 209/P of 9 June 2016 provides that "small" group companies whose organisations are less complex and/or smaller may set up a body with only one member from outside the group and specific expertise in this respect.

The ABC system refers to corruption in a broad sense, which includes not only directly and indirectly giving and receiving bribes between members of the public administration and other private parties, but also misconduct. The ABC system provides a set of specific prevention tools for the following processes, considered to be, according to regulations and best practices, the most exposed to corruption risks: "Procurement and contracts", "Assignment of advisory engagements", "Business development initiatives on international markets", "Membership fees, sponsorships, co-marketing, donations and gifts" and "Human resources".

A new process, "Relationships with public institutions/authorities (the public administration)", was developed following an analysis of the findings of the risk assessment conducted in 2019 for the updating of the 231 model. Specific prevention tools (standards of conduct and indicators of possible irregularities) are being prepared for this process.

The ABC system is a dynamic process that progressively extends to additional risk processes and prevention tools considering, among other things, developments in regulations and best practices, information flows with the various process players, internal controls and monitoring and ABC risk assessment. FS Italiane S.p.A. launched the first such risk assessment in 2020 and it will be completed in 2021.

The ABC system includes, among its main priorities, ongoing training and communication. The ABC e-learning course for all FS Italiane S.p.A. personnel was completed in 2020. The course continues to be taught to newly hired employees, with others who did not complete it in previous years called back to take it again periodically. The "ABC system: choose your training!" survey was launched in the year, asking FS Italiane S.p.A. personnel to suggest content for specific capsule training sessions on the ABC system to be held in the first quarter of 2021. Specific training was also held in collaboration with other FS Italiane S.p.A. units on individual processes.

With reference to the communication activities, new page on the FS Italiane S.p.A. website, "Ethics, compliance and integrity" has been created, which includes a sub-section devoted to the ABC system, summarising the objectives, tools and principles of FS Italiane S.p.A.'s model, in order to share the company's commitment to ethics, lawfulness and integrity with the public. The intranet page "ABC system", containing descriptions of FS Italiane S.p.A.'s and the other group companies' models, was also streamlined. FS Italiane S.p.A.'s direct and indirect subsidiaries adopt<sup>18</sup> the framework, adjusting it to reflect their specific organisations and businesses, in accordance with the applicable regulatory obligations.

With reference to the "Governance", the ABC system identifies the players, roles and responsibilities for the process of its implementation, development, updating, monitoring and control, along with the related information flows and coordination.

The key players include the ABC and Continuous Auditing Unit, which, among other things, monitors the ABC system to promote continuous improvement, supports process owners in the identification of risks and the definition of the related risk prevention tools and monitors that the measures provided for by the ABC system are implemented and adopted.

In 2020, this unit, which is part of the Central Audit Department, expanded its mission to include the continuous auditing of the individual processes/transactions, through which it identifies any irregular trends and violations of procedures and regulations, integrating with the ABC system tools.

Under the Code of Ethics updated in February 2018, reports can be made in good faith about potentially illegal or irregular events and conduct in violation of the Code of Ethics through the following channels: email, ordinary post, or other means of communication made available by the company. The confidentiality of the identity of the whistleblower(s) is ensured, as well as their integrity. Moreover, the group applies a zero tolerance policy for retaliation.

---

<sup>18</sup> FS Italiane S.p.A.'s main direct subsidiaries have completed the implementation of the unified anti-corruption framework.

In 2019, FS Italiane S.p.A. adopted a whistleblowing procedure to implement Law no. 179/2017 (known as the Whistleblowing Law). This procedure governs the receipt, analysis and processing of whistleblowing reports, regardless of who sent them, concerning conduct deemed to be illegal or in violation of the law, the organisational, management and control model pursuant to Legislative decree no. 231/2001, the ABC system or the FS Italiane group's Code of Ethics.

In July 2020, FS Italiane S.p.A. set up a computer platform to manage whistleblowing reports. This is a suitable channel that digitally ensures the confidentiality of whistleblowers and adequate security measures for the information. The platform may be accessed either via the internet or the company intranet (in the specific intranet section on the Ethics, Compliance and Integrity page).

The table below shows data on total training offered throughout the group on anti-corruption procedures and practices.

<b>Training on anti-corruption practices and procedures</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>man/days</b>	<b>1,309.14</b>	<b>10,367.08</b>	<b>1,475.95</b>
- managers	70.61	57.96	211.56
- junior managers	320.07	615.59	572.83
- white collars	746.64	4,506.71	648.87
- blue collars	171.82	5,186.82	42.69

The information in this paragraph also meets the requirements of article 3.2.f) of Legislative decree no. 254/2016.

#### Antitrust Compliance Plan

As transport markets in Italy and abroad have progressively opened up to competition, the FS Italiane group companies have faced an increasingly forceful application of anti-trust regulations. Compliance with these regulations is a fundamental principle of the group's Code of Ethics.

The FS Italiane group is committed to analysing and raising employees' awareness of antitrust issues and intends to encourage a culture of preventing antitrust risks and, more in general, competition risks, by developing an Antitrust Compliance Plan that reflects changes occurred in the relevant sectors in terms of competition, and the antitrust authorities' guidelines and best practices. These were summarised in the AGCM (Italian antitrust authority) guidelines for antitrust compliance formalised with resolution no. 27356 of 25 September 2018.

The group's Antitrust Compliance Plan comprises a set of rules, standards of conduct and activities that are binding for all group companies, which must implement them with their own structures and adopt their own organisational communications in this regard.

In the scope of this plan, the FS Italiane group has issued its Antitrust policy which, among other things, establishes the body responsible for executing the plan, consisting of the head of Compliance and the head of the Antitrust and Mergers & Acquisitions unit within the Central General, Corporate Affairs and Compliance Department. This body is tasked with adopting, according to the individual group companies' antitrust officers, all initiatives to ensure that the plan is properly implemented and updated over time to changing circumstances.

The antitrust compliance handbook is an integral part of the plan. It describes the limits set by national and European antitrust regulations and outlines the rules of conduct that each group employee must observe in order to ensure full

compliance. The handbook is completed with an antitrust Code of Ethics, consisting of an operating manual that simply and clearly lists the main rules of conduct for significant antitrust initiatives, during investigations by an antitrust authority and in the management of competitive procedures as contracting party.

#### Related parties

FS Italiane S.p.A.'s Manager in charge of the Company's accounting documents preparation has issued a group-level administrative/accounting procedure for related parties transactions which must be disclosed in the financial statements. This procedure, along with the other corporate procedures that were subsequently issued in line with the parent's guidelines, also clarify that all transactions with FS Italiane S.p.A.'s and its subsidiaries' related parties must be carried out consistently with substantial and procedural correctness criteria. Furthermore, all the related parties' transactions must establish the transfer pricing methods and explicitly evaluate the fairness of transfer prices with respect to market prices for similar transactions, or, otherwise, they must explicitly state how the terms of the transaction differ from market conditions (with justification for such difference).

The procedures also state that intragroup transactions must be carried out based on mutual cost effectiveness and the conditions applied must be defined considering the common objective of creating value for the entire FS Italiane group.

Each FS Italiane group company's key managers, directors, standing statutory auditors and members of the internal control bodies periodically state, through a representation system defined in formal procedures, whether they have directly or indirectly carried out transactions with the company for which they work and/or its subsidiaries, and whether such transactions were performed on an arm's length basis.

#### Other committees

In terms of its internal organisational profile, FS Italiane S.p.A.'s CEO and General Manager have set up other committees to steer and support senior management. Their members are appointed on a pro tempore basis from certain company departments.

The Ethics Committee, set up with Group Measure no. 50/AD of 30 January 2006 and updated in its composition with Group Organisational Notice no. 28/AD of 15 July 2019, carries out advisory activities and sets guidelines within the framework of the principles and rules of the FS Italiane group's Code of Ethics. The committee is responsible for clarifying, through advisory opinions, the interpretation and application of the Code of Ethics, examining the information that it receives, via defined communication channels, and promoting the most appropriate checks that are consistent with the corporate provisions. It ensures total confidentiality to the whistleblower, using information and documentation management criteria and methods adequate to safeguard their identity and honourableness, except for legal regulations. The committee also supports relevant company structures in defining personnel communication and/or training initiatives on the Code of Ethics or its updates. It examines any need to modify/integrate the group's Code of Ethics upon proposal of the Ethics Committees of the group companies. It coordinates and maintains information flows with the company's Supervisory Body, appointed pursuant to Legislative decree no. 231/2001 for the aspects of mutual interest. It regularly informs the Board of Directors of the relevant company on the activities carried out with special attention to the management of the information received.

The group's Investment Committee was set up with Group Measure no. 89/AD of 8 February 2007, amended by Group Measures no. 120/AD of 10 November 2008 and no. 186/AD of 24 December 2014, for the strategic supervision of the investment/divestment process. The committee, advises the CEO, offer guidance on investments and divestments and direct the FS Italiane group's planning process. It provides fairness opinions (strategic and financial) on group

investments and divestments (except for those included in the GPC - Investments) and is responsible for validating the significant investments and divestments identified by the Central Strategies, Planning and Sustainability Department on the basis of the group companies' proposals. In addition, it monitors the plan's development and proposes any corrective action to be taken in the implementation of the plan. The committee approves the list of investment/divestment programmes/projects that affect the group and tracks the development of the investment and divestment plan.

The group's *Information and IT System Security Committee*, established with Group Measure no. 168/AD of 25 November 2013 and updated in its composition with group measure no. 238/AD of 9 October 2017, is an intragroup advisory body that monitors information and IT system initiatives, in accordance with group measure no. 167/AD of 25 November 2013. In particular, the committee steers the FS Italiane group's information security strategies, formulates proposals to group companies for the mapping of critical business processes in terms of emerging risks inherent to the use and management of information resources, monitors IT projects and assesses and approves proposals concerning the regulation of information and IT system security evaluations and certification.

The *SoD (Segregation of Duties) Committee*, which was established with Group Measure no. 184/AD of 22 December 2014 and was updated with Group Measure no. 188/AD of 23 January 2015, carries out advisory activities and provides guidance on the segregation of duties. FS Italiane S.p.A.'s SoD Committee is responsible for defining, validating and overseeing the group's SoD risk matrix. In addition, this committee is responsible for analysing and monitoring the implementation of the appropriate remediation actions to take in the management/resolution of SoD risks that are detected throughout many group companies' staff processes.

FS Italiane group's *Equal Opportunities Committee* is a bilateral, joint body established pursuant to the national labour agreement for the mobility sector/railway sector and FS Italiane group's employment contract. The purpose of this committee is to promote initiatives and positive ways in which to offer women workers organisational conditions and a distribution of duties that are more favourable, with a view to facilitating the achievement of a work/family balance. It consists of a national committee and 15 local committees.

The *Foreign Initiative Committee* was set up with Group Measure no. 206/AD of 5 May 2016 and amended with Group Measures no. 224/AD of 20 April 2017 and no. 286/AD of 21 January 2020. It is responsible for updating the programme team on the strategic direction and guidelines suggested by stakeholders for development on international markets. It is also responsible for evaluating development initiatives/projects abroad identified upon proposal/recommendation of the companies and/or through the scouting activities of the relevant structures, which are of interest to the group. The Foreign Initiative Committee validates the programme team's proposals for how to participate in initiatives/projects of interest to the group and its proposed alliance strategy for participation in tenders and partnerships, if any, to gain a local presence. Finally, it is responsible for monitoring the progress of group projects based on periodic updates and deciding whether any corrective action needs to be taken.

The *Credit Committee*, set up with Group Measure no. 210/AD of 23 June 2016 and updated in its composition with Group Organisational Notice no. 13/AD of 5 October 2018. It is responsible for monitoring the performance of group loans and receivables, highlighting any critical areas and promoting the necessary corrective action, while also assessing consolidated exposure to each counterparty and any possibility of offsetting amounts.



The Sustainability Committee was set up with Group Measure no. 211/AD of 1 July 2016 and updated in its composition and duties with Group Organisational Notice no. 25/AD of 22 March 2019 and Group Organisational Notice no. 47/AD of 15 April 2020. These updates ensure the integration of social and environmental aspects in the group's economic/financial strategies and promote the values and principles of sustainable development to create value for all stakeholders. The committee acts as an advisory board for the CEO and General Manager, in his capacity as Chairman of the Sustainability Committee, for the integration of social and environmental aspects within group strategies and the identification of the group's strategic ambition, corporate values and sustainability principles. The committee also sets out the group vision and related commitments for each level of sustainability for the final approval by the Board of Directors and identifies the methods to communicate with stakeholders and engage them, as well as the methods to share results and actions to undertake. Furthermore, the committee supports the board evaluating the effects of strategic investment decisions in social and environmental terms and the related risks that may affect group performance, together with the relevant departments, ensuring alignment and synergies with other committees promoting sustainability. Another task assigned to the committee is the analysis and evaluation of the group materiality matrix and the gap analysis to submit to the CEO and General Manager for the final approval of the Board of Directors. The committee also prepares the group sustainability policy to submit to the CEO and the General Manager for the final approval of the Board of Directors and defines the proposal of group sustainability goals and targets in the medium/long term to submit to the CEO and the General Manager for the final approval of the Board of Directors. It analyses and evaluates any strategic initiatives supporting the companies; evaluates the group's sustainability performance and the contents of the sustainability report and provides instructions and policies to plan improvement steps. FS Italiane S.p.A.'s Risk management officer reports to the Sustainability Committee on the transition plan for initiatives to prepare for the risks of climate change.

The 231 Steering Committee, set up, as mentioned above, with Group Organisational Notice no. 536/AD of 28 February 2018, is responsible for steering the work of the 231 team, assessing its proposals and guaranteeing regular reporting to the CEO and General Manager, the Supervisory Body and other control bodies.

The Green Bond Working Committee was set up with Group Organisational Notice no. 2/DCRUO of 27 March 2018 and its composition was updated with Group Organisational Notice no. 24/DCRUO of 15 March 2019. It is responsible for implementing, maintaining and updating, if necessary, the Green Bond Framework, and specifically the identified and assessed activities of the Eligible Green Project, which includes discussion with the parties involved in the analysis of projects greenness and the implementation of reporting procedures and management of the proceeds from issues.

The Protection Against Violence Committee was set up with Organisational Notice no. 538/AD of 10 May 2018. The committee is responsible for ensuring legal assistance to employees who decide to take legal action having been victims of violence when carrying out their work and/or in any case in relation thereto, e.g., stepping in to protect FS Italiane group assets or its employees, or people in railway or other group premises in general. The committee ensures legal assistance for violence of a verbal and/or indirect nature via any type of communication channels - by parties external to the FS Italiane group, both known and unknown.

The Villa Patrizi Complex Committee was set up with Group Organisational Notice no. 33/DCRUO-DCFIRAP of 10 September 2019. It is responsible for promoting discussion between owners, property managers and the tenant companies for a more efficient and effective management of intricate real estate matters, particularly in terms of rooms logistics, ways to implement measures provided by the regulation, maintenance and management of issues arising from

the constant technological updates and the companies' organisational changes. The committee is also responsible for promoting supervisory committees on specific matters of interest to the companies involved.

The *Foreign Crisis Management Committee* was set up with Group Measure no. 277/AD of 24 October 2019 and, if necessary, is deployed by FS Italiane S.p.A.'s operating Travel Security Team. It works in collaboration with a specialised provider and the competent institutions.

*Italy's joint committee on training for the FS Italiane group/Pilot committee* was set up with Group Measure no. 164/AD of 14 May 2013 and is responsible for steering and supporting group-funded training activities and subsequently assessing them, in addition to linking them at the interconfederation and trade sector level. The Committee also serves as a "Pilot committee" whose main responsibilities include: approving intragroup and/or individual company training plans to submit to Fondimpresa on behalf of the trade unions; monitoring their performance and checking the success of completed initiatives; drafting and signing memoranda of understanding to obtain loans and borrowings.

### Protection of human rights

The FS Italiane group promotes the protection of human rights among its employees, customers, citizens, suppliers and business partners, thus helping to create a responsible chain based on the United Nations Universal Declaration of Human Rights and the International Labour Organization fundamental conventions.

Among the main principles of the sustainability policy (issued in 2019) on which the group's actions are based, respect for human rights and the commitment to creating a responsible chain stand out. This commitment was confirmed in the Code of Ethics (which guides the group in its relationships with stakeholders).

To strengthen the commitments already taken at group level, some of the subsidiaries that worked on preparing their sustainability policies in 2020 - e.g., Intalferr and Busitalia - identified respect and human rights protection, both in Italy and abroad, as pillars of their business models. Furthermore, the group promotes open and inclusive workplaces, against any discrimination or harmful behaviour, and prevents any form of irregular work and encourages policies that are supportive of personnel well-being

In 2017, the group joined the United Nations Global Compact, undertaking to comply with the 10 human rights, labour, environmental and anti-corruption principles and integrate them in its business. These principles integrate and reinforce the group principles previously established in the group's sustainability policy, the Code of Ethics, the 231 model and the anti-corruption policy and anti-bribery and corruption management system guidelines. In particular, by signing the Global Compact, the group has formally undertaken to:

- uphold and comply with international human rights provisions;
- ensure that it is not complicit in human rights abuses.

The group maintains its commitment to prevent human rights violations of any kind through:

- the use of standard and specific contractual human rights clauses in agreements signed with suppliers (including the requirement that suppliers sign the group's Code of Ethics), and including a<sup>19</sup> scoring criterion that rewards suppliers for their sustainability<sup>20</sup>;

---

<sup>19</sup> With specific regard to the assignment of contracts and concessions for works and services entailing significant manual labour, the FS Italiane group applies social welfare clauses and requirements to comply with certain social and labour protection standards to promote the occupational stability of personnel.

<sup>20</sup>RFI S.p.A. has had a scoring criterion in tenders since the second half of 2017, which includes the respect for human rights (prevention of child and forced labour, anti-discrimination and support for the fundamental human rights); this inspired the "Supply Chain Sustainable Management" project to improve the sustainability of FS Italiane group's suppliers. Reference should be made to the section on "The commitment to sustainable development – Sustainable supply chain" for additional details.

- the pursuit of better methods for supply chain management thanks to the participation in the Railsponsible works, an initiative that brings together major railway companies and the group's commitment in the preparation of the "Sustainable procurement management guidelines" to integrate the more recent national and international sustainability standards - including human rights - in the procurement of goods, service and labour;
- rights protection for passengers with disabilities and reduced mobility. The group offers an assistance service at 322 stations for passengers with physical, sensory or motor disabilities that temporarily or permanently affect their mobility, ensuring their right to travel with ease. A key feature of this service is the "Sale Blu" network, which was further expanded in 2020 with the new national Sala Blu created in response to the public health emergency, joining the other 14 rooms at Italy largest railway stations. In 2020, specific focus groups were held to meet passengers' new needs and to develop increasingly functional services;
- rights protection of disadvantaged people who seek shelter at railway stations. For several years, the group has conducted a solidarity project in collaboration with local bodies and social organisations/community groups by loaning spaces inside or near railway stations for free use to associations and bodies that relieve marginadistress<sup>21</sup>.

---

<sup>21</sup> Reference should be made to the Commitment to sustainable development - Commitment to the community paragraph for further information.

# The group's financial position and performance

## Introduction

For the purposes of describing its financial position and performance, the group has prepared reclassified financial statements (presented on the next pages) in addition to those required by the IFRS adopted by the FS Italiane group. The reclassified financial statements comprise performance indicators that, given the extremely significant impact of COVID-19 on the group's operations in 2020, management has considered useful during the year in monitoring the group's performance and in presenting the financial results of the business. The methods used to calculate these indicators are also explained in the analysis below to give a better understanding of the group's financial position and performance in 2020 and are those described in the previous "Key and Glossary" section.

In light of the foregoing, the group's operating performance in the year, described below, along with its financial position, described further on, reflect the significant impact of COVID-19 detailed in the specific note to the consolidated financial statements (note 31 - "COVID-19 emergency"), as clearly shown in the following analysis.

## Reclassified income statement

	2020	2019	Change (A)	%	of which: impact of COVID-19 (B)	impact of COVID- 19 %* (B)/(A)
<b>REVENUE</b>	<b>10,837</b>	<b>12,423</b>	<b>(1,586)</b>	<b>(12.8)</b>	<b>(1,695)</b>	<b>(106.9)</b>
Revenue from sales and services	10,482	12,011	(1,529)	(12.7)	(1,668)	(109.1)
Other income	355	412	(57)	(13.8)	(27)	(47.4)
<b>OPERATING COSTS</b>	<b>(9,204)</b>	<b>(9,814)</b>	<b>610</b>	<b>6.2</b>	<b>652</b>	<b>106.9</b>
<b>GROSS OPERATING PROFIT (LOSS)</b>	<b>1,633</b>	<b>2,609</b>	<b>(976)</b>	<b>(37.4)</b>	<b>(1,043)</b>	<b>(106.9)</b>
Amortisation, depreciation, accruals and impairment losses	(1,911)	(1,780)	(131)	(7.4)	44	33.6
<b>OPERATING (PROFIT) LOSS</b>	<b>(278)</b>	<b>829</b>	<b>(1,107)</b>	<b>(133.5)</b>	<b>(999)</b>	<b>(90.3)</b>
Net financial expense	(283)	(176)	(107)	(60.8)	(15)	(14.0)
<b>PRE-TAX PROFIT (LOSS)</b>	<b>(561)</b>	<b>653</b>	<b>(1,214)</b>	<b>(185.9)</b>	<b>(1,014)</b>	<b>(83.5)</b>
Income taxes	(1)	(60)	59	98.3	28	47.5
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>(562)</b>	<b>593</b>	<b>(1,155)</b>	<b>(194.8)</b>	<b>(986)</b>	<b>(85.4)</b>
Profit (loss) from assets held for sale, net of taxes		(9)	9	100.0		
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>(562)</b>	<b>584</b>	<b>(1,146)</b>	<b>(196.2)</b>	<b>(986)</b>	<b>(86.0)</b>
PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT	(570)	573	(1,143)	(199.5)		
PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	8	11	(3)	(27.3)		

\*: Ratio % "Change (A)"/"of which: impact of COVID-19 (B)"

In a year severely impacted by the disruptive events of the public health emergency following the COVID-19 outbreak, the group reported a **loss for 2020** of €562 million, compared to a profit of €584 million for 2019, a drop of 196.2%. Excluding the impact of COVID-19, the profit for the year would have been €424 million.

The main captions contributing to the loss for the year attributable to the owners of the parent are analysed below.

**Revenue** decreased by a total of €1,586 million (-12.8%), which was completely due to the effects of the pandemic (€1,695 million), as detailed in the aforementioned note 31 to the consolidated financial statements “COVID-19 emergency” to which reference should be made for additional details. The impact of COVID-19 was partly offset by the organisational factors (+€109 million) described below.

Excluding the impact of COVID-19, which totalled €2,349 million, **revenue from transport services** would have decreased by only €178 million (-2.4%) on 2019, mainly due to the €206 million reduction in revenue from the passenger railway transport service, offset by the growth in the freight business, which posted a €21 million rise in revenue and, for the remainder, the road transport business, which saw a €7 million increase.

Specifically, the reduction in revenue from the passenger railway transport service is due to the following factors:

- revenue from the long-haul passenger railway transport service increased by a total of €5 million. The market long-haul service segment saw a total decrease of €1 million, in which the substantial losses in revenue following the railway accident that took place in Livraga (Lodi) last February (-€12 million) were offset by the greater revenue generated abroad, mainly due to the lack of the exogenous events in 2020, unlike those in 2019 that had heavily impacted revenue (strikes and line suspensions as experienced, inter alia, due to the Modane landslide and the Gilets Jaunes protests). Revenue from the universal long-haul passenger transport service rose by €6 million;
- revenue from the short-haul passenger railway transport service saw a total drop of €211 million, €233 million of which in Italy, partly due to the contribution of the “Emilia-Romagna” business unit to the associate Trenitalia Tper with effect as from 1 January 2020, offset by the €22 million increase in revenue on the international market, the combined effect of the signing of new service contracts in Germany (+€26 million) and the downturn on the UK market (-€4 million);
- revenue from freight transport and logistics services improved by roughly €21 million both in Italy due to new freight traffic arrangements that began in 2020 (+€15 million), and internationally (+€6 million);
- revenue from the road transport service rose by €7 million.

**Revenue from infrastructure services**, not considering the negative impact of the pandemic (-€357 million), increased by €272 million mainly due to the rise in work on the road and motorway network under concession during the year (+€262 million), greater revenue from concession services in connection with invoicing to the Umbria regional authorities following the merger of UMFERRO (+€7 million) and the increase in other revenue from road and motorway services (+€5 million).

**Other revenue from customer services** rose by €20 million for business reasons, i.e., mainly the greater revenue from the progress of the Metro Riyadh contract (+€25 million), despite the postponement of the trial run by one year and greater unforeseen costs, the increase in revenue from processing on behalf of third parties after construction work resumed on the Palermo metro rail (+€14 million), lower revenue from contract work in progress (-€29 million, €21 million of which due to the slowdown in capital expenditure in assets that will transfer back to the Sitaf group), with greater other revenue accounting for the remainder of the improvement.

The increase in **other revenue** (+€22 million) - essentially shown here excluding the government grants to transport road, motorway and railway infrastructure operators (€1,105 million) as relief for the impact of COVID-19 – was mainly

due to the rise in leases of rolling stock and the related indemnities (+€52 million), partly offset by the net change in accruals/releases.

The decrease in **other income** of €30 million, excluding the impact of COVID-19, is mainly due to the smaller gains on sales of group companies (-€28 million because of the gain recognised in 2019 on the sale of Centostazioni Retail, offset by the gain of €13 million recognised in 2020 on the sale of the Sitaf Group), smaller gains on the sale of chattels and property and fewer contractual penalties charged to suppliers.

**Operating costs** came to €9,204 million, down by a total of €610 million (-6.2%) on the previous year (2019: €9,814 million). This decrease is due to extraordinary actions (€652 million) taken by management in response to the pandemic and to counter the related impact. The main organisational factors are described below:

- personnel expense decreased (+€345 million) mainly as a result of the average reduction in the workforce following the application of the “100 years” option for workers’ pension eligibility and participation in the income assistance fund for extraordinary solidarity benefits and early leaving benefits, plus the use of holidays accrued in previous years; the effects of the agreements that the FS Italiane group and Agens (Confederal Transport and Services Agency) signed on 18 February 2021 with the trade unions, the signing of the 16 December 2016 agreement related to the national labour agreement for Mobility workers/Railway operations; and the contribution of the “Emilia-Romagna” business unit to the associate Trenitalia Tper;
- other costs increased overall (-€386 million), mainly due to the combined effect of:
  - the increase in costs for services (-€497 million) mainly due to:
    - o the increase in costs for administrative and IT services, related to the in-house establishment of FSTechnology S.p.A., which centralised management of applications, systems and infrastructure for IT projects and hardware and software maintenance for the main FS Italiane group companies (-€95 million). This increase should be analysed together with the €60 million growth in internal work capitalised relating to IT services. The net increase in costs for administrative and IT services, amounting to -€35 million, is due to higher hardware and software maintenance costs incurred in the various business areas during the year.
    - o the increase in road and motorway infrastructure operation costs (-€295 million). This caption also benefited from the lack of accruals to the provision for risks of disputes on works, which had come to €133 million in 2019;
    - o the €108 million accrual for the potentially onerous contract that C2C signed with the UK Department for Transport (“DFT”);
  - the reduction in other operating costs (+€35 million), mainly due to smaller provisions in the year compared to 2019 and the non-recurring income recognised following the favourable outcome of the appeal against the tax authorities to obtain a reimbursement of registration tax and the related interest previously paid on the transfer of the electricity grid to the main national operator, Terna S.p.A. (+€13 million);
  - the increase in internal work capitalised (+€62 million) referring to materials and personnel expense, IT services and transport, the costs of which were capitalised in 2020 in connection with work on the infrastructure, incremental maintenance on the rolling stock at workshops and the increase in capitalised IT services due to the establishment of FSTechnology S.p.A., as reported earlier (+€60 million).

The gross operating profit of €1,633 million decreased by €976 million (-37.4%). However, adjusted to eliminate the effects of COVID-19, the estimated gross operating profit would have been approximately €2,676 million, a decrease of only 2.6%.

The **operating loss** of -€278 million (2019: operating profit of €829 million) is down by €1,107 million (-133.5%). €999 million of the overall reduction is due to the impact of COVID-19, without which the operating loss would have been -€108 million, -13.0% on 2019.

Lower amortisation and depreciation in the year, excluding the events related to the lockdown, were due to the normal dynamic in asset management.

Impairment losses increased by €90 million, €76 million of which due to business management, including greater impairment losses on property, plant and equipment relating to the railway infrastructure and rolling stock as management continues to dispose of obsolete rolling stock, and greater impairment losses on financial assets, including service concession assets, offset by the smaller impairment losses on C2C's goodwill than in 2019 (-€33 million).

Accruals, totalling €127 million, compared to net releases of €22 million in the previous year, rose essentially due to the adjustment of the Bilateral fund for income assistance, set up for proactive income and employment assistance, to cover extraordinary benefits to be paid in future years.

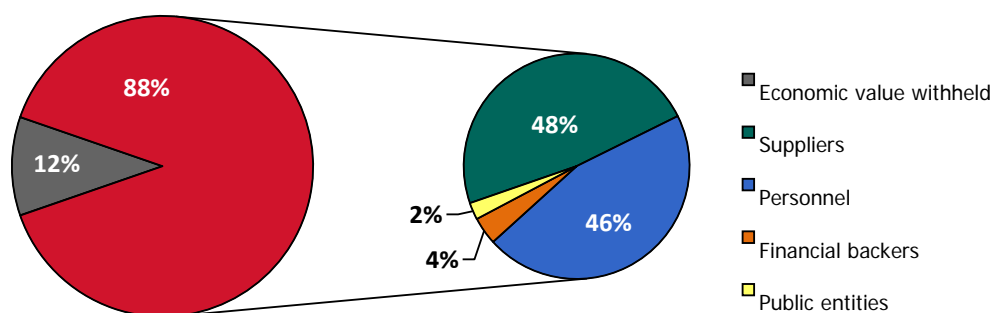
**Net financial expense** of €283 million worsened by €107 million (60.8%), but by €92 million excluding the impact of COVID-19, on the previous year. Financial income is down by €7 million, while the growth in financial expense reflects the net effect of the increase generated by the adjustment of the loss allowance for the asset from Strada dei Parchi (€167 million), calculated based on lifetime expected credit losses, and the decrease due to the discounting of the same asset from Strada dei Parchi, recognised in the previous year following the amendment postponing the repayment of the 2017 and 2018 instalments to 2030 (€35 million). The share of profits/(losses) of equity-accounted investees is substantially the same as in 2019 (€23 million versus €22 million in 2019).

**Income taxes** went from €60 million in 2019 to €1 million in 2020, mainly due to the smaller tax base in the year just ended and the provisions of Decree law no. 34/2020, which exempted companies with revenue of up to €250 million from paying the IRAP balance for 2019 and the first IRAP advance for 2020, which management has accounted for as part of the impact of COVID-19.

DNF

In addition to the above observations and pursuant to Legislative decree no. 254/2016, the following table shows the directly generated economic value and that distributed by the FS Italiane group, highlighting its redistribution to stakeholders. Although 2020 was a year thrown out of kilter by the pandemic, the group continues to believe in the absolute importance of a balanced distribution of the value generated by its operations to its stakeholders, value that they directly or indirectly contributed to creating. The analysis of the economic value distributed shows the flows allocated to employees, providers of goods, services and capital, the public administration and the communities in which the group is present and operates.

Directly generated and distributed economic value	2020		2019		2018	
<b>Directly generated economic value</b>	<b>10,941</b>	<b>100%</b>	<b>12,524</b>	<b>100%</b>	<b>12,196</b>	<b>100%</b>
Revenue from sales and services	10,482		12,011		11,560	
Other sundry income	459		513		636	
<b>Distributed economic value</b>	<b>9,621</b>	<b>88%</b>	<b>10,190</b>	<b>81%</b>	<b>9,877</b>	<b>81%</b>
Operating costs for materials and services	4,661		4,801		4,679	
Personnel expense	4,432		4,945		4,853	
Payments to financial backers	387		286		221	
Payments to public bodies	141		158		124	
<b>Economic value withheld</b>	<b>1,320</b>	<b>12%</b>	<b>2,334</b>	<b>19%</b>	<b>2,319</b>	<b>19%</b>
Amortisation, depreciation, accruals and impairment losses	1,911		1,780		1,762	
Other sundry costs and taxes	(29)		(30)		(2)	
<b>Profit (loss) for the year</b>	<b>(562)</b>		<b>584</b>		<b>559</b>	



The value not directly distributed by the group (slightly over €1 billion in 2020) has slipped to 12% of the total generated value, compared to 19% in 2019 (€2.3 billion, in line with 2018). The trend is substantially similar for self-financed investments, which the group uses indirectly to increase the benefits to the community and stakeholders in general. Indeed, with the robust boost that the FS Italiane group has steadily offered the domestic economy over the years, among other things, the group has always been a key contributor to the domestic economy in general, generating roughly 2.4% of Italian GDP and the equivalent of approximately 260 thousand jobs<sup>22</sup>.

<sup>22</sup> The methodology used to calculate the group's contribution to Italian GDP and employment is based on the methodology described in the Community of European Railway and Infrastructure Companies (CER) paper entitled *The Economic Footprint of Railway Transport in Europe*. To better reflect the Italian context, this methodology has been adjusted according to the specific multipliers published by the Parliamentary Budget Office in its working paper *Fiscal Multipliers in Abnormal Times: the Case of a Model of the Italian Economy* of December 2018.



## Reclassified statement of financial position

	millions of Euros		
	31.12.2020	31.12.2019	Change
<b>ASSETS</b>			
Net operating working capital	107	(262)	369
Other assets, net	2,505	2,928	(423)
<b>Working capital</b>	<b>2,612</b>	<b>2,666</b>	<b>(54)</b>
Net non-current assets	51,698	51,132	566
Other provisions	(3,994)	(4,303)	309
Net assets held for sale		482	(482)
<b>NET INVESTED CAPITAL</b>	<b>50,316</b>	<b>49,977</b>	<b>339</b>
<b>COVERAGE</b>			
Net current financial debt	1,106	677	429
Net non-current financial debt	7,787	6,982	805
<b>Net financial debt</b>	<b>8,893</b>	<b>7,659</b>	<b>1,234</b>
<b>Equity</b>	<b>41,423</b>	<b>42,318</b>	<b>(895)</b>
<b>COVERAGE</b>	<b>50,316</b>	<b>49,977</b>	<b>339</b>

Despite the challenges of the pandemic in the year, the group increased **net invested capital** by €339 million to €50,316 million thanks to the growth in **net non-current assets** (+€566 million) and the decrease in **other provisions** (+€309 million), offset by the reductions in **working capital** (-€54 million) and **net assets held for sale** (-€482 million).

**Net operating working capital** amounts to €107 million, up by €369 million on the previous year end, and is the combined effect of the following main trends:

- greater trade receivables from trade partners (customers and suppliers), up €220 million mainly following the increase in advances to suppliers (+€320 million), primarily due to the advances to guarantor suppliers under article 207.2 of Decree law no. 34/2020 (Emergency health, employment and economic measures and for social policies in connection with the COVID-19 epidemic - Emergency measures for the liquidity of construction companies) - partly offset by the regularisation of advances to suppliers of electrical energy; a decrease in trade receivables for railway transport (-€45 million), particularly for the railways under concession and those abroad; a decrease in trade receivables for railway and road infrastructure (-€52 million) due to the reductions in railway tolls and motorway traffic in the wake of the COVID-19 pandemic;
- the €212 million decrease in trade payables, mainly in relation to:
  - lower amounts due to suppliers (+€542 million) due, in particular, to payments in the year mainly for investments in the railway network;
  - greater accruals for road network works (-€196 million);
  - investments in the year to purchase new rolling stock (-€77 million), particularly for the Spanish company ILSA;
  - increase in business volumes in the year (-€21 million);
- greater inventories and contract assets for contract work in progress (+€47 million), mainly due to:

- the increase in contract assets for contract work in progress (+€30 million) mostly in connection with works on roads that are not under concession;
- greater inventories (+25 million) because of the drop in consumption of raw materials, primarily due to the long lockdown in response to the public health emergency, offset by greater accruals to the allowance for inventory write-down to reflect the results of the analysis conducted on obsolete and/or slow-moving items;
- decrease in land and buildings held for trading (-€8 million) essentially due to sales in the year;
- lower assets arising from the service contracts with the regions (-€133 million), partly offset by greater assets from the service contract with the MEF (+€28 million). This decrease is substantially due to the offsetting of amounts in the year with the regions and consideration accrued in the year from the MEF but not yet collected.

**Other assets, net** amount to €2,505 million, showing a decrease of €423 million, which is substantially the combined effect of:

- lower net assets from the MEF, MIT and other government authorities (-€502 million), resulting from the recognition of the new government grants on an accruals basis (the grants mostly related to relief provided by the government in response to the COVID-19 emergency) and collections in the year, net of the change in payments on account allocated to projects that have commenced;
- the decrease in net VAT assets (-€23 million), mainly following reimbursements in the year, and the increase in deferred tax assets (+€3 million);
- the net decrease of €97 million in other liabilities, net, essentially due to the drop in other amounts due to personnel and for the adjustment of the fund for income and employment assistance.

**Net non-current assets** of €51,698 million increased by €566 million, substantially due to:

- the €6,693 million increase in investments of the year, offset by the recognition of grants related to assets on an accruals basis (€4,352 million), amortisation and depreciation of the year (€1,604 million), sales (€238 million) and impairment losses (€114 million), mostly on industrial and non-industrial buildings;
- the change in the consolidation scope following the acquisitions of the year and non-recurring transactions, generating a €24 million decrease in non-current assets, and mainly referring to the contribution of the business unit to the consortium company Trenitalia Tper Scarl.

In light of the economic impacts of the COVID-19 pandemic, considered a trigger event, the group tested some of its CGUs for impairment in accordance with IAS 36 – Impairment of assets. The results of these tests showed that the asset of the subsidiaries Trenitalia C2C Limited, ATAF Gestioni S.r.l., Busitalia - Sita Nord S.r.l. (Umbria CGU) and Qbuzz BV were impaired, with an overall negative impact on goodwill of €21 million.

Furthermore, equity investments increased by €191 million following the recognition of the non-controlling interest in the former subsidiary Sitaf (+€161 million), the recognition of the equity investment in Trenitalia Tper Scarl (+€8 million), as a consequence of the contribution of the business unit, the acquisition of the controlling interest in Mercitalia Maintenance S.r.l. (-€3 million) and TFB S.p.A.'s subscription of the share capital of BBT SE for €10 million, net of capital contributions. The share of profits/losses of equity-accounted investees also contributed to this increase, with an impact of €23 million.

**Other provisions** are down by €309 million, due to changes in post-employment benefits and other employee benefits (+€148 million) mainly following the payments to outgoing personnel during the year and advances paid, partly offset by the restatement of C2C's employee benefits as a result of the amendment to the contractual terms with the UK DfT, as well as the positive effect of the change in the provision for taxation (+€45 million) and other provisions for risks (+€117 million). Overall, the provisions for risks were adjusted by €584 million during the year and €252 million was used to settle several disputes. The €474 million release from the provisions for risks mainly referred to Anas S.p.A.'s disputes with the government, which only impacted the statement of financial position as a decrease in the related assets.

**Net assets held for sale** amounted to €482 million at 31 December 2019 and included those relating to the Sitaf group, which have been reclassified at 31 December 2020 following the Council of State's rulings nos. 7392/2019 and 7393/2019 of 28 October 2019, in which the share transfer agreement between the Turin municipal authorities, the Turin provincial authorities and Anas S.p.A. was declared null and void. On 27 October 2020, Anas S.p.A. transferred to FCT Holding S.p.A. and the City of Turin the relevant shares in Sitaf S.p.A. in exchange for the return of the price previously paid for the acquisition.

**Net financial debt** of €8,893 million increased by €1,234 million on 31 December 2019, essentially the net effect of the following factors:

- the decrease in the cash pooling balance (+€289 million), which comprises the payments made by the MEF in accordance with the Programme Contract for railway infrastructure;
- the decrease in the financial asset from MEF (€592 million) due to collections of the year;
- the increase in bank loans and borrowings (+€427 million), mainly due to the rise in current loans and borrowings and the agreement of new loans with Unicredit and Intesa Sanpaolo, offset by repayments of loans for the purchase of rolling stock for medium and long-haul transport and regional transport, in addition to the decrease in the same current loans and borrowings for the payment of privileged creditors in the Ferrovie del Sud Est e Servizi Automobilistici S.r.l.'s deed of arrangement;
- the increase in bonds (+€210 million), substantially due to the subscription of new bonds as part of the Euro Medium Term Notes Programme with a nominal amount of €480 thousand to meet the group's cash requirements, new private bond placements with Eurofima SA with a nominal amount of €640 million, offset by Eurofima SA bond redemptions and first-issue bond redemptions under the Euro Medium Term Notes Programme, for a combined total of €902 million;
- the decrease in loans and borrowings from other financial backers (-€375 million), substantially the effect of the repayment of the loans with Cassa Depositi e Prestiti to finance railway infrastructure (the traditional and high-speed networks);
- the increase in contract advances (+€306 million) due to the portion of grants already collected by Anas S.p.A. for work not yet completed;
- the increase in financial assets for service concession arrangements (with an impact of -€58 million on financial debt), which was the net effect of the increase in assets due in connection with production output on the infrastructure operated under concession arrangements and mainly referring to roads, and the decrease due to collections of refunds in the year from the Ministries or authorities.
- the decrease in lease liabilities (-€171 million) as the net effect of the registration of leases, repayments and the measurement of liabilities in the year;

- the net decrease in other financial assets and liabilities (impact of +€14 million) mainly due to the revised estimate of potential impairment losses particularly on the asset from Strada dei Parchi substantially due to Anas S.p.A.'s assessment of the debtor's credit risk after it failed to pay the 2019 instalment for the concession (which fell due at the end of March 2020).

**Equity** decreased by €895 million from €42,318 million to €41,423 million mainly as a result of the following:

- the loss for the year, which was €562 million lower than the profit for 2019;
- the change in the consolidation scope (-€310 million) essentially due to the acquisition of 100% of Netinera Deutschland GmbH (impact of -€119 million, including -€110 million attributable to non-controlling interests and -€9 million attributable to the owners of the parent) and the loss of control of the Sitaf group (-€189 million, including -€203 equity attributable to non-controlling interests and +€14 million for the release of the Sitaf group's IFRS FTA reserves);
- the share capital increase in Tunnel Ferroviario del Brennero – Società di partecipazioni S.p.A. and Busitalia Veneto S.p.A. (€13 million);
- the change in the valuation reserves (€27 million) and the translation reserve (€5 million);
- the net decrease of €14 million in the balance of derivatives.

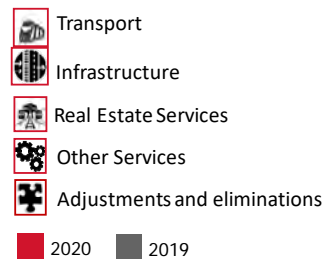
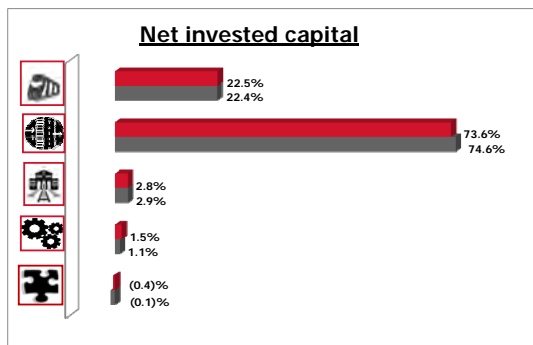
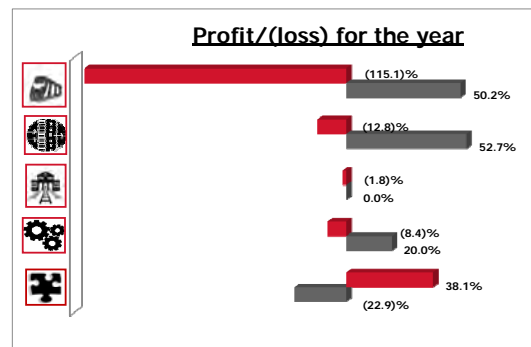
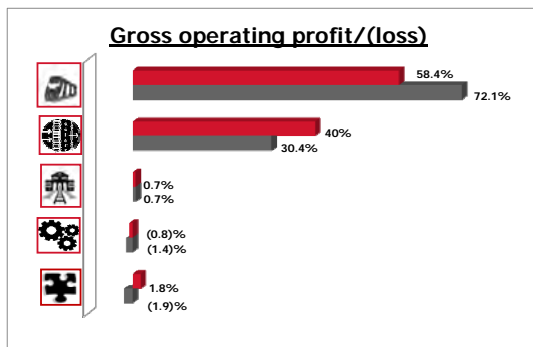
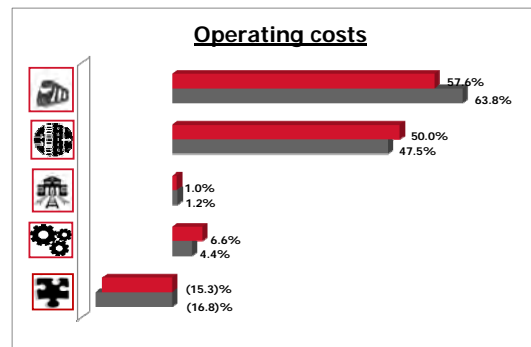
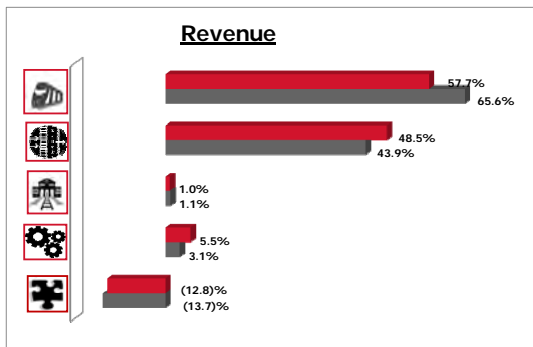
## Reconciliation as at 31 December 2020 and 2019

Reconciliation as at 31 December 2020 and 2019 and for the years then ended between profit (loss) for the year and equity in the separate financial statements of Ferrovie dello Stato Italiane S.p.A. and the consolidated financial statements.

	millions of Euros			
	31 December 2020		31 December 2019	
	Equity	Profit (loss) for the year	Equity	Profit (loss) for the year
Ferrovie dello Stato Italiane S.p.A.	39,900	41	39,859	227
Profits (losses) of consolidated investees since acquisition, net of dividends and impairment losses:				
- portion of current and previous profits attributable to the owners of the parent	2,032	(739)	2,828	598
- elimination of impairment losses on equity investments	305	131	237	116
- reversal of dividends	(4)	(140)	(4)	(156)
<b>Total</b>	<b>2,333</b>	<b>(748)</b>	<b>3,061</b>	<b>558</b>
Other consolidation adjustments:				
- equity accounting of investments in unconsolidated subsidiaries and associates	97	19	79	18
- reversal of intragroup profits	(667)	(67)	(600)	(66)
- reversal of taxes arising on tax consolidation	(71)	(18)	(52)	(85)
- other	63	203	(105)	(79)
<b>Total</b>	<b>(578)</b>	<b>137</b>	<b>(678)</b>	<b>(212)</b>
- Valuation reserves	(413)		(400)	
- Translation reserve	5			
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT</b>	<b>41,247</b>	<b>(570)</b>	<b>41,842</b>	<b>573</b>
- Equity attributable to non-controlling interests (excluding profit (loss) for the year)	154		437	
- Profit attributable to non-controlling interests	8	8	11	11
<b>EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>	<b>162</b>	<b>8</b>	<b>448</b>	<b>11</b>
<b>TOTAL CONSOLIDATED EQUITY</b>	<b>41,409</b>	<b>(562)</b>	<b>42,290</b>	<b>584</b>

## Segment reporting

The FS Italiane group's performance is analysed below with reference to each of the four operating segments that make up its business (Transport, Infrastructure, Real Estate Services and Other Services). The charts below summarise the 2020 and 2019 performance with indication of the percentages of revenue and operating costs, gross operating profit (loss), profit (loss) for the year and net invested capital attributable to each segment.



## Transport

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

More specifically, rail operations mainly fall under Trenitalia S.p.A., which provides services for passenger transport in Italy and abroad, managing both regional and national routes. This segment also includes the German group, Netinera Deutschland, which carries out transport activities by rail and road on the local and urban transport market in Germany through approximately 40 investees, TrainOSE SA, which operates in Greece, connecting Athens and Thessaloniki, Trenitalia C2C Ltd, a UK passenger transport company, and Ferrovie del Sud Est e Servizi Automobilistici S.r.l. ("FSE"), which holds the concession for road and rail services in Puglia, Italy.

The group companies that principally operate in freight transport are those in the Mercitalia companies, with domestic and international operations, including TX Logistik group (mainly active in Germany, Austria, Switzerland and Denmark).

The Transport segment also includes road urban and medium/long-haul passenger transport, offered by the group consisting of Busitalia-Sita Nord S.r.l. and its investees. The above-mentioned FSE S.r.l. also provides these services.

millions of Euros

	2020	2019	Change	%
Revenue from sales and services	6,089	7,934	(1,845)	(23.3)
Other income	169	210	(41)	(19.5)
<b>Revenue</b>	<b>6,258</b>	<b>8,144</b>	<b>(1,886)</b>	<b>(23.2)</b>
<b>Operating costs</b>	<b>(5,306)</b>	<b>(6,262)</b>	<b>956</b>	<b>15.3</b>
<b>Gross operating profit (loss)</b>	<b>952</b>	<b>1,882</b>	<b>(930)</b>	<b>(49.4)</b>
<b>Operating profit (loss)</b>	<b>(418)</b>	<b>467</b>	<b>(885)</b>	<b>(189.5)</b>
<b>Segment profit (loss) (attributable to the owners of the parent and non-controlling interests)</b>	<b>(647)</b>	<b>293</b>	<b>(940)</b>	<b>&gt;200</b>
	<b>31.12.2020</b>	<b>31.12.2019</b>	<b>Change</b>	
<b>Net invested capital</b>	<b>11,304</b>	<b>11,195</b>	<b>109</b>	

The Transport segment ended 2020 with a **loss for the year** of €647 million, a €940 million drop on the previous year. The difficult health and social/environmental situation due to the COVID-19 pandemic (which is described in detail in the notes) and, in particular, the lockdown, followed by the light lockdown throughout Italy and the world in 2020, heavily affected performance for the full year, wreaking havoc on demand in all areas of this segment, particularly passenger railway transport. In response, the companies operating in this segment reorganised their offer, guaranteeing a service level - in terms of trains and time schedule - that always meet the country's mobility needs.

**Revenue** in this segment amounts to €6,258 million, down by €1,886 million on 2019, mainly because of the decline in traffic revenue (due to COVID-19 and, to a lesser extent, the railway accident on 6 February in the outskirts of Lodi). Specifically, the drop in revenue reflects:

- the €1,105 million decline in the long-haul railway segment (-43% on 2019), due to both the decrease in the market component (-€939 million) and the universal component (-€166 million). Swift and decisive action was taken in the year to recover performance by reorganising the train schedule to meet demand more effectively, with a focus on updating the on-board experience for the safety of customers and personnel. This entailed “staggered” seating, the distribution of personal protective equipment and revising customer contact protocols in sales and assistance. The long-haul market segment benefited from government grants totalling €323 million, in accordance with legislation;
- the €523 million decrease in the short-haul railway segment (i.e., regional transport; -18% on 2019), partly due to the structure of the Tper transaction (the Emilia Romagna division was in-scope in 2019). During the year, steps were taken to bolster this segment, with a focus on protecting commuters’ health and regaining their trust, initiatives to stimulate tourism close to home, especially in the summer, and digital innovation to reduce contact with front-line personnel. This segment benefited from government grants totalling €192.6 million, in accordance with legislation;
- the €41 million drop in the passenger road transport segment (-6% on 2019). This segment benefited from government grants totalling €16 million in Italy, in accordance with legislation. In the Netherlands, the government offset the decrease in the service contract consideration with one-time grants of €48.5 million;
- freight transport, down by €90 million (-9%) on 2019.

The **gross operating profit** of the Transport segment slipped to €952 million in 2020, down by €930 million on 2019. This decrease was due to the previously discussed reduction in the transport companies’ traffic revenue, substantially because of the impact of COVID-19, which the companies were only partly able to offset through lower operating costs - achieved by taking all the necessary organisation actions to mitigate the effects of the emergency - and the relief offered by legislation that has made it possible to recognise grants to support the group’s transport services.

The operating loss of €418 million is down by €885 million on the previous year. Indeed, while the gross operating profit remained positive in the year, the operating loss was substantially affected by not only amortisation and depreciation, but also the impairment losses on Trenitalia’s rolling stock (the ETR 1000 involved in an accident in February 2020 in the outskirts of Lodi, and regional carriages that are both technically and commercially obsolete), and Netinera’s assets (impairment losses on property, plant and equipment and intangible assets). The results of the impairment testing on this segment (Trenitalia C2C Ltd, Busitalia Sita Nord S.r.l. - Umbria CGU, ATAF Gestioni S.r.l. and Qbuzz BV) also contributed to the operating loss.

**Net financial expense** of €282 million worsened by €174 million on 2019, mainly due to the accrual to Trenitalia’s provision for risks (€161 million) to cover the amount deemed non-recoverable of the parent company support (PCS) credit facility that FS Italiane S.p.A. had originally granted to its indirect subsidiary Trenitalia C2C, with Trenitalia’s guarantee.

**Income taxes** for this segment improved by €110 million on 2019, mainly due to Trenitalia, following the recognition of deferred tax assets at 31 December 2020 in connection with the significant rise in the provisions for risks, and also because of the reduction in current taxes compared to 2019 because of the loss for the year.



## **Loans and borrowings and related contracts - Transport segment**

### **Busitalia Campania S.p.A. revolving credit facility**

On 22 January 2020, FS Italiane S.p.A. granted Busitalia Campania S.p.A. (its indirect subsidiary) a revolving credit facility for a maximum total of €5 million to finance current cash requirements. The credit facility is guaranteed by the sub-holding company Busitalia - Sita Nord S.r.l..

### **Busitalia Rail Service S.r.l. revolving credit facility**

On 12 February 2020, FS Italiane S.p.A. granted Busitalia Rail Service S.r.l. (its indirect subsidiary) a revolving credit facility for a maximum total of €5 million to finance current cash requirements. The credit facility is guaranteed by the sub-holding company Busitalia - Sita Nord S.r.l..

### **Blufferies S.r.l. intragroup bridge loan**

On 26 March 2020, FS Italiane S.p.A. granted Blufferies S.r.l. (its indirect subsidiary) an intragroup bridge loan for a maximum total of €12 million and falling due on 30 June 2021, to finance 70% of the costs to complete the construction of the "Trinacria II" ship. The loan is guaranteed by the sub-holding company RFI S.p.A.

### **Interest rate hedges**

Between 2 April and 29 May 2020, Trenitalia S.p.A. entered into additional interest rate hedges on non-current debt with a notional amount of roughly €2.2 billion through 18 interest rate swaps and 11 interest rate caps agreed with 10 investment grade banks. Hedging, which mostly consists of hedges that were already in place at the end of 2019, began between July 2020 and November 2021 and mature in 2023 at the latest. These transactions will enable Trenitalia S.p.A. to manage the average all-inclusive cost (including the credit spread) of the underlying debt totalling €2.2 billion, which may never exceed 0.50% in the period of hedge effectiveness.

### **ATAF Gestioni S.r.l. revolving credit facility**

On 14 May 2020, FS Italiane S.p.A. granted ATAF Gestioni S.r.l. (its indirect subsidiary) a revolving credit facility for a maximum total of €5 million to finance current cash requirements. The credit facility is guaranteed by the sub-holding company Busitalia - Sita Nord S.r.l..

### **Busitalia Veneto S.p.A. revolving credit facility**

On 14 May 2020, FS Italiane S.p.A. granted Busitalia Veneto S.p.A. (its indirect subsidiary) a revolving credit facility for a maximum total of €5 million to finance current cash requirements. The credit facility is guaranteed by the sub-holding company Busitalia - Sita Nord S.r.l..

### **Busitalia - Sita Nord S.r.l. intragroup loan**

On 23 June 2020, FS Italiane S.p.A. granted the subsidiary Busitalia - Sita Nord S.r.l. an intragroup loan for a maximum of €14 million, maturing on 28 June 2027, to finance Busitalia Veneto S.p.A.'s capital increase, which was necessary to sign the Service Contract for urban and suburban bus and tram LPT services in the municipality and province of Padua.

**Savit S.r.l. revolving credit facility**

On 25 June 2020, FS Italiane S.p.A. granted Savit S.r.l. (its indirect subsidiary) a €1 million increase in the revolving credit facility, raising the maximum total from €1 million to €2 million to finance current cash requirements. The credit facility is guaranteed by the sub-holding company Busitalia - Sita Nord S.r.l..

**Busitalia Sita Nord S.r.l. revolving credit facility**

On 29 June 2020, FS Italiane S.p.A. granted Busitalia Sita Nord (its subsidiary) a €10 million increase in the revolving credit facility, raising the maximum total from €40 million to €50 million to finance current cash requirements.

**Trenitalia Tper Scarl revolving credit facility**

On 7 July 2020, FS Italiane S.p.A. granted Trenitalia Tper Scarl (70% owned by Trenitalia S.p.A.) a revolving credit facility for a maximum of €28 million to cover 70% of the working capital requirements and temporary cash shortfalls as per Trenitalia Tper's 2020 budget. The credit facility is guaranteed by the sub-holding company Trenitalia S.p.A..

**Mercitalia Rail S.r.l. revolving credit facility**

On 6 August 2020, FS Italiane S.p.A. granted Mercitalia Rail S.r.l. (its indirect subsidiary) a €35 million increase in the revolving credit facility, raising the maximum total from €85 million to €120 million to finance current cash requirements. The credit facility is guaranteed by the sub-holding company Mercitalia Logistics S.p.A..

**Trenitalia S.p.A. back-up credit facility**

On 28 October 2020, FS Italiane S.p.A. signed an agreement with Trenitalia S.p.A. (its subsidiary) for a €300 million increase in the back-up facility, raising the maximum total from €800 million to €1,100 million to finance current cash requirements.

**Trenitalia S.p.A. revolving credit facility using FS Italiane S.p.A.'s cash**

On 2 November 2020, FS Italiane S.p.A. signed an agreement with Trenitalia S.p.A. (its subsidiary) for a revolving credit facility using FS Italiane S.p.A.'s cash for a maximum total of €100 million to finance current cash requirements.

**Trenitalia S.p.A. revolving credit facility using FS Italiane S.p.A.'s uncommitted bank credit facilities**

On 2 November 2020, FS Italiane S.p.A. signed an agreement with Trenitalia S.p.A. (its subsidiary) for a revolving credit facility using FS Italiane S.p.A.'s uncommitted bank credit facilities for a maximum total of €800 million to finance current cash requirements.

**Qbuzz BV revolving credit facility**

On 2 December 2020, FS Italiane S.p.A. granted Qbuzz BV (its indirect subsidiary) a €15 million increase in the revolving credit facility, raising the maximum total from €30 million to €45 million to finance current cash requirements. The credit facility is guaranteed by the sub-holding company Busitalia - Sita Nord S.r.l..

### **TX Logistik AG intragroup loan**

On 21 December 2020, FS Italiane S.p.A. granted TX Logistik AG (its indirect subsidiary) an intragroup loan for up to €38 million and maturing on 31 December 2031 to finance the purchase of new intermodal carriages. The first disbursement amounted to roughly €7 million. The loan is guaranteed by the sub-holding company Mercitalia Logistics S.p.A..

### **Intragroup loan - TrainOSE SA**

On 22 December 2020, FS Italiane S.p.A. granted TrainOSE SA (its indirect subsidiary) an intragroup loan for up to €18 million and maturing on 7 December 2031 to finance the upgrading of the Thessaloniki maintenance facility. The first disbursement amounted to €5 million. The loan is guaranteed by the sub-holding company Trenitalia S.p.A..

### ***Amendment to the funding deeds of the UK franchises***

On 7 December 2020, as guarantor of Essex-Thameside and West Coast Partnership, the UK franchises in place operated by the group companies Trenitalia C2C Limited and First Trenitalia West Coast Limited (the franchisees), FS Italiane S.p.A. signed amendment agreements to the respective original funding deeds. The amendment was necessary to reflect the changes that the ERMA (emergency recovery management agreements) made to the Franchise Agreement that the DfT and the franchisees signed in September 2020. The amendment did not give rise to any additional financial commitments for FS Italiane S.p.A., as its commitments remain capped at the maximum amounts that can be financed under the original agreements. However, the amendment confirms FS Italiane S.p.A.'s role as the franchisee's guarantor, with specific regard to Trenitalia C2C Limited, for which FS Italiane S.p.A. guarantees payment of the termination sum to the DfT, as per the ERMA.

## Infrastructure

The group's Infrastructure segment companies are RFI S.p.A., whose mission is to serve as the national railway infrastructure operator, and Anas S.p.A., which, through its subsidiaries, operates Italy's national-interest road and part of the national motorway networks. As network operator, RFI maintains, uses and develops the network and related safety systems, in addition to managing research and development in the field of railway transport and providing connection services to Italy's largest islands by sea. To a lesser extent, given its smaller size, Italferr S.p.A., the group's engineering company, also contributes to the results of this segment. The other group companies active in the Infrastructure segment on an exclusive or incidental basis are: FSE S.r.l., Brenner Basis Tunnel SE, Tunnel Ferroviario del Brennero S.p.A. (TFB), Tunnel Euralpin Lyon Turin SaS (TELT), Grandi Stazioni Rail S.p.A. and Metropark S.p.A..

	millions of Euros			
	2020	2019	Change	%
Revenue from sales and services	5,041	5,193	(152)	(2.9)
Other income	215	258	(43)	(16.7)
<b>Revenue</b>	<b>5,256</b>	<b>5,451</b>	<b>(195)</b>	<b>(3.6)</b>
<b>Operating costs</b>	<b>(4,603)</b>	<b>(4,658)</b>	<b>55</b>	<b>1.2</b>
<b>Gross operating profit</b>	<b>653</b>	<b>793</b>	<b>(140)</b>	<b>(17.7)</b>
<b>Operating profit</b>	<b>160</b>	<b>455</b>	<b>(295)</b>	<b>(64.8)</b>
<b>Segment profit (loss) (attributable to the owners of the parent and non-controlling interests)</b>	<b>(72)</b>	<b>308</b>	<b>(380)</b>	<b>(123.4)</b>
	<b>31.12.2020</b>	<b>31.12.2019</b>	<b>Change</b>	
<b>Net invested capital</b>	<b>37,050</b>	<b>37,292</b>	<b>(242)</b>	

The Infrastructure segment shows a **loss for the year** of €72 million, down by €380 million on the previous year. This segment's performance was also influenced by the impacts of the lockdown to contain COVID-19.

**Revenue** amounts to €5,256 million, down by €195 million on 2019. The drop in revenue is mainly due to the net effect of lower revenue from:

- RFI S.p.A.'s railway tolls, down by €470 million, as developments in the emergency forced the railway companies to cancel service, with a consequent contraction in traffic volumes measured as train-km;
- RFI S.p.A.'s sale of electrical energy for traction, down by €40 million, substantially following the drop in energy prices in 2019 and the reduction in demand for energy following the decline in train traffic as a result of the lockdown following the COVID-19 outbreak, which pushed revenue down (with a corresponding reduction in costs);
- Anas S.p.A.'s motorway tolls, down by roughly €160 million due to the motorway operators (royalties, income from mobility services or network management);
- the Sitaf group's revenue, down by approximately €67 million due to the measures to contain and prevent COVID-19;

- traffic-related services and non-recurring items (in particular, non-recurring items in 2019 included the gain on the sale of Centostazioni Retail S.p.A. and sundry penalties applied to suppliers),

partly offset by:

- greater government grants, up by approximately €421 million, under Legislative decree no. 34 of 19 May 2020 to cover losses due to the lack of tolls because of COVID-19 (€270 million) and Law no. 77 of 17 July 2020 to offset Anas S.p.A.'s lower collections of motorway tolls (€151 million);
- greater revenue from service concession arrangements (Anas S.p.A.'s capital expenditure, +€151 million).

The Infrastructure segment's **gross operating profit** is €653 million in 2020, down by €140 million on 2019, substantially due to the impact of COVID-19 and the consequent sharp drop in mobility throughout the country.

The segment's **operating profit** in 2020 is €159 million, down by €296 million on 2019, the result of the combined effect of the following factors:

- greater impairment losses (-€51 million), mostly in connection with the application of IFRS 9 (loss allowance on Anas S.p.A.'s service concession assets) and on RFI S.p.A.'s property, plant and equipment;
- RFI S.p.A.'s greater net accruals (-€139 million) relating to the extraordinary part of the fund for income and employment assistance;
- RFI S.p.A.'s lower amortisation and depreciation due to the reduction in actual train-km for 2020, as a result of the lockdown, which led to a cut in the amortisation and depreciation rates for a decrease of €29 million.

**Net financial expense** of €212 million worsened on the previous year (-€105 million). This caption reflects the negative effect of the impairment of the asset from Strada dei Parchi (€167 million) and the reduction in interest expense on Anas S.p.A.'s financial liabilities (€42 million).

**Income taxes** in the Infrastructure segment show a negative balance of €20 million in 2020, an improvement of €20 million on 2019, essentially due to a non-recurring expense in 2019 (€14 million relating to the resolution of RFI S.p.A.'s tax dispute).

## **Loans and borrowings and related contracts - Infrastructure segment**

### **Crew's revolving credit facility**

On 21 April 2020, FS Italiane S.p.A. granted Crew - Cremonesi Workshop (its indirect subsidiary) a revolving credit facility for a maximum total of €1 million to finance current cash requirements. The credit facility is guaranteed by the sub-holding company Italferr S.p.A..

### **Revision of interest rates on EIB financing of €197.9 million**

On 22 April 2020, RFI S.p.A. finalised the fixing procedure for the new fixed interest rate applicable as from 15 June 2020 to 15 June 2025 to Tranches 1, 2 and 3 of the BEI 4 financing, for a total of €197.9 million. During the period of application of the new rate, RFI S.p.A. will not incur any financial expense on this portion of the debt, as it replaces the previously applied rate of over 6%.

**RFI S.p.A.'s back-up credit facility**

On 27 October 2020, FS Italiane S.p.A. and RFI S.p.A. (its subsidiary) signed a €100 million reduction in the back-up facility, bringing the maximum total from €600 million to €500 million.

**RFI S.p.A.'s revolving credit facility using FS Italiane S.p.A.'s cash**

On 21 December 2020, FS Italiane S.p.A. and RFI S.p.A. (its subsidiary) signed a €100 million reduction in the revolving credit facility using FS Italiane S.p.A.'s cash, bringing the maximum total from €200 million to €100 million.

## Real Estate Services

---

The Real Estate Services segment mainly consists of FS Sistemi Urbani S.r.l. which handles management, sales and development services for real estate assets that are not used in the group's operations.

The parent also contributes to this segment, exclusively with respect to its real estate management operations, which include providing the group companies with strategic guidelines on real estate and asset allocation (e.g., mergers, demergers, contributions to SPVs, etc.) and handling the sale of land and buildings held for trading in real estate holdings.

	millions of Euros			
	2020	2019	Change	%
Revenue from sales and services	106	138	(32)	(23.2)
<b>Revenue</b>	<b>106</b>	<b>138</b>	<b>(32)</b>	<b>(23.2)</b>
<b>Operating costs</b>	<b>(95)</b>	<b>(119)</b>	<b>24</b>	<b>20.2</b>
<b>Gross operating profit</b>	<b>11</b>	<b>19</b>	<b>(8)</b>	<b>(42.1)</b>
<b>Operating profit (loss)</b>	<b>(6)</b>	<b>6</b>	<b>(12)</b>	<b>&gt;200</b>
<b>Segment loss (attributable to the owners of the parent and non-controlling interests)</b>	<b>(10)</b>		<b>(10)</b>	<b>&gt;200</b>

	31.12.2020	31.12.2019	Change
<b>Net invested capital</b>	<b>1,423</b>	<b>1,425</b>	<b>(2)</b>

The **loss for the year** of the Real Estate Services segment is roughly €10 million, a €10 million downturn on 2019, mainly due to the non-recurring sales of 2019 and the impact of COVID-19 in 2020, which led to lower turnover and higher credit losses.

### Loans and borrowings and related contracts – Real Estate Services segment

#### Grandi Stazioni Immobiliare S.p.A. credit facility

On 15 December 2020, FS Italiane S.p.A. granted Grandi Stazioni Immobiliare S.p.A. (its subsidiary with a 60% interest) a €2 million increase in the credit facility originally granted on 15 June 2020, raising the maximum total from €2.5 million to €4.5 million, to meet the commitments of the loan in place with Intesa Sanpaolo.

## Other Services

Ferrovie dello Stato Italiane S.p.A. operates in the Other Services segment in its role as the group's holding company and for all the activities not included in the real estate services described above. It steers and coordinates the business policies and strategies of the group's operating companies. 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 mainly develops the credit factoring and lease business on the captive market and develops the consumer credit business for the group's employees; Italcertifer S.p.A., which carries out certification, assessment and testing activities on transport and infrastructure systems; and FSTechnology S.p.A., the group's ICT service provider.

millions of Euros

	2020	2019	Change	%
Revenue from sales and services	589	367	222	60.5
Other income	10	24	(14)	(58.3)
<b>Revenue</b>	<b>599</b>	<b>391</b>	<b>208</b>	<b>53.2</b>
<b>Operating costs</b>	<b>(612)</b>	<b>(427)</b>	<b>(185)</b>	<b>(43.3)</b>
<b>Gross operating loss</b>	<b>(13)</b>	<b>(36)</b>	<b>23</b>	<b>(63.9)</b>
<b>Operating loss</b>	<b>(62)</b>	<b>(65)</b>	<b>3</b>	<b>(4.6)</b>
<b>Segment profit (loss) (attributable to the owners of the parent and non-controlling interests)</b>	<b>(47)</b>	<b>117</b>	<b>(164)</b>	<b>(140.2)</b>

	31.12.2020	31.12.2019	Change
<b>Net invested capital</b>	<b>739</b>	<b>548</b>	<b>191</b>

In 2020, Other services recorded a **loss for the year** of €47 million, down by €164 million on the previous year's profit.

**Revenue** of €599 million is up by €208 million on 2019, mainly attributable to FSTechnology S.p.A., which began operating in August 2019, and the increase in turnover from the now operational Riyadh metro project.

The **gross operating loss** is -€13 million in 2020, an improvement of €23 million on the previous year, mainly because of the parent's lower operating costs and the non-recurring income recognised following the favourable outcome of the appeal against the tax authorities to obtain a reimbursement of registration tax and the related interest previously paid on the transfer of the electricity grid to the main national operator, Terna S.p.A. (€13 million);

This segment's **operating loss** amounts to -€62 million in 2020, substantially in line with the previous year. It reflects the improvement in the gross operating loss, which was however offset by FSTechnology's greater amortisation and depreciation and the 2019 release from the provisions for risks and charges (mainly to reallocate Ferservizi's forecast expenses to ensure the generational handover).



**Net financial income** amounts to €8 million in 2020, down by €29 million on 2019 mainly due to the impairment losses recognised following impairment testing on certain subsidiaries.

**Income taxes** show a positive balance of €7 million, down €138 million on 2020, mostly because of the reduction in income from tax consolidation. This caption includes the positive effects of the domestic tax consolidation scheme managed by the parent as part of its core activities.

## **Loans and borrowings and related contracts – Other Services segment**

### **Resolution authorising new bonds and loans**

On 31 March 2020, FS Italiane S.p.A.'s board of directors approved the issue of new bonds (reserved for institutional investors as part of the EMTN listed on the Dublin stock exchange) and the use of other financial instruments, for a maximum total of €1,780 million.

The funds raised on debt capital markets will be used to purchase new trains for regional transport and medium and long-haul transport, as well as to complete the HS/HC railway infrastructure.

### **Private bond placement with Eurofima**

On 2 April 2020, FS Italiane S.p.A. finalised another private bond placement with Eurofima, the supranational institution that finances the rolling stock of European railway companies. Variable-rate FS Italiane S.p.A. bonds of €200 million, maturing in October 2034, were subscribed. Eurofima financed the FS Italiane S.p.A. issue through its green bond programme for sustainable investments in the passenger railway transport sector, promoting Europe's modal shift to rail.

The proceeds from the bond, as noted above, were used for an intragroup loan to Trenitalia S.p.A. to finance rolling stock used to operate the public transport service.

### **Fitch downgrading**

As a direct consequence of the downgrading of the Italian Republic, on 8 May 2020, the rating agency Fitch downgraded Ferrovie dello Stato Italiane S.p.A.'s Long-Term Issuer Default Rating from 'BBB' to 'BBB-' (revising its outlook from negative to stable).

The agency confirmed Ferrovie dello Stato Italiane S.p.A.'s stand-alone credit profile (SCP) of "BBB".

### **Private bond placement with Eurofima**

On 27 May 2020, FS Italiane S.p.A. finalised another private bond placement with Eurofima. Variable-rate FS Italiane S.p.A. bonds of €200 million, maturing in May 2030, were subscribed. Eurofima financed the FS Italiane S.p.A. issue through its green bond programme for sustainable investments in the passenger railway transport sector, promoting Europe's modal shift to rail.

The proceeds from the bond, as noted above, were used for an intragroup loan to Trenitalia S.p.A. to finance rolling stock used to operate the public transport service.

### **Loan with Unicredit**

On 29 May 2020, FS Italiane S.p.A. agreed a three-year loan with UniCredit for €300 million, which will finance Trenitalia S.p.A.'s and RFI S.p.A.'s projects. Specifically, the loan includes an "ESG tranche" of €200 million to finance expenses mostly relating to Trenitalia S.p.A.'s new electric rolling stock, which meets the standards of European Taxonomy for the financing of eco-sustainable projects.

The loan is part of a larger transaction totalling €600 million, which FS Italiane S.p.A. has specifically developed to seize the opportunities created by the ECB's significant economic stimulus and banking relief measures.

### **Loan with Intesa Sanpaolo**

On 29 May 2020, FS Italiane S.p.A. agreed a two-year loan with Intesa Sanpaolo for €300 million, which will finance Trenitalia S.p.A.'s projects.

The loan is part of a larger transaction totalling €600 million, which FS Italiane S.p.A. has specifically developed to seize the opportunities created by the ECB's significant economic stimulus and banking relief measures.

### **Standard and Poor's rating confirmed**

On 21 July 2020, the rating agency Standard and Poor's confirmed both the issuer credit rating of "BBB" and the stand-alone credit profile (SACP) of "BBB+", the latter being one notch above FS Italiane S.p.A.'s and the Italian Republic's rating. However, the outlook remains negative considering Italy's.

To assess the effects of the crisis triggered by the pandemic on the FS Italiane group's financials, S&P prepared the group's credit rating in advance, confirming the last assessment it had conducted in September 2019, which demonstrates the resilience and strength of the group's fundamentals despite the impact of COVID-19 on passenger traffic.

### **Private bond placement on the EMTN programme with EIB**

On 23 July 2020, FS Italiane S.p.A. finalised a €150 million variable-rate corporate bond maturing in 2032 as part of the EMTN programme, with private placement and entirely subscribed by the European Investment Bank.

The placement is based on the ESG principles of sustainable finance and, through an intragroup contract between FS Italiane S.p.A. and Trenitalia S.p.A., will finance the purchase of the first 43 innovative bimodal trains with a reduced environmental impact for regional transport.

### **Private bond placement with Eurofima**

On 27 July 2020, FS Italiane S.p.A. finalised another private bond placement with Eurofima for €240 million at a variable rate and maturing in 2034. The trains financed by this bond meet the requirements of the European Taxonomy and positively contribute to environmental and social sustainable as they promote the modal shift to rail.

Using the proceeds raised with this placement and substantially reflecting the parties' contractual limitations and commitments, FS Italiane S.p.A. has granted Trenitalia S.p.A. an intragroup loan to finance the company's rolling stock used to operate the public transport service.

### **Uncommitted credit facility from Intesa Sanpaolo**

On 22 October 2020, Intesa Sanpaolo granted FS Italiane S.p.A. a €50 million increase in the uncommitted credit facility, raising the maximum amount from €450 million to €500 million.

### **Uncommitted credit facility from Finnat**

On 13 October 2020, Finnat granted FS Italiane S.p.A. an uncommitted credit facility of €20 million.

### **Uncommitted credit facility from Bpop Sondrio**

On 20 October 2020, Bpop Sondrio granted FS Italiane S.p.A. a €50 million increase in the uncommitted credit facility, raising the maximum amount from €100 million to €150 million.

### **Uncommitted credit facility from Banca Passadore**

On 3 November 2020, Banca Passadore granted FS Italiane S.p.A. a €10 million increase in the uncommitted credit facility, raising the maximum amount from €35 million to €45 million.

### **Bond placement - EMTN series 15**

On 27 November 2020, FS Italiane S.p.A. placed a 10-year fixed-rate bond (coupon set at 0.641%) of €250 million as part of the EMTN Programme listed on the Irish Stock Exchange in a private placement.

Cassa Depositi e Prestiti subscribed the entire bond through Credit Agricole CIB, the sole bookrunner.

The proceeds from the bond were used for an intragroup loan to RFI S.p.A. to finance investments in infrastructure.

### **Fitch rating confirmed**

On 7 December 2020, the rating agency Fitch Ratings confirmed the Issuer Default Rating of "BBB-" and stable outlook, reflecting the Italian Republic's.

Fitch also revised FS Italiane S.p.A.'s stand-alone credit profile from 'BBB' to 'BBB-', partly because of the new approach that Fitch is taking for integrated railway groups. Under this new approach, FS Italiane group's stand-alone credit profile cannot be higher than the Italian Republic's.

Nevertheless, as per the rating agency's assessments, FS Italiane group maintains a moderate amount of debt in proportion to the gross operating profit available to service it, which is commensurate with a stand-alone credit profile of 'BBB+', i.e., one notch higher than its final stand-alone credit profile and two notches higher than its overall rating.

### **Bond placement - EMTN series 16**

On 9 December 2020, FS Italiane S.p.A. placed a 3-year fixed-rate bond (coupon set at 0.00% and therefore with negative yield of 0.114%) of €80 million as part of the EMTN Programme listed on the Irish Stock Exchange in a private placement.

UniCredit Bank AG was the sole bookrunner.

The proceeds from the placement were allocated to cover the group's investments, including an intragroup loan of roughly €47 million to Qbuzz BV for investments in electric buses.

### **The BoD approves the renewal of revolving credit facilities**

On 17 December 2020, FS Italiane S.p.A.'s board of directors authorised the start of activities in preparation to request a new back-up facility considering the upcoming expiration of the current committed facility in July 2021.

The new facility agreement will also be revolving, with a three-year term, and it may be used for the group's general purposes: its final size is capped at €2.5 billion.

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

## Reclassified income statement

	millions of Euros			
	2020	2019	Change	%
<b>Revenue</b>	<b>197</b>	<b>183</b>	<b>14</b>	<b>8</b>
- Revenue from sales and services	189	174	15	9
- Other revenue	8	9	(1)	(11)
<b>Operating costs</b>	<b>(256)</b>	<b>(259)</b>	<b>3</b>	<b>(1)</b>
<b>GROSS OPERATING LOSS</b>	<b>(59)</b>	<b>(76)</b>	<b>17</b>	<b>(22)</b>
Amortisation and depreciation	(23)	(25)	2	(8)
Net impairment gains	(5)	(1)	(4)	NA
<b>OPERATING LOSS</b>	<b>(87)</b>	<b>(102)</b>	<b>15</b>	<b>(15)</b>
Net financial income	115	176	(61)	(35)
<b>PRE-TAX PROFIT</b>	<b>28</b>	<b>74</b>	<b>(46)</b>	<b>(62)</b>
Income taxes	13	153	(140)	(92)
<b>PROFIT FOR THE YEAR</b>	<b>41</b>	<b>227</b>	<b>(186)</b>	<b>(82)</b>

The profit for the year amounts to €41 million, down by €186 million on the previous year, mainly due to net financial expense and income taxes (-€61 million and €140 million, respectively), partly offset by the improvement in the operating loss (+€15 million).

The improvement in the **gross operating loss** (+€17 million) reflects the rise in revenue (+€14 million) and the decrease in operating costs (-€3 million), as detailed below.

**Revenue** grew mainly as the combined effect of the reduction in revenue from property management (leases, commercial use of stations, facilities in the large stations and the sale of land and buildings held for trading) by roughly €12 million, offset by the increase in revenue from contracts with customers. In particular, revenue from contracts with customers saw a reduction in patent royalties and sales of land and buildings held for trading, but an increase in revenue from foreign contracts and services provided by the parent, for a total of around €26 million. The decrease in **operating costs** was mainly due to the rise in services for foreign contracts (-€30 million), offset by the smaller changes in inventories of land and building held for trading (+€6 million), the favourable resolution of a tax dispute for which Ferrovie dello Stato S.p.A. and Terna S.p.A. took legal action (+€13 million) and lower expenses incurred mainly for disputes, insurance indemnities and reimbursements (+€13 million) and the reduction in personnel expense (+€1 million).

The €15 million improvement in the **operating loss** on 2019 is due to that described above with respect to the gross operating loss, an effect that was slightly buffered by the overall credit losses and impairment of cash and cash equivalents (also considering the effects of initial application of IFRS 9), partly offset by the rise in amortisation and depreciation for the year.

**Net financial income** worsened primarily because of the greater impairment losses on equity investments in group companies, up €48 million, the net increase of €12 million in exchange losses, the €13 million decrease in gains on the sale of equity investments and the €7 million decrease in dividends from subsidiaries, associates and non-controlling interests, offset by the net increase of €7 million in financial income on currency hedges (cross currency swaps) and the €12 million improvement in net gains on financial liabilities.

**Income taxes**, showing a positive balance in both years, decreased by €140 million on the previous year, mainly due to smaller income from the tax consolidation scheme (€137 million), considering the lower IRES (corporate income tax) transferred by the group companies, greater adjustments to prior year taxes (€2 million) and the change in deferred taxes (€1 million).

## Reclassified statement of financial position

	millions of Euros		
	31.12.2020	31.12.2019	Change
<b>ASSETS</b>			
Net operating working capital	442	377	65
Other assets, net	287	219	68
<b>Working capital</b>	<b>729</b>	<b>596</b>	<b>133</b>
Non-current assets	543	536	7
Equity investments	38,062	38,099	(37)
<b>Net non-current assets</b>	<b>38,605</b>	<b>38,635</b>	<b>(30)</b>
Post-employment benefits	(8)	(8)	
Other provisions	(312)	(310)	(2)
<b>Post-employment benefits and other provisions</b>	<b>(320)</b>	<b>(318)</b>	<b>(2)</b>
<b>NET INVESTED CAPITAL</b>	<b>39,014</b>	<b>38,913</b>	<b>101</b>
<b>COVERAGE</b>			
Net current financial debt	(579)	(476)	(103)
Net non-current financial debt	(301)	(472)	171
<b>Net financial debt</b>	<b>(880)</b>	<b>(948)</b>	<b>68</b>
<b>Equity</b>	<b>39,894</b>	<b>39,861</b>	<b>33</b>
<b>COVERAGE</b>	<b>39,014</b>	<b>38,913</b>	<b>101</b>

**Net invested capital** of €39,014 million rose by €101 million in the year due to the combined effect of the growth in **working capital** (+€133 million) and the decreases in **other provisions** (-€2 million) and **net non-current assets** (-€30 million).

**Net operating working capital** of €442 million increased by €65 million in the year, mainly due to the decrease in land and buildings held for trading (-€5 million), the overall increase in trade receivables from group companies, the decrease in trade payables to suppliers (+€72 million) and the decrease in advances to suppliers (-€2 million).

**Other assets, net** rose by €68 million, primarily because of the rise in current assets (+€88 million), mostly consisting of the assets from group companies (dividends from RFI S.p.A. and Ferrovie Nord Milano S.p.A.), the increase in current liabilities (-€14 million), mainly because of the tax consolidation liabilities, and the decrease in deferred tax assets (-€7 million).

**Net non-current assets** total €38,605 million, down by €30 million on 31 December 2019, the combined effect of the following: the net decrease in equity investments (-€37 million), as the investment in Busitalia Sita Nord S.p.A. was impaired and that in NUGO S.p.A. was fully impaired, the effects of which were only partly offset by the capital increases

in the international service business companies; the increase in intangible assets and property, plant and equipment (+€13 million); and the decrease in investment property (-€5 million).

**Net financial debt** worsened by €68 million, mainly due to greater debt to cover the group's current cash requirements (€71 million).

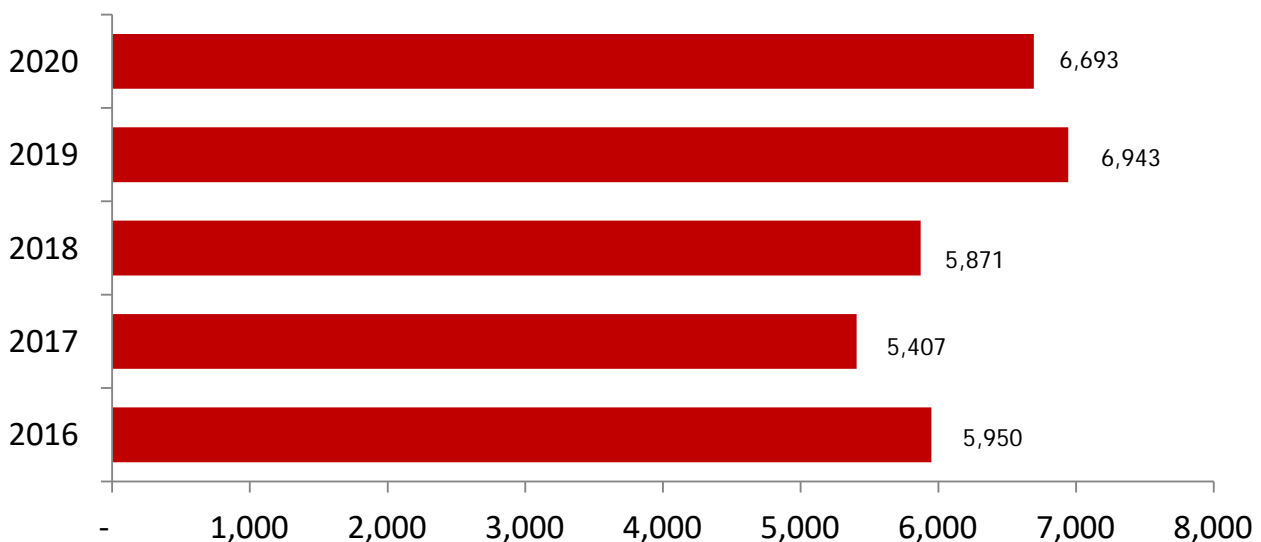
**Equity** rose by €33 million essentially because of the profit for the year (€41 million), partly offset by the derivatives recognised under assets at 31 December 2020 (€6 million) compared to derivatives recognised under liabilities at the previous year end (€2 million).

## Investments

As noted elsewhere, the COVID-19 pandemic heavily affected 2020 around the world. Investments were, alongside consumption, one of the drivers of the recovery in Italy in the third quarter (gross capital expenditure +31.3% on the previous quarter), enabling a return to pre-crisis levels. In particular, excluding construction, investments in Italy posted a quarter-on-quarter gain of roughly 20% in Q3. However, because of the estimated drop in the fourth quarter, substantially tied to the “second wave” of the pandemic, the annual contraction in investments, excluding construction, should come to -8.9%.

Despite this context, the FS Italiane group managed to ensure the continuity of investment development and, in line with its investment trend since 2012, maintained an average capital expenditure/depreciation ratio greater than 1 in 2020, securing not only the replacement of assets which become obsolete from one year to the next but also steady growth. Indeed, investment spending rose again in 2020, confirming the group’s standing as the largest investor in Italy, as it continues to support the development and renewal of transport, infrastructure and logistics.

In short, despite the significant difficulties of the scenario in the wake of the pandemic, total capital expenditure by the FS Italiane group exceeded €6.5 billion in 2020. The precise figure is €6,693 million, €2,341 million of which self financed and €4,352 million from government sources, for a decrease of just barely 3.6% on 2019.



The group’s capital expenditure entailed developing and managing volumes of roughly €9 billion in 2020<sup>23</sup>, 98% of which in Italy (+5% on the €8.5 billion at 2019 year end<sup>24</sup>).

Approximately 80% of capital expenditure refers to the Infrastructure operating segment, with RFI S.p.A. investing €4,917 million (including €4,258 million for the traditional/HC network, €110 million for the HS/HC network between Turin, Milan and Naples and €549 million for contractual advances to suppliers) and the Anas group investing €2,015 million (including roughly €465 million for contractual advances to suppliers).

Around 19% of investments refer to the Transport operating segment for projects focusing on the transport of passengers by road and rail, both in Italy and abroad, and on the freight segment, with Trenitalia S.p.A. investing €1,417

<sup>23</sup> In addition to the consolidated investments described above, capital expenditure includes the investments made by Anas S.p.A. and FSE S.p.A., recognised in accordance with IFRIC 12 (approximately €2 billion), while the remainder is comprised of the investments of unconsolidated special-purpose vehicles (e.g., TELT, BBT, etc.).

<sup>24</sup> Capital expenditure in 2019 has been restated with respect to the 2019 financial statements. For the purposes of a consistent comparison with the 2020 balance, contractual advances granted in 2019 have been included in capital expenditure for that year (€381 million). As noted, this restatement was necessary to make the caption comparable to the 2020 caption, which saw a significant increase in advances (totalling €633 million) partly due to Law no. 77 of 17 July 2020.



million (including routine maintenance), the Mercitalia group approximately €77 million, the Busitalia group €152 million and the other companies operating abroad investing €76 million (Netinera, C2C, Trenitalia UK, Thellò and TrainOSE). The Real estate and Other services segments account for the remainder of the group's investments and they were mainly made by FS Sistemi Urbani and FS Italiane S.p.A. for the maintenance and upgrade of the respective property assets and ICT projects.

## Investments in infrastructure

---

Specifically, RFI S.p.A. invested €4,917 million in the national railway network, including contractual advances to suppliers of €549 million and the construction of works totalling €4,368 million, broken down as follows:

- 51% for safety, technology and efficiency, including €240 million for cutting-edge technology;
- 49% for works on national lines, traditional/HC network infrastructure development, the completion of the Turin-Milan-Naples HS line (€110 million) and large construction works.

In 2020, negotiations were reorganised in response to the pandemic-related restrictions and calls for tenders were published totalling €13.9 billion, including €8.1 billion for non-routine maintenance, supplies and services and €5.8 billion for development investments, including:

- Naples-Bari: doubling of tracks on the Hirpinia-Orsara and Orsara-Bovino sections;
- Brennero: Fortezza-Ponte Gardena;
- Messina-Catania: doubling of tracks on the Letoianni-Giampilieri and Fiume Freddo-Letoianni sections;
- Port connectivity (Livorno and Taranto);
- Sundry traffic technology upgrading projects.

In 2020, definitive designs consisted of:

- doubling of the S. Pietro - Bergamo-Montello line;
- railway connection between the Bergamo station and the Orio al Serio airport;
- the central computerised multi-station system on the Mantua- Piadena line;
- telecommunications (TLC), signalling (S), electric traction (TE) and light and driving force (LDF) systems for the Trieste port;
- civil works, elimination of level crossings and upgrade to the 750-metre module in San Donà, as part of the project to upgrade the Venice-Trieste line;
- the central computerised multi-station system on the Ronco (e) - Tortona (e) line as part of the technological upgrade of the Tortona (excluding it) - Bivio Fegino section;
- the Bressanone general zoning plan;
- the central computerised multi-station system on the Castelli Romani lines;
- phase one of the Ciampino – Radice Castelli general zoning plan;
- extension of the central computerised multi-station system on the Formia (e)-Villa Literno (e) section;
- the Salerno Centrale hub complex;
- speeding up and upgrading the Salerno-Mercato San Severino line;
- the extension of the Salerno hub underpass and the extension of the Salerno metro with the Arechi-Pontecagnano airport section;
- the technological update of the Sibari-Melito di Porto Salvo section;
- the Brindisi intermodal hub;
- the extension of the central computerised multi-station system on the Bari TM –Brindisi section;
- the new Palermo-Catania connection and the burial of the line opposite the Catania airport landing strip;

- the closure of the Palermo-Politeama-Notarbartolo section ring.

Furthermore, the main infrastructure placed in service was:

- the SDH system in the Monza-Bergamo and Gallarate-Varese sections in late June as part of phases 2 and 3 on the GSM-R radio network;
- the central computerised multi-station system between the Ciampino and Colleferro stations on the Rome-Cassino line in November, in connection with the technological upgrade of the Rome hub, with the concurrent roll-out of the Ciampino peripheral command's computerised interlocking system;
- the start of phase 4.1 of the Voltri station in December, as part of the technological upgrade of the Genoa-Ventimiglia line. This effectively completes the general zoning plan work on the Voltri station;
- the installation of the ERTMS and a new central computerised multi-station system on the direct Florence-Rome express line between Rovezzano and Arezzo Sud was completed on 28 December 2020. The ERTMS is the most sophisticated system for the supervision and control of train distancing.

A crucial aspect of the extensive transformation and technological upgrade strategy that the company is rolling out is the plan to speed up the implementation of the ERTMS (European Rail Traffic Management System) presented to the MIT in 2018 and to key stakeholders during a specific workshop in late 2018. Following specific talks with the MIT, a revised version of the ERTMS plan was drafted in March 2020, especially in terms of the first three years of the plan's implementation, i.e., 2022-2024. The revision was formalised in July (rev. 0) and was supplemented in October with certain clarifications requested by the MIT. To date, the start of the plan requires the MIT's formal approval and the submission of the new NIP (National Implementation Plan) pursuant to regulation no. 919/2016 by the member state to the European Commission.

Other progress in large infrastructural work projects is described below, and reference should be made to the specific section for details on progress on works under the commission's supervision:

- with resolution no. 68/2019, published in Italy's Official Journal no. 63 of 10 March 2020, the Interministerial Economic Planning Committee ("CIPE") authorised the work on construction lot 2 of the "Brescia East - Verona (excluding the Verona hub) functional lot" on the Brescia-Verona section, worth €607 million;
- with resolution no. 69/2019, published in Italy's Official Journal no. 88 of 2 April 2020, the CIPE approved, with instructions and recommendations, the preliminary plans for the "HS/HC Milan-Verona railway line, Brescia-Verona section - HS/HC Verona hub: west entrance". The expenditure limit is €375.8 million;
- with resolution no. 11/2020 published in Italy's Official Journal no. 263 of 23 October 2020, the CIPE authorised, with instructions and recommendations, the preliminary project for the "HS/HC Milan-Verona railway line, Verona-Padua section. HS/HC Verona East hub". The expenditure limit is €379.9 million;
- on 27 May 2020, RFI S.p.A.'s CEO and the subsidiary Infrarail S.r.l.'s CEO signed the settlement master agreement with the official receiver in the extraordinary administration of the Condotte group in the wake of RFI S.p.A.'s initiatives to resume work on the construction of the high-speed railway connector and the new HS Florence hub station.

The strategic goal – established in the broader "Station plan" – is to put stations at the centre of a project that privileges their shared and active public functions to drive the modal shift and help accomplish medium/long-term sustainability goals. In this respect, 2020 saw the consolidation of many stakeholder engagement initiatives in place with the MIT and the regional and municipal authorities since 2018 to promote the crucial importance of railway stations and their integration in their surrounding cities, along with the continuation of development initiatives as in 2019, with two closely integrated macro investment projects for stations:

- the “Easy Station” project focusing on the quality of spaces and public information systems by making stations easier to use, more accessible, safer, more functional and cleaner, increasing their integration with other means of transport;
- the new “Smart Station” project focusing on the development of passenger terminals at major hubs in the new Italian development paradigm based on the smart city concept, developing a digital infrastructure inside stations via:
  - the “Wi-life station” service, a virtual station portal for travel and other information;
  - the “Turnstiles 2.0” project to validate e-tickets and to automatically control access to platforms, also for security purposes.

In addition, work continued in 2020 on the Roma Termini, Milano Centrale and Napoli piazza Garibaldi stations to close off the stations and install turnstiles.

Work on the motorway network operated by the Anas group entailed investments of €2,015 million in the year (including contractual advances to suppliers of €465 million). In particular, these projects were worth €1,550 million, roughly 46% of which for new works and 52% to maintain the efficiency of the existing road infrastructure, with the residual amount mainly relating to technological and computer features.

Calls for tenders totalling €6.4 billion were published in 2020. The 12 calls published to assign new works included:

- SS 16 “Adriatica”- Ancona variation - expansion of the Falconara-Baraccola section to four lanes - Lot 1: Falconara-Torrette section (including exits);
- SS 64 “Porrettana” - Railway hub in Casalecchio di Reno, North section;
- SS 38 “dello Stelvio” - Valtellina accessibility - Lot 4: Tirano hub - section “A” (Bianzone exit - La Ganda exit) and section “B” (La Ganda exit - Campone in Tirano) - i.e., the Tirano variation.

Tenders worth a net €4.4 billion were awarded. The 10 tenders awarded for New Works included:

- SS 340 “Regina” - Tremezzina variation;
- the Caianello A1 - Benevento route. Upgrade of the SS 372 “Telesina” from Km 0+000 to km 60+900 to four lanes. Lot 1: from Km 37+000 (San Salvatore Telesino exit) to Km 60+900 (Benevento exit);
- SS 9 Via Emilia, Casalpusterlengo variation and elimination of the level crossing on SS 234 1st section.

The main road infrastructure placed in service related to the following:

- construction work on the new SS 195 “Sulcitana”, Cagliari- Pula section, lots 1 and 3 and the related work on Sud - Apertura Lotto 3;
- works to upgrade the Sassari - Olbia route, lot 2 from km 11+800 to km 24+200 to type B (four lanes) - partial opening of 2 km;
- SS 117 Centrale Sicula: upgrading and repairs on the section between km 32+000 and km 38+700, lot B4b;
- ML2 - Sub. 1.1.B SS 76 “Della Val D’Esino” Albacina - Serra San Quirico - Quadrilatero Marche Umbria section.

#### Extraordinary Commissioner

The Extraordinary Commissioner issued the following ordinances:

- ordinance no. 47 of 18 June 2020, approving the technical aspects of the Definitive Project for functional lot 2 of the Hirpinia-Orsara section, setting requirements. The approval of the financial aspects (total cost of €1,535 million) is subject to the successful outcome of the pending approval of the 2018/2019 update to the 2017-2021 Government Programme Contract - Investments, which will finance the construction of lot 2.
- ordinance no. 48 of 18 September 2020, approving the Definitive Project for the “Naples-Bari Route - Doubling the tracks on the Orsara - Bovino section”. On 5 October 2020, the call for tenders was published for the construction of

the works. On 28 September 2020, the contracted works for the executive design and construction of Apice-Hirpinia lot 1 for the doubling of tracks on the Apice-Orsara section were delivered;

- ordinance no. 49 of 18 September 2020, approving the Definitive Project for functional lot 1 of the Fiumefreddo-Taormina/Letojanni section and functional lot 2 of the Taormina-Giampillieri section, part of the project for the “Messina–Catania Line - Doubling the tracks on the Giampillieri-Fiumefreddo section”. Furthermore, the related calls for tenders were published on 5 October 2020;
- ordinance no. 50 of 30 October 2020, approving the financial aspects of the Definitive Project for functional lot 2 of the Hirpinia–Orsara section, following the successful outcome of the approval of the 2018/2019 update to the 2017-2021 Government Programme Contract - Investments, which will finance the construction of lot 2.

## Investments in railway transport

---

As noted earlier, Trenitalia S.p.A. invested roughly €1,417 million in railway transport, with 56% of these investments directed towards the purchase of rolling stock, 6% to recondition material already used in operations, 11% for technological updates to vehicles, IT systems and to maintain and develop maintenance plants, 23% for routine maintenance and the remainder for new rolling stock leases.

The main investments are described below by business segment:

- Long-haul railway passenger transport services on the market (€248 million). During the year, six ETR700 trains were delivered and advances were paid for the purchase of new ETR1000 trains. Revamping activities mainly involved projects to upgrade the fire prevention system on the ETR500 trains. Works on plants involved the identification of a new work plan which includes the upgrade and outfitting of the new Turin shunting maintenance system, the reorganisation and expansion of the Milano Martesana and Naples shunting maintenance systems for the maintenance and housing of the ETR1000 and ETR500 trains and the increase in the maintenance capacity at Roma San Lorenzo. Moreover, work continued to improve the energy efficiency of the Roma San Lorenzo, Naples and Milano Martesana green facilities. ICT activities mainly related to sales systems (approximately €5.5 million). Notable investment projects included the Seamless Experience and Wi-Fi project to improve the customer experience, ensuring efficient, streamlined access and better internet connectivity, and projects to update and develop the sales systems. During the year, €120 million was invested in routine maintenance of rolling stock;
- Universal long-haul railway passenger transport (€107 million). Projects entailed upgrading the fire prevention system on the IC carriages used for the Frecciabianca service (€9 million, with 104 carriages upgraded) and upgrading three Intercity carriages by reconditioning their technological systems and interior layouts (around €1 million). The IC carriage fleet air conditioning project also began, with the payment of advances totalling €8 million. Work is underway to upgrade the on-board technological systems with installation of the ERTMS on the E401, E402 and E403 locomotives and semi-automated carriages for commercial service on the direct Florence-Rome express line (approximately €14 million). Routine maintenance has also continued with investments of roughly €69 million;
- Regional short-haul railway passenger transport (€822 million). As part of the renewal of the regional transport fleet, 44 Pop trains were delivered (€258 million), 32 Rock trains (€301 million), 10 Swing trains (€35 million) and advances were paid for the purchase of bimodal trains (€8 million). 12 commuter trains were delivered (€8 million) after face lifts to improve comfort. Work is underway to upgrade the fire prevention system on the Minuetto trains and the Vivalto and medium-haul carriages (€31 million). The revamping and restyling of the Minuetto and Vivalto fleets continue to ensure greater travel comfort and full compliance with environmental and safety standards (approximately €4 million). As for technologies, work continues to install the ERTMS on the E464 locomotives and the semi-automated carriages for operations on the direct Florence - Rome express line (€8 million). During the year, approximately €131 million was invested in routine maintenance in rolling stock.

- Widespread investments across business segments (€26 million). This category includes IT investments, mainly including:
  - initiatives in infrastructure, compliance, IT governance and security and reporting, which will give the group the IT governance tools to outline Trenitalia's organisational structure, its operating and control processes to monitor and govern operating risks and the quality of data, steering the strategic development of applications (decision-making support) and process efficiency (roughly €17 million);
  - cross-sectional investments to support sales systems in Italy and abroad (roughly €5 million).

The table below shows deliveries of the main materials purchased and the placement in service of renovated rolling stock.

NEW MATERIAL	no. of vehicles	RECONDITIONED MATERIAL	no. of vehicles
<b>Locomotives</b>		<b>Locomotives</b>	
Long-Haul Passenger Transport		Universal Long-Haul Passenger Transport	
Regional		Regional	
<b>Carriages</b>		<b>Carriages</b>	<b>526</b>
Long-Haul Passenger Transport		Long-Haul Passenger Transport	107
		<i>InterCity (IC)</i>	3
		<i>InterCity (IC) Frecciabianca</i>	104
		Regional	419
		Medium haul carriages	289
		Vivalto carriages	130
<b>Trains</b>	<b>92</b>	<b>Trains</b>	<b>150</b>
Long-Haul Passenger Transport	6	Long-Haul Passenger Transport	16
<i>ETR 700</i>	6	<i>ETR 500</i>	13
		<i>ETR 460/470/485/600/610</i>	3
Regional	86	Regional	134
Rock trains	32	Commuter trains	12
Pop trains	44	Minuetto trains	122
Swing trains	10		

## Investments in road transport

---

The main deliveries were made in road transport:

- 75 buses in Campania (including 15 used buses);
- 22 buses in Tuscany and 6 in Umbria;
- 1 used bus in Veneto;
- 219 buses for the services operated by Qbuzz in the Netherlands.

## Investments in freight transport and logistics

---

In the freight transport and logistics area (Mercitalia group), the significant fleet renewal plan continued. The main deliveries to date include:

- Mercitalia Shunting & Terminal: 1 diesel locotmotives;
- TX Logistik: 51 T3000E carriages;
- Mercitalia Intermodal: 52 T3000E carriages.

## Investment funding

---

### **Government Programme Contracts to manage maintenance (GPC-S) and infrastructural investments (GPC-I)**

In accordance with that established by the CIPE in resolution no. 4 of 2012, the railway infrastructure operator (RFI S.p.A.) and the MIT signed two separate contracts, detailed as follows:

- Government Programme Contract – Investments (GPC-I) to regulate the sustainable planning and funding of investments to develop railway infrastructure to improve service quality and ensure compliance with safety levels in line with technological developments, in accordance with new legislation and the national and EU strategic guidelines for financial planning;
- Government Programme Contract – Services (GPC-S) to regulate all funding of ordinary and extraordinary maintenance of the national railway network and safety, security and railway traffic activities.

### **Government Programme Contract – Investments (GPC-I)**

2020 saw the completion of the approval process for the 2018-2019 update to the 2017-2021 GPC-I . On 21 January 2020, the MIT sent the Cabinet of the Ministers the 2018-2019 update to the 2017-2021 GPC for examination by the competent commissions of Parliament for their opinion before signing the deed. On 7 and 6 May 2020 respectively, the 9th permanent commission (transport, post and communications) of the Chamber of Deputies and the Senate's 8th permanent commission (public works and communications) approved the framework of the 2018-2019 update to the GPC. On 26 May 2020, RFI and the MIT signed this contractual update and on 26 October, the Court of Auditors admitted the MIT/MEF interministerial decree approving the update for registration, marking the completion of the approval process.

### **Government Programme Contract – Services (GPC-S)**

Ministerial decree no. 206 of 14 May 2020, which was admitted for registration by the Central Budget Office, as no. 2207 of 4 June 2020, and by the Court of Auditors, as no. 2917 of 16 June 2020, approved the first addendum to the 2016-2021 GPC - S. This addendum updated the terms of the contract to reflect the changes that had arisen since the original financial terms contractualised in the 2016-2021 GPC - S.

**Anas S.p.A.'s Government Programme Contract**

CIPE resolution no. 36/2019 of 24 July 2019 for the approval of the update to the 2016-2020 Government Programme Contract between the MIT and Anas for 2018-2019, was published in Italy's Official Journal. With note no. 548115 of 23 October 2020, the MIT informed Anas that it had approved the update of the 2016-2020 Government Programme Contract with the registration of Interministerial Decree no. 399 of 17 September 2020 by the Court of Auditors, filed as no. 3401 on 18 October 2020.

The update to the 2016-2020 GPC is fully in force as a result of the above.

## Group projects financed by government grants and transfers of public resources to the group

In millions of Euros

	RFI	Ferrovie dello Stato	Trenitalia	Anas	Grandi Stazioni Rail	Ferrovie del Sud-Est	Netinera group	Trainose	Mercitalia Logistics	Mercitalia Rail	Mercitalia Intermodal	Mercitalia Shunting & Terminal	Group TX Logistik	Busitalia group	Total
<b>Grants related to income</b>															
Government Programme Contract	1,015.6														1,015.6
COVID-19 grants*	270.0		89.7				99.5							51.6	510.8
Other government grants	108.1					1.4		46.5	1.3	7.0	3.4	0.1			167.8
EU grants													9.5		9.5
From local public bodies											2.6			13.1	15.7
Sundry grants from others			0.1	0.8					0.3		4.1		0.1		5.4
<b>Grants related to assets</b>															
Governments grants	4,957.1	63.5		1,522.8	22.4					0.7					6,566.5
From local public bodies	213.2		114.7	122.5		47.6	4.0							23.7	525.7
From the EU	181.4			18.6		51.8					0.1		0.1		252.0
Sundry grants from others				1.1											1.1
<b>Total</b>	<b>6,745.4</b>	<b>63.5</b>	<b>204.5</b>	<b>1,665.8</b>	<b>22.4</b>	<b>100.8</b>	<b>103.5</b>	<b>46.5</b>	<b>1.6</b>	<b>7.7</b>	<b>10.2</b>	<b>0.1</b>	<b>9.7</b>	<b>88.4</b>	<b>9,070.1</b>

\* The amounts in this table refer to the portion of non-recurring grants earmarked for the FS Italiane group for the epidemiological emergency, which are detailed in the notes to the consolidated financial statements (note 16).



## Research, development and innovation

### Development activities

The group's development activities generated investments of roughly €20 million, mostly incurred by RFI S.p.A., with 72% earmarked for traffic safety technologies, 27% for studies and testing on new components and systems, while the remaining 1% was for environmental and land protection.

In particular, in 2020, RFI S.p.A. began an open tender procedure to test, at two pilot sites and using fibre optic technology, an instrument that measures the riverbed level when the river is overflowing.

Furthermore, work continued on development projects launched in previous years, including:

- the development of "research and development technological demonstrators" to establish a hub of excellence combining RFI S.p.A.'s know-how in all technological fields relating to railway signalling and telecommunications;
- the construction of a "San Donato circuit" railway connector on which to test rolling stock before it is cleared for use and to test and measure infrastructure systems and devices. In 2020, the civil use works, superstructure, electric traction systems, technologies and market operations buildings were built;
- the development of an information system named RAMSES to forecast short and intense weather events, concentrated in limited areas of the infrastructure. In 2020, a specific module was developed that provides information on potential environmental conditions that could cause the tracks to oxidise;
- the design and construction of a prototype of platform ramps to make trains accessible for people with reduced mobility. In 2020, the project was delivered to the Carini workshops for production to begin;
- monitoring systems on the structure of railway bridges and viaducts with the implementation of finite elements numerical models and calibrated and validated AI algorithms describing their static and dynamic performance. In 2020, the IoT monitoring systems installed on RFI S.p.A.'s bridges were rolled out.
- the customisation of RFI S.p.A.'s National Alert System for the prediction of possible landslides due to rainfall along the railway network (SANF-RFI) in partnership with the Research Institute for Geo-Hydrological Protection (IRPI) of the Italian National Research Council (CNR) in Perugia. This project was extended to the entire network and is aimed at improving knowledge of landslides during intense weather events for which the Civil Protection weather service has issued alerts;
- activities to carry out tests and simulations of the static and dynamic performance of the brake shoes used and, in particular, the development of a numerical model and of a brake shoe prototype on which additional static and dynamic trials were conducted in June at a testing site at the Bologna San Donato plant. The results of the field trials will confirm the prototype's validity in order to develop an anti-derailment system that only blocks stationary vehicles;
- monitoring activities of the railway bed at the Petacciato site with the application of fibre optic sensors to rails (application of the monitoring railway infrastructure using optical fibre-sensors research project of Pisa University);

Furthermore, work began to implement Building Information Modelling (BIM) for the digitalisation of the railway asset. This entailed the start of standardisation of the BIM libraries to create a database of BIM-standard objects in line with the railway design manual and set up to receive all the information on the asset's entire life cycle.

In addition, Anas S.p.A.'s main activities included:

- the performance of crash tests on hybrid III anthropomorphic mannequins with instrumentation to test the forces to which motorcycle riders are subjected on impact with the Anas H4STDSM traffic divider;
- the design of three new guardrails and specialised calculation for the executive dimensions to pass the crash tests in compliance with UNI EN 1317 parts 1 and 2 (Anas guardrail and dimensions project - passive safety systems);
- the supply of satellite data on vehicle mobility in the province of Catania (RAFAEL project for the development of a sophisticated system to analyse and forecast the risk of natural disasters and potential impacts on services and people);

- the effectiveness and efficiency assessment of road run-off water treatment systems and the purchase of experimental equipment and services to monitor pollutants in run-off water in order to assess the effectiveness and efficiency of the equipment and control procedures in various environmental and urban contexts (street water project);
- the identification, standardisation and customisation of noise dampening barriers equipped with their own visual appearance identifying Anas.

## Research

---

In 2020, despite the singular conditions created by the public health emergency, the FS Italiane group and, in particular, RFI S.p.A., continued consolidating the key activities undertaken in previous years in performance of the application contracts under the research master agreements signed in 2018.

These master agreements relate to research in the fields of embedded systems, software engineering for railway applications, mechanical and diagnostics and electrical traction solutions and, in the field of IT and electronics, they involved the departments of the most important Italian universities and national research centres.

The research activities covered by the master agreements mean the innovation and safety upgrade requirements can be identified and conveyed to technological partners and suppliers, and the technological upgrade processes can take shape, with positive impacts in terms of new skills for human resources and the possibility of future patents for technological equipment and devices, with the consequent generation of value and development of in-house know-how.

The main projects continued in 2020 include:

- RFI S.p.A. platform project: this project began in 2018 in response to the need to standardise the control devices in the station (central computerised devices). In 2020, the contracts were awarded for the prototyping and supply of a series of boards and cabinets to build the first central computerised device on a platform for which RFI S.p.A. holds the intellectual property rights, and a programme began to certify the platform's hardware, software and safety cases;
- Light drone: this system consists of developing a light, smart self-driving railway car that can reach a highly-autonomous maximum speed of 100 km/h equipped with integrated laser system technology, AI and computer vision. It will be capable of detecting any obstacles that might have been mistakenly left on the tracks during railway works. The design stage was completed in 2020 in preparation for testing;
- Unmanned railway vehicle (URV) project: the objective of this project is to develop a self-driving railway vehicle with a maximum speed of 200 km/h and two hours of autonomy, which can detect irregularities on the HS lines with a potential impact on infrastructure safety. In 2020, the vehicle's outfitting was nearly completed and dynamic traction tests should begin in mid-2021, followed by trials;
- Automatic train operation (ATO) over ETCS: this project is part of the URV project but its objective is to develop an automatic train operation system that meets the Shift2Rail specifications for trains operating on the network. The main expected benefits of ATO are trains that run on time, less energy absorbed by the network, passenger comfort and precision stopping. Three research bodies are collaborating on this European-wide project. 2020 saw the completed development of all the modules in the system and they will be tested on the San Donato testing circuit by the end of 2021;
- Magnete-inductive diagnostic system: this project responds to RFI S.p.A. need to equip its diagnostic systems with sensors that detect initial defects in the tracks that are not yet visible to the eye during inspections, so as to anticipate any deterioration along the railway line. Technological demonstrator field testing began in 2020 at the Bologna San Donato testing circuit;

- IoT sensors for railway infrastructure: this project was launched to develop smart, low-consumption sensors that can easily, reliably and unobtrusively be integrated in the network. The sensors are developed using avant-garde technology in the field of smart materials and optical technology. Design began in 2020.

At international level, RFI S.p.A. has joined the “Diagnostic Integrated Networks of Satellite and 5G (DINoS5G)” an initiative to integrate 5G and satellite technologies to create predictive maintenance systems. The project was consolidated in December 2020 when a cofinancing agreement was signed with the European Space Agency (ESA) and other leading bodies and companies.

At the end of 2020, an EC patent was registered for an industrial invention called the box drone. The patent had previously been registered with the Italian patents and trademarks office. Box drone is an invention (resulting from an application contract with the University of Siena) that consists of a data recovery, upload and repository station that also controls and commands a drone featuring commercial technologies to be used for surveillance over land and infrastructure. In the group’s specific case, it will be used to observe railway lines and all the structures operating along them.

## Innovation

---

Faced with a highly uncertain scenario dominated by the pandemic that broke out in the first few months of 2020, the FS Italiane group is even more compelled to rethink and reorganise its services and how it uses the infrastructure, ramping up its innovation projects.

The group has started putting together its first innovation plan with a framework consisting of four strategic clusters (Infrastructure and Land, Aerospace, Alternative Energies, Mobility-as-a-service and new business models) and a cross section of actions representing four areas of activities under the parent’s centralised coordination, including the adoption of a flexible procurement model for startups and innovative SMEs and the definition of a knowledge transfer model to make the most of intellectual property. At 31 December 2020, the innovation plan includes over 200 innovative projects relating to all group companies.

One of these projects which is particularly significant in terms of value and impacts, is Anas S.p.A.’s smart road project for over 3,000 km of smart infrastructure equipped with avant-garde technology and entailing a total investment of €1 billion. It will be the first online road in Europe set up for self-driving vehicles. To upgrade roads in preparation for the FIS Alpine World Ski Championships 2021 in Cortina, Anas S.p.A. has already built a section of the smart road for testing. SS51 “di Alemagna” now has a section of roughly 80 km equipped with sophisticated technologies and IoT devices to control sites and alert motorists to them and monitor infrastructure.

In line with the national decarbonisation commitment, the FS Italiane group has long been involved in a process to integrate the principles of economic, environmental and social sustainability in its business activities. The group has set the ambitious environmental goal of being carbon neutral by 2050, in terms of both the energy it procures and the energy that the group companies self produce.

In this context, the group has launched a series of activities to study and implement a large-scale hydrogen adoption plan. For example, the Busitalia Group is working with ATC & Partners Mobilità, a consortium company and the controlling owner of the Hydra project. This project, enthusiastically sponsored by the Terni municipal authorities, involves the steel mill and the University of Perugia to create a circular economy system in which the buses in the city of Terni run on the excess hydrogen produced by the steel mill. A series of economic and technical feasibility studies were conducted in 2020, including for the financing of the project under the national strategic plan for sustainable mobility - funding for high pollution cities.

International operations are taking on increasing importance for the group and this can be seen in the many activities carried out with trade associations and European institutions to define the future of European research in digitalisation, mobility and integrated logistics. Together with the trade associations and international organisations, the group has been involved in outlining the research and innovation content of the European research framework “Horizon Europe” and the content of the Europe’s Rail partnership by drafting, in collaboration with European railway companies, strategic reference papers: Strategic Research Innovation Agenda, System Pillar and Innovation Pillars. This has enabled the FS Italiane group to join the Europe’s Rail partnership as a founding member and support the objectives of the New Green Deal to achieve sustainable, inclusive, carbon-free transport by scouting calls for direct participation in dedicated projects. The European Horizon 2020 projects in which the FS Italiane group is participating have received financing of over €78.4 million from the European Community, roughly €3.4 million of which has been allocated to the FS Italiane group. By financing certain projects under the “Space4Rail” partnership, the group has also strengthened its partnership with the European Space Agency (ESA) to upgrade infrastructure using space assets.

The second edition of “Innovate” was also held in the year. This is the group’s corporate entrepreneurship programme focused on sustainability, which has seen the active participation of over 3,500 employees in five innovative projects managed by five intercompany teams with an acceleration process held remotely. Despite the restrictions due to the pandemic and after being completely redesigned, the programme was held electronically and will end with the award ceremony in 2021.

The FS Italiane group has interacted with more than 500 startups and innovative SMEs, doubling the total number of innovative companies over the previous three years (2017-2019). The FS Italiane group’s startup base consisted of 1,000 potential innovation solution partners at the end of 2020. During the year, the group began 13 groundbreaking partnerships with leading innovation players that champion not only the startups and innovative SMEs, but also the innovation ecosystem over which the FS Italiane group presides. The remote working conditions imposed by the pandemic did not stop the group from moving forward with open innovation solutions, and during the year it held: four Call4Ideas, three hackathons, seven proof of concepts and seven vertical scouting initiatives to meet specific business needs. It received two innovation awards and remotely participated in over 20 events devoted to innovation.

Finally, in December 2020, the group kicked off another large project, inaugurating the first two innovation hubs within its innovation network. Designed to bring together institutions, investors, companies and startups on certain strategic issues, this project is aimed at seizing new business opportunities and finding innovative solutions that respond to the new technological challenges posed by the market. The first innovation hub, set up at the Termini station in Rome, will focus on smart cities and direct and coordinate the other hubs to be set up over the next few years scattered throughout Italy. The second hub, devoted to tourism, is in Naples, at the San Giovanni a Teduccio campus of the Federico II University. It will be managed together with Campania *NewSteel*, an incubator promoted and run by Città della Scienza and the Federico II University.

For the FS Italiane group, innovation, technology and digitalisation offer enormous possibilities for change and a break with the past. They are fundamental to promoting sustainable development and improving people’s well-being.

# Context and focus on FS Italiane group

## Macroeconomic context

---

Having suffered a sharp slowdown in late 2019, the global economy experienced an unprecedented crisis of gigantic proportions in 2020. Triggered by the pandemic, the crisis was undoubtedly the most dramatic since the Great Depression.

Starting in the first few months of the year, the rapid spread of COVID-19 throughout the various geographical and economic areas, with more or less intensity, forced government authorities in the various countries to impose restrictions to contain the public health emergency. In the summer, partly thanks to relief from monetary and tax authorities, the global economy recovered slightly as GDP rallied in the third quarter, but the second wave of the pandemic significantly thwarted the economic recovery given the consequent distancing requirements, the forced shuttering of non-essential businesses and restrictions on mobility.

<b>International trade data</b>	<b>2020</b>	<b>2019</b>
<b>GDP (% change on previous year)</b>		
<b>World</b>	<b>(4.5)</b>	<b>3.0</b>
<b>Advanced countries</b>	<b>(5.6)</b>	<b>1.6</b>
US	(3.6)	2.2
Japan	(6.0)	0.7
Eurozone	(7.2)	1.3
<b>Emerging countries</b>	<b>(3.6)</b>	<b>3.9</b>
China	2.0	6.1
India	(9.9)	5.3
Latin America	(7.6)	0.3
<b>International trade</b>	<b>(9.3)</b>	<b>(0.5)</b>
<b>Oil (USD per barrel)</b>		
<i>Brent</i>	42.9	64.2

Source: Prometeia, December 2020

According to the more recent Prometeia estimates (December 2020), the contraction in world GDP in 2020 came to 4.5%, with deeper downturns in the industrialised countries than in emerging economies. Even international trade, despite the robust recovery in the first few months of the second half, showed an annual average contraction of 9.3%. The drop in demand due to the lengthy shutdown of economic activities around the world generated a deflationary trend, especially in industrialised countries, driven mainly by a shock in supply but also by the drop in oil prices, with the Brent price bottoming out at USD19 per barrel in the first few months of the year, before rising to just slightly over USD40 per barrel. However, recent developments in COVID-19 vaccines offer a spiral of hope for the global economy, which will probably gain momentum in spring 2021. According to growth projects, world GDP should rise by around 5%, with this growth concentrated in a small number of countries, while most of the world's economies will need longer than 2021 to completely recover from the pandemic-induced downturn.

After the sudden halt in activities and the dramatic spike in unemployment early in the year, the US economy recovered strongly in the second half thanks to massive monetary and fiscal stimulus to protect businesses and households. The Fed announced it would keep interest rates at 0% to 0.25% until full employment is reached and the rate of inflation has stabilised at 2% in the long term. GDP contracted by 3.6% in 2020.

In Japan, the repercussions of the coronavirus pandemic hit an already weak economy. The government measures to contain the spread of the virus had a dramatic impact on household consumption, salaries and rising employment. To offset the negative shock of the pandemic, the Bank of Japan rolled out a series of measures to inject liquidity into the system and support credit. The overall decrease in GDP in the year was 6.0%.

China was the first country where the coronavirus broke out, but it was also one of the first to contain it thanks to the government's drastic measures. After GDP plummeted in the first quarter of the year (-6.8%), the Chinese government approved support measures to lower taxes on companies and speed up infrastructural investments, encouraging an economic recovery in the months that followed. Moreover, this recovery generated a rise in imports, and even exports rallied especially due to demand for healthcare products and technological equipment. China was the only major world economy to post annual growth in GDP (2.0%), remaining the leader of the global economic cycle.

<b>Eurozone economic data</b>	<b>2020</b>	<b>2019</b>
<b>GDP (% change on previous year)</b>		
<b>Eurozone</b>	<b>(7.2)</b>	<b>1.3</b>
Germany	(5.5)	0.6
France	(9.2)	1.5
Italy	(9.1)	0.3
Spain	(11.6)	2.0
<b>Inflation (% change on previous year)</b>		
<b>Eurozone</b>	<b>0.2</b>	<b>1.2</b>
Germany	0.4	1.4
France	0.4	1.3
Italy	(0.1)	0.6
Spain	(0.3)	0.8

Source: Prometeia, December 2020

In the EU countries, to varying degrees of intensity, the pandemic and consequent containment measures introduced in the first few months of the year, with differentiated methods and timing, triggered an unprecedented economic collapse, with a partial recovery in the summer months. However, the lifting of restrictions on economic and social activities and the onset of colder temperatures led to violent second wave of the virus, prompting another slowdown in economic activity. Despite the rapid political response both in the EU and in the individual countries, providing relief and support, particularly in the form of emergency measures to finance healthcare systems and support workers and businesses affected by the shuttering of activities, the economy recorded a 7.2% recession. Among major European countries, German GDP suffered the smallest decline (-5.5%), whereas Italy (-9.1), France (-9.2%) and Spain (-11.6%) suffered above-average decreases. Inflation remained extremely low amidst weak demand and significant untapped production capacity on labour, goods and service markets (0.2%).

Italian economic data	2020			
	Q1	Q2	Q3	Q4
<b>GDP (% change on previous quarter)</b>	<b>(5.5)</b>	<b>(13.0)</b>	<b>15.9</b>	<b>(3.2)</b>
<b>Domestic demand</b>	<b>(4.7)</b>	<b>(11.0)</b>	<b>12.0</b>	<b>(2.7)</b>
<b>Spending by households and private not-for-profits</b>	<b>(6.8)</b>	<b>(11.5)</b>	<b>12.4</b>	<b>(2.8)</b>
<b>Public administration spending</b>	<b>(1.1)</b>	<b>0.3</b>	<b>0.7</b>	<b>0.8</b>
<b>Gross fixed investments</b>	<b>(7.6)</b>	<b>(17.0)</b>	<b>31.3</b>	<b>(3.0)</b>
<i>Construction</i>	<i>(6.7)</i>	<i>(22.2)</i>	<i>45.1</i>	<i>(2.4)</i>
<i>Other durable goods</i>	<i>(8.2)</i>	<i>(12.6)</i>	<i>21.1</i>	<i>(3.5)</i>
<b>Imports of goods and services</b>	<b>(5.3)</b>	<b>(17.8)</b>	<b>15.9</b>	<b>(1.0)</b>
<b>Exports of goods and services</b>	<b>(7.9)</b>	<b>(23.9)</b>	<b>30.7</b>	<b>(3.1)</b>

Source: Prometeia, December 2020

In Italy, the epidemic progressively spread from the end of February 2020, worsening an economic situation that had already shown feeble growth in 2019. The ordered shuttering of many industrial and service sector activities and restrictions on the mobility of people to contain the outbreak disrupted the Italian economy, with immediate repercussions on production.

According to national accounting data, GDP contracted by 5.5% in the first quarter of the year, marking a downturn in value added in all major production segments. After another drop in the second quarter (-13.0%), signs of recovery appeared in the summer as activities reopened. In the third quarter, the growth extended to all economic sectors, driven by domestic and foreign demand, rising sharply (+15.9%) and reflecting the Italian economy's robust capacity for recovery. However, economic activity slowed again in the fourth quarter (-3.2%) due to a resurgence of the virus. The effects of the second wave of infections and the consequent restrictions weighed most heavily on services, while manufacturing suffered less.

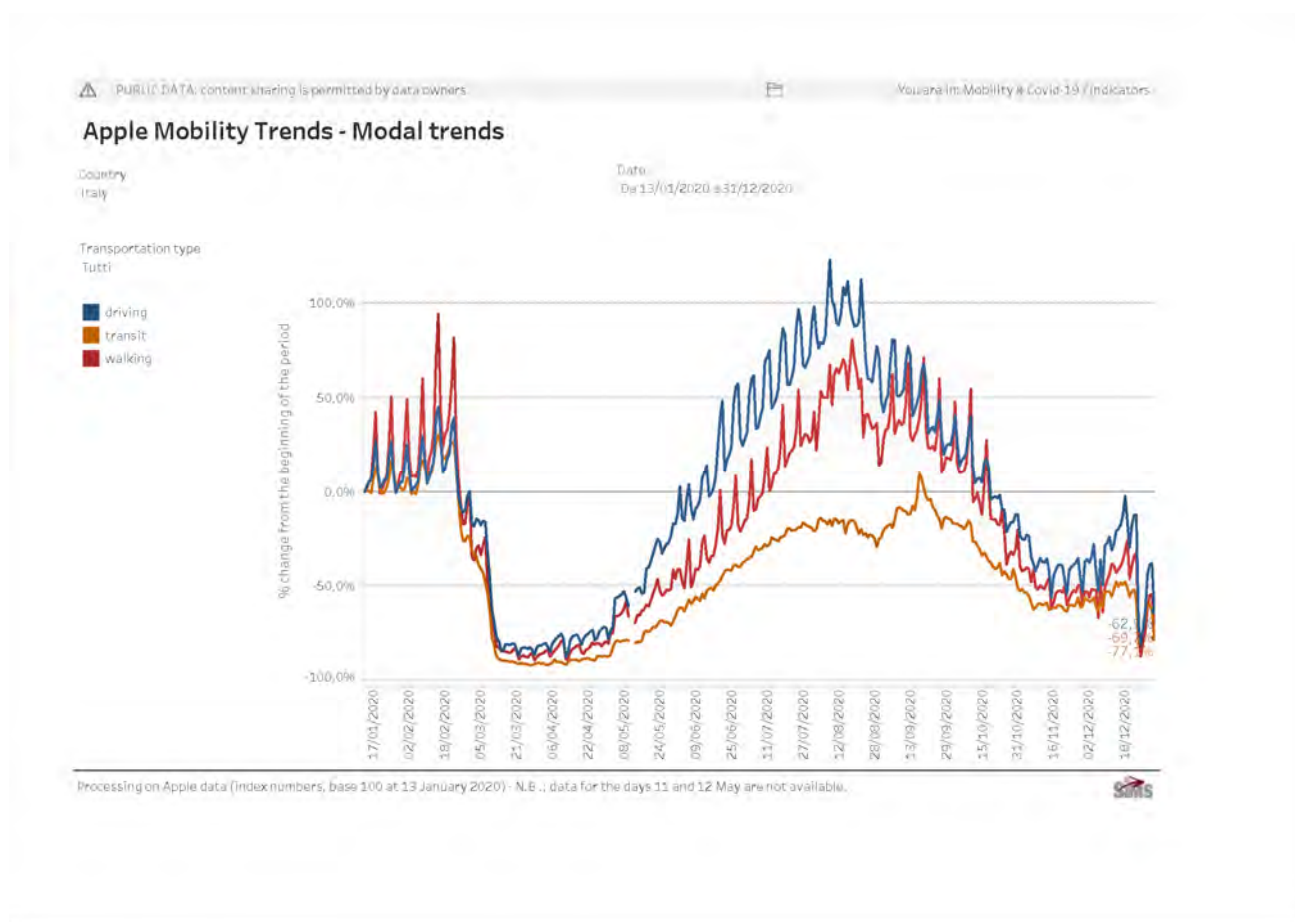
Despite the substantial political support to soften the blow of the pandemic, GDP plummeted by an annual average of 9.1% on 2019, mostly due to the drop in domestic demand. Foreign demand and stocks also contributed to this downturn, but with less intensity. Weak demand and the collapse in oil and raw materials prices also impacted inflation.

## Market performance and focus on FS Italiane group

### Market performance

The high degree of uncertainty that characterised the economic situation, the slump in industrial production across all major industrial segments (-11.4% YoY) and the mobility restrictions to contain the spread of COVID-19 resulted in a transport slowdown of previously unimaginable proportions.

Overall mobility all but vanished during the public health emergency and only recovered slowly in the summer months before dropping again during the second wave of the pandemic at year end, as shown in the Apple Mobility Trends chart below.



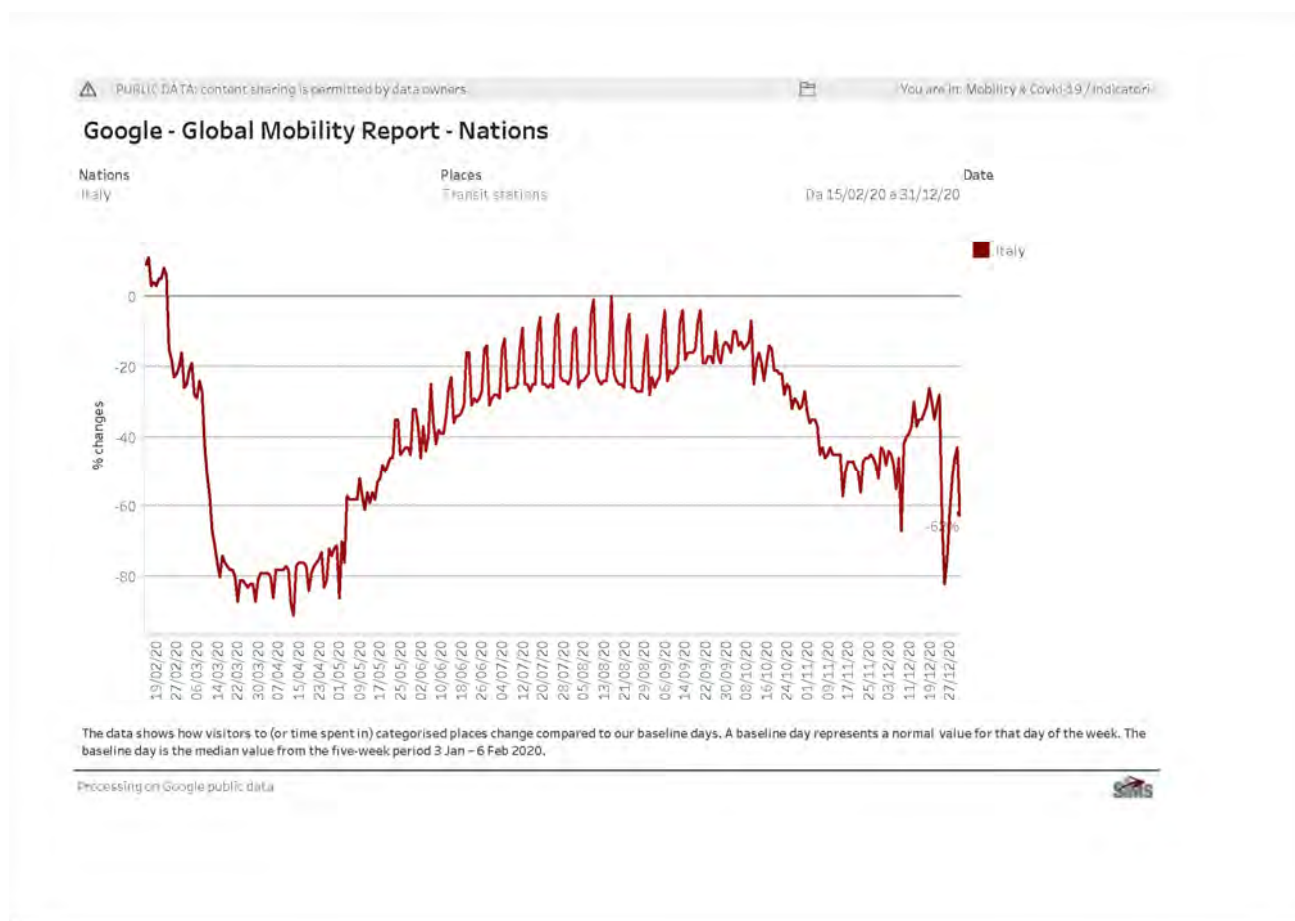
According to the most recent available data, vehicle traffic on motorways decreased by roughly 80% between March and April, and recovered only partly in the summer. Then, when the pandemic resurged in the autumn, the downturn was less dramatic. At year end, the annual drop in light vehicle traffic was 30.5%.

Collective transport, which mainly consists of local public transport (LPT), took a harder blow than individual transport, with contractions of over 90% in March and April, and only partial recoveries in the summer months. The second wave of the pandemic and the consequent mobility restrictions had less dramatic effects on LPT than the first lockdown in the spring.

The drop in overall demand for mobility also reflects the rise of new ways of working in Italy, as in the rest of the world, with a shift towards independence and flexibility in terms of when and where people work and away from in-person models. Many companies have invested heavily in new technologies that rely on remote models (videoconferencing), consequently reducing the need for their personnel to commute to work.



The chart below illustrates the trend in travel to and from collective transport hubs like railway, metro and bus stations, tracing a 62% decrease in travel at year end compared to the pre-COVID-19 level.



The reduction in travel via collective transport, which was disproportionate to the drop in individual road travel, indicates a potential and unsustainable modal shift towards individual means of transport, reflecting a reluctance to travel by means in which social distancing is not fully guaranteed.

The government measures restricting mobility throughout the country and across borders put a heavy toll on air traffic. Available routes and scheduled flights between a country and rest of the world dove dramatically in 2020. According to data released by Assaeroporti, international non-EU destinations saw an 81.2% drop in passengers, with passengers to EU destinations down 77.5%, while domestic routes suffered a smaller, yet still significant, decrease of 61.3%. Overall, approximately 53 million passengers were transported by air, compared to around 193 million in 2019.

The trend in cruise ship transport was also negative. According to Assoport statistics, just over 640 thousand passengers passed through Italian ports, including boarding, disembarking and transit, with a sharp downturn of 94.5% on 2019. Ferry traffic fell by roughly 9.6 million passengers (-46% on the previous year), while local passengers travelling on short coastal navigation routes numbered close to 22 million (-41% on 2019).

The freight segment saw more modest decreases, confirming the decisive role that logistics played for the country's social and economic well-being during the lockdown.

Heavy vehicle traffic on roads dropped by around 40% in March and April, recovering in the months that followed and showing more resilience in the second wave of infections in autumn. Overall, the distance travelled by heavy vehicles on

motorways operated by members of Aiscat (the Italian association of motorway and tunnel operators) and by former members, was down by 15.2%.

Air cargo transport saw a more dramatic decline (-24.9% on the previous year), despite the key role that it played during the pandemic for the distribution of devices and medical equipment throughout the entire country.

Unlike other means of transport, despite the economic crisis triggered by the pandemic, freight transport by sea held strong, moving volumes of container goods at Italian ports equal to roughly 10.7 million TEUs (twenty-foot equivalent units), down 0.9% on the previous year. These volumes included some 6.7 million TEUs of import/export hinterland traffic (-0.8%) and transshipments of roughly 4 million TEUs (+1.4%). The growth in transshipments is mainly due to the resumption of activities at the Gioia Tauro port, which handled approximately 3.2 million TEUs (+26.6% on 2019), remaining Italy's top transshipment port. The Genoa and Trieste ports reported decreases of 6.4% and roughly 2%, respectively and Ro-Ro<sup>25</sup> traffic was also down slightly, with about 5.3 million units (lorries or semi-trailers rolled on or rolled off).

### Focus on the management of domestic railway infrastructure

The FS Italiane group manages approximately 46 thousand km of railway and road network infrastructure evenly distributed throughout Italy, connecting and integrating the country by improving quality and safety standards.

At 31 December 2020, the domestic railway infrastructure operated by Rete Ferroviaria Italiana S.p.A. (RFI S.p.A.), belonging to the FS Italiane group, based on Ministerial decree no. 138T of 31 October 2000, covers 16,782 km. Based on the classification used to calculate the railway network use fee, pursuant to Ministerial decree no. 43/T of 21 March 2000, the network is comprised as follows:

- fundamental lines with high traffic density, covering 6,468 km;
- complementary lines, which make up a dense network of regional connections and interconnections with the main lines, covering a total distance of 9,364 km;
- hub lines, which are located in major metropolitan areas for a total distance of 950 km.

Of these lines, double tracks account for 7,732 km (46% of the total), while 12,065 km (71.9%) is electrified.

The total track length is 24,514.5 km, including 1,466.7 km of HS/HC network lines.

All lines are equipped with a complete, preventive maintenance system and equipped with one or more innovative train speed protection systems, which makes RFI S.p.A.'s railway infrastructure one of the safest in Europe. In particular, a train speed control system (TSCS) has been installed on 12,653 km, which monitors braking space and train performance to determine the safe distance between trains, while the high speed lines are equipped with a sophisticated European signalling system for more precise traffic management and the ERTMS/ETCS (European Rail Traffic Management System/European Train Control System), a single radio system that makes the network interoperable at speeds of up to 300km/h.

#### LENGTH OF THE RAILWAY NETWORK OPERATED BY RFI S.p.A. (KM)

2020	2019
16,782	16,779

#### TOTAL TRACK LENGTH OPERATED BY RFI S.p.A. (KM)

2020	2019
24,514	24,500

The "operating" railway companies authorised to carry out rail transport operations by the licence issued by the Ministry of Infrastructure and sustainability mobility in the manner provided for by Legislative decree no. 188 of 8 July 2003,

<sup>25</sup> Ro-Ro stands for roll-on/roll-off, i.e., cargo ships for the transport of vehicles that are driven on and off the ship on their own wheels without the use of cranes or lifts.

Ministerial decree no. 36 of 2 February 2011, Legislative decree no. 112 of 15 July 2015 and Legislative decree no. 139 of 23 November 2018, were grouped as follows:

- 19 for freight transport alone;
- 11 for passenger transport alone;
- 8 with a licence for both passenger and freight transport.

During the year, an average of approximately 8 thousand trains operated on the Italian railway network per day, for a total annual volume of around 300 million km travelled, a sharp decrease (roughly -20%) on the previous year due to the restrictions on mobility in response to the COVID-19 pandemic.

In addition to the network operated by RFI S.p.A., in Italy, the FS Italiane group operates 474 km of Ferrovie del Sud Est e Servizi Automobilistici S.r.l. (FSE S.r.l.) lines in Italy. The FSE S.r.l. network, which is 32% electrified and is almost entirely single track, crosses the provinces of Puglia, with eight lines: Bari-Taranto (113 km), Mungivacca-Putignano (44 km), Martina Franca-Lecce (103 km), Novoli-Garigliano (75 km), Casarano-Gallipoli (23 km), Lecce-Gallipoli (53 km), Zollino-Garigliano (47 km) and Maglie-Otranto (19 km), offering approximately 3.2 million train-km per year.

Abroad, through its subsidiary Netinera Deutschland GmbH, the FS Italiane group operates routes spanning roughly 300 km and 60 stations set up to serve passengers. Production totalled approximately 41.3 million train-km in the year.

As reported earlier, with respect to road infrastructure, through its subsidiary Anas S.p.A., the FS Italiane group operates around 29,000 km of roadways, including 1,300 km motorways. Like railway mobility, the pandemic and consequent containment measures affected road volumes and traffic in 2020. The greatest impacts recorded along Anas S.p.A.'s primary road network using its centralised monitoring and analysis system, were seen in the total number of vehicles, with the annual average index of road traffic down by 25% on 2019. Heavy vehicle traffic suffered less, with an estimated decrease of just over 10% compared to the 2019 index.

### **Focus on the group's passenger and cargo traffic**

The spread of COVID-19 across the globe in early 2020 posed a profound disruption for the FS Italiane group. While it had confirmed its growth in 2019 with passenger and freight traffic volumes up, in 2020 the FS Italiane group, with its subsidiaries in Italy and abroad, faced a severe contraction in demand and supply. Italy was the first country in Europe to institute a total lockdown between 10 March (Prime Minister's decree of 9 March 2020) and 3 May (Prime Minister's decree of 26 April 2020), and the restrictions on mobility in Europe and in Italy dramatically reduced the possibility to travel throughout the year.

In this scenario, the FS Italiane group endeavoured to continue offering a number of medium/long-haul and regional routes that was consistent with demand for mobility, devoting utmost attention to the safety and health of its passengers and employees, in accordance with the limitations ordered by the government authorities<sup>26</sup>. Its initiatives to ensure passengers could travel in complete safety include strengthening procedures to clean and sanitise stations, trains, buses and other areas and requiring the use of personal protective equipment (PPE) in compliance with the law. It also developed new on-board greeting procedures with the distribution of free safety kits to passengers and implemented new booking parameters to ensure staggered seating on trains.

Total passenger data in the railway transport segment reflect a sharp drop in collective demand (passenger-km down 60.3% on the previous year), while the contraction in freight traffic volumes was decidedly more contained (tonne-km down 6.1% on 2019). Passenger traffic volumes in the year came to just over 18 billion passenger-km, with approximately 81% operated by Trenitalia S.p.A., the leading provider of mobility services in Italy and a top railway

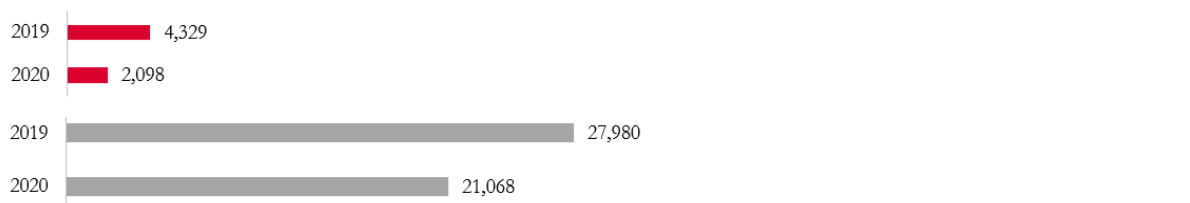
---

<sup>26</sup> For example, in Italy, seating was limited to 50% of capacity on both long-haul and short-haul trains. As the infection rate improved, capacity limits were temporarily revised in certain regions.

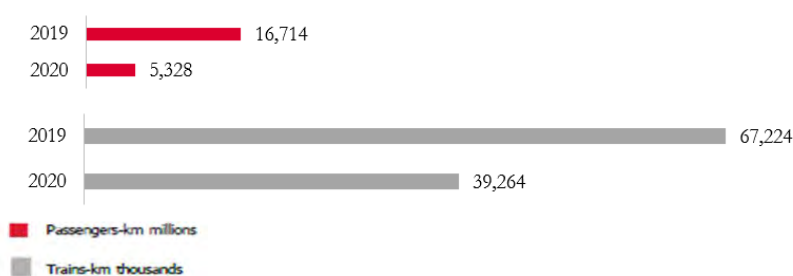
operator in Europe. Ferrovie del Sud Est e Servizi Automobilistici S.r.l. also contributed to domestic volumes, while the residual volumes were generated outside Italy, in Europe, by the Netinera Deutschland GmbH group, which operates road and railway transport on the local and metropolitan transport market in Germany, by TrainOSE S.A. in Greece, Trenitalia C2C Limited, which operates passenger transport in Great Britain between London and Essex, and by Thellò SAS., with international day and night connections with France.

Specifically, passenger volumes in the long-haul service segment contracted by 64.7%, mainly due to the drop in demand for services sold on the market (-68.1%). The universal service – which is provided according to the model defined with the government as its customer – saw a smaller reduction in volumes (-51.5%). Traffic volumes in the long-haul service operated by Trenitalia S.p.A., measured as passenger-km, suffered heavy losses, dipping as low as -99% during the first lockdown. This contraction was confirmed, although to a lesser extent, in the summer, with demand down by more than 50%, and in the second wave in the autumn, with a drop of over 70%. Within this segment, the punctuality of Freccie trains showed over 96% of trains reaching the station within 0-15 minutes of their scheduled arrival time, while overall passenger satisfaction with the journey (scores of 7-9) was 89.7%, 4 percentage points up on 2019. Long-haul service production came to over 60 million train-km, down 36.6% on the previous year, with the market service accounting for 39 million train-km and the universal service for 21 million. In the market service, which includes Trenitalia S.p.A.'s core product, the Freccie trains, supply was down by roughly 41.6%.

#### **Long Haul Transport - Universal\***



#### **Long Haul Transport - Market\***



(\*) Includes the group subsidiaries' traffic abroad.

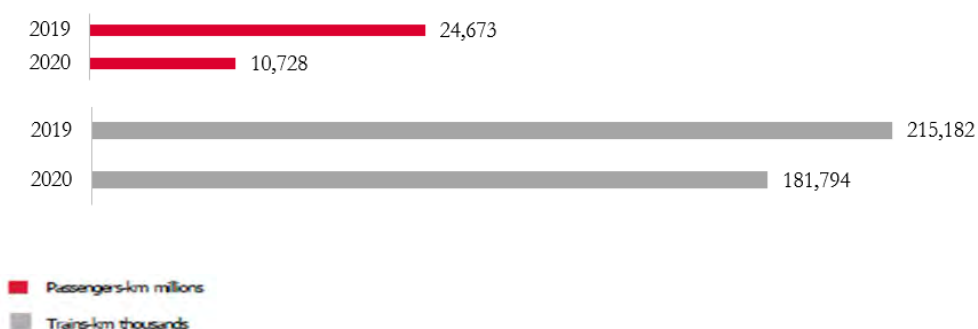
The drop in regional transport volumes was less dramatic than in the long-haul segment. Demand met, amounting to around 10.7 billion passenger-km, in both Italy and abroad, fell by 56.5% on the previous year, with production down by 15.5%.

Trenitalia S.p.A. accounted for roughly 72% of regional traffic. In the spring, due to the mobility restrictions, Trenitalia S.p.A. saw passenger-km plummet, with dips below -95% in April, to then recovery slightly in the summer months (-48% in August), when the improved infection rate led some regions to eliminate the 50% capacity limits on regional trains. The limits were reinstated when the infection rate began rising in autumn.

Trenitalia S.p.A.'s unwavering commitment to guarantee, even in the midst of the pandemic, completely safe journeys on board regional trains, had a positive impact on the perceived service quality, with the percentage of passengers satisfied

with the overall journey (scores of 7-9) up by 2 percentage points on the previous year, confirming the improvement trend of recent years. Service punctuality also improved, with more than 98% of trains reaching their destination within 5 minutes of the scheduled time.

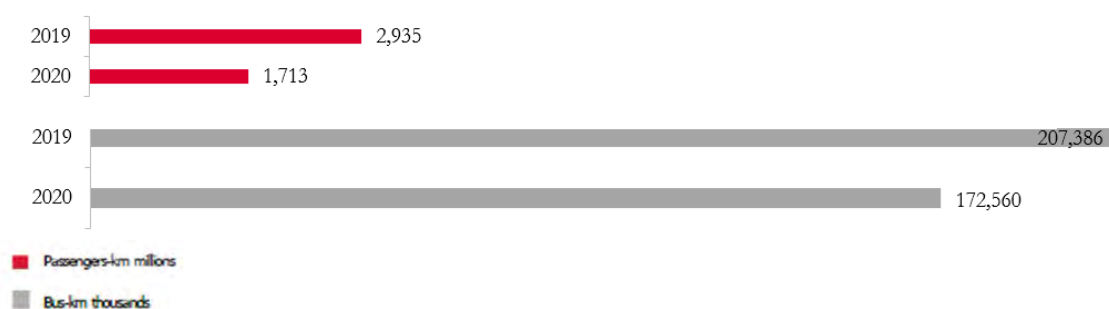
### **Short Haul Transport\***



(\*) Includes the group subsidiaries' traffic abroad.

The FS Italiane group fully satisfied demand for urban local public transport in 2020, which totalled around 1.7 billion passenger-km (-41.6%), by providing approximately 173 million bus-km. The scope of the road LPT business is mostly centralised in the subsidiary Busitalia-Sita Nord S.r.l., which directly and indirectly operates urban and suburban transport in various Italian regions (Veneto, Campania, Tuscany and Umbria), making it the third largest operator in the country, in addition to the LPT in the Netherlands through Qbuzz BV. The group's total offer also includes the bus services operated by FSE S.r.l. in Puglia, the Netinera group companies in Germany and certain bus routes operated by TrainOSE SA in Greece.

### **Road Transport\***

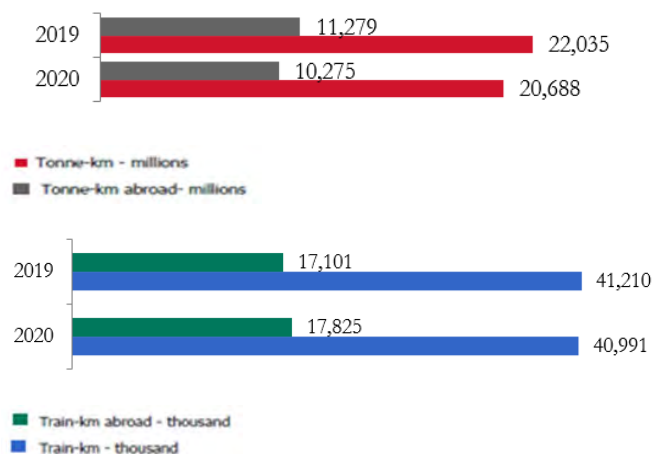


(\*) Includes the group subsidiaries' traffic abroad

In the freight segment, given the complex macroeconomic situation and the slump in industrial production, total traffic volumes generated by the FS Italiane group companies in Italy and abroad, held strong, just barely reaching 21 billion tonne-km, down 6.8%, with train-km nearly in line with 2019 (-0.5%). In particular, during the lockdown, the Mercitalia companies ensured the transport and delivery of all essential goods, especially in Italy, with an upwards trend in the second half of the year.

Unlike in 2019, foreign traffic volumes were more heavily impacted by the negative performance of international trade and posted an 8.9% drop in tonne-km.

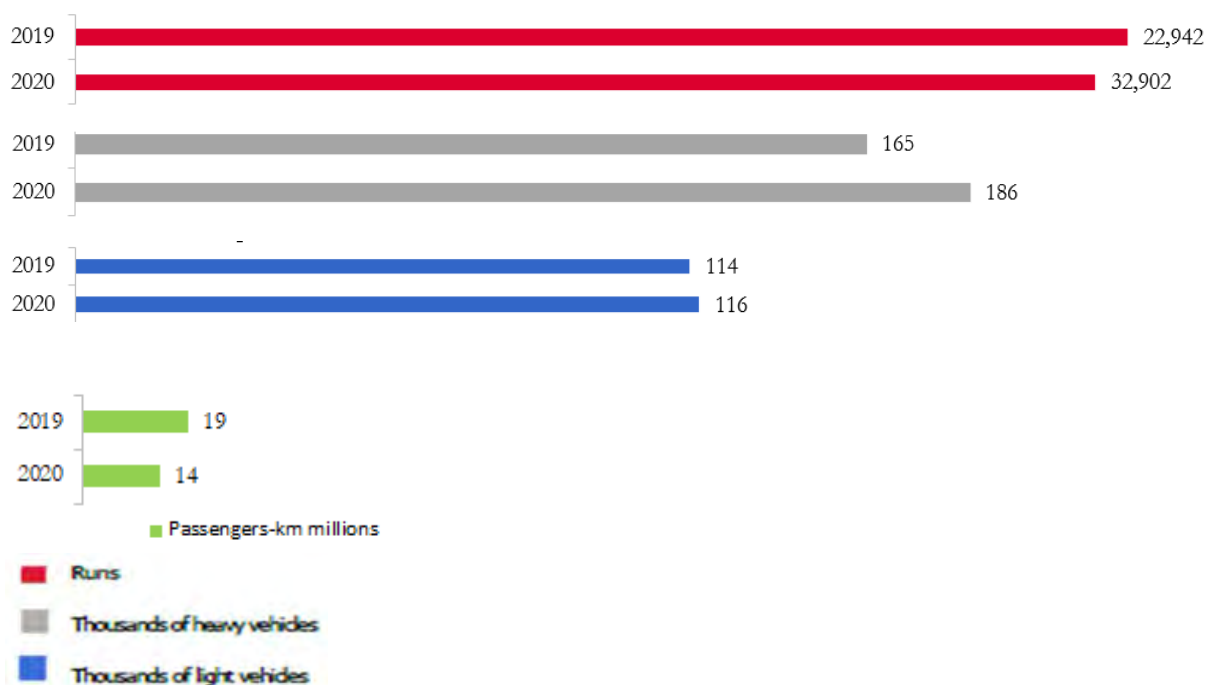
### Freight Transport\*



(\*) Includes the group subsidiaries' traffic abroad

In addition to railway transport and LPT, to ensure the continuity of railway services throughout the entire country, the FS Italiane group also operates sea connections between the mainland and Sicily, which are currently operated using RFI S.p.A.'s ships for long-haul trains and the subsidiary Blufferies S.r.l.'s bidirectional ships for the transport of passengers, vehicles and goods.

### Sea Transport

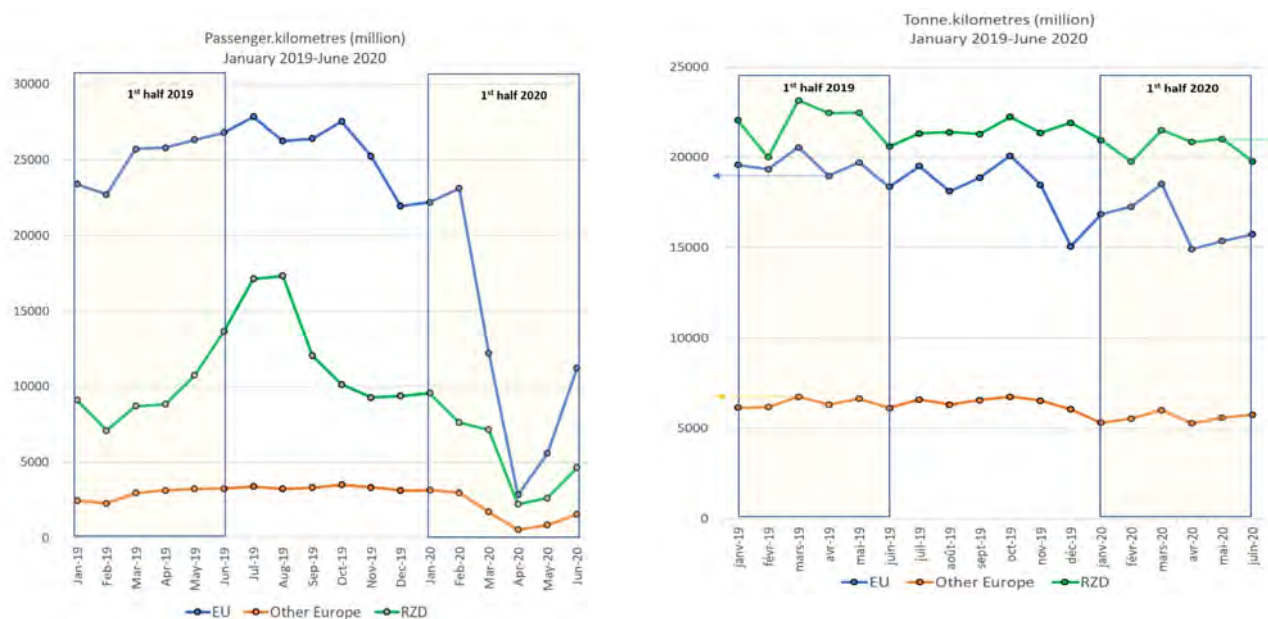


The group's total coastal navigation offer, including the new high-speed connections, suffered a modest drop (-3.1%) on the previous year, with the number of passenger-km down by 25.8%.

## Traffic of main European railway companies

European passenger and freight railway transport suffered severe repercussions in 2020 due to the limitations on mobility and consequent decrease in demand.

According to UIC (*Union Internationale des Chemins de Fer*) data, in the first half of the year, passenger traffic volumes dropped by roughly 48% in terms of passenger-km while freight volumes fell by around 15% because of the shuttering of economic activities and the slowdown in industrial production.



In the period that followed, summer 2020, demand for transport and volumes remained low for both passengers and freight. As the second wave of the pandemic struck, many governments ordered another round of restrictions on mobility, with consequent repercussions on traffic volumes. To support the railway companies, the EU adopted Regulation (EU) 2020/1429 to enable the member states allow infrastructure operators to reduce railway infrastructure access fees for the period between 1 March 2020 and 31 December 2020, which was subsequently amended with Regulation (EU) 2020/2180, extending the period until 30 June 2021.

The segment that was dealt the hardest blow was passenger transport, and specifically the commercial service segment, which suffered more than the mandatory public service segment, with a significant drop in supply in all member states (train-km down by approximately 16-17%), despite the easing of restrictions on mobility by the various government authorities in the summer months. Demand for traffic from major European railway companies, measured as passenger-km, fell by around 57% for the Spanish RENFE and close to 40% for the German DB AG and French SNCF.

Despite suffering the European economic downturn, the railway freight transport segment suffered less than passenger transport in the wake of the protectionist policies adopted by the various member states in the wake of the coronavirus outbreak. Many borders were closed to passenger traffic but remained open to goods, ensuring the procurement of food, medicine and, in general, the goods necessary for essential activities to continue. According to UIC data<sup>27</sup>, the tonne-km drop in freight traffic for the main European railway companies was about 23% for the Spanish RENFE, 13% for the

<sup>27</sup> Source: UIC – Data gathered up to Q3 2020

German DB AG and 16% for the French SNCF. In Eastern Europe, the Polish PKP saw the largest decrease in traffic volumes, down by just over 20%.

## Developments in Italian legislation

---

Developments in Italian legislation affecting the group are summarised below, considering that 2020 saw the issue of countless decree laws, ministerial decrees and implementing decrees in response to the COVID-19 epidemic, which are reported below with an emphasis on their specific relevance to the group's activities.

### 1. Developments in Italian legislation – Decrees containing measures to contain the COVID-19 epidemic with specific effects on the FS Italiane group's operations.

- **Decree of the Minister of Infrastructure and Transport no. 113 of 13 March 2020.** Following the decree laws and Prime Minister's decrees containing emergency measures to contain and manage the epidemiological emergency, which, among other things, limited access to or ordered the suspension of freight and passenger transport by land, air, rail, sea and waterways on the national network and local public transport and required the sanitisation of vehicles, this decree was issued to contain the spread of the COVID-19 epidemic while ensuring essential requirements for railway transport mobility were met by guaranteeing the minimum essential services. In particular, for railway passenger transport on both the market and under the long-haul service contracts between Trenitalia S.p.A. and the MIT, at least one pair of connections on every major line was guaranteed. Furthermore, for Intercity services, Trenitalia S.p.A. was given the possibility to decide – in agreement with the competent authorities - additional reorganisations according to the reduced mobility needs. The provisions of this decree remained in force up to 25 March and applied to the special-statute regions and the autonomous provinces of Trento and Bolzano as well.
- **Decree of the Minister of Infrastructure and Transport no. 114 of 13 March 2020.** This decree ordered the streamlining of inter-regional bus services for the unscheduled transport of passengers, given the reduced mobility throughout the country. The carrier was permitted to implement the changes and reductions in the scheduled services authorised by the MIT after adequately informing the Ministry and users, provided that not all services were cancelled, in accordance with the provisions of the Health Ministry and the Prime Minister's decree of 11 March 2020, i.e., as long as all infection prevention safety protocols were taken and workplace sanitisation was encouraged. The measures under this decree remained in force up to 25 March.
- **Decree of the Minister of Infrastructure and Transport no. 116 of 14 March 2020.** This decree amended part of the provisions of Ministerial decree no. 113 of 13 March and ordered the suspension of night trains from 14 March to 25 March, while in any case ensuring minimum essential services.
- **Decree of the Minister of Infrastructure and Transport no. 118 of 16 March 2020.** This decree ordered the suspension of connections and ordinary railway and sea transport of passengers to and from Sicily. Specifically, it required the maintenance of minimum essential daytime railway connections via one Intercity train per day from Rome to Palermo and vice versa. The measures under this decree remained in force up to 25 March.



- **Decree law no. 18 of 17 March 2020, in coordination with Conversion law no. 27 of 24 April 2020, containing “Measures to strengthen the national healthcare system and provide economic relief to households, workers and companies in relation to the COVID-19 epidemiological emergency”.** This decree law included the following measures, among others:

  - to contain the spread of COVID-19, provisional rules on the use of surgical masks in work areas in general and the use of filter masks among the general public and rules on the approved types of masks (for these purposes). The provisional rules apply to all of Italy until the end of the emergency (which, pursuant to the Resolution of the Council of Ministers of 31 January 2020, was to be 31 July 2020, subsequently extended to 15 October 2020 with Decree law no. 83 of 30 July 2020).
  
- **Decree of the Minister of Infrastructure and Transport no. 122 of 18 March 2020.** This decree established additional restrictions on ordinary railway and sea transport and connection services for passengers to and from Sicily. Travel is only permitted for members of the Police and Armed Forces, public and private healthcare workers, commuters or for documented work-related reasons, serious health reasons or necessity. The measures under the decree remained in force until 25 March.
  
- **Decree of the Minister of Infrastructure and Transport no. 127 of 24 March 2020.** This decree extended from 25 March to 3 April 2020 the validity of the eight decree issued by the MIT jointly with the Health Ministry containing measures to severely limit the mobility of people throughout Italy and the transport of passengers via different carriers. The measures that were extended with a specific impact on the group included:

  - rescheduling of long-haul trains and regional passenger transport (Decree no. 113);
  - reduction of non-scheduled and inter-regional bus services (Decree no. 114);
  - reduction of Intercity railway services (Decree no. 116) with another downsizing of trains;
  - severe limitation on passenger transport to and from Sicily (Decrees nos. 118 and 122).

Furthermore, the measure introduced another reduction in the long-haul railway services (Intercity and Frecce) until 3 April.
  
- **Decree law no. 19 of 25 March 2020, in coordination with Conversion law no. 35 of 22 May 2020, containing “Emergency measures to manage the COVID-19 epidemiological emergency”.** This legislation was meant to standardise in a primary act the measures potentially applicable to all of Italy or an area therein to contain and counter the health risks of the spread of COVID-19 for specific periods of time not exceeding 30 days each, which may be repeated and amended more than once until 31 July 2020, i.e., the end of the state of emergency declared by Resolution of the Council of Ministries of 31 January 2020 (subsequently extended to 15 October 2020 by Decree law no. 83 of 30 July 2020), and with the possibility of tightening or easing its application as the epidemic improves or worsens. Therefore, it contains a detailed and exhaustive definition of all potentially applicable anti-emergency measures. Moreover, it offers the competent national and regional authorities to limit, reduce, suspend or suppress passenger and freight transport services by road, rail, air, sea and waterways, including unscheduled service and local public service (letter “o”).
  
- **Decree law no. 33 of 16 May 2020, in coordination with Conversion law no. 74 of 14 July 2020, containing additional emergency measures to manage the COVID-19 epidemiological emergency.** This legislation contains a series of measures to begin “phase two” of the management of the epidemic. Specifically, it

consists of four articles relating to: containment measures; sanctions and controls; final provisions; entry into force.

The containment measures referred to in article 1 include provisions relating to:

- the end of the measures limiting regional, inter-regional, cross-border travel (with differentiated dates between the first type of travel and the other two: respectively 18 May and 3 June 2020) (paragraphs 1-5);
- quarantine (paragraphs 6-7);
- the freedom to meet and gather in public places, giving mayors the right to order the temporary closure of public areas or areas open to the public if it is not possible to adequately ensure compliance with interpersonal distancing of at least one metre (paragraphs 8-10);
- economic, productive and social activities, assigning the regions the responsibility of calibrating protocols and guidelines (paragraphs 14-16).

- **Decree law no. 76 of 16 July 2020, in coordination with Conversion law no. 120 of 11 September 2020, containing “Emergency measures for simplification and digital innovation”.** This legislation contains various measures affecting the group, regarding contracts in particular, some of which were introduced during the conversion. The measures include article 2-*ter* regarding synergies between Anas S.p.A. and the other FS group companies. In particular, the amendment made during the parliamentary examination is meant to encourage the development of these synergies in implementation of article 49 of Decree law no. 50/2017 and allows the group companies, and therefore Anas S.p.A., to enter into specific agreements in order to receive goods and services from other group companies up to 31 December 2021 in a departure from the public contracting code, except for the rules implementing Directives 2014/24/EU and 2014/25/EU. Furthermore, Anas S.p.A. may use contracts, including master agreements, entered into by the group companies for the unitary purchase of goods and services in the same product category.
- **Decree law no. 83 of 30 July 2020, in coordination with Conversion law no. 124 of 25 September 2020, containing emergency measures for the expiration of the state of emergency declared in relation to the COVID-19 epidemiological emergency, approved on 31 January 2020.** This legislation extends the validity of the provisions in Decree laws nos. 19/2020 and 33/2020, which respectively governed the application of measures to contain the spread of the epidemic and their gradual easing according to developments in the epidemiological situation.

The measures that affected the group included, in particular:

- extension until 15 October 2020 of the power to issue, in one or more decrees of the Prime Minister, one or more measures (among those indicated in article 1.2 of Decree law no. 19/2020) to counter the health risks of COVID-19. The measures indicated in article 1.2 specifically include the possibility to order or have the competent national or regional authorities order the limitation, reduction or suspension of passenger and freight transport services by road, rail, air, sea and waterway, including unscheduled services and local public transport (letter o). In any event, passenger transport service may only continue if the service operator establishes the appropriate conditions to ensure predetermined and adequate interpersonal distancing;
- the extension to 15 October 2020 of the effectiveness of certain provisions governing remote work as a priority for people with disabilities and people with compromised immune systems, introduced by article 39 of Decree law no. 18/2020;
- the extension from 31 July to 15 October 2020 of the possibility for private employers to implement simplified work-from-home policies regardless of any individual agreement normally required by current regulations, introduced by article 90 of Decree law no. 34/2020. The same provision also extends the right to work remotely

as a priority for certain people. The extension was to 15 October 2020 solely for workers most at risk of exposure to COVID-19 and to 14 September 2020 for parents of children under the age of 14.

- **Prime Minister's decree of 7 August 2020 "Additional provisions implementing Decree law no. 19 of 25 March 2020 containing emergency measures to manage the COVID-19 epidemiological emergency" and Decree law no. 33 of 16 May 2020 containing "Additional emergency measures to manage the COVID-19 epidemiological emergency"**. This decree extended until 7 September 2020 the minimum prevention measures to counter and contain the spread of COVID-19. In particular, article 9 contained "Scheduled public transport measures", requiring that the scheduled public transport activities by land, sea, rail, air, lake and waterway are carried out in accordance with the "Shared regulation protocol for the containment of COVID-19 in the transport and logistics sector" signed on 20 March 2020 (appendix 14 to the Prime Minister's decree) and the "Guidelines for informing users and organisational methods for the containment of COVID-19 in public transport" (appendix 15 of the Prime Minister's decree).
- **Prime Minister's decree of 13 October 2020 on measures to counter and contain the COVID-19 emergency**. The decree updated, with effect until 13 November 2020, the measures to contain the spread of Sars-COV-2 throughout the country. The decree, which was subsequently amended by the Prime Minister's decree of 18 October 2020, introduced the requirement for everyone to always carry respiratory protection devices (face masks) and wear them in closed spaces - except for private homes, in which it is highly recommended to wear masks when non-household members are present - and outdoors when isolation from non-household members cannot be continuously guaranteed. Specifically, article 9.1 of this decree established that public transport by land, sea, rail, air, lake and waterways must be carried out in accordance with the "Shared regulation protocol for the containment of COVID-19 in the transport and logistics sector" signed on 20 March 2020 (appendix 14) and the "Guidelines for informing users and organisational methods for the containment of COVID-19 in public transport" (appendix 15). Paragraph 2 of the same article established that the MIT, with its own decree to be issued in jointly with the Health Ministry, could supplement or change the above guidelines and the aforesaid protocol (appendices 14 and 15). The provisions of the Prime Minister's decree applied from 14 October and replaced those of the Prime Minister's decree of 7 August 2020, as extended by the Prime Minister's decree of 7 September 2020.
- **Prime Minister's decree of 24 October 2020 - "Additional measures implementing Decree law no. 19 of 25 March 2020, converted, with amendments, by Law no. 35 of 25 May 2020, containing "Emergency measures to handle the COVID-19 epidemiological emergency" and Decree law no. 33 of 16 May 2020, converted, with amendments, by Law no. 74 of 14 July 2020 containing "Additional emergency measures to handle the COVID-19 epidemiological emergency"**. As from 26 October 2020, the decree replaced the provisions of the Prime Minister's decree of 13 October 2020, as amended and supplemented by the Prime Minister's decree of 18 October 2020, in force until 24 November 2020. The new decree confirmed the requirement for everyone to always carry respiratory protection devices (face masks) and wear them in closed spaces - including private homes, when non-household members are present - and outdoors when isolation from non-household members cannot be continuously guaranteed. The main changes made with the new decree include: recommending that no one travel using public or private means of transport except for work- or school-related reasons, for health reasons, out of necessity or to carry out activities or use services that have not been suspended. The power given to the President of the region to schedule the service provided by LPT companies, including unscheduled service, in order to reduce and cancel services in relation to the healthcare measures necessary to

contain the COVID-19 emergency based on actual needs and solely to ensure the minimum essential services, must in any case be organised in such a way to prevent the overcrowding of transport vehicles at peak times. For the same purposes and to contain the COVID-19 public health emergency, by decree issued jointly with the Health Ministry, the MIT may order: reductions, suspensions or limitations of transport services, including international transport, by road, rail, air, sea and waterways, and may establish specific obligations for users, crews and carriers and shipowners; long-haul public transport companies to frequently carry out the extraordinary sanitisation of vehicles; the ban on travel to and from the countries and territories indicated in list E of appendix 20 (the Prime Minister's decree of 13 October 2020: all the countries and territories not explicitly indicated in other list), the ban on entering and transiting through the country for people who have transited through or stayed in the countries and territories in the same list E within the previous 14 days and the ban on travel to the countries and territories in list F of appendix 20 (Prime Minister's decree of 13 October 2020: Armenia, Bahrein, Bangladesh, Bosnia Herzegovina, Brazil, Chile, Kuwait, North Macedonia, Moldova, Oman, Panama, Peru, Dominican Republic, Kosovo, Montenegro and Colombia), except in certain specific cases (work-related reasons; absolute necessity; health reasons; school; return to one's domicile, home or residence; and others). Furthermore, people who have transited through or stayed in the countries or territories in list F of appendix 20 in the previous 14 days are prohibited from entering or transiting through the country, with specific exceptions. Those entering the country from abroad have specific declaration obligations (which must be obtained and verified by carriers and shipowners) and, in certain cases, medical monitoring, isolation at home and mandatory COVID-19 tests; the legislation confirmed the obligation for LPT to comply with the provisions of the Protocol of 20 March 2020 (appendix 14) and the guidelines for informing users (appendix 15). As for the new organisational and functional requirements, the protocol and guidelines may be modified with the MIT's decree. Professional activities must be:

- carried out remotely, where possible from one's home or elsewhere;
- with incentives for employees to take holidays and paid leave or use other benefits provided for by the collective bargaining agreements;
- with the implementation of anti-infection safety protocols and, without prejudice to the obligation to use the respiratory protection devices required by regulations, protocols and guidelines in force;
- with incentives to sanitise workplaces, and social safety nets may be used for this purpose.

- **Prime Minister's decree of 3 November 2020 containing "Additional measures implementing Decree law no. 19 of 25 March 2020, converted, with amendments, by Law no. 35 of 25 May 2020 containing "Emergency measures to manage the COVID-19 epidemiological emergency" and Decree law no. 33 of 16 May 2020, converted, with amendments, by Law no. 74 of 14 July 2020 containing "Additional emergency measures to manage the COVID-19 epidemiological emergency"** replacing the Prime Minister's decree of 24 October 2020 and establishing, from 6 November to 3 December, more restrictive measures throughout the country than the previous decree, in addition to more measures to contain the outbreak in certain regions with a more serious situation and higher level of risk. In these regions, with an ordinance of the Health Ministry, to be issued considering the opinion of the Presidents of the concerned regions, based on the monitoring of the epidemiological data according to that established in the "COVID-19 prevention and response: development of the strategy and planning for the autumn/winter" paper resulting from the Conference of regions and autonomous provinces (appendix 25), and based on the data processed by the coordinating task force pursuant to the Decree of 30 April 2020, with the opinion of the Technical Scientific Committee on the monitored data, the regions with a "high" risk level would be classified as presenting either a "type-3 scenario" (i.e., the "orange" areas) or a "type-4 scenario" (i.e., the "red" areas). A series of specific restrictions would therefore apply to these regions. In addition to that already established

by the Prime Minister's decree of 24 October 2020, the new provisions imposed, for the entire country, a curfew from 10pm to 5am except for justified work-related reasons, necessity and health reasons. In any case, it was highly recommended that no one travel using public or private means of transport except for work- or school-related reasons, for health reasons, out of necessity or to carry out activities or use services that had not been suspended. It established that the saturation of LPT and regional railway transport vehicles, with the exclusion of dedicated school transport, could not exceed 50% of capacity.

- **Decree law no. 158 of 2 December 2020 containing “Emergency measures to manage the public health risks of the spread of COVID-19”.** This decree law amended the emergency legislation to manage the COVID-19 emergency situation, provided for, *inter alia*, the extension of the maximum term from 30 to 50 days for the Prime Minister's decrees implementing the emergency rules (article 1.1). Furthermore, it also included *ad hoc* measures for the period from 21 December 2020 to 6 January 2021. The draft conversion law for the decree law was submitted to the Chamber (AC 2812) and its content was transposed into AC 2835 (draft conversion law of the “Christmas” decree law, see below).
  
- **Prime Minister's decree of 3 December 2020 containing “Additional measures implementing Decree law no. 19 of 25 March 2020, converted, with amendments, by Law no. 35 of 22 May 2020 containing “Emergency measures to manage the COVID-19 epidemiological emergency” and Decree law no. 33 of 16 May 2020, converted, with amendments, by Law no. 74 of 14 July 2020 containing “Additional emergency measures to manage the COVID-19 epidemiological emergency” and Decree law no. 158 of 2 December 2020 containing “Emergency measures to manage the health risks of the spread of COVID-19”.** The Prime Minister's decree contained restrictions to counter the spread of COVID-19, particularly during the Christmas holiday season. In particular, it provided for:
  - a curfew from 10pm to 5am and from 10pm on 31 December 2020 to 7am on 1 January 2021 (except for travel due to justified work-related reasons, out of necessity or for health reasons);
  - a ban on entering and leaving regions or autonomous provinces from 21 December 2020 to 6 January 2021, and on 25 and 26 December 2020 and 1 January 2021 (it was, in any case, possible to return to one's residence, domicile or home, with the exception of travel to second homes located in another region or autonomous province and, on 25 and 26 December 2020 and 1 January 2021, even if located in another municipality);
  - the confirmation of a maximum saturation limit of 50% capacity on LPT and regional railway transport vehicles, except for dedicated school transport.The Prime Minister's decree confirmed the colour coding system for the regions according to the epidemiological scenario (“yellow”, “orange” and “red” areas) adopted by the Prime Minister's decree of 3 November 2020.
  
- **Decree law no. 172 of 18 December 2020 containing “Additional emergency measures to manage the health risks of the spread of COVID-19”.** The Decree law, without prejudice to the provisions already introduced with Decree law no. 158 of 2 December 2020 concerning travel within or to the country in the period between 21 December 2020 and 6 January 2021, established:
  - the application of the measures pursuant to the Prime Minister's decree of 3 December 2020 on holidays and days preceding holidays between 24 December 2020 and 6 January 2021, throughout the country for the “red” areas (i.e., those with the highest level of severity and risk);
  - the application of the measures pursuant to the Prime Minister's decree of 3 December 2020 on 28, 29, 30 December 2020 and 4 January 2021, throughout the country for the “orange” areas (i.e., those with a high level of

severity and risk). On the same days, it did, however, allow travel outside municipalities with populations of up to 5,000 residents within 30 km of the municipal limits, but excluding travel to provincial capitals in any case;

- the possibility for a maximum of two people to travel, once a day, to only one private home within their region in the period from 24 December 2020 to 6 January 2021, between 5am and 10pm, in addition to the other permitted travel.

The Chamber of Deputies is currently examining the decree law for its conversion into law (AC 2835).

- **Decree law no. 1 of 5 January 2021 containing “Additional emergency measures on the containment and management of the COVID-19 epidemiological emergency”.** This legislation, in force as from 6 January, establishes a new framework of rules for travel and clarifies the validity of additional containment measures. In detail, it ordered:

- from Thursday 7 January to 15 January, the ban, throughout all of Italy, to travel between regions or autonomous provinces (except for demonstrated work-related reasons, necessity or health reasons). However, it permitted people to return to their residence, domicile or home. In the same period, in the areas in the “red zone”, the legislation permitted a maximum of two people to travel once a day to one single private home in the same municipality.
- on 9 and 10 January 2021, the application of measures throughout Italy for the “orange zone” (article 2 of the Prime Minister’s Decree of 3 December 2020). It was in any case permitted, on these days, to travel 30 km outside of municipalities with populations of up to 5,000 residents, excluding travel to provincial capitals.
- the application, from 7 to 15 January 2021, of the other measures provided for by the Prime Minister’s decree of 3 December 2020 and subsequent ordinances.

The Chamber of Deputies is currently examining the decree law for its conversion into law (AC 2847).

- **Decree law no. 2 of 14 January 2021 containing “Additional emergency provisions on the containment and prevention of the COVID-19 epidemiological emergency and the holding of elections for 2021”.** This legislation extends the state of emergency due to the COVID-19 pandemic to 30 April 2021.

Furthermore, throughout Italy from 16 January 2021 to 5 March 2021:

- the possibility, once a day, of travelling to another private home between 5am and 10pm for a maximum of two people in addition to those already living in that home (minor children, disabled or non-self-sufficient people may accompany the two people). This visit may occur within the same region in a yellow area, or within the same municipality in an orange or red area, except for that provided for with respect to travel outside municipalities with up to 5,000 residents;
- if mobility is limited to the municipality, the possibility of leaving one’s municipality if its population is not more than 5,000 residents for a distance not exceeding 30 km from the municipal border, excluding travel to provincial capitals in any case;
- the creation of a “white” area for the regions presenting a “type 1” scenario, with a “low” risk level and infection rate of fewer than 50 cases for every 100,000 residents for three consecutive weeks. The restrictions under the Prime Minister’s decree for the yellow, orange and red areas do not apply to the “white” area, where activities may be carried out in accordance with specific protocols. However, specific restrictive measures may be implemented in these areas with Prime Minister’s decrees for specific activities that are particularly relevant from an epidemiological standpoint.

The Senate is currently examining the decree law for its conversion into law (AC 2066).

- **Prime Minister's decree of 14 January 2021 containing "Additional provisions implementing Decree law no. 19 of 25 March 2020," converted, with amendments, by Law no. 35 of 22 May 2020 containing "Emergency measures", Decree law no. 33 of 16 May 2020, converted, with amendments, by Law no. 74 of 14 July 2020 containing "Additional emergency measures to manage the COVID-19 epidemiological emergency" and Decree law no. 2 of 14 January 2021 containing "Additional emergency measures to contain and prevent the COVID-19 epidemiological emergency and holding of elections for 2021".** This decree establishes a new framework of measures to manage the COVID-19 epidemiological emergency with respect to the limitations to personal travel and the opening of economic and recreational activities in force from 16 January to 5 March 2021. It confirms the colour coding system for the individual regions and the maximum use of LPT and regional railway transport vehicles at 50% capacity, except for dedicated school transport. Article 11 establishes detailed rules for scheduled public transport, including railway transport, and the related regulation protocols that must be applied (annexes 14 and 15). It also confirms, for long-haul trains, interpersonal distancing of one metre on board.

## **2. Developments in Italian legislation – Decrees relating to the measures offsetting the economic and financial effects of the epidemiological emergency affecting the FS Italiane group.**

- **Decree law no. 9 of 2 March 2020 containing "Emergency relief measures for households, workers and businesses connected to the COVID-19 epidemiological emergency.** The decree, containing measures regarding the refund of travel tickets and tour packages, subsequently repealed by Law no. 27 of 24 April 2020 (article 1.2), had specifically provided for, in the specific circumstances listed therein and relating to the epidemiological emergency, with respect to the various types of transport contracts, the application of the regulations concerning the total impossibility of providing the service under article 1463 of the Italian Civil Code (in these cases, the party no longer required to provide the service may not demand the consideration and must return amounts already received). Furthermore, the legislation gave people who had entered into air, railway, sea, waterway or land transport to exercise, pursuant to article 41 of the National code for the tourism organisation and market (Legislative decree no. 79/2011), the right to withdraw from tour packages in the circumstances listed therein and in connection with the epidemiological emergency. In the event of withdrawal, the tour operator could offer travellers a substitute package of the equivalent or superior quality, or could offer reimbursement or issue a voucher, to be used within one year of its issue and equal to the amount to be reimbursed.
- **Decree law no. 18 of 17 March 2020, in coordination with Conversion law no. 27 of 24 April 2020, containing "Measures to strengthen the national healthcare system and provide economic relief to households, workers and companies in relation to the COVID-19 epidemiological emergency".**  
This decree law, which was partly described above, included other measures to provide relief for the economic and financial impacts:
  - special provisions on the ordinary furlough scheme for employers and workers who, in 2020, use the aforementioned income assistance following the suspension or reduction of work due to the COVID-19 epidemiological emergency, which could be granted for periods from 23 February 2020 for a maximum of nine weeks and, in any case, within August 2020;
  - companies that, at 23 February 2020, benefit from the extraordinary furlough scheme may submit an application for the ordinary furlough scheme for up to maximum expenditure of €338.2 million for 2020 and for a period not exceeding nine weeks; Specifically, if granted, the ordinary furlough scheme benefits replace the extraordinary government sponsored lay-off scheme and are subject to the suspension of the effects of the latter and may also

cover the same workers receiving benefits under the extraordinary furlough scheme that fully cover all work hours; Furthermore, on an interim basis, the procedural terms of the current legislation for the performance of the joint examination and consequent trade union consultation, as well as the presentation of the applications for access to the benefits (articles 24 and 25 of Legislative decree no. 148/2015) do not apply;

- employers registered with the Fund for salary assistance with solidarity assistance in place at 23 February 2020 are given the possibility of applying for the ordinary assistance for a period not exceeding nine weeks. In detail, if granted, the ordinary assistance suspends and replaces the solidarity assistance already in place and may cover the same workers benefiting from the extraordinary salary assistance fully covering all work hours;
- provisions to allow the regions and autonomous provinces to grant, as a consequence of the COVID-19 epidemiological emergency, up to the limits of available resources, salary supplements in a departure from regulations, for the duration of the suspension of employment and, in any case, for a period not exceeding nine weeks, for private sector employers not eligible for the protections under current provisions on the suspension or reduction of work hours;
- rules that provide for the transfer of €50 million from INAIL (national insurance institution for injuries in the workplace) to Invitalia (national agency to attract investments), to be paid to companies for the purchase of personal protective equipment and similar;
- measures to extend to 20 March 2020 the deadlines for payments to the public administrations otherwise due on 16 March 2020;
- provisions modifying the suspension of payments of withholdings, contributions and premiums introduced by the previous Decree law no. 9 of 2 March 2020. The suspension only regarded payments for withholdings on employees' salaries and similar and fulfilments and payments of social security contributions and premiums for mandatory insurance, therefore excluding withholdings on remuneration and other income paid by the government. The suspension was then extended to additional categories operating, *inter alia*, in the transport sector, including: operators of bus, railway or metro stations, ports or airports; operators of freight transport services and land, air, sea, river, lake and lagoon passenger transport services, including the operation of cable railways, funicular railways, cable cars, chair lifts and ski lifts;
- for operators with tax domicile, registered office or operating site in the country, the suspension covers tax fulfilments other than payments, withholdings and withholdings related to the additional regional and municipal taxes falling due in the period from 8 March 2020 to 31 May 2020;
- an amendment to the public contracting code to specify that the payment of the advance to the contractor is permitted even in the event of the urgent delivery of works, services or supplies;
- provisions to raise from 10% to 20% the percentage of the advance on the amounts for each project in the operating plans and the development pacts financed using resources from the Fund for Development and Cohesion for the 2014-2020 programme cycle. The 20% advance is permitted for infrastructural work with an executive project approved by the competent bodies (i.e., for which the work site may be set up), or, in the event of work for companies, when the executive project has been funded pursuant to a measure. The increase does not apply to financing for projects implemented by Anas S.p.A. and RFI S.p.A.;
- the possibility of calling the shareholders' meeting to approve the financial statements within 180 days of the year end, regardless of the provisions of the Italian Civil Code and the by-laws, without justifying this in the directors' report and, in the event of an exemption, in the notes to the financial statements.



- **Decree law no. 34 of 19 May 2020, in coordination with Conversion law no. 77 of 17 July 2020 containing “Emergency measures concerning health, support for employment and the economy and social policies in connection with the COVID-19 epidemiological emergency”.** This legislation contains provisions specifically affecting the group, which were confirmed in its conversion into law, specifically regarding:
  - amendments to article 19 on the ordinary furlough scheme and ordinary assistance (article 168);
  - relief for railway companies (article 196);
  - incentives to promote intermodality (Ferrobonus and Marebonus) (article 197);
  - relief for LPT (article 200);
  - emergency relief to restore, upgrade to safety standards and upgrade sections of the A24 and A25 motorways and state road 4 following the 2009, 2016 and 2017 earthquakes and to build new motorway infrastructures (article 206);
  - emergency provisions for the liquidity of contractors (article 207);
  - provisions to relaunch the railway sector (article 208);
  - a non-recurring grant to compensate the lower amounts collected by Anas S.p.A. and the railway transport companies (article 214);
  - protection measures for railway transport and LPT commuters (article 215).
  
- **Decree law no. 104 of 14 August 2020 containing “Emergency measures to support and relaunch the economy”, in coordination with Conversion law no. 126 of 13 October 2020.** This legislation contains various measures affecting the group, some of which were introduced in the conversion law. The main changes include:
  - the provision under article 26.1-bis, which requires that, from 16 October to 31 December 2020, vulnerable workers work remotely, which may entail assigning them different duties within their same category or professional level, as defined by the collective bargaining agreements in force, or the performance of specific professional training activities, including remotely;
  - the amendment introduced with article 44 concerning support for LPT, increasing the resources for 2020 by €400 million of the Fund to compensate LPT and regional railway companies affected by a drop in fee revenue as a consequence of the COVID-19 emergency. Based on the integration made by the Senate – referring to the provisions of article 1 of Decree law no. 111 of 8 September 2020 – up to €300 million of these additional resources may be used to finance additional local and regional public transport services - including for students - necessary to manage transport needs in connection with the COVID-19 emergency. Furthermore, each region and autonomous province is authorised to implement such additional services using up to 50% of the allocable resources, applying the same allocation percentages of the Decree implementing article 200.2 of Decree law no. 34/2020 to the expenditure authorised by paragraph 1;
  - the inclusion of article 44-bis, which establishes certain amendments to article 214 of Decree law no. 34 of 2020 concerning the grant to railway companies for passenger and freight transport services on the market to compensate the economic effects directly suffered as a result of the COVID-19 emergency. The deadline by which the companies must report the economic effects suffered up to 31 July 2020 was extended to 31 October 2020. Furthermore, the residual resources are allocated to the companies, including for the economic effects suffered as from 1 August 2020 to 31 December 2020 (new paragraph 5-bis);
  - the inclusion of article 89-bis on the railway connection in the Messina Strait, ordering that the use of high-speed boats in the 2016-2021 GPC-S, in accordance with the provisions of the national railway network concession to RFI S.p.A., also refers to the Messina-Reggio Calabria connection.

- **Decree law no. 111 of 8 September 2020 containing “Emergency measures to cover urgent financial requirements relief for the start of the school year in connection with the COVID-19 epidemiological emergency”.** Insofar as it concerns the group, article 1 establishes that, in order to support the LPT and regional passenger transport sector, the additional resources allocated to the regions for LPT (€400 million, pursuant to article 44 of Decree law no. 104/2020, converted by Law no. 126 of 13 October 2020) may be used, for up to €300 million, to finance additional LPT and regional transport services for students as well, as needed to meet transport needs arising from the implementation of the containment measures, if the saturation of such services exceeds 80% capacity in the post-COVID period. Article 2 provides that the resources allocated to the Fund for the operation of the fundamental functions of local bodies (set at €3.5 billion in article 106 of Decree law no. 34/2020 and increased by €1,670 million for 2020 by article 39 of Decree law no. 104/2020) may be used by the municipalities for up to a total limit of €150 million to finance the additional school transport services. To this end, each municipality may allocate additional resources of up to 30% of the expenditure incurred for the same purpose in 2019 for school transport in 2020. This decree law has expired, but its effects remain in force pursuant to article 1.2 of Law no. 126/20, which converted Decree law no. 104/20.
- **Interministerial decree no. 472**  
On 22 October 2020, the MIT published on its website Interministerial decree no. 472, adopted jointly with the MEF, establishing the criteria and methods whereby the beneficiary companies of the grants pursuant to article 214.3-6 of Decree law no. 34/2020 for the long-haul market and freight business report the economic impacts suffered directly as a result of the COVID-19 emergency during the grant period. The disbursement of the resources to be allocated to the beneficiary companies is subject to a declaration of eligibility by the European Commission pursuant to article 108.3 of the Treaty on the Functioning of the European Union.
- **Decree law no. 137 of 28 October 2020 containing “Additional emergency measures for the protection of health, support to workers and businesses, justice and safety in connection with the COVID-19 epidemiological emergency”, in coordination with Conversion law no. 176 of 18 December 2020.** Decree no. 137 contains a series of provisions mainly intended to support the economic sectors most affected by the worsening of the COVID-19 public health emergency (with specific reference to the second wave) and in relation to the restrictions on production activities and people’s travel within the country. The main measures in the decree incorporating the provisions of other decrees providing relief (Decree laws nos. 149, 154 and 157, respectively known as Relief *bis*, *ter* and *quater*, with the same purposes), include:

  - regarding LPT, the period in which companies may draw on the fund set up pursuant to Decree law no. 34/2020 for LPT companies to compensate for lower fee revenue during the COVID-19 emergency (article 22-*ter*) was extended to 31 January 2021. The Fund’s resources were replenished by €390 million for 2021, of which €190 million may be used to fund additional local and regional public transport services, including school transport services.
- **Law no. 178 of 30 December 2020, “Government forecast for 2021 and long-term budget for the 2021-2023 three-year period”.** This law establishes:

  - relief measures for the railway sector: paragraphs 675-678 provided for, up to 30 April 2021, compensation for damage caused by COVID-19 for railway passenger and freight transport not under the public service obligation, earmarking a total of €420 million (€30 million for 2021 to 2030). Paragraphs 679-680 authorise expenditure totalling €150 million (€20 million for 2021 and €10 million per year from 2022 to 2034) to RFI S.p.A. due to the

reduction, for 1 January to 30 April 2021, of the fee to use the railway infrastructure of up to 100% of the amount exceeding the coverage of the cost directly related to the provision of the railway service, for passenger and freight transport services not subject to the public service obligation;

- undivided interregional railway services: paragraphs 683-687 provided that, by 31 December 2021, undivided interregional railway services on the Bologna-Brennero line are operated by the Veneto Region, while those on the Trieste-Venice and Trieste-Udine-Venice lines are operated by the Friuli Venice Giulia Region. Additional available resources were allocated in the MEF's forecast expenditure amounting to €3,906,278 per year starting in 2021;
- provisions on railway freight transport: paragraph 671 authorised expenditure totalling €70 million (€5 million per year from 2021 to 2034) to support the companies that hold and rent railway freight carriages, as well as forwarding agents and multimodal transport operators (MTO), limited to railway transport, in response to the economic effects suffered as a result of the COVID-19 emergency and recorded as from 23 February 2020 to 31 December 2020;
- incentives to promote logistics and intermodality (Ferrobonus): paragraph 673 refinanced the Ferrobonus by another €25 million for 2021, €19 million for 2022 and €22 million for each year from 2023 to 2026 (for a total of €132 million). These resources are in addition to the €20 million already allocated for 2021 under the 2020 budget law. With respect to 2021, the last year of Ferrobonus validity, the measure raises the amount of the resources already allocated under current legislation (€25 million) to a total of €50 million;
- service contracts: paragraphs 681 and 682 reintroduced the parliamentary opinion on service contracts (concerning day and night medium and long-haul transport services) with Ferrovie dello Stato Italiane S.p.A.;
- increase in resources for LPT: paragraph 816 financed additional local and regional public transport services in the regions and the autonomous provinces of Trento and Bolzano, establishing a specific fund with resources of €200 million for 2021. Regions and municipalities are permitted to enter into agreements with operators of passenger bus services, taxis and bus rentals with drivers.

- **Decree law no. 183 of 31 December 2020 containing "Emergency measures on the legislative, digital connection and decision implementation terms (EU, EURATOM) 2020/2053 of the Council of 14 December 2020 and regarding the United Kingdom withdrawal from the European Union".**

The decree law contains certain provisions provided for by article 13 (Extension of terms for infrastructure and transport), affecting the following terms:

- (paragraph 1) extension to 31 December 2021 of the possibility of increasing the amount of the advance on the contract price up to 30% (article 207, Decree law no. 34/2020, converted, with amendments, by Law no. 77/2020);
- (paragraph 2) various amendments to the Decree law to have work sites resume operations. Specifically, it extended to 31 December 2021:
  - the possibility for those implementing works for which the design has yet to be carried out to begin the related procedures for the contracting, even in the event of available financing solely for the design stage (article 1.4 of Decree law no. 32/2019, converted, with amendments, by Law no. 55/2019);
  - the possibility for routine and non-routine maintenance contracts to be assigned based on the definitive project and for such works to be executed regardless of whether the executive project has been drafted and approved (article 1.4 of Decree law no. 32/2019, converted, with amendments, by Law no. 55/2019);

- the possibility for the contracting stations to indicate sub-contracts in the call for tenders and a 40% on the amount of such sub-contracts out of the total value of the contract (article 1.18 of Decree law no. 32/2019, converted, with amendments, by Law no. 55/2019);
- (paragraph 3) extension to 1 January 2022 of the deadline to postpone the application of the provisions of Legislative decree no. 35/2011 (implementation of Directive 2008/96/CE on the management road infrastructure safety) for roads in the national network as well, and the extension to 31 December 2021 of the deadline for the regions and autonomous provinces to define the regulations for the management of road infrastructure safety within the jurisdiction of the regions and local bodies, with specific regard to the roads financed by the EU;
- (paragraph 5) updates to the deadlines for the definition of the procedures for the revision of the economic/financial plans of the motorway concessions and postpones the term for the adjustment of the fees for 2021 (article 13.3 of Decree law no. 162/2019, converted, with amendments, by Law no. 8/2020);
- (paragraph 7) extension to 2021 of the provision for the allocation of the LPT Fund resources without the application of penalties (article 200.5 of Decree law no. 34/2020, converted, with amendments, by Law no. 77/2020);
- (paragraph 12) extension to 30 April 2021 of the provisions whereby, due to the COVID-19 emergency, customers may not reduce the consideration or apply sanctions or penalties to local and regional public transport service operators as a result of the smaller number of runs operated and the smaller distances travelled from 23 February 2020 to 31 December 2020 (article 92.4-*bis* of Decree law no. 18/2020, converted, with amendments, by Law no. 27/2020);
- (paragraph 15) amendments to the provisions establishing a non-recurring grant to compensate Anas S.p.A. for the lower amounts collected as a result of the COVID-19 epidemiological emergency (article 214 of Decree law no. 34/2020, converted, with amendments, by Law no. 77/2020);
- (paragraph 16) in order to shorten the time to complete the work on the 1st functional lot of the HS/HC Verona-Vicenza-Padua section and allow the start of work at such functional lot by 31 December 2026, with authorisation for RFI S.p.A. to begin work on the 2nd Verona-Vicenza junction construction lot;
- (paragraph 17) for the works pursuant to paragraph 16, the possibility for RFI S.p.A. to use up to €726 million of the resources provided for in the current GPC-I not allocated to finance other investments not yet in the executive design stage when the provision went into force.

The Chamber of Deputies is currently examining the decree law for its conversion into law (AC 2848).

- **Proposed National Recovery and Resilience Plan (“NRRP”).** The plan will implement the Next Generation EU plan, which was approved to integrate the long-term financial framework for 2021-2027 in light of the economic and social repercussions of the COVID-19 pandemic. The NRRP consists of six missions, including the green revolution and ecological transition and sustainable mobility infrastructure. A total of approximately €210 billion was allocated, including €31,98 billion for Infrastructure, broken down as follows: €28.3 billion for the HS railway and road maintenance 4.0; €3.68 billion for intermodal transport and integrated logistics. The plan was approved by the Council of Ministers and sent to Parliament for the relevant assessments.

### 3. List of other national legislative measures issued in response to the public health, social and economic emergency caused by COVID-19.

- **Decree law no. 6 of 23 February 2020** - "Emergency measures to contain and manage the COVID-19 epidemiological emergency", converted, with amendments, by Law no. 13 of 5 March 2020;
- **Prime Minister's decree of 25 February 2020** - "Additional measures implementing Decree law no. 6 of 23 February 2020, containing emergency measures to contain and manage the COVID-19 epidemiological emergency";
- **Prime Minister's decree of 1 March 2020** - "Additional measures implementing Decree law no. 6 of 23 February 2020, containing emergency measures to contain and manage the COVID-19 epidemiological emergency";
- **Prime Minister's decree of 8 March 2020** - "Additional measures implementing Decree law no. 6 of 23 February 2020, containing emergency measures to contain and manage the COVID-19 epidemiological emergency applicable to all of Italy";
- **Prime Minister's decree of 11 March 2020** - "Additional measures implementing Decree law no. 6 of 23 February 2020, containing emergency measures to contain and manage the COVID-19 epidemiological emergency applicable to all of Italy";
- **Prime Minister's decree of 22 March 2020** - "Additional measures implementing Decree law no. 6 of 23 February 2020, containing emergency measures to contain and manage the COVID-19 epidemiological emergency applicable to all of Italy";
- **Ministry of Economic Development decree of 25 March 2020** - Amendment to the list of NACE codes pursuant to annex 1 to the Prime Minister's decree of 22 March 2020;
- **Health Ministry's ordinance of 28 March 2020**, issued in concert with the MIT, containing "Additional emergency measures to contain and manage the COVID-19 epidemiological emergency";
- **Prime Minister's decree of 1 April 2020** - "Measures implementing Decree law no. 19 of 25 March 2020, containing "Emergency measures to handle the COVID-19 epidemiological emergency applicable to all of Italy";
- **Decree law no. 23 of 8 April 2020, in coordination with the conversion law no. 40 of 5 June 2020** - "Emergency measures concerning access to credit and tax fulfilments, special powers in the strategic sectors and health and labour initiatives, the extension of the administrative and court deadlines" (i.e., the company liquidity decree).
- **Prime Minister's decree 10 April 2020** - "Additional measures implementing Decree law no. 19 of 25 March 2020, containing emergency measures to contain and manage the COVID-19 epidemiological emergency applicable to all of Italy";
- **Prime Minister's decree of 26 April 2020** - "Measures implementing Decree law no. 6 of 23 February 2020, containing "Emergency measures to handle the COVID-19 epidemiological emergency applicable to all of Italy";
- **Prime Minister's decree of 17 May 2020** - "Measures implementing Decree law no. 19 of 25 March 2020, containing emergency measures to handle the COVID-19 epidemiological emergency and Decree law no. 33 of 16 May 2020, containing additional emergency measures to handle the COVID-19 epidemiological emergency";
- **Prime Minister's decree of 11 June 2020** - "Additional measures implementing Decree law no. 19 of 25 March 2020, containing emergency measures to handle the COVID-19 epidemiological emergency and Decree law no. 33 of 16 May 2020, containing additional emergency measures to handle the COVID-19 epidemiological emergency";

- **Prime Minister's decree of 14 July 2020** - "Measures implementing Decree law no. 19 of 25 March 2020, containing emergency measures to handle the COVID-19 epidemiological emergency and Decree law no. 33 of 16 May 2020, containing additional emergency measures to handle the COVID-19 epidemiological emergency";
- **Prime Minister's decree of 7 September 2020** - "Additional measures implementing Decree law no. 19 of 25 March 2020, containing emergency measures to handle the COVID-19 epidemiological emergency and Decree law no. 33 of 16 May 2020, containing additional emergency measures to handle the COVID-19 epidemiological emergency";
- **Decree law no. 125 of 7 October 2020** - "Emergency measures connected with the extension of the state of emergency declaration due to the COVID-19 epidemiological emergency, for the operational continuity of the COVID-19 alert system and the implementation of Directive (EU) 2020/739 of 3 June 2020", in coordination with conversion law no. 159 of 27 November 2020.
- **Prime Minister's decree of 18 October 2020** - "Additional measures implementing Decree law no. 19 of 25 March 2020, converted, with amendments, by Law no. 35 of 25 May 2020, containing "Emergency measures to handle the COVID-19 epidemiological emergency" and Decree law no. 33 of 16 May 2020, converted, with amendments, by Law no. 74 of 14 July 2020, containing "Additional emergency measures to handle the COVID-19 epidemiological emergency"

#### **4. Developments in Italian legislation unrelated to the COVID-19 epidemiological emergency and in the FS Italiane group's interests**

- **Decree law no. 162 of 30 December 2019, in coordination with Conversion law no. 8 of 28 February 2020 containing emergency measures to extend the legislative, public administration organisation and technological innovation deadlines.** This decree, among the other measures, established:
  - Fund for the training of train drivers involved in railway freight transport. The fund was allocated another €100,000 for 2020 and €1 million for 2021 and 2022 each, *"for the training of other railway operation professionals"*;
  - Motorway tolls. The term for the adjustment of motorway tolls for 2020 was postponed until the procedure for the updating of the financial plans is defined. The deadline for operators to present the concession grantor the proposed updates to the plans was set for 30 March 2020 and the deadline for their updating was set for 31 July 2020;
  - Anas group. The possibility of extending the extraordinary procedure for the easing of the Anas S.p.A. dispute to 2020 and 2021 was introduced. The implementation of the remuneration mechanism based on the consideration in the contract between the MIT and Anas S.p.A. was postponed to the 2021-2025 GPC;
  - Interconnected regional lines. Under the decree law, the new regional standard-gauge lines that are connected to the national network, ensuring a connection with the cities, which have not yet been authorised for placement in service when the conversion law of this decree law went into force, will be transferred to RFI S.p.A..
  - Motorway concessions. In the event of revocation, forfeiture or termination of road or motorway concessions, including those with tolls, pending the performance of the tender procedures to assign the new concession, Anas S.p.A. may operate and carry out routine and non-routine maintenance and investments to redevelop or upgrade them. Furthermore, without prejudice to any agreed provisions that exclude payment of indemnities in the event of early termination of the concession, Anas S.p.A. may, for the purposes of performing the aforementioned activities, acquire any projects drafted by the operator upon payment of a consideration determined on the sole basis of the design costs and the intellectual property royalties pursuant to article 2578 of the Italian Civil Code. Moreover, a decree adopted by the MIT jointly with the MEF will govern the object and methods of the interim

operation assigned to Anas S.p.A.. If the concession ends due to non-performance by the operator, article 176.4.a) of the code pursuant to Legislative decree no. 50 of 18 April 2016 applies, even replacing any agreed, substantial or procedural clauses that state otherwise and even if they have been approved by law, which are to be considered null and void pursuant to article 1419.2 of the Italian Civil Code, and no rightful termination shall be applicable by force of this provision. The validity of the concession revocation, forfeiture or termination provision is not subject to payment of the amounts provided for in aforementioned article 176.4.a) by the granting administration.

- Opening of the treasury account for RFI S.p.A.. Under the decree law, a treasury account was opened for RFI S.p.A. for the transfer of funds from the government budget to RFI S.p.A., after it was included in the ISTAT (national statistics institute) list.

- **Decree law no. 16 of 11 March 2020 in coordination with Conversion law no. 31 of 8 May 2020 containing “Emergency measures for the organisation and holding of the Milan Cortina 2026 Winter Olympics and Paralympics and the 2021-2025 ATP Finals in Turin, as well as on the ban on parasitic advertising”.** This decree law introduced emergency measures for the organisation and holding of the Milan Cortina 2026 Winter Olympics and Paralympics and the 2021-2025 Association of Tennis Professionals (ATP) Finals in Turin, establishing the necessary legal/regulatory framework to facilitate the construction of broad and highly complex infrastructural upgrades and urban and land redevelopment in the host cities. The decree law authorises the incorporation of a company named Infrastrutture Milano Cortina 2020-2026 S.p.A., whose corporate purpose is to serve as a “central customer and contracting centre” for the infrastructural works to be identified in a decree (pursuant to article 1.20 of Law no. 160 of 27 December 2019, containing the government forecast for 2020 and the long-term budget for the 2020-2022 three-year period). To ensure the timely construction of the related and contextual infrastructure for the holding of the 2026 Olympics, Milano Cortina 2020-2026 S.p.A.’s board of directors will be assigned the powers and duties provided for by article 61.5/8 of Decree law no. 50 of 2017. According to the decree law, the company’s board of directors will consist of five members, three of whom will be appointed by the MIT jointly with the MEF and the government authorities for sport, and two will be appointed jointly by the Lombardy and Veneto regional authorities and the authorities of the autonomous provinces of Trento and Bolzano.
- **Decree of the General Manager of the MIT for road transport and intermodality no. 59 of 16 March 2020.** The General Manager’s decree contains operating instructions for access to the resources allocated as incentives to promote intermodal transport railway (i.e., Ferrobonus), given the provisions of the 2020 budget law (Law no. 160/2019), which earmarked €14 million for these projects in 2020 and €25 million in 2021.
- **Law no. 127 of 8 October 2020 containing the “Government’s report on fiscal year 2019”.** Insofar as the group is specifically concerned:
  - the 2019 report, programme 13.5 “Railway systems, development and safety of railway transport” in the MIT’s forecast includes initial earmarks of approximately €567 million, which, in the course of management, decreased to roughly €437.9 million in the definitive forecasts, and programme 13.8 “Support for transport development” in the MEF’s forecast includes final spending of €3,799.5 million, on an accruals basis, compared with definitive forecasts of €3,836.2 million.

## Developments in European legislation

---

Considering that described above, developments in European legislation affecting the group are summarised below.

### **I. Developments in European legislation in connection with the COVID-19 epidemiological emergency with specific effects on the FS Italiane group's operations.**

- **Interpretative Guidelines on EU passenger rights regulations in the context of the developing situation with COVID-19.** On 18 March 2020, the European Commission adopted interpretative guidance on EU passenger rights regulations in the context of the developing situation with COVID-19. Given the unprecedented situation Europe has been experiencing due to the Covid-19 outbreak, the European Commission believed it would be helpful to clarify in this context the rights of passengers when travelling by air, rail, bus and coach or ship, as well as the corresponding obligations for carriers.
- **Communication on the implementation of the green lanes under the guidelines for border management measures to protect health and ensure the availability of goods and essential services.** On 24 March 2020, the European Commission issued its communication on the implementation of the Green Lanes under the Guidelines for border management measures to protect health and ensure the availability of goods and essential services, which it had adopted on 16 March 2020. Such guidelines stress the principle that all EU internal borders should stay open to freight and that the supply chains for essential products must be guaranteed. To this end, the European Commission requested member states to designate immediately all the relevant internal border-crossing points of the trans-European transport network (TEN-T) and additional ones to the extent deemed necessary, as "green lane" border crossings – for land (road and rail), sea and air transport. The Communication was published in the Official Journal of the EU on 24 March 2020.
- **Guidance from the European Commission on using the public procurement framework in the emergency situation related to the COVID-19 crisis.** On 1 April 2020, the European Commission adopted guidance for swift and smart solutions in responding to the effects of COVID-19. This guidance focusses especially on procurements in cases of extreme urgency, which enable public buyers to buy within a matter of days, even hours, if necessary. Precisely for a situation such as the current COVID-19 crisis which presents an extreme and unforeseeable urgency, the EU directives do not contain procedural constraints.
- **Commission Implementing Regulation (EU) 2020/780 amending Regulation (EU) No 445/2011 and Implementing Regulation (EU) 2019/779 as regards measures to extend the validity of certain certificates of rail entities in charge of maintenance and certain transitional provisions due to the COVID-19 pandemic.** Member States have informed the Commission about difficulties to renew certain certificates of rail entities in charge of maintenance ('ECM'), due to the measures following the COVID-19 pandemic. The renewal of ECM certificates or certificates in respect of outsourced maintenance functions for freight wagons delivered in accordance with Commission Regulation (EU) No 445/2011, when their validity has just expired or is about to expire, may not be possible as a result of those measures that have become necessary in view of the COVID-19 pandemic and that were put into effect in some Member States from 1 March 2020. In particular, ECM certification bodies may not be able to carry out all preliminary work required for renewing an ECM certification or



certification of outsourced maintenance functions in due time in accordance either with Regulation (EU) No 445/2011 or, as from 16 June 2020, with Commission Implementing Regulation (EU) 2019/779. Commission Implementing Regulation (EU) 780/2020, published in the Official Journal of the EU on 15 June 2020, establishes that, in order to ensure business continuity, the validity of ECM certificates and certificates in respect of outsourced maintenance functions issued in accordance with Regulation (EU) No 445/2011, expiring between 1 March 2020 and 31 August 2020 should be extended for six additional months.

- **Commission Implementing Decision (EU) 2020/783 amending Decision 2012/757/EU as regards measures to adapt the frequency of periodic medical examination of railway staff undertaking safety-critical tasks other than train drivers due to the COVID-19 pandemic.** Member states have informed the Commission about difficulties to renew certain certificates or licences of staff undertaking safety-critical tasks other than train drivers, due to the measures following the COVID-19 pandemic. As a result of those measures, the frequency of periodic medical examinations of staff undertaking safety-critical tasks other than train drivers set out in point 4.7.2.2.1 of Annex I to Commission Decision 2012/757/EU could not be met. To ensure the continuity of service, Commission Implementing Decision (EU) 783/2020, published in the Official Journal of the EU on 15 June 2020 grants another six-month extension for these examinations.
- **Council Recommendation (EU) 2020/912 of 30 June 2020 on the temporary restriction on non-essential travel into the EU and the possible lifting of such restriction.** On 30 June 2020, the Council of the European Union issued this recommendation governing how member states should gradually lift the temporary restriction on non-essential travel to the EU as from 1 July 2020 in a coordinated manner with regard to the residents of the third countries listed in Annex I. The recommendation was published in the Official Journal of the EU on 1 July 2020.
- **Council Recommendation on a coordinated approach to the restriction of free movement in response to the COVID-19 pandemic.** On 13 October 2020, Council Recommendation (EU) 2020/1475 was published in the Official Journal of the EU. When adopting and applying restrictions to free movement, member states should respect principles of EU law, in particular proportionality and non-discrimination. This Recommendation is intended to facilitate the application of these principles, in a coordinated manner, to the exceptional situation caused by the COVID-19 pandemic. Therefore, the mechanisms put in place by this Recommendation should be strictly limited in scope and time to restrictions adopted in response to this pandemic. This Recommendation seeks to ensure increased coordination among member states considering the adoption of measures restricting free movement on grounds of public health. To limit restrictions to what is strictly necessary, member states should, in a non-discriminatory manner and as much as possible, apply those restrictions to persons coming from specific areas or regions particularly affected rather than to the entire territory of a member state.

## **II. Developments in European legislation relating to the measures offsetting the economic and financial effects of the epidemiological emergency affecting the FS Italiane group.**

- **Communication on the “Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak”.** On 20 March 2020, the European Commission adopted the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak considering the need for close European coordination of national aid measures to mitigate the negative economic impacts in the European Union.

With this Communication, published in the Official Journal of the EU on 20 March 2020, the European Commission deemed that certain categories of aid can be considered compatible with the internal market aid provided that certain conditions are met.

- **Amendment to the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak.** On 4 April 2020, the European Commission adopted an amendment to the “Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak”. This temporary framework, which the Commission had adopted on 19 March 2020, as discussed above, sets out, *inter alia*, the possibilities member states have under Union rules to ensure liquidity and access to finance for undertakings, especially small and medium-sized undertakings (‘SMEs’) that face a sudden shortage in this period in order to allow them to recover from the current situation, whilst maintaining the integrity of the EU internal market, ensuring a level playing field and keeping in mind the importance of meeting the green and digital twin transitions in accordance with EU objectives. The aim of the amendment of 4 April 2020 was therefore to identify additional temporary State aid measures that the Commission considers compatible under Article 107(3) TFEU in light of the COVID-19 outbreak.
- **European instrument for temporary “support to mitigate unemployment risks in an emergency” (“SURE”), the instruments of the European Investment Bank (“EIB”) and the European stability mechanism (“ESM”).** On 23 April 2020, EU leaders discussed progress on the various dimensions of the European response to the COVID-19 outbreak. Leaders welcomed a European roadmap towards lifting COVID-19 containment measures. The heads of state or government endorsed the agreement on three safety nets: SURE, the EIB’s instruments and the ESM for “health”, amounting to a package worth €540 billion.
- **Communication from the Commission concerning the prolongation and the amendments of the Guidelines on Regional State Aid for 2014-2020, Guidelines on State Aid to Promote Risk Finance Investments, Guidelines on State Aid for Environmental Protection and Energy 2014-2020, Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty, Communication on the Criteria for the Analysis of the Compatibility with the Internal Market of State Aid to Promote the Execution of Important Projects of Common European Interest, Communication from the Commission – Framework for State aid for research and development and innovation and Communication from the Commission to the Member States on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to short-term export-credit insurance.** The above-indicated State aid rules adopted as part of the 2012 State Aid Modernisation initiative were due to expire at the end of 2020. In the context of the Green Deal and Digital Agenda, the Commission already announced its intention to revise a series of guidelines by the end of 2021. To provide predictability and legal certainty, while preparing for a future update of the State aid rules, it is appropriate to extend the period of application of the guidelines until the end of 2021. On 7 January 2019, the Commission launched the evaluation of the rules in the form of a ‘fitness check’. On the basis of the result of that evaluation, the Commission will then be in a position to decide whether to further prolong or update those rules. This Communication was published in the Official Journal of the EU on 8 July 2020.
- **Regulation for a sustainable rail market in view of the COVID-19 outbreak.** On 12 October 2020, Regulation (EU) 2020/1429 of the European Parliament and of the Council was published in the Official Journal of the EU. This Regulation lays down temporary rules on the levying of charges for the use of railway infrastructure as

set out in Chapter IV of Directive 2012/34/EU. It applies to the use of railway infrastructure for domestic and international rail services covered by that Directive, during the period from 1 March 2020 until 31 December 2020. This period was extended to 30 June 2021 pursuant to Regulation (EU) 2020/2180 of 18 December 2020.

- **Decision of the European Commission on Italian damage compensation to commercial rail passenger operators as a result of the COVID-19 pandemic.** On 10 March 2021, based on EU State aid rules, the European Commission approved the €511 million that Italian had granted as damage compensation to commercial long-haul rail passenger operators for damage suffered between 8 March and 30 June 2020 as a result of the COVID-19 pandemic and the restrictions that Italy had to implement to limit the spread of COVID-19.

### **III. List of other European provisions relating to the public health, social and economic emergency caused by COVID-19.**

- **European Commission Interpretative Guidelines of 16 March 2020** consisting of border management measures to protect health and ensure the availability of goods and essential services;
- **Communication of the European Commission of 8 April 2020**, Temporary Framework for assessing antitrust issues related to business cooperation in response to situations of urgency stemming from the current COVID-19 outbreak (2020/C 116 I/02);
- **Joint European Roadmap towards lifting COVID-19 containment measures (2020/C 126/01) of 26 March 2020**, in response to the European Council Members' call for an exit strategy that is coordinated with Member States and that will prepare the ground for a comprehensive recovery plan and unprecedented investment.
- **Recommendation (EU) no. 648/2020**, on vouchers offered to passengers and travellers as an alternative to reimbursement for cancelled package travel and transport services in the context of the COVID-19 pandemic;
- **Guidelines on the progressive restoration of transport services and connectivity – COVID-19 (2020/C 169/02)**. These guidelines were published in the Official Journal of the EU on 15 May 2020 for the progressive restoration of transport services, connectivity and unrestricted mobility proportionate to the level of public health needs.

### **IV. Developments in European legislation on matters other than the COVID-19 epidemiological emergency affecting the FS Italiane group.**

- **Implementing Regulation (EU) 2020/424.** On 19 March 2020, the European Commission adopted this Implementing Regulation on submitting information to the Commission as regards non-application of technical specifications for interoperability in accordance with Directive (EU) 2016/797. Published in the Official Journal of the EU on 20 March 2020, it establishes the information to be included in, and the format and the method to be used for the transmission of a request for non-application of one or more technical specifications for interoperability ("TSIs") or parts of them, in accordance to which Member States shall communicate to the Commission a decision of non-application. The Regulation went into force on 9 April 2020 and is applicable as from 16 September 2020.
- **Implementing Decision (EU) no. 453/2020.** On 27 March 2020, the European Commission adopted the Implementing Decision on the harmonised standards for railway products drafted in support of Directive 2008/57/EC

of the European Parliament and of the Council on the interoperability of the rail system within the Community. It was published in the Official Journal of the EU on 30 March 2020.

- **Commission Implementing Regulation (EU) 2020/572 on the reporting structure to be followed for railway accident and incident investigation reports.** Directive (EU) 2016/798 provides a framework to ensure that the results of accident and incident investigations are disseminated by the national investigating bodies in charge of reporting on rail accident and incident investigation across the Union, in accordance with its Article 22. This Regulation, which was published in the Official Journal of the EU on 27 April 2020, lays down a common reporting structure for the accident and incident investigations. The reports on investigations and any findings and subsequent recommendations provide crucial information for the future improvement of rail safety in the Single European Rail Area.

**Council Decision (EU) 2020/791 on the position to be taken on behalf of the European Union at the 13th session of the Committee of Technical Experts of the Intergovernmental Organisation for International Carriage by Rail (“OTIF”).** On 17 June 2020, the Council Decision on the amendments to the uniform technical prescriptions (“UTP”) concerning freight wagons, vehicle marking and rolling stock noise, on a full revision of the rules for certification and auditing of entities in charge of maintenance (“ECM”) and on a full revision of the specifications concerning national vehicle registers (“NVR”) was published in the Official Journal of the EU. The proposed amendments are in line with the law and the strategic objectives of the Union, as they contribute to the alignment of OTIF legislation with the equivalent provisions of Union law.

- **Regulation (EU) no. 1056/2020 concerning electronic freight transport information.** On 15 July 2020, the European Union adopted this regulation establishing the functional requirements applicable to platforms and freight transport information (“FTI”), which must be used by economic operators to provide the competent authorities with the regulatory information on freight transport electronically to meet the conditions for the mandatory acceptance of such information by the competent authorities. The regulation was published in the Official Journal of the EU on 31 July 2020.

## ART regulations

---

The content of the main Transport Authority (“ART”) decision in 2020 is summarised below.

- **ART decision no. 172 of 5 December 2019.** On 12 February 2020, the ART published decision no. 172 of 5 December 2019 establishing the amount and method of payment of the 2020 contribution. The ART confirmed the same fixed contribution rate as in 2019, equal to 0.6 per thousand of turnover as per the most recent set of approved financial statements at the publication date of this decision. The threshold for exemption from the contribution obligation was reduced to €1,800 (it was previously €3,000). Furthermore, the turnover threshold above which the companies are required to report identification and financial data to the ART was reduced to €3 million (from the previous €5 million).
- **ART decision no. 65 of 12 March 2020.** With this decision on 12 March 2020, the ART set the remuneration rate on net invested capital for road and railway passenger LPT. This rate, applicable for 12 months from the date of publication, was estimated separately for road and railway services, identifying the amounts of the WACC parameters, as per ART decision no. 154/2019.

- **Decision no. 111 of 2 July 2020.** With this decision on 2 July 2020, the ART approved the proposed catalogue of routes for the application of promo rates submitted by RFI S.p.A., subject to the following conditions:
  - market freight segment: the promo rate must be explicitly geared solely towards railway freight services with are not compatible with alternative routes to the HS Bologna-Florence section;
  - regional passenger market segment with public service obligation: the application of the promo rate may only be applied after the railway company operating under the service contract has sent the infrastructure operator, with documentary justification, notification that the body granting the concession has been informed of the allocation of the economic benefits arising from the incentive;
  - open access premium passenger market segment: the incentive scheme proposed for the evening schedule must be removed as the destination of the “new railway services” promotion cannot be identified, as required by current regulations.
  
- **Decision no. 124 of 16 July 2020.** With this decision on 16 July 2020, the ART ended without finding a violation the sanctions proceedings initiated with decision no. 159/2019 against Ferrovie del Sud Est e Servizi Automobilistici S.r.l. (“FSE”) for non-compliance with decision no. 106/2018 concerning the rights of users of railway transport services operated with public service obligations, and specifically with respect to the compensation for people with reduced mobility and pass holders.
  
- **Decision no. 137 of 30 July 2020.** With this decision on 30 July 2020, the ART ended without finding a violation the sanctions proceedings initiated with decision no. 169/2019 against Trenitalia S.p.A. for non-compliance with decision no. 106/2018 concerning the rights of users of railway transport services operated with public service obligations, and specifically with respect to the compensation for people with reduced mobility and pass holders.
  
- **Decision no. 148 of 6 August 2020.** With this decision on 6 August 2020, the ART ended without finding a violation the sanctions proceedings initiated with decision no. 20/2020 against FSE for failing to publish within the established deadline the 2020 network information memorandum containing the terms of access to the infrastructure and the related services for the 2019-2020 timetable.
  
- **Decision no. 156 of 15 September 2020.** With this decision on 15 September 2020, the ART approved the methodology that it will use to check whether the economic balance of a railway public service contract has been compromised by the start of a new railway passenger service sold on the market. The latter includes both services that are entirely new and those that were previously operated but have undergone substantial changes. If, based on the criteria and procedures outlined in decision no. 156, the ART finds that the economic balance of a service contract has been compromised, it will deny access to the company offering that new service, or it will allow access provided specific changes are made to the service.
  
- **Decision no. 202 of 3 December 2020.** With this decision on 3 December 2020, the ART declared inadmissible the commitments proposed by Trenitalia S.p.A. in the sanctions proceedings initiated with ART decision no. 106/2018 regarding the minimum rights of users of railway transport services receiving public service funds, with specific respect to their right to access commercial information.

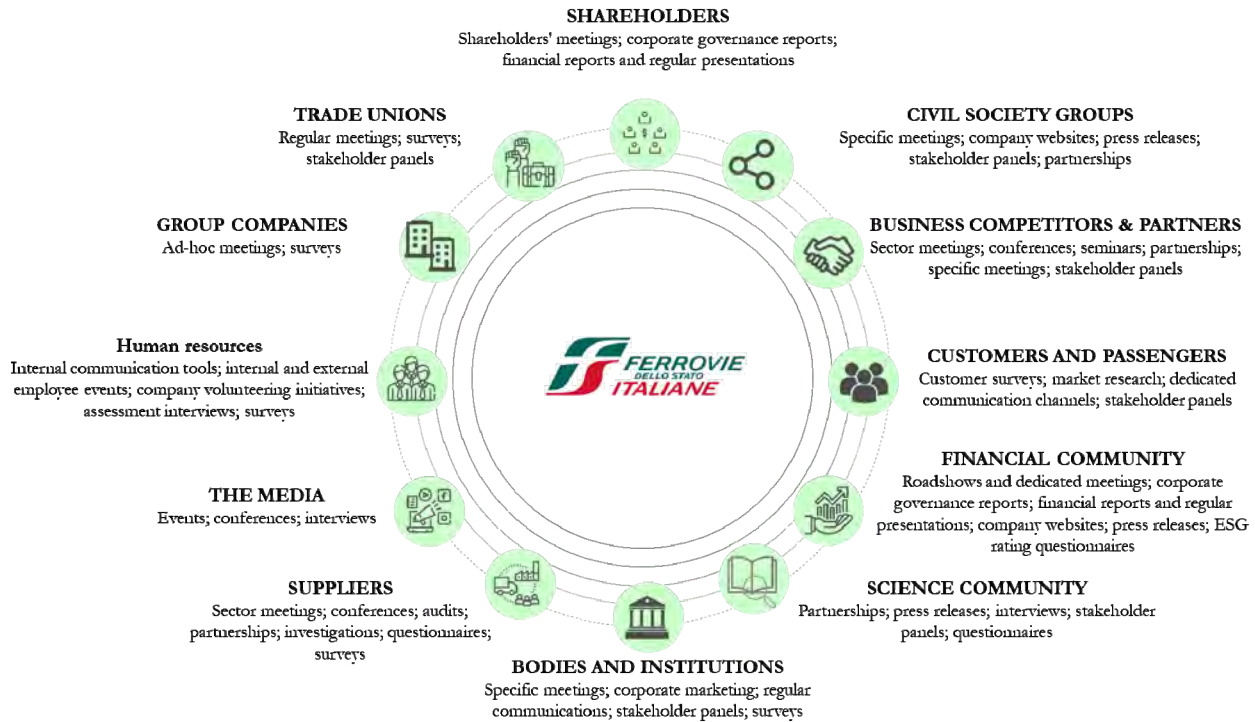
- **Decision no. 208 of 17 December 2020.** With this decision on 17 December 2020, the ART extended until 30 July 2021 the deadline for the conclusion of the proceedings for compliance with the decisions of the Piedmont regional administrative court (Second section; 7 January 2020, nos. 19, 23 and 25) admitting the appeals filed by foreign railway companies (DB AG, OBB and SNCF) against ART decision no. 75/2016 concerning the rate system for access to the railway infrastructure and, specifically, the application of a surcharge for the international open access segment in addition to the national access.
- **Resolution no. 210 of 17 December 2020.** On 17 December 2020, with this resolution, the ART postponed to 1 January 2022 the deadline for the implementation of the regulatory accounting obligations and the separation of the accounts for public road passenger transport pursuant to measure 12 of Resolution no. 154/2019. The authority also launched the procedure - to be concluded by 31 July 2021 - for the definition of changes to the content and methods of the reporting of the regulatory accounting formats, including with respect to their simplification.



# Stakeholder engagement

The FS Italiane group is committed to maintaining a relationship with its stakeholders<sup>28</sup> that is geared towards active engagement and ongoing dialogue, as it firmly believes that understanding mutual expectations and sharing objectives with them guarantee the effective creation of value.

The following is a map of the Ferrovie dello Stato Italiane group's stakeholders and the main methods of gathering stakeholder feedback.



## The stakeholder panel

The stakeholder panel is an important opportunity for direct exchange between the group and its main stakeholders, including in the definition of long-term goals. Indeed, the fifth stakeholder panel contributed to defining the first three long-term goals (2030-2050), i.e., the priorities that the FS Italiane group and its subsidiaries will invest in over the next few years to help create a sustainable future<sup>29</sup>.

In line with the results of the 2020 materiality analysis, this process will continue with the definition of another two long-term goals to be discussed at the next stakeholder panel (the sixth). The goals will relate to stakeholder and employee satisfaction.

At the same time, the Dialogue with stakeholders page of the company website is being updated. Since 2013, the status of the 85 proposals gathered during the four earlier editions of the group's stakeholder panel has been published on this page.

<sup>28</sup> The criteria used to identify stakeholders are as follows: responsibility, dependence, materiality, influence, degree of interest/impact/knowledge.

<sup>29</sup> For details on the goal development process, reference should be made to the Commitment to sustainable development section.

# Commitment to sustainable development

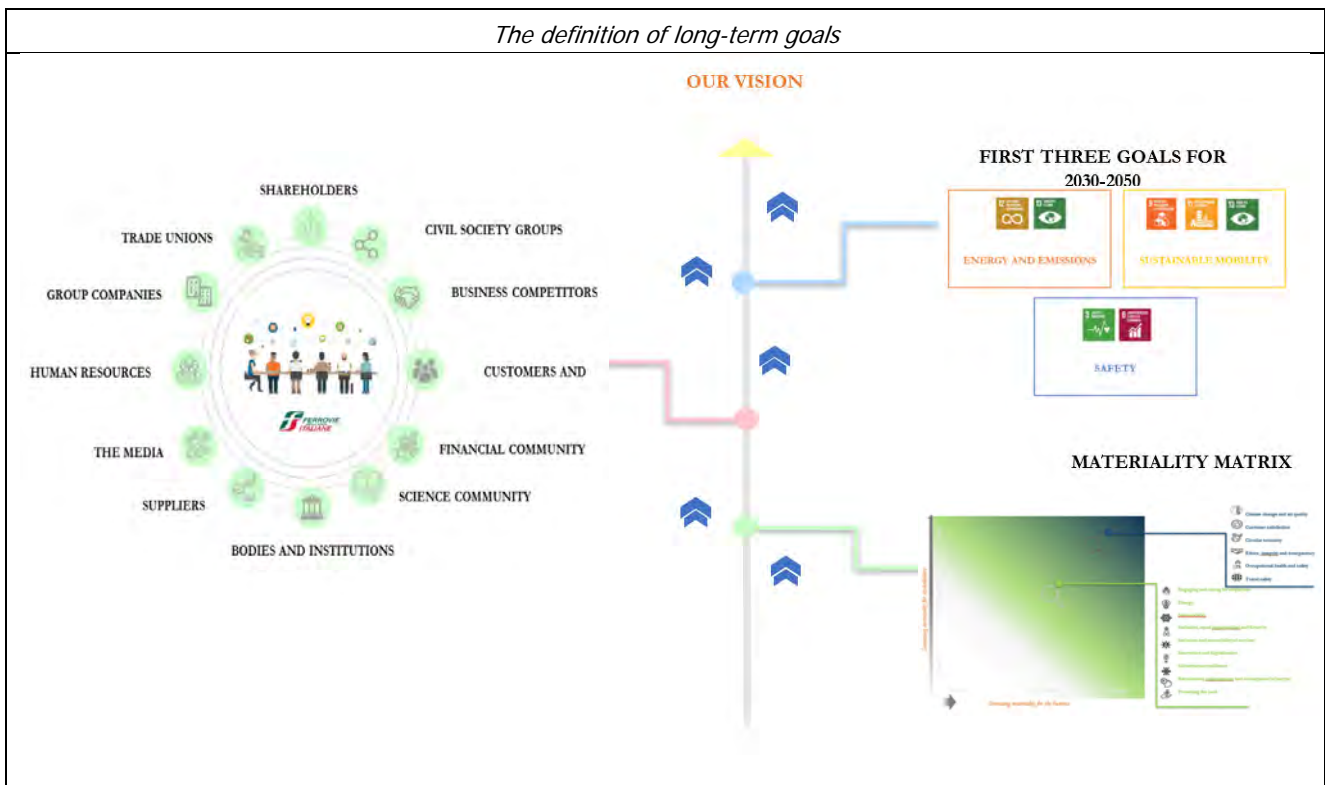
## Approach, commitment and practices

The group's vision is to become a mobility company of the future capable of operating sustainably and it has built its business model around this goal (as described in this specific section).

This manifesto is the shared bedrock of values underpinning the group's decisions, in line with the Agenda 2030 of the United Nations. As the current public health, social and economic crisis gives shape to a future without any linear logic, it is crucial to focus on achieving social and environmental balance to make the FS Italiane group more resilient.

The business model that the group has committed to developing in recent years therefore focuses on creating value for the environment and communities by integrating the principles of sustainability in the business strategies.

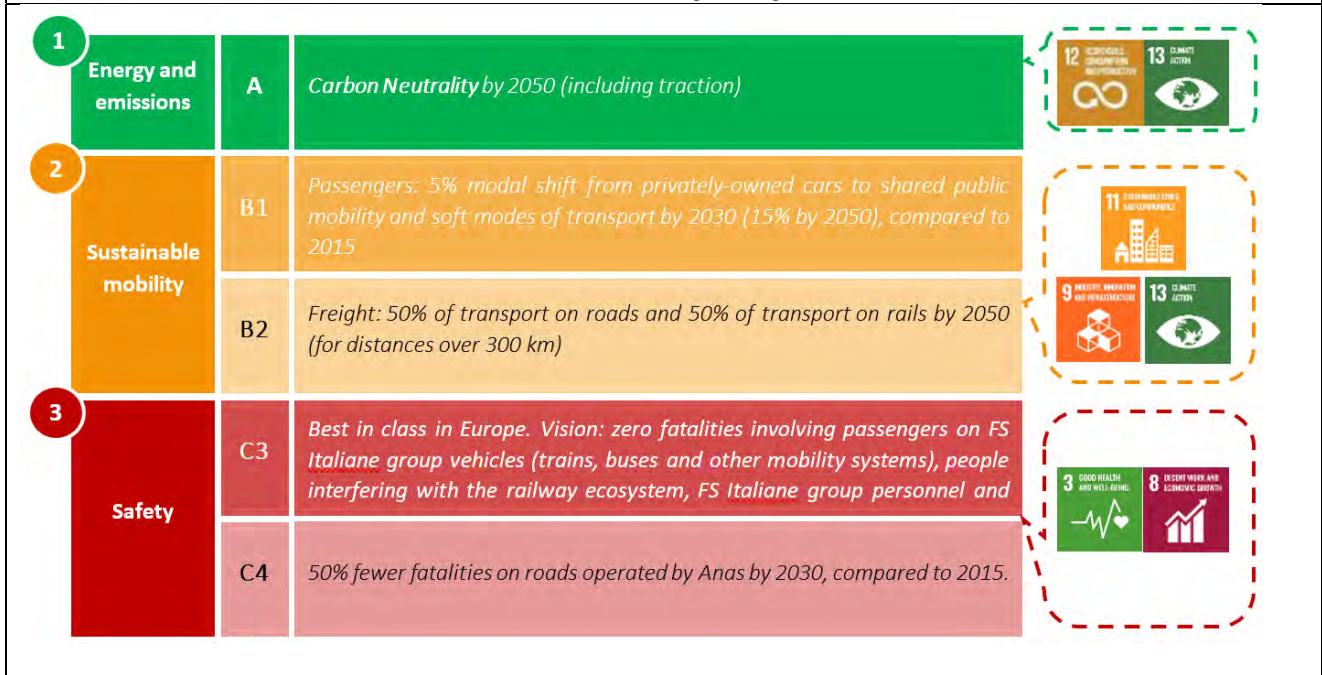
In this context, it is crucial to engage stakeholders (passengers, corporate clients, institutions, universities, environmental associations and employees) in the definition of the group's priorities and strategic goals. Indeed, the group has set up a system for gathering feedback from its stakeholders on material topics (as shown in the materiality matrix) for the definition of long-term goals. A group of key stakeholders met in 2018 for three theme-based panels – energy and emissions, safety and sustainable mobility – and helped define the 2030-2050 goals.



At the end of this process, in 2019, the group defined its first long-term goals for 2030-2050 on safety, sustainable mobility and energy and emissions, which it confirmed in 2020.



The first three long-term goals



The group is committed to directly contributing to the achievement of six of the 17 sustainable development goals in the Agenda 2030 of the United Nations, with the long-term goals of:

- achieving carbon neutrality;
- becoming the European best in class for safety;
- driving a modal rebalance in the transport sector by reducing the country's reliance on private cars and road transport, with high environmental costs (i.e., pollution and ground use) and social costs (i.e., traffic and accidents).

Furthermore, in 2020, a process was launched to outline the long-term strategic goals described above with concrete commitments and interim targets. This project involved subsidiaries that directly contribute to the achievement of goals and those that act as enablers by providing services to them<sup>30</sup>.

Five preliminary roadmaps have been developed based on the analysis of initiatives that the companies have kicked off or planned, along with an analysis of the external context (e.g., inputs from external bodies and organisations) and benchmarks of peers and comparables. These five roadmaps (one for each of the five sub-goals for 2030-2050) model the curve for the achievement of specific goals and the analysis of any gaps. The main drivers for the achievement of the goals for 2030-2050 are summarised below:








<sup>30</sup> Trenitalia S.p.A., RFI S.p.A., Busitalia Sita Nord S.r.l., Anas S.p.A., Polo Mercitalia, Italferr S.p.A., Ferrovie del Sud Est e Servizi Automobilistici S.r.l., Ferservizi S.p.A., FS Sistemi Urbani S.r.l., NUGO S.p.A., Fercredit S.p.A., FS Technology S.p.A. and Italcertifier S.p.A.

	<i>Targets</i>	<i>Main measures</i>
<b>A</b>	<b>Energy and emissions</b>	<b>Carbon Neutrality by 2050 (including traction)</b>
		<ul style="list-style-type: none"> <li>• Upgrading the train and bus fleet for a lower environmental impact</li> <li>• Works to make plant, buildings and stations more energy efficient</li> <li>• Self-production and purchase of renewable energy</li> </ul>
<b>B</b>	<b>Sustainable mobility</b>	<b>5% modal shift from privately-owned cars to shared public mobility and soft modes of transport by 2030 and 13% by 2050</b>
		<ul style="list-style-type: none"> <li>• Initiatives to boost intermodality</li> <li>• Upgrading the technology and performance of networks and stations</li> <li>• Innovation and digitalisation to support services</li> </ul>
		<b>Freight: 50% of transport on roads and 50% of transport on rails by 2050 (for distances over 300 km)</b>
		<ul style="list-style-type: none"> <li>• Upgrading/improving efficiency of networks</li> <li>• Expanding services to new customers</li> <li>• Developing partnerships with public and private stakeholders</li> </ul>
<b>C</b>	<b>Safety</b>	<b>Best in class in Europe: zero fatalities involving passengers on group vehicles, people interfering with the railway ecosystem, group personnel and employees of contracting companies by 2050</b>
		<ul style="list-style-type: none"> <li>• Eliminating railroad crossings</li> <li>• Developing and/or implementing safety systems</li> <li>• Security initiatives</li> <li>• Strengthening widespread culture of safety</li> </ul>
		<b>Road safety: 50% fewer fatalities on roads operated by Anas by 2030</b>
		<ul style="list-style-type: none"> <li>• Technological innovation initiatives (e.g., installing speed tutor systems and implementing smart roads)</li> <li>• Implementing smart barriers</li> <li>• Upgrading/installing signs in tunnels</li> </ul>

In addition, with the Code of Ethics, the FS Italiane group assumes responsibilities with both internal and external stakeholders. The group's Code of Ethics establishes the rights and responsibilities of corporate officers, managers, employees, freelancers, business partners, suppliers and all other parties involved in transactions with the group. The group has also demonstrated this by joining the UN Global Compact network and in the commitments it made in the 2019 sustainability policy.

### Sustainability policy

To make sustainability a guiding principle in the definition of strategic and operating choices and to ensure sustainable growth in the medium and long term, the FS Italiane group has identified the principles at the heart of its operations in the sustainability policy. This document, which was approved on 16 April 2019 by the board of directors and is inspired by the sustainable development goals and the UN Global Compact principles, is based on seven principles.

	<p><b>Shared value creation</b></p> <p><i>Balance economic targets with social and environmental goals, creating value for the business, stakeholders and all the areas in which the group operates</i></p>
	<p><b>Community and stakeholder engagement</b></p> <p><i>Initiate systematic stakeholder engagement processes</i></p>
	<p><b>Passenger and employees safety</b></p> <p><i>Ensure an increasingly higher level of health and safety and consolidate a risk management and prevention culture</i></p>
	<p><b>Service quality</b></p> <p><i>Improve the customer experience, with a close focus on delivered and perceived quality</i></p>
	<p><b>Employee value</b></p> <p><i>Actively contribute to caring for and developing people, preventing any form of discrimination</i></p>
	<p><b>Efficient use of resources and environmental protection</b></p> <p><i>Promote the efficient use of energy resources and encourage an LCA approach in all processes</i></p>
	<p><b>Respect for human rights</b></p> <p><i>Protect human rights in its operations and with suppliers and business partners, helping to create a responsible value chain</i></p>

## Environmental sustainability

---

The FS Italiane group believes that an organisation's long-term success is built on a strategy that prioritises the protection of natural balances.

Railway transport is one of the most efficient and least polluting solutions with the smallest impact on the land and is, accordingly, the core of the FS Italiane group's sustainable mobility plan for passengers and freight. Through its sustainability project centred around railway transport, the group intends to offer passenger and freight transport services that encourage mobility choices with positive impacts on reducing road traffic, improving safety, cutting pollution and emissions and generally benefiting the quality of life for people while creating fewer risks for the environment.

This is why it is necessary to strive for the continuous improvement of environmental performance in all operations, giving tangible shape to the established guidelines and internalising them in the sustainability policies and goals.

Thanks to a procedure-making process comprised of actions, monitoring and assessment, the parent guides and coordinates the environmental strategies that the companies then translate into independent paths for improving performance, maximising the environmental advantages of their own transport system and particularly focusing on rational use of resources, cutting emissions of CO<sub>2</sub> and other polluting substances and generally reducing the carbon footprint of all business segments.

Given the difference in the range of activities carried out, the findings of the monitoring of the most significant energy and environmental aspects reflect the breakdown of the companies' core business into segments: transport, infrastructure, real estate services and other services.

### Energy and emissions

The public health emergency and consequent measures taken to contain the spread of infections which characterised 2020 drove down people's mobility with dramatic repercussions on the FS Italiane group's operations and, consequently, its environmental and energy data, which directly reflect the performance of operations. As a result, energy consumption and emissions in 2020 were significantly different from historical data, with different breakdowns among the various segments due to the singular scenario that arose.

Despite the context, energy remained one of the largest components in the FS Italiane group's environmental report, reflecting the impact of transport activities.

Total consumption in 2020, equal to 24,815 TJ<sup>31</sup>, is down by over 17% on the previous year due to the trend in the consumption of transport operations: electricity for railway traction (-20.3%) and diesel (-16.8%). Electricity accounts for the largest share of total consumption (roughly 70% of the total) and nearly 80% of electricity consumption is for railway traction, meaning it stands to benefit from the large expanse of electrified network for service operation (over 70% of RFI S.p.A.'s network is electrified). The consumption of electricity for uses other than railway traction could benefit from the purchase of guarantees of origin for energy produced from renewable sources: in 2020, the group companies purchased guarantees of origin for roughly 1,372 TJ, meeting around 37% of their energy needs (2019: 17%).

Diesel consumption accounts for almost all the rest of energy consumption (24.5% of the total), while natural gas (5%) and other sources (0.2%) make up the rest.

---

<sup>31</sup>One terajoule (TJ) equals 1,000 gigajoules, a joule is the International System (SI) unit of measurement of energy, work and heat.

Terajoules

Energy consumed by source (*)	2020	2019	2018
Electricity for railway traction	13,748	17,247	17,411
Electricity for other uses	3,686	3,937	3,809
Diesel	6,084	7,311	7,246
Natural gas	1,236	1,418	1,640
Heat, fuel oil, petrol and LPG	61	65	65
<b>Total energy consumed within the FS Italiane group</b>	<b>24,815</b>	<b>29,978</b>	<b>30,171</b>
of which: % per segment:			
<i>transport</i>	<i>75.2%</i>	<i>77.1%</i>	<i>78.2%</i>
<i>infrastructure</i>	<i>24.6%</i>	<i>22.7%</i>	<i>21.6%</i>
<i>real estate services</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.1%</i>
<i>other services</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.1%</i>

(\*) Internal processing in accordance with the reference guidelines. The conversion factors used refer to year "n-2". The conversion factor sources are: *Energy Statistics Manual (International Energy Agency (IEA), 2005)*, *National Inventory Report - Italian Greenhouse Gas Inventory 1990-2018 (Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA), 2020)* and *Fiche 330 (Union Internationale des Chemins de Fer (UIC), 2008)*.

The breakdown of consumption between the segments in which the FS Italiane group companies are divided clearly shows how the transport companies account for, in line with previous years, over three-quarters of the group's energy, while the infrastructure companies use nearly all the rest (24.6%), mostly to power the activities carried out in workshops, stations, offices and other operating sites.

Energy consumption affects greenhouse gas emissions and saw a substantial reduction on the previous year (-20.2% on 2019). In the past year, the amount of these emissions came to around 2.08 million CO<sub>2</sub> equivalent tonnes, 76.54% of which were generated by transport companies and 23.43% by the infrastructure companies.

	million tCO <sub>2</sub> e		
GHG emissions of the FS Italiane group <sup>1 2</sup>	2020	2019	2018
Total direct GHG emissions (Scope 1) <sup>3</sup>	0.55	0.65	0.66
Total indirect GHG emissions from energy consumption (Scope 2) <sup>3</sup>	1.53	1.95	1.98
<b>Total GHG emissions of the FS Italiane group</b>	<b>2.08</b>	<b>2.60</b>	<b>2.64</b>
of which by segment:			
<i>transport</i>	<i>76.5%</i>	<i>77.9%</i>	<i>78.9%</i>
<i>infrastructure</i>	<i>23.3%</i>	<i>21.9%</i>	<i>20.9%</i>
<i>real estate services</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.1%</i>
<i>other services</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.1%</i>

1 A location-based approach is used to calculate emissions in accordance with the "GHG Protocol Corporate Accounting and Reporting Standard". The conversion factors used refer to year "n-2". The conversion factor sources: National Inventory Report - Italian Greenhouse Gas Inventory 1990-2018 (NIR) and Common Reporting Format (CRF) (Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA), 2020), SINAnet - Rete del Sistema Informativo Italy Ambientale - "Fattori di emissione per le sorgenti di combustione stazionarie In Italy" (Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA), 2018).

2 The 100-year Global Warming Potential (GWP) of CH<sub>4</sub> (28) and N<sub>2</sub>O (265) was used to calculate tonnes of CO<sub>2</sub> equivalents. These factors are given in the Fifth Assessment Report "Climate Change 2013: The Physical Science Basis" (Intergovernmental Panel on Climate Change (IPCC), 2013).

3 Glossary:

Scope 1 - Emissions from the direct combustion of fossil fuels purchased for heating, to generate electricity and thermal energy and to fuel transport vehicles; the emission sources classified as Scope 1 are generally owned and controlled directly by the organisation. Scope 2 - Emissions from the generation of electricity imported and consumed by the organisation for electronic devices, heating and lighting in buildings; importers are indirectly responsible for the emissions generated by the supplier to produce the electricity requested.

## Land development and protection

A large infrastructure because part of the socio-cultural context, affecting people's individual fates, family plans, social groups and even the local and national structures.

To ensure the adequate inclusion of highly complex engineering projects in the land, such as railway and roadway infrastructures, the group devotes specific attention to the integrated assessment of environmental, social and economic impacts over the infrastructure's entire life cycle. It is therefore necessary to ensure systematic dialogue with all stakeholders in the construction process, from the initial design stages to infrastructure construction and operation.

Environmental analyses focus on an analysis of the local context in which the infrastructure will be built, assessing its final impact on the area, the interferences caused by all site aspects during construction and the mitigation/compensation measures that will be taken.

Archaeological studies and explorations before the planning are carried out to find and resolve any critical archaeological issues before work begins. The results of these studies and activities enable the competent local archaeological superintendent to express an opinion on the studied projects and dictate instructions for constructions.

To minimise the impacts of new infrastructure or upgrades to existing infrastructure during construction and operations, work is planned to reduce the residual environmental impact, such as creating green areas and naturalistic engineering near roads, art work and the opening of tunnels. Impact minimisation also entails maintaining connectivity through ecoducts and wildlife crossings, treating surface water using first flush rainwater treatment tanks and handling accidental spills, as well as reducing air pollution with plant barriers to capture dust.

The chart below illustrates the most material environmental aspects<sup>32</sup> in the construction of the railway infrastructure that the group contracts out to third party companies, mainly assigning the group companies a technical role and, as needed and according to the specific contractual structure, works management and/or supervision.

	tonnes		
<b>Materials used by weight or volume</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Non-renewable materials</b>	<b>4,225,577</b>	<b>2,884,247</b>	<b>1,700,861</b>
Earth - procurement	436,489	36,074	689,930
Concrete	2,676,502	1,696,123	534,804
Inert material	964,240	602,929	153,858
Steel for railway superstructure	777	725	31
Steel for railway technology systems	5,745	5,235	3,927
CAP sleepers	4,909	261,759	721
Iron	136,780	233,740	316,830
Aluminium	11	35	748
Copper	124	47,627	12
<b>Renewable materials</b>	<b>7,368,805</b>	<b>4,076,889</b>	<b>2,243,432</b>
Earth - reuse	1,723,284	1,058,069	1,355,156
Earth - reuse through environmental redevelopment	5,645,521	3,018,820	888,276
<b>Recycled raw materials (sites)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Percentage of material used deriving from recycled material	63.6%	58.6%	56.9%

<sup>32</sup> Any changes in the data with respect to the previous reporting years are due to the different sample of work sites considered and the progress of the work.

mega-litres

<b>Water withdrawn by source (work sites)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Civil use	110	101	44
<i>from aqueducts</i>	107	101	44
<i>from underground water (water table and sources)</i>	1		
<i>from bodies of water</i>	2		
Industrial use	1,955	660	803
<i>from aqueducts</i>	322	126	149
<i>from underground water (water table and sources)</i>	1,393	512	289
<i>from bodies of water</i>	240	22	365
<b>Total water withdrawn by work sites</b>	<b>2,065</b>	<b>761</b>	<b>847</b>

mega-litres

<b>Water discharge by quality and destination (work sites)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Wastewater sent to sewers	33	42	5
<i>% of water treated beforehand</i>	0.3%	0%	8.0%
Wastewater sent elsewhere	959	462	659
<i>% of water treated beforehand</i>	92.4%	86.9%	100.0%

tonnes

<b>Waste produced by type (work sites)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Non-hazardous special waste	1,202,465	711,186	318,874
Hazardous special waste	25,841	6,076	44
<b>Total waste produced</b>	<b>1,228,306</b>	<b>717,262</b>	<b>318,919</b>

tonnes

<b>Waste sent for treatment (work sites)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Non-hazardous special waste sent for treatment	1,172,206	711,186	306,965
<i>sent for recycling</i>	90.5%	82%	99.9%
<i>sent for disposal</i>	9.5%	18.1%	0.1%
Hazardous special waste sent for treatment	25,826	4,311	31
<i>sent for recycling</i>	1.4%	1.1%	22.5%
<i>sent for disposal</i>	98.6%	98.9%	77.5%
<b>Total waste sent for treatment</b>	<b>1,198,032</b>	<b>715,497</b>	<b>306,996</b>

The development of transport infrastructures plays a delicate role with respect to biodiversity as well, as it can eliminate habitats, fragment ecosystems, increase mortality for certain species and have other negative repercussions.

The development of infrastructure with respect for biodiversity includes the following actions:

- prevention: abstaining from building unnecessary infrastructures and not involving protected areas;
- mitigation: minimising the impacts in the appropriate ways (underpasses, overpasses, fencing);
- offsetting: restoring the overall balance of biodiversity lost due to the construction of the infrastructure by re-establishing ecosystems, recreating alternative habitats elsewhere.

The Ferrovie dello Stato Italiane group is aware of the fragility of the ecosystems where it conducts its activities and, for this reason, has made safeguarding biodiversity a top priority.

The following table summarises the main data for the projects carried out in 2020:

Site	Geographical area	Protected area	Type of protection	Site size (km <sup>2</sup> )	Activity	Value of biodiversity
Rome – Pescara railway line Laying of double tracks of the Lunghezza – Guidonia line Elimination of the Via Cesurni level crossing	Lazio	ZSC IT6030033 "Travertini Acque Albule (Bagni di Tivoli)"	Natura 2000	4.3	Railway line	Habitat 6110*
Laying of double tracks on the Rome – Viterbo railway line Cesano – Vigna di Valle section	Lazio	ZPS IT6030085 "Comprensorio Bracciano-Martignano"	Natura 2000	195.54	Railway line	There are no protected species
Pedemontana Piemontese Link between the A4 and A26 motorways Masserano - Ghemme section	Piedmont	ZCS IT1120004 "Baraggia di Rovasenda"	Natura 2000	0.0347	Type-B state road	n.a.
Change between the towns of Minori and Maiori in Torre Mezzocapo and preliminary plan for the use of excavated earth and rocks	Campania	Costiera Amalfitana (IT830) Parco Regionale dei Monti Lattari (EUAP0527)	UNESCO Protected area	0.01675	Type-C2 state road	n.a.
S.S. 626 "della Valle del Salso" Lots 7 and 8 and completion of the Gela connector between S.S. 117 bis and S.S. 626 (Caltanissetta-Gela) Definitive project	Sicily	ZPS ITA50012 "Torre Biviere e Piana di Gela"	Natura 2000	0.0014	Type-C1 state road	n.a.

The group has always devoted utmost attention to making contractors aware of the importance of safety at railway infrastructure sites and holding them accountable for site safety.

The main safety indicators are reported below:

<b>Injuries to employees of contractors<sup>1</sup></b>	<b>Unit of measure</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Injuries	no.	214	147	118
- fatalities	no.	2	1	3

<b>Accident rate of employees of contractors<sup>1</sup></b>	<b>Unit of measure</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Frequency rate <sup>2</sup>	i.	26.21	20.12	18.23
Severity index <sup>3</sup>	i.	3.23	1.91	4.28

<sup>1</sup> The data refer to sites for civil and technological contracts in which Italferr is involved as works manager/coordinator during performance and for the contracts for new HS/HC lines awarded to general contractors in which Italferr provides works management and safety oversight. The data also refer to general contracts in which Italferr provides oversight for both works management and safety.

<sup>2</sup> Frequency rate: [number injuries/hours worked]\*1,000,000.

Hours worked are calculated by multiplying the number of daily working hours (conventionally 8h/day) by the number of man days for blue collar workers.

<sup>3</sup> Severity index: [(days of prognosis + conventional days for the fatalities)/people involved]\*1,000.

Conventional days for fatalities are calculated by multiplying the number of fatalities by 7,500. Hours worked are calculated by multiplying the number of daily working hours (conventionally 8h/day) by the number of man days of blue collars.

In 2020, the frequency rate is higher than that recorded in 2019 (F= 20.12), as is the severity index (1.91 in 2019) because of the two fatalities in 2020, compared to one in the previous year.

There was a botulin poisoning incident in September 2020 at the work site for the laying of double tracks on the Ogliastrillo-Castelbuono section, which affected 43 blue collar workers, resulting in a collective total of 2,344 sick days in 2020 due to work-related injuries. This incident led to the increase in injuries recorded and, accordingly, the substantial difference in the 2020 frequency rate compared to the previous year.

Despite the public health emergency, the number of hours worked increased by approximately 11% in 2020, a clear sign of the renewed commitment to continue updating the country's railway infrastructure network as much by laying new sections as by equipping existing sections with last-generation technologies. Alongside this increase in the number of hours worked, the number of injuries has also increased both in absolute terms (214 injuries compared to 147 in 2019) and in relative terms, as demonstrated by the increase in the frequency index, even considering the poisoning described above.

## **Waste management**

It is the FS Italiane group's priority to implement circular business models geared towards preventing, reusing and recycling the waste<sup>33</sup> from industrial activities and to search for solutions to improve collection systems in passenger services.

Waste from the infrastructure and transport companies accounts for over 99% of all waste produced by the group. The reduction in the demolition of railway cars, the reduced replacement of wood sleepers along the railway sections updated in 2020 and, more generally, the impact of the COVID-19 emergency on production activities led to a decrease of approximately 10% in the production of waste in 2020 compared to 2019. The over 35% reduction in the production of waste classified as urban waste is due to the extensive use of work-from-home policies for group employees and, with respect to the waste produced in the station, the smaller number of travellers.

<sup>33</sup> Waste is classified by origin: special waste and waste classified as urban waste. Special waste is due to the production activities of industries and companies and, considering the concentration of pollutants, it is classified as hazardous or non-hazardous. Waste classified as urban waste is special waste with the characteristics or composition of commodities, which allow for it to be recycled or disposed of in plants originally designed for the treatment of urban or domestic waste from residential buildings and managed by the public administration.



Over 95% of special waste is still sent for recycling - mainly iron, steel, cement and wood sleepers.

	tonnes		
<b>Waste produced by type (group) (*)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Waste classified as urban waste	5,870	7,358	7,127
<i>sorted waste</i>	1,766	2,535	2,326
Station waste classified as urban waste	9,420	16,179	16,555
<i>sorted waste</i>	2,950	5,433	4,012
Non-hazardous special waste	275,545	303,185	255,492
Hazardous special waste	61,171	64,588	45,644
<b>Total waste produced</b>	<b>352,006</b>	<b>391,310</b>	<b>324,818</b>
of which: % per segment:			
<i>transport</i>	22.50%	28.90%	28.10%
<i>infrastructure</i>	77.50%	70.90%	71.70%
<i>real estate services</i>	0.03%	0.10%	0.08%
<i>other services</i>	0.04%	0.06%	0.05%

(\*) The amount of special waste produced is calculated based on the amounts reported in the waste identification formulations. The amounts related to waste classified as urban waste are based on the waste's weight on a scale or the average weight of bags of waste produced.

	tonnes		
<b>Waste sent for treatment (group) (*)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Non-hazardous special waste sent for treatment	274,974	300,643	255,374
<i>sent for recycling</i>	96.0%	95.7%	94.9%
<i>sent for disposal</i>	4.0%	4.3%	5.1%
Hazardous special waste sent for treatment	61,092	64,447	45,518
<i>sent for recycling</i>	95.8%	95.4%	90.3%
<i>sent for disposal</i>	4.2%	4.6%	9.7%
<b>Total waste sent for treatment</b>		<b>365,090</b>	<b>310,405</b>
of which: % per segment:			
<i>transport</i>	21.7%	28.6%	28.3%
<i>infrastructure</i>	78.2%	71.4%	71.7%
<i>real estate services</i>	0.0%	0.0%	0.0%
<i>other services</i>	0.0%	0.0%	0.0%

(\*) The group companies manage waste in accordance with Legislative decree no. 152/06, transferring it to firms authorised to transport it or to entities authorised to dispose of/recycle waste or for the public collection service.

## Water management

The efficient use of water resources, the treatment of wastewater, the protection of water quality, controls and grid management are some of the main activities performed by the FS Italiane group companies for proper water management.

The FS Italiane group consumes limited amounts of water because of its type of core business - mainly for civil use (approximately 88% of consumption is for offices, toilets and showers in the workshops and drinking fountains at stations) and, to a lesser extent, for industrial use (washing trains and buses).

The group companies hold frequent awareness campaigns to inform passengers about the responsible use of this resource and, with respect to industrial use, these campaigns mostly focus on reducing consumption to ensure the

effective collection and treatment of the wastewater<sup>34</sup>. The 2020 data present a downwards trend, substantially due to the reduced presence of personnel in the offices and smaller number of users in the stations due to the public health emergency.

mega-litres

<b>Water withdrawn by use and source (group)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Civil use (*)</b>	<b>16,095</b>	<b>17,289</b>	<b>16,884</b>
from aqueducts	8,607	9,207	8,850
from underground water (water table and sources)	7,477	8,074	8,034
from bodies of water	11	8	0
<b>Industrial use</b>	<b>2,258</b>	<b>2,904</b>	<b>3,312</b>
from aqueducts	1,438	1,682	1,676
from underground water (water table and sources)	774	1,177	1,595
from bodies of water	47	45	41
<b>Total water withdrawn by the group</b>	<b>18,353</b>	<b>20,193</b>	<b>20,196</b>
of which: % per segment:			
<i>transport</i>	<i>16.75%</i>	<i>18.44%</i>	<i>21.13%</i>
<i>infrastructure</i>	<i>82.66%</i>	<i>80.84%</i>	<i>78.15%</i>
<i>real estate services</i>	<i>0.45%</i>	<i>0.51%</i>	<i>0.51%</i>
<i>other services</i>	<i>0.15%</i>	<i>0.21%</i>	<i>0.20%</i>

(\*) includes withdrawals for civil use in stations.

mega-litres

<b>Water discharge by quality and destination (group) (*)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Wastewater sent to sewers</b>	<b>13,894</b>	<b>15,167</b>	<b>14,963</b>
% of <i>water treated beforehand</i>	<i>6.8%</i>	<i>7.4%</i>	<i>8.3%</i>
<b>Wastewater sent elsewhere</b>	<b>743</b>	<b>889</b>	<b>867</b>
% of <i>water treated beforehand</i>	<i>37.5%</i>	<i>36.0%</i>	<i>41.0%</i>
<b>Total wastewater discharged by the group</b>	<b>14,637</b>	<b>16,055</b>	<b>15,830</b>
of which: % per segment:			
<i>transport</i>	<i>14.8%</i>	<i>15.6%</i>	<i>16.0%</i>
<i>infrastructure</i>	<i>84.4%</i>	<i>83.5%</i>	<i>83.1%</i>
<i>real estate services</i>	<i>0.6%</i>	<i>0.6%</i>	<i>0.6%</i>
<i>other services</i>	<i>0.2%</i>	<i>0.3%</i>	<i>0.3%</i>

(\*) Discharge resulting from the group use is mainly classified as domestic wastewater (in 2020, domestic wastewater accounted for roughly 84% of total wastewater). This water is discharged by being sent to the municipal sewage system in accordance with the requirements of Legislative decree no. 152/2006.

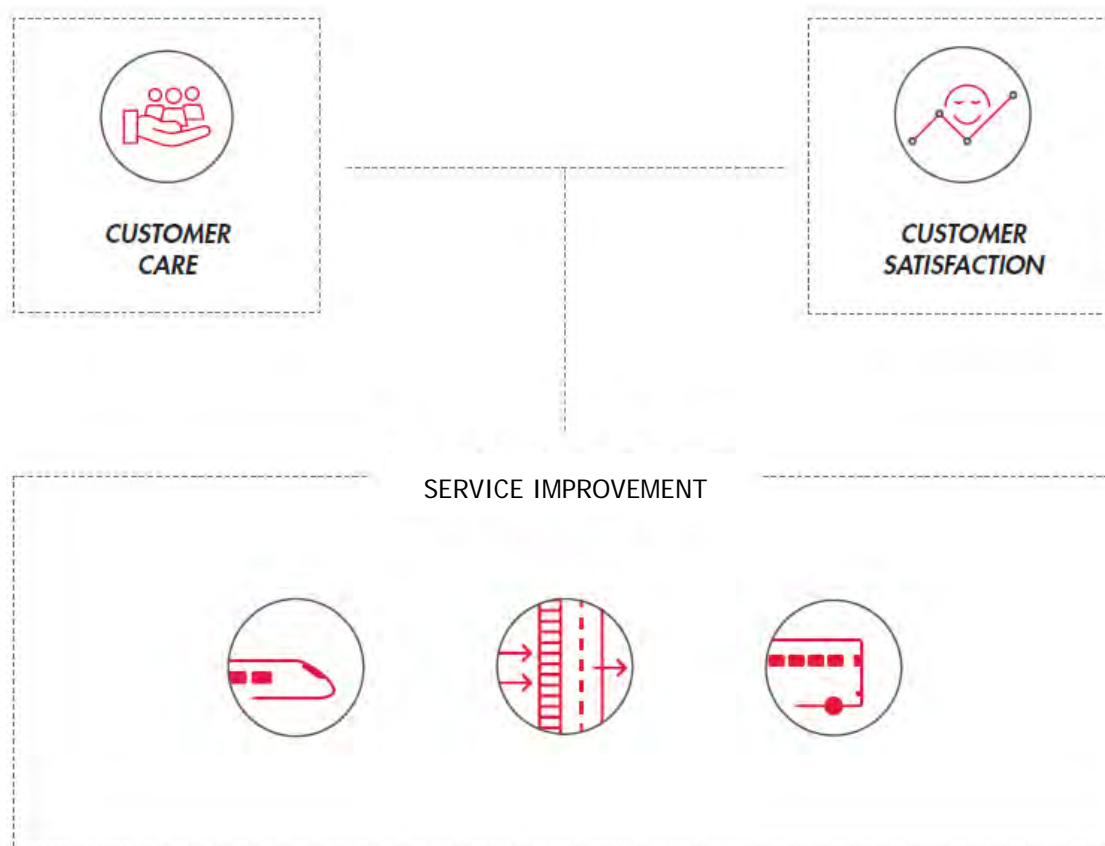
There could be spills in the performance of the group companies' activities,<sup>35</sup> mainly in connection with the storage of diesel. Accidental events of this kind mostly consist of small spills that are immediately contained, followed by environmental reclamation by a specialised firm.

34 Water withdrawn for industrial use undergoes a different treatment from that for civil use, considering the specific characteristics of the pollutants.

35 There were 16 significant spills in 2020 for a total volume of roughly 407 m3.

## The travel experience

To offer quality services to passengers and industrial clients, the FS Italiane group has had a customer care monitoring process in place for some time, based on the parameters established in the service charters, and customer satisfaction surveys to analyse the expectations and satisfaction levels of passengers and customers. It carried out this monitoring in 2020 despite the disruption to the railway business caused by the COVID-19 pandemic.



## Infrastructure

The Infrastructure segment includes:

- railway network/stations
- road and motorway network

In respect of the railway network and the stations, the group monitors the objectives set out in the service charter (required by legislation covering public services in the transport sector - Decree of the Prime Minister of 27 January 1994 and Decree of the Prime Minister of 30 December 1998). All objectives were achieved in 2020, both as relates to the perceived quality measured via customer satisfaction surveys, and the quality offered, assessed via internal and third-party monitoring.

<b>Railway network/stations</b>	<b>2020 target</b>	<b>2020 actual</b>
<b>Indicator</b>		
Focus on the environment	Field testing of ballast made out of the by-products of high-quality steel processing	achieved
Safety at the station	Number of thefts in stations below the three-year average *	achieved
<i>Accessibility of stations</i>	Roll-out of the national Sala Blu for the continuous improvement of telephone contact with passengers requesting assistance service	achieved

\*Excluding in-store theft. During the 2008-2010 three-year period, considered the consolidation period for the effects produced by the agreement active from 2007 between the parent, FS Italiane S.p.A., and the Ministry of the Interior for the development of joint actions to improve customer safety and group assets.

As regards the perceived quality objectives in terms of the percentage of passengers satisfied (those who reported a score of 6 to 9) with the services offered at stations, the findings for nearly all macro-categories were substantially in line with 2019: the entire network remains above 90%. In addition, the quality of the Sala Blu services remained at the excellent levels recorded in 2020.

<b>Railway network/stations</b>	<b>2020 actual</b>	<b>2019 actual</b>	<b>Change percentage points (p.p.)</b>
Quality (Quality of stations overall)	96.8%	97.1%	-0.3
Information at stations (Perception of information under critical operating conditions)	95.8%	94.8%	+1.0
Assistance (Level of satisfaction with the assistance service provided by the Sale Blu network)	99.0%	99.9%	-0.9

In respect of the road and motorway network, the group monitors the objectives set out in the service charter:

<b>Roads and motorways</b>	<b>2020 target</b>	<b>2020 actual</b>
<b>Indicator</b>		
Service regularity (Road closure times for non-exceptional snowfalls and/or not due to exceptional snowfalls and/or not due to planned closures of the sample sections)	< 12 hours	Achieved
Energy generation from renewable sources (photovoltaic)	> 750 gigajoules	Achieved
Definitive response to customers within 30 calendar days of the request for information, complaints, suggestions	80%	85%

The customer satisfaction survey carried out in the year to collect feedback on the opinions and satisfaction of customers who contacted the customer care office showed a satisfaction score of 7.5 out of 10 (for the first nine months of the year).

### **Railway passenger transport**

Railway passenger transport can be split into two main areas:

- medium and long-haul transport
- regional

#### Italy

Punctuality improved for all service types.

<b>Punctuality in Italy <sup>36</sup></b>	<b>2020</b>	<b>2019</b>	<b>Change percentage points (p.p.)</b>
Market services (Freccie)*	79.1%	78.5%	+0.6
Universal service (Day and Night Intercity)**	87.3%	81.5%	+5.8
Regional service***	92.8%	91.0%	+1.8

(\*) % of trains arriving within 10 minutes of the scheduled time

(\*\*) % of trains arriving within 15 minutes of the scheduled time

(\*\*\*) % of trains arriving within 5 minutes of the scheduled time

Perceived quality is measured through periodic surveys of passengers over the age of 14 about their experience on trains operated by the group (medium/long haul<sup>37</sup> and short haul journeys and local/regional transport<sup>38</sup>). Surveys are conducted using face-to-face and telephone interviews<sup>39</sup>.

In 2020, 95.3% of medium and long-haul train passengers reported satisfaction with the overall journey, up 2.3 p.p. on the previous year. Overall, all the main factors improved on the previous year, especially satisfaction with on-board comfort (+2.0 p.p.) and cleanliness (+2.2 p.p.).

<b>Medium and long haul</b>	<b>2020</b>	<b>2019</b>	<b>Change percentage points (p.p.)</b>
Overall journey*	95.3%	93.0%	+2.3
Cleanliness	93.0%	90.8%	+2.2
Comfort	95.4%	93.4%	+2.0

\*Satisfaction with the "overall journey" covers the entire travel experience (door-to-door).

The results of the regional transport services confirm the upwards trend in customer satisfaction.

89% of passengers were satisfied with the overall journey, an improvement of 2.5 p.p. on 2019 and, overall, all the main factors improved on the previous year. Analysing the individual factors, satisfaction with cleanliness was up by 3.4 p.p. and comfort by 3.1 p.p..

<sup>36</sup>All trains arriving after the indicated time limit are considered as late (no exceptions).

<sup>37</sup>Every two-month survey, for a total of six annual surveys, consists of 5,000 interviews with a sample of passengers selected according to a probability approach based on three steps: traffic, station and brand. In 2020, due to the COVID-19 public health emergency, the number of planned interviews was reduced (the March and May surveys were not conducted).

<sup>38</sup>Every two-month survey, for a total of six annual surveys, consists of 7,666 interviews in order to cover sufficient customers on 35 main regional railways lines throughout the country. In 2020, due to the COVID-19 public health emergency, the number of planned interviews was reduced (the March and May surveys were not conducted).

<sup>39</sup>Face-to-face interviews are carried out at the station before the train's departure. Telephone interviews using CATIs (computer assisted telephone interviews) are conducted through call-backs to interviewees two/three days after the journey. The score for each variable considered in the survey is on a scale of one to nine, where nine corresponds with the highest satisfaction and one with the lowest. Passengers who report a satisfaction rate equal to or greater than six are considered satisfied.

<b>Regional</b>	<b>2020**</b>	<b>2019</b>	<b>Change percentage points (p.p.)</b>
Overall journey*	89.0%	86.5%	2.5
Cleanliness	79.2%	75.8%	3.4
Comfort	89.5%	86.4%	3.1

\*Satisfaction with the "overall journey" covers the entire travel experience (door-to-door).

\*\* In 2020, Emilia Romagna regional transport operated by Trenitalia Tper was eliminated from the scope of the Regional passenger transport division.

### UK

The FS Italiane group operates in the UK through Trenitalia C2C Limited, which offers passenger transport services between London and Essex.

Passenger satisfaction is measured every six months in the National Rail Passenger Survey conducted by an independent party (the rail industry appeals body, Transport Focus) on all railway passenger transport companies. The 2020 results, based on interviews with a smaller sample than in 2019 (-39%), reflect a slight decrease on the previous year. Passenger satisfaction with the overall journey was 82% (2019: 86%).

### Greece

TrainOSE monitors passenger satisfaction on a quarterly basis using surveys and mystery customers. The analysis is carried out by an independent party. A sample of 2,000 passengers was analysed (including all business segments: long haul, interurban and regional). All parameters improved considerably on 2019.

<b>Greece</b>	<b>2020</b>	<b>2019</b>	<b>Change percentage points (p.p.)</b>
Satisfaction with the journey (overall)	84.0%	67.5%	+16.5
Punctuality (% of satisfied passengers)	77.0%	66.4%	+10.6
Cleanliness on board trains	77.3%	58.7%	+18.6

### Germany

To monitor punctuality and passenger satisfaction, Netinera group uses a methodology established by the Public Transport Authority on a regional basis and on the basis of the type of service offered. Accordingly, group and company indicators are not currently available.

## **Road passenger transport**

### Italy

The punctuality score (the ratio of delays recorded to monitored runs, weighted by runs in the year) improved on the previous year for urban and suburban transport. This improvement was also due to the fact that, starting in March, the COVID-19 emergency significantly affected all operations, leading to a sharp contraction in demand for mobility and, as ordered by the granting bodies, Busitalia's consequent adjustment of supply.

<b>Road passenger transport</b>	<b>2020</b>	<b>2019</b>	<b>Change percentage points (p.p)</b>
Punctuality (urban) (% of arrivals within five minutes of the scheduled time)	96.5%	90.3%	+6.2
Punctuality (suburban) (% services arriving within 15 minutes of their scheduled time)	94.5%	88.3%	+6.2

The results of the 2020 survey for perceived quality are not shown here because the significant differences with respect to 2019 make the data difficult to interpret. These differences included: a new methodology, different sample size, survey period, sample composition and timing of the scores. Furthermore, the 2020 survey was significantly impacted by the negative effects of the public health emergency on the travel experience and passengers' willingness to use public transport services, which they perceived as dangerous.

#### *The Netherlands*

The "OV Barometer" is used nationally to measure passenger satisfaction for Qbuzz BV<sup>40</sup>, for all runs and operators. In the areas where the group operates (Utrecht and Groningen), the satisfaction score for the services was 7.7 (on a scale of 1 to 10), in line with the previous year. The results for 2020 refer to the first quarter only because the survey could not be conducted in the subsequent quarters due to the pandemic.

#### **Freight**

In 2020, the Mercitalia companies conducted a customer satisfaction survey on their main customers.

The customer-centric approach is demonstrated by:

- tailored services;
- flexible transport solutions that are efficient and competitive;
- developing effective business-customer relations to ensure suitable, timely and customised offers;
- innovation and development of strategic drivers, together with the upgrade of Mercitalia's vehicles and infrastructure.

In particular, surveys<sup>41</sup> were conducted on various channels: online, a dedicated platform and a questionnaire filled out by a sample of customers.

Customers gave the Mercitalia Rail service an overall score<sup>42</sup> of 7.0 (on a scale of 1 to 10), in line with 2019. "Safety of the service" received an average score of 7.5 and "administrative customer assistance" received a score of 7.0 (in line with 2019). The Mercitalia group confirmed its attention to customers and service quality by maintaining quality certification in accordance with the UNI EN ISO 9001:2015 standard.

<sup>40</sup> "OV-Klantbarometer" is the name of the national survey conducted by an independent party to gather feedback from public transport passengers (urban and regional). Passengers may score the various aspects of the service. The survey is conducted quarterly on buses, trams, underground trains, regional trains and ships in most of the areas covered by public transport service concession operators.

<sup>41</sup> Not all the findings had been processed when this report was prepared.

<sup>42</sup> The Mercitalia group company that transports the most freight volumes.



## Sustainable supply chain

---

The FS Italiane group companies conduct negotiations in accordance with the antitrust principles in the EU Treaty and the “FS Italiane group companies negotiations regulation”.

Transactions with suppliers (including freelancers, consultants, brokers, subcontractors, sub-suppliers and all parties involved in the supply chain in general) and business partners take place in compliance with the principles of honesty, integrity, impartiality and sustainability.

As reiterated in the Code of Ethics, all our actions and conduct are characterised by the greatest honesty and we only operate with reliable, honourable individuals and companies of good repute.

The inclusion of sustainability criteria in the contracts awarded to the most cost-effective bids is a practice that the group has implemented for years, in line with the rules of the public contracting code (published with Legislative decree no. 50/2016), and mainly refers to:

- ISO 14001, ISO 9001 and ISO 45001 certification;
- the use of ecological materials and product certification;
- energy efficiency and the use of energy from renewable sources;
- measures for the protection of health and safety in the workplace.

Despite the pandemic, the group has confirmed its role as the powerhouse behind the country's economic and infrastructural development, driving robust growth in the number of work sites in 2020 and calling for tenders for contracts worth roughly €20 billion in railway and road infrastructure.

In 2020, the group companies paid suppliers over €13.2 billion, roughly 60% of which for the performance of contracts and 89% consisting of suppliers based in Italy and directly and indirectly generated income and job opportunities in the country.

<b>Percentage of expenses for direct local suppliers</b>	<b>Unit of measure</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Italy	%	89	85	84
Abroad	%	11	15	16

Sustainable management of the group's supply chain begins with the inclusion of rules (social security, Code of Ethics, occupational health and safety, the environment, etc.) in standard contractual clauses and continues, in certain instances as part of the group companies' management systems, with a process to improve the environmental and social performance of their suppliers.

In 2020, as part of the Sustainable Procurement & Supply Chain Management project, a sustainable procurement standard was defined for the group and monitoring of the environmental and social impacts of the supply chain continued through an online survey of around 100 questions in six sections (general information, human rights, the environment, company, occupational health and safety and continuous improvement). 94 strategic suppliers of the main group companies responded to the survey.

In addition, RFI S.p.A. assessed 497 suppliers (25% or 124 of which were new suppliers assessed for the first time in 2020) based on the environmental and social criteria provided by the EcoVadis monitoring platform.

As part of Railponsible, an initiative that brings together major railway companies to promote sustainable procurement, work continued to develop actions in three significant areas: climate change, sustainable procurement and social responsibility.

The FS Italiane group makes its purchases in accordance with EU Directives, as implemented by the public contracting code, and its own "Regulation for Negotiations with group companies".

Suppliers are vetted on the basis of assessments relating to quality, price and other corporate pre-requisites (the supplier's location and nationality are not part of the vetting criteria).

The standard contractual clauses include requirements that the contractor must comply with:

- labour and social security laws, with the application of national labour agreements;
- occupational safety and hygiene obligations;
- the standards in the "group Code of Ethics".

To date, no agreements and/or contracts have been formalised with the inclusion of specific human rights clauses or that are subject to the evaluation of the effective implementation of human rights protection policies

All the group's contracts require complete acceptance of the Code of Ethics. There are no suppliers or activities presenting a significant risk of forced labour or for which the freedom of association or collective bargaining is exposed to significant risks.

The group joined the UN's Global Compact network, undertaking to comply with the 10 human rights, labour, environmental and anti-corruption principles and integrate them in its business

On 16 April 2019, FS Italiane S.p.A.'s board of directors approved the group's sustainability policy based on the SDGs and the principles of the UN Global Compact.

## Human capital

The group's employees decreased from 83,764 at 31 December 2019 to 81,409<sup>43</sup> at 31 December 2020, a net reduction of 2,355 employees, including 1,577 due to changes in the consolidation scope. Despite the public health emergency and the consequent drop in production by the group companies, the generational change continued, with 6,100 newly hired employees and 6,878 employees who left.

The decrease in the workforce was also seen in the average numbers (-1,343).

<b>NO. OF EMPLOYEES AT 31.12.2019</b>	<b>83,764</b>
Incoming (*)	6,100
Outgoing (*) (**)	8,455
<b>NO. OF EMPLOYEES AT 31.12.2020</b>	<b>81,409</b>
<b>2019 AVERAGE</b>	<b>83,181</b>
<b>2020 AVERAGE (*)</b>	<b>81,838</b>

(\*) incoming and outgoing employees include employees with fixed-term contracts in the ferry ship sector.

(\*\*) 1,577 outgoing employees due to the sale of companies

	2020	2019	2018	Unit
<b>Breakdown of personnel by gender and professional level</b>				
<b>Managers</b>	<b>1,004</b>	<b>999</b>	<b>972</b>	
	<b>1.2%</b>	<b>1.2%</b>	<b>1.2%</b>	
- women	215	198	176	
- men	789	801	796	
<b>Junior managers</b>	<b>11,896</b>	<b>12,298</b>	<b>12,901</b>	
	<b>14.6%</b>	<b>14.7%</b>	<b>15.6%</b>	
- women	2,503	2,445	2,474	
- men	9,393	9,853	10,427	
<b>White collars</b>	<b>38,829</b>	<b>40,299</b>	<b>39,688</b>	
	<b>47.7%</b>	<b>48.1%</b>	<b>47.8%</b>	
- women	9,829	9,849	8,997	
- men	29,000	30,450	30,691	
<b>Blue collars</b>	<b>29,680</b>	<b>30,168</b>	<b>29,383</b>	
	<b>36.5%</b>	<b>36.0%</b>	<b>35.4%</b>	
- women	2,291	2,163	2,100	
- men	27,389	28,005	27,283	
<b>Total workforce (at 31 December)</b>	<b>81,409</b>	<b>83,764</b>	<b>82,944</b>	
- women	<b>14,838</b>	<b>14,655</b>	<b>13,747</b>	
- men	<b>66,571</b>	<b>69,109</b>	<b>69,197</b>	
<b>Women</b>	<b>18.2%</b>	<b>17.5%</b>	<b>16.6%</b>	
<b>Men</b>	<b>81.8%</b>	<b>82.5%</b>	<b>83.4%</b>	
<b>Average number of the year</b>	<b>81,838</b>	<b>83,181</b>	<b>81,662</b>	

The percentage of women in the workforce has increased constantly, reaching 18.2% of total employees in 2020 (+0.7 p.p. on 2019 and +1.6 p.p. on 2018), reflecting the group's efforts to reduce the gender gap.

<sup>43</sup> The group is compliant with current regulations regarding protected groups of people.

Over 11% of employees work in companies based abroad (+0.7 p.p. on 2019 and +1.8 p.p. on 2018), confirming the group's internationalisation.

	Unit		
Personnel by geographical segment	2020	2019	2018
<b>Personnel by geographical segment</b>	<b>81,409</b>	<b>83,764</b>	<b>82,944</b>
<b>Italy</b>	<b>72,087</b>	<b>74,749</b>	<b>74,928</b>
- North	28,196	30,477	30,541
- Centre	23,273	22,586	23,411
- South and islands	20,618	21,686	20,976
<b>Abroad</b>	<b>9,322</b>	<b>9,015</b>	<b>8,016</b>
<b>Italy</b>	<b>88.5%</b>	<b>89.2%</b>	<b>90.3%</b>
<b>Abroad</b>	<b>11.5%</b>	<b>10.8%</b>	<b>9.7%</b>

The total number of FS Italiane group employees at 31 December 2020, compared with the two previous year ends and broken down by age and professional level, is given below:

	Unit		
Breakdown of personnel by age and professional level	2020	2019	2018
<b>Managers</b>	<b>1,004</b>	<b>999</b>	<b>972</b>
<i>Under 20 years</i>	0%	0%	0%
<i>Between 21 and 30 years</i>	0%	0%	0%
<i>Between 31 and 40 years</i>	4%	5%	5%
<i>Between 41 and 50 years</i>	38%	37%	36%
<i>Between 51 and 60 years</i>	45%	46%	45%
<i>Over 60 years</i>	12%	12%	14%
<b>Junior managers</b>	<b>11,896</b>	<b>12,298</b>	<b>12,901</b>
<i>Under 20 years</i>	0%	0%	0%
<i>Between 21 and 30 years</i>	1%	1%	0%
<i>Between 31 and 40 years</i>	14%	12%	10%
<i>Between 41 and 50 years</i>	30%	29%	26%
<i>Between 51 and 60 years</i>	38%	40%	42%
<i>Over 60 years</i>	17%	18%	22%
<b>White collars</b>	<b>38,829</b>	<b>40,299</b>	<b>39,688</b>
<i>Under 20 years</i>	0%	1%	0%
<i>Between 21 and 30 years</i>	22%	20%	14%
<i>Between 31 and 40 years</i>	23%	21%	21%
<i>Between 41 and 50 years</i>	21%	20%	19%
<i>Between 51 and 60 years</i>	25%	28%	34%
<i>Over 60 years</i>	9%	10%	12%
<b>Blue collars</b>	<b>29,680</b>	<b>30,168</b>	<b>29,383</b>
<i>Under 20 years</i>	1%	1%	1%
<i>Between 21 and 30 years</i>	22%	19%	15%
<i>Between 31 and 40 years</i>	21%	21%	22%
<i>Between 41 and 50 years</i>	22%	22%	22%
<i>Between 51 and 60 years</i>	26%	29%	30%
<i>Over 60 years</i>	9%	8%	9%

There were 6,100 newly hired FS Italiane group employees at 31 December 2020, as shown below in the breakdown by gender and contract type, compared to the two previous year ends:

	Unit		
Hires by gender/contract type	2020	2019	2018
<b>Total hires by gender/contract type</b>	<b>6,100</b>	<b>9,068</b>	<b>7,610</b>
<b>apprenticeship</b>	<b>1,911</b>	<b>4,035</b>	<b>3,186</b>
	<b>31.3%</b>	<b>44.5%</b>	<b>41.9%</b>
- women	343	1,003	669
- men	1,568	3,032	2,517
<b>fixed-term</b>	<b>2,055</b>	<b>1,876</b>	<b>1,816</b>
	<b>33.7%</b>	<b>20.7%</b>	<b>23.9%</b>
- women	393	354	390
- men	1,662	1,522	1,426
<b>open-ended</b>	<b>2,068</b>	<b>3,111</b>	<b>2,520</b>
	<b>33.9%</b>	<b>34.3%</b>	<b>33.1%</b>
- women	523	708	497
- men	1,545	2,403	2,023
<b>other contracts</b>	<b>66</b>	<b>46</b>	<b>88</b>
	<b>1.1%</b>	<b>0.5%</b>	<b>1.2%</b>
- women	4	3	9
- men	62	43	79

The following tables contain details on personnel in the reporting period.<sup>44</sup>

	Unit		
Employees by contract type and gender	2020	2019	2018
<b>Total</b>	<b>59,363</b>	<b>61,753</b>	<b>62,518</b>
<b>Open-ended</b>	<b>59,283</b>	<b>61,674</b>	<b>62,455</b>
- women	10,828	10,773	10,038
- men	48,455	50,901	52,417
<b>Fixed-term</b>	<b>78</b>	<b>76</b>	<b>60</b>
- women	4	11	15
- men	74	65	45
<b>Other</b>	<b>2</b>	<b>3</b>	<b>3</b>
- women			1
- men	2	3	2

<sup>44</sup> The data refer to the following companies: FS Italiane S.p.A., RFI, Trenitalia, Ferservizi, Italferr, FS Sistemi Urbani, Mercitalia Logistics, Mercitalia Rail, Mercitalia Intermodal, Busitalia Veneto, Busitalia Rail Service, Busitalia Campania, Grandi Stazioni Rail, Grandi Stazioni Immobiliare, Terminali Italia, Italcertifer, Nugo, FS Technology and Cremonesi Workshop. The total number of employees in this scope of analysis is 59,363, approximately 73% of the group's total workforce.

	Unit		
<b>Employees by contract type and geographical segment</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total</b>	<b>59,363</b>	<b>61,753</b>	<b>62,518</b>
<b>Open-ended</b>	<b>59,283</b>	<b>61,674</b>	<b>62,455</b>
<i>North</i>	25,919	27,789	28,191
<i>Centre</i>	17,831	17,909	18,010
<i>South and islands</i>	15,369	15,846	16,163
<i>Abroad</i>	164	130	91
<b>Fixed-term</b>	<b>78</b>	<b>76</b>	<b>60</b>
<i>North</i>	8	11	11
<i>Centre</i>	7	14	23
<i>South and islands</i>	63	51	26
<i>Abroad</i>			
<b>Other</b>	<b>2</b>	<b>3</b>	<b>3</b>
<i>North</i>			
<i>Centre</i>		1	1
<i>South and islands</i>			
<i>Abroad</i>	2	2	2

	Unit		
<b>Employees by type of employment and gender</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total</b>	<b>59,363</b>	<b>61,753</b>	<b>62,518</b>
<b>Full time</b>	<b>58,703</b>	<b>60,867</b>	<b>61,431</b>
- <i>women</i>	10,346	10,146	9,327
- <i>men</i>	48,357	50,721	52,104
<b>Part time</b>	<b>658</b>	<b>883</b>	<b>1,084</b>
- <i>women</i>	486	638	726
- <i>men</i>	172	245	358
<b>Other</b>	<b>2</b>	<b>3</b>	<b>3</b>
- <i>women</i>			1
- <i>men</i>	2	3	2

	Unit		
Hires by age	2020	2019	2018
<b>Total hires by age</b>	<b>3,168</b>	<b>5,624</b>	<b>4,395</b>
<b>Under 20 years</b>	<b>234</b>	<b>616</b>	<b>455</b>
	<b>7.4%</b>	<b>11.0%</b>	<b>10.4%</b>
- women	27	123	81
- men	207	493	374
<b>Between 21 and 30 years</b>	<b>2,218</b>	<b>4,168</b>	<b>3,202</b>
	<b>70.0%</b>	<b>74.1%</b>	<b>72.9%</b>
- women	496	1,207	759
- men	1,722	2,961	2,443
<b>Between 31 and 40 years</b>	<b>393</b>	<b>495</b>	<b>470</b>
	<b>12.4%</b>	<b>8.8%</b>	<b>10.7%</b>
- women	131	131	140
- men	262	364	330
<b>Between 41 and 50 years</b>	<b>189</b>	<b>206</b>	<b>187</b>
	<b>6.0%</b>	<b>3.7%</b>	<b>4.3%</b>
- women	33	26	32
- men	156	180	155
<b>Between 51 and 60 years</b>	<b>115</b>	<b>114</b>	<b>66</b>
	<b>3.6%</b>	<b>2.0%</b>	<b>1.5%</b>
- women	4	9	5
- men	111	105	61
<b>Over 60 years</b>	<b>19</b>	<b>25</b>	<b>15</b>
	<b>0.6%</b>	<b>0.4%</b>	<b>0.3%</b>
- women		1	
- men	19	24	15

	Unit		
Hires by geographical segment	2020	2019	2018
<b>Total hires by geographical segment</b>	<b>3,168</b>	<b>5,624</b>	<b>4,395</b>
<b>Italy</b>	<b>3,113</b>	<b>5,565</b>	<b>4,370</b>
- North	1,147	2,426	1,664
- Centre	957	1,564	1,509
- South and islands	1,009	1,575	1,197
<b>Abroad</b>	<b>55</b>	<b>59</b>	<b>25</b>
<b>Italy</b>	<b>98%</b>	<b>99%</b>	<b>99%</b>
- North	37%	44%	38%
- Centre	31%	28%	35%
- South and islands	32%	28%	27%
<b>Abroad</b>	<b>2%</b>	<b>1%</b>	<b>1%</b>

	Unit		
<b>Outgoing employees by age</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total outgoing employees by age</b>	<b>4,535</b>	<b>6,453</b>	<b>4,030</b>
<b>Under 20 years</b>	<b>7</b>	<b>13</b>	<b>7</b>
	<b>0.2%</b>	<b>0.2%</b>	<b>0.2%</b>
- women	2	3	1
- men	5	10	6
<b>Between 21 and 30 years</b>	<b>141</b>	<b>222</b>	<b>137</b>
	<b>3.1%</b>	<b>3.4%</b>	<b>3.4%</b>
- women	32	41	32
- men	109	181	105
<b>Between 31 and 40 years</b>	<b>113</b>	<b>137</b>	<b>93</b>
	<b>2.5%</b>	<b>2.1%</b>	<b>2.3%</b>
- women	17	21	22
- men	96	116	71
<b>Between 41 and 50 years</b>	<b>120</b>	<b>93</b>	<b>75</b>
	<b>2.6%</b>	<b>1.4%</b>	<b>1.9%</b>
- women	6	6	10
- men	114	87	65
<b>Between 51 and 60 years</b>	<b>986</b>	<b>1,558</b>	<b>1,393</b>
	<b>21.7%</b>	<b>24.1%</b>	<b>34.6%</b>
- women	87	182	86
- men	899	1,376	1,307
<b>Over 60 years</b>	<b>3,168</b>	<b>4,430</b>	<b>2,325</b>
	<b>69.9%</b>	<b>68.7%</b>	<b>57.7%</b>
- women	338	544	182
- men	2,830	3,886	2,143

	Unit		
<b>Outgoing employees by geographical segment</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Outgoing employees by geographical segment</b>	<b>4,535</b>	<b>6,453</b>	<b>4,030</b>
<b>Italy</b>	<b>4,517</b>	<b>6,432</b>	<b>4,001</b>
- North	1,967	2,877	1,833
- Centre	1,020	1,550	872
- South and islands	1,530	2,005	1,296
<b>Abroad</b>	<b>18</b>	<b>21</b>	<b>29</b>
<b>Italy</b>	<b>100%</b>	<b>100%</b>	<b>99%</b>
- North	44%	45%	46%
- Centre	23%	24%	22%
- South and islands	34%	31%	32%
<b>Abroad</b>	<b>0%</b>	<b>0%</b>	<b>1%</b>



Turnover by age	2020	2019	2018
<b>Total turnover</b>	<b>12.9%</b>	<b>19.5%</b>	<b>13.6%</b>
Under 20 years	0.4%	1.0%	0.7%
Between 21 and 30 years	3.9%	7.1%	5.4%
Between 31 and 40 years	0.8%	1.0%	0.9%
Between 41 and 50 years	0.5%	0.5%	0.4%
Between 51 and 60 years	1.8%	2.7%	2.4%
Over 60 years	5.3%	7.2%	3.8%

Turnover by gender	2020	2019	2018
<b>Total turnover</b>	<b>12.9%</b>	<b>19.5%</b>	<b>13.6%</b>
Women	2.0%	4.0%	2.2%
Men	10.9%	16.0%	11.4%

Turnover by geographical segment	2020	2019	2018
<b>Total turnover</b>	<b>12.9%</b>	<b>19.5%</b>	<b>13.6%</b>
<b>Italy</b>	<b>12.7%</b>	<b>19.3%</b>	<b>13.5%</b>
- North	5.2%	8.5%	5.6%
- Centre	3.3%	5.0%	3.8%
- South and islands	4.2%	5.8%	4.0%
Abroad	0.1%	0.1%	0.1%

## **Relationships with trade unions, labour law and welfare**

### **Changes in labour law affecting the FS Italiane group**

Employees are covered by national bargaining agreements. The national labour agreement for nearly all<sup>45</sup> the group's non-managerial personnel is that for the mobility/rail sector, supplemented by the group's agreement of 16 December 2016.

In 2020, operational guidance activities on the application of the provisions of the national labour agreement for the mobility sector/railway sector and FS Italiane group's employment contract of 16 December 2016 continued. Specific notes were issued to the FS Italiane group companies on the main provisions, some of which referred to the emergency, and operational guidance was provided on the trade union agreements signed in the year.

Documents were prepared on the impact of the public health emergency on contractual and labour issues, in order to assist the relevant corporate structures and, in particular, the intragroup task force set up to address the emergency.

Support was given to the Planning and Management unit for the preparation of guidance on personnel management. This guidance consisted of general documents (e.g., "Instructions for the management employees transferred within the FS Italiane group"), group guidelines (e.g., "Guidelines for the management of personnel secondment in FS Italian group companies") and the preparation of individual agreements (e.g., the work-from-home agreement). Similar support was

<sup>45</sup> The other national labour agreements applied are those for: the logistics, freight transport and shipping sector for the Mercitalia Intermodal companies; the service sector for GS Rail and GS Immobiliare; and the bus, rail, tram and ship workers (Mobility-LPT) for Busitalia Campania, Busitalia Rail, Busitalia Veneto and Ferrovie del Sud Est.

given to other corporate structures in the preparation of group measures relating to labour law (e.g., the “Group procedure for the talent acquisition process”) and to the individual group companies (e.g., for Trenitalia S.p.A.: “Food service management procedure” and “Management and operational instructions on the use of secondment by Trenitalia and its subsidiaries”).

The FS Italiane group companies received assistance on the relevant issues during the LPT tenders (e.g., for Trenitalia S.p.A.: the Piedmont tender regarding the management of the transfer of personnel).

With respect to labour law disputes, the Legal labour office received support in interpreting contracts and laws, preparing defence briefs and related defence strategies and in dealing with law firms in response to employees/trade unions’ claims.

### **Breakdown of disputes pending with employees at 31 December 2020, compared with the previous two years**

<b>Disputes with employees</b>	<b>Unit of measure</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Litigation notified during the year	no.	1,865	1,505	1,960
Pending disputes	no.	2,926	3,023	3,322
Economic value of the disputes	€	48,894,570	49,071,588	51,557,000

The FS Italiane group’s interests were represented at European level in talks with the trade unions, particularly with its participation in negotiations for a European trade union agreement on gender equality, both in negotiations and in the definition of the contractual texts and documents, and with the group’s involvement in two European projects: EDA Rail (Employability in the Railway Sector in the Light of digitalisation and Automation) and STAFFFER (Skill Training Alliance For the Future European Rail system).

### **Updates, if any, to the national labour agreement applied to the FS Italiane group**

In 2020, in order to reduce the impacts of the COVID-19 pandemic, specific agreements were signed providing for a series of measures to mitigate the consequences of the outbreak.

The “COVID-19 emergency master agreement” of 19 March 2020 was prepared in response to the need to adopt measures to facilitate the containment of the outbreak, such as expanding work-from-home practices where possible considering work activities. Other work-from-home provisions were implemented for the duration of the emergency in the agreement of 27 April 2020 in order to continue encouraging its use.

Furthermore, in the same agreement of 19 March, considering the temporary suspension/reduction of work hours following the state of emergency throughout the country and the consequent restrictions, including on mobility, the trade unions deemed it necessary to use the ordinary benefits of the fund for income and employment assistance for Ferrovie dello Stato Italiane group companies’ personnel on behalf of the employees whose work hours had been suspended or reduced. This agreement also required the use of any residual holidays accrued in years prior to 2020 and specific leave under the regulations in the “Measures to strengthen the national healthcare system and provide economic relief to households, workers and businesses in connection with the COVID-19 epidemiological emergency” before using the ordinary benefits of the fund. Furthermore, specific additional amounts were outlined for workers receiving the ordinary benefits of the fund and for employees taking the aforementioned leave.

In addition, in accordance with the guidelines in the “Shared protocol governing the measures to counter and contain the spread of COVID-19 in workplaces” of 14 March 2020, the unions agreed to establish, for the duration of the current public health emergency, within each individual company, a “COVID-19 Committee” with an equal number of company and Italian trade union representatives to analyse and monitor the actions taken to counter and contain the spread of COVID-19.

The agreement of 8 July 2020 established specific work-from home provisions for the management and duration of the post-emergency stage and, in any case, until 31 July 2021, even in a departure from the provisions of the agreement of 20 April 2018, which introduced and governed, for the group companies that apply the national labour agreement for the mobility/railway sector of 16 December 2016, this practice as a structural measure to balance workers’ professional and personal lives. In particular, the number of days of the months in which employees could work from home was increased and the circumstances in which this practice could be used were expanded. In addition, the agreement facilitated, insofar as was compatible with their duties, the taking of leave pursuant to Law no. 104 of 5 February 1992, for workers with personal pathologies and workers considered most at risk for duly certified health reasons (because of depressed immune systems, having had cancer or necessary medical treatment).

Furthermore, as the FS Italiane group sees company welfare as a tool that can improve workers’ wellbeing and motivate them, while helping workers balance and integrate the time for their personal lives with that for their professional lives, in 2020, the group offered its employees many welfare initiatives.

In particular, as the result of a European tender, a new supplementary healthcare assistance plan went into effect on 1 June 2020, which provides for additional benefits and new additional packages that are more advantageous for employees.

Furthermore, to provide workers with a single, integrated tool for access to the welfare offer and a greater basket of goods and services, the new “FS Welfare” platform went live in October 2020. On this platform, workers may learn about the group’s welfare plan, use their welfare credits, find out about agreements and discounts for employees and access many cultural initiatives.

After the 2019 performance bonus agreement was signed, employees of the participating companies could allocate all or part of their performance bonus to the various welfare programmes available in 2020. The company topped up the amount of the performance bonus allocated to a welfare programmes with an additional 10%.

On 18 February 2021, at the Confindustria headquarters in Rome, Agens and the FS Italiane group signed a few important agreements with the trade unions.

Following the agreements reached, the group will pay the employees of the group companies that apply the national labour agreement for the mobility/railway sector of 16 December 2016 one amount to cover the entire period from 2018 to 2020, in two tranches (April/June 2021). This agreement also lays the foundation for the continuation of talks for the renewal of the same national labour agreement.

In addition, certain updates to the work-from-home and welfare policies were agreed.

At the end of the emergency, all workers whose duties are compatible with the assigned activity may work from home for a minimum of six and a maximum of 11 days per month, not necessarily consecutively. Furthermore, the term of the individual contract was extended from 12 to 24 months.

In 2021, the usual annual amount of €100.00 as per article 22.1 of the FS Italiane group contract of 16 December 2016 may be used for additional welfare benefits, such as the payment of interest on loans, LPT or vouchers.

Considering workers’ contribution to managing the difficult situation, instead of the performance bonus, a one-time assignment of welfare benefits was agreed.

The unions also signed a protocol for the quality of work in railway service contracts, in which the group reiterated the principles that underlie a sound economy, bolstered by the quality of work, such as lawfulness, transparency, sustainability, health and safety in the workplace. In this respect, an observatory was set up for the segment to identify potential improvement actions and illustrate scenarios and perspectives in this field that consider changes on the market, the trend in supply and demand for services and the companies' needs.

### **Development of the work reorganisation/rationalisation processes that are in progress or have been announced, in implementation of the national labour agreement for railway activities or as a result of the business strategies in the business plan**

In 2020, to reduce the impacts of the COVID-19 pandemic, specific agreements were signed with the trade unions for the use of the social safety nets provided for by the applicable regulations in the sectors most affected by the reductions/suspensions of activities.

With specific regard to the railway sector, the main group companies (RFI S.p.A., Trenitalia S.p.A. and Mercitalia Rail S.r.l.) drew on the ordinary benefits of the fund for income and employment assistance for Ferrovie dello Stato Italiane group companies' personnel.

In addition, as outlined in 2019, in 2020, RFI S.p.A. applied for access to the extraordinary solidarity benefits of such fund for generational change on behalf of the eligible employees.

Employees of FS Italiane S.p.A., RFI S.p.A. and Ferservizi S.p.A. who were eligible for the extraordinary benefits under the fund for income and employment assistance for Ferrovie dello Stato Italiane group companies' personnel received them in 2020.

The 2020 absenteeism rate was 9.5%<sup>46</sup>, compared to 8.3% in 2019 and 8.7% in 2018.

### **Relationships with the trade unions**

The group has formal agreements in place with the trade unions protecting health and safety, to promote projects that foster a culture of safety and prevention among workers by constantly updating employee training and through the introduction of new equipment and new technologies.

There are no risks to the freedom of association and bargaining within FS Italiane group. The group has established a system of relationships with the trade unions based on information and bargaining at various national and local levels with trade union representatives (national and local offices, unit representatives and company representatives). In addition, FS Italiane group applies all inter-confederation agreements, including those on trade union representation.

### **Training**

In 2020, training<sup>47</sup> to ensure operational continuity, meet the needs of business process development, provide solid support to the group strategies and be near our people became even more meaningful considering the events of the COVID-19 emergency and the resulting needs. Far from being scaled back, the group's investments in training were ramped up in response to the deep need to revise teaching material and how the training is provided. These aspects affected the data summarised further on.

The group's training structures made the most of the disruption to speed up certain development processes for the methodology and training technology plan.

---

<sup>46</sup> The hours of absence do not include those covered by social safety nets.

<sup>47</sup> The data refer to the following companies: FS S.p.A., RFI, Trenitalia, Busitalia Sita Nord, Ferservizi, Italferr, FS Sistemi Urbani, Mercitalia Logistics and Mercitalia Rail.

Safe operations entail the need to maintain the same curriculum and certify the skills gained in accordance with national and sector regulations, e-learning courses were held live, organising extremely small classes and using additional learning tools to drive processes that focus on and check what has been learned on a progress basis.

Similarly, occupational safety training was held online as well, with the total duration of training courses unchanged.

95% of training held in 2020 concerned technical and professional certification for operating personnel, operating safety and occupational safety.

With respect to training to improve technical/professional skills for non-core processes, like behavioural and managerial training, the methodology of the group's training programme was revolutionised with a flipped classroom approach<sup>48</sup>, based on digital technologies using webinars and e-learning or self-training.

This change, which had already been planned in 2019, was implemented more quickly in response to the COVID-19 emergency, making it possible to provide all branches with the activities laid out in the 2020 group training plan, garnering high scores of perceived quality and learning. Given the nature of the method, the group rebalanced the mix of learning tools which before COVID-19 were substantially related to in-person learning, developing a blended training ecosystem, with self-training tools, live workshops, social learning, study materials and short videos.

Overall, roughly 518 thousand man/days<sup>49</sup> of training were performed in 2020 by the main group companies. This figure, which is similar to that recorded in 2018, should be interpreted in the light of the change described above. Therefore, even if it is about 28% lower than the absolute figure for 2019, it can be considered similar if combined with the significant content offered and provided using self-training methods not in use in 2019.

The purpose of training by the parent, which it provides across all group companies, is to:

- accelerate innovation processes enabling the development of a mindset that is supportive of internal entrepreneurship and the acquisition of innovative skills;
- drive the evolution of the management culture and the managerial skills of the group's people, particularly newly hired employees and all employees involved in the development programmes across all professional lines, in synergy with the operating companies;
- ensure the integration of new employees in the productive system through induction programmes;
- sustain a culture of diversity management by promoting actions to raise awareness and acquire skills to support the work/life balance and the ability to value and integrate differences;
- encourage the spread of a business culture focused on internationalisation.

The programmes initiated in 2019 continued seamlessly, such as:

- the leadership programmes for the development of the group's managerial team,
- the induction programme for newly hired recent university graduates and similar initiatives at corporate level for high school and university graduates;
- training on the protection of personal data – which was further developed beyond the progress made in 2019 and enhanced with digital content produced in-house;
- raising awareness and training on diversity and inclusion (D&I) – in continuation of the programme initiated in 2019 for the human resources professional family, with a specific focus on managing and overcoming unconscious bias.

Certain specific academies – like the Recruiting Academy, devoted to both HR and the Line – were enhanced with

---

<sup>48</sup> The flipped classroom was officially experimented for the first time in the 1990s by Erica Mazur at Harvard University. The methodology was fully formalised with the contribution of Jonathan Bergmann and Aaron Sams and it is widespread in Italy as well, and is recognised by the Ministry of Education, Universities and Research (MIUR).

<sup>49</sup> The data on the hours of training per year are in man-days (an average of 7.60 hours per day).

modules on D&I issues. Additionally, an e-learning plan was developed on sexual harassment and gender and age diversity, which will be expanded further in 2021;

- open training on the MOOC (Massive Open Online Courses) platform for over 2,000 group employees;
- training for women returning from maternity leave that had already been commenced in 2019;
- the distribution of the parent's internal catalogue to support the development of the soft skills of all the group's professionals;
- as part of training for group managers, management continued to participate in seminars and webinars for updates on scenario, market and leadership issues proposed as part of The European House Ambrosetti programme.

The professional refresher courses developed in-house on a cross section of issues managed by the parent were further expanded in 2020, with the creation of series of genuine permanent professional refresher courses for the professional staff areas.

Many digital learning courses were provided on organisational culture and compliance issues, including: cyber security, the personal data regulation (privacy), the ABC system, antitrust and labour law.

Other digital learning courses concerned issues relating to corporate social responsibility and sustainability.

Furthermore, major new projects were launched to directly support the group's strategic plan, specifically regarding internationalisation, innovation, digitalisation and sustainability.

With respect to internationalisation, the group's International Academy was designed and launched to, on one hand, support the abilities of managers and experts already operating in international projects, ensuring their maximum expendability and effectiveness in multicultural contexts, and on the other, kick off a programme for young professionals in order to create a pool of professionals for the group to draw upon for its international activities.

Through training, innovation consolidated its partnership with the group's strategic management, developing the Innovation Skill Hub programme to cultivate a widespread mindset among the group's employees poised to drive a cultural and operating environment that is favourable for the ongoing implementation of in-house innovation and entrepreneurship. The programme benefited from the participation of leading Italian university partners. All this training has been carried out remotely with an innovative approach and has been recognised nationally as an innovative best practice in the field of human resources.

As for digitalisation, massive training programmes were held to support the necessary skills for working in the digital workspace, in addition to projects devoted to the specific professional lines particularly impacted by remote working. A pilot digital skill assessment project was carried out at Italferr S.p.A. with subsequent training that will lay the foundation for the launch of extensive digital skill development initiatives in all group companies.

As for training on sustainability issues, in line with and to support the focus that the group's business plan devotes to sustainability goals in accordance with the European Agenda 2030, through the parent's sustainability professional family, awareness raising and training actions continued in the form of workshops for the boards of directors of the group companies, in addition to launching a few new initiatives specifically aimed at improving the professional family's skills by strengthening its effectiveness within the individual companies, with a view to the group's internal professional network.

In accordance with the digitalisation drivers in the group's business plan and to further build upon that done in 2019, investments in e-learning focused on three main objectives:

- reach more trainees with the mass distribution of contents to broaden participation in training processes, continuous learning and share organisational knowledge;
- make the most of the work-from-home scheme to facilitate cultural change dynamics in the approach to learning, offering self-learning opportunities open to the various roles and different levels of responsibility;

- develop internal authoring skills to showcase the group's know-how and progressively digitise the training content of the many in-house training academies.

The investment programmes provided for in the strategic plan for digital innovation in the training process continued.

Specific attention continued on customer centricity through training plans managed by the individual companies, with the aim of motivating all group people to remain steadfast in their efforts to keep customer centricity the main driver of our culture and business. Many training projects were aimed at supporting front-line personnel in customer relationships, with an approach geared towards safety, service and care, and even more so during the COVID-19 emergency, which called for the implementation of special safety procedures to protect passengers' health. Other actions were focused on ensuring customer care even when contact occurred digitally or remotely.

Furthermore, around 12 thousand days of training were provided to non-group personnel belonging to supplier companies in order to ensure compliance with consistent standards of expertise and safety.

The total cost for the days devoted to employees only was €5,693 thousand, down 35% on 2019. The decrease in the cost, despite the comparable training programme, is entirely due to the change in the way the training was provided, as described above. Online courses reduced travel and logistics costs considerably. Moreover, using in-house knowledge for the purposes of training also helped reduced teaching costs.

The use of financing for training generated income of €3,944 thousand.

Thanks to the collaboration with the trade unions in speeding up the talks of the Fondimpresa pilot committees, plans were presented for most of the training programmes held, ensuring the economic sustainability of this process.

In 2020, the development of the group's training model was also accelerated, in keeping with market trends and in the direction of the genuine in-house corporate academies that have been set up. In the fourth quarter of the year, the first assessment of the largest companies' training processes was completed. It was conducted using a standardised methodology, making it possible to identify the development areas on which to base the 2021 plans.

man-days

<b>man-days<sup>50</sup> of training by professional level and gender</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total training days</b>	<b>517,854.68</b>	<b>681,221.24</b>	<b>573,359.28</b>
Managers	2,203.05	4,865.85	3,272.94
- women	1,613.53	3,786.16	2,450.48
- men	589.52	1,079.70	822.46
Junior managers	33,816.46	45,890.47	48,341.21
- women	28,114.04	37,542.49	41,095.72
- men	5,702.42	8,347.98	7,245.49
White collars	276,574.26	374,231.69	327,013.96
- women	200,263.42	273,811.92	253,527.50
- men	76,310.84	100,419.77	73,486.46
Blue collars	205,260.92	256,233.23	194,731.17
- women	197,349.35	247,282.02	188,350.29
- men	7,911.57	8,951.21	6,380.88
<b>Total women</b>	<b>90,514.36</b>	<b>118,798.66</b>	<b>87,935.29</b>
<b>Total men</b>	<b>427,340.33</b>	<b>562,422.58</b>	<b>485,423.99</b>
<b>average days of training per employee</b>	<b>8.76</b>	<b>11.03</b>	<b>9.27</b>

\*The data refer to the following companies: FS Italiane S.p.A., RFI, Trenitalia, Busitalia Sita Nord, Ferservizi, Italferr, FS Sistemi Urbani, Mercitalia Logistics and Mercitalia Rail.

## **Recruitment**

Despite the COVID-19 emergency, 2020 saw the group advance its commitment in all talent acquisition and recruitment activities based on the principles of merit, transparency and equal opportunities, with a view to diversity and inclusion.

In continuity with the promotion of professional diversification and development of the group's resources, each recruitment process for professional targets and middle management jobs involved a preliminary job posting remotely, resulting in 374 processes, with over 650 positions filled for corporate and intragroup mobility.

At the same time, recruitment on the market outside the group continued with an increasingly innovative and digital selection process, leading to the identification of young talent and resources with specific expertise to help meet business targets. 731 recruitments were carried out at group level with different targets, and more than 400,000 CVs in the database were considered, including over 150,000 in response to job postings. In all, over 300 recent graduates willing to join the company were found, 91 of whom through a fruitful collaboration with the network of universities.

Online recruitment was possible thanks to the progressive roll-out of the Smart Recruiting project, kicked off in the previous year, with the adoption of a new talent acquisition model, including through the development of the technological platform to support and introduce an AI system for the semantic reading of CVs.

The Recruiting Academy was also set up. This training course for change management involved around 400 HR and Line employees, increasing in-house know-how on recruitment processes and candidate experience, and improving sensitivity on cross-sectional issues like employer branding and D&I.

The digital professional opportunity channels were managed to consolidate talent attraction and recruitment on all targets: "FSitaliane.it/Work with us" with an average of 240,000 visitors/month on the company's Facebook pages "FS Careers" and LinkedIn with roughly 17,000 and 600,000 followers, respectively. Furthermore, with "FirSt", the group's first chatbot for talent acquisition, thanks to machine learning, responses were sent to 3,571 requests for information, support or cooperation from external stakeholders and potential candidates.

<sup>50</sup> The data on the hours of training per year are in man-days (an average of 7.60 hours per day).



The investment in promoting and implementing employer branding and employee attraction initiatives was ongoing, partly through relationships with universities, which in 2020 saw activities for university and post-graduate students go online. Over 400 students were involved through 14 partnerships with universities for ad hoc training, including: Master's programmes, advanced training schools and the academies; initiatives to encourage internationalisation and export our know-how abroad; teaching or speeches by company managers (234), remote work experience (86) and support for students with their university thesis (19) or scholarships (43) to drive the exchange of company know-how and university knowledge; attraction, orientation and recruitments days, opening/closing ceremonies for academic programmes; advising in sector research (52); virtual career days and job meetings with over 3,000 young people met at the FS Italiane virtual stand (11).

### **Development**

In 2020, the Development Organisational unit sped up the digitalisation of managers' potential assessment processes despite the initial halt in activities in March 2020, which was in any case used to redesign the processes.

First, this led to a revision and remodelling of the in-person assessment tests used, which were adjusted to be used online, without foregoing any quality in terms of drawing out the required managerial conduct.

The Teams business platform was a powerful tool in this process, making it possible to conduct any type of test (group, written, two-person interview) remotely, ensuring the assessor was able to evaluate the managerial characteristics necessary to assess the manager's potential.

After an initial testing phase, which involved the assessors in the Development Organisational unit, the companies' assessors were also updated, enabling the group to recover the time lost when activities were suspended in March.

At year end, 353 assessments had been carried out online with the parent's coordination (48 senior managers, 130 middle managers, 78 front line managers, 75 professional, 22 reviews of middle and senior managers)<sup>51</sup>. The assessed middle and front-line managers outperformed that planned at the start of the year before the public health emergency.

The top priority in terms of revising the digital projects was to assess C-suite and management targets and a higher organisational impact on the coverage of critical/key positions of the various group companies.

The assessment of the potential of professionals, i.e., the group's recent university graduates, was effectively slowed down and showed smaller volumes at year end because of the particularly complex project to build a digital in-tray test. The solution was developed innovatively and, thanks to its complete integration within the Talent ROAD system, the group can now manage this process completely online and expects to conduct about 300 assessments in 2021 (compared to 75 in 2020), meaning that it will boast large-scale assessment capacity once it is up and running, and this will drive more rapid managerial and professional development for resources who have been with the company for around two years.

While the project was being redesigned to enable the recent graduate development process to begin, personality and motivational questionnaires and logic tests were given to about 670 graduates online, ending in December 2020. Each person will receive a high quality report that they may use as a resource for their development (the report contains their strengths and improvement areas, along with practical on-the-job tips and development actions they can take on their own to consolidate and develop managerial conduct according to the group's talent management model).

In terms of development drivers, the accreditation of 30 new in-house coaches was completed in February 2020. These coaches come from a wide variety of group areas, from HR to the Line, and 37 coaching projects were initiated to support the managerial and cross-training development of people with potential for growth.

---

<sup>51</sup> The volumes refer to the targets managed and coordinated directly by FS Holding, while the volumes indicated in the tables also refer to the potential assessments.

In addition, an online process was activated with the participation of the Training & Learning structure which will be completed in January 2021 and will lead to the certification of 15 new assessors who will join the group's list and help carry on the internal management review processes.

The annual performance review conducted by the resource supervisors using the integrated assessment system involved 13,076 people, while the potential assessment involved 1,153 people<sup>52</sup>.

The annual performance of resources who are not included in the integrated assessment system process is reviewed by their managers informally (e.g., with feedback on strengths and areas for improvement).

### **Occupational health and safety**

On 31 January 2020, the Italian government declared a state of emergency throughout the country in relation to the health risk resulting from the COVID-19 epidemic, a public health emergency of international proportions. A series of public orders was issued, with constant updates, to manage the emergency and counter and contain the spread of the disease, affecting residents and companies.

The group set up an intragroup task force with group organisational notice "Novel coronavirus – Establishment of the intragroup task force", responsible for continuously monitoring the development of the scenario, ensuring the coordination of all health and safety updates required by the government provisions and, if necessary, defining the necessary and timely internal measures.

The companies, with their measures, have implemented the applicable public authorities' measures, updating them constantly in relation to the provisions of the Prime Minister's decrees during the year. In particular, following the order for companies to suspend non-essential activities, all personnel not essential for public transport services began working from home. Their employers prepared the document entitled "Management of the public health emergency resulting from COVID-19 – Anti-infection protocol", laying down how to implement the "Shared protocol governing the measures to counter and contain the spread of COVID-19 in workplaces", which the trade unions signed and updated on 24 April 2020, as provided for by the Prime Minister's decree of 26 April 2020. The content of the protocols and the containment and counter measures defined therein were constantly updated as the public authorities' measures developed.

The second edition of the "Workshop on Health, Safety and Environment organisational models" was held online and organised by the Sant'Anna School of Higher Learning in Pisa and with the participation of the FS Italiane group and the leading Italian industrial groups (Eni, Enel, Terna, Autostrade per l'Italia, IPZS, SARAS, SAIPEM and A2A). It focused on the measurement methodologies for a culture of occupational health and safety based on questionnaires that measured the occupational health and safety culture as it is perceived by personnel and with the processing of specific process KPIs. The workshop's findings were presented in the Teams webinar held on 19 October 2020 with the participation of the heads of the companies' HR and Occupational health and safety units. In particular, a new methodology for the measurement of personnel's perceived culture of occupational health and safety was presented, based on what arose during the workshop, along with the results of its trials at the pilot sites of participating group companies.

In October, for the European week of occupational health and safety, and in November, the companies held the second edition of the Safety Day to confirm, in such a challenging year for the country and for businesses because of the pandemic, their commitment to safety and employee engagement with respect to prevention. All the days were held on Teams and in streaming with widespread participation by both company managers and staff. These initiatives, which saw

---

<sup>52</sup> The data refer to the following companies: FS Italiane S.p.A., RFI, Trenitalia, Busitalia Sita Nord, Ferservizi, Italferr, FS Sistemi Urbani, Mercitalia Logistics and Mercitalia Rail.

the presence of the CEOs of each company, were devoted to presenting the commitments to counter the epidemic in workplaces, ensuring the health of all employees. As part of these initiatives, the CEOs symbolically delivered an artistic prize to employees who distinguished themselves in their commitment to preventing the outbreak at the company and employees who volunteered for first aid activities.

The group's rigorous commitment to prevention, focused on achieving the targets for injury reduction and improving safety processes, continued in 2020.

Furthermore, 13,900.65 man/days<sup>53</sup> of occupational health and safety training were provided in the year. The main courses related to:

- e-learning course on occupational safety for safety representatives
- e-learning course on occupational health and safety for workers who work from home
- e-learning course on occupational health and safety for managers
- webinar on the Teams platform: Management of occupational health and safety: the coronavirus emergency
- Training capsule on "Let start back up safely: how to prevent COVID-19"
- Occupational health and safety course - Meeting the requirements of regulations, acquisition/update and/or certification of technical skills
- Support for professionals: Behavioural safety

The group has rolled out a number of other initiatives to promote worker's health:

- #weforSafety: in order to highlight the group's commitment to safety and engage and inform personnel about occupational health and safety issues, each year, all group companies organise an annual Safety Day the third week in October, which coincides with the European week for occupational safety. During the year, each company simultaneously holds events at its plants that symbolically end the third week in October. Through WE (the group's intranet), the companies' main initiatives, which are held remotely on Teams, receive the right amount of visibility with the hashtag #weforsafety.
- the #Coronavirus communications plan: kick-off of an information campaign on WE garnering over 30 thousand views with 40 updates on the COVID-19 public health emergency.
- Section on the group's occupational health and safety policy with a focus on key issues like "Performance", "The FS Italiane group's network" and "Coronavirus: Know it to prevent it".
- Employee vaccination campaign and COVID-19 tests.

Based on the data on indemnified injuries provided by INAIL<sup>54</sup>, including those related to the COVID-19 epidemic, still under definition, the following table shows the amounts for 2020 and those for 2018-2019. The overall results indicate a significant decrease in injuries and frequency in 2020, partly due to the reduction in operating activities by personnel during the lockdown. This being said, the data confirm the long-term trend of consistent decreases in the number of injuries and frequency.

In this context, the estimated consolidated data of the railway segment only reflect the continued decreased in injuries, down by approximately 19.8% on the same period of 2019, compared to a target of 3%, and the decrease in the frequency index by roughly 16.4%, compared to the established target of 3%, with an estimated index 14.3.

---

<sup>53</sup> The data on the hours of training per year are in man-days (an average of 7.60 hours per day).

<sup>54</sup> All data refer to INAIL statistics which, to calculate the days lost due to injury, consider that compensation is paid for all calendar days from the third day of absence. INAIL's severity index does not provide for a breakdown of data by gender. The information reported does not fully cover the indicator for Anas S.p.A..

			Unit
<b>Injuries indemnified by INAIL***</b>	<b>2020*</b>	<b>2019</b>	<b>2018</b>
Injuries in the workplace	696	1,089	1,213
- <i>women</i>	93	164	149
- <i>men</i>	603	925	1,064
Fatalities	5	1	4
- <i>women</i>			
- <i>men</i>	5	1	4
High-consequence work-related injuries	198	316	365
- <i>women</i>	22	50	42
- <i>men</i>	176	266	323
Injuries in transit	159	292	324
- <i>women</i>	31	79	95
- <i>men</i>	128	213	229
Frequency - overall**	11.74	17.62	19.56
- <i>injuries - women</i>	8.79	15.80	15.44
- <i>injuries - men</i>	12.37	17.99	20.32
Severity - overall	550	673	812

\*INAIL data for 2020 at 21/01/2021 not yet defined

\*\*Frequency: [no. occupational injuries/average number of employees] \*1000 employees

\*\*\*The reporting scope includes: FS Italiane S.p.A., RFI S.p.A., Trenitalia S.p.A., Italcertifer S.p.A., FS Sistemi Urbani S.r.l., Ferservizi S.p.A., Italferr S.p.A., Busitalia Sita Nord S.p.A., Mercitalia Logistics S.p.A. and Mercitalia Rail S.r.l.

Anas S.p.A. reported 80 injuries at work in 2020, with a frequency rate of 12.30%<sup>55</sup>.

<sup>55</sup> The data are processed using the same criteria as for the other companies.

## Management systems

FS Italiane S.p.A. and the main group companies remain committed to implementing, certifying and maintaining their management systems, including the occupational health and safety system ("ICRMS"), in order to continue improving the group's performance. Integrated management systems are used to strengthen the environmental and occupational health and safety components of the ICRMS.

	Quality	The environment	Occupational health and safety
		✓	
	✓	✓	✓
	✓	✓	✓
	✓	✓	✓
	✓	✓	✓
	✓	✓	✓
	✓	✓	✓
		✓	
	✓		
	✓		

The employers identified within each group company are responsible for preparing the occupational health and safety system risk assessment document required by Legislative decree no. 81/08, which contains an assessment of all risks and the necessary actions to minimise them. It is an essential part of the occupational safety management systems that the group companies have implemented and which they use to provide workers with the tools needed to report and manage any dangerous situations and to define corrective actions following any incidents for the continuous improvement of the system.

## Commitment to the community

---

In recent years, the Ferrovie dello Stato Italiane group has distinguished itself for its deep commitment to initiatives to relieve social distress in railway areas and redevelop the land for communities.

### *Help centres*

The FS Italiane group has put the enormous efforts devoted to people at the heart of its shared value network. The help centres reach out to the most vulnerable people in our society to help them recover, in collaboration with social services and the competent institutions.

As the economic crisis continues, exacerbated by the public health emergency in 2020, all of Italy is in the midst of a social emergency, which can be especially seen at railway stations. Promoted and managed in collaboration with local bodies and non-profit associations, the help centres are the group's response to the growing phenomenon of social hardship and the considerable rise in migration to Europe.

During the emergency, the help centres continued operating despite the countless difficulties faced due to the need to sanitise premises and the lack of volunteers. The most frequently needed services were: distribution of essential goods (meals and clothing) and medical equipment (face masks and hand sanitiser), toilets and showers and spaces granted temporarily for use as dormitories.

The help centres managed half a million cases during the public health emergency and offers a helping hand to over 15 thousand people who each year ask for help at stations. In 2020, the emergency led to a reorganisation of the help centre services, focusing on two main lines:

- safety: showers and changing rooms were expanded for people not sheltered on a long-term basis, and emergency kits and kits for the needy were located and distributed, with the collection and distribution of food and essential goods;
- sharing and cooperation: initiatives were rolled out to support the link between the operating services for those in need, local businesses, donors and residents.

The group plays a crucial role in the help centres, offering premises on free loan inside or near railway stations to associations and bodies that help relieve marginalisation and the social crisis so they can create help centres. The help centre network currently spans 18 railway stations from Northern to Southern Italy with spaces granted on free loan covering a total surface area of <sup>56</sup>4,200 m<sup>2</sup>, for a commercial value of €6,300,000 (estimating an average of €1,500 per m<sup>2</sup>).

Since October 2020, activities to support social vulnerability have been expanded by increasing surveillance and healthcare prevention at the Roma Termini help centre and "Binario95" where, since June 2020, over 1,700 free COVID-19 tests (blood tests and antigen and molecular swabs) have been administered to the homeless and service operators. In addition to making it possible to monitor the dynamics in the outbreak among the most vulnerable, this has helped the homeless to find shelter in the city structures in the network of national observatory for solidarity at Italian stations (ONDS).

In addition to the 18 help centres already active in Italy, in the first few months of 2020, after a substantial renovation, the premises of the new help centre in Cagliari were set up mainly for vulnerable women and victims of violence. The centre continued operating throughout the year despite the COVID-19 restrictions.

Following an agreement between the Tuscany regional authorities and the FS Italiane group, a new centre was opened in February 2020 for mothers and children at the Livorno station<sup>57</sup>.

---

<sup>56</sup> The total surface area granted on free loan for the help centres in Bari and Chivasso is not included because the network partners use premises that they own near the railway stations.

<sup>57</sup> Under this same agreement, two new help centres will be opened at the Grosseto and Viareggio stations in 2021.

In 2020, the co-design work for the creation of a poly-functional centre in Rovereto was nearly completed. The project is being defined in connection with the redevelopment of spaces and the extent of the co-management of future activities.

<b>Active help centres <sup>58</sup></b>
Rome
Chivasso
Milan
Genoa
Messina
Bologna
Bari
Pescara
Foggia
Naples
Catania
Turin
Firenze Santa Maria Novella
Melfi
Pisa
Reggio Calabria
Cagliari
Brescia

The group collaborates closely with ONDS, so the help centres can work in synergy. ONDS, which is managed by the social cooperative Europe Consulting Onlus, coordinates the centres, handles training for help centre workers and performs detailed analyses of social distress. In 2020, the group committed roughly €125,000 thousand to activities and projects to help socially disadvantaged people.

---

<sup>58</sup> Activities at the help centre in Trieste were suspended in May 2020.

## Welcome centres

In addition to the help centres, many shelters in railway premises are managed by major Italian non-profit associations, particularly in Rome and Milan:

- the “Don Luigi a Liegro” Caritas shelter in Rome;
- the “Rifugio Caritas” shelter in Milan;
- the “Binario 95” day shelter in Rome;
- the Arca onlus project in Milan;
- the “Pedro Arrupe” shelter in Rome for those seeking asylum and political refugees, managed by the “Centro Astalli” association. The centre has operated in the former Rome shunting site Ferrotel since 2002.

A total surface area of 11,000 m<sup>2</sup> has been granted on free loan for social activities in welcome centres, with an estimated value of €16,524,000 (average value of €1,500 per m<sup>2</sup>).

A total surface area of 15,216<sup>59</sup> m<sup>2</sup> was granted in 2020 on free loan for social activities (help centres and shelters), with an estimated value of €22,824,000 (average of €1,500 per m<sup>2</sup>).

## Reuse of idle real estate assets and railway lines

The FS Italiane group owns not only assets that are functional for its core business, but also extensive real estate holdings, some of which are no longer used, consisting of railway stations, booths and tracks. To date, in collaboration with local bodies and non-profit associations, 418 stations have been reassigned for activities to improve the local area or provide public services<sup>60</sup>. Total spaces of roughly 155,563<sup>61</sup> m<sup>2</sup> have been provided, with a total value of around €233,344,000. Idle railway lines that can potentially be used for social purposes and soft mobility span approximately 1,162<sup>62</sup> km. At present, roughly 465 km of idle lines have been converted into tourist lines, cycling paths and greenways.

Another initiative to use the group’s railway assets for social purposes has involved using railway routes for historic/tourist train journeys. This reuse preserves the infrastructure’s function as a railway and the role of secondary lines, for which there is little demand for commercial transport.

---

<sup>59</sup> The surface area includes the help centre network (4,200 m<sup>2</sup>) and the shelters (11,016 m<sup>2</sup>). In addition, space has been granted to the Museo della Shoah foundation for a symbolic fee for the Shoah Museum’s social and cultural activities (7,000 m<sup>2</sup> at Milano Centrale).

<sup>60</sup> The number refers to stations with at least one free loan agreement in place.

<sup>61</sup> The number refers to buildings granted on a free loan basis inside and outside stations; the group has granted approximately 4,141,448 m<sup>2</sup> of yards outside stations and/or land.

<sup>62</sup> Idle lines do not include those to be redeveloped as “railway lines for tourism” (185 km).



## Main events of the year

---

The main events of the year are reported below:

### **The World Health Organisation (WHO) declares the COVID-19 epidemic to be an international public health emergency**

In January 2020, a novel coronavirus broke out into an epidemic that quickly spread to many countries around the world, which the WHO soon declared to be a “pandemic”. Italy was one of the countries most affected by the outbreak and this put significant pressure on the national healthcare system, leading the government authorities to issue a series of provisions to contain the risk of further spread among the Italian population.

This issue is extensively discussed in the sections on developments on legislation and risk factors in this directors' report and in the “COVID-19 emergency” section of the notes, to which reference should be made for additional details .

### **Total investment of €3.7 million to strengthen infrastructure on the Genoa - La Spezia line**

In January, work began to strengthen infrastructure at the Riomaggiore station, with the expansion of the second walkway and inside the Biassa tunnel between Riomaggiore and La Spezia on the Genoa - La Spezia line, for a total investment of €3.7 million.

### **Lodi train accident**

A railway accident occurred on 6 February 2020 in Livraga (Lodi), involving the Frecciarossa no. 9595 train - operating the commercial service between Milan and Salerno - and causing the death of two train drivers and injuries to some passengers.

### **Anas: €100 million for road tunnel maintenance throughout the country**

On 24 February 2020, Anas published in Italy's Official Journal the call for tenders in relation to a four-year master agreement, for a total of €100 million, to carry out the scheduled maintenance work on tunnels divided into eight lots.

Following the tender procedure, a master agreement was signed covering each of the lots in order to ensure the possibility of starting the work as soon as needed without having to issue new calls for tenders each time, and therefore saving time and boosting efficiency and quality.

### **Mercitalia provides relief in the COVID-19 emergency by transporting and delivering around three and a half million tonnes of essential goods**

As the COVID-19 public health emergency persisted and especially during the lockdown, through its Mercitalia companies, the FS Italiane group transported approximately three and a half million tonnes of essential goods (food, medical equipment and pharmaceuticals, as well as equipment for plants and repairs, lighting equipment, technical clothing and fuel for the police and armed forces). Throughout the weeks of the emergency, around 5,400 Mercitalia railway workers, including over 2,100 train drivers, alongside their colleagues working in passenger transport and traffic management, filled a crucial role for Italy and Europe.

### **Anas calls 76 new tenders worth €380 million to repair road paving in the #bastabuche plan to eliminate potholes**

On 16 March 2020, Anas published in Italy's Official Journal 76 calls for tenders to carry out scheduled maintenance on the paving of the road and motorway network that it operates, for a total value of €380 million, as part of the

#bastabuche plan to eliminate potholes covering the entire country. The aim is to improve service quality and help relaunch this sector. The plan has now progressed to the seventh tranche and has entailed the paving of road lanes stretching for nearly 30 thousand km, worth close to €2 billion. These new calls are to restore the paving and horizontal signage on at least another 5 thousand km across the country, including the roads that the local bodies returned to Anas in 2019.

The four-year contracts will be implemented through the master agreement, which makes it possible to begin work as quickly as possible with respect to the scheduling of maintenance on roads, without having to issue new calls for tenders each time, and therefore saving time and boosting efficiency and quality.

### **Anas - Economic/financial plan**

On 29 March 2020, the head of the MIT's cabinet asked the competent Directorate General for roads and motorways and the supervision and safety of road infrastructure to call a "technical panel in order to verify the feasibility of implementing the provisions of article 1.1018/1019 of Law no. 296 of 27 December 2006, as amended and supplemented, with respect to the financial statements recognition of the concession and the update to the economic/financial plan. Anas S.p.A. sent the plan on 5 August 2020.

### **The MIT's decree simplified the use of the regional fund for the purchase of trains**

On 1 April 2020, with the MIT's decree for the government/region conference, an agreement was reached to amend the terms for the use of the fund to purchase regional railway rolling stock, entailing resources of €640 million, and to simplify the ways in which train builders can access the allocated resources. The MIT has received the power to allot the resources on a regional basis to train builders, and the funds will be disbursed in a one-off advance equal to 40% of the consideration due when the material is ordered and, subsequently, upon presentation of the progress invoices.

### **Italferr S.p.A. wins the contract for the Bari Centrale - Bari Torre a Mare variation**

On 2 April 2020, Italferr S.p.A. was awarded the contract for the construction of the new variation of the Bari Centrale – Bari Torre a Mare route along the Bari – Lecce line. Worth over €80 million, this contract is for a new route (roughly 10 km) which is part of the infrastructural works to restructure the Bari railway hub for the new Naples – Bari line being developed by RFI S.p.A. for an infrastructural connection in Campania and Puglia to support the socio-economic development of Southern Italy. Eleven companies participated individually or in groups in the open call for tenders, which was managed by Italferr S.p.A. on RFI S.p.A.'s behalf.

### **HS, work begins on the second Brescia-Verona lot assigned to Saipem, RFI S.p.A. and Cepav Due**

On 21 April 2020, RFI S.p.A. informed Consorzio Cepav Due (a consortium of which Saipem holds 59.09% and heads operations) of the assignment and availability of another instalment of financial resources for the second construction lot of the HS/HC Brescia Est - Verona section worth a total of roughly €514 million. Saipem's share amounts to roughly €304 million. In particular, the second construction lot provides for Consorzio Cepav Due to complete the civil works on the Brescia Est – Verona section and build the railway superstructure, the electric transmission and technologies on the entire section. As announced on 6 June 2018 when the first construction lot was assigned, the contract between Cepav Due and RFI S.p.A. provides for the creation of a railway route extending for approximately 48 km, including 2.2 km of "Verona Freight" interconnection and the link to the Verona – Brennero line.

### **E-Ducato and Mercitalia Fast: the pilot stage begins for HS green transport**

On 11 June 2020, Fiat Chrysler Automobiles Group and Mercitalia Logistics S.p.A. signed a collaboration agreement to use, ahead of mass production, a prototype of the new e-Ducato - the fully electric model of the Fiat Professional vehicle - in first and last mile freight transport operations for Mercitalia Logistics S.p.A.'s HS "Fast" transport service, in order to transport products door-to-door, reducing CO2 emissions into the air with a sustainable mobility model across the entire transport chain. In the initial stage, the innovative e-Ducato will be used for first and last mile road transport to/from the Maddaloni-Marcianise (Caserta) hub, completing Mercitalia's "Fast" service and enabling Mercitalia Logistics S.p.A. to serve the metropolitan Naples area with an environmentally-friendly service.

At the end of the pilot stage, Mercitalia Logistics S.p.A. will assess the possibility of updating its fleet with the new e-Ducato vehicle to take an increasingly green and sustainable approach to global mobility.

### **Naples – Bari line: definitive project approved for the Hirpinia – Orsara section**

On 18 June 2020, the government's extraordinary commissioner and the CEO and General Manager of RFI S.p.A. approved, with ordinance no. 47, the definitive project for the Hirpinia – Orsara section, second Apice – Orsara lot, for a new route of roughly 25 km in tunnels. The project, totalling over €1.5 billion, will be funded using resources in the 2018–2019 update of the 2017–2021 GPC-I, the authorisation of which is being concluded.

The Hirpinia – Orsara section is one of the most important on the Naples – Bari route. The 25 km in the tunnels will complete the connection between the future Hirpinia station in Campania and the Orsara station in Puglia, with benefits in terms of traffic capacity and faster travel times for passenger and freight trains. The improvement in railway connections between Puglia and the provinces deepest in Campania with the HS/HC Milan – Rome – Naples line is the first step in the larger integration and support process for socio-economic development in Southern Italy, connecting Campania and Puglia, which together account for over 40% of Southern Italy's production.

The new Naples – Bari line, worth €6.2 billion, is an integral part of the TEN-T Scandinavian – Mediterranean European railway corridor. In 2026, when the work is completed, it will facilitate travel from Bari to Naples and Rome, reducing travel times: two hours from Bari to Naples and all the way to Rome in three hours. In any case, progressive reductions in travel times are expected as the new sections of the line open in stages, with the opening of the new direct Naples – Bari connection in 2023.

### **In-house production begins on FS face masks**

In July 2020, the FS Italiane group began producing type IIR face masks to use for COVID-19 prevention at RFI S.p.A.'s Bologna ONAE (national workshop for electric equipment), duly reconverted during the emergency for this purpose. FS Italiane S.p.A. and the intragroup task force were fervent proponents of this initiative, which was set up in late February as a tangible response to the needs that arose during the public health emergency and in the stages that followed. Approximately 270 thousand face masks are produced each day, enough to cover all in-house requirements.

### **The Turin-Bardonecchia motorway link and Frejus tunnel are now privately owned**

With a €272-million bid, on 23 July 2020, ASTM, a Gavio group company, won the tender for the acquisition of 19.347% of Sitaf, called by Finanziaria Città di Torino Holding (FCT Holding S.p.A.) and the metropolitan city of Turin. ASTM now directly and indirectly owns 67.22% of the company.

Sitaf holds the concession, expiring in 2050, for the design, construction and management of the 13-km long Frejus tunnel and the 73-km long motorway link to the tunnel, the A32 Turin-Bardonecchia.

Following that described above, on 27 October 2020, Anas transferred to FCT Holding S.p.A. the equity certificates of the

investment in Sitaf (10.653% of the company's share capital).

**Parma – La Spezia line: investment of roughly €3 million for non-routine maintenance on the Borgo Val di Taro railway viaduct**

Between 13 June and 22 July 2020, with some activities to complete the work between September and November 2020, RFI S.p.A. carried out this project in Borgo Val di Taro on the Parma – La Spezia line, for an investment of roughly €3 million on the railway viaduct over the Taro River.

**Investments of roughly €1.4 billion to electrify the entire railway network**

On 8 September 2020, the FS Italiane group announced that over the next five years (2020-2024) it will electrify 670 km of railway lines for an estimated investment of over €1.4 billion using government resources. In addition, it has also announced additional investments of €2.4 billion after 2024 to electrify another 1,670 km of lines.

The electrification investments are mostly due to requests from the regions responsible for LPT. In many cases, the same regions have helped finance these investments, using the resources allocated to them in the 2014-2020 Development and Cohesion Fund.

The work scheduled for 2020-2024 and beyond will have a significant impact on the areas where lines are electrified. The most significant work includes the electrification of the lines in Veneto, which will be extremely important, also considering the expected spike in demand for the Milan-Cortina 2026 Winter Olympics. The project entails the electrification of roughly 176 km of single-track line and the fully-funded investment totals €230 million.

**San Michele Bridge on the Adda river has reopened to railway traffic: total investment of approximately €21.6 million**

On 14 September 2020, the San Michele Bridge was reopened to traffic over the Adda river, marking RFI S.p.A.'s completion of the third stage of the works.

The work totals roughly €21.6 million, of which €1.6 million was financed by the Lombardy region.

**A new Piedmont railway traffic central command station in Turin Lingotto: planned work for an investment of approximately €15 million**

In September, RFI S.p.A.'s work began for the construction of a railway traffic central command station in Turin. The new technological building, situated in the Turin Lingotto area, will hold a new command and control room for railway traffic in Piedmont and Valle d'Aosta and will be built using last-generation technologies and railway equipment. The building will be located at the centre of the Turin railway hub, in the heart of the main Piedmont lines between the metropolitan railway system and the connections to Modane, Genoa and Milan. The work site will run for 30 months, entailing an investment for RFI S.p.A. of roughly €15 million.

**RFI S.p.A. has completed the upgrade of the tracks on the Barletta – Spinazzola line with an investment of approximately €25 million**

On 5 October 2020, train traffic on the Barletta – Spinazzola line resumed after RFI S.p.A. completed the upgrading of the track from Barletta to Canosa for a cost of roughly €25 million. The technical/economic feasibility project is being completed for the electrification of the Canosa - Barletta section, with plans to create a new stop at the Barletta hospital by 2023. The electrification and upgrading work will be completed by 2025. The total cost of the project is €145 million.

### **HS/HC Brescia Est – Verona line: construction work begins on the Lonato tunnel**

On 5 October 2020, Cepav Due, the Eni consortium for the high speed line, began work on the HS Brescia Est – Verona line with the inauguration of "Martina", a 10-metre tunnel boring machine, assembled specifically for the construction of the Lonato tunnel, roughly 8 km long, which passes under the A4 motorway to re-emerge in the east next to the motorway. The work is a key step in the completion of the HS/HC Milan – Venice railway line and the TEN-T Mediterranean core corridor between the Iberian Peninsula and the Ukraine border. The line then continues, crossing the Alps in Northern Italy as it heads east (from Turin to Trieste) and reaches the Adriatic coast in Slovenia and Croatia, and continues towards Hungary, thereby increasing the import/export capacity to and from the EU and expanding the user base for the main port gateways in Italy, particularly the North Adriatic and the North Tyrrhenian sections. A total of four viaducts, 15 overpasses, four natural tunnels and 17 man-made tunnels are expected to be built. The HS/HC Brescia-Verona section will cost roughly €3.4 billion and commercial service is slated to begin with the 2026 Milan-Cortina Winter Olympics.

### **Reopening of the Rastignano hub in Bologna, the last section of lot 1 for an investment of approximately €16.3 million**

On 9 October 2020, RFI S.p.A. announced the conclusion of the work to open the last section of Lot 1 of the Rastignano roadway hub to traffic, as provided for by the agreement signed in 2011 between the MIT, Anas S.p.A., RFI S.p.A., the Emilia-Romagna regional authorities, the Bologna provincial authorities, the Bologna San Lazzaro di Savena and Pianoro municipal authorities and the Gessi Bolognesi e Calanchi dell'Abbadessa regional park. The total investment for this first lot was approximately €23 million, financed as part of the larger Futa functional lot under the agreement, totalling €27.8 million. RFI S.p.A. incurred a cost of roughly €16.3 million to mitigate the socio-environmental impact and road system arising from the construction of the HS Bologna-Florence railway line, Anas S.p.A. incurred roughly €9 million and the Bologna municipal authorities incurred over €2.5 million.

### **RFI S.p.A. reopened the HS Naples - Salerno via Monte del Vesuvio line following work for a cost of over €41 million**

On 12 October 2020, the operation of all trains resumed for the non-stop connection on the HS Naples-Salerno line after RFI S.p.A. completed the non-routine maintenance with an investment of around €41 million.

### **FS Italiane S.p.A. strengthens its commitment to sustainable finance by joining ICMA's 2020/2021 Advisory Council for the Green/Social/Sustainability-linked bond principles**

On 15 October 2020, FS Italiane S.p.A. was selected to serve on the 2020/2021 Advisory Council of the Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability-Linked Bond Principles (SLBP) of the International Capital Market Association (ICMA), of which FS Italiane S.p.A. has been a member since March 2020. The Advisory Council's role is to advise ICMA's GBP SBP SLBP Executive Committee to expand its knowledge of the market, expand its range of action and increase the involvement of observers and members of the ICMA to a greater extent. By joining the Advisory Council, FS Italiane S.p.A. is strengthening its commitment to sustainable finance and climate change initiatives.

### **The FS Italiane group has won the former Porta Romana railway hub in Milan.**

On 11 November 2020, the FS Italiane group announced that it had completed the public competitive tender for the sale of the former Porta Romana railway hub in Milan. The "Porta Romana Fund" submitted the winning bid, totalling €180 million, in the process managed by COIMA S.G.R., with the participation of Covivio, Prada Holding and COIMA ESG City Impact Fund.

The Porta Romana neighbourhood, which covers a surface area of roughly 20 hectares, will host the Olympic village for the 2026 Milan-Cortina Olympics, with housing for the Olympians and Paralympians. At the end of the games, the spaces will be converted into social housing and student housing for environmental sustainability to benefit the community.

#### **Mercitalia inaugurated a new freight service between the Trieste port and Nuremberg**

On 17 November 2020, the Mercitalia companies inaugurated a new freight service between the Trieste port and Nuremberg, constituting a segment of the intermodal railway section along the Turkey-Germany route. Once it is up and running, the new link will shift roughly 6,500 articulated lorries from the roads to the rails every year, strengthening a commercial corridor that connects Turkey to Bavaria and Central Europe and makes the Italian port a crucial, strategic hub for modal trade. Mercitalia Rail and TX Logistik are the Mercitalia companies directly involved in the new service, respectively for the Italian section and the Austrian-German section. The service is provided in the scope of Mercitalia Rail's consolidated commercial partnership with the Trieste-based intermodal transport operator Alpe Adria and with the multimodal logistics leader DSFD between Turkey and Europe. The new intermodal Trieste-Nuremberg service is for P400 semi-trailers, C45 swap bodies and high cube sea containers, with weekly turnaround time of one week at this initial stage, which will increase to two round trips per week in 2021.

#### **RFI S.p.A. has activated the computerised multi-station central unit/multi-station command and control system at the Rome hub between the Ciampino and Colleferro stations on the Rome-Cassino line**

On 29 November 2020, RFI S.p.A. activated module B of the computerised multi-station central unit/multi-station command and control system at the Rome hub between the Ciampino and Colleferro stations on the Rome-Cassino line. The total forecast investment for the Rome hub technological upgrading project is roughly €130 million.

#### **Italferr S.p.A. completed the first bargaining procedure for Ferrovie del Sud Est for €1.5 million**

On 29 November 2020, Italferr S.p.A. completed the first bargaining procedure entrusted to it by Ferrovie del Sud Est for the executive design, supply and installation of the land-based subsystem of the train speed control system (TSCS) using the signal-based *encoder* technology on the Bari-Taranto line between Putignano and Martina Franca, for roughly 34 km. The work, which was assigned to MER MEC S.p.A. for €1.5 million, is meant to improve the safety of the Bari-Taranto line, aligning the standards of the railway network operated by Ferrovie del Sud Est to those of the network and plant operated by the FS Italiane group. The total cost was roughly €3.8 million.

#### **Trenitalia S.p.A. has gained exclusive control of Netinera Deutschland**

On 3 December 2020, Trenitalia S.p.A., which is wholly owned by Ferrovie dello Stato Italiane S.p.A., assumed exclusive control of Netinera Deutschland GmbH, a German company that operates in public transport and railway freight transport. The transaction was finalised with the acquisition of 49% of Cube Transport Sarl, a Luxembourg investment fund specialised in infrastructure and public services. For additional details, reference should be made to the "Consolidation scope" section of the notes.

#### **Anas S.p.A. published calls for tenders totalling €88 million for road and underground works executive design services**

On 7 December 2020, two calls for tenders were published in the Italian Official Journal with a total value of €88 million for definitive and executive design services for routine maintenance on the road surface and for definitive and executive design of the underground works along Anas S.p.A.'s national network.

Specifically, the first call for tenders consisted of 16 lots worth €4 million each, for a total of €64 million, to entrust the same number of four-year master agreements at all Anas S.p.A.'s local structures. The second call for tenders was divided into eight lots, for a total of €24 million, to assign the same number of four-year master agreements that ensure the possibility of starting services as soon as possible in connection with the scheduling of road maintenance.

**RFI S.p.A. activated a new computerised central device at the Pontebba station for a total investment of €4.7 million**

On 8 December 2020, RFI S.p.A. activated the new central computerised multi-station device to manage the Pontebba station on the Tarvisio – Udine railway line. The works on this new device, which began in November 2019, were completed within the scheduled time, despite the suspension due to the public health emergency, for a total investment of approximately €4.7 million.

**RFI S.p.A. published a call for tenders worth approximately €20 million**

published the call for tenders for the executive design and the construction of the new Erzelli/Airport and Cornigliano Est stops in Genoa, worth around €20 million.

The two new stops are part of the metropolitan railway improvement process on the coastal line, further strengthening the Genoa hub and the connected separation of traffic flows, and are being developed as part of the project to link the Genoa airport with the railway (GATE - Genoa Airport Train to Europe), connecting the airport to the large European railway transport networks (TEN-T railway corridor Genoa-Rotterdam). The call for tenders comes in the wake of the completed preliminary and definitive design, the approval of the inter-regional superintendency for public works and the Service Conference's approval. The construction phase is slated to begin in 2021 when the tender procedures end.

**RFI S.p.A. signed the protocol of understanding for the shared project for the local development of the third Giovi pass, worth €49 million**

On 16 December 2020, an understanding was reached for the assignment of €49 million for the economic, social, occupational, environmental and infrastructural development of the areas around Alessandria affected by the third Giovi pass. The protocol of understanding for the shared project was signed by RFI S.p.A., the Minister of Infrastructure, the Commissioner of the third pass, the President of the Alessandria province and the mayors of the 11 municipalities in the Alessandria area affected by the infrastructure.

**RFI S.p.A. and Italferr S.p.A. completed work on the tracks of the Genoa Prà hub with an investment of roughly €35 million**

On 17 December 2020, two new tracks and the new level crossing operation and control system began operating at the Genoa Prà hub for the PSA container terminal. The hub's new configuration will lead to a considerable increase in the total capacity of trains from and to the largest container port in the Mediterranean, in response to growing railway traffic demand and helping reduce CO2 emissions. In addition, the safety standards were increased thanks to the new supplementary automatic protection system using laser technology installed on the level crossing for the detection of obstacles between the barriers. The infrastructure was built by RFI S.p.A. and Italferr S.p.A. in coordination with the construction companies and with the complete collaboration of the port authorities, PSA and all railway operators, for an investment of approximately €35 million.

### **Ferrovie dello Stato Italiane S.p.A. inaugurated two innovation hubs at the Termini station in Rome - for smart cities - and in Naples - for tourism**

On 22 December 2020, Ferrovie dello Stato Italiane S.p.A. inaugurated the first two innovation hubs designed to bring together investors and companies, especially startups, on a few specific issues. The project provides for the creation of spaces in which companies, institutions and investors meet and collaborate with young innovators and startups in order to seize new business opportunities and find innovative solutions that meet the new technological challenges of the market. The first was the hub set up at the Termini station in Rome for smart cities, while the second, dedicated to tourism, is in Naples at the San Giovanni Teduccio campus of the Federico II University and will be managed together with Campania NewSteel, an incubator promoted and run by Città della Scienza and the Federico II University.

By 2023, FS Italiane S.p.A. expects to open another five hubs, each devoted to a specific theme: Reggio Calabria (land protection), Puglia (logistics and freight), Milan (industry), Turin (mobility) and Bologna (agrifood).

### **RFI S.p.A. installed the most advanced, high-tech traffic systems on the direct Rome-Florence line**

On 28 December 2020, RFI S.p.A. announced that it had installed the European Railway Traffic Management System (ERTMS), the most sophisticated system for the supervision and control of train distancing, on the section between Rovezzano and Arezzo Sud, and activated a new computerised multi-station central unit. Italferr S.p.A., the group's engineering company, was appointed to supervise the works. The work for the activation was carried out with a total investment of around €150 million.

### **RFI S.p.A. has approved the Teodorico bridge in Ravenna with an investment of approximately €9 million**

the metallic structure – scaffolds and arches – across the tracks, constituting the frame of the new overpass was approved.

## **Internationalisation initiatives**

---

### **Italferr S.p.A. wins the contract for the Transport master plan in Ethiopia**

On 10 January 2020, after winning an international tender over the largest railway engineering companies in the world, Italferr S.p.A. and SPT were awarded the contract for the national transport master plan in Ethiopia, the first country to be financed using African Development Bank funds. The customer is the Ethiopian Road Authority and the project was commissioned by the Ethiopian Transport Ministry.

The aim of this project is to define the transport policy, establish priority projects in the various sectors (railway, road, air and waterway) and expand the knowledge of the Ethiopian Transport Ministry's personnel by sharing know-how in specific workshops.

The project will run for 12 months, in which Italferr will analyse 10,000 km of railway network, 60,000 km of road network and projects in the air and waterway sector (lake and river ports). Many stakeholders are involved in the project, including the main ministries, government agencies, transport users and other institutions in the country.

With this project, Italferr S.p.A., which has already prepared master plans in various countries around the world, has gained a valuable experience on which to consolidate its footprint in Africa, where investments in the transport sector are expected to total €10 billion.

### **FS Italiane S.p.A. launches the auditing project in Uruguay for the Ministry of Transport and Public Works**



### **(MTOPI)**

On 11 February 2020, FS Italiane S.p.A. signed a contract for audit services with Uruguay's Ministerio de Transporte y Obras Públicas (MTOPI), amounting to €629 thousand and for technical consultancy on the ground-breaking "Ferrocarril Central" railway infrastructure project. This project is part of Uruguay's railway network spanning roughly 2,900 km of standard-gauge lines, nearly entirely single track and for diesel engines. Only around 1,600 km of these lines are operating (and can be used) and are almost exclusively for freight transport. Passenger service is offered on three short sections around Montevideo.

The Uruguayan authorities have planned substantial infrastructural investments, mainly in the form of public-private partnerships (PPP). In 2017, they called for DBFOT (*Design, Build, Finance, Operate and Transfer*) tenders for the construction and maintenance of the railway infrastructure consisting of 273 km between the Montevideo port and the city of Paso de los Toros. This line, which is a priority for the transport of cellulose, is in need of considerable repairs and upgrades to enable the operation of freight trains at 80 km/h with capacity of over 22.5 tonnes per axle. The Group Via Central (GVC) consortium comprised of two Uruguayan construction companies plus one Spanish and one French construction company won the tender and will have 36 months to complete the work.

The customer, MTOPI, which needs to approve the executive project for the refurbishment of the line, therefore appointed the FS Italiane group to audit the project, thereby gaining adequate support in the process.

### **New stage of cooperation between the FS Italiane group and RZD (Russian railways)**

On 20 February 2020, a FS Italiane group delegation formed by representatives of Mercitalia and Italferr, coordinated by FS Italiane S.p.A., met with RZD (the Russian railways), at their headquarters in Moscow.

FS Italiane S.p.A. had promoted the meeting in order to spur further momentum for the operational stage of the cooperation, which began with the memorandum of understanding between FS Italiane S.p.A. and RZD and the subsequent memorandum of understanding between Mercitalia Rail and UTLC (United Transport and Logistic Company) and continued with technical meetings to discuss the feasibility of the RZDStroy – Italferr infrastructural projects, in order to gauge Russian interest in the Mercitalia Fast project (for HS freight transport) and the development of container traffic on the "Silk Road", along the Russian corridor.

### **Renewal of the cooperation agreement between the FS Italiane group and TCDD (Turkish railways)**

On 1 April 2020, the FS Italiane group and TCDD (the Turkish railways) extended for another three years the memorandum of understanding that they had signed in May 2017 for: training, specialised technical consultancy, the exchange of innovative technological know-how for railway development, planning and management of engineering services, works supervision for the construction of infrastructure, the operation and purchase of trains, cars and carriages and railway diagnostics services. The memorandum of understanding fits into the lively cooperation that the two railway companies have pursued over the past 15 years, in which the FS Italiane group has provided TCDD with various advisory services. In particular, Italferr and Italcertifer recently helped develop projects, including the construction of two tunnels under the Strait of Istanbul - the Eurasia Tunnel and the Marmaray CR3 - the railway connection between the Esenboga airport and Ankara and the certification of various HS and traditional lines. TCDD proposed the renewal.

### **Signing of the master agreement for FS Italiane S.p.A.'s entry in Spanish HS**

On 11 May 2020, the ILSA consortium, composed of Trenitalia and the airline Air Nostrum, signed a master agreement with ADIF, the operator of the Spanish railway network, for the operation of HS services in Spain.

Starting in 2022, ILSA will offer 32 daily connections between Madrid and Barcelona, eight between Madrid and Valencia, seven between Madrid and Malaga, seven between Madrid and Seville and four between Madrid and Alicante.

The chosen train is the Frecciarossa 1000, built using environmentally sustainable technologies and featuring an aerodynamic design.

**FS Italiane S.p.A. and Italferr S.p.A. together in India to design the Kanpur and Agra metros**

On 25 June 2020, with the engineering company Italferr and in partnership with the Spanish Tysa, FS Italiane S.p.A. won the contract for the design and works supervision of the Kanpur and Agra metropolitan lines. They are two of the largest industrial cities in Northern India.

This five-year contract is worth a total of €43.6 million (Italferr S.p.A.'s share: €19.4 million, equal to 44.61%) and entails the construction of four corridors for a total of 62.6 km between the Kanpur and Agra metros, including 57 stations and 4 depots.

The entire project, with a total value of €2.4 billion, was funded by the Indian government and the EIB.

**FS Italiane S.p.A. with Italferr S.p.A. in Colombia to supervise the works on the Bogotá metro**

In late August 2020, through its engineering company Italferr S.p.A. in a consortium with other international companies, FS Italiane won the contract in Colombia for works supervision on Line 1 of the Bogotá metro worth over €50 million. Managed by Empresa Metro Bogotá, the tender is part of the "PLMB - Primera Línea del Metro de Bogotá – Tramo 1" project for the construction of 24 km of metro lines, including 16 stations and underground sections, plus rolling stock depots in the Colombian capital (total investment of USD4.3 billion).



## Risk factors

### Internal controls and risk management system

---

The FS Italiane group's operations include a wide range of particularly complex, detailed and varied processes (infrastructure design, construction and maintenance, railway and road network management, passenger and freight transport services and real estate management), which could give rise to significant risks and uncertainties. While management and the structures specialised in risk monitoring continue to play a crucial role in risk management (as they are responsible for "level 1 control"), over time, FS Italiane group has organised various level 2 controls (e.g., the manager in charge of the Company's accounting documents preparation, the Risk Management, the Compliance Officer and the Data Protection Officer at FS Italiane S.p.A.) to support management in the definition and implementation of adequate management and monitoring systems for the main risks and controls.

In this context, the group's Risk Management Department coordinates management of the group's overall risk governance process, ensuring the design, implementation and governance of the framework for the management and measurement of all business risks and the related integrated monitoring process, combining strategies, policies, processes and operating mechanisms for the identification, assumption, management, mitigation, monitoring and reporting of the main risks faced by the group and coordinating the group's various risk management controls.

For the proper attestation of the financial statements, the manager in charge of the Company's accounting documents preparation has implemented a 262 risk control model based on risk assessments conducted on the administrative/accounting processes. Compliance's duties include checking that company and group guidelines, provisions and procedures are compliant with the relevant legislation and national and international best practices, submitting proposals for adjustments so they are legally compliant.

Lastly, as the "level 3 controls", Internal Audit independently monitors and provides assurance on the architecture and efficient functioning of level 1 and 2 controls. It has taken over the mission and activities of the ABC and Continuous Auditing unit, and conducts analyses to identify irregular trends, violations of procedures and regulations, committed continuously, periodically or exceptionally, both based on the flows provided for in the ABC management system and using the KPIs for potentially irregular transactions.

### Business and strategic risks

---

The group is forced to operate in a challenging context undergoing disruptive transformation and uncertainty as a result of the pandemic, changes in the regulatory scenario which has proven to be, in certain circumstances, unstable, the opening of the railway market and the persistent imbalance between public and private transport. In addition, the increasingly significant effects of climate change and land fragility call for ever more resilient, well-monitored railway and road infrastructure and are target areas to optimise the operations of the railway infrastructure operator and Anas S.p.A.. Amidst the global uncertainty as a result of the pandemic, compounded by a deep-cutting socio-economic crisis, consumption and production models are changing, travel habits are shifting and new trends are arising, as others that were already in motion are speeding up (e.g., the increase in the regionalisation of value and logistics chains, greater social inequality, expanding multi-polarism in small and medium-size cities, greater digitalisation and automation). It follows that the risks to which the group is exposed are evolving and taking shape according the various business areas and initiatives, compelling the group to continue fine-tuning its strategic and operational planning processes.

The performance of the medium and long-haul passenger transport market is affected by trends in domestic consumption, the employment rate and the overall development of key economic indicators. In this context, modal competition and its proper regulation are crucial for success. High speed transport and the related services have enabled

the railway sector to compete with other modes of transport (air and road), especially by reducing travel times, improving travel comfort and offering arrivals directly in the centre of large cities. The critical factor for success in this market segment remains maintaining and improving service quality and rapidly adapting to changes in market demand. The overall shift in the business model with respect to the product offered must reflect the shift in competitor models. The continuous upgrading of the fleet is an innovation factor and way to attract potential customers, both domestically and on the European market. Similarly, developments in sales channels driven by technological change and an enhanced focus on customers will give the group more competitive edge to mitigate some business risks.

As noted earlier, the success factors include maintaining and improving service quality, both in terms of transport service punctuality and regularity and information and customer assistance services. The transport service punctuality and regularity indicators are constantly monitored and, to improve information and customer assistance services, Trenitalia S.p.A. has rolled out new, groundbreaking initiatives e.g., the new app, self check-in and tickets in the passenger's name).

Furthermore, the pandemic falls in this context. It triggered a profound change in demand for railway passenger transport services, with a substantial contraction in HS demand (e.g., business and tourism) and lower use of regional railway transport, as a result of government and/or local measures and a substantial increase in remote working. This has brought down group revenue, partly driven by the total or partial block on railway traffic due to the regulations issued to limit the spread of the virus during the lockdown and until the public health emergency has been completely overcome. To mitigate this situation, the group has steadily monitored demand, consequently adjusting the commercial offer to better respond to customers' needs in this new context, while also monitoring costs in order to reportion them to new volumes. In particular, Trenitalia S.p.A., which operates in the passenger transport segment, is adjusting its offer to provide new destinations that were not previously available among the medium- and long-haul services, in addition to new intermediate stops in order to attract more potential demand in light of new travel needs, which have somewhat redrawn the map of railway traffic. Lastly, to provide relief for the current economic crisis, all the main European governments, including the Italian government, have issued multiple legislative measures to offset the negative impacts of their restrictions to contain the pandemic.

At European level, the Fourth Railway Package profoundly updated the regulatory framework, offering an integrated approach to revitalise railway transport in the EU and encourage the creation of a single European railway space. The transposition of Directive (EU) 2016/2370 as regards the opening of the national railway passenger market paved the way for a potential risk of market share erosion if new competitors arrive on the Italian HS market. The group constantly monitors the risks and opportunities of opening the market and has made certain strategic choices with this in mind, such as entering the Spanish market.

In the regional railway transport segment, certain Italian regions have particularly critical financial situations, which could prolong the uncertainty of whether they will meet the contractual payment dates for service contract considerations, although this situation seems to have substantially improved over a year ago. The group mitigates this risk by continuously monitoring credit positions in general and, especially, those with the public sector, evaluating, on a case-by-case basis, the steps – including legal action – to be taken to ensure that funding is regular. Moreover, given the nature of the group's receivables and its credit rating, it obtains financing at competitive interest rates for its invested capital, enabling it to cover any delays in collections, with the cost of such financing mostly transferred to the regions under the contracts in place.

As mentioned, the group is operating in a challenging context undergoing continuous change and with a steadily evolving regulatory framework. In recent years, a series of different rules and/or regulations has affected the group's business operations. In this regard, the ART has issued decisions in the area of regional railway transport, including no. 154 of 2019 consisting of the five-year review of previously signed contracts, with the update of the economic/financial plans for

such contracts, including the adjustment of remuneration rate on invested capital to that defined each year by the ART. To mitigate these possible changes, the financial balance clause remains valid. The group actively monitors regulatory developments, meets with the relevant authorities to share its technical expertise in the consultations held over time and, as noted previously, takes legal action, if believed necessary, to protect the interests of the group and the community.

## Operational risks

---

Through a structured internal control system, the group manages the main operational risks to which it is exposed. Management and the specialised control units constantly monitor trends in the main risks in accordance with the three lines of defence, defining and implementing adequate management and monitoring systems for the main risks with the support of the “Control level II” functions.

The FS Italiane group outsources rolling stock and railway and road network maintenance and construction, while it also uses third party manufacturers of spare parts for maintenance. In recent years, the group has substantially changed the way in which it procures materials, revising its internal procedures and, in accordance with public contracting regulations, has more significantly privileged purchase methods entailing the procurement of all parts relating to safety from original parts manufacturers only, while it always calls public calls to tenders for all other parts.

The financial crisis, exacerbated by the COVID-19 pandemic, has put some suppliers in the maintenance and rolling stock construction sectors to the test, with the prolonged severe credit crunch affecting them significantly due to the intrinsic weakness of their funding structure. The group mitigates this risk by using well-structured vetting procedures for suppliers that must not only meet technical requirements but also pass financial assessments, ensuring that all entities are carefully and scrupulously vetted before becoming group suppliers. It is also taking steps to expand its pool of potential suppliers.

To limit potential situation in which it is dependent on builders/suppliers and to improve its railway know-how, RFI S.p.A. has begun progressively in-sourcing critical infrastructure maintenance and construction, technological plant design and operation and railway component production processes. In addition, it is working on the definition of a general supplier risk assessment model to support the most appropriate material procurement choices and, as described in the “Social risks and risks related to the protection of human rights” section, is taking specific action to improve sustainability in order to make the supplier performance assessment as part of Corporate Social Responsibility (CSR) a requirement in the selection process for all technical/economic tenders called by RFI S.p.A..

Infrastructural investments are complex projects requiring substantial financial resources and an intricate organisational and project management structure that the group, through its subsidiaries, has in place. Many different events could impact the performance of work, affecting forecast deadlines/costs, as well as the quality, efficiency and availability of the railway and road infrastructure, and therefore generate potential negative effects on results. To mitigate these risks, the group implements management and control procedures enabling it to constantly monitor the physical, economic and financial progress of infrastructural investments and trigger mechanisms for the definition of improvement or corrective actions. In this respect, specific contractual and organisational action has been taken to strengthen the oversight of investment projects by RFI S.p.A. as customer. Moreover, the wide-ranging project to innovate the investment management procedures, optimising the IT tools used for operational management and, more generally, to support the whole-life asset management model continues. In addition, specific in-sourcing projects are underway to encourage the continuity of strategic projects and steps to fine-tune project management processes taking a risk-based approach are also being analysed.

Anas S.p.A. is exposed to risk related to design, performance of work and operation of roads. The risks related to design mainly consist of unexpected situations which create a difference between the contractually-agreed cost and effective

cost of the works or that increase expenses (e.g., changes in the work, longer execution times, challenges in the seizure or tender procedures). To control these risks, work site monitoring has been reinforced and a specific unit has been created to analyse claims. Risks related to the operation of the road network include those related to the management of licences and concessions, advertising, oversize transport and royalties, including credit risk, which is complicated to manage given the large number of debtors and is mitigated through continuous monitoring of positions, with an assessment of the best approach to take on a case-by-case basis.

RFI S.p.A. is exposed, in general, to the risk related to the management of the financial resources provided by the government under the Government Programme Contracts. In response to this risk, RFI S.p.A. manages transactions and information flows with government and regulatory bodies (institutions, independent sector authorities, etc.) and is always open to discussion and an exchange of views, and relationships are based on transparency, cooperation and pro-activeness.

Railway infrastructure is also sensitive to interruptions/inconveniences due to faults in plant and technologies, natural disasters and vandalism, which could affect operating service continuity, bringing it to below expected quality standards. To manage these events, the group has adopted avant-garde security, control and monitoring systems and carries out specific cyclical maintenance on the network increasingly using modern technologies, following procedures for the management of irregularities and emergencies and specific contingency plans with a constant focus on updating the public and providing auxiliary services. To improve service quality, through its subsidiaries, among other things, the group has kicked off projects to implement systems for the optimised scheduling of the railway timetable and traffic management. It has also set up a Punctuality Committee within RFI S.p.A. to oversee and monitor the actual punctuality and the performance of all entities involved, as well as to identify short-, medium- and long-term actions for operating management, the commercial offer and the technical scenario, as well as the model for the maintenance, design and implementation of investments and standardisation to resolve repetitive faults in plants.

To monitor the risk of saturation on railway routes attracting the most commercial traffic and, in general, boost capacity, performance and network accessibility, through its subsidiary RFI S.p.A., the group is taking steps to streamline traffic, increase traffic capacity at large urban hubs and, across the entire network, invest substantially in updates and technological upgrades to speed up the digital transition and automate systems and processes, while continuing with initiatives to improve efficiency. It is also studying advanced diagnostics and predictive maintenance.

With reference to stations and related services, steps continue to be taken for the reuse and redevelopment of the buildings/areas - including for social purposes - to improve accessibility, availability, appearance and security for passengers/customers. Projects are also underway to facilitate links and exchanges with other modes of transport and to deploy digital technologies to make travel information and other station utilities more innovative and efficient. All these actions fall within the broader project of providing customers with additional, complementary services over the term of the plan, consistent with the new concept of the station as not only a transport hub but also as a local attraction and services hub. The group is constantly committed to informing its stakeholders about the actions taken and the objectives achieved, monitoring and reporting results as part of the continuous performance improvement process.

The group's safety standards are consistent with those of the main European railway companies and are the result of extensive prior talks with the trade unions that all signed a supplementary labour agreement in 2009 and the national labour agreement subsequently in 2012 and 2016. Operational risk deriving from potential violations in relation to occupational safety is mitigated thanks to careful and constant monitoring carried out by senior management, the departments and relevant structures.

## Procurement risks

---

Prices for services, raw materials, energy and transport could vary as a result of market trends. Accordingly, it might not be possible - or only be possible to a limited extent – to transfer greater procurement costs to sales prices to customers, with a consequent impact on the profit margin of the group's products and services. Considering the procurement necessary for the group's business, specifically in the regulated sectors like electricity which are subject to changes in the regulatory framework, the various resolutions and regulations issued by the Electrical Energy, Gas and Water Authority ("AEEGSI") has adjusted the cost of energy, which could affect the group companies' results and are, therefore, constantly monitored. In particular, with respect to the electricity sector and the Authority's various resolutions affecting the cost of energy in recent years, developments in this sector must be constantly monitored. In January 2020, the CSEA (Energy and environmental service fund) definitively calculated the offset for 2018 and paid the consequent adjustment. The definitive calculation of the offset for 2019 has also been announced, with payment of the adjustment in January 2021. In general, the group has departments and structures that continuously monitor price trends for raw materials and services essential to its business operations and any regulations applicable to them. This enables it to pursue procurement management policies that mitigate risks or to take steps – including legal action – to protect the group's interests.

To ensure increasingly higher efficiency levels in the use of public resources, the group has continued a project to redesign the procurement process on the basis of an analytical model to determine the optimal price of supplies. Another objective of this project is to make procurement faster, simpler, more traceable and paperless. In particular, the project will minimise processing times (from the specification of materials to accounting), ensure continuity at work sites by improving the punctuality of order deliveries, and reduce non-current assets held in local structures and the central warehouse. The first roll-outs at the local structures are in progress.

## Country risk

---

International trade continued throughout 2020 despite the substantial global economic slowdown. The risks analyses of the countries where the group operates supported the decision-making process using internal group methodologies. Furthermore, internal procedures were progressively developed and applied in 2020 for the commercial offer process on international markets with the strengthening of risk analysis components on the various topics of the group's projects.

## Project risks

---

National road and railway infrastructure development investment projects are one of the key issues to which the group devotes growing attention, including with respect to project management methods and standards. In this context, risk analysis, assessment and management is particularly crucial, in line with international guidelines and standards and sector best practices. As the group strives for continuous improvement, it constantly develops project risk management methodologies to support and safeguard investment governance and management.

## Compliance, legal and contractual risks

---

The business areas in which the group operates are highly regulated at both national and international level. The group is exposed to compliance risk, which it monitors with specific controls to analyse the effect of legislative and regulatory change. Generally, in relation to risks that could arise from changes to the legislative framework, the management of relationships and information flows with the governing and regulatory bodies (sector, independent administrative authorities), even in the event of disputes, always represents an occasion for discussion and dialogue, particularly on the substance, and is characterised by transparency, collaboration and proactiveness. Given the complexity of its businesses and the many activities it carries out, the group is nonetheless exposed to risks of non-compliance generally arising from

the potential failure to comply with the legislative and regulatory framework, with consequent penalties of a judicial or administrative nature, financial losses and damage to reputation.

To further strengthen its control system, the parent has created a specific organisational structure responsible for checking that company and group guidelines, provisions and procedures are compliant with the relevant legislation and national and international best practices.

The FS Italiane group's compliance model provides for:

- analysis and monitoring of the changes in the internal and external context (i.e., regulatory, organisational, strategic, market), in coordination with the other departments involved (legal, specialised controls, such as the DPO, ABC system and organisation), in order to identify impacts on each company;
- specialised and methodological support provided to process owners in the identification and assessment of compliance risk with an impact on the business originating from new and/or updated laws and regulations, also in consideration of organisational, strategic and market changes;
- direct control or specialised support in the management of corporate compliance programmes (the organisational, management and control model pursuant to Legislative decree no. 231/2001, the antitrust compliance programme, the ABC management system, the data protection framework, etc.) and the promotion of internal and external training, information and communication campaigns in order to spread a culture of compliance.

FS Italiane S.p.A.'s Organisational, management and control model pursuant to Legislative decree no. 231/2001 is specifically updated. The first stage in this updating process is the mapping of risks of crimes to identify the processes that are at risk and the individual types of crimes associated with them, as well as the hypothetical ways in which the crimes could be committed. The second stage is a gap analysis on the regulatory and internal control system to analyse processes and controls relating to the sensitive activities identified in the risk assessment. The analyses and assessments conducted in this stage have been formalised in specific "Gap Analysis and control definition" documents shared with each process owner. The model was updated based on the findings of these activities and approved by FS Italiane S.p.A.'s board of directors on 26 May 2020. The updated model was shared internally on the company intranet and externally on FS Italiane S.p.A.'s new "Ethics, Compliance and Integrity" web page. A new e-learning course is being prepared for the entire company population.

The compliance model also envisages specialised support for the group's business segments in relation to commercial or business development initiatives, especially those in international markets, (business & trade compliance, sponsorships, partnerships and/or co-marketing and mergers and acquisitions) and other innovative strategic initiatives that require preventive compliance analyses.

Training was offered on business & trade compliance as part of the group's training programme for the development of the International Programme and training on the offer procedure for development and business consolidation initiatives on international markets.

Given the advanced stage of the deregulation of markets on which the FS Italiane group companies operate, the group has also set up an antitrust compliance programme for the group companies to follow. While respecting the autonomy and independence of the individual companies, and the railway infrastructure operator's in particular, the purpose of this programme is to improve their ability to prevent and manage the risks resulting from non-compliance with antitrust regulations. In this context, a body has been appointed to implement the programme. Its members are the head of the Compliance Department and the head of the Antitrust and Mergers and Acquisitions Department reporting to Ferrovie dello Stato Italiane S.p.A.'s Central General Counsel, Institutional Affairs and Compliance Department. Within the scope of these activities (as outlined in the Antitrust policy), the competent body has organised and held seminars that, with respect to the areas of specific interest to the FS Italiane group companies involved in each case, have addressed the



antitrust issues of agreements between companies and the exchange of information between the infrastructure operator and the railway companies.

Considering the high levels of penalties and, more generally, the financial and reputation risks of non-compliance with Regulation (EU) 679/2016 (General Data Protection Regulation – GDPR), the group issued a set of organisational communications, establishing a framework for personal data protection based on three levels of control. Those group companies that are required to do so have appointed a Data protection officer (DPO), who monitors compliance with the regulation within the individual companies. Lastly, a computerised register of data processing was set up, various assessments have been made of the impact on data protection, and the rights of the data subjects regarding their data ensured, both by improving and updating the disclosure on processing and responding to specific requests.

Legal and contractual risks mainly relate to litigation pending between group companies and various parties, such as suppliers, customers and employees. Specific company structures currently monitor and mitigate such risks and any necessary accruals are recognised after the risks are assessed in accordance with IFRS to determine the probability that they will occur. Residual risks, after the appropriate mitigation actions and accruals, fall within the tolerance limits considering business operations.

## IT and cyber risks

---

The digital revolution in transport and mobility has triggered a human and industrial transformation process throughout the entire sector. The use of new technologies, such as Blockchain, AI and IoT (Internet of things) is equipping the industry with cognitive skills that only a few years ago could not even be imagined. However, while this new digital dimension is the groundwork for the development of more efficient mobility services, it also provides cyber criminals, including terrorists, with the opportunity to launch attacks to steal confidential information or block the provision of essential services.

As railway assets, trains, buses, stations, tracks, employees' devices and suppliers' IT systems are increasingly interconnected, the risk that even only one of them might be compromised, with a domino effect causing service disruptions and impacts on customers cannot be overlooked, nor accepted. Cyber threats are an inevitable consequence of digitalisation that the group, as an operator of essential services, must recognise and contain.

In recent years, intense institutional activities have led legislators to issue important decrees to identify the operators providing essential services to citizens and define the perimeter of the technological systems used, whose functioning is fundamental to ensure service continuity. The recent Directive (EU) - NIS (Network and Information Security) on cyber security, implemented in Italy with decree no. 65 of 18 June 2018, requires the FS Italiane group, in its capacity as an operator of essential services (OSE), to adopt technical and organisational measures that strengthen cyber risk management and prevent IT incidents in the context of a national and European model, fundamentally based on the cooperation and integration of information throughout the EU member states. Furthermore, Legislative decree no. 105 of 21 September 2019 established the national cyber security perimeter. The perimeter includes public and private entities that may be considered strategic players and whose protection is essential for the functioning of the country. They are required to apply adequate technical and organisational security measures.

In consideration of the regulatory requirements and the rapid evolution of cyber threats, the group has resolved to adopt an integrated model to guide and govern security. This model combines physical and cyber security management in one command centre and guarantees consistent general principles and operating logic. The purpose is to identify threat sources as quickly and as reliably as possible, regardless of whether they are physical, cyber or hybrid attacks, and to respond as rapidly as possible. It was therefore necessary to ensure a single interface with the police forces, the presidency of the Council of ministers, the MIT and, more generally, with the bodies and institutions responsible for safety, as well as with the equivalent bodies in national and international railway companies.

The group has designated the Central Company Security Department as the single department for the management of all the group's cyber security activities and, in line with the new regulatory framework, in 2020 it updated the cyber security unit's organisational model and further expanded the team of experts.

From an operational standpoint, the Central Company Security Department completed and commissioned the new Cyber security operations centre (C-SOC), a specialised hub where state-of-the-art technological and human resources meet to identify, prevent, detect and fight cyber attacks. The new C-SOC protects tens of thousands fixed and mobile group workstations throughout the country and the information systems supporting business processes and transport operation services harnessing the most innovative technologies on the market capable of exploiting the analytical potential of big data and AI to recognise and fight cyber attacks.

A real time security monitoring system detects cyber threats in the network and business systems, active 24 hours a day, 365 days a year at the group's C-SOC. In 2020, the team of security incident analysts detected, countered and neutralised over 5,000 cyber attacks.

One crucial service in this context is threat intelligence, a complex prevention activity in which expert analysis continuously search for and identify new threats and the paths of specific attacks. The analysts use technologies capable of automating the acquisition of information from certified channels (mainly institutional) and, through synchronised links with the group's security devices, update the defence systems.

The threat intelligence service is also supported by an internal malware analysis team consisting of specialists capable of deciphering malware code and analysing its behaviour to identify unknown threats and produce in-house bulletins with compromise indicators, i.e., attack carriers that could affect all sectors, and inform the institutions and other essential service operators.

In terms of resilience, to meet high security and service continuity standards, the C-SOC has a Lampertz room for disaster and recovery operations and uses technologies for remote operations enabling analysts to do all their work remotely without any impacts on operations or security.

During the lockdown, the Cyber Security unit, in collaboration with FSTechnology S.p.A., rapidly activated another remote access system to enable employees working from home to securely access company resources even using their own devices on an exceptional basis. Given this immediate need, a new project began to provide personnel working remotely with a virtual desktop infrastructure (VDI) where they can view their entire workstation, including applications and files, and access it from any device, even their own personal devices, with the highest level of security.

In 2020, the project continued to equip the group with a management and control model that classifies information by confidentiality level specifically to protect the information from possible breaches that could cause significant damage as a result of the improper, accidental or intentional use of such information. In particular, the project led to the definition of a framework to classify information and identify and implement operating tools for the classification and protection of information. To support the implementation of the framework, an e-learning programme also began on the defined rules and principles and the related classification methods. Furthermore, a section was created on the group's intranet for the "Classification of information" in which the guidelines, procedures and support tools are compiled and summarised.

## Environmental risks

---

The FS group believes that environmental protection is a strategic element in the development of its business. This conviction translates into maximising the environmental advantages of collective passenger transport - by rail, road and waterways - and freight railway transport, as well as minimising the adverse impacts on the environment. The group is exposed to a number of environmental risks as it assigns contracts for the construction of infrastructure and operates transport of freight that could potentially be hazardous for the environment. Consequently, it must comply with an

extensive series of environmental laws and regulations. The group's focus on environmental issues may require it to change its activities, and this could generate expected or unexpected costs.

To protect against environmental risks, the group has a specific structure that uses, if necessary, third party experts and complex procedures to monitor and mitigate factors related to this risk. Furthermore, Ferrovie dello Stato Italiane S.p.A. and the main group companies are involved in the implementation and certification of their environmental management systems in accordance with the ISO 14001:2015 standard, which promotes the integration of the environmental management system in the business and the inclusion of the environment as a strategic factor for the organisation.

The group also controls the environmental risk of its contractor companies assigned infrastructural works projects, which includes a contractual obligation for the construction companies to adopt an environmental management system (UNI EN ISO 14001) for site activities for the entire duration of the contract and provide the company and relevant bodies with objective evidence of their controls over project activities.

In addition to the existing ones, the probable future adoption of legislative instruments and new laws at a local, regional, government or inter-governmental (global) level, with the objective of containing greenhouse gas (GHG) emissions, could impact the group's business model, for instance by pushing towards the use of energy produced by renewable sources.

The risks of climate change could have significant negative effects on the group's business. These risks, as per the definition of the European Commission's communication of June 2019, are monitored and classified as:

- transition risks, comprising:
  - risks related to policies and changes in the regulatory framework (i.e., imposing energy efficiency requirements, a carbon tax etc.);
  - legal risks (i.e., risk of litigation for failing to adopt measures to minimise adverse impacts on the climate, etc.);
  - market risks (i.e., when the choices of consumers shift toward services that are less damaging to the climate);
  - technology risks (i.e., if a technology with a less damaging impact on the climate replaces a technology that is more damaging to the climate);
  - reputational risks (i.e., risks related to the difficulty of attracting and retaining customers, employees, business partners and investors if a company has a reputation for damaging the climate);
- physical risks, comprising:
  - acute physical risks, related to extreme weather events such as hurricanes, floods, droughts, whose increasing frequency and intensity are connected to global warming. These events may disrupt our activities and damage the infrastructure;
  - chronic physical risks, which arise from longer-term changes in the climate (temperature changes, reduced water availability, rising sea levels, less stability in land, etc.) with significant consequences for rail and road infrastructures.

Intragroup work groups handle the risks and opportunities of climate change, analysing the phenomenon from, inter alia, a regulatory and modelling perspective, to quantify vulnerabilities and impacts on the group's business. The work groups are coordinated by a programme team of managers from the parent and group companies, reporting to the Sustainability Committee.

For example, transition risk is controlled through continuous monitoring of regulations and practices in Italy and Europe to mitigate the risk of climate change, making use of the internal governance, compliance and reporting system for these issues. The group is also actively involved in transitioning to a low-carbon economy by defining long-term goals connected with, among other things, reducing CO2 emissions (for carbon neutrality by 2050 and a 55% reduction in

emissions by 2030<sup>63</sup>) and driving the modal shift towards collective mobility for passengers and railway transport for freight.

In terms of the physical risks arising from climate change, the group is exploring analyses, methodologies and tools to identify and assess future climate threats and changes in climactic conditions (e.g., changes in the average and/or variability of climactic variables, like temperature, rainfall and wind), the assets most exposed to the identified threats and these assets' intrinsic vulnerabilities. The group monitors future climactic scenarios and the transition (including participation in the sector-based work groups promoted by the UIC and PIARC-World Road Association), to promote, among other things, increasingly climate-resilient infrastructure.

## Social risks and risks related to human rights protection

---

The FS Italiane group has formalised its commitment to responsible conduct in line with the ten principles endorsed by the UN in the Global Compact.

In particular, with respect to human rights, by signing the Global Compact, the group has formally undertaken to:

- uphold and comply with international human rights provisions;
- ensure that it is not complicit in human rights abuses.

The Code of Ethics is a charter of fundamental rights and responsibilities whereby the FS Italiane group establishes and clarifies its ethical and social responsibilities and commitments to all internal and external stakeholders. The principles are constantly, carefully monitored and promoted in ongoing awareness campaigns within the group. The group has established a number of safeguards, such as the Diversity and Inclusion unit, the whistleblowing system, the 231 Model, the ABC policy, etc. in this respect. Demonstrating the effectiveness of these safeguards, there were no incidents of discrimination during the year (related to ethnicity, nationality, political opinions, religion, gender, age, ability, sexual orientation and personal or social conditions) involving internal and/or external stakeholders.

As the group is aware of the importance of suppliers in mitigating social risks and those related to the protection of human rights, it has also designed an evaluation process for the supply chain to strengthen its ability to identify and manage its impacts. Specifically, the standard contractual clauses include requirements that the contractor must comply with: labour and social security laws with the application of national labour agreements; occupational health and safety requirements; the standards in the group Code of Ethics. However, the internationalisation process may exacerbate these types of risk. As described in the paragraph on country risk assessments, respect for human rights is a key focus point in the overall assessment of investments. Furthermore, for large projects, in order to optimise the impacts on the local area and the community, the group makes it a priority to use tools that engage the local community (e.g., social and environmental impacts assessment, the service conference, the Conference of Regions and Autonomous Provinces, the Unified Government and Regions Conference), which help it respond to the legitimate requests of stakeholders.

To ensure respect for human rights along the supply chain, the group has also commenced a project (first within RFI S.p.A.) to include a scoring criterion that rewards suppliers for their sustainability in their tenders, using the monitoring platform developed by EcoVadis SAS. EcoVadis SAS' assessment is based on 21 criteria, divided into four areas: Environment, Labour Practices and Human Right, Fair Business Practices and Sustainable Procurement. Specifically, evaluation of the respect for human rights considers the following criteria: child and forced labour, discrimination and harassment and the fundamental rights of man. This project will be progressively extended to all main group companies. Furthermore, the group is promoting a path of continuous improvement in the management of its supply chain thanks to its participation in Railsponsible, an initiative that brings together major railway companies to promote sustainable

---

<sup>63</sup>The CEO and General Manager of the parent have joined the European Corporate Leaders Group (CLG Europe) goal of cutting emissions by 55% by 2030.

procurement by sharing best practices and virtuous processes. Reference should be made to the “Commitment to sustainable development - Sustainable supply chain” section for more information.

## Human resources management risks

---

The risk factors of human resource management constitute one of the most critical issues requiring attention, especially in the current emergency caused by the spread of COVID-19. Failure to manage these risk factors could preclude the achievement of the challenging targets established in the business plan.

Accordingly, relationships with trade unions are of significant importance in this context. 2020 was not a year of particularly important collective conflict, thanks in part to the understandings reached to identify the best tools to alleviate the impact of the pandemic and the meetings of the Participation and consultation body (in which the company and trade unions participate equally as per the company contract), which made it possible to manage some sensitive issues for the FS Italiane group. In addition, COVID-19 Committees were set up to analyse and monitor the actions taken to counter and contain the spread of the virus.

With regard to legal and contractual labour regulations, again in 2020, work continued to provide guidance and opinions on the application of the provisions of the national labour agreement for the mobility sector/railway sector and the FS Italiane group's employment contract of 2016 and labour law, ensuring the usual support to company units for the management of employment relationships, including the implementation of new regulations specifically due to the COVID-19 emergency. Furthermore, in February 2021, Agens and the FS Italiane group signed a few important agreements with the trade unions, reaching an agreement related to the national labour agreement for the mobility sector/railway sector of 16 December 2016 and providing for certain changes to work-from-home arrangements and welfare benefits. Furthermore, a contracted railway service work quality protocol was signed, whereby the group reaffirmed the principles of a sound economy driven by quality work, like lawfulness, transparency and occupational health and safety.

Additional drivers include: the presence of key resources, specialist skills that are difficult to find, motivation and professional development. The group's new talent development system recognises and, in a targeted manner, makes the most of the motivations and aspirations of people involved in the development processes, as well as the various professional skills and *know-how* rooted in our personnel's work experience. Company policies and in-house rules were further strengthened in 2020 and support the application of the principles of equity and impartiality in development processes. The psychometric tools used for the potential assessment are also free from gender and cultural bias to ensure equal treatment and opportunities for all.

Also in 2020, in response to the significant impacts that the pandemic has had on company practices, the group ensured the continuity of processes related to the development and training of its people, with greater oversight of the risks of lack of motivation, detachment and the sense of abandonment that the situation has increased exponentially.

The digitalisation of assessment processes has also guaranteed the continuity of assessments for the purposes of covering key positions and responsibilities within the various group companies and the parent. If any of these activities had been blocked, this would have had a potential impact on the use of objective standardised, fair and merit-based criteria in the definition of career paths, growth and development, which were instead upheld despite the ongoing emergency.

The group's long-standing commitment to training, continuous refresher courses and the search for professionals both within the group and on the market, grew stronger in 2020 with the acceleration of process innovations tied to digitalisation, which made it possible to uphold the same effort to care for and focus on the group's people and its attractiveness as an employer on the labour market. The group's response in terms of the innovation of HR processes was, for all intents and purposes, an effective tool for the management of the emergency. Steps are still being taken to align remuneration with the external market, in accordance with that outlined by FS Italiane S.p.A.'s board of directors

and company welfare initiatives that had already been planned and were further consolidated and improved upon through new programmes to provide relief in the wake of the COVID-19 emergency.

Internal job postings developed in line with the principles of transparency, equal opportunities and professional diversification, with the additional goal of developing internal resources and the group's in-house know-how. For jobs that cannot be filled with internal resources, the group collaborates with universities and recruits on the external market to find resources who bring value to the business, supporting it in the achievement of goals, in accordance with the principles of fairness, merit, transparency and equal opportunities and with a view to diversity and inclusion. The digitalisation of recruitment processes, which was further developed and spread in 2020, makes the group even more attractive to its target candidates, thanks to the innovative slant this gives. At the same time, digitalisation reduces costs and times and creates new pools of professional candidates for future needs. These principles are outlined in the talent acquisition policies, which have been updated and distributed to all group companies.

Through the Code of Ethics, the group has formally and substantially undertaken to never discriminate based on gender, ethnicity, language, religion, political opinion or personal and social condition. Furthermore, the HR units have taken actions and the Equal Opportunities Committee has promoted initiatives to steadily intensify the group's commitment to creating inclusive environments that value diversity and promote women workers.

In 2020, with the view that the advancement of company culture is one of the strongest ways to prevent non-inclusive conduct and practices, the group rolled out many large-scale training and communications initiatives to speed up the development of a collective culture for mindsets that are free of cultural bias and potentially undesirable practices. As part of this approach, it developed an inclusion plan for everyone to take a strategic organisational approach to D&I (diversity and inclusion), framed as a change process to understand, respect and value the differences that each unique person offers as a valuable asset to preserve within the business.

With respect to internal communications, collaborative work tools and the digital workspace were developed, alongside communications campaigns and events increasingly geared towards expanding the number of participants and the targets achieved, making people as well-informed, engaged, active and involved as possible. This is a lever for orientation, alignment and solidarity with all our people, as we move towards ongoing support for the achievement of the business vision.

## Corruption risks

---

The FS Italiane group acts with integrity, ethics and zero tolerance for corruption when conducting business.

Several years ago, the group also began a process to prevent corruption and illegality, which has included FS Italiane S.p.A.'s <sup>64</sup>adoption of the 231 model (in December 2003) and the issue of specific guidelines for the prevention of corruption between private parties in the FS Italiane group. It also led to the signing of the United Nations Global Compact in 2017.

Confirming this commitment, in 2017, FS Italiane S.p.A. voluntarily adopted a unified anti-corruption self-regulation framework which includes, alongside the 231 Model, the anti-bribery and corruption (ABC) management system and, constituting an integral part of the framework, the anti-corruption policy guidelines, containing the directive criteria for the creation of an effective anti-corruption system within FS Italiane S.p.A.. The ABC system reinforces the anti-corruption controls already in place at each company, encouraging policies to prevent corruption in all its forms (directly and indirectly giving and receiving bribes in relationships with members of the public administration and with other private parties) and expanding the scope of conduct considered punishable under the Italian Criminal Code to include cases of misconduct and malfeasance (e.g., corruption in the broadest sense). FS Italiane S.p.A.'s ABC system - updated in 2020 mainly to align certain recent provisions to regulatory and legal changes - is focused on analysing processes regarding

---

<sup>64</sup> All subsidiaries of the group are required to adopt their own 231 Model and to appoint a supervisory body.

“Procurement and contracts”, “Assignment of advisory engagements”, “Business development initiatives on international markets”, “Membership fees, sponsorships, co-marketing, donations and gifts” and “Human resources”, considered to be, according to regulations and best practices, the most exposed to corruption risks, integrating with the level 3 controls. For each of the five areas mentioned above, the ABC system provides for cross-check principles and identifies a set of specific prevention tools in the form of standards of conduct and indicators of possible irregularities, to take informed, responsible decisions based on the values of integrity, honesty and lawfulness.

As part of the continuous improvement process, in 2020, FS Italiane S.p.A. launched the first anti-bribery & corruption risk assessment to identify which areas of the ABC system to build upon, which may include specific prevention tools for additional risk areas.

To raise awareness about the values that the framework promotes at all levels, the mainly action lines in the ABC system include ongoing training and communications. In 2020, the ABC e-learning course for all FS Italiane S.p.A. personnel was completed. It will continue to be offered to new hires and periodically repeated with recalls for others who did not complete it in previous years. The “ABC system: choose your training!” survey was launched in the year, asking FS Italiane S.p.A. personnel to suggest content for specific capsule training sessions on the ABC system to be held in the first quarter of 2021. Specific training was also held in collaboration with other FS Italiane S.p.A. units on individual processes. Communications saw the addition of a new page on the FS Italiane S.p.A. website, “Ethics, compliance and integrity”, which includes a sub-section devoted to the ABC system, summarising the objectives, tools and principles of FS Italiane S.p.A.’s model, in order to share the company’s commitment to ethics, lawfulness and integrity with the public.

The intranet page “ABC system”, containing descriptions of FS Italiane S.p.A.’s and the other group companies’ models, was also streamlined. FS Italiane S.p.A.’s direct and indirect subsidiaries adopt the framework, adjusting it to reflect their specific organisations and businesses, in accordance with the applicable regulatory obligations.<sup>65</sup>

The ABC system requires that the competent units evaluate alleged violations of the Code of Ethics to take the appropriate measures.

In 2019, FS Italiane S.p.A. adopted a procedure to manage whistleblowing reports in order to implement Law no. 179/2017 (the whistleblowing law). This procedure governs the reception, analysis and processing of reports sent by anyone on events or conduct believed to be illicit or in violation of the law, the Organisational, management and control model pursuant to Legislative decree no. 231/2001, the ABC system or the Code of Ethics of the FS Italiane group.

In July 2020, FS Italiane S.p.A. adopted an IT platform to manage whistleblowing reports. This is a channel that digitally ensures the whistleblower’s confidentiality and adequate information security measures. The platform may be accessed via the company website and intranet (it is in a special section on the Ethics, Compliance and Integrity page).

## Effects of the spread of contagious diseases

---

The global spread of epidemics or pandemics affecting the population could cause the deterioration of the macroeconomic context and slowdowns in the group’s business due to the measures issued by national and foreign authorities, unavailability of personnel, difficulties faced by customers in using collective mobility services and the disruptions in the supply chain, with negative impacts on the group’s results.

The spread of COVID-19 (also known as the coronavirus) in 2020 has had significant repercussions on the group’s operations, organisation, performance and financial position. In particular, the main impacts on group operations are listed below by risk source:

- External:

---

<sup>65</sup> In 2020, FSTechnology S.p.A. become another of FS Italiane S.p.A.’s main direct subsidiaries to complete the implementation of the ABC framework.

- regulatory: the provisions issued by the government authorities to contain the risk of the virus spreading throughout the population made it impossible (in certain cases) to operate according to standard processes and generated the need to immediately implement work-from-home schemes on a massive scale. This inevitably created greater cyber risks for the group;
  - supply chain: interruptions/delays in the supply chain (e.g., spare parts, components and rolling stock) due to local lockdowns, obstacles to travel between regions (e.g., due to suppliers that are located far away from the supply/service provision location) and economic/financial difficulties reported by counterparties;
  - market: lack of confidence in public transport due fear of infections, changes in customers' habits (e.g., more purchases made online), the need to revise contracts that were signed before COVID-19, which do not contemplate the mobility scenarios created by the new context.
- Internal:
    - personnel: unavailability of personnel after testing positive for the virus (e.g., specialised positions);
    - ICT: unavailability (in certain cases) of IT tools (hardware and software) to support the extensive work done remotely because of COVID-19 (this risk was promptly contained mainly through ICT work on core processes).

These and other issues were addressed in the definition of the response actions to ensure the group's business continuity, with the key objective of containing the negative health, organisational and economic effects.

As discussed extensively in Note 31 to the consolidated financial statements - "COVID-19 emergency", to which reference should be made for additional details, by setting up a specific intragroup task force, the group promptly identified and adopted measures to limit the spread of infections and manage the pandemic, in accordance with the government provisions on containment and interpersonal distancing to protect the health of employees, customers, suppliers and the entire community in general.

In addition to the prompt measures taken to limit infections and manage the pandemic, the group has taken many steps to strengthen its resilience in the medium to long term given the highly uncertain and rapidly changing context. Its approach has been to analyse each scenario and implement processes and procedures that drive the identification, management and monitoring of events that could potentially have significant impacts on resources and the business. In this context, the group has commenced an analysis to identify the main opportunities to strengthen and overcome the vulnerabilities that arose as a result of the effects of the COVID-19 outbreak, defining and adopting measure to make the organisation more resilient and ready to make the most of the development opportunities arising from the recovery, while also being prepared to deal with any new crises.



## Travel safety

In EU countries, railway accidents are monitored by the European Railway Agency (“ERA”), the regulatory body established with EC Directive 2004/881 to create a borderless European railway space, increase the interoperability of railway systems and develop a common culture of railway safety. To monitor accidents, the ERA refers to the regulations of EC Directive no. 2004/49 and EU Directive no. 2014/88, which updated Attachment I of the former Directive concerning the common safety indicators and methods used to calculate the costs of accidents.

Under the principles of EU Directives, an accident is considered significant when at least one moving railway vehicle is involved and if it causes at least one death or serious injury or damage exceeding €150,000 to the tracks, plants or environment, or if it stops traffic for six or more hours. Accidents that occur on tracks that have been taken out of service, even temporarily, accidents in traffic operations (depots, workshops) and those caused voluntarily (suicides or vandalism) are not considered significant.

In Italy, the body with responsibility for the entire national railway network, which performs the duties under EC Directive 2004/49 is the ANSFISA (national agency for the safety of the railways and road and motorway infrastructure). It was established by Law no. 130 of 16 November 2018 and became fully operational with the Prime Minister’s decree no. 520 of 20 November 2020. Once this new agency became fully operational, the ANSF was eliminated and ANSFISA took over its responsibilities.

The scope corresponds to the national infrastructure operated by RFI S.p.A. and is based on a preliminary analysis with figures yet to be consolidated.

There were 80 accidents in 2020, with one significant accident for every 3.8 million km travelled by trains, detailed as follows:

- two train collisions, compared to four in 2019;
- six derailments, one more than in the previous year;
- a total of six people hit at level crossings, including pedestrians on closed crossing, compared to 4 in the previous year;
- 56 serious accidents to people caused by moving rolling stock, compared to 50 in the previous year. This type of accident includes: people falling from moving railway vehicles (either passengers or railway personnel) and people being hit by vehicles (railway personnel and third parties);
- 10 accidents which, as they do not fall into any of the other categories, are classified as “other”, compared to five in 2019;
- zero accidents due to fires involving rolling stock with serious consequences, compared to one accident in 2019.

With the exception of collisions and fires involving rolling stock, the other categories increased, particularly “other” (derailments or the collision of operating or shunting vehicles and hazardous freight spills) and “Injury to people involving rolling stock in motion”, which accounted for 70% of all accidents. In 2020, RFI S.p.A. continued its programme to eliminate public and private level crossings by assessing the effectiveness of existing pedestrian ways/vehicle roadways near the railway areas and identifying the places most at risk of accidents due to the improper presence of pedestrians.

# Other information

## Introduction

---

This section details the most significant criminal proceedings and proceedings before the national and EU authorities pending at the reporting date. Up to the date of preparation of this report, no information had arisen that would indicate that the companies, including FS Italiane S.p.A., or the group are exposed to contingent liabilities or losses of any amount, different than those disclosed in Note 47 - Contingent assets and contingent liabilities of the consolidated financial statements, nor is any information known with a potentially material impact on the relevant companies' financial position, performance or cash flows. Furthermore, where appropriate, the companies have joined the criminal proceedings as aggrieved party.

In 2020, following criminal proceedings initiated by the public prosecutors against former or current group company representatives, there were no definitive rulings against senior management (company officers or General Managers ) for any of the following:

- particularly serious fraudulent crimes entailing significant damage to the companies, including FS Italiane S.p.A., or that gave rise to the application of restrictive measures;
- fraudulent crimes covered by Legislative decree no. 231/2001;
- additional fraudulent crimes covered by Law no. 190/2012.

Furthermore, litigation and significant proceedings pending with employees, third party service providers and/or contractors, the tax authorities, regions, etc., for which, where the relevant conditions are met, accruals have been made to specific provisions for risks and charges, are detailed in the notes to the financial statements, to which reference should be made. Similarly, reference should also be made to the note to contingent assets and contingent liabilities, as indicated above and defined by group policies.

### **Criminal proceedings pursuant to Legislative decree no. 231/01**

- Hearings are underway in criminal proceedings no. 2554/2013 in the general register of crimes at the Foggia Court against RFI S.p.A. pursuant to Legislative decree no. 231/01 concerning the fatal workplace accident on 5 March 2010 at Cerignola, in which an employee of Fersalento S.r.l. died;
- with respect to criminal proceedings no. 6305/09 in the general register of crimes with the Public Prosecutor's Office at the Lucca Court, following the railway accident in Viareggio on 29 June 2009 - after the natural persons and legal entities found guilty, as well as the Public Prosecutor and the aggrieved parties appealed before the Court of Cassation against the decision - the third-level proceedings began on 2 December 2020 before the IV criminal section of the Court of Cassation and were concluded on 8 January 2021 with the reading of the panel's decision upon the findings of the Chamber of Council. Italy's highest court – admitting the defence's arguments – found there were no aggravating circumstance in the violation of rules for the prevention of work-related injuries pursuant to article 589.2 of the Italian Criminal Code. Therefore: (i) all the companies found guilty of administrative liability pursuant to article 25-*septies* of Legislative decree no. 231/2001 in the appeal, including RFI S.p.A. and Trenitalia S.p.A. (along with Mercitalia Rail S.r.l., as beneficiary of the demerger of Trenitalia S.p.A.'s freight division), were definitively acquitted because "the circumstance did not exist" (the acquittal had already been ordered at the first- and second-level judgements for FS Italiane S.p.A. and FS Logistica S.p.A., now Mercitalia Logistics S.p.A., and, as the Public Prosecutor had not appealed, the judgements had become definitive); (ii) the provisions of the decision in the appeal

for the crime of negligent manslaughter were definitively dismissed (article 589 of the Italian Criminal Code) under the statute of limitations. With respect to the charges for the other alleged crime, negligence causing a train crash pursuant to articles 430 and 449 of the Italian Criminal Code, the Court of Cassation confirmed the appeals judge's decision that Trenitalia S.p.A.'s pro-tempore CEO and Cargo Chemical S.p.A.'s pro-tempore CEO (who became the head of FS Logistica S.p.A.'s Chemical and Environment Industry business unit) and the accused representatives of the GATX group (except for one, remitted to appeal in a new case) and Cima Riparazioni were criminally liable. The court also ordered the quashing of the appealed ruling finding the pro-tempore head of Trenitalia S.p.A. Cargo division, RFI S.p.A.'s former CEO and FS Italiane S.p.A.'s former CEO (previously the CEO of RFI S.p.A.), as well as an RFI S.p.A. officer and a Trenitalia S.p.A. officer guilty, remitting the decision to another section of the Florence Court of Appeals. Furthermore, it denied the Public Prosecutor's appeal against the acquittal of five RFI S.p.A. officers, which therefore became definitive. The highest court also definitively quashed the provisions ordered by the judges in favour of the various aggrieved parties that had joined the proceedings, mostly associations and trade unions, whereas it remitted the claims of other two claimants that had joined the proceedings to be decided in an appeal. The filing of briefs is now pending;

- hearings are being held in criminal proceedings no. 1430/2014 in the general register of crimes at the Gela Court against RFI S.p.A.'s former CEO and some managers/employees for negligent manslaughter in connection with the incident in which three maintenance workers of RFI S.p.A. were fatally hit on 17 July 2014 between the Falconara and Butera stations. The company has been charged for the alleged administrative liability pursuant to article 25-septies of Legislative decree no. 231/2001;
- criminal proceedings no. 3566/2015 in the general register of crimes with the Public Prosecutor's Office of Rimini were commenced in relation to the accident that occurred on 5 March 2015 in which an employee of A.T.S. Costruzioni was injured while working at OMC Locomotive (ordinary maintenance workshop for trains) in Rimini, against the former manager in charge of Trenitalia S.p.A.'s Rimini OMC, together with the employer and A.T.S.'s safety supervisor, for the crime covered by article 590.1/2 of the Italian Criminal Code. The manager is also charged with violation of article 26.2 of Legislative decree no. 81/2008 and Trenitalia S.p.A. is also allegedly liable for the administrative violations covered by article 25-septies.3 of Legislative decree no. 231/2001;
- criminal proceedings no. 20765/2014 in the general register of crimes with the Public Prosecutor's Office at the Florence Court are currently pending at the first level in relation to the accident that occurred on 12 January 2014 during rolling stock shunting operations causing the death of an employee of the Tuscany regional division of Trenitalia S.p.A., against several managers and employees of the company and against Trenitalia S.p.A. for the administrative violations covered by article 25-septies of Legislative decree no. 231/2001;
- criminal proceedings no. 1525/2008 with the Public Prosecutor's Office of Trani relate to multiple charges of negligent manslaughter against five blue-collar workers of the subcontractor company Truck Center with the indictment of, among others, the CEO at the time and a former officer of FS Logistica S.p.A. - the Cargo Chemica S.p.A. business unit (the customer), now Mercitalia Logistics S.p.A. (formerly FS Logistica S.p.A.), and the company as the party liable for damages pursuant to article 25-septies of Legislative decree no. 231/2001. Following the first-level proceedings, on 19 July 2017, the Bari Court of Appeal acquitted the employees of the company then known as FS Logistica S.p.A. (now Mercitalia Logistics S.p.A.) and the company itself. Consequently, this second-level ruling nullified the administrative fine of €1.4 million that Mercitalia Logistics S.p.A. had been ordered to pay in the first-

level proceedings for the administrative violation due to the crime. The prosecution appealed against the decision before the Court of Cassation. In the hearing of 8 February 2019, the Court of Cassation annulled the acquittal, referring the case to a different section of the Bari Court of Appeals. The reasons for the ruling were lodged on 25 March 2019. In the new appeal, the employees of the company then known as FS Logistica S.p.A. requested a plea bargain. Once the feasibility of settling the legal matter had been evaluated - with the opinion of external counsel and considering the court context - also considering the possibility of a reduction in the fine, Mercitalia Logistica S.p.A. decided to request a plea bargain. This decision had been submitted to the company's board of directors and explicitly decided upon before a reduction in the administrative fine was agreed with the Public Prosecutor from €1.4 million to €900 thousand. At the hearing on 21 December 2020, section II of the Bari Court of Appeals read the ruling whereby it admitted the plea bargains for the charges against Mercitalia Logistics S.p.A. and: (i) found the pro-tempore CEO and manager of the former FS Logistica S.p.A. – Cargo Chemical S.p.A. business unit guilty, redetermined the sentences respectively to one year and six months of imprisonment and two years of imprisonment, granting the generic attenuating circumstances and probation with revocation of the accessory sentence of a temporary five-year ban on the holding of public office; (ii) reduced the administrative fine to €900 thousand for the administrative liability pursuant to article 25-*septies* of Legislative decree no. 231/2001 to be paid by Mercitalia Logistics S.p.A., also revoking the civil court provisions adopted against it as the party liable for damages. In addition, the court admitted the other plea bargains requested by non-FS Italiane group parties and confirmed the first-level rulings against the contracting company and the company that purchased the liquid sulphur pursuant to Legislative decree no. 231/2001. The court ordered a term of 90 days for the filing of arguments;

- with respect to criminal proceedings no. 6769/2015 with the Public Prosecutor's Office at the Perugia Court, on 11 June 2018, the Preliminary hearing judge indicted the parties under investigation and the company Busitalia Sita Nord S.r.l., charged pursuant to Legislative decree no. 231/2001, reclassifying the crime covered by article 640 bis of the Italian Criminal Code (aggravated fraud for the purpose of obtaining public funds) to the less serious one covered by article 640.2.1 (aggravated fraud to the detriment of the State). The hearing is pending;
- criminal proceedings no. 18773/2009 are currently pending before the Bari Court. They involve Ferrovie del Sud Est e Servizi Automobilistici S.r.l. for administrative liability pursuant to Legislative decree no. 231/2001, in relation to fraud (originally considered a transnational crime which was subsequently excluded by the Judge), also involving the former sole director. The facts relate to the purchase of railway carriages in Poland at higher than market price. Following the indictment against the company and all accused natural persons, arguments are now being heard;
- criminal proceedings no. 3651/2018 in the general register of crimes with the Public Prosecutor's Office at the Milan Court relate to a railway accident that occurred on 25 January 2018 in Seggiano di Pioltello, involving the railway company Trenord S.r.l.'s regional train no. 10452 - operating the commercial service on the section between Cremona and the Milano Porta Garibaldi station - which caused the death of three passengers and injuries to others. After the Public Prosecutor indicted the CEO and eight officers of RFI S.p.A., as well as the company itself for administrative liability pursuant to Legislative decree no. 231/2001, the preliminary hearing is being held in which, upon the motion of certain aggrieved parties, RFI S.p.A. is being judged as liable for damages.
- criminal proceedings no. 6224/2016 in the general register of crimes with the Parma Public Prosecutor's Office, refer to the call for tenders to award the road local public transport in the Parma area, in relation to which the CEO and one manager of Busitalia-Sita Nord S.r.l. and others are charged with, inter alia, illegal bid rigging (article 353 of the

Italian Criminal Code), revealing the content of secret documents (article 621 of the Italian Criminal Code) and corruption between private parties (article 2635.2 and 3 of the Italian Criminal Code). On 28 August 2019, the company was served the notice of completion of preliminary investigations as per article 415-bis of the Italian Code of Criminal Procedure. The notice confirmed the charges as per Legislative decree no. 231/2001 against Busitalia Sita Nord S.r.l. for administrative liability pursuant to article 25-ter .1.s-bis in connection with corruption between private parties. On 22 December 2020, the Parma Court's Preliminary Hearing Judge issued the decree ordering proceedings against the company for the aforesaid administrative liability and as liable party for the conduct ascribed to the CEO and the head of the company's Strategic Planning and Market Development unit. This decree was notified to the company on 17 February 2021. The first hearing is scheduled for 15 September 2021;

- in criminal proceedings no. 3518/2009 in the general register of crimes with the Salerno Public Prosecutor's Office, Anas S.p.A. is being investigated as per Legislative decree no. 231/2001, for alleged negligent manslaughter in violation of the health and safety in the workplace regulations (article 589 of the Italian Criminal Code, articles 5 and 25-septies of Legislative decree no. 231/2001). The proceedings refer to the fatal accident that occurred on 18 March 2009 when an employee of Contursi Scarl died. This company had been awarded the works to build the Sant'Angelo tunnel on the Salerno-Reggio Calabria motorway. The first-level ruling is currently pending;
- criminal proceedings no. 1265/2018 in the general register of crimes with the Arezzo Public Prosecutor's Office relate to the alleged illegal disposal of special hazardous waste containing asbestos. The waste originated from the collapse of a slope on SS3 bis "Tiberina", route E45 (Orte - Ravenna), after which Anas S.p.A. engaged a company for the disposal of waste. On 18 April 2019, the notice of completion of the preliminary investigation was served. Anas S.p.A., charged pursuant to articles 5 and 25-undecies of Legislative decree no. 231/2001, presented its defence brief asking for dismissal on 22 May 2019, through its lawyer, arguing that the company had implemented all control procedures in order to avoid the organisation being held liable. On 31 December 2020, the judge admitted the Public Prosecutor's request and issued a decree acquitting Anas S.p.A..
- with respect to criminal proceedings no. 3556/2019 in the general register of crimes with the Public Prosecutor's Office at the Brindisi Court, which are currently pending in the preliminary investigation stage, on 23 January 2020, Italferr S.p.A. was served a "Notice of investigation for an administrative violation due to a crime" in relation to the fatal workplace accident on 9/10 July 2019 in Brindisi, during works carried out by the sub-contractor HI.TEC Italia S.r.l., the victim's employer, as part of a contract awarded to RFI S.p.A.. HI.TEC Italia S.r.l. and Italferr S.p.A., which were engaged by RFI S.p.A. to perform, inter alia, works management, works oversight and safety coordination in the performance of the works, were charged with an administrative violation due to a crime as per article 25-septies.2 of Legislative decree no. 231/2001. The notice requesting the extension of the terms for the preliminary investigation, which was served to several natural persons, states that the criminal charges of negligent manslaughter are against eight natural persons, four of whom work for Italferr S.p.A.. Next, with the decision filed on 21 September 2020, the Public Prosecutor indicted Italferr S.p.A.'s Works coordinator and two of the subcontractor's officers in their positions as employer and supervisor of the victim. The preliminary hearing is pending for these charges. On the other hand, the Public Prosecutor filed a motion to acquit the managers of Italferr S.p.A. and the company itself, charged with administrative liability pursuant to Legislative decree no. 231/2001, against which the aggrieved party appealed, the hearing in judge's chambers is to be scheduled after which the judge will decide on the acquittal;

- criminal proceedings no. 524/2020 in the general register of crimes with the Public Prosecutor's Office at the Lodi Court refer to the derailment of the HS train 9595 in Livraga on 6 February 2020 in which two train drivers lost their lives. RFI S.p.A. is being investigated for administrative liability pursuant to article 25-*septies* of Legislative decree no. 231/2001, along with the pro-tempore CEO and nine employees/managers, charged with manslaughter, negligence causing bodily injury and negligence causing a train crash. The CEO of Alstom and other parties outside the FS Italiane group are also being investigated. The preliminary investigations are pending. On 15 October 2020, the parties were notified of the request to extend the term of the preliminary investigations for another six months. They will therefore presumably end by May 2021.

#### **Other significant criminal court proceedings**

- criminal proceedings no. 503034/2012, initially with the general register of crimes with the Public Prosecutor's Office at the Rossano Court and subsequently transferred to the Castrovillari Public Prosecutor's Office, relate to a fatal accident in which a train hit a car with six people inside it at the private level crossing on the Rossano Calabro - Mirto Crosia section. RFI S.p.A.'s managers and employees (some of whom retired) and other parties not related to FS Italiane group are accused, jointly, with negligent manslaughter and negligence causing a train crash. During the preliminary hearings, FS Italiane S.p.A. was found liable, and RFI S.p.A. appeared in its place. The ruling for the preliminary hearings is pending;
- criminal proceedings no. 2615/2018 in the general register of crimes with the Public Prosecutor's Office at the Ivrea Court involving Trenitalia S.p.A. in relation to a railway accident that occurred on 23 May 2018 on the Chivasso/Ivrea line when regional train no. 10027 hit a lorry (oversized load) that had driven through the level crossing barriers, and got stuck on the tracks. The train driver and the driver of the escort service died and many other people were injured, including the train manager. The Public Prosecutor issued a notice of completion of the preliminary investigations against the six parties investigated: the legal representative of the transport company; the legal representative of the company authorised to carry the oversized load; the head of the technical escort service; two drivers. The charges are negligence causing a crash, negligent manslaughter and negligence causing bodily injury, as well as violation of occupational health and safety regulations pursuant to Legislative decree no. 81/2008 for failure to adopt a risk assessment document and for not having ensured workers had been properly informed of the specific risks of the activity. Trenitalia S.p.A. is the injured party in this crime;
- criminal proceedings no. 6662/2017 in the general register of crimes and no. 23758/2019 in the regional register of crimes of the Court of Naples involving Trenitalia S.p.A. in relation to a fatal accident involving a maintenance worker at the Naples ETR Maintenance plant (IMC) on 7 August 2016. Some of the company's managers/employees are being investigated for negligent manslaughter due to violation of health and safety in the workplace regulations. The preliminary hearings are pending;
- criminal proceedings no. 4153/2016 in the general register of crimes at the Bari Court were commenced by the Public Prosecutor's Office against FSE S.r.l.'s former sole director and other persons. The allegations relate to several instances of document, corporate company and fraudulent bankruptcy which put the company in distress and resulted in the need for FSE S.r.l. to access the procedure for a composition with creditors. FSE S.r.l. and FS Italiane S.p.A. have also joined the proceedings as aggrieved parties. The hearing is currently underway;

- criminal proceedings no. 4877/2018 in the general register of crimes with the Public Prosecutor's Office at the Bari Court originate from a complaint by FSE S.r.l. and the separation of the main criminal proceedings for bankruptcy no. 4153/2016 in the general register of crimes with the Bari Public Prosecutor's Office against the former sole director of FSE S.r.l. and the other parties described above. The Public Prosecutor, in criminal proceedings no. 4877/2018, after serving the notice of completion of the preliminary investigation, motioned for a decree ordering the indictment of 20 people, including the former sole director of FSE S.r.l., the pro-tempore CEO of BNL, the head of the Central Administration Department for the public market of BNL in Rome and other officers of the BNL bank for "fraudulent bankruptcy in favour of the creditor BNL" and "fraudulent bankruptcy due to illicit transactions". In the indictment motion, the Public Prosecutor identified FSE S.r.l. and Ferrovie dello Stato Italiane S.p.A., together with others, the aggrieved parties. Considering the Public Prosecutor's motion, the Bari Court - the Preliminary Investigation Judge/Preliminary Hearing Judge court section set the preliminary hearing for 30 June 2021 in which FSE S.r.l. and FS Italiane S.p.A. will join the proceedings as aggrieved parties;
- criminal proceedings no. 8790/2016 in the general register of crimes with the Public Prosecutor's Office at the Lecce Court relate to vehicular manslaughter (article 589 bis of the Italian Criminal Code) and road personal injuries (article 590 bis of the Italian Criminal Code) against an employee of FSE S.r.l. in relation to the accident that occurred on 1 August 2016 while the employee was driving the company's public bus. The company and the insurance company were summoned as the parties liable for damages. On 5 June 2019, the judge acquitted the defendant and consequently dismissed any liability on FSE S.r.l.'s part because the event is not a crime. The lawyers for the aggrieved party filed an appeal and the next hearing is scheduled for 7 March 2022;;
- criminal proceedings no. 6310/2017 in the general register of crimes with the Public Prosecutor's Office at the Lecce Court related to the accident that occurred on 13 June 2017 between two FSE S.r.l. trains at the Galugnano exit, Frazione di San Donato di Lecce, along the section between Lecce and Otranto. The notice of conclusion of preliminary investigations was served to two FSE S.r.l. managers on 11 December 2018. According to the notice, two managers and two company employees are accused of negligence causing a train crash with damage to people (approximately 20 injured people, including passengers and FSE S.r.l. personnel) and property (collided trains). Following the request to proceed by the Public Prosecutor's Office of Lecce, the preliminary hearing was held and the judge sentenced an employee to one year and ten months in prison, admitting the plea bargain agreed with the Public Prosecutor, suspending the sentence with probation. The judge also acquitted another employee, with a fast trial procedure. The reasons for the acquittal were pronounced in the same hearing. Lastly, the judge ordered to two managers of FSE S.r.l. to trial before the Collegial Court of Lecce. The hearings are currently pending. Once the preliminary procedures were complete, the proceedings were remitted for the final hearing; ;
- criminal proceedings no. 5926/2015 in the general register of crimes, anti-mafia department, with the Public Prosecutor's Office of Reggio Calabria refer to two tenders, the first of which was awarded to Anas S.p.A. for "extraordinary maintenance works on the Via Casa Savoia overpass in Gallico (former SS 184 Gamberie) at km 438+000 of the Salerno-Reggio Calabria motorway" and the second of which was awarded to RFI S.p.A. for "construction work on the Pentimele stop of the surface metro". Several of the companies performing the work and six employees of Anas S.p.A. were accused of mafia-related criminal conspiracy (articles 416 and 416-bis of the Italian Criminal Code), bribery, undue soliciting (articles 319 and 319-quater of the Italian Criminal Code), abuse of power and fraud (articles 323 and 640 of the Italian Criminal Code). On 12 March 2020, the preliminary hearing began, in which Anas S.p.A., identified as the injured party, appeared in court as such, and five natural persons of

the 20 defendants requested the fast trial procedure. The preliminary hearing before the judge was completed on 22 January 2021 with the indictment of 15 defendants; the first hearing of arguments will be held on 14 April 2021. The fast trial procedure ended on the same date as the hearing with two guilty rulings and four acquittals, according to the various charges against the five defendants who had requested such procedure.

### **Proceedings before the Italian and EU authorities**

**K2 Discount pursuant to Ministerial decree no. 44T/2000.** In addition to that indicated in previous annual reports, to which reference should be made for additional details, the civil action commenced by Trenitalia S.p.A. before the Rome Civil Court to have RFI S.p.A. pay the amounts related to the K2 Discount, with the annulment of MIT decree no. 92T/2007 (Council of State's ruling no. 1110/2013 on compliance with which the Council of State issued ruling no. 1345/2014), is pending. As part of these proceedings, the judge allowed RFI S.p.A. to implead the MIT and the MEF to guarantee and indemnify the amounts related to the K2 Discount which may be paid to Trenitalia S.p.A.. Both Ministries appeared as per standard procedure and jointly before the court, RFI S.p.A., inter alia, objected lack of standing to bring the suit and, however, Trenitalia S.p.A.'s lack of eligibility to receive the K2 Discount in relation to services provided for freight transport, due to the demerger of Trenitalia S.p.A. and Mercitalia Rail S.r.l. and the assignment of the freight business unit to the latter effective from 1 January 2017. Mercitalia Rail S.r.l., as per the writ served in 2019, appeared in court. Expert assessments are being carried out following the appointment of the court-appointed expert.

**Appeals relating to the tender for the assignment of services for the Tuscany region.** With an appeal lodged on 15 April 2016, the consortium company MOBIT Scarl (consisting of Busitalia-Sita Nord S.r.l. and other local public transport incumbents operating in Tuscany) appealed before the Tuscany regional administrative court against the region's regulation ordering the definitive awarding of the tender to the only other participant, Autolinee Toscane S.p.A. ("AT"). The tender related to the assignment in a single lot of local public transport services for nine years, which may be extended for another two years, worth approximately €4 billion. AT, which also took legal action, presented a counterclaim to have the consortium Mobit Scarl excluded from the tender. With ruling no. 1548/2016 of 28 October 2016, the Tuscany regional administrative court admitted the two appeals, cancelled the awarding of the tender and found that neither of the claimants had presented offers that met the region's guidelines for the preparation of the economic/financial plan. Mobit Scarl, AT and the Tuscany region itself appealed against ruling no. 1548/2016 before the Council of State. The latter, with an ordinance issued on 6 April 2017, submitted the issues relating to the interpretation of certain provisions of Regulation (EC) 1370/2007 to the EU Court of Justice, as they were relevant to the case. Immediately after notification of the two appeals against the ruling of the Tuscany regional administrative court, in December 2016, the Tuscany region had reopened the tender, asking the two participants to submit a new economic/financial plan accompanying their previously submitted bids. Mobit Scarl appealed before the Tuscany regional administrative court. With its ruling of 14 June 2017, the Tuscany regional administrative court denied the appeal. This ruling was appealed before the Council of State. With decision no. 8411 of 11 December 2020, the Council of State denied Mobit Scarl's appeals against the two Tuscany regional administrative court rulings of 28 October 2016 and 14 June 2017.

Pending the judgements indicated above, the Tuscany regional authorities assigned another definitive contract to AT. Again, Mobit Scarl appealed against it before the Tuscany regional administrative court, which denied the appeal with ruling no. 344/2020 of 19 March 2020. Mobit Scarl appealed the ruling before the Council of State. At present, the procedure for the verification of the economic/financial plans submitted by AT and Mobit Scarl is pending as ordered by the Council of State with ordinance no. 6324 of 8 October 2020 (published on 20 October 2020). Following the motion



submitted by the panel conducting the verification, the Council of State ordered a 60-day extension of the deadline for the filing of the report and postponed the hearing to discuss the matter to 13 May 2021.

**Appeal against the transfer of the investment in FSE S.r.l. to FS Italiane S.p.A..** With ruling no. 6417/2017, the Lazio regional administrative court rejected the appeal filed by Arriva Italia S.r.l., Ferrotramviaria S.p.A. and COTRAP (the “claimants”) to repeal MIT decree no. 248/2016 which identified FS Italiane S.p.A. as the party to receive the investment in FSE S.r.l. which, at the time, was held by said Ministry, thereby confirming its lawfulness. As part of the appeal to overturn the first-level ruling, the claimants indicated the failure to comply with the requirements applicable to government assistance as the first ground of appeal, in relation to: i) the granting of €70 million to FSE S.r.l. pursuant to article 1.867 of Law no. 2018/2015, as amended by article 47 of Law decree no. 50/2017 and ii) FSE S.r.l.’s transfer to FS S.p.A. with no competitive procedure and no consideration.

The Council of State decided to refer the issue to the European Court of Justice, pursuant to article 267.1.a) of the Treaty on the Functioning of the European Union (decision to refer no. 3123/2018). The Court of Justice pronounced its resolution on 19 December 2019 (case C-385/18) stating that – except for the checks that the referring judge (i.e. Council of State) shall make – article 107 of the TFUE must be interpreted in a way that both the accrual of a sum in favour of a public entity and the transfer of the entire investment held by a member state in the share capital of the same entity to a different public entity, without compensation, but with the obligation for the latter to compensate the former capital imbalance, may be classified as government assistance. Following the interpretative resolution of the Court of Justice, the consequent decisions were referred to the Council of State with the resumption of the case by the claimants with the motion of 3 February 2020. On 22 October 2020, the hearing was held before the Council of State, in which the Palazzo Spada judges, with reference to the provisions of the European Code of Justice, ordered, with an ordinance subsequently published on 26 October 2020, the commencement of the “assessment procedure”, pursuant to article 66 of the administrative procedural code (assessment ordered to complete knowledge of events that are not clearly shown in documentation) to be carried out in arguments presented by the parties, on the following query: *“the verifier shall say whether the value of Ferrovie del Sud Est e Servizi S.r.l. at the date of this transfer, as increased, where necessary, by the €70 million granted to it by the Italian government, exceeds the amount of the investment that Ferrovie dello Stato Italiane S.p.A. must make to honour its obligation of removing FSE’s capital imbalance”*. The judges therefore set the hearing for arguments for 30 March 2021.

**EU cases SA 32179 and SA 32953.** On 28 March 2014, the European Commission’s Directorate-General for Competition notified Italy of a decision to begin a formal investigation in connection with two potential state aid programmes relating to:

1. intragroup asset allocation transactions (case SA 32179); and
2. compensation for a public service obligation in the rail freight sector (case SA 32953).

The first aid measure being investigated relates to four asset allocation transactions within the FS Italiane group, in which assets were allocated to Trenitalia S.p.A. and FS Logistica S.p.A. (now Mercitalia Logistics S.p.A.), respectively. In particular, these transfers include assets that do not constitute railway infrastructure (they are mainly workshops) and are, in any case, no longer functional for the infrastructure operator. The second measure being investigated relates to the fees from Italy to Trenitalia S.p.A. for rail freight transport from 2000 to 2014 under three consecutive public service contracts. After 2015 and 2016, in which there were no further developments, from the end of 2017, the European Commission resumed the examination of both dossiers. Accordingly, considering the current stage of the cases and their complexity, in line with previous evaluations, and based on the opinions of independent legal experts, with respect to both cases it is still impossible to objectively identify a contingent liability. Moreover, with respect to case SA 32179, the

effects of any negative development would solely relate to assets within the FS Italiane group; while with respect to case SA 32953, it is still impossible to reliably estimate any amount that might be paid.

**Non-opposition to a notified business combination (Case M.9768 — OFL/Trenitalia S.p.A./ILSA).** On 25 February 2020, the European Commission decided not to oppose the business combination of which it had been notified, consisting of Trenitalia S.p.A.'s acquisition of Intermodalidad de Levante SA (ILSA SA), and declared it compatible with the internal market. This decision is based on article 6.1.b) of Regulation (EC) 139/2004 of the Council. It was published in the Official Journal of the EU on 3 March 2020.

## The parent's treasury shares

At 31 December 2020, FS Italiane S.p.A. neither owns treasury shares directly or through trustees or nominees nor has it acquired or sold treasury shares directly or through trustees or nominees in 2020.

## Related party transactions

Transactions between FS Italiane S.p.A. and the group companies and their transactions with other related parties are carried out correctly in terms of substance and to the parties' mutual financial benefit based on normal market conditions which are defined with the assistance of independent experts, when necessary.

The shared objective of intragroup transactions is to promote efficiency and, therefore, create value for the entire group. To this end, in line with Ferrovie dello Stato Italiane group's business plan, a more rational reallocation of group assets and resources is underway, to enable each company to focus on its core business, to improve the use of assets not directly related to the core activities of the group companies, transferring these activities to specialised entities, including through demergers and contributions, and to increase intragroup synergies. These processes and transactions are carried out in accordance with sector regulations, the Italian Civil Code and tax laws, in line with the guidelines issued by the relevant ministries and the group's administrative/accounting procedures and considering the specific characteristics of the activities performed by many group companies.

Assets and liabilities, income and expense arising on transactions during the year with parents and other group companies and information on related party transactions are presented in the notes to the separate and consolidated financial statements, to which reference should be made.

# Outlook

## FS Italiane group

---

The ongoing pandemic has caused a dramatic operational and strategic disruption while also creating the opportunity to begin a transformational resilience process from which the FS Italiane group and its companies will emerge stronger than before, having overcome the uncertainty and harnessed the experience they have gained since March 2020.

This context has required profound reflection on the direction that the sectors in which the group operates will take. In addition to identifying the actions for 2021 to relaunch the business, this reflection has outlined the role that the FS Italiane group could play within the country to strengthen its central position in its development, increasingly driving the mobility of people and things over the next decade.

Indeed, in this scenario, partly to ensure that what is happening does not affect its current, confirmed, solid medium and long-term prospects, the FS Italiane group aspires to support the country's recovery within its field, contributing to multi-modal passenger and freight mobility based on a careful analysis of the shape of the new, post-pandemic scenarios, steering them while keeping the needs of people at the absolute centre; a mobility that is increasingly sustainable, safe and, at the same time, focused on operational excellence, maintaining its leadership role at the edge of technology and resilient digital infrastructure, not only in Italy but with a consolidated international footprint.

In particular, as part of the actions to launch the country's recovery, despite the ongoing COVID-19 emergency, the FS Italiane group plans to increase capital expenditure again in 2021, in both the Infrastructure and Transport segments, with a crucial fleet upgrading project. Revenue is also expected to rise in 2021, despite the as-yet complex macroeconomic scenario characterised by the pandemic, which still creates significant uncertainty.

Furthermore, in accordance with the new rules, the group will operate in the long-haul railway passenger transport segment with a reorganisation of its offer with a more flexible business and pricing model according to the needs of people, while the short-haul railway passenger transport segment will continue with the renewal of fleets as the new Rock, Pop and bimodal trains are delivered to perform the contractually-agreed services with regions and a diversified commercial plan through a more efficient redistribution of demand volumes (greater service quality, customised fares, tourism and leisure). The core offer was confirmed in the freight segment (expansion of the customer base, strengthening of domestic leadership and international offer), development of integrated logistics, the captive business and the upgrading of carriages and locomotives.

From an infrastructural standpoint, the forecast for the year in progress reflects an investment plan confirming the group's position as the country's largest investor. This is in line with the aim of contributing significantly to the actions to launch the country's recovery through the construction of new railway and road works, including the continuance of the significant fleet upgrading process. In this context, the "National Recovery and Resilience Plan" is a key tool to increase the transport capacity of the infrastructure for a more competitive country, partly thanks to a widespread accessibility system.

With respect to the internationalisation of the Transport sector, the FS Italiane group continued to strengthen its European footprint in 2021. In Great Britain, among other things, it expanded through the daily service connecting London to Edinburgh and Glasgow. In Spain, it did so by winning the contract for HS services, becoming the first foreign private operator to access the Spanish railway network. In France and Greece it launched the long-haul passenger service between Milan and Paris and Athens and Thessaloniki.

## Ferrovie dello Stato Italiane S.p.A.

---

The company – showing a profit for the year – will continue managing and coordinating the group's processes to help it realise its vision and achieve its current and future strategic goals.



KPMG S.p.A.  
Revisione e organizzazione contabile  
Via Curtatone, 3  
00185 ROMA RM  
Telefono +39 06 80961.1  
Email [it-fmauditaly@kpmg.it](mailto:it-fmauditaly@kpmg.it)  
PEC [kpmgspa@pec.kpmg.it](mailto:kpmgspa@pec.kpmg.it)

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

## **Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018**

*To the board of directors of  
Ferrovie dello Stato Italiane S.p.A.*

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2020 consolidated non-financial statement of the Ferrovie dello Stato Italiane Group (the "group") prepared in accordance with article 4 of the decree, presented in the specific section of the directors' report and approved by the board of directors on 31 March 2021 (the "NFS").

### ***Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Ferrovie dello Stato Italiane S.p.A. (the "parent") for the NFS***

The directors are responsible for the preparation of an NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (the "GRI Standards"), which they have identified as the reporting standards.

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.



The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies and the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

### ***Auditors' independence and quality control***

We are independent in compliance with the independence and all other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards, the IESBA Code) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### ***Auditors' responsibility***

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1. Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
2. Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.
3. Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.

4. Gaining an understanding of the following:

- the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
- the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
- the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

5. Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the parent's management personnel and personnel of Rete Ferroviaria Italiana – RFI S.p.A., Trenitalia S.p.A., Busitalia Veneto S.p.A., Qbuzz BV and Grandi Stazioni Rail S.p.A.. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the DNF.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at parent level,
  - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
  - b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
- at subsidiaries level,

we held videoconferences with the management of Rete Ferroviaria Italiana – RFI S.p.A., Trenitalia S.p.A., Busitalia Veneto S.p.A., Qbuzz BV, Grandi Stazioni Rail S.p.A, the Production, Technical and Regional passenger divisions, which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level and location, to obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.





**Ferrovie dello Stato Italiane Group**  
*Independent auditors' report*  
31 December 2020

### **Conclusion**

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2020 consolidated non-financial statement of the Ferrovie dello Stato Italiane Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Rome, 15 April 2021

KPMG S.p.A.

(signed on the original)

Marco Maffei  
Director of Audit



Consolidated financial statements of Ferrovie dello Stato Italiane  
group at 31 December 2020



## Consolidated financial statements

## Statement of financial position

millions of Euros

	Note	31.12.2020	31.12.2019
<b>Assets</b>			
Property, plant and equipment	9	46,460	46,058
Investment property	10	1,393	1,385
Intangible assets	11	2,668	2,713
Deferred tax assets	12	408	405
Equity-accounted investments	13	765	574
Service concession assets	14	1,891	1,696
Financial assets (including derivatives)	15	1,054	1,628
Trade receivables	18	6	6
Other assets	16	4,770	5,319
<b>Total non-current assets</b>		<b>59,415</b>	<b>59,784</b>
Inventories	17	2,307	2,290
Trade receivables	18	2,493	2,671
Financial assets (including derivatives)	15	637	705
Service concession assets	14	1,412	1,549
Cash and cash equivalents	19	1,270	1,534
Tax assets	20	104	128
Other assets	16	3,450	3,462
<b>Total current assets</b>		<b>11,673</b>	<b>12,339</b>
<b>Assets held for sale and disposal groups</b>	<b>8</b>		<b>1,691</b>
<b>Total assets</b>		<b>71,088</b>	<b>73,814</b>
<b>Total equity and liabilities</b>			
Share capital	21	39,204	39,204
Reserves	21	70	53
Valuation reserves	21	(413)	(400)
Retained earnings	21	2,956	2,412
Profit (loss) for the year	21	(570)	573
<b>Equity attributable to the owners of the parent</b>	<b>21</b>	<b>41,247</b>	<b>41,842</b>
Profit attributable to non-controlling interests	22	8	11
Share capital and reserves attributable to non-controlling interests	22	154	437
<b>Total equity attributable to non-controlling interests</b>	<b>22</b>	<b>162</b>	<b>448</b>
<b>Equity</b>		<b>41,409</b>	<b>42,290</b>
<b>Liabilities</b>			
Loans and borrowings	23	7,733	7,211
Post-employment benefits and other employee benefits	24	1,073	1,221
Provisions for risks and charges	25	2,437	2,547
Deferred tax liabilities	12	466	502
Contract advances	27	1,214	1,142
Financial liabilities (including derivatives)	26	1,381	1,577
Trade payables	29	26	27
Other liabilities	28	140	162
<b>Total non-current liabilities</b>		<b>14,470</b>	<b>14,389</b>
Loans and borrowings and current portion of non-current loans and borrowings	23	3,832	4,095
Current portion of provisions for risks and charges	25	18	34
Trade payables	29	5,586	5,797
Tax liabilities	30	4	13
Contract advances	27	431	197
Financial liabilities (including derivatives)	26	169	176
Other liabilities	28	5,169	5,614
<b>Total current liabilities</b>		<b>15,209</b>	<b>15,926</b>
<b>Liabilities held for sale and disposal groups</b>	<b>8</b>		<b>1,209</b>
<b>Total liabilities</b>		<b>29,679</b>	<b>31,524</b>
<b>Total equity and liabilities</b>		<b>71,088</b>	<b>73,814</b>

## Income statement

		millions of Euros	
	Note	2020	2019
<b>Revenue</b>			
Revenue from sales and services	32	10,482	12,011
Other income	33	355	412
<b>Total revenue</b>		<b>10,837</b>	<b>12,423</b>
<b>Operating costs</b>			
Personnel expense	34	(4,432)	(4,945)
Raw materials, consumables, supplies and goods	35	(1,278)	(1,491)
Services	36	(4,800)	(4,734)
Use of third-party assets	37	(116)	(140)
Other operating costs	38	(175)	(215)
Internal work capitalised	39	1,597	1,711
<b>Total operating costs</b>		<b>(9,204)</b>	<b>(9,814)</b>
<b>Amortisation and depreciation</b>	<b>40</b>	<b>(1,604)</b>	<b>(1,712)</b>
<b>Net impairment gains (losses)</b>	<b>41</b>	<b>(180)</b>	<b>(90)</b>
<b>Accruals</b>	<b>42</b>	<b>(127)</b>	<b>22</b>
<b>Operating profit (loss)</b>		<b>(278)</b>	<b>829</b>
<b>Financial income and expense</b>			
Financial income	43	81	88
Financial expense	44	(387)	(286)
<b>Net financial expense</b>		<b>(306)</b>	<b>(198)</b>
Share of profits of equity-accounted investees	45	23	22
<b>Pre-tax profit (loss)</b>		<b>(561)</b>	<b>653</b>
Income taxes	46	(1)	(60)
<b>Loss from assets held for sale, net of taxes</b>			<b>(9)</b>
<b>Profit (loss) for the year (attributable to the owners of the parent and non-controlling interests)</b>		<b>(562)</b>	<b>584</b>
<i>Profit (loss) for the year attributable to the owners of the parent</i>		(570)	573
<i>Profit for the year attributable to non-controlling interests</i>		8	11

## Statement of comprehensive income

millions of Euros

	Note	2020	2019
<b>Profit (loss) for the year (attributable to the owners of the parent and non-controlling interests)</b>		<b>(562)</b>	<b>584</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss, net of the tax effect:</b>			
Net actuarial gains (losses) attributable to the owners of the parent	21	(43)	(9)
attributable to non-controlling interests		(43)	(9)
Items reclassified to profit or loss	21	25	13
<b>Items that will or may be reclassified to profit or loss, net of the tax effect:</b>			
Cash flow hedges - effective portion of changes in fair value attributable to the owners of the parent	21	5	6
attributable to non-controlling interests		5	4
Net exchange gains	21	5	2
<b>Other comprehensive income (expense), net of the tax effect</b>		<b>(8)</b>	<b>10</b>
<b>Comprehensive income (expense) (attributable to the owners of the parent and non-controlling interests)</b>		<b>(570)</b>	<b>594</b>
<i>Comprehensive income (expense) attributable to:</i>			
Owners of the parent		(578)	581
Non-controlling interests		8	13

## Statement of changes in equity

millions of Euros

Equity														
	Reserves									Retained earnings	Profit (loss) for the year	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
	Reserves					Valuation reserves								
	Share capital	Legal reserve	Extraordinary reserve	Other reserves	Translation reserve	Hedging reserve	Actuarial reserve	Fair value reserve	Total reserves					
<b>Balance at 1 January 2019</b>	<b>39,204</b>	<b>50</b>				<b>(86)</b>	<b>(322)</b>		<b>(358)</b>	<b>1,868</b>	<b>540</b>	<b>41,254</b>	<b>443</b>	<b>41,697</b>
Capital increase														8
Dividend distribution										(2)		(2)	(6)	(8)
Allocation of profit for the previous year		3							3	537	(540)			
Change in consolidation scope													(1)	(1)
Other changes										9		9	(9)	
Comprehensive income (expense)						17	(9)		8		573	581	13	594
of which:														
Profit for the year											573	573	11	584
Gains/(losses) recognised directly in equity						17	(9)		8			8	2	10
<b>Balance at 31 December 2019</b>	<b>39,204</b>	<b>53</b>				<b>(69)</b>	<b>(331)</b>		<b>(347)</b>	<b>2,412</b>	<b>573</b>	<b>41,842</b>	<b>448</b>	<b>42,290</b>
<b>Balance at 1 January 2020</b>	<b>39,204</b>	<b>53</b>				<b>(69)</b>	<b>(331)</b>		<b>(347)</b>	<b>2,412</b>	<b>573</b>	<b>41,842</b>	<b>448</b>	<b>42,290</b>
Capital increase														13
Dividend distribution														
Allocation of profit for the previous year		12							12	561	(573)			
Change in consolidation scope							14		14	(9)		5	(315)	(310)
Other changes					5				5	(8)		(3)	8	5
Comprehensive income (expense)						16	(43)		(27)		(570)	(597)	8	(589)
of which:														
Loss for the year											(570)	(570)	8	(562)
Gains/(losses) recognised directly in equity						16	(43)		(27)			(27)		(27)
<b>Balance at 31 December 2020</b>	<b>39,204</b>	<b>65</b>			<b>5</b>	<b>(39)</b>	<b>(374)</b>		<b>(343)</b>	<b>2,956</b>	<b>(570)</b>	<b>41,247</b>	<b>162</b>	<b>41,409</b>

## Statement of cash flows

millions of Euros

	2020	2019
<b>Profit (loss) for the year</b>	<b>(562)</b>	<b>584</b>
Income taxes	1	60
Net financial income	307	198
Amortisation and depreciation	1,603	1,712
Share of losses of equity-accounted investees	(23)	(22)
Accruals to provisions and impairment losses	734	427
Losses on sales	(81)	(111)
Change in inventories	(14)	(91)
Change in trade receivables	176	(285)
Change in trade payables	(211)	421
Change in other liabilities	(497)	(740)
Change in other assets	659	(7)
Utilisation of the provisions for risks and charges	(694)	(339)
Payment of employee benefits	(209)	(273)
Change in assets/liabilities held for sale	29	(28)
Financial income collected/financial expense paid	(178)	(199)
Income taxes paid, net of reimbursed tax assets	(14)	(61)
Change in service concession assets/liabilities	248	26
<b>Net cash flows generated by operating activities</b>	<b>1,274</b>	<b>1,273</b>
Increases in property, plant and equipment	(6,229)	(6,542)
Increases in investment property	(5)	(2)
Increases in intangible assets	(257)	(340)
Increases in equity investments	(178)	(120)
<b>Investments, before grants</b>	<b>(6,668)</b>	<b>(7,003)</b>
Grants for property, plant and equipment	4,352	4,116
Grants for investment property		
Grants for intangible assets		
Grants for equity investments	150	112
<b>Grants</b>	<b>4,502</b>	<b>4,229</b>
Decreases in property, plant and equipment	111	141
Decreases in investment property	3	1
Decreases in intangible assets	1	2
Decreases in equity investments and profit-sharing arrangements	7	9
<b>Decreases</b>	<b>122</b>	<b>153</b>
<b>Net cash flows used in investing activities</b>	<b>(2,044)</b>	<b>(2,622)</b>
Finance lease payments	(188)	(180)
Disbursement and repayment of non-current loans	(125)	131
Disbursement and repayment of current loans	420	486
Grants related to assets on loans and borrowings	611	608
Change in financial assets	(60)	49
Change in financial liabilities	(56)	
Dividends		(8)
Changes in equity and cash from non-recur. trans.	(108)	1
<b>Net cash flows generated by financing activities</b>	<b>494</b>	<b>1,087</b>
<b>Total cash flows</b>	<b>(276)</b>	<b>(254)</b>
<b>Opening cash and cash equivalents</b>	<b>1,534</b>	<b>1,796</b>
<b>Closing cash and cash equivalents</b>	<b>1,258</b>	<b>1,534</b>
of which intragroup current account	12	



## Notes to the consolidated financial statements

## 1. FS Italiane group's business and structure of the consolidated financial statements

Ferrovie dello Stato Italiane S.p.A. was set up in accordance with Italian law and is based in Italy. Its registered office is in Piazza della Croce Rossa 1, Rome.

The parent and its subsidiaries ("Ferrovie dello Stato Italiane group", "FS Italiane group" or the "group") provide passenger transport, freight transport and logistics services, both in Italy and abroad (mainly in Germany), and manage an extensive railway and road network, following Anas group's consolidation. The FS Italiane group's structure is shown in Annex 5.

## 2. Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS (which include the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 and in effect at the reporting date ("IFRS"). Specifically, the group consistently applies the IFRS to all periods presented in these financial statements.

The consolidated financial statements have been prepared and presented in Euro, which is the FS Italiane group's functional currency, i.e. the currency of the primary economic environment in which the FS Italiane group operates. All amounts included in the financial statements and the tables and comments of the following notes are expressed in millions of Euros.

The financial statements format applied and the related classification criteria adopted by the FS Italiane group in accordance with the options provided for in IAS 1 - Presentation of Financial Statements are set out below:

- the statement of financial position has been prepared by classifying assets and liabilities as "current/non-current";
- the income statement has been prepared by classifying operating costs by nature;
- the consolidated statement of comprehensive income includes the profit for the year, as well as any other changes in equity captions, specifically actuarial gains or losses on employee benefits, fair value gains or losses on hedging instruments and gains and losses on the translation of the financial statements of foreign operations;
- the statement of cash flows has been prepared by reporting cash flows arising from operating activities using the indirect method.

These consolidated financial statements have been prepared on a going-concern basis, as the directors established that there are no financial or operational indicators or any other indications of critical issues with respect to the FS Italiane group's ability to meet its obligations in the foreseeable future and, specifically, in the next twelve months. Reference should be made to the note to "Financial and operational risk management" for a description of the group's financial risk management procedures, including those applicable to the liquidity risk.

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets and liabilities, including derivatives, which are measured at fair value.

The group has consistently applied the accounting policies to all periods presented in these consolidated financial statements, except for that set out below in respect of the newly-applied accounting policies.

On 31 March 2021, the directors approved the separate financial statements at 31 December 2020 and their submission to the shareholder pursuant to article 2429 of the Italian Civil Code. These consolidated financial statements will be subsequently presented for the shareholder's approval within the terms set by law and will be filed within the terms established by article 2435 of the Italian Civil Code. The shareholder is entitled to make changes to these consolidated financial statements. For the purposes of IAS 17, the directors authorised these consolidated financial statements for issue on 31 March 2021, which is the date when they approved them.

KPMG S.p.A. was assigned the engagement to carry out the statutory audit for the 2014-2022 period pursuant to Legislative decree no. 39/2010.

### 3. Consolidation scope

The consolidation policies applied by the FS Italiane group to define the consolidation scope and, specifically, subsidiaries, joint arrangements and associates, and the related consolidation criteria, are described below.

#### *i) Subsidiaries*

The consolidated financial statements comprise the financial statements of the parent and those of the companies directly and indirectly controlled by the parent, from the date it gains control until the date when control ceases. Control can be exercised through direct or indirect holding of the majority of voting rights or through the right to variable returns from its involvement with the investees and the ability to affect those returns through its power over the investee, including regardless of shareholding relationships. The existence of potential voting rights exercisable at the reporting date is considered when determining control.

When non-controlling interests are acquired, goodwill is recognised only to the extent that it is attributable to the parent. Non-controlling interests are calculated based on the percentage of investment held by third parties in the identifiable net assets of the acquiree.

With respect to business combinations achieved in stages, when control is acquired, the previously held equity interest in the acquiree is remeasured at fair value, recognising the resulting gain or loss, if any, in profit or loss.

When non-controlling interests are acquired, once control is obtained, the positive difference between the acquisition cost and the carrying amount of the non-controlling interests acquired is recognised as a decrease in the parent's equity. Conversely, when control over an entity is retained despite the sale of a portion of equity interests, the difference between the consideration received and the carrying amount of the portions transferred is recognised directly as an increase in equity.

The group recognises business combinations under common control, which are not covered by IFRS 3 or other standards, in accordance with IAS 8 in order to reliably and fairly present the transaction in accordance with OPI 1 (Assirevi's preliminary guidance on the IFRS).

The reporting date of the financial statements of subsidiaries, joint arrangements and associates included in the consolidation scope is 31 December, which is the reporting date of the consolidated financial statements. These financial statements have been specifically prepared and approved by the boards of directors of each company and duly adjusted, where necessary, to comply with the accounting policies of the FS Italiane group.

Subsidiaries have been consolidated as follows:

- the assets and liabilities, income and expense of these companies are consolidated on a line-by-line basis, allocating, where necessary, the relevant portion of equity and profit or loss for the year to non-controlling interests. Equity and

profit or loss for the year attributable to non-controlling interests are presented separately in consolidated equity and the consolidated income statement;

- business combinations of entities not under common control, whereby control of an entity is acquired, are recognised using the purchase method. The acquisition cost is the acquisition-date fair value of transferred assets, liabilities assumed and equity instruments issued. Identifiable acquired assets and identifiable assumed liabilities are recognised at their acquisition-date fair value. If positive, the difference between the acquisition cost and the fair value of identifiable acquired assets and identifiable assumed liabilities is recognised under intangible assets as goodwill; if negative, after having remeasured the fair values of the above assets and liabilities and the acquisition cost, said difference is recognised directly in profit or loss, as income. When the fair value of the identifiable acquired assets and identifiable assumed liabilities assets can only be determined provisionally, the business combination is recognised using such provisional amounts. Any adjustments related to the completion of the measurement process are recognised within twelve months of the acquisition date, recalculating comparative figures;
- profits and losses, including the related tax effects, from transactions among consolidated companies and not yet realised with third parties, are eliminated, except for unrealised losses when the transaction reflects an impairment loss on the transferred asset. Assets and liabilities and costs and revenue are also eliminated, as well as financial income and expense;
- with respect to the acquisition of non-controlling interests in companies already controlled, any difference between the acquisition cost and the related portion of the acquiree's equity is recognised in equity.

All subsidiaries are consolidated from the date the group acquires control and are excluded from the consolidation scope on the date the group no longer retains control.

#### *ii) Joint arrangements and associates*

Joint arrangements can be classified as joint operations or joint ventures based on the underlying rights and contractual obligations. Specifically: (i) a joint operation is a joint arrangement whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement. In this case, individual assets and liabilities and the related costs and revenue are recognised in the financial statements of the parties based on their individual rights and obligations, regardless of the interest held; (ii) a joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

Associates are those companies over which the FS Italiane group exercises significant influence, being the power to govern the financial and operating policies of the investee, without having control or joint control thereof. When assessing the existence of significant influence, potential substantive voting rights are considered.

Interests in joint ventures and associates are initially recognised at cost and subsequently measured using the equity method, whereby:

- the carrying amount of interests in joint ventures and associates is aligned to their equity, adjusted, where necessary, to comply with the accounting policies of the FS Italiane group; it includes the greater amounts allocated to assets and liabilities and goodwill, if any, identified upon acquisition;
- the associates' profits or losses attributable to the FS Italiane group are recognised from the date significant influence begins to the moment it ceases, while those of joint ventures from the date the rights to the net assets of the arrangement begin to the moment they cease. If, because of the losses incurred, the companies have a net deficit, the carrying amount of the investment is eliminated and any excess amount pertaining to the FS Italiane group, where the latter is committed to fulfil the investee's legal or constructive obligations, or to cover their losses, is

recognised in a specific provision. The statement of comprehensive income items of equity-accounted investees are recognised in specific equity reserves;

- unrealised profits and losses on transactions between the parent/subsidiaries and the equity-accounted investee are eliminated based on the amount of the interest held by the FS Italiane group in the investee. Unrealised losses are eliminated, except for impairment losses.

Interests in joint operations are accounted for by recognising the assets/liabilities and the costs/revenue related to the arrangement based on the relevant rights/obligations, regardless of the interest held.

Subsidiaries, joint arrangements and associates, whose consolidation or recognition in the consolidated financial statements using the equity method does not generate significant effects on the group's financial position and results of operations, are excluded from the consolidation scope and recognised at fair value, where available, or at cost, net of any impairment losses.

#### 4. Change in consolidation scope and non-recurring transactions

On 5 December 2019, the shareholders' meeting of SFP Emilia-Romagna Scarl was held. SFP Emilia-Romagna Scarl is the investee of Trenitalia S.p.A. and Tper (respectively holding 70% and 30%) to which the Emilia Romagna region awarded the service contract for the regional railway system through a European tender. During the meeting, the shareholders approved the consortium's new name, Trenitalia Tper Scarl (TT) and the contribution of the business units of both companies to the consortium from 1 January 2020. Trenitalia Tper will manage the entire railway service of Emilia Romagna for the next 15 years (renewable for up to 22 years), with roughly 1,500 employees transferred from the owners to the new company, thanks to the owners' support and the almost complete upgrade of the fleet, entailing 86 brand new trains (47 Pop trains, including four Pop trains through the transfer of the executive contract from Trenitalia to Tper in 2019, and 39 Rock trains), in addition to the 26 Stadler trains already delivered over the past few years. The contribution from Trenitalia to Trenitalia Tper Scarl entailed a decrease in net assets due to the recognition of an equity investment of €7 million (as detailed in the table below) since Trenitalia Tper Scarl is classified as a joint venture pursuant to IFRS 10 based on current governance and management agreements.

millions of Euros

**1.1.2020**

##### **Assets**

Property, plant and equipment	(37)
Equity-accounted investments	7
<b>Total non-current assets</b>	<b>(30)</b>
<b>Total assets</b>	<b>(30)</b>

##### **Liabilities**

Post-employment benefits and other employee benefits	(19)
<b>Total non-current liabilities</b>	<b>(19)</b>
Financial liabilities (including derivatives)	(3)
Other liabilities	(8)
<b>Total current liabilities</b>	<b>(11)</b>
<b>Total liabilities</b>	<b>(30)</b>

At the shareholder's meeting on 20 December 2019, the shareholder approved the capital increase of Tunnel Ferroviario del Brennero S.p.A. in one or more tranches and divisibly for a total amount of €986 million, including an increase of €160 million to be carried out by 31 December 2020. In 2020, RFI S.p.A. made capital injections totalling €150 million. Following the increase and due to the various subscriptions by the other owners, the FS Italiane group, through its subsidiary RFI S.p.A., now owns 89.74% of the company, compared to 88.99% at 31 December 2019.

On 27 February 2020, Trenitalia S.p.A. completed the acquisition of 45% of Intermodalidad de Levante S.A. (ILSA SA) – a Spanish company – from Operador Ferroviario de Levante SA for €12.5 million. The company's registered office is in Valencia, and its business object is railway transport. At the moment, the company is inactive and, therefore, it has been measured at cost in these consolidated financial statements.

On 3 March 2020, the conditions precedent for the sale of 51% of Netinera Werke GmbH to third parties were met. Following the sale, Netinera Werke GmbH is no longer a subsidiary, but a related party and it has changed its name to Ostmecklenburgische Bahnwerk GmbH.

At the quotaholders' meeting on 27 March 2020, the quotaholders of Infrarail Florence S.r.l. resolved to increase the company's quota capital by a total of €2.3 million, which was subscribed and paid up by the sole quotaholder, RFI S.p.A., on 24 April 2020. Following this transaction, the company's subscribed and paid-up quota capital amounts to €5.5 million.

At the shareholders' meeting on 25 June 2020, the shareholders of Busitalia Veneto S.p.A. resolved to increase the company's share capital by a total of €15 million. Following this transaction and due to the various subscriptions by the other owners, the FS Italiane group, through its subsidiary Busitalia Sita Nord S.r.l., owns 79% of the company, compared to 55% at 31 December 2019.

Effective from 27 July 2020, Mercitalia Maintenance S.r.l. became a subsidiary of the group after Mercitalia Rail S.r.l. acquired the remaining 50% and therefore now owns 100% of the quota capital.

At the shareholder's meeting on 30 September 2020, the shareholder of FS International S.p.A. resolved to increase the company's share capital by a total of €5.83 million to be subscribed before 30 September 2021. On the same date, the sole shareholder, Ferrovie dello Stato Italiane S.p.A., subscribed and paid up the first tranche of €2.3 million and, subsequently, on 1 December 2020 subscribed and paid up the second tranche of €2.36 million. Following these transactions, the share capital of FS International S.p.A. amounts to €5.66 million, divided into 5,660,000 ordinary shares with a nominal amount of €1.

As a consequence of the complex dispute arising from the private shareholders' appeal against the resolutions with which, on 17 December 2004, the Turin municipal authorities, through FCT Holding S.p.A., and the City of Turin ordered the sale of their respective 8.694% and 10.653% investments in Sitaf S.p.A., the operator of the A32 motorway and the Frejus tunnel, to Anas S.p.A., on 27 October 2020, Anas transferred back to the parties their respective investments in exchange for the return of the consideration of €75 million paid at the time (€41.3 million to FCT Holding and €33.7 million to the City of Turin).

At the ordinary shareholders' meeting on 27 November, the shareholders of Autostrada del Molise S.p.A. in liquidation approved the final liquidation financial statements at 31 July 2020 and the related final allocation plan. On 8 January 2021, the company was struck from the company registrar.

On 2 December 2020, the shareholder Trenitalia S.p.A. acquired 49% of Netinera Deutschland GmbH from the Cube investment fund for €117.8 million. As a consequence of this transaction, Trenitalia S.p.A. now wholly owns the Netinera group.

On 18 December 2020, the sole shareholder Ferrovie dello Stato Italiane S.p.A. paid a capital contribution of USD3,570,000 (€2,980,000) to FS Italian Railways US Inc that, according to Delaware law, to which the company is subject, will not entail the issue of new shares, nor a change in the nominal amount of outstanding shares, meaning that the share capital is unchanged.

On 21 December 2020, Ferrovie dello Stato Italiane S.p.A. subscribed 966,183 new shares (1.28%) of Istituto della Enciclopedia Italiana fondata da Giovanni Treccani S.p.A. for a total of €1 million.

With a written resolution of 23 December 2020, confirmed on 29 December 2020 with authentication by a notary, the sole shareholder, Ferrovie dello Stato Italiane S.p.A., approved a capital increase of Ferrovie dello Stato Italiane Saudi Arabia for Land Transport LLC from SAR0.5 million to SAR10.03 million (€2 million).



## 5. Translation of foreign operations' financial statements

The financial statements of subsidiaries, joint arrangements and associates have been prepared using their functional currency, being the currency of the primary economic environment in which they operate. Foreign operations' financial statements expressed in a functional currency other than the Euro are translated as follows:

- assets and liabilities are translated using closing rates;
- goodwill and fair value adjustments related to the acquisition of a foreign operation are considered as assets and liabilities of the foreign operation and translated using closing rates;
- revenue and expense are translated at the average exchange rate of the year;
- the translation reserve, recognised under consolidated equity captions, includes both exchange rate gains and losses arising from the translation of amounts, using rates other than closing rates, and those arising from the translation of opening equity applying a rate other than the closing rate. This reserve is released to profit or loss when the related equity investment is sold.

The following exchange rates were applied to translate the financial statements of foreign operations prepared in a functional currency other than the Euro:

<b>Euros</b>	<b>Average exchange rate for</b>		<b>Closing rate at 31 December</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Swiss franc	1.07	1.11	1.08	1.09
Pound sterling	0.89	0.88	0.90	0.85
Danish krone	7.45	7.47	7.44	7.47
Swedish krona	10.48	10.58	10.03	10.45
Serbian dinar	117.61	117.88	117.59	117.71
Saudi riyal	4.28	4.20	4.59	4.21
Turkish lira	7.91	6.35	9.11	6.68

### Translation of foreign currency amounts

Any transactions in a currency other than the functional currency are recognised at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in a currency other than the Euro are subsequently adjusted at the closing rate. Non-monetary assets and liabilities denominated in a currency other than the Euro are recognised at historical cost using the exchange rate prevailing at the date of initial recognition. Exchange differences are taken to profit or loss.

## 6. Accounting policies

The most significant accounting policies applied to the preparation of these consolidated financial statements are described below.

### Property, plant and equipment

#### General criteria

Property, plant and equipment are recognised at purchase or production cost, net of accumulated depreciation and impairment losses, if any. The purchase or production cost includes any charges that are directly incurred to make assets available for use, as well as dismantlement and removal charges, if any, that will be incurred as a result of contractual obligations that require the asset to be returned to its original conditions. Any financial expense that is directly attributable to the acquisition, construction or production of qualifying assets is capitalised and depreciated on the basis of the useful life of the asset to which it refers. Leasehold improvements or costs to upgrade and transform property, plant and equipment are recognised under assets.

Any charges incurred for ordinary maintenance and repairs are directly charged to profit or loss when incurred. Costs to expand, upgrade or improve the structural elements owned or used by third parties are capitalised when they meet the requirements for separate recognition as assets or as parts of an asset, applying the component approach, whereby a component must be accounted for separately if its useful life can be measured independently.

Depreciation is charged on a monthly straight-line basis using rates that reflect the assets' useful life. When the depreciable asset comprises separately identifiable items with a useful life that is significantly different from that of the other items comprising the asset, depreciation is charged separately using the component approach.

#### Trenitalia S.p.A.'s calculation of rolling stock depreciation

Under the component approach, rolling stock was broken down into similar clusters based on the relevant technology level.

Four classes of components were identified for each cluster:

1. components to be reconditioned: these are serialised items of a high economic value which are regularly reconditioned at set travelling/time intervals;
2. worn components: these are fully replaced with the spare parts in stock;
3. components to be restyled for obsolescence/technical ageing/safety reasons;
4. components which are not altered throughout the life of the rolling stock.

These components are depreciated over the following periods: 5/6.5 years for classes 1 and 2; 12.5 years for driving material and 10 years for hauled stock under class 3, and 23/30 years for class 4 components.

Rolling stock maintenance over the asset's useful life can be broken down into three macro-types:

- ordinary maintenance which ensures rolling stock efficiency; it is recognised in profit or loss;
- second-level maintenance which mainly involves replacing/repairing rolling stock components subject to wear and tear (classes 1 and 2); it is recognised in profit or loss;
- revamping activities which mainly increase the asset's performance, efficiency or useful life (class 3); it is recognised in profit or loss.

Based on the current structure of the entire maintenance process, second-level maintenance usually takes place every 5/6.5 years. These activities mainly refer to parts subject to wear and tear and replacement thereof.

Investments in revamping activities, i.e., all activities which increase the asset's performance, efficiency or useful life, provide for three main types of activities:

- activities that dramatically change the characteristics of the rolling stock and require CESIFER's re-approval, resulting in a new serial number. In this case, the useful life of the rolling stock is generally around 18 years and the depreciation rate applied is equal to 5.5%;
- technological activities which, in accordance with the provisions of the Supervisory Authority, ensure safety by adjusting the operating fleet, or part thereof. Again, these activities take place approximately every 18 years and are depreciated using a 5.5% rate;
- all other revamping activities which are not part of the above categories fall under class 3 and are therefore depreciated using an 8% or 10% depreciation rate, depending on whether the asset is a driving or hauled part.

#### RFI S.p.A.'s calculation of depreciation of property, plant and equipment

Depreciation is calculated on a straight-line basis at variable rates based on train-km production volumes. "Train-km" means the total number of kilometres travelled by trains on a railway infrastructure expressed in millions/year. Specifically, depreciation is calculated based on the ratio of quantities generated in the year to total production expected throughout the concession term, applied to the cost of the infrastructure at the reporting date. On this point, with respect to the infrastructure, the circumstance in which future investments (limited to those which guarantee a sufficient efficiency and security level of the infrastructure equal to that of the current year, specifically, extraordinary maintenance and renewals) is considered. Indeed, they are fully covered by grants and are fully financed by the government and are considered when determining the infrastructure's total production capacity. Consequently, they contribute to confirming the infrastructure's current production over the term of the concession, its useful life, and because of this profile, have an impact on the calculation of the depreciation rate. If the government had not provided any grants, the depreciation would have been calculated based on the ratio of quantities generated in the year to total production expected throughout the concession term, without considering those related to the future costs necessary to ensure the infrastructure's efficiency in the same period (specifically, extraordinary maintenance and renewals), applied to the depreciable cost of the railway infrastructure at the reporting date.

The depreciable cost of investments is the sum of all costs incurred not yet amortised, including any interest expense accrued during or for the development of assets, net of grants related to assets, excluding the expected residual carrying amount of the railway infrastructure at the end of the concession, in order to consider the related transferability against consideration.

Property, plant and equipment which, together with intangible assets and investment property, make up the railway infrastructure, comprise seven lines as shown in the table below.

For each line, RFI S.p.A. uses the number of train-km actually sold during the year and resulting from the company's specific monitoring system, as the indicator of the quantity generated during the year.

The depreciation rates applied in 2020 and 2019 are as follows:

Line	Production indicator	
	2020	2019
<b>HS/HC network</b>	<b>1.32%</b>	<b>2.10%</b>
<b>Traditional network</b>		
Po Plain line and international transits	1.93%	2.29%
North Tyrrhenian line and branch lines	2.08%	2.38%
Backbone and branch lines	1.90%	2.28%
South Tyrrhenian line	2.06%	2.27%
Adriatic line and Apennines lines	2.09%	2.33%
Secondary network	2.04%	2.30%

The useful life of property, plant and equipment and their residual value are updated, where necessary, at least at each reporting date. Land is depreciated to the extent related to site reclamation costs. Property, plant and equipment are derecognised when they are sold or when no future economic benefit is expected to arise from use; any gain or loss (calculated as the difference between the sale price, less costs to sell, and the carrying amount) is recognised in profit or loss in the year the asset is derecognised.

The depreciation rates used by the FS Italiane group for the other categories of property, plant and equipment are as follows:

	Depreciation rate
Buildings	2% - 5%
Plant and machinery	5% - 10%
Rolling stock	3.3% - 20%
Industrial and commercial equipment	7.5% - 25%
Other assets	8% - 25%

## Leased assets

### Identification

At the inception date of the lease (i.e., the earlier of the date of a lease agreement and the date of commitment by the parties to the principal terms and conditions of the lease) and, subsequently, the group reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

In particular, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For a contract that is, or contains, a lease, the group accounts for each lease component within the contract as a lease separately from non-lease components of the contract, which are accounted for in accordance with other standards.

The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee. It is determined by assessing the length of the non-cancellable period of a lease, i.e., the period in which the contract is enforceable, including any rent-free periods provided to the lessee by the lessor. In addition to this term, the group considers:

- the period covered by the option to renew the lease if the group is reasonably certain to exercise the renewal option;
- periods after the termination option if the group is reasonably certain not to exercise the option.

Options to terminate the lease held only by the lessor are not considered.

## Recognition

At the commencement date of a lease, the group recognises the right-of-use asset under intangible assets/property, plant and equipment and/or investment property, depending on the nature of the asset subject to each lease contract and the lease liability in current and non-current financial liabilities.

The right-of-use asset is initially measured at cost, including the amount of the initial measurement of the lease liability, adjusted by any lease payments made at or before the commencement date, plus any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received.

The group measures the lease liability at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate if it cannot. The lease payments included in the measurement of the lease liability include fixed payments, variable lease payments that depend on an index or a rate, any residual value guarantees, the exercise price of a purchase option (if the group is reasonably certain to exercise that option), the exercise price of an extension option (if the group is reasonably certain to exercise that option) and payments of penalties for terminating the lease (if the lease term reflects the lessee exercising an option to terminate the lease).

The right-of-use asset is subsequently depreciated on a straight-line basis over the entire term of the contract, unless the contract provides for the transfer of ownership at the end of the lease or the cost of the lease reflects the fact that the purchase option will be exercised. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are calculated using the same depreciation requirements as those for the relevant intangible assets or property, plant and equipment. Furthermore, the right-of-use asset is recognised net of any impairment losses on the cash-generating unit (CGU) to which it has been allocated and is adjusted to reflect the remeasurement of the lease liability.

The lease liability is subsequently measured at amortised cost using the effective interest method and is remeasured whenever there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, a change in the amount that the group expects to be payable under a residual value guarantee or when the group changes its assessment of an option to purchase the underlying asset or extend or terminate the lease. If the lease liability is remeasured, the group adjusts the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero, any remaining amount is recognised in profit or loss.

In the statement of financial position, the group includes right-of-use assets within the same captions as that within which the corresponding assets would be presented if they were owned, and the lease liabilities in other financial liabilities. In the income statement, interest expense on the lease liability is a component of financial expense and is presented separately from the depreciation charge for the right-of-use asset.

The group has opted not to recognise the right-of-use assets and lease liabilities for short-term leases (i.e., those with a term of 12 months or less) or leases for low-value assets (i.e., assets that, when new, are worth €5,000 or less and leases with a total contractual value of €5,000 or less). The group recognises the lease payments associated with these types of leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

As lessor, at the inception date of the lease, the group classifies each of its leases as a finance lease or an operating lease. In order to do so, it assesses, in general, whether the lease transfers substantially all the risks and rewards

incidental to ownership of an underlying asset. The group recognises lease payments from operating leases as income on either a straight-line basis or another systematic basis over the term of the lease.

With respect to subleases, as the intermediate lessor, the group classifies its share in the head lease separately from the sublease. In order to do so, it classifies the sublease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. If the head lease is a short-term lease that the group has recognised electing to apply the exception under IFRS 16, the sublease is classified as an operating lease. If a lessee subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

#### Applicable before 1 January 2019

The group continues to apply the measurement and recognition criteria of IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement contains a Lease to leases signed before 1 January 2019 (the FS Italiane group's initial application date for IFRS 16 Leases, in accordance with the requirements of the standard). Therefore, with respect to the comparative data at 31 December 2018, property, plant and equipment held under finance leases, through which the risks and rewards incidental to ownership are substantially transferred to the FS Italiane group, are recognised as assets of the FS Italiane group at their fair value on the date the lease was signed or, if lower, at the present value of minimum lease payments, including the amount to be paid to purchase the asset, if any. The corresponding liability to the lessor is recognised under financial liabilities. Assets are depreciated using the above rates and criteria, unless the term of the lease is below that of the useful life reflected by said rates and there is no reasonable certainty that ownership of the leased asset will be transferred at the natural expiry of the lease. In this case, depreciation reflects the lease term. Leases whereby the lessor substantially retains the risks and rewards associated to ownership of the assets are classified as operating leases. Operating lease costs are recognised on a straight-line basis in profit or loss over the term of the lease.

#### Investment property

Investment property is property held to earn rentals and/or for capital appreciation rather than for sale in the ordinary course of business. Furthermore, investment property is not used in the production or supply of goods or services or for administrative purposes. The accounting policies applied to recognise this caption comply with those applied to "Property, plant and equipment" described earlier.

When a development project for the future sale of a property begins, the property is reclassified to inventories following its change in use. The carrying amount at the date of change in use is the property's cost for subsequent accounting under inventories and depreciation ceases.

Since 1 January 2018, the group companies have recognised reclassifications from/to "Investment property" applying IASB's amendments to IAS 40 endorsed by Regulation (EU) no. 400 of 14 March 2018. Consequently, these reclassifications are made only when there is evidence of a change in use in the property, considering that a change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

#### Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance, that can be controlled and can generate future economic benefits. They are recognised at purchase and/or production cost, including any directly-attributable expenses incurred to make the asset available for use, net of accumulated amortisation (except for intangible assets with an indefinite useful life) and impairment losses, if any. Interest expense, if any, that accrues during and for

the development of intangible assets, is considered part of the purchase cost. Amortisation begins when the asset is available for use and is charged on a straight-line basis over its estimated useful life. Specifically, the FS Italiane group has the following main intangible assets:

*a) Concessions, licenses and trademarks*

They are amortised on a straight-line basis over their term.

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

Any costs relating to software maintenance are expensed when incurred.

*b) Industrial patents and intellectual property rights*

They are amortised on a straight-line basis over their useful life.

*c) Goodwill*

Goodwill is the difference between the cost incurred to acquire an asset and the fair value of the related identifiable assets and liabilities acquired. It is classified as an asset with an indefinite useful life and, consequently, is not amortised on a straight-line basis, but tested for impairment at least every year to identify any impairment losses. Impairment losses on goodwill are not reversed.

*d) Research and development expenditure*

Research expenditure is recognised in profit or loss when incurred, while development expenditure is recognised under intangible assets when all the following conditions are met:

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

The amortisation of development expenditure, if any, recognised under intangible assets begins from the date when the result generated by the project can be used and is carried out in a period of five years.

If the research phase of an identified internal project to create an intangible asset cannot be distinguished from the development phase, the expenditure on that project is fully charged to profit or loss as if it had been incurred in the research phase only.

The gain or loss arising from the derecognition of an intangible asset is equal to the difference between the net disposal proceeds and the carrying amount of the asset. It is recognised in profit or loss when the asset is derecognised.

## Service concession arrangements

Service concession arrangements, where the grantor is a public sector entity and the operator is a private sector entity (public-to-private) fall under the scope of IFRIC 12 only when the requirements for service regulation and control of the residual interest are met. This interpretation is applied when the infrastructure is essential to provide the public with services and the arrangement establishes that the grantor:

- controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- controls - through ownership or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement.

The group does not recognise infrastructure for concessions under the scope of IFRIC 12 as property, plant and equipment but rather recognises at fair value either alternatively or jointly: the intangible asset, if the operator has the right to charge users of the public service for the construction or upgrading of the infrastructure; and the financial asset when its construction or upgrade generate an unconditional contractual right to receive cash from or at the direction of the grantor and the grantor has little, if any, discretion to avoid payment. The operator recognises revenue and costs in line with the contractual terms and the stage of completion as provided by construction contracts. Revenue from the prices paid by users continues to be recognised in line with that set out in the subsequent paragraph on revenue recognition. Any intangible assets are amortised over the concession term using a method that reflects the estimated consumption of the economic benefits embedded in the right and the manner of consumption. Accordingly, amortisation is calculated considering the concession term. Provisions for concession commitments include accruals made for the operator's obligation to restore the infrastructure to a specified condition or replace the infrastructure to return it to its normal state of use. They are made when the concession arrangement includes these obligations and the grantor does not receive additional financial benefits.

## Impairment losses on intangible assets and property, plant and equipment

### *a) Intangible assets and property, plant and equipment with a finite useful life*

At each reporting date, a test is carried out to check if there is any evidence that property, plant and equipment and intangible assets may be impaired. For this purpose, account is taken of both external and internal sources of information. With respect to internal sources of information, the following must be considered: the obsolescence of or physical wear and tear of the asset, significant changes, if any, in the use of the asset and the economic performance of the asset with respect to expectations. As regards external sources of information, the following must be considered: the trend in the market prices of the assets, negative changes, if any, in technology, markets or laws, the trend in market interest rates or in the cost of capital used to measure investments.

If any such indication exists, the group estimates the recoverable amount of the asset, recognising the impairment loss in profit or loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use, i.e., the present value of the future cash flows expected to be derived from the asset. The cash flows consider the overall financial performance and the relevant sector, the cash flows generated by the CGU in the past few years and the expected growth rates. In calculating value in use, the expected future cash flows are discounted using a discount rate which reflects the time value of money, compared to the investment period and risks specific to the asset. The recoverable amount of an asset that does not generate largely independent cash flows is calculated in relation to the cash-generating unit to which this asset belongs.

Impairment losses are recognised in profit or loss when the carrying amount of the asset, or of the related cash-generating unit to which the asset is allocated, exceeds its recoverable amount. Impairment losses on cash-generating units are first allocated to reduce the carrying amount of the goodwill, if any, allocated to the cash-generating unit and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit and within the limits of the related recoverable amount. If the reasons for a previously recognised impairment loss no longer apply, the carrying amount of the asset is reversed in profit or loss without exceeding the carrying amount that would have been



determined had no impairment loss been recognised for the asset in prior years and had the related amortisation or depreciation been charged.

*b) Goodwill and intangible assets not yet available for use*

The recoverable amount of goodwill and intangible assets not yet available for use is tested for impairment every year or more frequently if there is an indication that the asset may be impaired. However, should the reasons behind the impairment loss cease to exist, the original amount of goodwill is not reversed.

For impairment test purposes, goodwill acquired in a business combination is allocated to individual cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the combination, in line with the minimum level at which goodwill is monitored within the group. Goodwill related to unconsolidated subsidiaries or associates is included in the carrying amount of the equity investment.

## Financial instruments

### Classification and measurement of financial assets

The group's financial assets are classified and measured considering both the business model used to manage such assets and the characteristics of their cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The group performs SPPI (Solely Payment of Principal and Interest) tests on each instrument to determine whether these contractual cash flows are solely payments of principal and interest (in which case the SPPI test is passed).

Financial assets are classified in one of the following categories at initial recognition:

- at amortised cost (AC)
- at fair value through other comprehensive income (FVOCI)
- at fair value through profit or loss (FVTPL)

*a) Financial assets measured at amortised cost*

This category includes all financial assets that meet both of the following conditions:

- the financial asset is held solely to collect contractual cash flows (HTC - Held To Collect -business model); and
- the contractual cash flows are solely payments of principal and interest (SPPI test passed).

In this category, financial instruments are initially recognised at fair value, inclusive of transaction costs, and subsequently measured at amortised cost. Interest, calculated using the effective interest method, impairment losses (impairment gains), exchange gains (losses) and gains (losses) on derecognition are recognised in profit or loss.

*b) Financial assets at fair value through other comprehensive income (FVTOCI)*

This category includes all financial assets that meet both of the following conditions:

- the asset is held to collect not only contractual cash flows but also the cash flows generated from its sale (HTC&S model); and
- the contractual cash flows are solely payments of principal and interest (SPPI test passed).

In this category, the financial assets are initially measured at fair value, inclusive of transaction costs. Interest (calculated using the effective interest method), impairment losses (impairment gains), exchange gains (losses) and gains (losses) on

derecognition are recognised in profit or loss. Other fair value gains or losses are recognised in OCI. Upon derecognition, all cumulative gains or losses previously recognised in OCI will be reclassified to profit or loss.

*c) Financial assets at fair value through profit or loss (FVTPL)*

This category includes all financial assets not classified as measured at amortised cost or fair value through other comprehensive income.

Financial instruments classified under this category are initially and subsequently measured at fair value. Transaction costs and fair value gains and losses are recognised in profit or loss.

#### Classification and measurement of financial liabilities

Loans and borrowings, trade payables and other financial liabilities are initially recognised at fair value, net of directly-attributable costs, and are subsequently measured at amortised cost, applying the effective interest method. When there is a change in the estimated expected cash flows, the carrying amount of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and of the effective internal rate as initially determined. Loans and borrowings, trade receivables and other financial liabilities are classified under current liabilities, except for those with a contractual term of more than twelve months after the reporting date and those for which the company has an unconditional right to defer their settlement for at least twelve months after the reporting date. Loans and borrowings, trade receivables and other financial liabilities are derecognised when repaid and when the group has transferred all risks and charges related to the instrument.

#### Classification and measurement of derivatives

The group has opted to continue applying hedge accounting to derivatives, as permitted by IAS 39 until the IASB completes the macro-hedging project to simplify the accounting treatment of hedges.

The group uses derivatives as part of its hedging strategies to mitigate the risk of fair value gains or losses on recognised assets or liabilities or firm commitments (fair value hedges) or changes in cash flows expected from firm commitments or highly probable transactions (cash flow hedges). Reference should be made to note 27 for details on the recognition of currency risk hedges on long-term contracts. The effectiveness of hedges is documented and tested since the inception of the transaction which is periodically (at least at each annual or interim reporting date) measured by comparing the fair value gains or losses on the hedge to those on the hedged item (dollar offset ratio) or, with respect to more complex financial instruments, through statistical analyses based on risk changes.

Fair value hedges: fair value gains or losses on derivatives designated as fair value hedges and which qualify as such are recognised in profit or loss, similarly to fair value gains or losses on hedged assets or liabilities attributable to the hedged risk.

Cash flow hedges: fair value gains or losses on derivatives designated as cash flow hedges and which qualify as such are recognised, only to the extent of the effective portion, in other comprehensive income in the hedging reserve. They are subsequently reclassified to profit or loss when the underlying hedged item affects profit or loss. Fair value gains or losses related to the ineffective portion are immediately recognised in profit or loss. Should the underlying transaction no longer be considered highly probable, the related portion of the hedging reserve is immediately reclassified to profit or loss. Conversely, should the derivative be sold, expire or no longer qualify as an effective hedge of the risk for which the transaction was created, the related portion of the hedging reserve is maintained until the underlying item affects profit or loss. Recognition of the hedge as a cash flow hedge is discontinued prospectively.

### Subsequent measurement: impairment losses

The group applies the expected credit loss (ECL) model to determine impairment losses, which entails a significant assessment level of the impact of the changes in economic factors on the ECL, which are probability-weighted.

Loss allowances are measured using the general deterioration method and the simplified approach. Specifically:

- under the general deterioration method, the financial instruments are to be classified in three stages which reflect the level of deterioration from the moment the financial instrument is acquired and provide for a different ECL calculation method;
- under the simplified approach, some simplifications may be applied to trade receivables, contract assets and lease assets so that the entities are not required to monitor credit risk changes, as required instead by the general approach. Under the simplified approach, lifetime expected credit losses are recognised, therefore, no stage allocation is necessary. Losses are calculated over the residual life of the asset or receivable, which does not generally exceed 12 months.

As mentioned earlier, when the General deterioration method applies, financial instruments are classified into three stages based on the deterioration of credit quality between initial recognition and the measurement date:

- *Stage 1*: includes all financial assets under assessment on the date of initial recognition regardless of qualitative indicators (e.g., ratings) and except for situations with objective evidence of impairment. Upon subsequent measurement, all financial instruments whose credit risk has not increased significantly since the date of initial recognition or whose credit risk at the reporting date is low, remain in Stage 1. For these exposures, 12-month ECL are provided for that represent the ECL that result from default events that are possible within the 12-months after the reporting date. Interest on Stage 1 financial instruments is calculated on the gross carrying amount (without deducting the loss allowance);
- *Stage 2*: includes the financial instruments whose credit risk has increased significantly since the date of initial recognition, which, however, do not show objective evidence of impairment. For these assets, only lifetime ECL are provided for, i.e., ECL that result from all possible default events over the expected life of a financial instrument. Interest on Stage 2 financial instruments is calculated on the gross carrying amount (without deducting the loss allowance);
- *Stage 3*: includes financial assets with objective evidence of impairment at the reporting date. For these assets, only lifetime ECL are provided for, i.e., ECL that result from all possible default events over the expected life of a financial instrument.

In order to identify the methodological approach to be applied to the assets that are in the scope of the impairment requirements and, specifically, the correct probability of default, the group defined a conventional cluster segmentation based on counterparty and credit risk:

- Public administration: all loans and receivables with the government, regions, provinces, municipalities, the EU or related bodies;
- Intragroup: all loans and receivables with subsidiaries;
- Deposits: all deposits with banks;
- Amounts from third parties: loans and receivables other than those above, with non-financial companies, producers and consumers.

Furthermore, the group opted to apply the low credit risk exemption allowed by IFRS 9 to assets other than trade receivables with Investment Grade rating between AAA and BBB-. Accordingly, there is no stage allocation: in fact these assets are directly allocated to Stage 1 with a one-year provision.

Therefore, the application of the impairment model entails the following steps:

- separation between loans and trade receivables: this distinction isolates the scope of the assets subject to the stage allocation criteria, i.e., all loans. Conversely, these criteria do not apply to trade receivables following the application of the simplified approach whereby expected credit losses are always classified on a lifetime basis;
- calculation of expected credit losses - Loans: the expected credit loss is calculated for each cluster, once the relevant stage has been identified;
- calculation of expected credit losses - trade receivables: for each cluster, trade receivables are broken down by due date (specifically, falling due, past due up to one year, past due up to two years, past due by more than two years). The expected credit losses are then calculated accordingly.

The impairment of financial assets is calculated based on public providers' information to determine the probability of default (PD), applying a loss given default which is in line with the scenario analysed as part of the most comparable competitors and considering the supervisory bodies' recommendations for entities with listed financial instruments. The exposure at default usually coincides with the carrying amount of the financial asset, except when lifetime ECL apply, in which case, the repayment plan and instalments of the loan asset at the maturity dates are considered.

## Fair value estimates

The fair value of instruments quoted on an active market is calculated based on the bid price at the reporting date, while that of instruments not quoted on an active market is determined using financial valuation techniques: specifically, the fair value of interest rate swaps is measured by discounting expected cash flows, while that of currency forwards considers closing rates and the expected differentials of the relevant currencies. Financial assets and financial liabilities measured at fair value are classified using the following three levels of the fair value hierarchy, based on the relevance of the inputs used to determine fair value. Specifically:

- Level 1: financial assets and financial liabilities whose fair value is calculated based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at the measurement date;
- Level 2: financial assets and financial liabilities whose fair value is calculated based on inputs other than quoted prices included within Level 1 that are observable directly or indirectly;
- Level 3: financial assets and financial liabilities whose fair value is calculated based on unobservable inputs.

## Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and available bank deposits and any other forms of short-term investment, with an initial maturity of three months or less, net of impairment losses calculated in accordance with IFRS 9. At the reporting date, current account overdrafts are classified in the statement of financial position as loans and borrowings under current liabilities. Cash and cash equivalents are measured at fair value through profit or loss.

## Inventories

Inventories are recognised at the lower of purchase and/or production cost and net realisable value. Cost is calculated using the weighted average cost method.

The net realisable value of finished products and property is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The net realisable value of raw materials, consumables and supplies is replacement cost.

Purchase cost includes additional charges, while production cost comprises directly-attributable costs and a portion of indirect costs that are reasonably attributable to the products.

Obsolete and/or slow-moving inventories are written down to reflect their estimated possible use or future sale, through the recognition of a specific allowance for inventory write-down. The write-down is derecognised in subsequent years if the reasons therefor no longer apply.

Properties held for trading are recognised under this caption at the lower of purchase cost and fair value, calculated by an independent appraiser. They are recognised net of the allowance for inventory write-down, while costs that enhance the assets are capitalised. The write-down is reversed in subsequent years if the reasons therefor cease to exist.

## Employee benefits

Short-term benefits comprise wages, salaries, related social security contributions, holidays paid and incentives paid out in the form of bonuses payable in the twelve months after the reporting date. These benefits are accounted for as personnel expense components in the period in which the employees provide their service.

## Post-employment benefits and other employee benefits

The companies of the FS Italiane group have both defined benefit and defined contribution plans in place. The defined contribution plans are managed by third-party fund managers, in relation to which there are no legal or any other obligations to pay additional contributions if the fund does not have sufficient assets to meet the commitments with employees. With respect to the defined contribution plans, the FS Italiane group pays contributions, either voluntarily or as required by contract, into public and private insurance pension funds. Contributions are recognised as personnel expense on an accruals basis. Advance payments for contributions are recognised as an asset that will be repaid or offset against future payments, if due.

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

Specifically, the FS Italiane group manages a defined benefit plan that consists of post-employment benefits (Italian "TFR"). Italian companies are required to accrue a provision pursuant to article 2120 of the Italian Civil Code, which is treated as deferred remuneration and is based on employees' duration of service and the remuneration they receive during that time. Starting from 1 January 2007, Law no. 296 of 27 December 2006 (the "2007 Finance Act") and

subsequent decrees and regulations introduced significant amendments to TFR regulations, including the employees' right to choose to transfer the TFR being accrued either to supplementary pension funds or to the "Treasury Fund" managed by INPS (the Italian Social Security Institute). Consequently, the obligation to INPS and the contributions paid into supplementary pension funds are now treated, pursuant to IAS 19 Employee benefits, as defined contribution plans, while the amounts recognised under post-employment benefits at 1 January 2007 are still treated as defined benefit plans.

Some FS Italiane group companies also have a defined benefit pension plan in place, the "Free Travel Card" (Carta di Libera Circolazione, CLC) that gives current and retired employees and their relatives, the right to use – free of charge or, in some cases, for an admission fee – the trains managed by Trenitalia.

Consequently, in accordance with the above-mentioned actuarial techniques, a provision is recognised which reflects the discounted charge for retired employees entitled to benefits, and the benefits accrued for employees in force to be disbursed at the end of the employment.

The same accounting treatment is applied to the Free Travel Card benefits and the effects arising from actuarial gains and losses as for post-employment benefits.

## Provisions for risks and charges

Provisions for risks and charges are recognised to cover specific liabilities that are certain or probable, but whose amount and/or due date is unknown at the reporting date. A provision is recognised when there is a present obligation (legal or constructive), as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. The provisions are stated as the best estimate of the expenditure required to settle the obligation. The discount rate used to determine the present value of the liability reflects current market values and considers the risk specific to each liability.

Where the effect of the time value of money is material and the settlement dates of obligations can be estimated reliably, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the time value of money is recognised as interest expense.

Risks for which a liability is only possible are disclosed in the specific section on contingent liabilities without accruing any provisions.

## Revenue from contracts with customers

### Initial recognition and subsequent measurement

The group recognises revenue in order to depict the transfer of the promised goods and/or services to customers in an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services. Revenue is recognised using the five step model, which entails: i) identifying the contract with the customer, ii) identifying the performance obligations in the contract, iii) determine the transaction price, iv) allocate the transaction price to the performance obligations in the contract and v) recognising revenue.

Revenue is measured considering the contract terms and the commercial practices usually applied to transactions with customers. The transaction price is the amount of consideration (which may include fixed amounts, variable amounts, or both) to which the group expects to be entitled in exchange for transferring promised goods or services to a customer. Control refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset (good/service). The total consideration of contracts for the provision of services is allocated among all services based on

the selling prices of the related services as if they had been sold separately. For each contract, the reference element for the recognition of revenue is the single performance obligation. For each performance obligation, the group recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service (i.e., an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. For performance obligations satisfied over time, revenue is recognised over time, assessing the progress towards complete satisfaction of the performance obligation at each reporting date. The group measures progress in accordance with an input method (cost-to-cost method). Accordingly, revenue is recognised based on the inputs used to satisfy the obligation up to the reporting date, compared to the total inputs assumed to satisfy the entire obligation. When the inputs are distributed consistently over time, the group recognises the corresponding revenue on a straight-line basis. In some circumstances, when the group is unable to reasonably measure the outcome of a performance obligation, revenue is recognised only to the extent of the costs incurred. The nature and timing of performance obligations and the significant terms for the satisfaction of performance obligations are summarised below for the group's main contracts with customers:

*a) Revenue from transport services*

Revenue from transport services arises from passenger and freight transport in Italy and abroad. This caption includes revenue from market services (e.g., high speed services) and public service contract fees (such as with the MIT (Ministry of Infrastructure and Transport), the regions, etc.).

Revenue from rail/road transport services is governed by the General terms of transport applicable to several types of services: regional or long haul throughout Italy. Revenue from freight transport services, both rail and road, are governed by specific contracts agreed with the customer which generally provide for free at destination deliveries. The contract with customers generally coincides with their ticket which also grants access to a number of services (e.g., transport, lounge, complementary drink, wi-fi, etc.). However, these services are considered as a single performance obligation which customers may benefit from, except for reward points. Freight transport services are governed by standard contracts which substantially provide for the obligation to transport the goods to destination.

Revenue is recognised from the moment the customer starts using the service. In the case of partial services (delays, cancellations, etc.), the current terms and conditions provide for reimbursements and bonuses which are recognised as a direct adjustment to revenue. During the year, the group companies offer discounts and promotions to enhance customer loyalty. Reward points, which entitle customers to buy the group's products in the future, qualify as a performance obligation and their amount has never been significant. Revenue is recognised as the reward points are redeemed or expired. Because of the nature of the business, amounts are collected in advance. However, the timing of this advance does not have a significant impact.

Since customers enjoy the benefits at the time of their transfer, revenue is recognised over time.

Revenue from public transport services consists of revenue from the rail transport services governed by the long-term service contracts signed with the regions, autonomous provinces and the ministries (MIT and MEF) for local and national rail transport services covered by a public service arrangement, and also includes regional services and day and night intercity trains.

The transport services are performance obligations. Revenue is recognised on an accruals basis in accordance with the contract. If the contractually-agreed services are not provided in the agreed quantities (e.g., cancellations), the contract provides for adjustments to the consideration. It also provides for penalties when quality targets (delays, cleanliness, etc.) are not met. In this respect, an estimate is made and an accrual is recognised in the risk provision to be used when the adjustments are finalised. Since customers enjoy the benefits at the time of their transfer, revenue is recognised over time.

#### *b) Revenue from infrastructure services*

Revenue from infrastructure services related to the rail/road/motorway infrastructure arises from management of this infrastructure. This caption includes revenue from fees, service concession arrangements and, to a lesser extent, revenue from ferrying services. This is the amount paid by railway companies to use the train paths necessary to carry out the long and short haul domestic passenger rail transport and for freight transport. Therefore, only one performance obligation exists. Revenue is recognised over time based on contract amounts; every quarter, it is adjusted to reflect the actual number of trains in operation. This figure is calculated for each train by pricing the train paths under the contract and those actually used by each railway company. With respect to road infrastructure, tolls are the amount paid by third-party companies assigned road and motorway construction, operation and maintenance under specific concession arrangements. A single performance obligation is identified. The price is set by the law and is equal to a percentage of the net proceeds from tolls received from operators. Revenue is recognised over time.

#### *Variable consideration*

If the consideration promised in a contract includes a variable amount (e.g., because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or because the consideration is contingent on the occurrence or non-occurrence of a future event), an entity shall estimate the amount of consideration to which the entity will be entitled. The group companies estimate variable considerations consistently for similar items, using the expected value or the most likely amount method. They subsequently include in the transaction price the amount of variable consideration estimated, only to the extent that it is highly probable.

#### *Existence of a significant financing component*

When a significant financing component exists, revenue is adjusted, both when companies are financed by their customer (advance collection) and when they finance it (deferred collection). The existence of a significant financing component is identified when the contract is signed by comparing expected revenue against the payments to be received. It is not recognised if the period between when the entity transfers a promised good or service and when the customer pays for that good or service is one year or less.

#### *Incremental costs of obtaining a contract and costs to fulfil a contract*

The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, a sales commission), which it expects to recover. Conversely, if no contract is obtained, they are recognised provided that they are explicitly chargeable to the customer. An entity recognises the costs incurred to fulfil a contract only when they relate directly to a contract, generate or enhance resources that will be used in satisfying performance obligations in the future and are expected to be recovered.

## **Government grants**

Government grants, when formally assigned and, in any case, when the right to their disbursement is deemed definitive as it is reasonably certain that the FS Italiane group will comply with any conditions attached to the grant and that the grants will be received, are recognised on an accruals basis in direct correlation with the costs incurred.



*a) Grants related to assets*

They refer to amounts paid by the government and other public authorities to the FS Italiane group for the implementation of initiatives aimed at the construction, reconditioning and expansion of property, plant and equipment. They are recognised as a direct reduction in the cost of the assets to which they refer and decrease the depreciation rates.

*b) Grants related to income*

They refer to amounts paid by the government or other public authorities to the FS Italiane group to offset costs and charges incurred. They are recognised under "Revenue from sales and services" and "Other income", as a positive component of income.

## Dividends

They are recognised in profit or loss when the shareholders' right to receive payment thereof arises. The latter usually coincides with the shareholders' resolution approving dividend distribution.

Dividends distributed to Ferrovie dello Stato Italiane S.p.A.'s shareholders are presented as a change in equity and recognised under liabilities when their distribution is approved by the shareholders.

## Cost recognition

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

## Income taxes

Current taxes are calculated based on estimated taxable profit and in accordance with ruling tax legislation.

Deferred tax assets, related to prior tax losses, are recognised when it is probable that future taxable profit will be available against which these losses can be recovered. Deferred tax assets and liabilities are calculated using the tax rates that are expected to be applied in the years in which the differences will be realised or settled.

Current taxes, deferred tax assets and liabilities are recognised in profit or loss, except for those relating to items recognised under other comprehensive income and directly taken to equity. In the latter cases, deferred tax liabilities are recognised under the "Tax effect" caption related to the other comprehensive income or directly in equity, respectively. Deferred tax assets and liabilities are offset when they are levied by the same tax authorities, there is a legally enforceable right to set off the recognised amounts and a settlement on a net basis is expected.

Taxes other than income taxes, such as indirect taxes and duties, are included in profit or loss under "Other operating costs".

## Assets and liabilities held for sale and disposal groups

Non-current assets and liabilities (or disposal groups) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use are classified as held for sale and recognised separately from any other assets and liabilities in the statement of financial position. The corresponding prior year statement of financial position

figures are not reclassified. A discontinued operation is a component of the company that either has been disposed of, or is classified as held for sale, and:

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

Profits or losses of discontinued operations – either disposed of or classified as held for sale and being divested – are recognised separately in profit or loss, net of tax effects. Prior year corresponding figures, where present, are reclassified and presented separately in the separate income statement, net of tax effects, for comparative purposes. Non-current assets and liabilities (or disposal groups) classified as held for sale, are firstly recognised in accordance with the specific standard applicable to each asset and liability and, subsequently, are recognised at the lower of carrying amount and fair value, less costs to sell. Subsequent impairment losses are recognised directly as an adjustment to non-current assets (or disposal groups) classified as held for sale through profit or loss.

Impairment losses are reversed for any subsequent increase in fair value less costs to sell of an asset, and may not exceed the cumulative impairment loss that has been previously recognised.

## New standards

### **First-time adoption of standards, amendments and interpretations**

The following new standards are effective for annual periods beginning on after 1 January 2020.

#### ***Amendments to references to the conceptual framework in IFRS standards***

On 29 March 2018, the IASB issued the revised version of the Conceptual framework for financial reporting. The main changes compared to the 2010 version include: a new chapter on measurement, improved definitions and guidance, specifically with respect to the definition of liability, clarifications of major concepts, such as stewardship, prudence and measurement uncertainties. The EU endorsed this amendment on 29 November 2019 and it is applicable as from 1 January 2020. The application of these changes, where applicable and because of their nature, has not had any significant impacts on these consolidated financial statements.

#### ***Amendments to IFRS 3 Business Combination***

On 22 October 2018, the IASB issued an amendment to IFRS 3 Business combination. The amendment relates to the definition of business which, at present, is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. Previously, it was an integrated set of activities and assets that was capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. The EU endorsed this amendment on 21 April 2020. The amendment applies to all business combinations and assets acquired after 1 January 2020. Early application is permitted. The application of these changes, where applicable and because of their nature, has not had any significant impacts on these consolidated financial statements.

#### ***Amendments to IAS 1 and IAS 8 – Definition of material***

On 31 October 2018, the IASB issued an amendment to IAS 1 and IAS 8 Definition of material. The main changes relate to the alignment of the references and quotes included in some standards in order to reflect the new version of the

Conceptual Framework, which was approved in March 2018, instead of the 2010 version. The amendment applies to annual periods beginning on or after 1 January 2020. The EU endorsed this amendment on 29 November 2019. The application of these changes, where applicable and because of their nature, has not had any significant impacts on these consolidated financial statements.

#### ***Amendments to IFRS 9, IAS 39 and IFRS 7***

On 26 September 2019, the IASB published Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7), which amends the hedge accounting requirements under IFRS 9, IAS 39 and IFRS 7.

The EU endorsed this amendment on 15 January 2020. The amendments became effective on 1 January 2020 and early application is permitted. The application of these changes, where applicable and because of their nature, has not had any significant impacts on these consolidated financial statements.

#### ***Amendments to IFRS 16 Leases Covid-19-related rent concessions***

On 28 May 2020, the IASB issued "Covid-19- Related Rent Concessions (Amendment to IFRS 16)". The amendment permits lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications. Therefore, lessees that use this practical expedient may recognise the effects of such rent concessions directly in profit or loss at the effective date of the concession. This amendment applies to annual periods beginning on or after 1 June 2020 and early application at 1 January 2020 is permitted. The application of this amendment has not had any significant impacts on these consolidated financial statements .

#### **Standards, amendments and interpretations recently endorsed by the European Union not yet applied**

#### ***Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16, IAS 39 and IAS 37 Interest rate benchmark reform – Phase 2***

On 27 August 2020, the IASB issued amendments to IFRS 4 Insurance Contracts, IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial instruments, IFRS 16 Leases, IAS 39 Financial Instruments: Recognition and Measurement. The European Commission endorsed the amendments with Regulation (EC) no. 25/2021 of 13 January 2021. The companies shall apply the amendments, at the latest, as from the commencement date of its first year starting on or after 1 January 2021.

#### **Standards, amendments and interpretations not yet endorsed by the European Union**

#### ***Amendments to IAS 1 Presentation of financial statements: classification of liabilities as current or non-current and classification of liabilities as current or non-current – Defferal of effective date***

On 23 January 2020, the IASB issued amendments to IAS 1 Presentation of financial statements: classification of liabilities as current or non-current which clarify how to classify liabilities as current or non-current.

The amendments were initially meant to go into force as from 1 January 2022, but the IASB postponed the effective date to 1 January 2023 with the issue of a second document on 15 June 2020.

#### ***Amendments to IFRS 3, IAS 16, IAS 37, Annual Improvements 2018-2020***

On 14 May 2020, the IASB issued amendments to the following standards:

- IFRS 3 Business combination
- IAS 16 Property, plant and equipment

- IAS 37 Provisions, contingent liabilities and contingent assets
- Annual Improvements 2018-2020.

All amendments are effective from 1 January 2022.

## Use of estimates and judgements

In preparing the consolidated financial statements in accordance with IFRS, the directors applied standards and methods, which in some circumstances rely on difficult and subjective valuations and estimates based on past experience and on assumptions that are from time to time considered to be reasonable and realistic depending on the circumstances. Therefore, the actual amounts of certain financial statements captions calculated according to the above estimates and assumptions may differ in the future, even materially, from those reported in the financial statements, because of the uncertainty that characterises the assumptions and conditions on which the estimates are based - foremost the impact of the COVID-19 pandemic, which is still unfolding and which could lead to widely disparate potential future scenarios with many different effects. Estimates and assumptions are reviewed periodically and the effects of any changes are recognised in profit or loss when they affect the year only. If the revision affects both current and future years, the change is recognised in the year the revision is made and in the related future years.

Therefore, actual results may differ, even materially, from these estimates following possible changes in the factors considered in the determination of these estimates.

The following accounting policies require the most subjectivity from the directors in the preparation of estimates and would have a material impact on the financial figures if there were a change in the conditions underlying the assumptions used:

### **i) Impairment losses - non-financial assets**

In accordance with the FS Italiane group's accounting policies, property, plant and equipment and intangible assets with a finite life are tested for impairment. Impairment losses are recognised when there is evidence that it will be difficult to recover the related carrying amount through the use of the asset. Impairment tests require the directors to make subjective valuations based on the information available within the group and in the market, as well as from past experience. Furthermore, when a potential impairment loss exists, the group calculates such loss using suitable valuation techniques. The correct identification of impairment indicators and the estimates for calculating them depend on factors that may vary over time, thus affecting valuations and estimates made by the directors.

### **ii) Impairment losses - financial assets**

According to the group's impairment model, an expected loss is the sum of the expected losses that result from possible default events on a financial instrument over a specific time horizon; this results in the recognition of a loss using both past and present figures and forward looking information. The estimate of expected losses, especially when the financial assets are deteriorated or show objective evidence of impairment, requires the directors to make subjective valuations based on the information available within the group (e.g. the financial asset's estimated cash flows) and in the market, as well as from past experience. The correct identification of impairment indicators and the estimates for calculating them depend on factors that may vary over time, thus affecting valuations and estimates made by the directors.

### **iii) Extension/termination options in leases**

Leases that contain extension/termination options require the directors to, at the inception of the lease, to assess whether it is reasonably certain to exercise an extension option or not to exercise a termination option, upon occurrence of either a significant event or a significant change in circumstances that is within the group's control. The assessment of extension options may require the directors to make subjective judgements based on the information available at the assessment date and past experience.

### **iv) Amortisation and depreciation**

Amortisation and depreciation are a significant cost for the group. The cost of property, plant and equipment and intangible assets with a finite useful life and of investment property is depreciated and amortised, respectively, over the estimated useful lives of the assets, except for RFI S.p.A. which applies the production unit.

Calculating the amortisation/depreciation of these assets entails a complex accounting estimate that is, by its nature, subjective, as it is influenced by a number of factors, including:

- the estimated production volumes expressed as train-km for the railway infrastructure (for further details, see the paragraph on "RFI S.p.A.'s calculation of depreciation of property, plant and equipment");
- the identification of each component of rolling stock with a significant cost in proportion to the total cost of the item to be depreciated separately (component approach) and the estimated useful life (for further details, see the paragraph on "Trenitalia S.p.A.'s calculation of rolling stock depreciation");
- the estimated residual value. In accordance with IAS 16, 38 and 40, the depreciable cost of the railway infrastructure and rolling stock is calculated by subtracting their residual value. The residual value of an asset is the estimated amount that an entity could obtain at the time of disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of the concession or the useful life of the rolling stock. The subsidiaries RFI S.p.A. (which operates the railway infrastructure) and Trenitalia S.p.A. (which owns the rolling stock), periodically review the residual value of assets and measure their recoverability using the best information available at that date. Periodic updates may cause changes in the depreciation rate for future years;
- the impacts of any changes to the regulatory framework.

The directors determine the useful lives of the group's assets when the assets are purchased. They are based on past experience for similar assets, market conditions and forecasts concerning future events that may have an impact on the useful life. Therefore, the actual economic life may differ from the estimated useful life. The FS Italiane group assesses any technological and sector changes to update residual useful lives on a regular basis. These updates may entail a change in the amortisation and depreciation period and in the amortisation and depreciation rates of future years.

### **v) Provisions for risks and charges**

Provisions are accrued against legal and tax risks which represent the risk of a negative outcome. The recognised provisions relating to these risks reflect the best estimate made by the directors at the reporting date. This estimate entails the adoption of assumptions that depend on factors which may vary over time and which may have significant effects compared to the current estimates made by the directors for the preparation of the FS Italiane group's consolidated financial statements.

**vi) Taxes**

Deferred tax assets are recognised based on the income expected in future years. The valuation of any expected income for the purposes of the recognition of deferred taxes depends on factors that may vary over time and determine significant effects on the measurement of deferred tax assets.

**vii) Fair value of derivatives**

The fair value of derivatives that are not quoted on active markets is measured using valuation techniques. The FS Italiane group applies valuation techniques that use inputs that can be observed in the market, either directly or indirectly, at the reporting date, and that are connected to the assets and liabilities being measured. Even if the estimates of the above fair values are considered reasonable, any possible changes in the estimate factors on which the calculation of the aforesaid amounts is based may generate different valuations.

## 7. Financial and operational risk management

The FS Italiane group is exposed to the following risks arising from the use of financial instruments:

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

This section provides information on the group's exposure to each of the risks listed above, the objectives, policies and processes for the management of these risks and the methods used to assess them, as well as capital management. These consolidated financial statements also include additional quantitative information.

The FS Italiane group's risk management focuses on the volatility of financial markets and is aimed at minimising potential undesired effects on its financial position and results of operations.

### **Credit risk**

Credit risk is the risk that a customer or one of the counterparties of a financial instrument may cause a financial loss by not complying with an obligation. It mainly arises from loans with the public administration, trade receivables and the financial investments of the FS Italiane group.

With regard to credit risk deriving from investing activities, the group applies a liquidity investment policy which is centrally managed by the parent and which defines:

- the minimum requirements of the financing counterparty in terms of creditworthiness and the related concentration thresholds; and
- the types of financial products that can be used.

With respect to the derivatives used for hedging purposes and which can potentially generate credit exposure to counterparties, the group applies a specific policy that defines concentration thresholds by counterparty and credit rating.

With respect to the assessment of customers' credit risk, each FS Italiane group company manages and analyses the risk of all new significant customers, regularly checks their commercial and financial exposure and monitors the collection of receivables from the public administration within the contractually agreed timeframe.

The following table shows the FS Italiane group's exposure to credit risk at 31 December 2020, compared with that at 31 December 2019.

millions of Euros

	31.12.2020	31.12.2019
Trade receivables	3,184	3,362
Loss allowance	(691)	(691)
<b>Current trade receivables, net of the loss allowance</b>	<b>2,493</b>	<b>2,671</b>
Other assets	3,481	3,481
Loss allowance	(97)	(94)
<b>Other current assets, net of the loss allowance</b>	<b>3,384</b>	<b>3,387</b>
Financial assets (including derivatives)	2,739	2,914
Loss allowance	(206)	(127)
<b>Non-current financial assets (including derivatives), net of the loss allowance</b>	<b>2,533</b>	<b>2,787</b>
Other assets	4,743	5,239
Loss allowance	(12)	(12)
<b>Other non-current assets, net of the loss allowance</b>	<b>4,731</b>	<b>5,227</b>
Cash and cash equivalents	1,191	1,487
Loss allowance	(1)	(2)
<b>Cash and cash equivalents, net of the loss allowance</b>	<b>1,190</b>	<b>1,485</b>
Current financial assets (including derivatives)	2,200	2,317
Loss allowance	(151)	(62)
<b>Current financial assets (including derivatives), net of the loss allowance</b>	<b>2,049</b>	<b>2,255</b>
Trade receivables	6	6
<b>Non-current trade receivables, net of the loss allowance</b>	<b>6</b>	<b>6</b>
<b>Total financial assets (*)</b>	<b>16,386</b>	<b>17,818</b>

(\*) Does not include prepayments and accrued income, tax assets, cash in hand and equity investments.

The tables below show the exposure to credit risks by counterparty, in absolute terms and as a percentage.

millions of Euros

	31.12.2020	31.12.2019
Public administration	11,820	13,455
Third party customers	2,848	2,735
Financial institutions	1,303	1,572
Group companies	415	56
<b>Total financial assets</b>	<b>16,386</b>	<b>17,818</b>

A significant portion of trade receivables and loan assets relates to government and public authorities, such as the MEF and the regions.

The amount of financial assets whose recoverability is uncertain is negligible. However, an adequate loss allowance was accrued in this respect.

The following table gives a breakdown of financial assets and trade receivables at 31 December 2020 by past due bracket.



millions of Euros

31.12.2020

	Not past due	Past due by				Total
		0-180 days	180-360 days	360-720 days	More than 720 days	
Public administration (gross)	10,371	112	146	721	619	11,969
Loss allowance	(14)	(1)		(8)	(126)	(149)
<b>Public administration (net)</b>	<b>10,357</b>	<b>111</b>	<b>146</b>	<b>713</b>	<b>493</b>	<b>11,820</b>
Third party customers (gross)	2,416	302	106	167	749	3,740
Loss allowance	(200)	(9)	(16)	(37)	(630)	(892)
<b>Third party customers (net)</b>	<b>2,216</b>	<b>293</b>	<b>90</b>	<b>130</b>	<b>119</b>	<b>2,848</b>
Financial institutions (gross)	1,213	73	15	2	1	1,304
Loss allowance	(1)					(1)
<b>Financial institutions (net)</b>	<b>1,212</b>	<b>73</b>	<b>15</b>	<b>2</b>	<b>1</b>	<b>1,303</b>
Group companies (gross)	376	4	14	11	23	428
Loss allowance				(6)	(7)	(13)
<b>Group companies (gross)</b>	<b>376</b>	<b>4</b>	<b>14</b>	<b>5</b>	<b>16</b>	<b>415</b>
<b>Total financial assets</b>	<b>14,161</b>	<b>481</b>	<b>265</b>	<b>850</b>	<b>629</b>	<b>16,386</b>

millions of Euros

31.12.2019

	Not past due	Past due by				Total
		0-180 days	180-360 days	360-720 days	More than 720 days	
Public administration (gross)	11,687	235	455	839	403	13,619
Loss allowance	(32)	(3)	(1)	(8)	(120)	(164)
<b>Public administration (net)</b>	<b>11,655</b>	<b>232</b>	<b>454</b>	<b>831</b>	<b>283</b>	<b>13,455</b>
Third party customers (gross)	2,329	285	83	232	616	3,545
Loss allowance	(232)	(13)	(22)	(54)	(489)	(810)
<b>Third party customers (net)</b>	<b>2,097</b>	<b>272</b>	<b>61</b>	<b>178</b>	<b>127</b>	<b>2,735</b>
Financial institutions (gross)	1,526	34	7	6	1	1,574
Loss allowance	(2)					(2)
<b>Financial institutions</b>	<b>1,524</b>	<b>34</b>	<b>7</b>	<b>6</b>	<b>1</b>	<b>1,572</b>
Group companies (gross)	9	18	4	12	25	68
Loss allowance		(6)			(6)	(12)
<b>Group companies (gross)</b>	<b>9</b>	<b>12</b>	<b>4</b>	<b>12</b>	<b>19</b>	<b>56</b>
<b>Total financial assets</b>	<b>15,285</b>	<b>550</b>	<b>525</b>	<b>1,027</b>	<b>430</b>	<b>17,818</b>

The total exposure and the impairment of each category was reclassified by risk class at 31 December 2020, as per the Standard & Poor's rating, shown below:

31.12.2020				
FVTPL	FVOCI		Amortised cost	
	12-month expected credit losses	12-month expected credit losses	Lifetime - not impaired	Lifetime - impaired
from AAA to BBB-		6,630	7,134	299
from BB to BB+		1,199	68	181
from B to CCC		72	735	504
from CC to C		13	709	
D				
<b>Gross carrying amount</b>		<b>7,914</b>	<b>8,646</b>	<b>984</b>
Loss allowance		(62)	(422)	(674)
<b>Carrying amount</b>		<b>7,852</b>	<b>8,224</b>	<b>310</b>

31.12.2019				
FVTPL	FVOCI		Amortised cost	
	12-month expected credit losses	12-month expected credit losses	Lifetime - not impaired	Lifetime - impaired
from AAA to BBB-		7,869	6,839	563
from BB to BB+		809	285	467
from B to CCC		225	1,531	216
from CC to C				
D				
<b>Gross carrying amount</b>		<b>8,903</b>	<b>8,655</b>	<b>1,246</b>
Loss allowance		(46)	(292)	(648)
<b>Carrying amount</b>		<b>8,857</b>	<b>8,363</b>	<b>598</b>

Changes in the loss allowance may be analysed as follows.

	<b>31.12.2020</b>			
	12-month expected credit losses	Lifetime-not impaired	Lifetime-impaired	<i>Total</i>
<b>Balance at 1 January 2020</b>	<b>56</b>	<b>280</b>	<b>651</b>	<b>987</b>
Net impairment loss	14	164	44	222
Transfer to lifetime - impaired	(1)	1		
Transfer to lifetime - not impaired	(5)		5	
Repaid financial assets	(1)	(3)	(5)	(9)
New assets acquired		9	4	13
Utilisation of the allowance	(1)	(29)	(25)	(55)
<b>Balance at 31 December 2020</b>	<b>62</b>	<b>422</b>	<b>674</b>	<b>1,158</b>

### Liquidity risk

Liquidity risk is the risk that an entity may have difficulties in complying with the obligations associated with financial liabilities to be settled by delivering cash or another financial asset. Cash flows, cash requirements and the liquidity of group companies are generally monitored and centrally managed by the finance division of the parent's Central Finance and Equity department to ensure efficient and effective management of financial resources.

The parent adopts asset liability management techniques in collecting debt and loan principal from the group companies.

The group's objective is the prudent management of the liquidity risk arising from ordinary operations.

In order to meet potential and temporary cash requirements, the parent agreed a three-year revolving and committed backup credit facility in 2018 (€2 billion) for general purposes. It has started activities in preparation to request another back-up facility considering the upcoming maturity of the current committed facility in July 2021. The new facility agreement will also be revolving, with a three-year term, and it may be used for the group's general purposes: its final size is capped at €2.5 billion.

Furthermore, the group has numerous uncommitted credit lines granted by banks.

The following tables show the due dates of financial liabilities and trade payables at 31 December 2020 and 2019, including interest to be paid:

millions of Euros

31 December 2020	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	After 5 years
Bonds	6,551	6,798	26	645	515	2,563	3,049
Bank loans and borrowings	4,851	4,946	2,163	926	670	797	390
Loans and borrowings from other financial backers	163	167	(189)	67	15	44	230
Loans and borrowings from group companies							
Financial liabilities	749	750	17	7	1	3	722
Lease liabilities	775	904	56	105	212	184	347
<b>Non-derivative financial liabilities</b>	<b>13,089</b>	<b>13,565</b>	<b>2,073</b>	<b>1,750</b>	<b>1,413</b>	<b>3,591</b>	<b>4,738</b>
<b>Trade payables</b>	<b>5,612</b>	<b>5,618</b>	<b>2,385</b>	<b>3,207</b>	<b>26</b>		
<b>Derivatives</b>	<b>26</b>	<b>21</b>	<b>7</b>	<b>6</b>	<b>7</b>	<b>3</b>	<b>(2)</b>
<b>Total financial liabilities</b>	<b>18,727</b>	<b>19,204</b>	<b>4,465</b>	<b>4,963</b>	<b>1,446</b>	<b>3,594</b>	<b>4,736</b>

millions of Euros

31 December 2019	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	After 5 years
Bonds	6,341	6,671	168	818	657	1,492	3,536
Bank loans and borrowings	4,423	4,634	1,917	900	548	755	514
Loans and borrowings from other financial backers	537	553	118	269	134	29	3
Loans and borrowings from group companies	5	5		5			
Financial liabilities	775	1,536	7	2	6	98	1,423
Lease liabilities	946	1,049	75	121	100	407	346
<b>Non-derivative financial liabilities</b>	<b>13,027</b>	<b>14,448</b>	<b>2,285</b>	<b>2,115</b>	<b>1,445</b>	<b>2,781</b>	<b>5,822</b>
<b>Trade payables</b>	<b>5,824</b>	<b>5,821</b>	<b>2,052</b>	<b>3,742</b>	<b>27</b>		
<b>Derivatives</b>	<b>32</b>	<b>31</b>	<b>9</b>	<b>6</b>	<b>10</b>	<b>3</b>	<b>3</b>
<b>Total financial liabilities</b>	<b>18,883</b>	<b>20,300</b>	<b>4,346</b>	<b>5,863</b>	<b>1,482</b>	<b>2,784</b>	<b>5,825</b>

The contractual flows from variable-rate loans have been calculated using the forward rates estimated at the reporting date. The amounts include both principal and interest.

The following table shows the repayments of non-derivative financial liabilities and trade payables within one year, 1-5 years and after five years.

millions of Euros

31 December 2020	Carrying amount	Within one year	1-5 years	After 5 years
Bonds	6,551	632	2,852	3,067
Bank loans and borrowings	4,851	3,067	1,420	364
Loans and borrowings from other financial backers	163	(127)	49	241
Loans and borrowings from group companies				
Financial liabilities	749	24	1	724
Lease liabilities	775	139	331	305
<b>Non-derivative financial liabilities</b>	<b>13,089</b>	<b>3,735</b>	<b>4,653</b>	<b>4,701</b>
<b>Trade payables</b>	<b>5,612</b>	<b>5,586</b>	<b>26</b>	

millions of Euros

31 December 2019	Carrying amount	Within one year	1-5 years	After 5 years
Bonds	6,341	929	1,982	3,430
Bank loans and borrowings	4,423	2,776	1,197	450
Loans and borrowings from other financial backers	537	375	160	2
Loans and borrowings from group companies	5	5		
Financial liabilities	775	9	5	761
Lease liabilities	946	180	432	332
<b>Non-derivative financial liabilities</b>	<b>13,027</b>	<b>4,274</b>	<b>3,776</b>	<b>4,975</b>
<b>Trade payables</b>	<b>5,824</b>	<b>5,791</b>	<b>33</b>	

Amounts due within six months or less are mainly related to trade payables for HS/HC contracts and works which are mainly repaid through government grants. The residual part, including lease liabilities, is repaid using cash flows from operations and bank loans and borrowings.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate following changes in market prices, due to changes in exchange rates, interest rates or prices of equity instruments.

As part of its operations, the FS Italiane group is exposed to several market risks, specifically interest rate risk and, to a lesser extent, currency risk. The objective of market risk management is to manage and keep the group companies' exposure to these risks within acceptable levels, while optimising returns on investments. The FS Italiane group uses hedging transactions to manage the volatility of the results.

### Interest rate risk

The group is mainly exposed to interest rate risk relating to non-current loans indexed to variable rates. The group companies which are mainly exposed to this risk (including Trenitalia and RFI) decided to enter into hedging transactions based on specific risk management policies approved by the relevant boards of directors and implemented with the technical and operational support of the parent.

Despite the various customisations due to the financial and business characteristics of each company, the common objective of the applied policies is to limit cash flow fluctuations in financing transactions in place and, where possible, to exploit the opportunities to optimise borrowing costs offered by the indexing of variable-rate debt.

In accordance with the above policies, the group only uses plain vanillas, such as interest rate swaps, interest rate collars and interest rate caps.

The table below shows variable and fixed rate loans and borrowings:

	millions of Euros					
	Carrying amount	Contractual cash flows	Current portion	1-2 years	2-5 years	after 5 years
Variable rate	6,314	6,624	2,092	1,058	1,414	2,060
Fixed rate	6,775	6,941	1,731	355	2,177	2,678
<b>Balance at 31 December 2020</b>	<b>13,089</b>	<b>13,565</b>	<b>3,823</b>	<b>1,413</b>	<b>3,591</b>	<b>4,738</b>
Variable rate	5,825	5,924	2,483	327	1,320	1,794
Fixed rate	7,202	7,765	1,917	1,118	1,366	3,364
<b>Balance at 31 December 2019</b>	<b>13,027</b>	<b>13,689</b>	<b>4,400</b>	<b>1,445</b>	<b>2,686</b>	<b>5,158</b>

The table below shows the impact of variable and fixed rate loans and borrowings, before and after hedging derivatives, which convert variable rates into fixed rates, i.e., which hedge against rises in variable rates beyond the maximum levels defined.

	31.12.2020	31.12.2019
<b>Before hedging with derivatives</b>		
Variable rate	48%	45%
Fixed rate	52%	55%
<b>After hedging with derivatives</b>		
Variable rate	41%	24%
Hedged variable rate	7%	12%
Fixed rate	52%	64%

The impact is in line with the above interest rate risk management policy.

The following sensitivity analysis shows the effects that would have been recorded in terms of changes in interest expense had an increase or a decrease of 50 basis points in the Euribor interest rates affected loans in 2020:

	millions of Euros	
	<i>+ 50 bps</i>	<i>- 50 bps</i>
Greater/(lower) interest expense on variable-rate debt	20	(4)
Net cash flow from hedges	(5)	4
<b>Total</b>	<b>15</b>	

The following sensitivity analysis shows the effects of an increase or decrease of 50 basis points in the swap rates curve recognised at the reporting date on the fair value of hedging derivatives:

	<i>+ 50 bps</i>	<i>- 50 bps</i>
Fair value of hedging derivatives	12	(10)
<b>Total</b>	<b>12</b>	<b>(10)</b>

#### Currency risk

The group is mainly active in Italy. Therefore, the risk arising from the different currencies in which it operates is limited and substantially relates to the contracts agreed by Italferr.

In February 2017, Trenitalia UK Ltd, a British company set up in 2016 and wholly-owned by Trenitalia S.p.A., acquired NXET Trains Limited. The liquid funds necessary for the acquisition were provided by the parent which granted an intragroup loan to Trenitalia UK Ltd (GBP60 million), while the residual amount was raised by means of a capital increase carried out by Trenitalia S.p.A. in favour of Trenitalia UK Ltd (GBP13 million). Cross currency swaps hedging the currency risk were agreed in respect of FS Italiane S.p.A.'s intragroup loan granted to Trenitalia UK Ltd.

In 2020, the company settled the loan totalling CHF45 million arising from the acquisition of assets from Cisalpino AG in liquidation.

#### **Capital management**

The FS Italiane group's main objective with respect to capital risk management is to safeguard its ability to continue as a going concern, while ensuring returns for shareholders and benefits for the other stakeholders. The FS Italiane group also intends to maintain an optimal capital structure in order to reduce the cost of debt.

#### **Financial assets and financial liabilities by category**

To complete financial risk information, the table below gives a reconciliation between financial assets and liabilities as reported in the consolidated statement of financial position and the categories of financial assets and liabilities identified pursuant to IFRS 7.

millions of Euros

31 December 2020	Financial assets	Financial liabilities	of which: hedging derivatives
Non-current financial assets (including derivatives) (*)	641		10
Non-current service concession financial assets	1,891		
Non-current trade receivables	6		
Other non-current assets (*)	4,731		
Current trade receivables	2,493		
Current financial assets (including derivatives)	637		
Current service concession financial assets	1,412		
Cash and cash equivalents	1,270		
Other current assets (*)	3,412		
Non-current loans and borrowings		7,733	
Non-current financial liabilities (including derivatives)		1,381	20
Non-current contract advances		1,214	
Non-current trade payables		26	
Other non-current liabilities		140	
Current loans and borrowings and current portion of non-current loans and borrowings		3,832	
Current trade payables		5,586	
Current financial liabilities (including derivatives)		169	6
Current contract advances		431	
Other current liabilities		5,169	

(\*) Tax assets and equity investments are not included



millions of Euros

31 December 2019	Financial assets	Financial liabilities	of which: hedging derivatives
Non-current financial assets (including derivatives) (*)	1,228		2
Non-current service concession financial assets	1,696		
Non-current trade receivables	6		
Other non-current assets (*)	5,280		
Current trade receivables	2,671		
Current financial assets (including derivatives)	705		
Current service concession financial assets	1,549		
Cash and cash equivalents	1,534		
Other current assets (*)	3,402		
Non-current loans and borrowings		7,211	
Non-current financial liabilities (including derivatives)		1,577	30
Non-current contract advances		1,142	
Non-current trade payables		27	
Other non-current liabilities		162	
Current loans and borrowings and current portion of non-current loans and borrowings		4,095	
Current trade payables		5,797	
Current financial liabilities (including derivatives)		176	2
Current contract advances		197	
Other current liabilities		5,614	

(\*) Tax assets and equity investments are not included

The funding practices adopted by the FS Italiane group are based on the principles of prudence and cost effectiveness and are mostly aimed at matching the coverage of the subsidiaries' liquidity needs with the useful lives of financed assets as closely as possible.

In relation to medium/long term requirements in 2021, as detailed in the section on subsequent events, on 23 February 2021, the BoD of FS Italiane S.p.A. approved the issue of new bonds (reserved for institutional investors as part of the EMTN listed on the Dublin stock exchange and other financial instruments), for a maximum of €2.9 billion. On 18 March 2021, to support this decision, FS Italiane S.p.A. placed a new green bond expiring in seven years and totalling €1 billion to be used for Trenitalia's new regional and HS trains only.

## 8. Assets and liabilities held for sale and disposal groups

At 31 December 2019, net assets held for sale and disposal groups total €482 million and include those of Sitaf group.

As discussed in detail in note 4 - Change in consolidation scope and non-recurring transactions, following the Council of State's unfavourable rulings at the end of 2019, on 27 October 2020, Anas transferred back to the parties their respective investments in exchange for the return of the consideration of €75 million paid at the time (€41.3 million to FCT Holding and €33.7 million to the City of Turin).

Following the sale of the controlling interest, which took place in accordance with IAS 27R, the net assets of the Sitaf group were deconsolidated at the date of the sale and the non-controlling interest maintained in the former subsidiary was recognised in the consolidated financial statements at its fair value, which was estimated to be equal to the amount recognised by the subsidiary Anas. This transaction resulted in the recognition of a gain of €12.5 million at consolidated level under "other income".

## 9. Property, plant and equipment

The opening and closing balances of property, plant and equipment and changes therein are shown in the table below. The assets' estimated useful lives did not change during the year.

	millions of Euros					
	Land, buildings, railway and port infrastructure	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Historical cost	98,521	21,343	1,102	1,281	25,352	147,599
Depreciation and impairment losses	(24,693)	(11,651)	(594)	(874)	(1,562)	(39,374)
Grants	(41,330)	(856)	(314)	(132)	(20,636)	(63,268)
<b>Balance at 31.12.2018</b>	<b>32,498</b>	<b>8,836</b>	<b>194</b>	<b>275</b>	<b>3,154</b>	<b>44,957</b>
Investments	34	165	7	60	6,331	6,597
Placement in service	5,483	1,389	40	61	(6,973)	
Depreciation	(160)	(1,196)	(17)	(48)		(1,421)
Impairment losses					(4)	(4)
Change in consolidation scope	42	(6)	5			41
Exchange differences		7		2		9
Disposals and divestments	(3)	(15)		(1)	(14)	(33)
Reclassifications from/to "Assets held for sale"	(4)	(3)		(1)	(1)	(9)
Increases in grants	(5,091)	(91)	(35)	(12)	1,113	(4,116)
Other reclassifications	25	(8)	1	(11)	33	40
<b>Total changes</b>	<b>326</b>	<b>242</b>	<b>1</b>	<b>50</b>	<b>485</b>	<b>1,104</b>
Historical cost	104,143	22,189	1,151	1,365	24,569	153,417
Depreciation and impairment losses	(24,867)	(12,144)	(608)	(900)	(1,566)	(40,085)
Grants	(46,452)	(972)	(349)	(139)	(19,362)	(67,274)
<b>Balance at 31.12.2019</b>	<b>32,824</b>	<b>9,073</b>	<b>194</b>	<b>326</b>	<b>3,641</b>	<b>46,058</b>
Investments	40	220	9	36	6,126	6,431
Placement in service	3,270	1,157	192	41	(4,660)	
Depreciation	(135)	(1,114)	(15)	(53)		(1,317)
Impairment losses	(34)	(51)			(5)	(90)
Non-recurring transactions (1)	(10)		(2)	(1)	(11)	(24)
Exchange differences		(11)		(3)		(14)
Disposals and divestments (2)	(16)	(207)	(3)	(1)	(7)	(234)
Increases and placement in service of subsidised assets during the year	(3,172)	(144)	(169)	(6)	(861)	(4,352)
Other reclassifications (3)	(81)	4		7	72	2
<b>Total changes</b>	<b>(138)</b>	<b>(146)</b>	<b>12</b>	<b>20</b>	<b>654</b>	<b>402</b>
Historical cost	107,308	22,458	1,342	1,432	26,015	158,555
Depreciation and impairment losses	(24,978)	(12,413)	(618)	(943)	(1,563)	(40,515)
Grants	(49,644)	(1,118)	(518)	(143)	(20,157)	(71,580)
<b>Balance at 31.12.2020</b>	<b>32,686</b>	<b>8,927</b>	<b>206</b>	<b>346</b>	<b>4,295</b>	<b>46,460</b>

Notes (1), (2) and (3) are broken down in the following table.

millions of Euros

	Land, buildings, railway and port infrastructure	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
<b>1) Non-recurring transactions</b>						
Historical cost	(31)	(3)	(3)	(6)	(11)	(54)
Depreciation	9	5	1	5		20
Impairment losses	12					12
Grants		(2)				(2)
	<b>(10)</b>		<b>(2)</b>	<b>(1)</b>	<b>(11)</b>	<b>(24)</b>
<b>2) Disposals and divestments</b>						
Historical cost	(23)	(773)	(8)	(8)	(8)	(820)
Depreciation	4	423	5	6		438
Impairment losses	3	141				144
Grants		2		1	1	4
	<b>(16)</b>	<b>(207)</b>	<b>(3)</b>	<b>(1)</b>	<b>(7)</b>	<b>(234)</b>
<b>3) Other reclassifications and transfers from/to "Assets held for sale"</b>						
Historical cost	(91)	(320)		7	(1)	(405)
Depreciation	10	306		(1)		315
Impairment losses	20	20			8	48
Grants	(20)	(2)		1	65	44
	<b>(81)</b>	<b>4</b>		<b>7</b>	<b>72</b>	<b>2</b>

The table below shows changes in right-of-use assets in the year.

millions of Euros

	Land, buildings, railway and port infrastructure	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Historical cost	159	1,006	7	30		1,202
Depreciation and impairment losses	(18)	(238)	(1)	(9)		266
<b>Balance at 31.12.2019</b>	<b>141</b>	<b>768</b>	<b>6</b>	<b>21</b>		<b>936</b>
Investments	32	162	1	7		202
Depreciation	(24)	(120)	(2)	(9)		(155)
Exchange differences		(12)				(12)
Disposals and divestments (1)	(2)	(198)	(3)			(203)
Reclassifications (2)	6	(15)		5		(4)
<b>Total changes</b>	<b>12</b>	<b>(183)</b>	<b>(4)</b>	<b>3</b>		<b>(172)</b>
Historical cost	191	830	4	42		1,067
Depreciation and impairment losses	(39)	(244)	(2)	(18)		(303)
<b>Balance at 31.12.2020</b>	<b>152</b>	<b>586</b>	<b>2</b>	<b>24</b>		<b>764</b>

millions of Euros

	Land, buildings, railway and port infrastructure	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
<b>1) Disposals and divestments</b>						
Historical cost	(6)	(267)	(4)	(2)		(279)
Depreciation	4	69	1	2		76
Impairment losses						
	<b>(2)</b>	<b>(198)</b>	<b>(3)</b>			<b>(203)</b>
<b>2) Reclassifications</b>						
Historical cost	6	(59)		6		(47)
Depreciation		41		(1)		40
Impairment losses		3				3
	<b>6</b>	<b>(15)</b>		<b>5</b>		<b>(4)</b>

The increase in investments under "Assets under construction and payments on account" (€6,126 million) is mainly due to:

- the costs incurred to complete high speed network infrastructures and to design and construct HS/HC and traditional network facilities (€4,627 million);
- the costs incurred to purchase, revamp and redevelop rolling stock, particularly to continue updating both the high-speed fleet, with the placement in service of six ETR 700 electric trains, and the regional transport fleet, with the delivery of 86 trains, including 44 "Pop", 32 "Rock" and 10 "Swing" trains (€1,215 million);
- the costs incurred to update plant, workshop buildings and technical equipment (€92 million);
- the capitalisation of internal and external costs mainly related to designs and external works covered by the Obiettivo Law and for video surveillance works carried out within stations, in addition to extraordinary maintenance (€40 million);
- the costs incurred to purchase new buses in Italy (€4 million) and abroad (€86 million), mainly by the investee Qbuzz, which it will use for the concessions it operates in the Netherlands;
- the capitalisation of costs incurred for routine maintenance on freight rolling stock (€27 million).

The placement in service of "Land, buildings, railway and port infrastructure" mainly refers to RFI S.p.A.'s railway infrastructures (€3,240 million) and extraordinary maintenance and upgrading of rolling stock maintenance workshops (€11 million). The placement in service of "Plant and machinery" principally relates to new locomotives and new buses (€1,134 million).

The impairment losses on "Plant and machinery" principally relate to the ETR1000 train, which was involved in an accident in February 2020 (€28 million), and the continuation of the disposal of technically- and commercially-obsolete rolling stock (€18 million). The impairment losses on "Land, buildings, railway and port infrastructure" mainly relate to land that can no longer be used in the industrial process.

As described in detail in note 4, changes from non-recurring transactions show a €24 million decrease essentially due to the contribution of the business unit to the consortium company Trenitalia Tper.

The disposals and divestments of the year mainly refer to the early termination of some foreign currency leases (€203 million).

At 31 December 2020, there are no mortgages or privileges on property, plant and equipment, except for part of Trenitalia S.p.A.'s rolling stock worth €1,926 million, which was pledged to Eurofima SA to secure non-current loans and borrowings agreed through the parent.

The reclassifications in the year mainly refer to areas whose use was changed in the year and therefore reclassified to "Property, plant and machinery", "Intangible assets", "Investment property" and "Inventories" to give a true and fair view.

### **Government grants**

During the year, in line with the progress of work on property, plant and equipment, intangible assets and investment property, the following grants related to assets, totalling €4,352 million, were disbursed. They may be analysed as follows:

- €3,479 million related to the advances for grants from the MEF for investments in traditional network infrastructures;
- €333 million related to the advances for grants from the MIT for investments in traditional network infrastructures;
- €17 million related to work in progress concerning "complementary works for stations", approved as part of the strategic infrastructure programme (Law no. 443/2001 – the "Obiettivo" law);
- €119 million related to grants from the regional authorities for the purchase of rolling stock;
- other grants (€378 million) mainly related to the European Union and local bodies.

Finally, contractual constraints, with an average term of 12 years, apply to the grants received in connection with the investments into the bus fleet for the operation of LPT services. The repayment obligation, in the event of early sale of the contributed asset, is replaced with the possibility of using the residual grant to purchase a new asset, of the same type and for the same use, replacing the previous asset.

### **Impairment testing**

In accordance with IAS 36 Impairment of assets, impairment tests were performed on goodwill and non-current assets with an indefinite useful life or on other assets where necessary (i.e., if there were trigger events).

For the CGUs listed below, the impact of the COVID-19 pandemic is considered a trigger event. Therefore, at 31 December 2020, the group tested these CGUs for impairment. For CGUs containing "goodwill", reference should be made to note 11 - Intangible assets.

With respect to these CGUs, the test was carried out using 2021 budget figures and the amounts included in the latest business plan prepared by their management and adjusted, where necessary, in order to reflect forecast scenarios for the post-pandemic years, starting from 2022. The discount rates (WACC) were adjusted in line with the conditions of the financial markets and the forecast trends for the short medium and long term.

The test was carried out by comparing net invested capital with the recoverable amount of each CGU, based on value in use. In order to determine the value in use of the CGUs, the future cash inflows and outflows generated by the unit through use and upon its final disposal were discounted, using an appropriate discount rate. In other words, value in use is estimated applying the discounted cash flow method, according to the unlevered (or asset side) approach, through the formula that considers the discounting of the analytically-expected cash flows over the term of the forecast plans and the calculation of a terminal value after this time horizon. The terminal value was estimated using the perpetual capitalisation of prospective cash flows in the last year of the explicit projection period.

The following table shows the main figures of the test:

<b>CGU</b>	<b>NIC (millions of Euros)</b>	<b>Discount rate (WACC)</b>	<b>Growth rate</b>
Bluferries	43	6.25%	
Anas	1,380	5.70%	
FSTechnology	45	6.54%	
Mercitalia Shunting & Terminal	56	5.59%	1.50%
Mercitalia Intermodal	65	7.04%	1.50%
Terminali Italia	20	7.28%	1.00%
Ferrovie del Sud Est	43	5.35%	
Grandi Stazioni Rail	129	4.79%	
Busitalia Veneto	66	4.10%	
TX Logistik	126	6.91%	1.50%
Trenitalia	9,380	4.59%	1.50%
Mercitalia Rail	351	6.85%	1.50%

The test showed that the significant impacts of COVID-19 on the financial trends of the relevant CGUs do not affect their ability to generate income in the long term. Therefore, the impairment tests carried out did not identify any impairment losses.

## 10. Investment property

The following table shows the opening and closing balances of investment property at 31 December 2020 and 2019.

	2020		2019	
	Land	Buildings	Land	Buildings
millions of Euros				
<b>Balance at 1 January</b>				
Cost	2,135	1,222	2,140	1,242
of which:				
Historical cost	2,154	1,406	2,158	1,376
Grants	(19)	(184)	(18)	(134)
Accumulated depreciation		(479)		(487)
Loss allowance	(1,320)	(173)	(1,309)	(183)
<b>Carrying amount</b>	<b>815</b>	<b>570</b>	<b>831</b>	<b>572</b>
<b>Changes of the year</b>				
Acquisitions/Increases	1	4		2
Reclassifications (1)	13	7	1	6
Depreciation and impairment losses	(6)	(8)	(16)	(9)
Disposals and divestments (2)	(2)	(1)	(1)	(1)
Change in consolidation scope				
<b>Total changes</b>	<b>6</b>	<b>2</b>	<b>(16)</b>	<b>(2)</b>
<b>Balance at 31 December</b>				
Cost	2,122	1,240	2,135	1,222
of which:				
Historical cost	2,142	1,462	2,154	1,406
Grants	(20)	(222)	(19)	(184)
Accumulated depreciation		(489)		(479)
Loss allowance	(1,301)	(179)	(1,320)	(173)
<b>Carrying amount</b>	<b>821</b>	<b>572</b>	<b>815</b>	<b>570</b>
<b>Reclassifications (1)</b>				
Cost	(8)	55	(1)	30
Accumulated depreciation		(4)		15
Loss allowance	22	(6)	2	11
Grants	(1)	(38)		(50)
<b>Total</b>	<b>13</b>	<b>7</b>	<b>1</b>	<b>6</b>
<b>Disposals and divestments (2)</b>				
Cost	(5)	(2)	4	(2)
Accumulated depreciation		1		(1)
Loss allowance	(3)		(3)	
<b>Total</b>	<b>(2)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>

“Investment property” includes land and buildings not used in operations measured at cost, areas to be enhanced and several buildings, workshops and properties leased to third parties.

The reclassifications of the year of both land and buildings are mainly due to a change in the use of certain areas and a better representation thereof under property, plant and equipment and inventories.



## 11. Intangible assets

millions of Euros

	Development expenditure	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Assets under development and payments on account	Concession assets	Other	Goodwill	Total
Historical cost	130	10	1,495	915	4,874	59	200	7,683
Amortisation and impairment losses	(96)	(6)	(774)	(7)	(830)	(18)		(1,730)
Grants	(13)		(305)	(44)	(1,332)			(1,693)
<b>Balance at 1 1 2019</b>	<b>21</b>	<b>4</b>	<b>416</b>	<b>865</b>	<b>2,713</b>	<b>41</b>	<b>200</b>	<b>4,260</b>
Investments		1	15	315	4	4		339
Placement in service	10		116	(126)				
Amortisation	(1)	(2)	(107)		(164)	(9)		(283)
Disposals and divestments				(2)				(2)
Impairment losses				(1)			(46)	(47)
Change in consolidation						(15)	(5)	(20)
Reclassifications from/to "Assets				(420)	(1,083)	(1)		(1,504)
Increases in grants	(9)		(24)	33				
Other reclassifications		(2)	17	(47)		7	(4)	(29)
<b>Total changes</b>		<b>(3)</b>	<b>17</b>	<b>(248)</b>	<b>(1,243)</b>	<b>(14)</b>	<b>(55)</b>	<b>(1,546)</b>
Historical cost	140	5	1,640	643	1,898	26	191	4,543
Amortisation and impairment losses	(97)	(3)	(881)	(7)	(429)	2	(46)	(1,461)
Grants	(22)		(328)	(19)				(369)
<b>Balance at</b>	<b>21</b>	<b>2</b>	<b>431</b>	<b>617</b>	<b>1,469</b>	<b>28</b>	<b>145</b>	<b>2,713</b>
Investments			7	247	2	1		257
Placement in service			123	(139)	14	2		
Amortisation	(1)	(1)	(118)		(121)	(8)		(249)
Disposals and divestments (1)				(1)				(1)
Impairment losses						(3)	(21)	(24)
Exchange differences							(1)	(1)
Increases in grants			(5)	5				
Other reclassifications (2)			3	(30)				(27)
<b>Total changes</b>	<b>(1)</b>	<b>(1)</b>	<b>10</b>	<b>82</b>	<b>(105)</b>	<b>(8)</b>	<b>(22)</b>	<b>(45)</b>
Historical cost	140	5	1,727	724	1,914	29	190	4,729
Amortisation and impairment losses	(98)	(4)	(955)	(6)	(550)	(9)	(67)	(1,689)
Grants	(22)		(331)	(19)				(372)
<b>Balance at</b>	<b>20</b>	<b>1</b>	<b>441</b>	<b>699</b>	<b>1,364</b>	<b>20</b>	<b>123</b>	<b>2,668</b>

Notes (1) and (2) are broken down in the following table

	Development expenditure	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Assets under development and payments on account	Concession assets	Other	Goodwill	Total
1) Disposals and divestments								
Historical cost			(6)	(1)				(7)
Amortisation			5					5
Impairment losses								
Grants			1					1
<b>Total</b>				<b>(1)</b>				<b>(1)</b>
2) Reclassifications from/to "Assets held for sale" and Other								
Historical cost			(37)	(27)				(64)
Amortisation			40	2				42
Impairment losses								
Grants				(5)				(5)
<b>Total</b>			<b>3</b>	<b>(30)</b>				<b>(27)</b>

Concession assets include €1,192.5 million related to Anas S.p.A.'s concession, based on the economic and financial plan (PEF) approved by the company's board of directors and sent to the MIT in February and March 2019 and the 2016-2020 Programme Contract signed by the company on 27 December 2017 and updated in July 2019. The update postponed the funding model for the investment consideration as from the next 2021-2025 Programme Contract and, consequently, the 2019 and 2020 investments will be funded exclusively with the grant. In 2020, the PEF and the Regulatory Financial Plan, approved by the board of directors on 30 July 2020, were further updated, to take into account the MEF's request to start a technical investigation aimed at extending the term of the current concession, pursuant to article 1.1018/1019 of Law no. 296 of 27 December 2006.

Based on the new approved PEF, which reflects these changes, the actual figures for the year and the commencement of the procedure to request the extension of the concession up to a maximum of 50 years, Anas' directors decided to re-test the recoverability of the concession. The test, which also took into account the development initiatives underway, did not identify any impairment indicators and, therefore, no impairment losses were recognised. The test was carried out based on the above-mentioned updated 2020-2044 PEF. In order to determine the concession's recoverable amount, value in use was analysed applying the unlevered discounted cash flow method and fair value was analysed using the multi-period excess earnings method, applying a 5.7% WACC. The concession is amortised systematically over its current term, until 2032. The portion pertaining to 2020 amounts to €99 million.

Investments in "Assets under development and payments on account" and placement in service refer to the software development and implementation costs, measures to improve the efficiency of production processes and the increase in the efficiency and streamlining of sales channels for the group's business.

“Other reclassifications” mainly relate to the portion pertaining to software for sundry investment projects which was duly reclassified to the relevant caption when it was placed in service.

### Impairment testing

As discussed in note 9 - Property, plant and equipment, for some CGUs, the impact of the COVID-9 pandemic is considered a trigger event. Therefore, at 31 December 2020, the group tested these CGUs for impairment. The main amounts of the tests performed on CGUs containing goodwill are detailed below. Reference should be made to the above paragraph for additional information about the CGUs containing assets with a finite useful life.

With respect to these CGUs, the test was carried out using 2021 budget figures and the amounts included in the latest business plan prepared by the CGU's management, adjusted, where necessary, to reflect forecast scenarios for the post-pandemic years, starting from 2022. Ataf Gestioni S.r.l. was tested using the economic forecasts and the changes in certain statement of financial position items included in the first five months of the 2021 budget approved by the board of directors and updated on the basis of the new revenue projections considering the events related to the Tuscan tender award, as described in the directors' report. Consequently, a five-month period has been considered, with a terminal value corresponding to net invested capital for the year.

The test was performed using the methodology described in note 9 - Property, plant and equipment.

The following table shows the main figures of the test:

CGU	Goodwill (millions of Euros)	Discount rate (WACC)	Growth rate
Netinera Deutschland	78	5.00%	1.00%
Mercitalia Logistics (formerly FS Logistica)	7	6.44%	1.50%
Ataf Gestioni		5.42%	
Busitalia - Umbria CGU	10	5.42%	0.00%
Busitalia Campania	2	5.75%	
Cremonesi Workshop	7	7.93%	1.50%
Trenitalia C2C			
Trainose	2	6.54%	1.00%
Qbuzz	14	5.59%	

The test showed that goodwill of Ataf Gestioni was impaired by €2 million, that of the Busitalia – Umbria CGU by €8 million, that of Trenitalia C2C by €7 million and that of Qbuzz by €3.5 million.

### Trenitalia C2C

The COVID-19 outbreak has also had significant effects on transport companies in the UK due to the sharp drop in passenger traffic and, consequently, in revenue. Consequently, the contracts that the DfT negotiated at a premium with the individual railway companies are no longer financially sustainable as the companies bear a more or less large share of the risk on revenue, resulting in widespread defaults.

In this respect, as part of the measures identified to counter the economic effects of COVID-19, the British government submitted to all companies holding franchisee contracts a draft emergency measures agreement (EMA) which was renewed in September 2020 by a contract with the same characteristics (the emergency recovery measures agreement or ERMA), both of which are non-negotiable. Under these contracts, which were also signed by C2C and West Coast Partnership (WCP), the British government pays a management fee to the train operating companies in exchange for the

provision of the service, eliminating all risks, both in terms of costs and revenue for the companies, through a mechanism in which the government undertakes to reimburse the companies for any difference between the costs incurred and the revenue earned during the period covered by these emergency contracts.

The UK government's plan to overcome the emergency is to have the train operating companies and the DfT enter into a subsequent direct-award contract (the national rail contract or NRC), during the period of validity of the ERMA, which can be extended for a further six months for C2C at the Secretary of State's discretion.

Under the ERMA, when it expires, the train operating companies that, had there been no pandemic, would have defaulted during the term of the original contract will receive a termination sum for the early termination of the original contract, which is determined based on the value of the net assets at the NRC's signing date. Based on the above and given the fact that C2C, which in the pre-pandemic period was already facing difficulties due to a slowdown in the expected revenue growth, mainly as a result of the instability generated by Brexit and a significant rise in remote working that emptied London on certain days, it can be concluded that no prospective cash flows exist to support the company's goodwill. Therefore, goodwill is fully impaired by its residual amount of €7 million.

Except for the results of tests with a negative impact, which showed a recoverable amount in line with the carrying amount of the related CGU and, consequently, any change in the input parameters could affect recoverability, the sensitivity analysis applied to the discount rate and the growth rate (+/- 50 basis points) showed no significant effects on the outcome of the assessments made.

## 12. Deferred tax assets and deferred tax liabilities

The table below shows deferred tax assets and deferred tax liabilities at 31 December 2020 and changes of the year due to the main temporary differences.

	millions of Euros				
	31.12.2019	Incr. (decr.) through profit or loss	Incr. (decr.) through OCI	Other changes	31.12.2020
Deferred tax assets	405	2	1		408
Deferred tax liabilities	502	(27)	(9)		466

Deferred tax assets and deferred tax liabilities mainly relate to the misalignment between the carrying amount and the tax value of property, plant and equipment, investment property and intangible assets on which depreciation and amortisation are calculated, and buildings held for trading, in addition to the deferred deductibility applied to provisions for risks and charges and impairment losses on non-current assets.

Changes in the year reflect new temporary differences and releases by the group companies in the year.

### 13. Equity-accounted investments

They include the carrying amount of investments in joint arrangements and associates.

The following table gives a breakdown of the carrying amount of equity investments at 31 December 2020, together with the percentage of investment and the related carrying amount, net of callable shares, with prior year corresponding figures.

	millions of Euros			
	Carrying amount at 31.12.2020	% of investment	Carrying amount at 31.12.2019	% of investment
<b>Investments in joint arrangements</b>				
Mercitalia Maintenance			3.00	50.00
ODEG Ostdeutsche Eisenbahngesellschaft mbH	4.74	50.00	4.84	50.00
Trenord S.r.l.	37.76	50.00	41.48	50.00
TELT Sas (formerly LTF Sas)	95.05	50.00	95.05	50.00
Verkehrsbetriebe Osthannover GmbH*	2.30	57.45	2.46	57.45
Other**	12.82		8.26	
<b>Investments in associates</b>				
Autostrada Asti-Cuneo S.p.A.	18.98	35.00	19.31	35.00
B.B.T. SE S.p.A.	144.48	50.00	134.27	50.00
Concessioni Autostradali Venete CAV S.p.A.	88.14	50.00	79.89	50.00
Ferrovie Nord Milano S.p.A.	63.11	14.74	63.99	14.74
Metro 5 S.p.A.	40.68	36.70	37.73	36.70
Quadrante Europa Terminal Gate S.p.A.	7.09	50.00	7.09	50.00
SITMB S.p.A. Società Italiana per il Traforo del Monte Bianco	68.53	32.12	65.34	32.12
Sitaf	163.62	31.74		
Other**	17.51		10.89	
<b>Total</b>	<b>765</b>		<b>574</b>	

\* Despite holding more than 50% of Verkehrsbetriebe Osthannover GmbH and more than half of the related voting rights, through the subsidiary Netinera Deutschland GmbH, the group does not control this entity in accordance with an agreement entered into with the other shareholders.

\*\* "Other" investments in associates and joint arrangements include similar situations which are not broken down as they are not significant.

The following table gives a breakdown of equity investments, grouped by category, and changes therein:

	millions of Euros					
	Closing balance at 31.12.2019	Decrease due to dividends	Change in the consolidation scope	Income statement impact	Other	Closing balance at 31.12.2020
Investments in joint arrangements	155	(3)	5	(3)	(1)	153
Investments in associates	419	(1)	161	26	7	612
<b>Total</b>	<b>574</b>	<b>(4)</b>	<b>166</b>	<b>23</b>	<b>6</b>	<b>765</b>

With respect to investments in associates, the "Change in the scope of consolidation" refers to the non-controlling interest in the former subsidiary Sitaf (€161 million), following the sale of the controlling investment in 2020. Investments in joint arrangements refer to the investment in Trenitalia Tper Scarl, following Trenitalia's contribution and to the acquisition of a controlling investment in Mercitalia Maintenance (-€3 million). For additional information about these transactions, reference should be made to note 4.

"Other" investments in associates essentially refer to TFB S.p.A.'s subscription of BBT SE's share capital (€160 million), which was partially offset by the grants related to assets from the MEF to RFI S.p.A. and related to chapter 7122 for financial investments (€150 million). These amounts were recognised as an adjustment to the carrying amount of the investment. "Other" also includes changes in the "Hedging reserve".

With respect to investments in joint arrangements, TELT Sas carried out a €63 million capital increase, fully offset by the increase in the grants related to assets disbursed by the MEF in connection with the financial investments related to chapter 7122.

The income statement impact mainly refers to the profits/losses for 2020.

#### *Investments in joint arrangements*

The following financial information is provided about the most significant investments in joint arrangements. The following tables also include a reconciliation between the investment's summarised financial information, for the year shown in the table, and its consolidated carrying amount.

Trenord S.r.l.'s business object is the operation of railway local public transport in Lombardy and the various areas defined in the relevant public service contracts.

millions of Euros

<b>Trenord S.r.l.</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>% of investment</b>	<b>50%</b>	<b>50%</b>
Cash and cash equivalents	202	22
Current financial assets		
Other current assets	215	290
Non-current financial assets	2	2
Other non-current assets	403	338
Current financial liabilities	(310)	(131)
Other current liabilities	(314)	(364)
Non-current financial liabilities	(58)	
Other non-current liabilities	(52)	(64)
<b>Equity</b>	<b>87</b>	<b>93</b>
<b>Equity attributable to the owners of the parent</b>	<b>43</b>	<b>46</b>
Elimination of gain on business unit contribution	(9)	(9)
Other adjustments	4	4
<b>Carrying amount of the equity investment</b>	<b>38</b>	<b>41</b>
Revenue	703	832
Operating costs	(550)	(630)
Amortisation, depreciation and impairment losses	(186)	(192)
Provisions		
<b>Operating profit (loss)</b>	<b>(33)</b>	<b>10</b>
Financial income		
Financial expense	(2)	(3)
<b>Pre-tax profit (loss)</b>	<b>(35)</b>	<b>7</b>
Net tax income (expense)	28	(3)
<b>Profit (loss) for the year</b>	<b>(7)</b>	<b>4</b>
Other comprehensive income		
<b>Comprehensive income (expense)</b>	<b>(7)</b>	<b>4</b>
<b>Comprehensive income attributable to the owners of the parent</b>	<b>(4)</b>	<b>2</b>
<b>Dividends received from the group</b>		

ODEG Ostdeutsche Eisenbahngesellschaft mbH's business object is passenger transport by rail in Germany, specifically, regional transport in northern Germany.

millions of Euros

ODEG Ostdeutsche Eisenbahngesellschaft mbH	31.12.2020	31.12.2019
<b>% of investment</b>	<b>50%</b>	<b>50%</b>
Cash and cash equivalents	32	17
Current financial assets		
Other current assets	36	35
Non-current financial assets		
Other non-current assets	54	73
Current financial liabilities		
Other current liabilities	(60)	(44)
Non-current financial liabilities	(47)	(66)
Other non-current liabilities	(9)	(8)
<b>Equity</b>	<b>7</b>	<b>7</b>
<b>Equity attributable to the owners of the parent</b>	<b>4</b>	<b>4</b>
Other adjustments	1	
<b>Carrying amount of the equity investment</b>	<b>5</b>	<b>4</b>
Revenue	179	158
Operating costs	(152)	(131)
Amortisation, depreciation and impairment losses	(20)	(20)
Provisions		
<b>Operating profit</b>	<b>7</b>	<b>7</b>
Financial income		
Financial expense	(2)	(3)
<b>Pre-tax profit</b>	<b>6</b>	<b>5</b>
Net tax expense	(2)	(2)
<b>Profit for the year</b>	<b>3</b>	<b>3</b>
Other comprehensive income		
<b>Comprehensive income</b>	<b>3</b>	<b>3</b>
<b>Comprehensive income attributable to the owners of the parent</b>	<b>2</b>	<b>1</b>
<b>Dividends received from the group</b>	<b>2</b>	<b>3</b>



The business object of Tunnel Euralpin Lyon Turin Sas – TELT (formerly LTF - Lyon Turin Ferroviarie Sas) is the construction of the new Turin-Lyon railway line and the performance of studies, surveys and preliminary works in the Italian-French area of the international section.

millions of Euros

<b>TELT Sas (formerly LTF Sas)</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>% of investment</b>	<b>50%</b>	<b>50%</b>
Cash and cash equivalents	34	9
Current financial assets		
Other current assets	58	15
Non-current financial assets		
Other non-current assets	1,649	1,397
Current financial liabilities		
Other current liabilities	(92)	(46)
Non-current financial liabilities		
Other non-current liabilities	(1,650)	(1,376)
<b>Equity</b>	<b>1</b>	
<b>Equity attributable to the owners of the parent</b>		
Difference arising from the different accounting treatment of grants related to assets*	95	95
<b>Carrying amount of the equity investment</b>	<b>95</b>	<b>95</b>
Revenue	9	11
Operating costs	(7)	(9)
Amortisation, depreciation and impairment losses	(2)	(3)
<b>Profit for the year</b>		
<b>Comprehensive income</b>		
<b>Comprehensive income attributable to the owners of the parent</b>		
<b>Dividends received from the group</b>		

\* Reclassification of the governments grants related to assets disbursed until 2006 in accordance with the group's accounting policies (as per IAS 20.27) through the former parent RFI S.p.A.. These grants are intended to finance the studies and preliminary works for the construction of the international section of the Turin-Lyon railway line. In accordance with French GAAP, the company does not present them in equity.

## Investments in associates

The following tables provide summarised financial information about the group's investments in associates which are deemed individually material. Furthermore, they include a reconciliation between the summarised financial information, for the year shown in the table, and the consolidated carrying amount of each investment.

B.B.T. SE focuses on the development and design of a railway tunnel under the Brenner mountain between Innsbruck and Fortezza.

	millions of Euros	
<b>B.B.T. SE</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>% of investment</b>	<b>50%</b>	<b>50%</b>
Cash and cash equivalents	211	102
Current financial assets		
Other current assets	103	66
Non-current financial assets		
Other non-current assets	2,796	2,429
Current financial liabilities		
Other current liabilities	(203)	(203)
Non-current financial liabilities		
Other non-current liabilities	(968)	(836)
<b>Equity</b>	<b>1,938</b>	<b>1,558</b>
<b>Equity attributable to the owners of the parent</b>	<b>969</b>	<b>779</b>
Effect of grants on consolidated carrying amount of equity investment*	(836)	(656)
Other adjustments	11	11
<b>Carrying amount of the equity investment</b>	<b>144</b>	<b>134</b>
Revenue	24	23
Operating costs	(23)	(22)
Amortisation, depreciation and impairment losses	(1)	(1)
<b>Profit for the year</b>		
<b>Comprehensive income</b>		
<b>Comprehensive income attributable to the owners of the parent</b>		
<b>Dividends received from the group</b>		

\* Reclassification of the grant as a shareholder injection, offset against the equity investment's carrying amount in the consolidated financial statements

Sitaf is the operator of the A32 motorway and the Frejus tunnel. The figures used and shown herein refer to the consolidated financial statements of the Sitaf group at 31 December 2020.

millions of Euros

<b>Sitaf S.p.A.</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>% of investment</b>	<b>31.74%</b>	<b>0%</b>
Cash and cash equivalents	30	
Current financial assets		
Other current assets	132	
Non-current financial assets	9	
Other non-current assets	1,554	
Current financial liabilities	(24)	
Other current liabilities	(122)	
Non-current financial liabilities	(285)	
Other non-current liabilities	(878)	
<b>Equity</b>	<b>416</b>	
<b>Equity attributable to the owners of the parent</b>	<b>132</b>	
Fair value adjustment	32	
<b>Carrying amount of the equity investment</b>	<b>164</b>	
Revenue	264	
Operating costs	(125)	
Amortisation, depreciation and impairment losses	(36)	
Provisions		
<b>Operating profit</b>	<b>103</b>	
Financial income	4	
Financial expense	(69)	
<b>Pre-tax profit</b>	<b>38</b>	
Tax expense	(9)	
<b>Profit for the year</b>	<b>28</b>	
Other comprehensive income		
<b>Comprehensive income</b>	<b>28</b>	
<b>Comprehensive income attributable to the owners of the parent*</b>	<b>12</b>	
<b>Dividends received from the group</b>		

\* This amount relates to the period after 27 October 2020, when 19.3% of Sitaf's shares was transferred as described in detail in note 4.

Ferrovie Nord Milano S.p.A. (FNM) negotiates and manages investments in companies, including, but not limited to, those operating in the transport and real estate sectors.

At 31 December 2020, its price per share was €0.57. The following figures are taken from the FNM group's interim consolidated financial statements at 30 June 2020 as FNM S.p.A. had not provided data updated to 31 December 2020 at the preparation date of these notes. Furthermore, the comparative figures are taken from the FNM group's consolidated financial statements at 31 December 2018.

	millions of Euros	
<b>Ferrovie Nord Milano group</b>	<b>30.06.2020</b>	<b>31.12.2018</b>
<b>% of investment</b>	<b>14.74%</b>	<b>14.74%</b>
Cash and cash equivalents	352	137
Current financial assets	137	74
Other current assets	161	158
Non-current financial assets		6
Other non-current assets	514	557
Current financial liabilities	(315)	(97)
Other current liabilities	(225)	(154)
Non-current financial liabilities	(86)	(129)
Other non-current liabilities	(86)	(118)
<b>Equity</b>	<b>452</b>	<b>435</b>
<b>Equity attributable to the owners of the parent</b>	<b>67</b>	<b>64</b>
Other adjustments	(4)	
<b>Carrying amount of the equity investment</b>	<b>63</b>	<b>64</b>
Revenue	153	318
Operating costs	(117)	(246)
Amortisation, depreciation and impairment losses	(20)	(40)
Provisions		
<b>Operating profit</b>	<b>16</b>	<b>31</b>
Financial income	2	7
Financial expense	(15)	(2)
<b>Pre-tax profit</b>	<b>2</b>	<b>37</b>
Tax expense	(3)	(8)
<b>Profit (loss) for the period/year</b>	<b>(1)</b>	<b>29</b>
Other comprehensive income		
<b>Comprehensive income</b>		<b>29</b>
<b>Comprehensive income attributable to the owners of the parent</b>		<b>4</b>
<b>Dividends received from the group</b>		

Metro 5 S.p.A.'s business object is the definitive and executive design, expropriation, work supervision, performance of civil and technological works, supply of rolling stock and subsequent management of the new line 5 of the Milan metro (the "purple line").

millions of Euros

<b>Metro 5 S.p.A</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>% of investment</b>	<b>36.70%</b>	<b>36.70%</b>
Cash and cash equivalents	56	68
Current financial assets		
Other current assets	65	65
Non-current financial assets	614	621
Other non-current assets	20	19
Current financial liabilities	(17)	(10)
Other current liabilities	(56)	(62)
Non-current financial liabilities	(409)	(293)
Other non-current liabilities	(176)	(318)
<b>Equity</b>	<b>98</b>	<b>90</b>
<b>Equity attributable to the owners of the parent</b>	<b>36</b>	<b>33</b>
Goodwill	5	5
<b>Carrying amount of the equity investment</b>	<b>41</b>	<b>38</b>
Revenue	24	28
Operating costs	(29)	(31)
Amortisation, depreciation and impairment losses		
Provisions	(1)	
<b>Operating loss</b>	<b>(6)</b>	<b>(4)</b>
Financial income	50	52
Financial expense	(25)	(37)
<b>Pre-tax profit</b>	<b>20</b>	<b>11</b>
Tax expense	(6)	(5)
<b>Profit for the year</b>	<b>13</b>	<b>7</b>
Other comprehensive expense	(6)	
<b>Comprehensive income</b>	<b>8</b>	<b>7</b>
<b>Comprehensive income attributable to the owners of the parent</b>	<b>3</b>	<b>2</b>
<b>Dividends received from the group</b>		

Concessioni Autostradali Venete CAV S.p.A.'s business object is the completion and performance of all activities, deeds and relationships related to the operation, including ordinary and extraordinary maintenance, of the motorway link between the A4 motorway - Venice-Trieste section, and ancillary works, and the Venice-Padua motorway section.

millions of Euros

<b>Concessioni Autostradali Venete CAV S.p.A.</b>	<b>31.12.2020</b>	<b>30.06.2019</b>
<b>% of investment</b>	<b>50%</b>	<b>50%</b>
Cash and cash equivalents	129	92
Current financial assets	10	10
Other current assets	38	68
Non-current financial assets	67	73
Other non-current assets	560	617
Current financial liabilities	(59)	(60)
Other current liabilities	(51)	(31)
Non-current financial liabilities	(499)	(587)
Other non-current liabilities	(19)	(22)
<b>Equity</b>	<b>176</b>	<b>160</b>
<b>Equity attributable to the owners of the parent</b>	<b>88</b>	<b>80</b>
<b>Carrying amount of the equity investment</b>	<b>88</b>	<b>80</b>
Revenue	143	89
Operating costs	(63)	(33)
Amortisation, depreciation and impairment losses	(47)	(23)
Provisions	(15)	(7)
<b>Operating profit</b>	<b>18</b>	<b>26</b>
Financial income		
Financial expense	(15)	(8)
<b>Pre-tax profit</b>	<b>3</b>	<b>18</b>
Tax expense	(1)	(5)
<b>Profit for the year/period</b>	<b>2</b>	<b>13</b>
Other comprehensive income		
<b>Comprehensive income</b>	<b>2</b>	<b>13</b>
<b>Comprehensive income attributable to the owners of the parent</b>	<b>1</b>	<b>6</b>
<b>Dividends received from the group</b>		

Autostrada Asti-Cuneo S.p.A.'s business object is the design, construction, maintenance and operation of the motorway link between Asti and Cuneo, acting as MIT's operator.

The following figures are taken from the interim financial statements at 30 June 2020 as, at the preparation date of these notes, Autostrada Asti-Cuneo S.p.A. had not made available the figures updated to 31 December 2020.

	millions of Euros	
<b>Autostrada Asti-Cuneo S.p.A.</b>	<b>30.06.2020</b>	<b>30.09.2019</b>
<b>% of investment</b>	<b>35%</b>	<b>35%</b>
Cash and cash equivalents	1	1
Current financial assets	3	5
Other current assets	4	4
Non-current financial assets	21	21
Other non-current assets	367	349
Current financial liabilities	(179)	(140)
Other current liabilities	(37)	(17)
Non-current financial liabilities	(50)	(100)
Other non-current liabilities	(76)	(68)
<b>Equity</b>	<b>54</b>	<b>55</b>
<b>Equity attributable to the owners of the parent</b>	<b>19</b>	<b>19</b>
<b>Carrying amount of the equity investment</b>	<b>19</b>	<b>19</b>
Revenue	9	22
Operating costs	(10)	(19)
Amortisation, depreciation and impairment losses		
Provisions		
<b>Operating profit (loss)</b>	<b>(1)</b>	<b>2</b>
Financial income		
Financial expense		
<b>Pre-tax profit (loss)</b>	<b>(1)</b>	<b>3</b>
Tax expense		(1)
<b>Profit (loss) for the year/period</b>	<b>(1)</b>	<b>2</b>
Other comprehensive income		
<b>Comprehensive expense</b>	<b>(1)</b>	<b>2</b>
<b>Comprehensive income attributable to the owners of the parent</b>		
<b>Dividends received from the group</b>		

SITMB S.p.A. Società Italiana per il Traforo del Monte Bianco's business object is the construction and operation, or only the operation, of the motorways and tunnels covered by the relevant concession.

The following figures are taken from the interim financial statements at 30 June 2020 as, at the preparation date of these notes, SITMB S.p.A. Società Italiana per il Traforo del Monte Bianco had not made available the figures updated to 31 December 2020.

	millions of Euros	
<b>SITMB S.p.A. Società Italiana per il Traforo del Monte Bianco</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
<b>% of investment</b>	<b>32.12%</b>	<b>32.12%</b>
Cash and cash equivalents	179	115
Current financial assets	5	50
Other current assets	23	25
Non-current financial assets	166	
Other non-current assets	177	343
Current financial liabilities	(31)	(32)
Other current liabilities	(109)	(100)
Non-current financial liabilities		
Other non-current liabilities	(198)	(198)
<b>Equity</b>	<b>212</b>	<b>203</b>
<b>Equity attributable to the owners of the parent</b>	<b>68</b>	<b>65</b>
	1	
<b>Carrying amount of the equity investment</b>	<b>69</b>	<b>65</b>
Revenue	24	31
Operating costs	(12)	(15)
Amortisation, depreciation and impairment losses	(2)	(2)
Provisions	(8)	(10)
<b>Operating profit</b>	<b>2</b>	<b>4</b>
Financial income		
Financial expense	(1)	(1)
<b>Pre-tax profit</b>	<b>1</b>	<b>3</b>
Tax expense	(2)	(1)
<b>Profit (loss) for the period</b>	<b>(1)</b>	<b>2</b>
Other comprehensive income		
<b>Comprehensive income (expense)</b>	<b>(1)</b>	<b>2</b>
<b>Comprehensive income attributable to the owners of the parent</b>		
<b>Dividends received from the group</b>		

#### 14. Service concession assets - current and non-current

Service concession assets - current and non-current, total €3,303 million (the current portion amounts to €1,412 million) and relate to the production output generated on the infrastructure under concession, mainly motorways, whose reimbursement by the relevant ministries or bodies is pending.

These assets mainly refer to:



- the agreements entered into with the regions and local bodies (€1,027 million);
- the measures included in the Programme Contracts from 2007 and to 2016-2020 (€753 million);
- the measures financed by long-term grants, CIPE (the interministerial committee for economic planning) resolutions and the funds for development and cohesion (€543 million);
- the measures covered by EU projects (€96 million);
- the measures covered by the three "Bridges " and "Viaducts" and "Get Italy Moving" schemes (€113 million);
- the works financed by MIT loans (€131 million);
- the measures financed by the post-earthquake funds and the infrastructure fund (€401 million);
- the measures financed by the Plan for the South funds (€99 million);
- Quadrilateros' contract (€107 million);
- other smaller financed measures (€33 million).

The amount, shown net of the IFRS 9 loss allowance (€92 million), substantially comprises the costs incurred by Anas S.p.A., whose reporting and claim for reimbursement has already been submitted to the competent ministries and bodies, and those incurred by said company which will be recognised in the future as they refer to production completed, but not yet paid to contractors.

The €58 million increase on 2019 is the net effect of the increase in assets due in connection with production of the year (€1,309 million), the decrease due to collections in the year (€1,264 millions) and the positive impact of the measurement items of the year (€13 million).

Service concession assets are discounted using a 3% rate, which reflects the current borrowing costs of Anas S.p.A.'s loans. The discounted effect is taken to profit or loss as cost.

## 15. Financial assets (including derivatives)

The following table gives a breakdown of financial assets at the 2020 and 2019 year ends:

millions of Euros

	Carrying amount								
	31.12.2020			31.12.2019			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Hedging derivatives	10		10	2		2	8		8
Other equity investments	422		422	410		410	12		12
Securities and loans	40		40	58		58	(18)		(18)
Fifteen-year grants from the MEF		504	504	497	600	1,097	(497)	(96)	(593)
Loans	152	12	164	132	14	146	20	(2)	18
Loans with Strada dei Parchi (pursuant to article 7 of Law	591	118	709	615	56	671	(24)	62	38
Other loans		116	116		54	54		62	62
Other financial assets				3		3	(3)		(3)
<b>Total</b>	<b>1,215</b>	<b>750</b>	<b>1,965</b>	<b>1,717</b>	<b>724</b>	<b>2,441</b>	<b>(502)</b>	<b>26</b>	<b>(476)</b>
Loss allowance	(161)	(113)	(274)	(89)	(19)	(108)	(72)	(94)	(166)
<b>Total net of the loss allowance</b>	<b>1,054</b>	<b>637</b>	<b>1,691</b>	<b>1,628</b>	<b>705</b>	<b>2,333</b>	<b>(574)</b>	<b>(68)</b>	<b>(642)</b>

"Fifteen-year grants from the MEF" of €504 million can be analysed as follows:

- €97 million related to the fifteen-year grants pursuant to article 1.84 of the 2006 Finance Act for the implementation of railway investments. They are recognised against the amounts to be used for the loan agreement entered into by the parent with Cassa Depositi e Prestiti and authorised by a specific decree of the MEF. This caption decreased by €190 million on the previous year end to the combined effect of the interest accrued in 2020 (€10 million) on the loan and the collection of the annual grant pertaining to 2020 (€200 million);
- €400 million related to the fifteen-year grants pursuant to article 1.964, of the 2007 Finance Act for the continuation of the projects involving the HS/HC system of the Turin-Milan-Naples line. The €392 million decrease on 31 December 2019 is due to the combined effect of the additional €8 million for interest accrued in 2020 and the reduction due to the collection of the annual grant pertaining to 2020 (€400 million).

The loan with the operator Strada dei Parchi S.p.A. amounts to €709 million. It is discounted using a 6% rate and is recognised based on the agreement in place between Anas S.p.A. and Strada dei Parchi S.p.A. and Decree law no. 50/2017 containing emergency financial and earthquake safety measures for the A24 and A25 motorways. During the year, the amount of the loan was raised by €38 million in connection with the VAT invoiced on the 2019 instalment.

“Other loans” increased by €62 million, mainly in relation to short-term deposits agreed with the former Central Guarantee Fund.

The loss allowance mainly consists of expected credit losses on the loan with Strada dei Parchi S.p.A. (€258 million), which rose by €166 million on the previous year end, mainly due to Anas S.p.A.’s assessment of the debtor’s credit risk after it failed to pay the 2019 instalment for the concession (which fell due at the end of March 2020). Specifically, an analysis was carried out to determine the rating class based on the estimate of the debtor’s interest coverage ratio, which showed that the CCC/C cluster was to be considered, causing a significant increase in the probability of default.

## 16. Other non-current and current assets

They can be analysed as follows:

millions of Euros									
	31.12.2020			31.12.2019			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Other assets from group companies	94	16	<b>110</b>	1	21	<b>22</b>	93	(5)	88
VAT assets	24	15	<b>39</b>	26	36	<b>62</b>	(2)	(21)	(23)
MEF	3,035	794	<b>3,829</b>	3,517	898	<b>4,415</b>	(482)	(104)	(586)
MIT	688	1,092	<b>1,780</b>	642	1,407	<b>2,049</b>	46	(315)	(269)
Grants related to assets from the EU, other Ministries and other		97	<b>97</b>		98	<b>98</b>		(1)	(1)
Government for litigation	854	1	<b>855</b>	1,056		<b>1,056</b>	(202)	1	(201)
Other government authorities		274	<b>274</b>		209	<b>209</b>		65	65
Sundry assets and prepayments and accrued income	88	1,258	<b>1,346</b>	90	886	<b>976</b>	(2)	372	370
<b>Total</b>	<b>4,783</b>	<b>3,547</b>	<b>8,330</b>	<b>5,332</b>	<b>3,555</b>	<b>8,887</b>	<b>(549)</b>	<b>(8)</b>	<b>(557)</b>
Loss allowance	(13)	(97)	<b>(110)</b>	(13)	(93)	<b>(106)</b>		(4)	<b>(4)</b>
<b>Total net of the loss allowance</b>	<b>4,770</b>	<b>3,450</b>	<b>8,220</b>	<b>5,319</b>	<b>3,462</b>	<b>8,781</b>	<b>(549)</b>	<b>(12)</b>	<b>(561)</b>

“VAT assets” decreased by €23 million mainly following the reimbursements in the year (€21 million) and the derecognition of the asset for interest on the 2006 VAT claimed for reimbursement (€2 million) pursuant to article 20.4-bis of Legislative decree no. 567/1993.

The assets with the MEF and the MIT, totalling €5,609 million, are mainly related to:

- grants earmarked for FS S.p.A. (€451 million) for the Tunnel Euralpin Lyon Turin - TELF (formerly Lyon Turin Ferroviarie - LFT) project;
- MIT grants earmarked for Ferrovie del Sud Est e Servizi Automobilistici - FSE S.r.l. to ensure its business continuity (€70 million) pursuant to article 1.867 of Law no. 208 of 28 December 2015 (the “2016 Stability Act”);
- MIT grants earmarked for Grandi Stazioni Rail S.p.A. for the “Grandi Stazioni” scheme and to redevelop and improve the accessibility of large railway stations (€73 million);
- MIT grants earmarked for Mercitalia Logistics S.p.A. and Mercitalia Intermodal S.p.A. (€7 million) pursuant to Law no. 166/2002;
- grants earmarked for RFI S.p.A. (€4,431 million);
- non-recurring grants related to the epidemiological emergency caused by COVID-19 and not yet collected at 31 December 2020 (€577 million). The grants earmarked for Trenitalia S.p.A., only to the extent of the amount relating to market transport services, and for Anas S.p.A., were recognised net of the discounting effect (€63 million) of the individual annual instalments, which will be paid from 2021 to 2034, applying a 1.70% discount rate.

Total MEF and MIT grants earmarked for the FS Italiane group, and already collected in part, amount to €953 million and may be analysed as follows:

- MEF grant earmarked for Anas S.p.A. (€151 million) to offset the decrease in revenue for the year due to the reduction in road and motorway traffic pursuant to article 214 of Decree law no. 34/2020 (the “Decreto Rilancio”), converted by Law no. 77 of 17 July 2020;
- MIT grant earmarked for Trenitalia S.p.A. (€323 million) to support companies operating passenger rail transport services not subject to public service obligations pursuant to article 214.3-6 of Decree law no. 34/2020, converted by Law no. 77 of 17 July 2020;
- MIT grant earmarked for Trenitalia S.p.A. (€193 million) and Busitalia group (€14 million) to support the local and regional public passenger transport sector subject to public service obligations pursuant to article 200 of Decree law no. 34/2020, converted by Law no. 77 of 17 July 2020, and article 44 of Decree law no. 104/2020 (the “August decree”), converted by Law no. 126 of 13 October 2020. The MIT grants are in addition to the further resources earmarked for Busitalia Veneto pursuant to DGRV 1320/2020 (€2 million). The grants disbursed to Busitalia group companies are transferred through the regions; therefore, they are shown under “Other government authorities”;
- MIT grant earmarked for RFI S.p.A. (€270 million) to offset the decrease in the fee for the use of the railway infrastructure pursuant to article 196 of Decree law no. 34/2020, converted by Law no. 77 of 17 July 2020.

The table below shows the relevant figures:

	millions of Euros				
Grants to the FS Italiane group	Carrying amount at 31.12.2019	Increases	Decreases	Other changes	Carrying amount at 31.12.2020
<b>Grants related to income:</b>					
MEF		1,167	(1,016)		151
MIT	87	892	(472)		507
<b>Total grants related to income</b>	<b>87</b>	<b>2,059</b>	<b>(1,488)</b>		<b>658</b>
<b>Grants related to assets:</b>					
MEF	4,415	3,597	(4,334)		3,678
MIT	1,892	20	(709)		1,203
<b>Total grants related to assets</b>	<b>6,307</b>	<b>3,617</b>	<b>(5,043)</b>		<b>4,881</b>
<b>Capital injections:</b>					
MIT	70				70
<b>Total grants to the FS Italiane group</b>	<b>6,464</b>	<b>5,676</b>	<b>(6,531)</b>		<b>5,609</b>

#### Grants related to income

The following were recognised in 2020:

- €1,016 million from the MEF, mainly in relation to the Government Programme Contract. These amounts were granted using the chapter 1541 funds according to the allocations in the 2020 Budget Act (Law no. 160 of 27 December 2019). The recognised grants have been collected in full;
- €106 million from the MIT, of which €100 million related to the 2020 Freight grant and €6 million using the funds earmarked for passenger transport in the Messina Strait;
- additional €151 million and €786 million from the MEF and the MIT, respectively, relating to grants earmarked for group companies in 2020 to deal with the COVID-19 epidemiological emergency as described in detail in this section. During the year, €360 million was collected from the MIT.

#### Grants related to assets

The following grants were recognised in 2020:

- €3,597 million from the MEF, mainly in relation to the Government Programme Contract. These amounts were granted for investments and extraordinary maintenance to develop and update railway infrastructure, as established by the 2014 Stability Act and refinanced under the 2015 Stability Act. This caption also includes the additional allocations for operating plans 2, 4, 10 and 11 for the 2021-2023 three-year period under chapter 7122, covering both work performed and advances disbursed during the year;
- €20 million from the MIT relating to the HS/HC Milan - Genoa - Giovi third railway crossing for an amount equal to that set out in Law no. 164/2014 ("Get Italy Moving") and rescheduled by the 2016 Stability Act.

With respect to the MIT's capital injections, the amount which ensures the business continuity of Ferrovie del Sud Est e Servizi Automobilistici – FSE S.r.l., equal to €70 million, is unchanged in 2020.

During the year, €6,531 million was collected in total.

The grants related to assets recognised as amounts due from the MEF and the MIT as per the Government Programme Contract mostly refer to work not yet performed. Accordingly, they have a balancing entry in liabilities under payments on account.

“Grants related to assets from the EU, other Ministries and ordinary customers” of €97 million include grants received from the European Union, other Ministries and other bodies.

The amounts from the government for litigation of €855 million cover disputes in connection with works that are deemed probable and relate to projects financed by grants for which, unlike investments against a consideration, the risk of additional costs no longer lies with Anas S.p.A.. The €201 million decrease refers to an adjustment following the annual estimate of the dispute and the operators’ collections in connection with former Central Guarantee Fund loans.

“Other government authorities” increased by €65 million on the previous year, mainly due to lower collections, net of amounts recognised in the year, from Cassa per i Servizi Energetici e Ambientali (CSEA, the energy and environmental service fund), the regional authorities and local bodies (€31 million) and greater amounts from foreign public administrations (€24 million), partly related to COVID-19 indemnities granted by foreign authorities in relation to the public health emergency. This caption also includes the amount not yet collected of the above-mentioned non-recurring grants to Busitalia group companies (€10 million) in respect of the epidemiological emergency.

“Sundry assets and prepayments and accrued income” increased by €370 million on 2019 mainly due to higher advances to suppliers and local bodies for works (€320 million), higher amounts from social security institutions, mainly related to INAIL (national institute for insurance against accidents at work) premium payments made during the year and post-employment benefits paid in advance to employees (€5 million), higher prepaid expenses related to fees for IT licences (€12 million) and the net increase in other sundry assets (€33 million).

The following table gives a breakdown of other non-current and current assets by geographical segment:

	millions of Euros		
	31.12.2020	31.12.2019	Changes
Italy	8,142	8,709	(567)
Eurozone countries	164	133	31
United Kingdom	15	20	(5)
Other European countries (EU, non-Euro)	1	2	(1)
Other non-EU European countries	4	18	(14)
Other countries	4	5	(1)
<b>Total</b>	<b>8,330</b>	<b>8,887</b>	<b>(557)</b>

## 17. Inventories

This caption can be analysed as follows:

	millions of Euros		
	31.12.2020	31.12.2019	Changes
Raw materials, consumables and supplies	1,788	1,714	74
Allowance for inventory write-down	(230)	(181)	(49)
<b>Carrying amount</b>	<b>1,558</b>	<b>1,533</b>	<b>25</b>
Work in progress and semi-finished products	2	1	1
Allowance for inventory write-down			
<b>Carrying amount</b>	<b>2</b>	<b>1</b>	<b>1</b>
Finished products and goods	1		1
Allowance for inventory write-down			
<b>Carrying amount</b>	<b>1</b>		<b>1</b>
Retired assets to be sold	1	3	(2)
Allowance for inventory write-down	(1)	(1)	
<b>Carrying amount</b>		<b>2</b>	<b>(2)</b>
Buildings and land held for trading	1,015	1,028	(13)
Allowance for inventory write-down	(269)	(274)	5
<b>Carrying amount</b>	<b>746</b>	<b>754</b>	<b>(8)</b>
<b>Total inventories</b>	<b>2,307</b>	<b>2,290</b>	<b>17</b>

Raw materials, consumables and supplies comprise the inventories to be used in investments, superstructure material, electrical systems, navigation equipment and maintenance materials. The €25 million increase is the combined effect of greater purchases, and the corresponding consumption, of materials for infrastructure (€74 million), net of the allowance for inventory write-down (€49 million) for obsolete materials that are no longer useful for maintenance.

Land and buildings held for trading refer to the group's properties which will be sold. The €8 million decrease is due to the sales of the year (€29 million), net of the write-downs which brought the carrying amount of the assets into line with the related market value (€13 million), the increase in the related work in progress (€4 million) and the reclassifications from investment property (€4 million) relating to properties included in sales plans.

## 18. Non-current and current trade receivables

millions of Euros

	31.12.2020			31.12.2019			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Ordinary customers	4	1,491	<b>1,495</b>	4	1,644	<b>1,648</b>		(153)	(153)
Government authorities and other public authorities	2	172	<b>174</b>	2	194	<b>196</b>		(22)	(22)
Foreign railways		2	<b>2</b>		9	<b>9</b>		(7)	(7)
Railways under concession		4	<b>4</b>		33	<b>33</b>		(29)	(29)
Agencies and other transport companies		14	<b>14</b>		30	<b>30</b>		(16)	(16)
Public service contracts:									
- regions		748	<b>748</b>		881	<b>881</b>		(133)	(133)
- government		294	<b>294</b>		266	<b>266</b>		28	28
Group companies		274	<b>274</b>		150	<b>150</b>		124	124
<b>Total trade receivables</b>	<b>6</b>	<b>2,999</b>	<b>3,005</b>	<b>6</b>	<b>3,207</b>	<b>3,213</b>		<b>(208)</b>	<b>(208)</b>
Loss allowance		(690)	<b>(690)</b>		(690)	<b>(690)</b>			
<b>Carrying amount</b>	<b>6</b>	<b>2,309</b>	<b>2,315</b>	<b>6</b>	<b>2,517</b>	<b>2,523</b>		<b>(208)</b>	<b>(208)</b>
Contract assets for contract work in progress		184	<b>184</b>		154	<b>154</b>		30	30
<b>Carrying amount</b>		<b>184</b>	<b>184</b>		<b>154</b>	<b>154</b>		<b>30</b>	<b>30</b>
<b>Total non-current and current trade receivables</b>	<b>6</b>	<b>2,493</b>	<b>2,499</b>	<b>6</b>	<b>2,671</b>	<b>2,677</b>		<b>(178)</b>	<b>(178)</b>

“Current and non-current trade receivables” before the loss allowance amount to €2,499 million, down €178 million on the previous year end.

Those from ordinary customers are down €153 million mainly due to the following factors: i) the recognition of credit notes to be issued to motorway operators due to the reduction in motorway traffic (fee integration as per article 19.9-bis of Law no. 102/09) following the measures to contain and prevent the COVID-19 emergency (-€25 million); ii) the reduction in invoices issued for tolls as a result of the pandemic (-€50 million); iii) the reduction in invoices to be issued relating to the integration of the annual fee as per paragraph 1020 (-€15 million); iv) the reduction in trade receivables in connection with the Riyadh contract (-€26 million) and from the Greek public counterparties OSE and GAIABOSE (-€10 million) for payments made during the year.



Amounts due under service contracts show an overall decrease of €105 million mainly because of the amounts due from the regions. This decrease is substantially due to the offsetting of amounts in the year with the regions (-€133 million), partially offset by an increase in amounts due under the service contracts with the MEF because of the consideration accrued in the year from the MEF but not yet collected (+€28 million).

“Contract assets for contract work in progress”, of €184 million, reflect the gross amount due from customers for work in progress on contracts for which incurred costs, plus recorded profits (and less recorded losses), exceed progress billing. The increase in the year (+€30 million) is substantially due to the progress of the work compared to the billing on internal orders (+€10 million) and the rise in the costs incurred for works on roads that are not under concession, pending reimbursement by the granting Ministry (+€15 million).

The following table gives a breakdown of non-current and current trade receivables, including contract assets for contract work in progress, by geographical segment:

	millions of Euros		
	<b>31.12.2020</b>	<b>31.12.2019</b>	<b>Changes</b>
Italy	2,987	3,092	(105)
Eurozone countries	118	166	(48)
United Kingdom	6	13	(7)
Other European countries (EU, non-Euro)	2	1	1
Other non-EU European countries	22	22	
Other countries	54	73	(19)
<b>Total</b>	<b>3,189</b>	<b>3,367</b>	<b>(178)</b>

## 19. Cash and cash equivalents

They can be analysed as follows:

	31.12.2020	31.12.2019	Changes
Bank and postal accounts	715	721	(6)
Cash and cash on hand	79	48	31
Cash pooling accounts	477	767	(290)
<b>Total</b>	<b>1,271</b>	<b>1,536</b>	<b>(265)</b>
Loss allowance	(1)	(2)	1
<b>Total net of the loss allowance</b>	<b>1,270</b>	<b>1,534</b>	<b>(264)</b>

The decrease in cash and cash equivalents at 31 December 2020 is mainly due to the cash pooling accounts which hold the payments made by the MEF for the Government Programme Contract and other EU grants.

For a breakdown of the changes in the balance, reference should be made to the statement of cash flows.

## 20. Tax assets

Tax assets amount to €104 million at 31 December 2020 and relate to prior year income tax assets or foreign withholding taxes. The €24 million decrease on 31 December 2019 (€128 million) is mainly due to the asset recognised by TrainOSE for withholdings that the government applied to payments (€10 million) and the total reimbursement of the IRAP asset recognised by RFI related to advances made for the 2014 tax year in excess of the tax due (€16 million).

## 21. Equity attributable to the owners of the parent

Changes in the main equity captions in 2020 and 2019 are shown in the statement of changes in equity.

### Share capital

At 31 December 2020, the parent's share capital, fully subscribed and paid up by the sole shareholder, the MEF, was made up of 39,204,173,802 ordinary shares, with a par value of €1 each, for a total of €39,204 million.

### Legal reserve

The legal reserve of €65 million rose to the extent related to the profit of the parent allocated to this caption.

### Translation reserve

The translation reserve is up €5 million on the nil balance of the previous year end. It reflects the changes in exchange rates during the year.

**Hedging reserve**

The hedging reserve includes the effective portion of the cumulative net change in the fair value of cash flow hedges relating to transactions that have not yet taken place and the portion of the accumulated reserve with previous financial instruments in relation to which, in 2012, the counterparties exercised the contractually-permitted early termination option. At 31 December 2020, this reserve was negative by €39 thousand (negative by €69 million at 31 December 2019) essentially due to the fair value measurement of hedging instruments at the reporting date (increase of €5 million), the release of the portion of the year linked to the early termination of derivative contracts with reference to the early termination option mentioned above (+€11 million) and the release of these reserves following the loss of control of the Sitaf group (+€14 million). For additional information, reference should be made to note 4 - Change in consolidation scope and non-recurring transactions and 8 Assets held for sale and disposal groups.

**Actuarial reserve**

The actuarial reserve, which includes the effects of actuarial gains and losses on post-employment benefits and the Free Travel Card, is a negative €374 million at the reporting date (31 December 2019: negative by €331 million). This caption also includes the restatement of Trenitalia C2C's employee benefits as a result of the amendment to the contractual terms with the UK DfT (-€20 million).

**Retained earnings**

Retained earnings of €2,956 million substantially refer to the retained earnings and losses carried forward of the consolidated companies, the effects of the acquisition of control over Netinera Deutschland GmbH (-€9 million), for which reference should be made to note 4 - Change in consolidation scope and non-recurring transactions, as well as consolidation adjustments arising in previous years.

**Other comprehensive income (net of the tax effect)**

The statement of comprehensive income, to which reference should be made, shows other comprehensive income net of the tax effect.

## 22. Equity attributable to non-controlling interests

The following table shows the financial highlights of each subsidiary with significant non-controlling interests for the group, before intragroup eliminations. Consequently, these figures match the information provided by these companies in their financial statements and in the consolidated financial statements of Netinera Deutschland group, before intragroup eliminations.

millions of Euros

	Grandi Stazioni Immobiliare S.p.A.	Sitaf S.p.A.	Terminal Alptransit S.r.l.	Mercitalia Intermodal S.p.A.	Tunnel Ferroviario del Brennero S.p.A.	Other subsidiaries which are not individually material	Eliminations/ Adjustments	Total
<b>Balances at 31.12.2020</b>								
<i>Non-controlling interests (%)</i>	40%	48.91%	42%	46.72%	10.26%			
Current assets	9		5	85	8	314		
Non-current assets	52		16	64	980	109		
Current liabilities	(21)		(2)	(111)		(213)		
Non-current liabilities	(6)		(4)	(5)		(100)		
Net assets	34		15	33	988	110		
<b>Net assets pertaining to non-controlling interests</b>	<b>14</b>		<b>6</b>	<b>16</b>	<b>101</b>	<b>21</b>	<b>4</b>	<b>162</b>
Revenue	6	183		196		252		
Profit (loss) for the year	(2)	18	(1)	(4)		5		
Other comprehensive expense		(5)						
Comprehensive income (expense)	(2)	13	(1)	(4)		5		
<b>Profit (loss) attributable to non-controlling interests</b>	<b>(1)</b>	<b>9</b>		<b>(2)</b>		<b>2</b>		<b>8</b>
Other comprehensive expense attributable to non-controlling interests		(2)						
Net cash flows generated by operating activities	1			13		(24)		
Net cash flows used in investing activities	(1)		(1)	(19)	(190)	6		
Net cash flows generated by financing activities				9	160	9		
Total net cash flows for the year			(1)	3	(30)	(9)		
Dividends paid to non-controlling interests								

	Grandi Stazioni Immobiliare S.p.A.	Sitaf S.p.A.	Terminal Alptransit S.r.l.	Mercitalia Intermodal S.p.A.	Tunnel Ferroviario del Brennero S.p.A.	NETINERA Deutschland Group	Other subsidiaries which are not individually material	Eliminations / Adjustments	Total
<b>Balances at 31.12.2019</b>									
<i>Non-controlling interests (%)</i>	40%	48.91 %	42%	46.72%	11.01%	49%			
Current assets	6	136	5	85	38	207			
Non-current assets	55	1,533	15	63	790	652			
Current liabilities	(16)	(130)	(1)	(104)		(236)			
Non-current liabilities	(9)	(1,168)	(4)	(7)		(390)			
Net assets	36	371	15	37	828	233			
<b>Net assets pertaining to non-controlling interests</b>	<b>14</b>	<b>182</b>	<b>6</b>	<b>17</b>	<b>91</b>	<b>114</b>	<b>34</b>	<b>(10)</b>	<b>448</b>
Revenue	6	251		208		599			
Profit (loss) for the year	(3)	31		(3)		(9)			
Other comprehensive income		1				2			
Comprehensive income (expense)	(3)	32		(3)		(7)			
<b>Profit (loss) attributable to non-controlling interests</b>	<b>(1)</b>	<b>15</b>		<b>(1)</b>		<b>(4)</b>	<b>2</b>		<b>11</b>
Other comprehensive income attributable to non-controlling interests						1			
Net cash flows generated by operating activities	1	84	(16)	(30)		54			
Net cash flows used in investing activities		(66)	(1)	(15)	(160)	(20)			
Net cash flows generated by (used in) financing activities	(1)	(51)	1	50	120	(55)			
Total net cash flows for the year		(33)	(16)	5	(40)	(21)			
Dividends paid to non-controlling interests						(10)			

The balance of €162 million at 31 December 2020 shows a €286 million decrease on the previous year end (€448 million), mainly due to the acquisition of 100% of Netinera Deutschland GmbH (-€110 million) and the loss of control over the Sitaf group (-€203 million), for which reference should be made to note 4 - Change in consolidation scope and non-recurring transactions, as well as the capital increase of Tunnel Ferroviario del Brennero – Società di partecipazioni S.p.A. and Busitalia Veneto (€13 million) and the profit (loss) for the year.

## 23. Non-current and current loans and borrowings

This caption totals €11,565 million and can be analysed as follows:

millions of Euros

Non-current loans and borrowings, net of the current portion	Carrying amount		
	31.12.2020	31.12.2019	Changes
Bonds	5,936	5,412	524
Bank loans and borrowings	1,765	1,637	128
Loans and borrowings from other financial backers	32	162	(130)
<b>Total</b>	<b>7,733</b>	<b>7,211</b>	<b>522</b>

millions of Euros

Current loans and borrowings and current portion of non-current loans and borrowings	Carrying amount		
	31.12.2020	31.12.2019	Changes
Bonds (current portion)	615	929	(314)
Bank loans and borrowings (current portion)	3,086	2,786	300
Loans and borrowings from other financial backers (current portion)	131	375	(244)
Loans and borrowings from group companies (current portion)		5	(5)
<b>Total</b>	<b>3,832</b>	<b>4,095</b>	<b>(263)</b>
<b>Total loans and borrowings</b>	<b>11,565</b>	<b>11,306</b>	<b>259</b>

“Bonds” at 31 December 2020 comprise:

- twelve bonds issued by the parent and fully subscribed by the Swiss investee, Eurofima SA (private placement), totalling €1,723 million. The aim of these bonds (up to 2012) was to finance the investments for the plan to renew and upgrade rolling stock. Repayment will take place in one instalment at the maturity date. Coupons accrue every six months at the variable interest rate for all twelve bonds. They are not listed on “official markets”, domestic or foreign stock exchanges, cannot be traded and will remain with Eurofima’s financial statements as the sole holder;
- fifteen tranches, for a total of €4,810 million, of the bonds related to the Euro Medium Term Notes Programme placed by FS Italiane dello Stato S.p.A. on the Dublin Stock Exchange between 2013 and 2018. The first tranche, with a nominal amount of €750 million and annual fixed coupon of 4%, was fully repaid on 22 July 2020; the second tranche, with a nominal amount of €600 million and annual fixed coupon of 3.5%, matures on 13 December 2021; the third tranche, with a nominal amount of €300 million and a variable six-monthly coupon indexed to the 6M Euribor, matures on 31 December 2025; the fourth tranche, with a nominal amount of €350 million and a variable six-monthly coupon indexed to the 6M Euribor, matures on 18 July 2022; the fifth tranche, with a nominal amount of €50 million and an annual fixed coupon of 1.65%, matures on 25 July 2031; the sixth tranche, with a nominal amount of €1,000 million and an annual fixed coupon of 1.5%, matures on 27 June 2025; the seventh tranche, as part of the Green Bond Framework, with a nominal amount of €600 million and an annual fixed coupon of 0.875%, matures on 7

December 2023; the eighth tranche, with a nominal amount of €100 million and a variable rate, matures on 19 December 2025; the ninth tranche, with a nominal amount of €200 million and variable coupon indexed to the 6M Euribor, matures on 26 March 2030; the tenth tranche, with a nominal amount of €700 million and a fixed rate of 1.12%, matures on 9 July 2026; the eleventh tranche, with a nominal amount of €100 million and a fixed rate of 1.035%, matures on 1 August 2029; the twelfth tranche, with a nominal amount of €140 million and a variable rate indexed to the 6M Euribor, matures on 23 December 2029; the thirteenth tranche, with a nominal amount of €190 million and a variable rate indexed to the 6M Euribor, matures on 23 June 2024; the fourteenth tranche, with a nominal amount of €150 million a variable rate indexed to the 6M Euribor, matures on 31 July 2032; the fifteenth tranche, with a nominal amount of €250 million and a fixed rate of 0.64%, matures on 4 December 2030; the sixteenth tranche, with a nominal amount of €80 million and a fixed rate of 0.00%, matures on 15 December 2023;

- the accruals on the above bonds recognised in 2020 for a total of €18 million.

In 2020, the amount of bonds (both current and non-current) increased by €210 million as the combined effect of the three new tranches of the bonds related to the Euro Medium Term Notes Programme (€480 million) and the three new Eurofima bonds (€640 million), the decrease in accrued expenses and amortised cost of EMTN issues (€8 million) and the repayments of the first bond issue under the Euro Medium Term Notes Programme for €750 million and the Eurofima bond for €152 million.

Bank loans and borrowings (both current and non-current) increased by €428 million mainly as the combined and opposing effect of the following:

- the €298 million increase in current bank loans and borrowings and hot money transactions worth €150 million;
- the repayments of loan principal (€570 million), financed by the EIB and Intesa Sanpaolo, to purchase new rolling stock for medium and long-haul transport and regional transport;
- the repayments of loan principal (€14 million), financed by Banco di Sardegna, related to the compensation for the termination of the agreement in place with Tunnel Gest S.p.A.;
- the agreement of loans of €600 million with Unicredit and Intesa San Paolo;
- the payment of privileged creditors in the Ferrovie del Sud Est's deed of arrangement (€16 million).

Loans and borrowings from other financial backers (both current and non-current) decreased by €374 million, mainly due to the repayment of principal and interest of CPD and Targeted Longer Term Refinancing Operations - TLTRO (€370 million).

Some group companies are required to comply with financial covenants for their loans, which they had done at the reporting date.

The table below analyses net financial debt at the reporting date compared to that at 31 December 2019:

millions of Euros

	31.12.2020	31.12.2019	Change
<b>Net current financial debt</b>	<b>1,106</b>	<b>677</b>	<b>429</b>
Cash pooling accounts	(477)	(766)	289
Fifteen-year grants from the MEF	(504)	(599)	95
Loans and borrowings from other financial backers	131	375	(244)
Bank loans and borrowings	3,086	2,792	294
Bonds	615	929	(314)
Concession assets	(1,412)	(1,549)	137
Contract advances	430	197	233
Financial liabilities recognised in accordance with IFRS 16	140	166	(26)
Other	(903)	(868)	(35)
<b>Net non-current financial debt</b>	<b>7,787</b>	<b>6,982</b>	<b>805</b>
Fifteen-year grants from the MEF		(497)	497
Loans and borrowings from other financial backers	32	162	(130)
Bank loans and borrowings	1,765	1,637	128
Bonds	5,936	5,412	524
Concession assets	(1,891)	(1,696)	(195)
Contract advances	1,215	1,142	73
Financial liabilities recognised in accordance with IFRS 16	635	780	(145)
Other	95	42	53
<b>Total</b>	<b>8,893</b>	<b>7,659</b>	<b>1,234</b>



Pursuant to the amendments to IAS 7, the reconciliation between the total changes in financial assets and liabilities broken down by monetary and non-monetary is given below:

							millions of Euros
2019	Monetary items (statement of cash flows)	Change in consolidation scope	Non-monetary items			31.12.2020	
			Effects of IFRS 16	Hedging reserve	Other		
Disbursement and repayment of current and non-current loans	11,306	295			(36)	11,565	
Change in other financial assets	(2,333)	551			91	(1,691)	
Change in other financial liabilities	1,753	(244)	(3)	34	3	(5)	
<b>Total</b>	<b>10,726</b>	<b>602</b>	<b>(3)</b>	<b>34</b>	<b>3</b>	<b>50</b>	
						<b>11,412</b>	

#### 24. Post-employment benefits and other employee benefits

			millions of Euros	
			2020	2019
Present value of post-employment benefit obligations			1,005	1,153
Present value of Free Travel Card obligations			57	60
Present value of other employee benefit obligations			11	8
<b>Total present value of obligations</b>			<b>1,073</b>	<b>1,221</b>

Changes in the present value of liabilities for defined benefit obligations are shown in the table below.

			millions of Euros	
			2020	2019
Defined benefit obligations at 1 January			1,221	1,474
Service costs			9	6
Interest cost (*)			2	7
Actuarial losses recognised in equity			43	9
Advances, utilisations and other changes			(202)	(275)
<b>Total defined benefit obligations</b>			<b>1,073</b>	<b>1,221</b>

(\*) through profit or loss

"Actuarial losses recognised in equity" include the restatement of Trenitalia C2C's employee benefits as a result of the amendment to the contractual terms with the UK DfT (€29 million).

## Actuarial assumptions

The main assumptions for the actuarial estimate process are described below:

	2020	2019
Discount rate (post-employment benefits)	(0.06)%	0.18%
Discount rate (Free Travel Card)	0.70%	0.77%
Annual increase rate of post-employment benefits	2.40%	2.40%
Inflation rate (post-employment benefits)	1.20%	1.20%
Inflation rate (Free Travel Card)	1.20%	1.20%
Expected turnover rate for employees - post-employment benefits	3.40%	3.39%
Expected turnover rate for employees - Free Travel Card	3.10%	3.10%
Expected rate of advances	1.97%	1.97%
Probability of death	RG48 mortality rate published by the General Accounting Office	
Disability	INPS tables broken down by gender and age	
Retirement age	100% upon meeting the Compulsory general insurance requirements	

The following sensitivity analysis shows the effects that would have been recorded in terms of changes in the present value of liabilities for defined benefit obligations, following reasonably possible changes in actuarial assumptions.

The last table shows the average duration of the defined benefit obligations and the disbursements provided by the plan.

	millions of Euros		
	Post-employment benefits	Free Travel Card	Other employee benefits
Inflation rate +0.25%	1,033	58	
Inflation rate -0.25%	1,014	56	
Discount rate +0.25%	1,008	56	
Discount rate -0.25%	1,039	59	
Turnover rate +1%	1,017		
Turnover rate -1%	1,030		
Plan duration	6	20	
Payment - first year	265	4	
Payment - second year	45	4	
Payment - third year	62	4	
Payment - fourth year	83	4	
Payment - fifth year	70	4	

## 25. Provisions for risks and charges

The opening and the closing balances of, and changes in, the provisions for risks and charges for 2020 are given below, indicating the current and non-current portions.

millions of Euros

	31.12.2019	Accruals	Utilisations and other changes	Release of excess provisions	31.12.2020
Provision for taxation	21		(2)	(7)	12
Other provisions	2,526	573	(226)	(474)	2,425
<b>Total non-current portion</b>	<b>2,547</b>	<b>573</b>	<b>(228)</b>	<b>(481)</b>	<b>2,437</b>

millions of Euros

<b>Current portion of provisions for risks and charges</b>	31.12.2019	Accruals	Utilisations and other changes	31.12.2020
Other provisions	34	11	(26)	18
<b>Total current portion</b>	<b>34</b>	<b>11</b>	<b>(26)</b>	<b>18</b>

Other provisions are broken down below.

The bilateral fund for income assistance, set up for proactive income and employment assistance, amounts to €127 million. During the year, €127 million was accrued for extraordinary benefits to be paid in the next few years and €12 million was released due to lower than expected requirements.

The provision for termination benefits amounts to €11 million. It decreased by utilisations of €1 million during the year, to cover costs incurred for the change management processes and the group's production structure rationalisation.

The provision for litigation with employees, which covers the probable charges arising from pending disputes and cases brought before the competent courts in respect of economic and career claims and compensation for occupational illness, amounts to €84 million. In 2020, a total of €28 million was accrued. The provision was used for a total of €27 million to cover the social security contribution charges and costs related to disputes with personnel.

The provisions for litigation with third parties of €1,626 million were accrued to cover probable charges arising from the pending disputes with suppliers for subcontracting, services and supplies, the potential dispute for suppliers' claims and the charges prudently accrued for probable disputes with the regions about the quality of the transport services rendered as part of the public service contracts. During the year, approximately €264 million was accrued, with several income statement captions as balancing entries. Approximately €157 million was used following the settlement of disputes with an unfavourable outcome for the group and the payment of penalties to customers and the regions. Conversely, approximately €426 million was released to reflect the smaller needs related to some pending disputes. Of this amount, €40 million was released through profit or loss and €386 million was recognised as a decrease in the amounts due from the government for litigation which, as discussed in note 16 Other non-current and current assets, cover probable risks of disputes in connection with works related to projects financed by grants for which, unlike investments against a consideration, Anas S.p.A. no longer bears the risk of additional costs.

The provision accrued to cover the charges related to the reclamation of polluted sites and the enhancement of works to be sold amounts to €67 million. €14 million was used during the year to cover the reclamation charges incurred.

Other provisions of approximately €528 million include prior-year accruals mainly for maintenance, workshop expense, expense related to buildings held for trading and disputes with agents. During the year, the group accrued €164 million for probable future risks and charges. It also released €40 million to profit or loss due to smaller-than-expected

requirements for pending contractual disputes and used €10 million essentially to cover charges related to contractual obligations. This caption also includes the €108 million accrual for the potentially onerous contract that Trenitalia C2C signed with the UK DfT following the early termination of the franchisee contract and the replacement and signing of the COVID-19 EMA and ERMA. For additional information on these two agreements and on the current and future actions to recover the contract's balance of costs and revenue, reference should be made to note 11 - Intangible assets.

## 26. Non-current and current financial liabilities (including derivatives)

millions of Euros

	Carrying amount								
	31.12.2020			31.12.2019			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
<b>Financial liabilities</b>									
Hedging derivatives	20	6	<b>26</b>	30	2	<b>32</b>	(10)	4	(6)
Lease liabilities	635	140	<b>775</b>	780	166	<b>946</b>	(145)	(26)	(171)
Other financial liabilities	726	23	<b>749</b>	767	8	<b>775</b>	(41)	15	(26)
<b>Total</b>	<b>1,381</b>	<b>169</b>	<b>1,550</b>	<b>1,577</b>	<b>176</b>	<b>1,753</b>	<b>(196)</b>	<b>(7)</b>	<b>(203)</b>

"Hedging derivatives" essentially reflect the total of interest rate swaps, interest rate collars, forward rate agreements and fair value hedges, calculated using standard market valuation techniques (at fair value) in accordance with IFRS 13. They were entered into by the FS Italiane group companies to hedge non-current loans at variable rates and interest rates. The €6 million decrease is due to the fair value losses on hedging derivatives (€6 million).

"Lease liabilities" amount to €775 million and decreased by €171 million mainly as the combined effect of the recognition of lease liabilities as a balancing entry to right-of-use assets (€204 million, of which €2 million relating to a sale and lease back transaction), the financial expense of the year (€35 million), the payments of the year (€188 million), the early termination of some leases relating to Trenitalia C2C (€211 million) and the significant fluctuation in the British pound which resulted in exchange losses on contracts in foreign currency (€11 million).

The decrease in "Other financial liabilities" is mainly due to the combined effect of the loan with TPER, which joined the consolidation scope in 2020 (€12 million), and the decrease in contract advances collected by Anas S.p.A. for works that have not yet been built and that it is not certain will be built for lack of specific plans (€36 million).

Fair value measurement

The hedging derivatives included in the group's portfolio are OTC and fall under Level 2 of the fair value hierarchy laid down in IFRS 7.

Financial instruments have been measured at fair value using financial models based on market standards. Specifically, this entailed:

- determining the net present value of future flows for swaps;
- calculating option contracts (cap and collar) using market value calculation models.

The inputs used to feed the above models reflect observable market parameters which are available with the main financial info providers.

Specifically, the swap vs. 3M Euribor curve figures were used, as well as those related to the swap vs. 6M Euribor curve, the Basis GBP vs. EUR curve, the swap vs. 6M LIBOR GBP curve, the Eur interest rate volatility curve and the credit default swap (CDS) curve of the parties to the derivative contract, which reflect the input widely accepted by market operators to calculate non-performance risk. This risk is calculated using adequate financial valuation techniques and models which include, inter alia, the following factors: i) the risk exposure, being the potential mark-to-market exposure throughout the life of the financial instrument and ii) adequate CDS curves to reflect their probabilities of default (PD).

There are no extension options on leases that the group reasonably expects to exercise.

## 27. Contract advances -- non-current and current

Contract advances - non-current and current, totalling €1,645 million (current portion: €431 million), refer to portion of grants already collected for works still to be performed related to Anas S.p.A..

This caption mainly comprises advances related to prior year grants, such as the residual amounts pursuant to article 7 of Law no. 178/2002, 2003-2005 capital injections, former FAS and Funds for development and cohesion, which were not required to be reported prior to collection. The advances relate to works not yet performed and scheduled over the next few years and works in progress which resulted in bidding discounts and economies pending their utilisation in the work or their use in other programmes, after discussion with the competent ministries. The caption also includes extraordinary maintenance yet to be performed and financed using the portion of revenue from fee integration as per article 19.9-bis of Law no. 102/09, which was suspended until 2016 (€82 million).

The €306 million increase on the previous year end is mainly due to the increase in fully-financed works not scheduled in 2019 for which the approval process started in 2020 (€36 million), new advances (€360 million), the decrease in prior year advances due to the production of the year, net of progress payments (€91 million) and the effect of discounting (net of prior year reversals) (€1 million).

## 28. Other non-current and current liabilities

They can be analysed as follows:

millions of Euros

	31.12.2020			31.12.2019			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Advances for grants		3,019	<b>3,019</b>		3,360	<b>3,360</b>		(341)	(341)
Advances to customers		3	<b>3</b>		1	<b>1</b>		2	2
Social security charges payable	24	289	<b>313</b>	30	313	<b>343</b>	(6)	(24)	(30)
VAT liabilities		18	<b>18</b>		18	<b>18</b>			
Other liabilities with group companies		3	<b>3</b>		15	<b>15</b>		(12)	(12)
Other liabilities and accrued expenses and deferred income	116	1,837	<b>1,953</b>	132	1,907	<b>2,039</b>	(16)	(70)	(86)
<b>Total</b>	<b>140</b>	<b>5,169</b>	<b>5,309</b>	<b>162</b>	<b>5,614</b>	<b>5,776</b>	<b>(22)</b>	<b>(445)</b>	<b>(467)</b>

Advances for grants are mainly related to:

- additional accruals for FS Italiane S.p.A. in connection with the Tunnel Euralpin Lyon Turin Sas – TELT Sas (formerly Lyon Turin Ferroviarie Sas – LTF Sas) project, as already described in the note to “Other non-current and current assets” to which reference should be made;
- the accruals mainly recognised by RFI S.p.A. against the grants related to assets from the government (MEF and MIT), the EU and other bodies, for infrastructural investments.

The table below shows the changes in advances for grants related to the FS Italiane group:

millions of Euros

	31.12.2019	Increases	Decreases	Other changes	31.12.2020
<b>Advances for grants:</b>					
- MEF	648	3,616	(3,601)	(150)	513
- MIT	2,183	20	(350)		1,853
- European Regional Development Fund	49	110	(128)		31
- Trans-European Network	23	13	(1)		35
- Other	457	379	(249)		587
<b>Total</b>	<b>3,360</b>	<b>4,138</b>	<b>(4,329)</b>	<b>(150)</b>	<b>3,019</b>

The increases in advances for grants from the MEF and the MIT include the new amounts related to grants allocated during the year, as described in the notes to “Other non-current and current assets” and “Financial assets”.

The decrease in advances refer to the recognition of grants under "Property, plant and equipment" and "Intangible assets" to which reference should be made for additional information. Furthermore, €48 million refers to grants recognised in profit or loss to cover financial expense.

"Other" refers to the net decrease of €150 million for the capital increases of Tunnel Ferroviario del Brennero S.p.A., as detailed in the note to "Equity investments".

"Other liabilities and accrued expenses and deferred income" of €1,953 million include amounts due to personnel (€509 million), partly in connection with the fund for income and employment assistance (€41 million), guarantee deposits (€128 million), amounts due to operators (€399 million), tax liabilities (€129 million), accrued expenses and deferred income (€95 million) and other sundry liabilities (€693 million).

## 29. Non-current and current trade payables

They can be analysed as follows:

millions of Euros

	31.12.2020			31.12.2019			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Suppliers	21	5,390	5,411	23	5,614	5,636	(2)	(224)	(226)
Payments on account	5	96	101	4	96	101	1		1
Group companies		82	82		73	73		9	9
Contract liabilities for contract work in progress		18	18		14	14		4	4
<b>Total</b>	<b>26</b>	<b>5,586</b>	<b>5,612</b>	<b>27</b>	<b>5,797</b>	<b>5,824</b>	<b>(1)</b>	<b>(211)</b>	<b>(212)</b>

"Non-current and current trade payables" show an overall decrease of €212 million on the previous year end, mainly due to "Suppliers".

The decrease is mainly due to the payments made in 2020 for investment works (-€542 million), partly offset by higher disbursements for works on the road and motorway network carried out in 2020 (+€196 million) as well as to the postponement to the following year of the repayment of payables to ordinary suppliers for interim invoices for rolling stock purchased for the Spanish ILSA (+€77 million), the increase in payables to IT service providers due to the greater volume of activities carried out during the year (+€21 million) and to the consolidation of Infrarail Firenze S.r.l. as of May 2020 (+€3 million).

### 30. Tax liabilities

The balance at 2020 year end, equal to €4 million (€13 million at 2019 year end), includes €2 million due by the group companies included in the tax consolidation scheme, for the purposes of IRAP (regional production tax), and by the other group companies not included in the scheme, for IRES (corporate income tax) and IRAP, as well as €2 million related to the income taxes of foreign companies. The decrease on the previous year end, net of the payments of the year, is closely related to lower taxes recognised during the year, as discussed in note 46.



## 31. COVID-19 emergency

Since the first few months of 2020, the FS Italiane group has been - and continues to be - actively committed to dutifully and carefully handling, with an approach it has shared with all stakeholders, the unprecedented and extraordinarily complex health, socio-environmental and economic crisis that the country faces in the wake of the global coronavirus outbreak. The group has responsibly assessed - always considering the internal and external actions and measures, as well as the developments under way - the current and future operational, organisational, economic and financial impacts on operations in the near future as well.

The pandemic put severe pressure on the national healthcare system in 2020, compelling the government authorities to issue a series of mobility restrictions (as described later on) to contain the risk of further spread throughout the population.

The COVID-19 emergency has progressively impacted the regular and ordinary performance of operations. Specifically, as the coronavirus spread, the transport market experienced sharp contractions in passenger volumes and the infrastructure sector suffered delays in the start and progress of construction work. In the very early stages of the emergency, as the group waited to see how the situation would evolve, it did not change its commercial offer, thereby guaranteeing regular mobility service for passengers and freight. Then, as it became clear that the country was facing a genuine emergency, the situation in the transport sector became critical. Accordingly, while the drop in volumes was initially caused by plummeting demand in tourism and business travel, transport volumes plunged dramatically across practically all passenger transport sectors and, within the space of a few weeks, they dropped in the freight sectors as well, largely due to the urgent and necessary government measures taken nationally and locally with a profound impact on Italians' mobility. Furthermore, the sharp contraction in railway services and road mobility had significant consequences on traffic with respect to the operating of the railway, road and motorway infrastructural grid, and this affected the income that the group earns directly and indirectly from tolls, fees and royalties.

In this way, the first phase of the lockdown triggered a supply crisis, which rapidly became a demand crisis as well, ushering in recessive dynamics and changes in people's lifestyles and mobility. Indeed, passenger traffic nosedived 90% and freight transport was halved. Starting in mid-May, as the lockdown orders were lifted and traffic progressively reopened, first regionally and then between regions, traffic volumes recovered. However, the easing of restrictions on economic and social activities in the summer months and the arrival of cooler temperatures in autumn led to a violent second wave of the virus, causing another slowdown in economic activity in Italy due to social distancing measures, the forced closure of non-essential activities and another round of mobility restrictions. Overall, the year saw a sharp drop in collective demand for passenger traffic (passenger-km down by 60.3% on the previous year), while the loss of freight traffic volumes was more modest (tonnes-km down by 6.1% on 2019).

The group - and transport companies in particular, which were the hardest hit by the emergency - immediately responded and, consequently, conducted a broad and extensive analysis of the effectiveness and efficiency of reorganising passenger and freight transport according to the effects of the situation described above, with selective projects and the temporary, targeted suspension of operations in certain units at operating and maintenance sites where it is impossible for workers to work remotely.

Furthermore, from the onset of the emergency, the FS Italiane group took all the appropriate and recommended measures to limit infections and manage the pandemic, which was also in compliance with the government virus containment and social distancing measures to protect the health of employees, customers, suppliers and, in general, the entire community. In particular, it set up an intragroup task force to constantly monitor developments in the situation, coordinate the measures required by the government and outline the necessary and timely internal actions. This intragroup task force deployed a series of measures to prevent infection, including new rules for accessing stations, offices, plants, control rooms and offices and for how meetings are held. It limited domestic and international travel and participation in events, encouraging communication with customers and visitors via the online and self-service channels. It immediately had employees start working from home and using other forms of flexible working and it agreed new insurance coverage specifically for infected workers. Its business contingency plan for every "control line" and, in any case, the equipment rooms where personnel crucial for regular and safe railway operation work, included engaging companies specialised in sanitising premises, assessing the possibility of separating work areas and organising shifts to contain, as much as possible, potential infections.

At the height of the lockdown, more stringent measures were implemented, specifically affecting restaurants, cafés and pubs, along with other commercial activities in stations and other railway sites; company canteens; waiting rooms, Freccia Club and Sale Blu areas and railway hotels; workshops, maintenance plants, central control rooms and other strategic places for the safety of traffic and continuity of the transport service. In accordance with business requirements and government customers' instructions, the railway companies ramped up extraordinary cleaning on board trains, installed sanitiser dispensers and arranged for greater interpersonal distance in general. These on-board initiatives for all Frecciarossa and Frecciargento passengers also included the distribution of free safety kits (face mask, hand sanitiser, latex gloves and disposable headrest). Keenly aware of the crucial role that it plays in the country's recovery, the FS Italiane group has purchased and installed a line of machinery for the in-house production of face masks to fully meet the group's internal requirements now and in the future and to help fill any requests from the authorities.

Based on the steps taken in the initial stage of the public health emergency, in late April, the task force began preparing a recovery plan for the FS Italiane group in order to minimise any infection risks and ensure production continuity. The plan established organisational and protection measures and specific protocols to prevent clusters of cases to create the best possible health and safety conditions for workers, customers and station users. Subject to continuous updates, the recovery plan lays down the operational guidelines that group companies must follow as they resume their various businesses to prevent any new cases of COVID-19.

Furthermore, in December 2020, Trenitalia became the first railway company in the world to receive Biosafety Trust Certification, international recognition of its compliance with the requirements of the RINA certification scheme for best practices in the prevention and mitigation of the spread of infections. This certification from RINA, a leading international certification body in Italy, demonstrates how the steps taken by Trenitalia S.p.A. (including nearly 18 thousand dispensers on its trains, over 135 thousand sanitised carriages, thousands of safety kits distributed on board Frecciarossa and Frecciargento trains, instructions for where to enter and exit on the entire fleet and signs on the outside of carriages) are crucial in preventing and mitigating the spread of various types of infections, including COVID-19.

In addition to duly managing the health aspects of the pandemic, to contrast the operating and strategic effects of the public health emergency, the FS Italiane group has rolled out a series of risk-based activities according to industry best practices. The objective is to make the group more resilient in terms of strategy and business, basing medium- and long-term decisions on the vulnerabilities that the virus has brought to light, seizing upon the opportunity for continuous improvement with the knowledge gained through lessons learned and being learned in the management of this crisis and considering the new challenges and opportunities that will shape the increasingly variable and uncertain future operating context in which the FS Italiane group will soon find itself.

For additional information about the risks related to the pandemic and the mitigation actions taken, reference should be made to “Risk factors” section.

Moreover, since July 2020, the group has held talks with the competent Italian Ministries to define a bundle of projects to be financed with the Recovery Fund and, in January 2021, an intragroup task force for the National Recovery and Resilience Plan (“NRRP”) was set up to oversee the group’s actions in connection with the NRRP. Its objectives are to:

- coordinate the development of the NRRP with respect to projects under the group’s responsibility, monitoring the progress and implementation of the projects and ensuring they are always in line with the governance structure defined at national level for the plan;
- track updates to the NRRP until it is approved in order to find potentially interesting projects for the FS Italiane group.

Throughout 2020, countless Law decrees, Ministerial decrees and Implementing decrees were issued in Italy and Europe, with specific effects on the FS Italiane group’s businesses and consisting of measures to offset the economic and financial impact of the epidemiological emergency. The directors’ report provides a summary of these regulatory provisions.

The economic and financial performance of many industrial groups – especially, but not only, in the transport sector – in 2020 reflects the significant impacts and negative repercussions of the public health emergency in the wake of the global spread of COVID-19 (“Coronavirus”). The following table and notes individually present and illustrate the impacts of COVID-19 on the FS Italiane group’s statement of comprehensive income, which is discussed in its entirety further on.

	<b>Impact of COVID-19</b>
<b>REVENUE</b>	<b>(1,695)</b>
<b>Revenue from sales and services</b>	<b>(1,668)</b>
Revenue from contracts with customers	(2,747)
Other revenue from sales and services	1,079
<b>Other income</b>	<b>(27)</b>
<b>OPERATING COSTS</b>	<b>(652)</b>
Personnel expense	(168)
Other costs, net	(484)
<b>GROSS OPERATING LOSS</b>	<b>(1,043)</b>
Amortisation, depreciation, accruals and impairment losses	44
<b>OPERATING LOSS</b>	<b>(999)</b>
Net financial expense	(15)
<b>PRE-TAX LOSS</b>	<b>(1,014)</b>
Income taxes	28
<b>LOSS FROM CONTINUING OPERATIONS</b>	<b>(986)</b>
Profit (loss) from assets held for sale, net of taxes	
<b>LOSS FOR THE YEAR</b>	<b>(986)</b>

The **loss for the year** reflects the negative impact of the pandemic, which totalled €986 million due to the sharp drop in revenue (-€1,695 million, including the positive effects of the government grants received, as detailed further on). This impact was only partly offset by the decrease in costs (-€652 million), the reduction in amortisation and depreciation, accruals and impairment losses (-€44 million) and lower taxes (-€28 million), with greater net financial expense (-€15 million).

The pandemic caused a total contraction in consolidated **revenue** of €1,695 million compared to the previous year, as a result of the combined effect of lower revenue from sales and services (-€1,668 million) and other income (-€27 million). Specifically, revenue from contracts with customers suffered the greatest impact (€2,747 million) because of the following changes: revenue from passenger railway transport decreased by €2,149 million, revenue from passenger road transport fell by €108 million, revenue from the freight business slipped €96 million and revenue from infrastructure services plunged €357 million, while revenue from other services decreased by €37 million.

Analysing overall passenger railway transport, long-haul transport was the segment that bore the brunt of the lockdown measures, suffering a drop of €1,372 million due to the lower demand and the reduction in saleable seats per km. This decrease was more dramatic for the market component (services sold on the market; -€1,227 million) than for the universal component (services provided under government agreements; -€145 million). The short-haul segment, again due to mobility restrictions, saw a decrease of €777 million on both the domestic market (-€511 million) and abroad (-€266 million).

These segments benefited from the aforementioned government grants in accordance with legislation, totalling €619 million, including grants of €323 million from the Ministry of Infrastructure and Transport (MIT) for the long-haul

segment and €296 million for the short-haul segment, €193 million of which was granted by the MIT and the remainder by foreign governments (Germany and Greece).

The €108 million decrease in revenue from road transport, which consists almost entirely of local public transport (LPT) services, includes grants (€65 million) and is due to less demand and a reduction in saleable seats in Italy (-€68 million) and abroad (-€40 million).

The freight segment suffered an overall contraction of €96 million in 2020 mainly because of the drop in freight transport volumes.

The reduction in infrastructure revenue was the result of lower traffic volumes during the lockdown, less extraordinary maintenance and fewer new works following the reduction in work after the lockdown and the smaller annual fee pursuant to section 1020 integrating the annual fee following the reduction in traffic (-€357 million), partly offset by the recognition of grants received from the MIT for relief and from the Ministry of the Economy and Finance ("MEF") for operators of road and motorway infrastructure (€151 million) and railway infrastructure (€270 million).

**Operating costs** only decreased by a total of €652 million due to the public health emergency and mainly thanks to the cost saving measures that were rapidly rolled out during the lockdown and in the months that followed. The savings were substantially seen in the following captions:

- personnel expense (-€168 million) mainly due to less additional work by personnel as activities were cut back during the lockdown (-€117 million) and the use of the fund for ordinary income assistance benefits with INPS (Italian social security institution) (-€36 million);
- costs for raw materials, consumables and supplies (-€214 million) essentially because of the reduced use of materials in the wake of a dramatic drop in work at the workshops (-€50 million), less consumption of materials for capital expenditure (-€112 million) and for operations (-€6 million), less use of energy due to the decrease in railway traffic (-€27 million), lower revenue for internal works as production was suspended while the Bari, Pontassieve and Bologna sites were closed (-€9 million), lower costs for lighting and driving force due to the decrease in the cost of electrical energy, which fell to its lowest level since the start of the electricity market and because of the public health emergency (-€13 million);
- services (-€431 million) due to lower cleaning, maintenance and meal costs and lower sales agency fees in connection with the drop in railway traffic (-€129 million), lower costs because of the smaller volumes of transported freight (-€44 million), lower costs for facilities management and real estate services (-€15 million), lower franchising costs thanks to the agreement signed with the UK Department of Transport after the emergency (-€157 million) and the reduction in maintenance on the motorway network as fewer works were carried out after the lockdown (-€70 million);
- internal work capitalised (-€176 million) mainly because of reduced withdrawals of materials due to the drop in activities (-€122 million) and the smaller use of personnel at the workshops during the lockdown (-€34 million).

Amortisation and depreciation, accruals and impairment losses improved by €44 million as a result of the combined effect of lower amortisation and depreciation (€58 million), substantially due to the change in rates, and specifically to the reduction in forecast train-km for 2020 due to the lockdown and the late delivery of rolling stock, also due to the pandemic, partly offset by the increase in impairment losses (+€14 million) on property, plant and equipment,

investment property and intangible assets (€5 million), and greater adjustments and impairment gains on financial assets mainly because of non-performing assets in the real estate segment (€9 million).

Net financial expense reflects the share of profits/(losses) of equity-accounted investees for 2020 (-€15 million).

Income taxes were impacted by COVID-19 (€28 million) due to the exemption for companies with turnover of up to €250 million in 2019 from paying the final balance of IRAP (regional productivity tax) for 2019 and the first advance payment of IRAP for 2020, in accordance with the provisions of article 24 of Decree law no. 34/2020.

## 32. Revenue from sales and services

The table and comments below give a breakdown of changes in revenue from sales and services.

	millions of Euros		
	2020	2019	Change
<b>Revenue from transport services</b>	<b>5,044</b>	<b>7,572</b>	<b>(2,528)</b>
Passenger traffic products	1,626	3,932	(2,306)
Freight traffic products	763	838	(75)
<b>Market revenue</b>	<b>2,389</b>	<b>4,770</b>	<b>(2,381)</b>
Public service contracts and other contracts	397	394	3
Fees from the regions	2,258	2,408	(150)
<b>Service contract fees</b>	<b>2,655</b>	<b>2,802</b>	<b>(147)</b>
<b>Revenue from infrastructure services</b>	<b>2,522</b>	<b>2,607</b>	<b>(85)</b>
<b>Other service revenue</b>	<b>355</b>	<b>349</b>	<b>6</b>
<b>Revenue from contract work in progress</b>	<b>109</b>	<b>132</b>	<b>(23)</b>
<b>Total revenue from contracts with customers</b>	<b>8,030</b>	<b>10,660</b>	<b>(2,630)</b>
<b>Other revenue</b>	<b>2,452</b>	<b>1,351</b>	<b>1,101</b>
<b>Total</b>	<b>10,482</b>	<b>12,011</b>	<b>(1,529)</b>

The €2,630 million decrease in “**Revenue from contracts with customers**” is essentially due to the effects of the COVID-19 pandemic (-€2,747 million), as described in more detail in note 31 - COVID-19 emergency. The reduction is partly offset by business effects (+€117 million) which are discussed below.

Revenue from “Passenger traffic products”, not considering the negative impact of the pandemic, decreased by €106 million.

Medium and long-haul transport revenue slightly improved by €2 million thanks to the sound performance of the foreign market given the lack of exogenous events in 2020, unlike those in 2019 which included strikes, line suspensions, the Modane landslide and the Gilets Jaunes protests (+€11 million). On the domestic market, on the other hand, the market component decreased mainly as a consequence of the railway accident on 6 February in the outskirts of Lodi (-€12 million), partly offset by an increase in the universal component (+€3 million).

Regional transport revenue decreased by €108 million in Italy mainly as a result of the contribution of the “Emilia-Romagna” business unit to the associate Trenitalia Tper (-€118 million), offset by slight international growth driven by the positive results of the German market due to the new contracts that started in December 2019, specifically “E-Netz-Saar” in the Saarland region and “Louny” in the Czech Republic, largely related to regional rail transport and, partly, also to the transport of people with disabilities (+€7 million).

Revenue from “Freight traffic products”, not considering the negative impact of the pandemic, improved by €21 million both in Italy due to new freight traffic arrangements and services provided to customers that began in 2020 (+€15 million), and internationally (+€6 million).

The €90 million decrease in “Revenue from public service contracts”, not considering the negative impact of the pandemic, is mainly due to the above-mentioned contribution of the “Emilia-Romagna” business unit (-€95 million), lower

penalties on contract fees relating to the long haul service division (+€3 million), lower fees recorded by the regional transport passenger division (-€24 million) as a result of the services rendered and the full impact of the economic effects of the new service contracts entered into between 2019 and 2020, and the payment of bus/km as per the operating programmes, regardless of the actual distance reported (+€3 million). On the other hand, the growth of the foreign market was driven by the German market, specifically by the above-mentioned new contracts that started in December 2019 (+€19 million).

The table below gives a breakdown of fees for public service contracts with the government:

	millions of Euros		
	2020	2019	Changes
Rate and service obligations: for passenger transport	345	342	3
<b>Total</b>	<b>345</b>	<b>342</b>	<b>3</b>

“Revenue from infrastructure services”, not considering the negative impact of the pandemic, increased by €272 million mainly due to the rise in work on the motorway network during the year (+€262 million), the recognition of toll fees (paragraph 1020 of Law no. 296/2006), invoiced in 2020 and pertaining to 2013-2019, relating to Consorzio Autostrade Siciliane (+€6 million) and greater revenue in connection with invoicing to the Umbria regional authorities following the merger of UM Ferro S.r.l. (+€7 million).

The increase in “Other service revenue”, not considering the negative impact of the pandemic, amounts to €49 million and is mainly due to the following:

- the decrease in revenue from land and buildings held for trading, following the drop in sales on 2019 (-€12 million);
- the increase in revenue from processing on behalf of third parties, mainly as a result of the resumption of the construction work on the Palermo metro rail (+€14 million),
- the increase in revenue from other services, which includes revenue from the group’s international operations, revenue from penalties and sanctions, commissions on ticket sales and health services provided to third parties. The increase is mainly due to the effect of the higher revenue from the Riyadh metro contract (+€25 million), the inclusion of Infrarail Firenze S.r.l. and FS International S.p.A. in the consolidation scope as of May 2020 (+€8 million) and December 2020 (+€2 million), respectively.

The €29 million decrease in “Revenue from contract work in progress” is mainly due to the slowdown in capital expenditure in assets that will transfer back to the Sitaf group (-€21 million).

	millions of Euros		
	2020	2019	Change
Leases	124	139	(15)
Recharging of condominium expenses and income tax	30	31	(1)
Sale of advertising spaces	7	12	(5)
<b>Revenue from property management</b>	<b>161</b>	<b>182</b>	<b>(21)</b>
<b>Sundry revenue</b>	<b>127</b>	<b>102</b>	<b>25</b>
<b>Revenue from grants</b>	<b>2,164</b>	<b>1,067</b>	<b>1,097</b>
<b>Total</b>	<b>2,452</b>	<b>1,351</b>	<b>1,101</b>



The €1,101 million increase in **“Other revenue”** is due to the effects of the COVID-19 pandemic (+€1,079 million), as discussed in more detail in note 31 - COVID-19 emergency, and to business effects (+€22 million), mainly resulting from the rise in revenue from the lease of rolling stock related to the new contract entered into with Trenitalia Tper Scarl (+€40 million) in 2020, partly offset by higher provisions and releases (€20 million) for possible future obligations related to the infrastructural network.

Non-recurring grants total €1,105 million. For additional information, reference should be made to notes 16 - Other non-current and current assets and 31 - COVID-19 emergency.

## REVENUE BROKEN DOWN UNDER IFRS 15

In the table below, revenue from contracts with customers is broken down by geographical segment, product line and moment of recognition:

	Transport		Infrastructure		Real estate		Other services		<i>millions of Euros</i> Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Geographical segment</b>										
Italy	4,089	6,374	2,751	2,840	20	34	47	5	6,907	9,253
Europe	984	1,302	11	12					995	1,314
Non-EU	70	20	30	41			28	32	128	93
<b>Total revenue from contracts with customers</b>	<b>5,143</b>	<b>7,696</b>	<b>2,792</b>	<b>2,893</b>	<b>20</b>	<b>34</b>	<b>75</b>	<b>37</b>	<b>8,030</b>	<b>10,660</b>
<b>Product lines</b>										
Revenue from transport services	5,022	7,552	22	20					5,044	7,572
· Market revenue	2,367	4,750	22	20					2,389	4,770
· Passenger traffic products	1,624	3,930	2	2					1,626	3,932
· Freight traffic products	743	820	20	18					763	838
· Revenue from public service contracts	2,655	2,802							2,655	2,802
· Public service contracts and other contracts	397	394							397	394
· Fees from the regions	2,258	2,408							2,258	2,408
<b>Revenue from infrastructure services</b>	<b>7</b>	<b>7</b>	<b>2,515</b>	<b>2,600</b>					<b>2,522</b>	<b>2,607</b>
<b>Other service revenue</b>	<b>102</b>	<b>139</b>	<b>158</b>	<b>139</b>	<b>20</b>	<b>34</b>	<b>75</b>	<b>37</b>	<b>355</b>	<b>349</b>
<b>Revenue from contract work in progress</b>	<b>12</b>	<b>(2)</b>	<b>97</b>	<b>134</b>					<b>109</b>	<b>132</b>
<b>Total revenue from contracts with customers</b>	<b>5,143</b>	<b>7,696</b>	<b>2,792</b>	<b>2,893</b>	<b>20</b>	<b>34</b>	<b>75</b>	<b>37</b>	<b>8,030</b>	<b>10,660</b>
<b>Moment of recognition</b>										
At a point in time	221	483	202	281	8	20			431	784
Over time	4,922	7,213	2,590	2,612	12	14	75	37	7,599	9,876
<b>Total revenue from contracts with customers</b>	<b>5,143</b>	<b>7,696</b>	<b>2,792</b>	<b>2,893</b>	<b>20</b>	<b>34</b>	<b>75</b>	<b>37</b>	<b>8,030</b>	<b>10,660</b>
<b>Total other revenue from sales and services</b>	<b>876</b>	<b>157</b>	<b>1,531</b>	<b>1,140</b>	<b>45</b>	<b>54</b>			<b>2,452</b>	<b>1,351</b>
<b>Total revenue from sales and services</b>	<b>6,020</b>	<b>7,853</b>	<b>4,322</b>	<b>4,033</b>	<b>65</b>	<b>88</b>	<b>75</b>	<b>37</b>	<b>10,482</b>	<b>12,011</b>

## CONTRACT ASSETS AND LIABILITIES

The table below provides information about contract assets and liabilities:

	millions of Euros	
	<b>31.12.2020</b>	<b>31.12.2019</b>
Contract assets classified under "Current/non-current trade receivables"	1,254	1,649
Contract assets classified under "Other current assets/Non-current assets"	19	45
Other assets not included in the above categories	3,304	3,245
Contract assets	946	875
Contract liabilities	(38)	(64)

## BREAKDOWN OF CHANGES IN CONTRACT ASSETS AND LIABILITIES

The table below shows the significant changes in contract assets and liabilities for the year:

	millions of Euros	
	<b>31.12.2020</b>	
	<b>Contract assets</b>	<b>Contract liabilities</b>
Revenue recognised during the year which was included in the opening balance of "contract liabilities"		70
Increases in contract liabilities, net of the amounts recognised during the year		(22)
Reclassifications from "contract assets" recognised at the beginning of the year	(526)	
Increases in contract assets due to the provision of services	632	
Other changes	(35)	(22)

The table below includes an ageing analysis of payments to be received in future years for assets that the group has given under operating lease:

	millions of Euros						
	<b>Within one year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>	<b>After five years</b>	<b>Total</b>
Undiscounted payments to be received for operating leases	123	141	142	143	145	144	838

### 33. Other income

"Other income" of €355 million (2019: €412 million) decreased by €57 million. The reduction is due to the effects of the COVID-19 pandemic (€27 million), as described in detail in note 31 - COVID-19 emergency, and to business effects (€30 million) mainly attributable to:

- lower gains on the sale of controlling investments (€15 million), being the difference between the gain recognised in 2019 following the sale of Centostazioni Retail S.p.A. (€28 million) and that recognised in 2020 for the sale of the Sitaf

group, as already discussed in notes 4 - Change in consolidation scope and non-recurring transactions and 8 - Assets and liabilities held for sale,

- lower gains due to the decrease in property sales (€4 million) and scrapping of rolling stock (€2 million),
- lower contractual penalties due from suppliers (€6 million).

#### 34. Personnel expense

This caption can be analysed as follows:

	millions of Euros		
	2020	2019	Change
Wages and salaries	3,189	3,550	(361)
Social security charges	823	935	(112)
Other expense for employees	56	25	31
Post-employment benefits	199	206	(7)
Post-employment benefits/Free Travel Card service costs	8	3	5
Accruals/releases	16	69	(53)
<b>Employees</b>	<b>4,291</b>	<b>4,788</b>	<b>(497)</b>
Wages and salaries	5	5	
<b>Consultants and freelancers</b>	<b>5</b>	<b>5</b>	
<b>Other costs</b>	<b>136</b>	<b>152</b>	<b>(16)</b>
<b>Total</b>	<b>4,432</b>	<b>4,945</b>	<b>(513)</b>

The €513 million decrease in "Personnel expense" is due in part to the effects of the COVID-19 pandemic (-€168 million, see note 31 - COVID-19 emergency), and in part to business effects (-€345 million), mainly generated by lower costs arising from the agreements that the FS Italiane group and Agens signed on 18 February 2021 with the trade unions, the signing of the 16 December 2016 agreement related to the national collective bargaining agreement for Mobility workers/Railway operations, which introduced some measures covering remote work and welfare schemes, offset by the effect of the new contracts entered into in the German market (as discussed in note 32 Revenue from sales and services), the reduction in the workforce following the application of the "100 years" option for workers' pension eligibility and generational handover, plus the massive use of holidays accrued in previous years, as well as the contribution of the "Emilia-Romagna" business unit to the associate Trenitalia Tper.

The table below gives a breakdown of FS Italiane group's average number of employees by category:

	2020	2019	Changes
Managers	996	980	16
Junior managers	12,086	12,687	(601)
Other	68,756	69,515	(759)
<b>TOTAL</b>	<b>81,838</b>	<b>83,182</b>	<b>(1,344)</b>

### 35. Raw materials, consumables, supplies and goods

	2020	2019	Change
Raw materials and consumables	926	1,057	(131)
Electrical energy and fuel for traction	280	333	(53)
Lighting and driving force	54	68	(14)
Change in land and buildings held for trading	15	29	(14)
Accruals/releases	3	4	(1)
<b>Total</b>	<b>1,278</b>	<b>1,491</b>	<b>(213)</b>

The €213 million decrease in "Raw materials, consumables, supplies and goods" is mainly due to the effects of the pandemic (-€214 million), as discussed in 31 COVID-19 emergency.

The residual €1 million difference is mainly attributable to the increase in the write-downs of obsolete materials (+€41 million), the change in the consolidation scope following the contribution of the "Emilia-Romagna" business unit to the associate Trenitalia Tper effective from 1 January 2020 (-€19 million) and the reduction in land and buildings held for trading due to the combined effect of the lower sales of the year (-€7 million) and lower write-downs (-€10 million).

## 36. Services

This caption can be analysed as follows:

	millions of Euros		
	2020	2019	Change
Other transport-related services	98	127	(29)
Tolls	222	363	(141)
Shunting services	28	29	(1)
Freight transport services	306	327	(21)
<b>Transport services</b>	<b>654</b>	<b>846</b>	<b>(192)</b>
Contracted services and work	55	31	24
Cleaning and other contracted services	463	422	41
Maintenance and repair of intangible assets and property, plant and equipment	776	765	11
Accruals/releases for maintenance		2	(2)
Ordinary maintenance on the road and motorway network	228	238	(10)
<b>Maintenance, cleaning and other contracted services</b>	<b>1,522</b>	<b>1,458</b>	<b>64</b>
<b>Property services and utilities</b>	<b>97</b>	<b>103</b>	<b>(6)</b>
<b>Administrative and IT services</b>	<b>389</b>	<b>292</b>	<b>97</b>
<b>External communications and advertising expense</b>	<b>34</b>	<b>51</b>	<b>(17)</b>
<b>Costs for new works and extraordinary maintenance of the road and motorway network</b>	<b>1,406</b>	<b>1,116</b>	<b>290</b>
Professional services and consultancies	56	73	(17)
Prize competitions and fees to other railway companies	8	7	1
Insurance	81	71	10
Sleeping carriages and catering	100	119	(19)
Agency fees	39	76	(37)
Engineering services	55	54	1
Other costs for services, accruals/releases	97	148	(51)
Other	262	320	(58)
<b>Other sundry services</b>	<b>698</b>	<b>868</b>	<b>(170)</b>
<b>Total</b>	<b>4,800</b>	<b>4,734</b>	<b>66</b>

The €66 million increase in "Services" is due to the effects of the COVID-19 pandemic (-€431 million), as described in detail in note 31 - COVID-19 emergency, offset by business effects (+€497 million), mainly due to the following:

- higher hardware and software maintenance costs (+€95 million), due to the establishment of the in-house company FSTechnology, which centralised IT service procurement for most FS Italiane group companies. The increase should be considered together with the €60 million increase in "Internal work capitalised" due to IT services. The net increase

of €35 million is due to higher hardware and software maintenance costs incurred for various business areas in the year;

- higher costs for new works and extraordinary maintenance on the road, motorway and regional network, mainly due to higher amount of extraordinary maintenance works carried out during the year on roads under operation and the regional network (+€295 million), and higher discounting charges (+€8 million);
- higher costs for contracted services to third parties and work as a result of the resumption of the construction work on the Palermo metro rail, following the rise in revenue (+€27 million);
- higher costs for building and line maintenance (+€26 million);
- higher transport-related costs for tolls due to the new contracts entered into on the German market, as already discussed in note 32 - Revenue from sales and services (+€24 million) and the Riyadh metro contract (+€25 million);
- higher costs for contracted services arising from the increase in upkeeping costs, cleaning activities and infrastructure clearing, partly offset by lower costs for services for people with reduced mobility, lower ice scraping and snow clearing interventions, lower costs for contracted station services (+€14 million);
- lower costs from the above-mentioned contribution of the “Emilia-Romagna” business unit to the associate Trenitalia Tper (-€41 million);
- lower accruals mainly due to the change in the litigation estimate compared to the previous year, following the progress of pending disputes (-€133 million), partly offset by higher accruals due to the formal termination of the franchise agreed with the UK DfT (+€108 million).

### 37. Use of third-party assets

This caption can be analysed as follows:

	millions of Euros		
	2020	2019	Change
Lease payments	7	10	(3)
Lease payments, condominium expenses and registration tax	59	64	(5)
Leases and indemnities for rolling stock and other	47	66	(19)
Accruals/releases	3		3
<b>Total</b>	<b>116</b>	<b>140</b>	<b>(24)</b>

The €24 million decrease in “Use of third-party assets” is due to the effects of the COVID-19 pandemic (-€11 million), as described in more detail in note 31 - COVID-19 emergency, and to business effects (-€13 million) mainly as a result of the reduction in rolling stock lease costs in the freight segment, following the early termination of a locomotive lease, and the reduced need for leased wagons on the new traffic developed in 2020, which, given the type of service, requires a lower use of towed rolling stock (-€5 million).

### 38. Other operating costs

This caption can be analysed as follows:

millions of Euros

	2020	2019	Change
Other costs	165	192	(27)
Losses	5	1	4
Accruals/releases	5	22	(17)
<b>Total</b>	<b>175</b>	<b>215</b>	<b>(40)</b>

The €40 million decrease in "Other operating costs" is due to the effects of the COVID-19 pandemic (-€5 million), as described in detail in note 31 - COVID-19 emergency, and to the following business effects:

- the decrease in "Other costs" compared to the previous year, mainly due to the non-recurring income recognised by the parent following the favourable outcome of the appeal against the tax authorities to obtain a reimbursement of registration tax and the related interest previously paid on the transfer of the electricity grid to the main national operator, Terna S.p.A. (-€13 million) and the decrease in taxes and duties (-€6 million);
- the decrease in accruals to risk provisions (-€17 million).

### 39. Internal work capitalised

Internal work capitalised mainly refers to the cost of materials, personnel expense and the cost of IT services and transport capitalised in 2020 for work on the infrastructure, maintenance increasing the value of rolling stock at FS Italiane group workshops and technological upgrades. This caption amounts to €1,597 million, down by €114 million on 2019, due to the effects of the COVID-19 pandemic (-€176 million, see note 31 - COVID-19 emergency for additional information), offset in part by the increased capitalisation of IT services following the establishment of FSTechnology S.p.A. in mid-2019, as indicated in note 36 Services (+€60 million).

### 40. Amortisation and depreciation

This caption can be analysed as follows:

millions of Euros

	2020	2019	Change
Amortisation	278	283	(5)
Depreciation	1,326	1,429	(103)
<b>Total</b>	<b>1,604</b>	<b>1,712</b>	<b>(108)</b>

The €108 million decrease in "Amortisation and depreciation" compared to 2019 is due to the effects on the change in rates (€58 million) and specifically to the reduction in forecast train-km for 2020 due to the lockdown and lower depreciation of rolling stock, not replaced during the year, following the late delivery of rolling stock caused by the pandemic, as described in detail in note 31 - COVID-19 emergency.



The further €50 million reduction is due to normal trends in amortisation and depreciation resulting from investments of the year, which reflects the combined effect of assets placed in service during the year and those which reached the end of their useful life in 2020.

#### 41. Impairment losses (gains)

This caption can be analysed as follows:

	2020	2019	Change
Impairment losses on intangible assets	24	48	(24)
Impairment losses on property, plant and equipment	98	26	72
Adjustments and impairment gains on financial assets	59	16	43
Impairment losses on cash and cash equivalents	(1)		(1)
<b>Total</b>	<b>180</b>	<b>90</b>	<b>90</b>

millions of Euros

“Impairment losses” increased by €90 million on 2019 as a result of:

- the effects of the emergency and lockdown measures adopted during the year, as described in detail in note 31 - COVID-19 emergency (€14 million), which resulted in impairment losses on property, plant and equipment, investment property and intangible assets (€5 million), and greater adjustments and impairment gains on financial assets mainly because of non-performing assets in the real estate segment (€9 million);
- the following factors (€76 million): (i) higher impairment losses on goodwill relating to the Umbria CGU (€8 million), property, plant and equipment relating to railway infrastructure (€24 million) and rolling stock as management continues to dispose of technically and commercially obsolete rolling stock (€41 million), ii) the application of IFRS 9, which resulted in a higher net accrual of €25 million, iii) lower impairment of C2C’s goodwill compared to the previous year (-€33 million) and iv) higher impairment losses on C2C’s financial assets not recognised by the DfT (€9 million).

Reference should be made to notes 9, 10, 11 and 20 for additional details on impairment losses recognised in the year.

#### 42. Provisions

“Provisions” are a negative €127 million (31 December 2019: a positive €22 million) and consist of the adjustment of the Bilateral fund for income assistance, set up for income and employment assistance, to cover extraordinary benefits to be paid in future years.

#### 43. Financial income

This caption can be analysed as follows:

	millions of Euros		
	2020	2019	Change
Financial income from non-current loans and receivables and securities	2	2	
Financial income from derivatives	7		7
Other financial income	57	68	(11)
Exchange gains	15	18	(3)
<b>Total</b>	<b>81</b>	<b>88</b>	<b>(7)</b>

This €7 million decrease in this caption is essentially due to the combined effect of the increase in “Financial income from derivatives” (€7 million), following the valuation carried out in 2020, the decrease in “Other financial income” (€11 million), attributable to the effect of interest on the sale of the 2015 VAT credit recognised in 2019 (€8 million), and the decrease in “Exchange gains” (€3 million), due to the foreign currency transactions carried out by the group.

#### 44. Financial expense

This caption can be analysed as follows:

	millions of Euros		
	2020	2019	Change
Interest on financial liabilities	149	194	(45)
Financial expense on employee benefits	5	11	(6)
Financial expense on derivatives	3	5	(2)
Financial expense on leases	35	35	
Impairment losses on financial assets	166	14	152
Exchange loss	28	16	12
Accruals/releases	1	11	(10)
<b>Total</b>	<b>387</b>	<b>286</b>	<b>101</b>

“Interest on financial liabilities” decreased by €45 million, mainly due to the discounting of the asset from Strada dei Parchi which was recognised last year following the amendment postponing the repayment of the 2017 and 2018 instalments to 2030 (€35 million).

Impairment losses on financial assets increased by €152 million, mainly due to the revised estimate of potential impairment losses particularly on the asset from Strada dei Parchi (€167 million).

Exchange losses increased by €12 million due to losses on foreign currency transactions carried out by the group.

“Accruals/releases” decreased by €10 million, mainly due to the interest on disputes with road works suppliers.

The above financial expense is shown net of government grants of €48 million (reference should also be made to note 28 - Other non-current and current liabilities).

#### 45. Share of profits of equity-accounted investees

This caption, which includes the profits and losses of the group's associates and jointly controlled companies recognised using the equity method (+€23 million), is essentially unchanged compared to the previous year (+€22 million) due to the combined effect of the impact of the COVID-19 pandemic (-€15 million), as described in more detail in note 31 - COVID-19 emergency, and business effects (+€16 million).

For additional information, reference should be made to note 13 - Equity-accounted investments.

#### 46. Current and deferred taxes

Income taxes can be analysed as follows:

	millions of Euros		
	2020	2019	Change
IRAP	11	43	(32)
IRES	17	13	4
Foreign current taxes	3	4	(1)
Deferred taxes	(24)	(19)	(5)
Foreign deferred taxes	(5)	(11)	6
Accruals/releases for taxes		10	(10)
Adjustments to prior year income taxes	(1)	20	(21)
<b>Total</b>	<b>1</b>	<b>60</b>	<b>(59)</b>

Current IRAP decreased by €32 million due to the lower taxable profit for the year and the provisions of article 24 of Decree law no. 34/2020 which exempted companies with revenue of up to €250 million from paying the IRAP balance for 2019 and the first IRAP advance for 2020.

The group's IRES is net of the "Income from the tax consolidation scheme" of €22 million, recognised on the tax losses transferred to the group over the years and used during the year, as their subsequent remuneration was not deemed probable.

Current foreign taxes decreased because Netinera group's reported lower taxes for the year.

In 2020, deferred taxes amount to €29 million. For additional information about changes in deferred taxes, reference should be made to note 12 -Deferred tax assets and deferred tax liabilities.

## 47. Contingent assets and contingent liabilities

The FS Italiane group is a party in civil and administrative proceedings and legal actions related to its normal business activities. In addition to the provisions already set up in the consolidated financial statements, the group may incur additional liabilities, currently deemed improbable and/or unquantifiable. The main contingent assets and liabilities are described below.

- RFI S.p.A./COSIAC S.p.A.: in 2011, COSIAC S.p.A. brought a legal action before the Rome Civil Court claiming compensation for damage (roughly €1 billion) following the alleged violation of rules of integrity, impartiality and good faith in the performance of the integrated service concession for the laying of double tracks on the Tommaso Natale – Carini railway line, and the connection to the Punta Raisi airport. With ruling no. 9769/2015, the Rome Court, admitting all RFI S.p.A.'s arguments and ordering COSIAC S.p.A. to pay all legal fees, declared that it did not have jurisdiction, while the administrative judge did, and denied all claims of liability (contractual, pre-contractual and non-contractual). COSIAC S.p.A. appealed against the ruling. With ruling no. 1477 of 1 March 2019, the Rome Court of Appeal partially admitted COSIAC S.p.A.'s appeal and transferred the case to the Court, recognising the ordinary judge's jurisdiction on the assumption that COSIAC S.p.A. claim in the case was an expression of its subjective right arising from a contract subject to private law. RFI S.p.A. appealed against this ruling before the Court of Cassation and requested its revocation before the Court of Appeal, as it was in contrast with the cases already pending in civil and administrative court, including with respect to jurisdiction. With summons notified on 3 May 2019, COSIAC S.p.A. reinstated the case before the Rome Civil Court. RFI S.p.A. appeared in court and requested a stay of the proceedings pending the decisions of the Court of Cassation and the Court of Appeal for revocation on the matters of jurisdiction and conflicting cases. With ruling no. 28388/2020 of 14 December 2020, the Court of Cassation rejected RFI S.p.A.'s appeal, confirming the Court of Appeal's decision. The revocation proceedings are still pending;
- disputes with a supplier: Trenitalia S.p.A. has two large disputes pending with one of its main rolling stock suppliers. The first-level rulings in 2019 were favourable for the company. The supplier appealed against both rulings and the second-level proceedings have been postponed to the end of 2021 and the beginning of 2022. Any costs that should arise as a result of the definitive ruling will substantially be accounted for as higher costs for the investments in rolling stock;
- Anas S.p.A./Strada dei Parchi (SDP): reference should be made to the information provided in the previous reports for information about the dispute with Strada dei Parchi. At present, the following proceedings are currently pending, all before the Court of Rome:
  - a) the dispute relating to the payment of the 2016 instalment (GR no. 77217/2017), in which SDP claimed damages for the alleged deterioration of the motorways under concession and the settlement of its debt by offsetting. This dispute was combined with another one (GR no. 33007/2016), also relating to the claim for damages made by SDP against the MIT and Anas. The two combined disputes were settled with ruling no. 16036 published on 16 November 2020, whereby the Court of Rome rejected all of SDP's claims for damages, ordering it to pay the legal fees. With summons notified on 17 December 2020, SDP appealed against this ruling;
  - b) the dispute relating to the 2017 and 2018 instalments, which originated from the related order to pay obtained by Anas S.p.A and opposed by SDP by commencing the proceedings before the Court of Rome (GR no. 75938/2019). In its order of 12 November 2020, the judge granted the provisional enforceability of the order, pursuant to article 648 of the Italian Code of civil procedure, to the extent of €29,050,321.30 plus legal interest, acknowledging that the

amounts invoiced as concession fees (2017 and 2018 instalments) and the related additions, and the tenth instalment of the amount due to the former Central Guarantee Fund, were due. Based on the order, Anas S.p.A. served an order to pay, which SDP opposed pursuant to article 615 of the Italian Code of civil procedure, with a request to suspend the order, even without hearing the other party;

c) GR 47339/2020 proceedings commenced by Anas before the Court of Rome to obtain payment of the 2019 instalment, culminating in the issue of order to pay no. 16723/2020, opposed by SDP with summons notified on 27 November 2020 (GR no. 67037/2020). Anas S.p.A. will soon appear in court for these proceedings as well;

- appeal against ART resolution no. 70/2014: various FS Italiane group companies (RFI S.p.A., the former Grandi Stazioni S.p.A. and Centostazioni S.p.A.) lodged three extraordinary appeals with the President of the Italian Republic against ART resolution no. 70 of 31 October 2014 *“Regulation for fair and equal access to railway infrastructures and commencement of proceedings to define the criteria for the definition of the toll to use railway infrastructures”*. Initially lodged with the Lazio Regional Administrative Court, the appeals were then transferred to the Piedmont Regional Administrative Court where RFI S.p.A.’s and former Grandi Stazioni S.p.A.’s cases were reinstated. Trenitalia S.p.A. appeared in both proceedings. The appeals lodged by RFI S.p.A. and the former Grandi Stazioni S.p.A. were rejected by the Piedmont Regional Administrative Court with rulings nos. 541/2017 and 1025/2017, respectively. The companies filed an appeal against said rulings. With ruling no. 6108/2019, the Council of State admitted RFI S.p.A.’s appeal (against the Piedmont Regional Administrative Court’s ruling no. 541/2017) and cancelled the section of ART resolution no. 70/2014 referring to the regulation, which determined the toll to access the HS/HC railway infrastructure for 2015. The Council of State also ordered the ART to renew the procedure for the regulatory period from 6 November 2014 to 31 December 2015 and begin the preliminary process in accordance with the principles upheld in the ruling. With ruling no. 1262 of 12 February 2021, the Council of State, after meeting, rejected the appeals for revision against the Council of State’s ruling no. 6108/2019, brought by Trenitalia SpA, by another railway company and - incidentally - by ART. Council of State’s ruling no. 6108/2019 is therefore confirmed. At present, only the appeal filed by ART on 23 December 2019] before the Joint Sections of the Court of Cassation is pending. The appeal refers to the quashing of the Council of State’s ruling, on the grounds that it went beyond the outer limits of the administrative court judge’s jurisdiction. With ruling no. 5534/2019, the Council of State denied the station manager’s (the former Grandi Stazioni S.p.A.) appeal against ruling no. 1025/2017, thereby confirming – inter alia – that the spaces set up to greet and assist passengers also fall within the scope of application of ART regulations;
- Appeal against ART resolutions nos. 96/2015 and 80/2016: the proceedings refer to the extraordinary appeals lodged with the President of the Italian Republic by RFI S.p.A., Trenitalia S.p.A. and the former Grandi Stazioni S.p.A. against ART resolution no. 96 of 13 November 2015 containing the principles and criteria for determining the fees to access and use the railway infrastructure. Their appeals were transferred to the Piedmont Regional Administrative Court. RFI S.p.A. also appeared in the proceedings pending before the Piedmont Regional Administrative Court for the appeal lodged by another railway company against the same ART resolution no. 96/2015. Following the end of the proceedings commenced by RFI S.p.A. for loss of interest by the infrastructure operator (Piedmont Regional Administrative Court’s ruling no. 1287/2017), the appeals lodged by Trenitalia S.p.A. against ruling no. 1240/2017 (in which the Piedmont Regional Administrative Court rejected Trenitalia S.p.A.’s appeal against Resolution no. 80/2016), were rejected with the ruling no. 371 of 11 January 2021, and those against ruling no. 57/2018 (in which the Piedmont Regional Administrative Court rejected Resolution no. 96/2015 and related measures, including Resolution no. 75/2016), were rejected on 1 July 2020 with ruling no. 4216. With ruling no. 58/2018, the Piedmont Regional

Administrative Court also rejected the appeal lodged by the former Grandi Stazioni S.p.A. against Resolution no. 96/2015 (and related measures).

#### 48. Audit fees

Pursuant to article 37 of Legislative decree no. 39/2010 and letter 16-bis of article 2427 of the Italian Civil Code, the total fees due to the independent auditors amount to €4,812 thousand and include the fees paid for services other than the statutory audit (€1,911 thousand).

#### 49. Directors' and statutory auditors' fees

The following fees were paid to directors and statutory auditors for the performance of their duties:

			(€'000)
	2020	2019	Change
Directors	1,327	1,334	(7)
Statutory auditors	100	100	
<b>TOTAL</b>	<b>1,427</b>	<b>1,434</b>	<b>(7)</b>

Directors' fees include the amounts envisaged for the positions of Chairman and Chief Executive Officer, as well as any amounts envisaged for the remaining board members. In addition to the above fees, the external member of the supervisory body received €75 thousand (2019: €78 thousand). The fees to the representatives of the MEF (directors and statutory auditors) are transferred to such Ministry when the related parties are employees thereof.

## 50. Related parties

Related parties were identified in accordance with IAS 24.

### Transactions with key managers

The general conditions that govern transactions with key managers and the parties related to them are not more favourable than those applied, or that could have been reasonably applied, to similar transactions with managers other than key managers associated with the same entities at market conditions.

Key managers' fees are as follows:

	millions of Euros	
	2020	2019
Short-term benefits	27	29
Post-employment benefits	2	2
Termination benefits	1	
<b>Total</b>	<b>30</b>	<b>31</b>

The benefits relate to the fees paid to the above parties. In addition to short-term benefits of €27 million paid out in 2020, a variable portion is to be paid in 2021, for an amount not exceeding €6.0 million (€7.5 million in 2019).

During the year, the key managers did not carry out any transactions, directly or through close family members, with FS Italiane group, group companies or other related parties.

### Related party transactions

The main transactions between FS Italiane group and its related parties, which were all carried out on an arm's length basis, are described below.

### Trade and other transactions

	millions of Euros					
	Assets	Liabilities	Purchases for investments	Guarantees	Revenue	Costs
Enel group	15	32		1	4	81
Eni group	11	5			13	10
Leonardo group		6				2
Invitalia group		1				
Cassa Depositi e Prestiti group	10	131			9	72
GSE group		9				228
Poste Italiane group	1	1			1	2
SO.G.I.N. group	(2)				2	
IPZS						2
EUROFER		(1)				14
PREVINDAI		3				6
Other pension funds	(7)	(73)				21
Other related parties	31	3			112	17
<b>Total</b>	<b>59</b>	<b>117</b>		<b>1</b>	<b>141</b>	<b>455</b>

## Financial transactions

	millions of Euros			
	Assets	Liabilities	Guarantees	Expense
Enel group			8	
Cassa Depositi e Prestiti group		156		10
Poste Italiane group	2			
<b>Total</b>	<b>2</b>	<b>156</b>	<b>8</b>	<b>10</b>

The nature of the main transactions with non-group parties is described below.

Assets with the Enel group and Eni group mainly refer to lease payments and material transport costs, while liabilities relate to sundry utility payments.

Liabilities with the Leonardo group mainly refer to sundry maintenance (rolling stock, lines, software) and the purchase of materials.

Liabilities with the GSE group mainly relate to the purchasing of electrical energy for train traction.

Assets with the Cassa Depositi e Prestiti group mainly relate to lease and easement payments for land, while liabilities relate to loans and borrowings and electrical energy with Terna S.p.A..

Assets with the Poste Italiane group mainly relate to lease payments, while liabilities principally relate to postal charges.

### 51. Guarantees and commitments

Guarantees given mainly refer to:

- collateral on Trenitalia S.p.A.'s rolling stock, issued by the company in favour of Eurofima SA, guaranteeing non-current loans and borrowings granted through Ferrovie dello Stato Italiane S.p.A. (the liability with Eurofima SA at 31 December 2020 amounts to €1,725 million);
- guarantees issued by Ferrovie dello Stato Italiane S.p.A. in favour of the EIB on behalf of RFI S.p.A. (€50 million), guaranteeing non-current loans and borrowings granted by the above bank to the two companies;
- bank guarantees issued on behalf of Trenitalia S.p.A., including in connection with the service contracts signed with the regions (€261 million);
- parent guarantees issued on behalf of group companies to the tax authorities (€2,225 million);
- parent (€4 million) and bank (€26 million) guarantees issued on behalf of RFI S.p.A. to public authorities (including, but not limited to: good and timely performance of the works related to the HS/HC line and reclamation activities, against the disbursement of financial grants);
- guarantees issued on behalf of RFI S.p.A. and in favour of Terna S.p.A. for the service contract governing electrical energy dispatching by withdrawal points which feed rail traction and for other uses (€24 million) and parent and bank guarantees issued on behalf of RFI S.p.A. and in favour of Areti S.p.A., e-distribuzione S.p.A., Unareti S.p.A., Inrete Distribuzione Energia S.p.A. and Edyna S.r.l. for contracts regulating energy transport services for rail traction and other uses (€39 million);
- parent and bank guarantees as part of projects abroad, issued mainly on behalf of Trenitalia C2C Ltd (for an amount corresponding to €49 million), Trenitalia UK Ltd (for an amount corresponding to €156 million) and Italferr S.p.A. (for an amount corresponding to €4.5 million);



- parent guarantees issued on behalf of Netinera Deutschland GmbH, mainly in favour of lease companies and banks (€215 million);
- bank guarantees issued on behalf of the parent: projects abroad include a bank counter-guarantee for an amount corresponding to €42 million and relating to the performance bond issued in favour of the *Royal Commission for Riyadh City* (RCRC);
- bank sureties issued to other parties such as bid bonds, performance bonds and advance payment bonds;
- sureties issued in favour of third parties by Anas (€32 million), of which €24 million related to the contracts in Algeria, Libya, Qatar India and €8 million in favour of ENEL S.p.A. as compensation for direct and indirect damage caused by the performance of works;
- sureties issued in favour of AIE S.p.A. by Anas S.p.A. related to the Russian contract (€26 million);
- special-purpose loans from the government agreed and not yet disbursed related to loans for Quadrilatero Marche-Umbria S.p.A.'s contracts (€17 million).

For additional information about the parent's guarantees and commitments issued on behalf of group companies, reference should be made note 42 of the notes to the separate financial statements.

## 52. Information pursuant to Law no. 124/2017

Reference should be made to Annex 6 for the information required by article 1.125 of Law no. 124/2017 about consolidated Italian investees, as shown in the financial statements of such investees.

### 53. Reporting by operating segment

The financial highlights of the group's operating segments for 2020 and 2019 are show below:

millions of Euros

2020	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and Inter-segment eliminations	FS Italiane group
Revenue from third parties	5,967	4,367	64	66	13	10,477
Inter-segment revenue	291	889	42	533	(1,395)	360
<b>Revenue</b>	<b>6,258</b>	<b>5,256</b>	<b>106</b>	<b>599</b>	<b>(1,382)</b>	<b>10,837</b>
Personnel expense	(2,277)	(2,014)	(5)	(156)	20	(4,432)
Other costs, net	(3,029)	(2,589)	(90)	(456)	1,392	(4,772)
<b>Operating costs</b>	<b>(5,306)</b>	<b>(4,603)</b>	<b>(95)</b>	<b>(612)</b>	<b>1,412</b>	<b>(9,204)</b>
<b>Gross operating profit (loss)</b>	<b>952</b>	<b>653</b>	<b>11</b>	<b>(13)</b>	<b>30</b>	<b>1,633</b>
Amortisation and depreciation	(1,268)	(296)	(9)	(50)	19	(1,604)
Impairment losses and accruals	(102)	(197)	(8)	1	(1)	(307)
<b>Operating profit (loss)</b>	<b>(418)</b>	<b>160</b>	<b>(6)</b>	<b>(62)</b>	<b>48</b>	<b>(278)</b>
Net financial income (expense)	(282)	(212)	3	8	200	(283)
Income taxes	53	(20)	(7)	7	(34)	(1)
<b>Segment loss (attributable to the owners of the parent and non-controlling interests)</b>	<b>(647)</b>	<b>(72)</b>	<b>(10)</b>	<b>(47)</b>	<b>214</b>	<b>(562)</b>

millions of Euros

31.12.2020	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and Inter-segment eliminations	FS Italiane group
<b>Net invested capital</b>	<b>11,304</b>	<b>37,050</b>	<b>1,423</b>	<b>739</b>	<b>(200)</b>	<b>50,316</b>

millions of Euros

2019	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and Inter-segment eliminations	FS Italiane group
Revenue from third parties	7,855	4,152	88	51	10	12,156
Inter-segment revenue	289	1,299	50	340	(1,711)	267
<b>Revenue</b>	<b>8,144</b>	<b>5,451</b>	<b>138</b>	<b>391</b>	<b>(1,701)</b>	<b>12,423</b>
Personnel expense	(2,648)	(2,171)	(6)	(147)	27	(4,945)
Other costs, net	(3,614)	(2,487)	(113)	(280)	1,625	(4,869)
<b>Operating costs</b>	<b>(6,262)</b>	<b>(4,658)</b>	<b>(119)</b>	<b>(427)</b>	<b>1,652</b>	<b>(9,814)</b>
<b>Gross operating profit (loss)</b>	<b>1,882</b>	<b>793</b>	<b>19</b>	<b>(36)</b>	<b>(49)</b>	<b>2,609</b>
Amortisation and depreciation	(1,352)	(335)	(9)	(35)	19	(1,712)
Impairment losses and accruals	(63)	(3)	(4)	6	(4)	(68)
<b>Operating profit (loss)</b>	<b>467</b>	<b>455</b>	<b>6</b>	<b>(65)</b>	<b>(34)</b>	<b>829</b>
Net financial income (expense)	(108)	(107)	2	37		(176)
Income taxes	(57)	(40)	(8)	145	(100)	(60)
Loss attributable to assets held for sale	(9)					(9)
<b>Segment profit (attributable to the owners of the parent and non-controlling interests)</b>	<b>293</b>	<b>308</b>		<b>117</b>	<b>(134)</b>	<b>584</b>

millions of Euros

31.12.2019	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and Inter-segment eliminations	FS Italiane group
<b>Net invested capital</b>	<b>11,195</b>	<b>37,292</b>	<b>1,425</b>	<b>548</b>	<b>(483)</b>	<b>49,977</b>

Reference should be made to the directors' report for information on the performance of the individual segments.

## 54. Events after the reporting date

### January

#### **The FS Italiane group continues to grow internationally in Thailand**

On 25 January 2021, FS International S.p.A. signed a Preliminary Service Agreement (PSA) with the Thai-based Eastern High-Speed Rail Linking Three Airports, which operates the project of the same name for an overall amount of approximately €6 billion. The agreement covers the preparatory activities for the takeover of the Airport Rail Link Operation & Maintenance service in view of the final contract - the Operation & Maintenance Contract Agreement (OMCA), which will include the operation and maintenance of three railway systems including infrastructure, rolling stock and depots.

In spite of the severe contingent issues due to the ongoing public health emergency, an initial team of experts has already been sent to Thailand to start preliminary tasks and provide specialist support for the design and construction of Thailand's first high-speed railway line.

FS International S.p.A. will operate the Airport Rail Link service from October 2021 through the local company FS Italian Railways Thailand, set up in March 2021 with GS Rail S.p.A. and FSTechnology S.p.A..

The new high-speed line is part of the broader 2018-2038 infrastructure investment plan, estimated at a total of \$45 billion, launched by the Thai government to transform the country into a future regional hub. It is also a major component of the Eastern Economic Corridor, the ASEAN (Association of South-East Asian Nations) economic growth corridor that will connect to the Belt and Road Initiative, the subject of the memorandum of understanding concluded in March 2019 by the governments of Italy and China.

### February

#### **FS Italiane group signs important new agreements with the trade unions**

On 18 February 2021, Agens and the FS Italiane group signed a number of important agreements with the trade unions, including, in particular, the agreement for national collective bargaining agreement for Mobility workers/Railway operations, dated 16 December 2016 and which also introduced some measures covering remote work and welfare schemes. The parties also signed a protocol for the quality of work in railway service contracts, with which the group reaffirmed the principles underpinning a healthy economy supported by the quality of work, such as lawfulness, transparency, sustainability and occupational health and safety.

#### **Council of State's ruling on ART resolution no. 70/2014**

With ruling no. 1262 of 12 February 2021, the Council of State, after meeting, rejected the appeals for revision against the Council of State's ruling no. 6108/2019, brought by Trenitalia S.p.A., by another railway company and - incidentally - by ART. With resolution no. 6108/2019, the Council of State admitted RFI S.p.A.'s appeal (against the Piedmont Regional Administrative Court's ruling no. 541/2017) and cancelled the section of ART resolution no. 70/2014 referring to the regulation, which determined the toll to access the HS/HC railway infrastructure for 2015. The Council of State also ordered the ART to renew the procedure for the regulatory period from 6 November 2014 to 31 December 2015 and begin the preliminary process in accordance with the principles upheld in the ruling.

### **Standard and Poor's rating confirmed**

On 18 February 2021, Standard and Poor's affirmed both the Issuer Credit Rating at "BBB" and the "Stand Alone Credit Profile" (SACP) at "bbb+", the latter therefore one notch above the overall rating of FS and the Republic of Italy. The outlook remains negative.

### **New bonds and loans**

On 23 February 2021, FS Italiane S.p.A.'s board of directors approved the issue of new bonds (reserved for institutional investors as part of the EMTN listed on the Dublin stock exchange) and the use of other financial instruments, for a maximum total of €2 billion and 900 million.

The funds raised on debt capital markets will finance the FS Italiane group's investment requirements for 2021 and, specifically, they will be used to purchase new trains for regional transport and medium and long-haul transport, as well as for the railway infrastructure

### **March**

#### **Trenitalia grants for the market sector**

On 10 March 2021, the press release of the European Commission, which was then referenced in a release by the Ministry of Infrastructure and Sustainable Mobility (MIMS), noted the approval of the grants related to the market sector for the period from 8 March 2020 to 30 June 2020. Both the criteria for determining the grants and the reference period were partially revised. The funds granted by the Commission to companies totalled €511 million for the above period. For the subsequent period, discussions are underway between the MIMS and the European Commission in order to identify criteria and methods for quantifying further grants, given the objective restrictions on mobility between the regions imposed by the series of Prime Minister's decrees, even after 30 June, in addition to maintaining the limits on saleable seats to ensure the distancing of passengers on board trains throughout the entire year.

#### **Green bond placement - EMTN series 17**

On 18 March 2021 – with settlement date 25 March – FS Italiane S.p.A. issued its third green bond for a nominal amount of €1 billion. The coupon has been set at 0.375%, matures on 25 March 2028 and was issued as part of the EMTN programme updated to 12 March 2021.

The issue is part of the Green Bond Framework set up by FS Italiane S.p.A. to finance projects with positive impacts in terms of environmental sustainability. Specifically, the proceeds from the issue are earmarked to replace rolling stock for public transport as detailed below:

- New Pop and Rock electric trains for regional passenger transport;
- New ETR 1000 high-speed electric trains for long-haul passenger transport.

Both projects ensure improvements in energy efficiency, reductions in CO2 emissions and a modal shift towards the use of rail in local and long-haul public transport.

To this end, the certification from the Climate Bonds Initiative (CBI) was confirmed. CBI is an international non-profit organisation that promotes sustainable financing to combat climate change at a global level. The CBI certification and the

projects financed by the FS Italiane group confirm its strong commitment to ESG issues, promoted by through sustainable finance operations.

FS Italiane S.p.A. will use the proceeds of the issue to grant Trenitalia S.p.A. an intragroup loan with substantially the same characteristics and contractual conditions as the bond issue in terms of restrictions and the parties' commitments.

The issue is part of the total €2.9 billion approved by FS Italiane S.p.A.'s board of directors for the group's 2021 requirements on 23 February 2021.

# Annexes

## Consolidation scope and the group's equity investments

### 1. PARENT AND LIST OF SUBSIDIARIES

**Parent**

	Registered office	Main office	Share capital	Investor	% of voting rights	% of equity ratio	Consolidation method
Ferrovie dello Stato Italiane S.p.A.	Rome	Italy	39,204,173,802				

**Operating segment: Transport**

	Registered office	Main office	Share/quota capital	Investor	% of voting rights	% of equity ratio	Consolidation method
--	-------------------	-------------	---------------------	----------	--------------------	-------------------	----------------------

**In Italy**

Ataf Gestioni S.r.l.	Florence	Italy	5,927,480	Busitalia - Sita Nord S.r.l. Non-controlling interests	70.00 30.00	70.00	Line-by-line
Busitalia - Sita Nord S.r.l.	Rome	Italy	73,000,000	FS Italiane S.p.A.	100.00	100.00	Line-by-line
Busitalia Campania S.p.A.	Salerno	Italy	5,900,000	Busitalia - Sita Nord S.r.l.	100.00	100.00	Line-by-line
Busitalia Rail Service S.r.l.	Rome	Italy	3,497,788	Busitalia - Sita Nord S.r.l.	100.00	100.00	Line-by-line
Busitalia Veneto S.p.A.	Padua	Italy	20,500,000	Busitalia - Sita Nord S.r.l. ASP Holding S.p.A.	78.78 21.22	78.78	Line-by-line
Ferrovie del Sud Est e Servizi Automobilistici S.r.l.	Bari	Italy	4,682,830	FS Italiane S.p.A.	100.00	100.00	Line-by-line
Firenze City Sightseeing S.r.l.	Florence	Italy	200,000	Ataf Gestioni S.r.l. Non-controlling interests	60.00 40.00	42.00	Line-by-line
I-Mago S.p.A.	Florence	Italy	408,000	Ataf Gestioni S.r.l. Non-controlling interests	58.00 42.00	40.60	Line-by-line
Mercitalia Intermodal S.p.A. (formerly CEMAT S.p.A.)	Milan	Italy	7,000,000	Mercitalia Logistics S.p.A. Non-controlling interests	53.28 46.72	53.28	Line-by-line
Mercitalia Logistics S.p.A. (formerly FS Logistica S.p.A.)	Rome	Italy	184,611,372	FS Italiane S.p.A.	100.00	100.00	Line-by-line
Mercitalia Maintenance S.r.l.	Milan	Italy	12,000,000	Mercitalia Rail S.r.l. (formerly FS Telco S.r.l.)	100.00	100.00	Line-by-line
Mercitalia Rail S.r.l. (formerly FS Telco S.r.l.)	Rome	Italy	60,720,880	Mercitalia Logistics S.p.A.	100.00	100.00	Line-by-line
Mercitalia Shunting & Terminal S.r.l. (formerly Serfer S.r.l.)	Genoa	Italy	5,000,000	Mercitalia Logistics S.p.A.	100.00	100.00	Line-by-line
Savit S.r.l.	Terni	Italy	1,000,000	Busitalia - Sita Nord S.r.l.	100.00	100.00	Line-by-line
Terminal Alptransit S.r.l.	Milan	Italy	15,000,000	Mercitalia Logistics S.p.A. Non-controlling interests	58.00 42.00	58.00	Line-by-line
Trenitalia S.p.A.	Rome	Italy	1,607,137,500	FS Italiane S.p.A.	100.00	100.00	Line-by-line



	Registered office	Main office	Share capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>Abroad</b>							
Autobus Sippel GmbH	Hofheim am Taunus (Germany)	Germany	50,000	NETINERA Deutschland GmbH	100.00	100.00	Line-by-line
Die Länderbahn GmbH DLB (formerly Vogtlandbahn-GmbH)	Viechtach (Germany)	Germany	1,022,584	Regentalbahn GmbH	100.00	100.00	Line-by-line
Die Länderbahn CZ s.r.o.	Ústi nad Labem (Czech Republic)	Czech Republic	500,000(1)	Die Länderbahn GmbH DLB	100.00	100.00	Line-by-line
erixx GmbH	Soltau (Germany)	Germany	25,000	Osthannoversche Eisenbahnen Aktiengesellschaft	100.00	87.51	Line-by-line
Metronom Eisenbahngesellschaft mbH	Uelzen (Germany)	Germany	500,000	NiedersachsenBahn GmbH & Co. KG	73.58	74.75	Line-by-line
Neißeverkehr GmbH	Forst (Germany)	Germany	1,074,000	Prignitzer Eisenbahngesellschaft mbH	80.00	80.00	Line-by-line
NETINERA Bachstein GmbH	Celle (Germany)	Germany	150,000	NETINERA Deutschland GmbH	95.34	100.00	Line-by-line
NETINERA Deutschland GmbH	Viechtach (Germany)	Germany	1,025,000	Trenitalia S.p.A.	100.00	100.00	Line-by-line
NETINERA Immobilien GmbH	Berlin (Germany)	Germany	240,000	NETINERA Deutschland GmbH	100.00	100.00	Line-by-line
NiedersachsenBahn GmbH & Co. KG	Celle (Germany)	Germany	100,000	Osthannoversche Eisenbahnen Aktiengesellschaft	60.00	87.51	Line-by-line
NiedersachsenBahn Verwaltungsgesellschaft mbH	Celle (Germany)	Germany	25,000	Osthannoversche Eisenbahnen Aktiengesellschaft	60.00	52.50	Line-by-line
Osthannoversche Eisenbahnen Aktiengesellschaft	Celle (Germany)	Germany	21,034,037	NETINERA Bachstein GmbH	87.51	87.51	Line-by-line
Prignitzer Eisenbahngesellschaft mbH	Berlin (Germany)	Germany	200,000	NETINERA Deutschland GmbH	100.00	100.00	Line-by-line
Qbuzz BV	Amersfoort (The Netherlands)	The Netherlands	400,000	Busitalia - Sita Nord S.r.l.	100.00	100.00	Line-by-line
Qbuzz Groningen-Utrecht BV	Amersfoort (The Netherlands)	The Netherlands	18,000	Qbuzz BV	100.00	100.00	Line-by-line
Qbuzz Mobility Service BV	Utrecht (The Netherlands)	The Netherlands	18,000	Busitalia - Sita Nord S.r.l.	100.00	100.00	Line-by-line
Qbuzz Multimodaal BV	Amersfoort (The Netherlands)	The Netherlands	100	Qbuzz BV	100.00	100.00	Line-by-line
Qbuzz Taxi BV	Amersfoort (The Netherlands)	The Netherlands	100	Qbuzz BV	100.00	100.00	Line-by-line
Regentalbahn GmbH	Viechtach (Germany)	Germany	2,444,152	NETINERA Deutschland GmbH	100.00	100.00	Line-by-line
Rom Rail S.r.l.	Bucharest (Romania)	Romania	372,000	Mercitalia Rail S.r.l. Non-controlling interests	93.00 7.00	93.00	Line-by-line
sei mobil Verkehrsgesellschaft mbH	Sendenhorst (Germany)	Germany	26,000	Verkehrsbetriebe Bils GmbH	100.00	100.00	Line-by-line
Sippel-Travel GmbH	Mainz-Kastell (Germany)	Germany	127,950	Autobus Sippel GmbH	100.00	100.00	Line-by-line
Südbrandenburger Nahverkehrs GmbH	Berlin (Germany)	Germany	1,022,584	NETINERA Deutschland GmbH	100.00	100.00	Line-by-line
Thello SAS	Paris (France)	France	10,500,000	Trenitalia S.p.A.	100.00	100.00	Line-by-line
TrainOSE SA	Athens (Greece)	Athens	34,406,509	Trenitalia S.p.A.	100.00	100.00	Line-by-line
Trenitalia C2C Limited	London (United Kingdom)	United Kingdom	100,000 (1)	Trenitalia UK Limited	100.00	100.00	Line-by-line
Trenitalia UK Limited	London (United Kingdom)	United Kingdom	13,000,100 (1)	Trenitalia S.p.A.	100.00	100.00	Line-by-line
TX Logistik AG	Troisdorf	Germany	286,070	Mercitalia Logistics	100.00	100.00	Line-by-line

	(Germany)				S.p.A.			
TX Consulting GmbH	Troisdorf (Germany)	Germany	25,000		TX Logistik AG	100.00	100.00	Line-by-line
TX Logistik Transalpine GmbH	Schwechat (Austria)	Germany	35,000		TX Logistik AG	100.00	100.00	Line-by-line
TX Logistik A/S	Padborg (Denmark)	Germany	500,000 (1)		TX Logistik AG	100.00	100.00	Line-by-line
TX Logistik AB	Helsingborg (Sweden)	Germany	400,000 (1)		TX Logistik AG	100.00	100.00	Line-by-line
TX Logistik GmbH	Basel (Switzerland)	Germany	50,000 (1)		TX Logistik AG	100.00	100.00	Line-by-line
TX Service Management GmbH	Troisdorf (Germany)	Germany	50,000		TX Logistik AG	100.00	100.00	Line-by-line
Verkehrstriebw. Bils GmbH	Sendenhorst (Germany)	Germany	25,000		NETINERA Deutschland GmbH	100.00	100.00	Line-by-line
Vlexx GmbH	Mainz (Germany)	Germany	25,000		Regentalbahn GmbH	100.00	100.00	Line-by-line

(1) Figures expressed in local currency

### Operating segment: Infrastructure

	Registered office	Main office	Share/quota capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>In Italy</b>							
Anas S.p.A.	Rome	Italy	2,269,892,000	FS Italiane S.p.A.	100.00	100.00	Line-by-line
Anas International Enterprise S.p.A.	Rome	Italy	3,000,000	Anas S.p.A.	100.00	100.00	Line-by-line
Bluferries S.r.l.	Messina	Italy	20,100,000	Rete Ferroviaria Italiana - RFI S.p.A.	100.00	100.00	Line-by-line
Blu Jet S.r.l.	Messina	Italy	200,000	Rete Ferroviaria Italiana - RFI S.p.A.	100.00	100.00	Line-by-line
Cremonesi workshop S.r.l.	Brescia	Italy	100,000	Italferr S.p.A. Non-controlling interests	80.00 20.00	80.00	Line-by-line
Grandi Stazioni Rail S.p.A.	Rome	Italy	4,304,201	Rete Ferroviaria Italiana - RFI S.p.A.	100.00	100.00	Line-by-line
Infrarail Firenze S.r.l.	Florence	Italy	5,500,000	RFI S.p.A.	100.00	100.00	Line-by-line
Italferr S.p.A.	Rome	Italy	14,186,000	FS Italiane S.p.A.	100.00	100.00	Line-by-line
Quadrilatero Marche-Umbria S.p.A.	Rome	Italy	50,000,000	Anas S.p.A. Non-controlling interests	92.38 7.62	92.38	Line-by-line
Metropark S.p.A.	Rome	Italy	3,016,463	FS Sistemi Urbani S.r.l.	100.00	100.00	Line-by-line
Rete Ferroviaria Italiana - RFI S.p.A.	Rome	Italy	31,528,425,067	FS Italiane S.p.A.	100.00	100.00	Line-by-line
Terminali Italia S.r.l.	Rome	Italy	7,345,686	Rete Ferroviaria Italiana - RFI S.p.A.	100.00	100.00	Line-by-line
Tunnel Ferroviario del Brennero - Società di partecipazioni S.p.A.	Rome	Italy - Austria	985,790,910	Rete Ferroviaria Italiana - RFI S.p.A. Non-controlling interests	89.74 10.26	89.74	Line-by-line

### Operating segment: Real estate services

	Registered office	Main office	Share/quota capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>In Italy</b>							
FS Sistemi Urbani S.r.l.	Rome	Italy	532,783,501	FS Italiane S.p.A.	100.00	100.00	Line-by-line
Grandi Stazioni Immobiliare S.p.A.	Rome	Italy	4,000,000	FS Italiane S.p.A. Eurostazioni S.p.A.	60.00 40.00	60.00	Line-by-line

**Operating segment: Other services**

	Registered office	Main office	Share/quota capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>In Italy</b>							
Fercredit - Servizi Finanziari S.p.A.	Rome	Italy	32,500,000	FS Italiane S.p.A.	100.00	100.00	Line-by-line
Ferservizi S.p.A.	Rome	Italy	8,170,000	FS Italiane S.p.A.	100.00	100.00	Line-by-line
FS International S.p.A.	Rome	Italy	5,660,000	FS Italiane S.p.A.	100.00	100.00	Line-by-line
FSTechnology S.p.A.	Rome	Italy	27,578,244	FS Italiane S.p.A.	100.00	100.00	Line-by-line
Italcertifer S.p.A.	Florence	Italy	480,000	FS Italiane S.p.A.	55.66	55.66	Line-by-line
NUGO S.p.A.	Rome	Italy	1,000,000	FS Italiane S.p.A.	100.00	100.00	Line-by-line

**2. LIST OF JOINT VENTURES**

**Operating segment: Transport**

	Registered office	Main office	Share/quota capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>In Italy</b>							
Trenitalia TPER Scarl	Bologna	Italy	1,000,000	Trenitalia S.p.A. Non-controlling interests	70.00 30.00	70.00	Equity
Trenord S.r.l.	Milan	Italy	76,120,000	Trenitalia S.p.A. Non-controlling interests	50.00 50.00	50.00	Equity

	Registered office	Main office	Share capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>Abroad</b>							
Berchtesgardener Land Bahn GmbH	Freilassing (Germany)	Germany	25,000	Die Länderbahn GmbH DLB	50.00 50.00	50.00	Equity
Kraftverkehr - GMBH - KVG Lüneburg	Lüneburg (Germany)	Germany	25,565	KVG Stade GmbH & Co. KG	100.00	26.97	Equity

Kraftverkehr Celle Stadt und Land GmbH	Celle (Germany)	Germany	1,099,300	Verkehrsbetriebe Osthannover GmbH Non-controlling interests	61.00 39.00	27.42	Equity
KVG Stade GmbH & Co. KG	Stade (Germany)	Germany	4,600,000	Verkehrsbetriebe Osthannover GmbH Non-controlling interests	60.00 40.00	26.97	Equity
KVG Stade Verwaltungs GmbH	Stade (Germany)	Germany	25,000	Verkehrsbetriebe Osthannover GmbH Non-controlling interests	60.00 40.00	26.97	Equity
ODEG Ostdeutsche Eisenbahngesellschaft mbH	Parchim (Germany)	Germany	500,000	Prignitzer Eisenbahngesellschaft mbH Non-controlling interests	50.00 50.00	50.00	Equity
ODIG Ostdeutsche Instandhaltungsgesellschaft mbH	Eberswalde (Germany)	Germany	250,000	ODEG Ostdeutsche Eisenbahngesellschaft mbH	100.00	50.00	Equity
Verkehrsbetriebe Osthannover GmbH	Celle (Germany)	Germany	600,000	Osthannoversche Eisenbahnen AG	100.00	44.95	Equity

(1) Figures expressed in local currency

#### Operating segment: Infrastructure

	Registered office	Main office	Share capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>Abroad</b>							
Operation Alliance OPS Co	Riyadh	Saudi Arabia	100,000(1)	FSI Saudi Arabia for Land Transport LLC	50.00	50.00	Equity
Italferr+Altinok partnership	Istanbul	Turkey	1,000 (1)	Italferr S.p.A. Altinok Müşavir Mühendislik Taahhüt San. Ve Tic. Ltd. Şti.	50.10 49.90	50.10	Equity
SWS Italferr Adi Ortakligi	Ankara	Turkey	1,000 (1)	Italferr SpA Merkezi İtalya İstanbul Merkez Şubesi	50.00 50.00	50.00	Equity
Tunnel Euralpin Lyon Turin - TELT SaS (formerly Lyon-Turin Ferroviarie - LTF Sas)	Le Bourget du Lac (France)	Italy - France	1,000,000	SWS Global Mühendislik Proje Taahhüt San. ve Tic. A.Ş. FS Italiane S.p.A. Non-controlling interests	50.00 50.00	50.00	Equity

(1) Figures expressed in local currency

### 3. LIST OF ASSOCIATES

#### Operating segment: Transport

	Registered office	Main office	Share/quota capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>In Italy</b>							
Alpe Adria S.p.A.	Trieste	Italy	120,000	Mercitalia	33.33	33.33	Equity

					Rail S.r.l. Non-controlling interests	66.67		
City Boat S.r.l.	Florence	Italy	20,000		Busitalia - Sita Nord S.r.l. Non-controlling interests	25.00 75.00	25.00	Equity
Eurogateway S.r.l.	Novara	Italy	599,000		Mercitalia Intermodal S.p.A. (formerly CEMAT S.p.A.) Mercitalia Rail S.r.l. Non-controlling interests	38.95 11.58 49.47	32.33	Equity
FNM S.p.A. (formerly Ferrovie Nord Milano S.p.A.)	Milan	Italy	230,000,000		FS Italiane S.p.A. Non-controlling interests	14.74 85.26	14.74	Equity
LI-NEA S.p.A.	Scandicci (Florence)	Italy	2,340,000		Ataf Gestioni S.r.l. Non-controlling interests	34.00 66.00	23.80	Equity
METRO 5 S.p.A.	Milan	Italy	53,300,000		FS Italiane S.p.A. Non-controlling interests	36.70 63.30	36.70	Equity

	Registered office	Main office	Share/quota capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>Abroad</b>							
Cesar Information Services - CIS Scrl	Brussels (Belgium)	Belgium	100,000	Mercitalia Intermodal S.p.A. (formerly CEMAT S.p.A.) Non-controlling interests	25.10 74.90	13.37	Equity
CeBus GmbH & Co. KG	Celle (Germany)	Germany	25,000	Kraftverkehr Celle Stadt und Land GmbH Celler Straßenbahngesellschaft mbH Non-controlling interests	34.50 1.00 64.50	9.46	Equity
CeBus Verwaltungsgesellschaft mbH	Celle (Germany)	Germany	25,000	Kraftverkehr Celle Stadt und Land GmbH Celler Straßenbahngesellschaft mbH Non-controlling interests	34.40 1.00 64.60	9.43	Equity
Celler Straßenbahngesellschaft mbH	Celle (Germany)	Germany	571,450	Kraftverkehr Celle Stadt und Land GmbH Non-controlling interests	34.70 65.30	9.51	Equity
EVG Euregio - Verkehrsgesellschaft mbH & Co. KG	Münster (Germany)	Germany	84,000	Verkehrsbetriebe Bils GmbH Non-controlling interests	29.67 70.33	29.67	Equity
EVG Euregio Verwaltungs- und Beteiligungs GmbH	Münster (Germany)	Germany	36,000	Verkehrsbetriebe Bils GmbH Non-controlling interests	29.67 70.33	29.67	Equity
First Trenitalia West Coast Limited	London (United Kingdom)	England	100	Trenitalia UK Limited Non-controlling interests	30.00 70.00	30.00	Equity
Hafen Lüneburg GmbH	Lüneburg (Germany)	Germany	1,750,000	Osthannoversche Eisenbahnen AG Non-controlling interests	30.00 70.00	26.25	Equity
Logistica SA	Levallois (France)	France	37,000	Mercitalia Rail S.r.l. Non-controlling interests	50.00 50.00	50.00	Equity
Ostmecklenburgische Bahnwerk GmbH	Neustrelitz (Germany)	Germany	25,000	Prignitzer Eisenbahn GmbH Non-controlling interests	49.00 51.00	49.00	Equity

**Operating segment: Infrastructure**

	Registered office	Main office	Share/quota capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>In Italy</b>							
Autostrada Asti - Cuneo S.p.A.	Rome	Italy	200,000,000	Anas S.p.A. Non-controlling interests	35.00 65.00	35.00	Equity
Autostrade del Lazio S.p.A.	Rome	Italy	350,165	Anas S.p.A. Non-controlling interests	50.00 50.00	50.00	Equity
Concessioni Autostradali Lombarde - CAL S.p.A.	Milan	Italy	4,000,000	Anas S.p.A. Non-controlling interests	50.00 50.00	50.00	Equity
Concessioni Autostradali Venete - CAV S.p.A.	Venice	Italy	2,000,000	Anas S.p.A. Non-controlling interests	50.00 50.00	50.00	Equity
Brenner base tunnel – Brenner Basistunnel BBT SE	Bolzano	Italy - Austria	10,240,000	Tunnel Ferroviario del Brennero S.p.A. Non-controlling interests	50.00 50.00	44.10	Equity
Quadrante Europa Terminal Gate S.p.A.	Verona	Italy	16,876,000	Rete Ferroviaria Italiana - RFI S.p.A. Non-controlling interests	50.00 50.00	50.00	Equity
Società Italiana Autostradale del Frejus - Sitaf S.p.A.	Susa	Italy	65,016,000	Anas S.p.A. Non-controlling interests	31.74 68.26	31.74	Equity
Società Italiana per il Traforo del Monte Bianco S.p.A.	Prè Saint Didier (AO)	Italy	198,749,200	Anas S.p.A. Non-controlling interests	32.12 67.88	32.12	Equity
Terminal Tremestieri S.r.l.	Messina	Italy	78.363	Blufferies S.r.l. Non-controlling interests	33.33 66.67	33.33	Equity

**Operating segment: Other services**

	Registered office	Main office	Share/quota capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>In Italy</b>							
Italiacamp S.r.l.	Rome	Italy	150,000	FS Italiane S.p.A. Non-controlling interests	20.00 80.00	20.00	Equity

#### 4. LIST OF OTHER UNCONSOLIDATED EQUITY INVESTMENTS

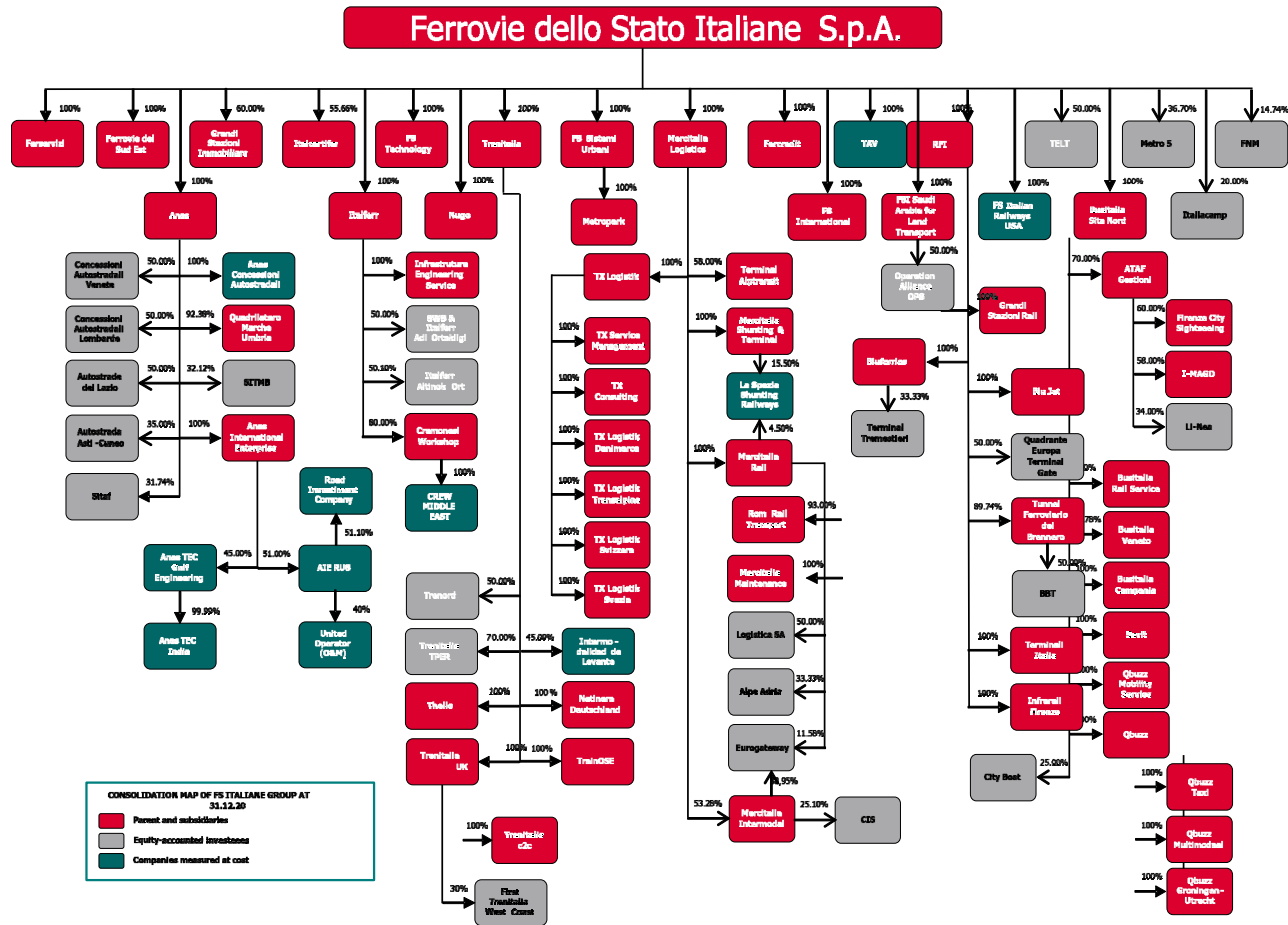
	Registered office	Share/quota capital	Investor	% of voting rights
<b>In Italy</b>				
Anas Concessioni Autostradali S.p.A.	Rome	1,000,000	Anas S.p.A.	100.00
Autostrada del Molise S.p.A. in liquidation	Campobasso	3,000,000	Anas S.p.A. Non-controlling interests	50.00 50.00
La Spezia Shunting Railways S.p.A.	La Spezia	1,000,000	Mercitalia Shunting & Terminal S.r.l. (formerly Serfer S.r.l.) Mercitalia Rail S.r.l. Non-controlling interests	15.50 4.50 80.00
Nord Est Terminal - NET S.p.A. in liquidation	Padua	200,000	RFI S.p.A. Non-controlling interests	51.00 49.00
Servizi Ferroviari Portuali – Ferport Genova S.r.l. in liquidation	Genoa	712,000	Mercitalia Shunting & Terminal S.r.l. (formerly Serfer S.r.l.) Non-controlling interests	51.00 49.00
Sita S.p.A. in liquidation	Rome	200,000	FS Italiane S.p.A. Non-controlling interests	55.00 45.00
Stretto di Messina S.p.A. in liquidation	Rome	383,179,794	Anas S.p.A. Rete Ferroviaria Italiana - RFI S.p.A. Non-controlling interests	81.84 13.00 5.16
TAV S.r.l.	Rome	50,000	FS Italiane S.p.A.	100.00

	Registered office	Share capital	Investor	% of voting rights
<b>Abroad</b>				
Anas International Enterprise RUS LLC	Moscow (Russia)	63,000 (1)	Anas International Enterprise S.p.A. Non-controlling interests	51.00 49.00
Anas Tec Gulf Engineering LLC	Doha (Qatar)	50,000 (1)	Anas International Enterprise S.p.A. Tecnositaf Gulf Integrated System WLL Non-controlling interests	45.00 4.00 51.00
Anas Tec India Private Limited	Vijaywada, Krishna, State of Andhra Pradesh (India)	235,282,002 (1)	Anas Tec Gulf Engineering LLC	99.99
Cisalpine SA in liquidation	Berne (Switzerland)	100,750(1)	Trenitalia S.p.A. Non-controlling interests	50.00 50.00
Crew Middle East DMCC	Dubai (United Arab Emirates)	25,220	Cremonesi Workshop S.r.l.	100.00
Intermodalidad de Levante SA	Valencia (Spain)	1,440,000	Trenitalia S.p.A. Non-controlling interests	45.00 55.00
FS Italian Railways US Inc	San Francisco (California)	100,000(1)	FS Italiane S.p.A.	100.00
Road Investment Company (RIC) LLC	Moscow (Russia)	500,000 (1)	Anas International Enterprise RUS LLC Non-controlling interests	51.10 48.90
United Operator (O&M)	Moscow (Russia)	10,000 (1)	Anas International Enterprise RUS LLC Tecnositaf Russia LLC Non-controlling interests	40.00 10.00 50.00

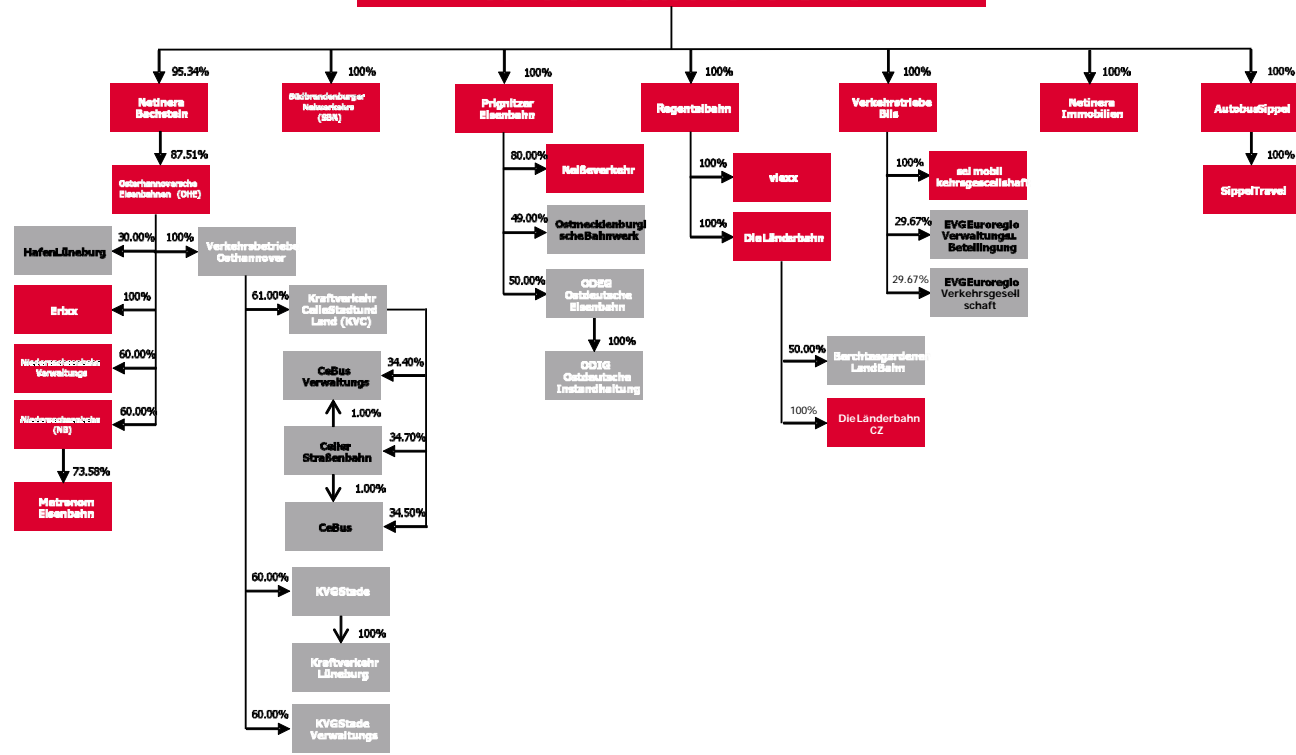
(1) Figures expressed in local currency



5. CONSOLIDATION MAP OF FERROVIE DELLO STATO ITALIANE GROUP



# Netinera Deutschland GmbH



**CONSOLIDATION MAP OF NETINERA GROUP AT 31.12.2020**  
 ■ Parent and subsidiaries  
 ■ Equity-accounted investees

## 6. DISCLOSURE PURSUANT TO LAW NO. 124/2017

### FERROVIE DELLO STATO ITALIANE

<b>Beneficiary</b>		<b>Amount in €</b>
Ministry of the Economy and Finance (in favour of TELT)	Chapter 7122	63,459,429

### FERSERVIZI

<b>Provider</b>		<b>Amount in €</b>
Fondimpresa	Loans for training	78,000

### TRENITALIA

<b>Provider</b>		<b>Amount in €</b>
European Union	MyRail project	15,000
Fondo Impresa	Grants for training	108,311
Calabria region	Compensation for loss of traffic revenue	10,550,266
Lazio region	Compensation for loss of traffic revenue	15,715,917
Liguria region	Compensation for loss of traffic revenue	10,800,986
Marche region	Compensation for loss of traffic revenue	8,733,047
Sardinia region	Compensation for loss of traffic revenue	1,090,039
Veneto region	Compensation for loss of traffic revenue	11,559,625
Umbria region	Compensation for loss of traffic revenue	2,036,066
Friuli-Venice-Giulia region	Compensation for loss of traffic revenue	1,939,279
Tuscany region	Compensation for loss of traffic revenue	17,250,235
Trento region	Compensation for loss of traffic revenue	894,933
Aosta Valley Region	Compensation for loss of traffic revenue	210,583
Puglia region	Compensation for loss of traffic revenue	2,394,717
Abruzzo region	Compensation for loss of traffic revenue	1,189,324
Basilicata region	Compensation for loss of traffic revenue	272,845
Campania region	Compensation for loss of traffic revenue	4,867,134
Molise region	Compensation for loss of traffic revenue	193,478

RETE FERROVIARIA ITALIANA

<b>Provider</b>		<b>Amount in €</b>
Local bodies	Grants related to assets	192,349,433
MEF	Grants related to assets	4,732,879,397
MIT	Grants related to assets	724,446,300
Prime Minister	Grants related to assets	80,922,522
EU	Grants related to assets	122,702,711
Other	Grants related to income	16,378,698
MEF	Grants related to income	1,015,556,791
MIT	Grants related to income	277,100,000
Ministry of Infrastructure and Transport – Chapter 1274 - Incentive for freight transport / Chapter 7302	Grants related to income	101,002,809
CSEA	Grants	168,848,214
Fondimpresa	Aid for training (article 31)	1,041,332

ANAS

<b>Provider</b>		<b>Amount in €</b>
MIT	Grants related to assets	1,444,722,000
Local bodies	Grants related to assets	117,606,000
Local bodies - EU (POR programmes)	Grants related to assets	24,549,000
Special accounts - Sardinia emergency	Grants related to assets	22,132,000
Polcevera extraordinary commissioner	Grants related to income for recharging of services	808,000

GRANDI STAZIONI RAIL

<b>Provider</b>		<b>Amount in €</b>
MIT	Grants for the redevelopment and construction of large stations complementary infrastructure	16,581,898
MIT	Grants for the redevelopment and accessibility of large railway stations	5,811,655

ITALFERR

<b>Provider</b>		<b>Amount in €</b>
Italian government	Fiscally-driven depreciation (article 50 DL no. 34/2020)	31,000
Italian government	Derecognition of 2019 IRAP balance (article 24 DL no. 34/2020)	258,000

METROPARK

<b>Provider</b>		<b>Amount in €</b>
Municipality of Albano	Lease of spaces	25,000
Municipality of Certaldo	Lease of spaces	20,000
Municipality of Legnano	Lease of spaces	15,000
Municipality of Abbiategrasso	Lease of spaces	15,000
Municipality of Conegliano	Lease of spaces	3,000
Municipality of Aversa	Lease of spaces	12,000

MERCITALIA LOGISTICS

<b>Provider</b>		<b>Amount in €</b>
Electricity Services Operator (GSE)	Photovoltaic grants	253,706
MIT	Incentives to promote intermodality (Ferrobonus)	19,304
MIT	Freight grants	1,299,586
Lugo Terminal S.p.A.	Re-crediting of Ferrobonus incentives	10,779
CFI Intermodal S.r.l.	Re-crediting of Ferrobonus incentives	126
Mercitalia Intermodal S.p.A.	Re-crediting of Ferrobonus incentives	17

MERCITALIA SHUNTING & TERMINAL

<b>Provider</b>		<b>Amount in €</b>
RFI	Grant pursuant to Law no. 190/2014	84,745
MIT	Grants related to assets	8,811
Tax authorities	Covid-19 sanitation grant	28,297
GSE	Renewable energy grant	1,980

MERCITALIA RAIL

<b>Provider</b>		<b>Amount in €</b>
MIT	Grants related to income - road vehicles	6,872,349
MIT	Grants related to income - freight	52,734,239
MIT	Noise pollution abatement	851,075

MERCITALIA INTERMODAL

<b>Provider</b>		<b>Amount in €</b>
Swiss Federal Transport Office	Freight grants	4,115,204
MIT	Freight grants	3,399,376
Autonomous province of Bolzano	Freight grants	2,125,024
Lombardy region	Freight grants	215,879
Western Ligurian sea port system authority	Grant pursuant to article 7.2-ter of Law no. 130/2018	126,440
Liguria region	Incentives to promote intermodality (Ferrobonus)	91,465
Connecting Europe Facilities (CEF)	Grant for noise pollution abatement	63,380
MIT	Decree no. 1/2019 carriage retrofit	35,326

BUSITALIA CAMPANIA

<b>Provider</b>		<b>Amount in €</b>
Campania region	Grant under L.D no. 34/20	1,059,894
Campania region	Investment grants for the purchase of 50 buses	6,155,209

BUSITALIA VENETO

<b>Provider</b>		<b>Amount in €</b>
Veneto region	Grants related to income_DGRV 1320/2020 - DL no. 34	2,505,983
Veneto region	Grants related to income_DGRV 1814/2020 - DL no. 104	3,004,600

ATAF GESTIONI

<b>Provider</b>		<b>Amount in €</b>
Ministry of Labour	Grants pursuant to 2020 CCNL (national labour agreement) - first advance payment	2,247,309
Ministry of Labour	Grants pursuant to 2019 CCNL (national labour agreement) - balance	811,785
Tuscany region	Grants related to assets	5,398,998
Tuscany region	Grants related to assets	799,797

BUSITALIA SITA NORD

<b>Provider</b>		<b>Amount in €</b>
Ministry of Labour	Grants pursuant to CCNL (national labour agreement) 2020	5,924,048
Ministry of Labour (Tuscany region)	Grants pursuant to CCNL (national labour agreement) 2020	3,315,342
Ministry of Labour (Tuscany region)	2020 illness costs	22,814
Ministry of Labour (Umbria region)	2020 illness costs	82,263
Tuscany region - via Scarl	DL no. 34 of 19 May 2020 – Advance payment	877,368
Tuscany region - via Scarl	DL no. 104 of 14 August 2020 - Quota 100 portion MLN	214,918
Umbria region - via Scarl	DL no. 34 of 19 May 2020 – Advance payment	2,015,637

FERROVIE DEL SUD EST

<b>Provider</b>		<b>Amount in €</b>
Puglia region	Doubling of tracks between Bari Mungivacca-Noicattaro, burial of the Triggiano and Capurso stations	46,397,711
Puglia region	Martina/Lecce/Gagliano LRT. Automation and elimination of level crossings	45,500,000
Puglia region	One electric train	1,197,000
Puglia region	Five electric trains	6,289,500
Puglia region	Covid-19 grant	1,449,215

FSTECHNOLOGY

<b>Provider</b>		<b>Amount in €</b>
European Union - Union des Industries Ferroviaries Europeennes	GOF4R project	126,225

QUADRILATERO MARCHE UMBRIA

<b>Provider</b>		<b>Amount in €</b>
Cassa Depositi e Prestiti	Grants pursuant to CIPE 13/04	9,760,000

MIT	CIPE resolution 109/2015 Law no. 164/2014 "Get Italy Moving"	29,575,000
Marche region	Loans for Pedemontana Marche master agreement	16,112,000
Marche chamber of commerce, industry, the trades and agriculture Anas S.p.A.	Grants related to assets MIT-Anas 2016-2020 Government Programme Contract	463,000 12,306,000

## Annex: GRI Content Index

### Introduction to the GRI Content Index (boundary)

Based on the criteria of materiality (actual or potential impacts with reference to material topics and the nature of the companies' business) and control (direct/indirect), the following topic-specific boundary was identified:

- Group profile and compliance: Ferrovie dello Stato Italiane S.p.A. (the group's holding) and consolidated companies (see the 2020 Annual Report, annex "Consolidation scope and the group's equity investments");
- Governance: Ferrovie dello Stato Italiane S.p.A.;
- Financial figures: Ferrovie dello Stato Italiane S.p.A. (the group's holding) and consolidated companies (see the 2020 Annual Report, Annex "Consolidation scope and the group's equity investments");
- Customer data ("Focus on people and customer needs"): consolidated companies that offer services to the public and conduct customer satisfaction surveys:

Operating segment	Direct subsidiaries	Indirect subsidiaries
Infrastructure	Rete Ferroviaria Italiana S.p.A. Anas S.p.A.	
Transport (passenger railway)	Trenitalia S.p.A. Ferrovie del Sud Est e Servizi Automobilistici S.r.l.	TrainOSE SA Netinera Group Trenitalia C2C Limited
Transport (passenger road)	Busitalia - Sita Nord S.r.l.	Ataf Gestioni S.r.l. Busitalia Campania S.p.A. Busitalia Veneto S.p.A. Qbuzz BV
Transport (freight by rail)	Mercitalia Logistics S.p.A.	Mercitalia Rail S.r.l.

- Security data ("Promoting security", "Security, information security and privacy", "Sustainable infrastructure"): companies responsible for traffic safety on the rail and road network; work contracts on railway infrastructure; security on core assets functional to railway operations; companies offering services to the public:

Operating segment	Direct subsidiaries	Indirect subsidiaries
Infrastructure	Rete Ferroviaria Italiana S.p.A. Anas S.p.A. Italferr <sup>66</sup> S.p.A.	
Transport (passenger railway)	Trenitalia S.p.A.	TrainOSE SA Netinera Group Trenitalia C2C Limited Thello SAS
Transport (passenger road)	Busitalia - Sita Nord S.r.l.	Ataf Gestioni S.r.l. Busitalia Campania S.p.A. Busitalia Veneto S.p.A. Qbuzz BV
Transport (freight by rail)	Mercitalia Logistics S.p.A.	Mercitalia Rail S.r.l.

<sup>66</sup> These data refer to civil and technological contracts in which Italferr S.p.A. is in charge of work management and/or coordination during the performance of works, to contracts relating to new HS/HC lines entrusted to general contractors in which Italferr S.p.A. is in charge of safety work management and supervision and, finally, to contracts with general contractors in which Italferr S.p.A. is in charge of work management and safety supervision. The data are available in the paragraph "Responsible purchasing".



- Data relating to personnel (“Our people and their value”): they relate to Ferrovie dello Stato Italiane S.p.A. and consolidated companies (see the 2020 Annual Report, annex “Consolidation scope and the group’s equity investments”). Generally speaking, the scope of the detailed analyses required by the standards applied to prepare the non-financial statement (NFS) (e.g., turnover, personnel distribution, remuneration, training, etc.) encompasses approximately 73% of the group’s total workforce<sup>67</sup>. In addition to the parent, Ferrovie dello Stato Italiane S.p.A., this information covers:

Operating segment	Direct subsidiaries	Indirect subsidiaries
<b>Infrastructure</b>	Rete Ferroviaria Italiana S.p.A. Italferr S.p.A.	Terminali Italia S.r.l. Grandi Stazioni Rail S.p.A. Cremonesi Workshop
<b>Transport (passenger railway)</b>	Trenitalia S.p.A.	
<b>Transport (passenger road)</b>		Busitalia Campania S.p.A. Busitalia Veneto S.p.A. Busitalia Rail Service S.r.l.
<b>Transport (freight by rail)</b>	Mercitalia Logistics S.p.A.	Mercitalia Rail S.r.l. Mercitalia Intermodal S.p.A.
<b>Real Estate Services</b>	FS Sistemi Urbani S.r.l. Grandi Stazioni Immobiliare S.p.A.	
<b>Other Services</b>	Ferservizi S.p.A. Italcertifer S.p.A. Nugo S.p.A. FSTechnology S.p.A.	

- Environmental data (“Energy and emissions”, “Other impacts”): in addition to the parent, the environmental data cover the consolidated companies over which FS Italiane S.p.A. exercises direct control (excluding those that carry out financial and certification/inspection activities in the rail transport sector, whose impact is not considered material) and those which it controls indirectly, with more than 100 employees.

Operating segment	Direct subsidiaries	Indirect subsidiaries
<b>Infrastructure</b>	Rete Ferroviaria Italiana S.p.A.	Terminali Italia S.r.l. Bluferries S.r.l. Blu Jet S.r.l. Grandi Stazioni Rail S.p.A.
	Anas S.p.A. Italferr S.p.A. <sup>68</sup>	
<b>Transport (passenger railway)</b>	Trenitalia S.p.A. Ferrovie del Sud Est e Servizi Automobilistici S.r.l.	TrainOSE SA Netinera Group Trenitalia C2C Limited Thello SAS
<b>Transport (passenger road)</b>	Busitalia - Sita Nord S.r.l.	Ataf Gestioni S.r.l. Busitalia Campania S.p.A. Busitalia Veneto S.p.A. Qbuzz BV
<b>Transport (freight by rail)</b>	Mercitalia Logistics S.p.A.	Mercitalia Rail S.r.l. Mercitalia Shunting & Terminal S.r.l. TX Logistik AG
<b>Real Estate Services</b>	FS Sistemi Urbani S.r.l.	
<b>Other Services</b>	Ferservizi S.p.A.	

- Data on suppliers (“Responsible purchasing”): these data refer to external companies with which the group companies included in the environmental boundary carry out direct transactions.

<sup>67</sup> The information pertaining to a different scope is indicated in the relevant note.

<sup>68</sup> In reporting environmental data, the environmental impacts of the work sites in which Italferr is in charge of work management are presented separately in order to eliminate from the annual changes in indicators the effects of the trend of work site activities which, by their very nature, are not characterised by continuous and regular volumes.

The bridging table below matches the identified material topics, the associated GRI topic and the related reporting boundary. The actual or potential impacts, either internal or external to the group's boundary, of each GRI aspect related to the identified material topics have been considered.

MATERIAL TOPICS FOR THE FS ITALIANE GROUP	INTERNAL BOUNDARY	EXTERNAL BOUNDARY	GRI STANDARDS AND DISCLOSURES	NOTES
<b>Circular economy Land protection</b>	<i>FS Italiane group</i>	<i>Supply chain</i>	Materials Water and water discharge Effluents and waste Environmental compliance	GRI 301 GRI 303 GRI 306 GRI 307 For the external boundary, the assessment of impacts relates to work site and supplier assessment activities.
<b>Energy, climate change and air quality</b>	<i>FS Italiane group</i>	<i>Supply chain</i>	Energy Emissions	GRI 302 GRI 305 For the external boundary, the assessment of impacts relates to work site and supplier assessment activities.
<b>Business ethics, integrity and transparency</b>	<i>FS Italiane group</i>	<i>Supply chain Country system</i>	Economic performance Anti-corruption Anti-competitive behavior Tax Security practices Customer privacy Public policy Socioeconomic compliance	GRI 201 GRI 205 GRI 206 GRI 207 GRI 410 GRI 418 GRI 415 GRI 419
<b>Circular economy</b>	<i>FS Italiane group</i>	<i>Supply chain</i>	Procurement practices Supplier environmental assessment Non-discrimination Freedom of association and collective bargaining Child labor Forced or compulsory labor Human rights assessment Supplier social assessment	GRI 204 GRI 308 GRI 406 GRI 407 GRI 408 GRI 409 GRI 412 GRI 414
<b>Innovation and digitalisation</b>	<i>FS Italiane group</i>	<i>Customers Country system</i>	-	-
<b>Intermodal transport</b>	<i>FS Italiane group</i>	<i>Customers Country system</i>	Local communities	GRI 413
<b>Customer satisfaction Inclusion and accessibility of services</b>	<i>FS Italiane group</i>	<i>Customers</i>	Approach to stakeholder engagement	GRI 102
<b>Health and safety in the workplace Travel safety</b>		<i>Customers' supply chain</i>	Occupational health and safety Customer health and safety	GRI 403 GRI 416 For the supply chain, the assessment of impacts relates to work site and supplier assessment activities
<b>Employee engagement and care Inclusion, equity and diversity Recruitment, enhancement and development</b>	<i>FS Italiane group Employees</i>		Employment Labor/management relations Occupational health and safety Training and education Diversity and equal opportunity Non-discrimination	GRI 401 GRI 402 GRI 403 GRI 404 GRI 405 GRI 406
<b>Infrastructure resilience</b>	<i>FS Italiane group</i>	<i>Customers Country system</i>	-	-

## GRI Content Index

GRI INDICATORS		CONSOLIDATED NON-FINANCIAL STATEMENT (pursuant to Legislative decree no. 254/16)	COMMENTS/DIRECT ANSWERS
<b>GRI 102: General disclosures</b>			
Group profile			
102-1	Name of the organization	Group highlights	
102-2	Activities, brands, products, and services	Business model Segment economic performance Context and focus on the FS Italiane group - Market performance and focus on the FS Italiane group	
102-3	Location of headquarters	Note - FS Italiane group's business and structure of the consolidated financial statements	
102-4	Location of operations	Segment economic performance Context and focus on the FS Italiane group - Market performance and focus on the FS Italiane group Annexes – Consolidation scope and the group's equity investments	
102-5	Ownership and legal form	Report on corporate governance and the ownership structure Notes - Equity attributable to the owners of the parent	
102-6	Markets served	Segment economic performance Context and focus on the FS Italiane group - Market performance and focus on the FS Italiane group Annexes – Consolidation scope and the group's equity investments	
102-7	Scale of the organization	Group highlights Business model Segment economic performance Context and focus on the FS Italiane group - Market performance and focus on the FS Italiane group Commitment to sustainable development - Human capital	
102-8	Information on employees and other workers	Commitment to sustainable development - Human capital	The group's significant activities are carried out by employees. There were no significant changes in the workforce in 2020.
102-9	Supply chain	Commitment to sustainable development - Sustainable supply chain	
102-10	Significant changes to the organization and its supply chain	Segment economic performance Context and focus on the FS Italiane group - Market performance and focus on the FS Italiane group	There were no significant changes in the organisation and supply chain in 2020.
102-11	Precautionary principle or approach	Commitment to sustainable development – Approach, commitment and practices Report on corporate governance and the ownership structure – The internal control and risk management system	The group assesses and manages the economic, environmental and social risks using an approach based on the prudence principle.
102-12	External initiatives	Commitment to sustainable development – Approach, commitment and practices Commitment to sustainable development - Sustainable supply	

GRI INDICATORS		CONSOLIDATED NON-FINANCIAL STATEMENT (pursuant to Legislative decree no. 254/16)	COMMENTS/DIRECT ANSWERS
		chain	
102-13	Membership with associations	Stakeholder engagement	
<b>Strategy</b>			
102-14	Statement from senior decision-maker	Chairman's letter Commitment to sustainable development – Approach, commitment and practices	
<b>Ethics and integrity</b>			
102-16	Values, principles, standards, and norms of behavior	Report on corporate governance and the ownership structure – Additional information on corporate governance Commitment to sustainable development – Approach, commitment and practices Commitment to sustainable development - Sustainable supply chain	<a href="https://www.fsitaliane.it/content/fsitaliane/it/il-group-fs/governance/il-codice-etico-.html">https://www.fsitaliane.it/content/fsitaliane/it/il-group-fs/governance/il-codice-etico-.html</a>
<b>Governance</b>			
102-18	Governance structure	Report on corporate governance and the ownership structure	
102-22	Composition of the highest governance body and its committees	Report on corporate governance and the ownership structure	In 2020, FS Italiane's board of directors comprised seven directors: the chairman (a man), a CEO (a man) entrusted with wide management powers, and five non-executive and independent directors (three of whom are women and two men), as determined by said board based on the representations and information provided by the above directors and taking into account - although there is no formal obligation - the provisions of the Code of conduct for listed companies approved by Borsa Italiana.  In the period between 1 January and 31 December 2020, FS Italiane S.p.A.'s board members held three other positions within the group (including one in a non-profit organisation). In the same period, FS Italiane S.p.A.'s board members had 32 other positions and commitments outside the group (including two related to companies and the remainder mainly consisting of positions/commitments with universities, academic bodies, trade associations, non-profit organisations and local authorities). There are no non-controlling investors or groups of shareholders.
102-24	Nominating and selecting the highest governance body	Report on corporate governance and the ownership structure: FS Italiane S.p.A.'s board of directors	
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups	Stakeholder engagement	
102-41	Collective bargaining agreements	Commitment to sustainable development - Human capital	
102-42	Identifying and selecting stakeholders	Stakeholder engagement	
102-43	Approach to stakeholder engagement	Stakeholder engagement	
102-44	Key topics and concerns raised	Stakeholder engagement Commitment to sustainable development - The travel experience	

GRI INDICATORS		CONSOLIDATED NON-FINANCIAL STATEMENT (pursuant to Legislative decree no. 254/16)	COMMENTS/DIRECT ANSWERS
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements	Annexes – Consolidation scope and the group's equity investments	
102-46	Defining report content and topic boundaries	Directors' report and non-financial information – Consolidated non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016 - Methodology for reporting non-financial information	
102-47	List of material topics	Directors' report and non-financial information – Consolidated non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016 - Methodology for reporting non-financial information	
102-48	Restatements of information	Directors' report and non-financial information – Consolidated non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016 - Methodology for reporting non-financial information	Any restatements and reclassifications are indicated in this document.
102-49	Changes in reporting	Directors' report and non-financial information – Consolidated non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016 - Methodology for reporting non-financial information	Any restatements and reclassifications are indicated in this document.
102-50	Reporting period		The reporting period is 2020.
102-51	Date of most recent report	Directors' report and non-financial information – Consolidated non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016 - Methodology for reporting non-financial information	
102-52	Reporting cycle		The reporting cycle is one year.
102-53	Contact information for questions regarding the report		Email: <a href="mailto:rapportostenibilita@fsitaliane.it">rapportostenibilita@fsitaliane.it</a> Fax no.: 06 644102077
102-54	Claims of reporting in accordance with the GRI Standards	Directors' report and non-financial information – Consolidated non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016 - Methodology for reporting non-financial information	
102-55	GRI content index		GRI content index (available online).
102-56	External assurance	Directors' report and non-financial information – Consolidated non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016 - Methodology for reporting non-financial information	
<b>GRI 103: Management approach</b>			
103-1	Explanation of the material topic and its boundary	Directors' report and non-financial information – Consolidated non-financial statement pursuant to Legislative decree no. 254 of 30	GRI content index (available online)

GRI INDICATORS		CONSOLIDATED NON-FINANCIAL STATEMENT (pursuant to Legislative decree no. 254/16)	COMMENTS/DIRECT ANSWERS
		December 2016 - Methodology for reporting non-financial information	
103-2	The management approach and its components	Directors' report and non-financial information – Consolidated non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016 - Methodology for reporting non-financial information Commitment to sustainable development: – Approach, commitment and practices – Environmental sustainability – The travel experience – Sustainable supply chain – Human capital – Commitment to the community	
103-3	Evaluation of the management approach	Directors' report and non-financial information – Consolidated non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016 - Methodology for reporting non-financial information Commitment to sustainable development: – Approach, commitment and practices – Environmental sustainability – The travel experience – Sustainable supply chain – Human capital – Commitment to the community	
<b>GRI 200: Economic</b>			
<b>GRI 201: Economic performance</b>			
201-1	Direct economic value generated and distributed	Introduction – Income statement	
<b>GRI 204: Procurement practices</b>			
204-1	Proportion of spending on local suppliers	Commitment to sustainable development – Sustainable supply chain	
<b>GRI 205: Anti-corruption</b>			
205-2	Communication and training about anti-corruption policies and procedures	Report on corporate governance and the ownership structure	
<b>GRI 206: Anti-competitive behavior</b>			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Context and focus on FS Italiane group - Transport Authority ("ART") regulations Other information	All employees and directors of the group companies operate strictly in compliance with the limits imposed by antitrust law and carefully observe the requirements set out in the antitrust compliance handbook and the antitrust code of conduct consisting of an operating manual/guide that summarises, for quick and immediate reference, the main rules of conduct when one of the following circumstances is identified or has to be dealt with: (i) possible initiatives in violation of anti-trust regulations, (ii) investigations of the antitrust authority, (iii) the management of competitive procedures as a contractor.
<b>GRI 300: Environmental</b>			
<b>GRI 301: Materials</b>			
301-1	Materials used by	Commitment to sustainable	

GRI INDICATORS		CONSOLIDATED NON-FINANCIAL STATEMENT (pursuant to Legislative decree no. 254/16)		COMMENTS/DIRECT ANSWERS
	weight or volume	development sustainability	- Environmental	
<b>GRI 302: Energy</b>				
302-1	Energy consumption within the organization	Commitment development sustainability	to sustainable - Environmental	
<b>GRI 303: Water and effluents (2018)</b>				
303-1	Interactions with water as a shared resource	Commitment development sustainability	to sustainable - Environmental	
303-2	Management of water discharge-related impacts	Commitment development sustainability	to sustainable - Environmental	
303-3	Water withdrawal	Commitment development sustainability	to sustainable - Environmental	Given FS Italiane's core businesses, there are no areas of water stress
303-4	Water discharge	Commitment development sustainability	to sustainable - Environmental	Given FS Italiane's core businesses, there are no areas of water stress
<b>GRI 304: Biodiversity</b>				
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Commitment development sustainability	to sustainable - Environmental	
<b>GRI 305: Emissions</b>				
305-1	Direct (Scope 1) GHG emissions	Commitment development sustainability	to sustainable - Environmental	
305-2	Energy indirect (Scope 2) GHG emissions	Commitment development sustainability	to sustainable - Environmental	
<b>GRI 306: Waste</b>				
306-2	Management of significant waste-related impacts	Commitment development sustainability	to sustainable - Environmental	
306-3	Waste generated	Commitment development sustainability	to sustainable - Environmental	
<b>GRI 308: Supplier environmental assessment</b>				
308-1	New suppliers that were screened using environmental criteria	Commitment development - Sustainable supply chain	to sustainable	
<b>GRI 400: Social</b>				
<b>GRI 401: Employment</b>				
401-1	New employee hires and employee turnover	Commitment development - Human capital	to sustainable	
<b>GRI 403: Occupational health and safety (2018)</b>				
403-1	Occupational health and safety management system	Commitment development - Human capital Human capital - Management systems	to sustainable	

GRI INDICATORS		CONSOLIDATED NON-FINANCIAL STATEMENT (pursuant to Legislative decree no. 254/16)	COMMENTS/DIRECT ANSWERS
403-2	Hazard identification, risk assessment, and incident investigation	Commitment to sustainable development - Human capital Human capital - Management systems	
403-3	Occupational health services	Commitment to sustainable development - Human capital	
403-4	Worker participation, consultation, and communication on occupational health and safety	Commitment to sustainable development - Human capital	
403-5	Worker training on occupational health and safety	Commitment to sustainable development - Human capital	
403-6	Promotion of worker health	Commitment to sustainable development - Human capital	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		The indicator is not applicable as the group has control over both workers and the workplace.
403-9	Work-related injuries	Commitment to sustainable development - Human capital Human capital - Management systems Commitment to sustainable development - Environmental sustainability	The other information required by the standard (403-9a and 403-9b) is currently not available due to the lack of the necessary data. In this respect, an in-depth analysis is underway to structure a data collection process in the medium to long term.
<b>GRI 404: Training and education</b>			
404-1	Average hours of training per year per employee	Commitment to sustainable development - Human capital	
<b>GRI 405: Diversity and equal opportunity</b>			
405-1	Diversity of governance bodies and employees	Commitment to sustainable development - Human capital Report on corporate governance and the ownership structure - FS Italiane S.p.A.'s Board of directors - Composition and appointment	With respect to the breakdown of personnel by age group, a more detailed representation than required by the standard was used as it was considered more meaningful.
<b>GRI 406: Non-discrimination</b>			
406-1	Incidents of discrimination and corrective actions taken		In 2020, there were two incidents of discrimination: <ul style="list-style-type: none"> <li>a disciplinary sanction against an RFI employee for, inter alia, harmful conduct to a colleague;</li> <li>a disciplinary sanction against a Trenitalia employee for, inter</li> </ul>



GRI INDICATORS		CONSOLIDATED NON-FINANCIAL STATEMENT (pursuant to Legislative decree no. 254/16)	COMMENTS/DIRECT ANSWERS
			alia, behaviour detrimental to the dignity of certain colleagues (both men and women).
<b>GRI 407: Freedom of association and collective bargaining</b>			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Commitment to sustainable development – Human capital Sustainable supply chain	
<b>GRI 408: Child labor</b>			
408-1	Operations and suppliers at significant risk for incidents of child labor	Commitment to sustainable development – Sustainable supply chain	
<b>GRI 409: Forced or compulsory labor</b>			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Commitment to sustainable development – Sustainable supply chain	
<b>GRI 412: Human rights assessment</b>			
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Commitment to sustainable development – Sustainable supply chain	
<b>GRI 414: Supplier social assessment</b>			
414-1	New suppliers that were screened using social criteria	Responsible purchasing - Sustainable infrastructure – Our suppliers, Responsible management and value creation Commitment to sustainable development – Sustainable supply chain	
<b>GRI 415: Public policy</b>			
415-1	Political contributions		The group does not make any direct or indirect contributions to political parties, movements, committees and political and trade union organisations, or to their members and candidates, except for those due under specific regulations. The relations with political and trade union parties, movements, committees and organisations are maintained exclusively by the formally-delegated corporate functions (article 5.5 of the FS Italiane group's code of ethics).
<b>GRI 416: Customer health and safety</b>			
416-1	Assessment of the health and safety impacts of product and service categories	Travel safety	

GRI INDICATORS		CONSOLIDATED NON-FINANCIAL STATEMENT (pursuant to Legislative decree no. 254/16)	COMMENTS/DIRECT ANSWERS
<b>GRI 418: Customer privacy</b>			
418-1	<b>Substantiated complaints concerning breaches of customer privacy and losses of customer data</b>		<p>With respect to customer privacy and losses of customer data, in 2020, the following two incidents were considered as data breaches:</p> <ul style="list-style-type: none"> <li>- malfunctioning of the complaints and reimbursements webform due to a system overload;</li> <li>- problem with the webform to request a VAT invoice for the purchase of tickets.</li> </ul> <p>In addition, during the year, there were six reports from customers which mainly related to:</p> <ul style="list-style-type: none"> <li>- messages for the purchase of tickets that were not their own</li> <li>- data sharing.</li> </ul> <p>All six reports received adequate feedback from the group's DPO and the relevant companies and were resolved.</p> <p>Furthermore, the supervisory authority sent two requests for clarification following reports received from customers, which were promptly handled.</p>
<b>GRI 419: Socioeconomic compliance</b>			
419-1	<b>Non-compliance with laws and regulations in the social and economic area</b>	<p>Context and focus on FS Italiane group - Transport Authority ("ART") regulations</p> <p>Other information</p>	<p>In 2020, the main group companies' most significant disputes in terms of potential financial costs related to:</p> <ul style="list-style-type: none"> <li>- requests for classification to higher positions;</li> <li>- requests for acknowledgement of subordinated employment relationships submitted to companies alleging breach of current regulations prohibiting fraud in provision of labour;</li> <li>- joint obligation;</li> <li>- conversion of fixed-term and/or seafarers' employment contracts to open-ended contracts;</li> <li>- asbestos;</li> <li>- recalculation of post-employment benefits;</li> <li>- second-level bargaining;</li> <li>- rest periods pursuant to EC Regulation 561/2006;</li> </ul> <p>remuneration of weekdays.</p>

**Certification of the Chief Executive Officer and the Manager in charge of the company's accounting documents preparation of the consolidated financial statements of Ferrovie dello Stato Italiane Group at 31 December 2020 pursuant to article 154-bis, paragraph 5, of Legislative decree no. 58/1998**

1. The undersigned Gianfranco Battisti and Roberto Mannozi, respectively as Chief Executive Officer and Manager in charge of the company's accounting documents preparation of Ferrovie dello Stato Italiane SpA, also pursuant to article 154-bis paragraphs 3 and 4 of Legislative decree no. 58 of 24 February 1998, certify:

- the adequacy with regard to the characteristics of Ferrovie dello Stato Italiane Group and
- the effective application

of the administrative and accounting procedures in preparing the consolidated financial statements at 31 December 2020.

2. In this regard, we report that:

- a. the evaluation of the adequacy and effective application of the administrative and accounting procedures used to prepare the consolidated financial statements of the Ferrovie dello Stato Italiane Group was based on the internal control model, consistent with the "Internal Controls – Integrated Framework" issued by the "Committee of Sponsoring Organizations of the Treadway Commission" which represents an internationally-accepted framework for the internal control system;
- b. this evaluation did not identify any significant issues.

3. In addition, we certify that:

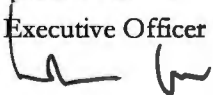
3.1. the consolidated financial statements:

- a. have been prepared according to the International Financial Reporting Standards endorsed by the European Community pursuant to regulation (CE) 1606/2002 of European Parliament and Council of 19 July 2002;
- b. correspond to the entries in the books and accounting records;
- c. provide a true and fair view of the financial position and results of operations of Ferrovie dello Stato Italiane SpA and the companies included in the Ferrovie dello Stato Italiane Group's consolidation scope.

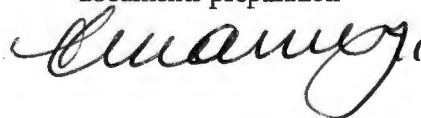
3.2. the directors' report includes a reliable analysis of the financial position, performance and results of operations of Ferrovie dello Stato Italiane SpA and the consolidated companies as a whole, together with a description of the main risks and uncertainties to which they are exposed.

March 31, 2021

Gianfranco Battisti  
Chief Executive Officer



Roberto Mannozi  
Manager in charge of the company's accounting documents preparation



Piazza della Croce Rossa, 1 - 00161 Roma

Ferrovie dello Stato Italiane S.p.A. – Società con socio unico

Sede legale: Piazza della Croce Rossa, 1 - 00161 Roma

Cap. Soc. Euro 39.204.173.802,00

Iscritta al Registro delle Imprese di Roma

Cod. Fisc. e P. Iva 06359501001 – R.E.A. 962805



KPMG S.p.A.  
Revisione e organizzazione contabile  
Via Curtatone, 3  
00185 ROMA RM  
Telefono +39 06 80961.1  
Email [it-fmauditaly@kpmg.it](mailto:it-fmauditaly@kpmg.it)  
PEC [kpmgspa@pec.kpmg.it](mailto:kpmgspa@pec.kpmg.it)

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

## **Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014**

*To the sole shareholder of  
Ferrovie dello Stato Italiane S.p.A.*

### **Report on the audit of the consolidated financial statements**

#### ***Opinion***

We have audited the consolidated financial statements of the Ferrovie dello Stato Italiane Group (the "group"), which comprise the statement of financial position as at 31 December 2020, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Ferrovie dello Stato Italiane Group as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of Ferrovie dello Stato Italiane S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **Calculation of amortisation and depreciation of railway infrastructure**

*Notes to the consolidated financial statements: section on accounting policies— paragraphs “RFI S.p.A.’s calculation of depreciation of property, plant and equipment” and “Use of estimates and valuations”, note 9 “Property, plant and equipment”, note 10 “Investment property” and note 11 “Intangible assets”*

<b>Key audit matter</b>	<b>Audit procedures addressing the key audit matter</b>
<p>The consolidated financial statements at 31 December 2020 include assets relating to railway infrastructure under property, plant and equipment, investment property and intangible assets.</p> <p>Calculating the amortisation and depreciation of these assets entails a complex accounting estimate that is, by its nature, subjective, as it is influenced by a number of factors, including:</p> <ul style="list-style-type: none"><li>— the estimated production volumes expressed as train-km;</li><li>— the estimated residual value;</li><li>— the impacts of any changes to the regulatory framework.</li></ul> <p>Calculating amortisation and depreciation, therefore, requires a significant level of judgement by directors. For the above reasons and due to the materiality of the relevant captions, we believe that the calculation of amortisation and depreciation of railway infrastructure is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>— analysing the process for the calculation amortisation and depreciation of railway infrastructure and the related IT environment and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls;</li><li>— analysing the reasonableness of estimates of total production volumes expressed as train-km;</li><li>— analysing historical figures to check the directors' ability to make reliable estimates of production volumes expressed as train-km based on any discrepancies between forecast and actual figures;</li><li>— analysing the reasonableness of the estimates made by the internal departments involved in the calculation of the residual value;</li><li>— assessing the appropriateness of the disclosures provided in the notes about the amortisation and depreciation of railway infrastructure.</li></ul>



### **Recoverability of non-current assets**

*Notes to the consolidated: section on accounting policies – paragraphs “Impairment losses on intangible assets and property, plant and equipment” and “Use of estimates and judgements”, note 9 “Property, plant and equipment” and note 11 “Intangible assets”*

<b>Key audit matter</b>	<b>Audit procedures addressing the key audit matter</b>
<p>The consolidated financial statements at 31 December 2020 include property, plant and equipment of €46,460 million, intangible assets of €2,668 million, comprising Anas S.p.A.'s concession assets of €1,192 million, and goodwill of €123 million under non-current assets.</p> <p>The directors tested the cash-generating units (CGUs) to which goodwill is allocated or that include other non-current assets for which indicators of impairment had been identified for impairment. They estimated the recoverable amount based on value in use, calculated using the discounted cash flow model.</p> <p>Impairment testing requires a high level of judgement by the directors, especially in relation to:</p> <ul style="list-style-type: none"><li>— the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector and the actual cash flows generated by the CGU in recent years and the projected growth rates;</li><li>— expectations about the extension of Anas S.p.A.'s concession;</li><li>— the financial parameters to be used to discount the above cash flows.</li></ul> <p>For the above reasons, we believe that the recoverability of non-current assets is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>— understanding the impairment testing procedure;</li><li>— understanding the process for preparing expected cash flows (the “plans”);</li><li>— analysing the criteria used to identify the CGU;</li><li>— comparing the cash flows used for impairment testing to the cash flows forecast in the plans and analysing any discrepancies;</li><li>— analysing the reasonableness of the key assumptions used by the directors to prepare the plans;</li><li>— analysing the most significant discrepancies between past years' estimates and actual figures, in order to check the accuracy of the estimation process;</li><li>— involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information;</li><li>— assessing the appropriateness of the disclosures provided in the notes about non-current assets and the related impairment tests.</li></ul>



**Provisions for risks and charges - claims from suppliers for additional consideration**

*Notes to the consolidated financial statements: section on accounting policies – paragraphs “Provisions for risks and charges” and “Use of estimates and judgements” and note 25 “Provisions for risks and charges”*

<b>Key audit matter</b>	<b>Audit procedures addressing the key audit matter</b>
<p>The Ferrovie dello Stato Italiane Group's business is exposed to claims from suppliers for additional consideration.</p> <p>The consolidated financial statements at 31 December 2020 include accruals to other provisions for these claims under “Provisions for risks and charges”.</p> <p>Measuring provisions for risks and charges entails directors' estimates about the outcome of claims which are complex and of an uncertain nature and required a high level of judgement by directors.</p> <p>For the above reasons and due to the materiality of the relevant captions, we believe that the measurement of the provisions for risks and charges relating to claims from suppliers for additional consideration is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>— understanding the process for the measurement of the provisions for risks and charges relating to claims from suppliers for additional consideration and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls;</li><li>— analysing the discrepancies between past years' estimates of the provisions for risks and charges relating to claims from suppliers for additional consideration and actual figures resulting from their subsequent settlement, in order to check the accuracy of the estimation process;</li><li>— sending written requests for information to the legal advisors assisting the group about the assessment of the risk of losing pending claims from suppliers for additional consideration and the quantification of the related liability;</li><li>— for the main claims from suppliers for additional consideration, analysing the assumptions used to calculate the provisions for risks and charges through discussions with the relevant internal departments and analysis of the supporting documentation;</li><li>— discussing assumptions or scenarios alternative to those used to calculate the provisions for risks and charges relating to claims from suppliers for additional consideration and the reasons for their rejection with the relevant internal departments;</li><li>— analysing the events after the reporting date that provide information useful for an assessment of the provisions for risks and charges relating to claims from suppliers for additional consideration;</li><li>— assessing the appropriateness of the disclosures provided in the notes about the provisions for risks and charges.</li></ul>



### ***Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements***

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;





- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

#### ***Other information required by article 10 of Regulation (EU) no. 537/14***

On 4 November 2014, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2014 to 31 December 2022.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

### **Report on other legal and regulatory requirements**

#### ***Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98***

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.



**Ferrovie dello Stato Italiane Group**  
*Independent auditors' report*  
31 December 2020

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

***Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16***

The directors of Ferrovie dello Stato Italiane S.p.A. are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Rome, 15 April 2021

KPMG S.p.A.

(signed on the original)

Benedetto Gamucci  
Director of Audit

Separate financial statements of Ferrovie dello Stato Italiane S.p.A.  
at 31 December 2020



## Financial statements

## Statement of financial position

Euros

	Note	31.12.2020	31.12.2019
<b>Assets</b>			
Property, plant and equipment	5	50,788,278	47,938,264
Investment property	6	442,403,269	447,005,704
Intangible assets	7	50,147,475	40,404,665
Deferred tax assets	8	175,033,072	182,436,348
Equity investments	9	38,061,634,521	38,099,497,753
Financial assets (including derivatives)	10	6,840,307,296	6,083,744,791
Trade receivables	13	3,758,600	4,159,204
Other assets	11	24,065,497	25,877,644
<b>Total non-current assets</b>		<b>45,648,138,008</b>	<b>44,931,064,373</b>
Inventories	12	372,097,043	377,387,565
Trade receivables	13	196,458,944	153,799,937
Financial assets (including derivatives)	10	3,147,542,214	3,428,890,772
Cash and cash equivalents	14	283,714,848	340,657,747
Tax assets	15	86,264,467	83,742,642
Other assets	11	595,133,072	571,689,908
<b>Total current assets</b>		<b>4,681,210,588</b>	<b>4,956,168,571</b>
<b>Total assets</b>		<b>50,329,348,596</b>	<b>49,887,232,944</b>
<b>Equity</b>			
Share capital	16	39,204,173,802	39,204,173,802
Reserves	16	64,806,665	53,473,021
Valuation reserves	16	(69,955)	112,825
Retained earnings	16	589,951,253	374,612,026
Profit for the year	16	40,959,019	226,672,871
<b>Total equity</b>		<b>39,899,820,784</b>	<b>39,859,044,545</b>
<b>Liabilities</b>			
Loans and borrowings	17	6,533,734,581	5,611,065,583
Post-employment benefits and other employee benefits	18	7,635,534	7,748,976
Provisions for risks and charges	19	148,095,814	150,959,192
Deferred tax liabilities	8	164,067,473	159,695,900
Financial liabilities (including derivatives)	20	4,827	2,769,448
Other liabilities	21	29,028,996	33,922,328
<b>Total non-current liabilities</b>		<b>6,882,567,225</b>	<b>5,966,161,427</b>
Loans and borrowings and current portion of non-current loans and borrowings	17	2,548,120,993	2,952,607,703
Trade payables	22	132,710,431	162,155,659
Financial liabilities (including derivatives)	20	304,149,389	340,935,917
Other liabilities	21	561,979,774	606,327,693
<b>Total current liabilities</b>		<b>3,546,960,587</b>	<b>4,062,026,972</b>
<b>Total liabilities</b>		<b>10,429,527,812</b>	<b>10,028,188,399</b>
<b>Total equity and liabilities</b>		<b>50,329,348,596</b>	<b>49,887,232,944</b>

## Income statement

			Euros
	Note	2020	2019
Revenue from sales and services	24	188,535,042	173,644,017
Other income	25	8,275,836	8,629,529
<b>Total revenue</b>		<b>196,810,878</b>	<b>182,273,546</b>
Personnel expense	26	(61,840,530)	(63,053,941)
Raw materials, consumables, supplies and goods	27	(8,387,759)	(14,927,438)
Services	28	(170,269,015)	(139,948,833)
Use of third-party assets	29	(4,343,385)	(3,957,340)
Other operating costs	30	(12,100,158)	(38,417,427)
Internal work capitalised	31	970,565	1,592,916
<b>Total operating costs</b>		<b>(255,970,283)</b>	<b>(258,712,063)</b>
Amortisation and depreciation	32	(22,976,676)	(24,515,949)
Net impairment gains	33	(5,156,590)	(1,416,501)
<b>Operating loss</b>		<b>(87,292,671)</b>	<b>(102,370,967)</b>
Gains on equity investments	34	130,829,816	137,405,991
Other financial income	34	165,233,654	180,590,274
Losses on equity investments	35	(48,882,971)	(409,120)
Other financial expense	35	(132,310,594)	(141,747,660)
<b>Net financial income</b>		<b>114,869,905</b>	<b>175,839,485</b>
<b>Pre-tax profit</b>		<b>27,577,234</b>	<b>73,468,518</b>
Income taxes	36	13,381,785	153,204,353
<b>Profit from continuing operations</b>		<b>40,959,019</b>	<b>226,672,871</b>
<b>Profit for the year</b>		<b>40,959,019</b>	<b>226,672,871</b>

## Statement of comprehensive income

			Euros
	Note	2020	2019
<b>Profit for the year</b>		<b>40,959,019</b>	<b>226,672,871</b>
<b>Items that will not be reclassified to profit or loss:</b>			
Net actuarial losses	16/18	(237,899)	(305,262)
Tax effect on actuarial losses	16/18	55,119	50,128
<b>Other comprehensive expense, net of the tax effect</b>		<b>(182,780)</b>	<b>(255,134)</b>
<b>Comprehensive income</b>		<b>40,776,239</b>	<b>226,417,737</b>

## Statement of changes in equity

Euros

Equity									
	Share capital	Reserves			Valuation reserves	Total reserves	Retained earnings	Profit for the year	Total equity
		Other reserves		Actuarial reserve					
		Legal reserve	Extraordinary reserve						
<b>Balance at 1 January 2019</b>	<b>39,204,173,802</b>	<b>50,353,142</b>			<b>367,959</b>	<b>50,721,101</b>	<b>315,334,328</b>	<b>62,397,577</b>	<b>39,632,626,808</b>
Capital increase									
Dividend distribution									
Allocation of profit for the previous year		3,119,879				3,119,879	59,277,698	(62,397,577)	
Demerger to RFI									
Other changes									
Comprehensive income of which:									
Profit for the year								226,672,971	226,672,971
Net losses recognised directly in equity					(255,134)	(255,134)			(255,134)
<b>Balance at 31 December 2019</b>	<b>39,204,173,802</b>	<b>53,473,021</b>			<b>112,825</b>	<b>53,585,846</b>	<b>374,612,026</b>	<b>226,672,871</b>	<b>39,859,044,545</b>
Capital increase									
Allocation of profit for the previous year		11,333,644				11,333,644	215,339,227	(226,672,871)	
Comprehensive income of which:									
Profit for the year								40,959,019	40,959,019
Net losses recognised directly in equity					(182,780)	(182,780)			(182,780)
<b>Balance at 31 December 2020</b>	<b>39,204,173,802</b>	<b>64,806,665</b>			<b>(69,955)</b>	<b>64,736,710</b>	<b>589,951,253</b>	<b>40,959,019</b>	<b>39,899,820,784</b>



## STATEMENT OF CASH FLOWS

	Euros	
	2020	2019
<b>Profit for the year</b>	<b>40,959,019</b>	<b>226,672,870</b>
Income taxes	(13,381,785)	(153,204,353)
Net financial expense	(114,869,905)	(175,839,485)
Amortisation and depreciation	22,976,676	24,515,949
Accruals to provisions and impairment losses	21,972	8,462,816
Impairment losses	(527,519)	679,502
Employee benefits	5,986	73,786
<b>Accruals to provisions and impairment losses</b>	<b>(499,561)</b>	<b>9,216,104</b>
Change in inventories	7,167,940	13,089,952
Change in trade receivables	(42,258,403)	(30,548,032)
Change in trade payables	(29,445,229)	49,795,662
Change in other assets	66,733,687	98,477,251
Change in other liabilities	(60,359,035)	(240,650,116)
Utilisation of the provisions for risks and charges	(1,884,389)	(11,499,987)
Payment of employee benefits	(384,813)	(1,107,393)
Financial income collected/financial expense paid	58,401,219	152,358,224
Change in tax assets/liabilities	47,195,887	44,544,593
<b>Net cash flows generated by (used in) operating activities</b>	<b>(19,648,692)</b>	<b>5,821,239</b>
Increases in property, plant and equipment	(1,770,581)	(6,284,686)
Investment property	(7,307,979)	(6,706,991)
Increases in intangible assets	(23,776,328)	(40,253,917)
Increases in equity investments	(74,175,495)	(80,966,545)
<b>Investments, before grants</b>	<b>(107,030,383)</b>	<b>(134,212,139)</b>
Grants for equity investments	63,459,429	79,757,976
<b>Grants</b>	<b>63,459,429</b>	<b>79,757,976</b>
Decreases in property, plant and equipment	18,612	6,736
Decreases in intangible assets	2,465	
Decreases in equity investments	31,656	35,257,500
<b>Decreases</b>	<b>52,733</b>	<b>35,264,236</b>
<b>Net cash flows used in investing activities</b>	<b>(43,518,221)</b>	<b>(19,189,927)</b>
Disbursement and repayment of non-current loans	227,172,062	406,594,989
Disbursement and repayment of current loans	302,575,701	697,623,852
Change in lease liabilities	(103,602)	(106,699)
Change in financial assets	(633,082,475)	(1,143,424,850)
Change in financial liabilities	(3,183,225)	(116,892)
<b>Net cash flows used in financing activities</b>	<b>(106,621,539)</b>	<b>(39,429,599)</b>
<b>Total cash flows</b>	<b>(169,788,452)</b>	<b>(52,798,287)</b>
Opening cash and cash equivalents	155,022,769	207,821,056
Closing cash and cash equivalents	(14,765,683)	155,022,769
of which intragroup current account	(298,480,531)	(185,634,979)

## Notes to the separate financial statements

## 1. Company business

Ferrovie dello Stato Italiane S.p.A. (the “company” or “FS Italiane S.p.A.”) was set up in accordance with Italian law and is based in Italy. Its registered office is in Piazza della Croce Rossa 1, Rome.

The directors approved these separate financial statements on 31 March 2021 and they will be made available to the shareholder for approval and subsequent filing within the terms established by law. The shareholder has the power to make changes to these separate financial statements.

Due to its significant controlling investments and in compliance with IFRS 10 Consolidated financial statements, the company prepares consolidated financial statements which show equity and loss attributable to the owners of the parent of €41,247 million and €570 million, respectively.

KPMG S.p.A. was appointed independent auditor for the 2014-2022 nine-year period.

## 2. Basis of preparation

These separate financial statements have been prepared in accordance with IFRS (which include the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Union pursuant to EC Regulation no. 1606/2002 and in effect at the reporting date (“IFRS”). Specifically, the company consistently applies the IFRS to all periods presented in these separate financial statements.

Furthermore, these separate financial statements have been prepared on the basis of the best knowledge of the IFRS and considering best practices in this respect. Any future guidance and interpretations will be applied in future years, as established by the standards over time.

The separate financial statements have been prepared and presented in Euro, which is the company’s functional currency, i.e., the currency of the primary economic environment in which the company operates. All amounts included in the tables of the following notes, except as otherwise specified, are expressed in thousands of Euros.

The financial statements format applied and the related classification criteria adopted by the company in accordance with the options provided for in IAS 1 Presentation of financial statements are set out below:

- the statement of financial position has been prepared by classifying assets and liabilities as “current/non-current”;
- the income statement has been prepared by classifying operating costs by nature, indicating the profit (loss) from continuing operations separately from any profit (loss) from discontinued operations;
- the statement of comprehensive income includes the profit (loss) for the year and other changes in equity attributable to transactions that are not carried out with owners in their capacity as owners;
- the statement of changes in equity shows the profit (loss) for the year separately from any other changes not through profit or loss;
- the statement of cash flows has been prepared by presenting cash flows from operating activities using the indirect method.

- The directors' report also accompanies these separate financial statements.

These separate financial statements have been prepared on a going-concern basis, as the directors established that there are no financial or operational indicators or any other indications of critical issues about the company's ability to meet its obligations in the foreseeable future and, specifically, in the next twelve months. Reference should be made to note 4 "Financial risk management" for a description of the company's financial risk management procedures.

The separate financial statements have been prepared on the historical cost basis, except for those items which are measured at fair value, as required.

The term "current" signifies the 12 months after the reporting date, while "non-current" signifies periods more than 12 months after that date.

The company has consistently applied the accounting policies to all periods presented in these separate financial statements.

The directors approved the separate financial statements at 31 December 2020 on 31 March 2021 and they will be made available to the shareholder pursuant to article 2429 of the Italian Civil Code. These separate financial statements will be submitted to the shareholder for approval and subsequent filing within the terms established by article 2435 of the Italian Civil Code. The shareholder has the power to make changes to these separate financial statements. For the purposes of IAS 10.17, the directors authorised these separate financial statements for publication on 31 March 2021, which is the date when they approved them.

### **3. Accounting policies**

The accounting policies are the same as those applied for the preparation of the consolidated financial statements, to which reference should be made, except for the recognition and measurement of investments in subsidiaries, jointly controlled entities and joint ventures, which are recognised at acquisition or incorporation cost. If there is an indication of impairment, the recoverability of their carrying amount is checked by comparing the carrying amount and the higher of the investment's value in use, calculated by discounting forecast cash flows, where possible, and its fair value, less costs to sell. The amount of loss exceeding the carrying amount is recognised in a specific provision under liabilities to the extent that the company deems necessary to meet legal or constructive obligations to cover the loss and/or restore the share capital required by the law. Should the subsequent performance of the impaired investment improve to the point that the reasons for the impairment losses no longer apply, such losses are reversed within the limits of the impairments recognised in previous years, under "Gains (losses) on equity investments". Other equity investments, other than subsidiaries, jointly controlled entities and associates not listed in an active market and for which a suitable measurement model would not be reliable, are measured at cost.

Dividends from investees are recognised in profit or loss in the year when their distribution is approved.

#### **New standards**

Reference should be made to the consolidated financial statements.

#### **Use of estimates and judgements**

Reference should be made to the consolidated financial statements.

## 4. Financial risk management

The activities that the company carries out expose it to various types of risks that include market risk (interest rate, price and currency risks), liquidity risk and credit risk.

This section provides information on the company's exposure to each of the risks listed above, the objectives, policies and processes for the management of these risks and the methods used to assess them, as well as capital management.

Risk management focuses on the volatility of financial markets and is aimed at minimising potential undesired effects on the company's financial position and financial performance.

### Credit risk

Credit risk is the risk that a customer or one of the counterparties of a financial instrument may cause a financial loss by not complying with an obligation. It mainly arises from trade receivables and the company's financial investments with third parties. However, the company's financial assets mainly relate to loans granted to the FS Italiane group companies; therefore, they do not generate a significant credit risk.

The main trade receivables relate to sales of property held for trading, with the payments made in instalments or deferred payments backed by bank guarantees. Accordingly, there is a very low credit risk involved.

The recoverability of trade receivables is forecast considering each individual position, taking account of the instructions given by the heads of department and by the internal and external legal advisors who handle recovery procedures. Accordingly, trade receivables whose recovery is uncertain at the reporting date are impaired.

With regard to credit risk deriving from investing activities, the company applies a liquidity investment policy which defines the minimum requirements of the financing counterparty in terms of creditworthiness and the related concentration thresholds and the types of financial products that can be used.

With respect to trade receivables and investing activities, the company applies a policy to manage the risk of default also considering the recent application of IFRS 9.

With respect to the derivatives used for hedging purposes and which can potentially generate credit exposure to counterparties, the company applies a specific policy that defines concentration thresholds by counterparty and credit rating.

The table below shows the company's exposure to credit risk:

thousands of Euros

	31.12.2020	31.12.2019
Financial assets (including derivatives)	6,845,232	6,088,128
Loss allowance	(4,925)	(4,383)
<b>Non-current financial assets (including derivatives)</b>	<b>6,840,307</b>	<b>6,083,745</b>
Trade receivables	3,921	4,345
Loss allowance	(163)	(186)
<b>Non-current trade receivables, net of the loss allowance</b>	<b>3,758</b>	<b>4,159</b>
Other assets	1,257	1,256
Loss allowance	(1,073)	(1,074)
<b>Other non-current assets, net of the loss allowance</b>	<b>184</b>	<b>182</b>
Trade receivables	220,433	180,997
Loss allowance	(23,974)	(27,197)
<b>Current trade receivables, net of the loss allowance</b>	<b>196,459</b>	<b>153,800</b>
Current financial assets (including derivatives)	3,149,808	3,431,360
Loss allowance	(2,266)	(2,469)
<b>Current financial assets (including derivatives)</b>	<b>3,147,542</b>	<b>3,428,891</b>
Cash and cash equivalents	284,138	341,607
Loss allowance	(448)	(976)
<b>Cash and cash equivalents</b>	<b>283,690</b>	<b>340,631</b>
Other assets	592,948	571,828
Loss allowance	(418)	(443)
<b>Other current assets</b>	<b>592,530</b>	<b>571,385</b>
<b>Total financial assets (*)</b>	<b>11,064,470</b>	<b>10,582,793</b>

\*Tax assets and equity investments are not included

The tables below show the exposure to credit risks by counterparty, in absolute terms and as a percentage.

thousands of Euros

	31.12.2020	31.12.2019
Public administration	451,403	515,762
Third party customers	71,550	84,695
Financial institutions	283,690	340,631
Group companies	10,257,827	9,641,705
<b>Total financial assets</b>	<b>11,064,470</b>	<b>10,582,793</b>

	31.12.2020	31.12.2019
Public administration	4.1%	4.9%
Third party customers	0.6%	0.8%
Financial institutions	2.6%	3.2%
Group companies	92.7%	91.1%
<b>Total financial assets</b>	<b>100%</b>	<b>100%</b>

The tables below gives a breakdown of financial assets at 31 December 2020 and 2019 by past due brackets, net of the

loss allowance.

thousands of Euros

31.12.2020

Past due by

	Not past due	0-180 days	180-360 days	360-720 days	More than 720 days	Total
Public administration (gross)	453,679	29	90	208	2,217	456,223
Loss allowance	(2,609)	27	(17)	(66)	(2,155)	(4,820)
<b>Public administration (net)</b>	<b>451,070</b>	<b>56</b>	<b>73</b>	<b>142</b>	<b>62</b>	<b>451,403</b>
Third party customers (gross)	47,267	18,254	5,678	3,568	17,150	91,917
Loss allowance	(1,431)		(15)	(222)	(18,699)	(20,367)
<b>Third party customers (net)</b>	<b>45,836</b>	<b>18,254</b>	<b>5,663</b>	<b>3,346</b>	<b>(1,549)</b>	<b>71,550</b>
Financial institutions (gross)	284,138					284,138
Loss allowance	(448)					(448)
<b>Financial institutions</b>	<b>283,690</b>					<b>283,690</b>
Group companies	10,241,033	10,640	3,402	3,827	6,557	10,265,459
Loss allowance	(7,371)			(89)	(172)	(7,632)
<b>Group companies (net)</b>	<b>10,233,662</b>	<b>10,640</b>	<b>3,402</b>	<b>3,738</b>	<b>6,385</b>	<b>10,257,827</b>
<b>Total financial assets</b>	<b>11,014,258</b>	<b>28,950</b>	<b>9,138</b>	<b>7,226</b>	<b>4,898</b>	<b>11,064,470</b>

thousands of Euros

31.12.2019

Past due by

	Not past due	0-180 days	180-360 days	360-720 days	More than 720 days	Total
Public administration (gross)	517,606	136	85	185	2,083	520,096
Loss allowance	(2,676)	(4)	(3)	(9)	(1,644)	(4,334)
<b>Public administration (net)</b>	<b>514,930</b>	<b>132</b>	<b>82</b>	<b>176</b>	<b>439</b>	<b>515,762</b>
Third party customers (gross)	49,730	20,626	11,824	1,841	18,954	102,973
Loss allowance	(1,981)	(1)	(5)	(1)	(16,290)	(18,278)
<b>Third party customers (net)</b>	<b>47,749</b>	<b>20,625</b>	<b>11,819</b>	<b>1,840</b>	<b>2,664</b>	<b>84,695</b>
<b>Financial institutions</b>	<b>340,631</b>					<b>340,631</b>
Group companies	9,624,964	8,798	6,901	2,924	11,258	9,654,845
Loss allowance	(6,923)	(83)		(155)	(5,979)	(13,140)
<b>Group companies (net)</b>	<b>9,618,041</b>	<b>8,715</b>	<b>6,901</b>	<b>2,769</b>	<b>5,279</b>	<b>9,641,705</b>
<b>Total financial assets</b>	<b>10,521,351</b>	<b>29,472</b>	<b>18,802</b>	<b>4,785</b>	<b>8,382</b>	<b>10,582,793</b>

The total exposure and the impairment of each category, determined by risk class at 31 December 2020 and 2019, as per Fitch's rating, are shown below:

thousands of Euros

31.12.2020				
FVTPL(*)	FVOCI(**)		Amortised cost	
	12-month expected credit losses	12-month expected credit losses	Lifetime - not impaired	Lifetime - impaired
from AAA to BBB-		10,990,166		
from BB to BB+		87,175		2,572
from B to CCC		17,824		
from CC to C				
D				
<b>Gross carrying amount</b>		11,095,165		2,572
Loss allowance		33,267		
<b>Carrying amount</b>		11,061,898		2,572

(\*) Fair value through profit and loss; (\*\*) Fair value through other comprehensive income

thousands of Euros

31.12.2019				
FVTPL(*)	FVOCI(**)		Amortised cost	
	12-month expected credit losses	12-month expected credit losses	Lifetime - not impaired	Lifetime - impaired
from AAA to BBB-		10,433,447		11,258
from BB to BB+		125,420		1,249
from B to CCC		48,147		
from CC to C				
D				
<b>Gross carrying amount</b>		10,607,014		12,507
Loss allowance		36,728		
<b>Carrying amount</b>		10,570,286		12,507

(\*) Fair value through profit and loss; (\*\*) Fair value through other comprehensive income



Changes in the loss allowance may be analysed as follows:

thousands of Euros

	2020			<i>Total</i>
	12-month expected credit losses	Lifetime-not impaired	Lifetime-impaired	
<b>Balance at 1 January 2020</b>	<b>36,728</b>			<b>36,728</b>
Net revaluation of the loss allowance	19,275			19,275
Transfer to lifetime - impaired				
Transfer to lifetime - not impaired				
Repaid financial assets				
New assets acquired				
Utilisation of the allowance	(22,736)			(22,736)
<b>Balance at 31 December 2020</b>	<b>33,267</b>			<b>33,267</b>

## Liquidity risk

Liquidity risk is the risk that an entity may have difficulties in complying with the obligations associated with financial liabilities to be settled by delivering cash or another financial asset.

The company's financial debt is mainly agreed in order to grant loans to FS Italiane group companies. The parent adopts asset liability management techniques in collecting debt and loan principal from the group companies. Currently, the loans received and bonds issued have the same technical features as the loans granted to subsidiaries so the cash inflows and outflows deriving from interest and principal repayments coincide.

The company's objective is the prudent management of the liquidity risk arising from ordinary operations.

In order to meet potential and temporary cash requirements, the company agreed a three-year revolving and committed backup credit facility in 2018 (€2 billion) for general purposes.

Ferrovie dello Stato Italiane S.p.A. has started activities in preparation to request another back-up facility considering the upcoming maturity of the current committed facility in July 2021.

The new facility agreement will also be revolving, with a three-year term, and it may be used for the group's general purposes: its final size is capped at €2.5 billion.

Furthermore, again to meet temporary cash requirements, the company has numerous uncommitted credit lines granted by banks for €1.3 billion.

The following tables show the due dates of financial liabilities and trade payables, including interest to be paid:

thousands of Euros

31 December 2020	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	After 5 years
Bonds	6,546,720	6,793,936	21,595	644,758	515,151	2,563,064	3,049,369
Bank loans and borrowings	2,437,463	2,440,515	1,729,713	110,998	299,950	299,854	
Loans and borrowings from other financial backers	97,060	100,000	50,000	50,000			
Financial liabilities	304,560	304,560	304,559				
Lease liabilities	207	212	57	33	44	78	
<b>Non-derivative financial liabilities</b>	<b>9,386,010</b>	<b>9,639,223</b>	<b>2,105,924</b>	<b>805,789</b>	<b>815,145</b>	<b>2,862,996</b>	<b>3,049,369</b>
<b>Trade payables</b>	<b>132,710</b>	<b>132,710</b>	<b>132,710</b>				
<b>Total financial liabilities</b>	<b>9,518,720</b>	<b>9,771,933</b>	<b>2,238,634</b>	<b>805,789</b>	<b>815,145</b>	<b>2,862,996</b>	<b>3,049,369</b>

thousands of Euros

31.12.2019	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	After 5 years
Bonds	6,338,907	6,669,344	168,081	817,972	655,416	1,492,198	3,535,677
Bank loans and borrowings	1,786,948	1,802,900	1,431,241	260,830	110,830		
Loans and borrowings from other financial backers	437,386	450,000	100,000	250,000	100,000		
Financial liabilities	341,515	341,515	341,515				
Lease liabilities	308	320	57	57	90	112	3
<b>Non-derivative financial liabilities</b>	<b>8,905,064</b>	<b>9,264,079</b>	<b>2,040,894</b>	<b>1,328,859</b>	<b>866,336</b>	<b>1,492,310</b>	<b>3,535,680</b>
<b>Trade payables</b>	<b>162,156</b>	<b>162,156</b>	<b>162,156</b>				
<b>Derivatives</b>	<b>2,314</b>	<b>2,314</b>	<b>1,026</b>	<b>(170)</b>	<b>676</b>	<b>(1,711)</b>	<b>2,492</b>
<b>Total financial liabilities</b>	<b>9,069,534</b>	<b>9,428,549</b>	<b>2,204,076</b>	<b>1,328,689</b>	<b>867,012</b>	<b>1,490,599</b>	<b>3,538,172</b>

#### Derivative and non-derivative financial liabilities

The contractual flows of variable-rate loans have been calculated using the forward rates estimated at the reporting date.

The amounts include both principal and interest.

thousands of Euros

31 December 2020	Carrying amount	Within one year	1-5 years	After 5 years
Bonds	6,546,720	627,266	2,852,457	3,066,997
Bank loans and borrowings	2,437,463	1,838,252	599,211	
Loans and borrowings from other financial backers	97,060	97,060		
Financial liabilities	304,560	304,560		
Lease liabilities	207	88	119	
<b>Non-derivative financial liabilities</b>	<b>9,386,010</b>	<b>2,867,226</b>	<b>3,451,787</b>	<b>3,066,997</b>
<b>Trade payables</b>	<b>132,710</b>	<b>132,710</b>		

thousands of Euros

31.12.2019	Carrying amount	Within one year	1-5 years	After 5 years
Bonds	6,338,907	929,046	1,980,375	3,429,487
Bank loans and borrowings	1,786,948	1,681,078	105,870	
Loans and borrowings from other financial backers	437,386	340,326	97,060	
Financial liabilities	341,515	341,515		
Lease liabilities	308	114	194	
<b>Non-derivative financial liabilities</b>	<b>8,905,064</b>	<b>3,292,079</b>	<b>2,183,499</b>	<b>3,429,487</b>
<b>Trade payables</b>	<b>162,156</b>	<b>162,156</b>		

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate following changes in market prices, due to changes in exchange rates, interest rates or prices of equity instruments. The objective of market

risk management is to keep the company's exposure to these risks within acceptable levels, while optimising returns on investments.

The company's exposure to interest rate and currency risk is limited.

#### Interest rate risk

The company is not exposed to any interest rate risk as the variable rate financial liabilities are fully offset by the related financial assets with subsidiaries.

The company's policy is to limit cash flow fluctuations in financing transactions in place and, where possible, to seize the cost of debt optimisation opportunities offered by the indexing of debt to variable rates.

The table below shows the company's variable and fixed rate current and non-current financial liabilities.

	thousands of Euros					
	Carrying amount	Contractual cash flows	Current portion	1-2 years	2-5 years	after 5 years
Variable rate	5,790,013	5,854,707	2,048,296	783,557	1,098,463	1,924,391
Fixed rate	3,595,997	3,784,516	863,417	31,588	1,764,533	1,124,978
<b>Balance at 31 December 2020</b>	<b>9,386,010</b>	<b>9,639,223</b>	<b>2,911,713</b>	<b>815,145</b>	<b>2,862,996</b>	<b>3,049,369</b>
Variable rate	4,548,140	4,641,447	2,185,546	4,431	807,493	1,643,977
Fixed rate	4,356,924	4,622,632	1,184,207	861,905	684,817	1,891,703
<b>Balance at 31 December 2019</b>	<b>8,905,064</b>	<b>9,264,079</b>	<b>3,369,753</b>	<b>866,336</b>	<b>1,492,310</b>	<b>3,535,680</b>

The following sensitivity analysis shows the effects that would have been recorded in terms of changes in interest expense had an increase or a decrease of 50 basis points in the Euribor interest rates affected loans in 2020, along with the offsetting deriving from the simultaneous increase or decrease in financial income following the same change in the interest rates.

	thousands of Euros	
	+ 50 bps	- 50 bps
Interest expense on variable-rate debt	9,421	(7,589)
Interest income from loans	(10,369)	8,537
<b>Total</b>	<b>(948)</b>	<b>948</b>

#### **Currency risk**

The company currently operates in Italy or mainly in Eurozone countries. The positions in non-EU currencies are of a modest amount which is negligible compared to total balances

The company has an intragroup loan with Trenitalia UK of GBP60 million, in relation to which cross currency swaps were agreed to hedge the currency risk.

In 2020, the company settled the loan totalling CHF45 million arising from the acquisition of assets from Cisalpino AG in liquidation.

## Capital management

The company's main objective with respect to capital risk management is to safeguard its ability to continue as a going concern, while ensuring returns for shareholders and benefits for the other stakeholders. The company also intends to maintain an optimal capital structure in order to reduce the cost of debt.

## Financial assets and financial liabilities by category

To complete financial risk information, the table below gives a reconciliation between financial assets and financial liabilities as reported in the statement of financial position by categories of financial assets and financial liabilities identified pursuant to IFRS 7.

<b>31 December 2020</b>	<b>Financial assets</b>	<b>Financial liabilities</b>	<b>of which: hedging derivatives</b>
Non-current financial assets (including derivatives)	6,840,307		5,665
Non-current trade receivables	3,758		
Other non-current assets	24,065		
Current trade receivables	196,459		
Current financial assets (including derivatives)	3,147,542		
Cash and cash equivalents	283,715		
Other current assets	595,133		
Non-current loans and borrowings		6,533,735	
Non-current financial liabilities (including derivatives)		5	
Other non-current liabilities		29,029	
Current loans and borrowings and current portion of non-current loans and borrowings		2,548,121	
Current trade payables		132,710	
Current financial liabilities (including derivatives)		304,149	
Other current liabilities		561,980	

<b>31.12.2019</b>	<b>Financial assets</b>	<b>Financial liabilities</b>	<b>of which: hedging derivatives</b>
Non-current financial assets (including derivatives)	6,083,745		
Non-current trade receivables	4,159		
Other non-current assets	25,878		
Current trade receivables	153,800		
Current financial assets (including derivatives)	3,428,891		
Cash and cash equivalents	340,658		
Other current assets	571,690		
Non-current loans and borrowings		5,611,066	
Non-current financial liabilities (including derivatives)		2,769	2,314
Other non-current liabilities		33,922	
Current loans and borrowings and current portion of non-current loans and borrowings		2,952,608	
Current trade payables		162,156	
Current financial liabilities (including derivatives)		340,936	
Other current liabilities		606,328	

## 5. Property, plant and equipment

The opening and closing balances of property, plant and equipment and changes therein are shown in the table below. The assets' estimated useful lives did not change during the year.

	(€'000)				
	Land and buildings	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Historical cost	59,299	395	7,111	708	67,513
Depreciation and impairment losses	(15,479)	(395)	(3,872)		(19,746)
Grants			(39)		(39)
<b>Balance at 1.1.2019</b>	<b>43,820</b>		<b>3,200</b>	<b>708</b>	<b>47,728</b>
Investments	342		69	6,284	6,694
Placement in service	931		4,769	(5,700)	
Depreciation	(1,038)		(1,018)		(2,056)
Non-recurring transactions*			(3,084)		(3,084)
Disposals and divestments			(7)		(7)
Other reclassifications	(1,287)			(51)	(1,338)
<b>Total changes</b>	<b>(1,052)</b>		<b>729</b>	<b>533</b>	<b>209</b>
Historical cost	58,856	56	6,573	1,241	66,726
Depreciation and impairment losses	(16,088)	(56)	(2,630)		(18,774)
Grants			(14)		(14)
<b>Balance at 31.12.2019</b>	<b>42,768</b>		<b>3,929</b>	<b>1,241</b>	<b>47,938</b>
Investments			6	1,754	1,760
Placement in service	847		994	(1,841)	
Depreciation	(1,047)		(941)		(1,988)
Disposals and divestments*			(2)	(5)	(7)
Other changes**	10				10
Other reclassifications ***	3,145			(70)	3,075
<b>Total changes</b>	<b>2,955</b>		<b>57</b>	<b>(162)</b>	<b>2,850</b>
Historical cost	63,930	56	7,544	1,079	72,609
Depreciation and impairment losses	(18,207)	(56)	(3,544)		(21,807)
Grants			(14)		(14)
<b>Balance at 31.12.2020</b>	<b>45,723</b>		<b>3,986</b>	<b>1,079</b>	<b>50,788</b>
Disposals and divestments*					
Historical cost			(29)	(5)	(34)
Depreciation			27		27
<b>Total disposals and divestments</b>			<b>(2)</b>	<b>(5)</b>	<b>(7)</b>
Other changes**					
Historical cost	(25)				(25)
Depreciation	35				35
<b>Total other changes</b>	<b>10</b>				<b>10</b>
Reclassifications***					
Historical cost	4,252			(70)	4,182
Depreciation	(1,107)				(1,107)
<b>Total reclassifications*</b>	<b>3,145</b>			<b>(70)</b>	<b>3,075</b>

Land and buildings refer to a section of the Villa Patrizi building where the company has its registered office. The remainder is included under investment property. The €2,850 thousand increase in the year is mostly due to the extraordinary maintenance at Villa Patrizi (€1,754 thousand), the depreciation of the year (€1,988 thousand) and sundry investment projects which were duly reclassified to the relevant caption when they were placed in service (€3,145 thousand).

Changes in right-of-use assets (IFRS 16) may be analysed as follows:

	(€'000)		
<b>RIGHT-OF-USE ASSETS</b>	<b>Land, buildings</b>	<b>Other assets</b>	<b>Total</b>
Historical cost	341	69	410
Depreciation and impairment losses	(149)	(15)	(164)
<b>Balance at 31.12.2019</b>	<b>192</b>	<b>54</b>	<b>246</b>
Depreciation	(92)	(23)	(115)
Other changes*	10		10
<b>Total changes</b>	<b>(82)</b>	<b>(23)</b>	<b>(105)</b>
Historical cost	316	69	385
Depreciation and impairment losses	(206)	(38)	(244)
<b>Balance at 31.12.2020</b>	<b>110</b>	<b>31</b>	<b>141</b>
<b>Other changes*</b>			
Historical cost	(25)		(25)
Depreciation	35		35
<b>Total other changes</b>	<b>10</b>	<b>0</b>	<b>10</b>

## 6. Investment property

Investment property at 31 December 2020 and changes therein are shown in the table below. The assets' estimated useful lives did not change during the year.

	2020		2019	
	Land	Buildings	Land	Buildings
(€'000)				
<b>Balance at 1 January</b>				
Cost	384,892	432,305	385,116	425,119
Accumulated depreciation	(38,775)	(220,636)	(38,775)	(213,197)
Loss allowance	(96,786)	(13,995)	(97,122)	(14,709)
<b>Carrying amount</b>	<b>249,331</b>	<b>197,674</b>	<b>249,219</b>	<b>197,213</b>
<b>Changes of the year</b>				
Increases		7,308		6,707
Reclassifications*	(2,656)	(2,367)	112	954
Depreciation		(6,887)		(7,200)
<b>Total changes</b>	<b>(2,656)</b>	<b>(1,946)</b>	<b>112</b>	<b>461</b>
<b>Balance at 31 December</b>				
Cost	368,788	437,411	384,892	432,305
Accumulated depreciation	(38,775)	(226,146)	(38,775)	(220,636)
Loss allowance	(83,338)	(15,537)	(96,786)	(13,995)
<b>Carrying amount</b>	<b>246,675</b>	<b>195,728</b>	<b>249,331</b>	<b>197,674</b>
<b>Reclassifications*</b>				
Cost	(16,104)	(2,202)	(224)	479
Accumulated depreciation		1,377		(239)
Loss allowance	13,448	(1,542)	336	714
<b>Total</b>	<b>(2,656)</b>	<b>(2,367)</b>	<b>112</b>	<b>954</b>

Investment property includes the land and buildings leased to group companies and third parties or not used by the company, but not held for sale. The net decrease of €4,602 thousand in the year is mainly due to reclassifications of €5,023 thousand and depreciation of €6,887 thousand, offset by increases of €7,308 thousand.

Reclassifications refer to the transfer of buildings held for sale to Inventories (€1,878 thousand), while the residual portion (€3,145 thousand) relates to the transfer of the section of Villa Patrizi used by the company to Property, plant and equipment, as described in note 5.

The increases of the year total €7,308 thousand and mainly refer to the restructuring of the Pietrarsa Museum, used by (leased to) Fondazione FS (€3,700 thousand), the extraordinary maintenance work on Villa Patrizi (€2,577 thousand) and the upgrading of the Trieste Museum (€1,817 thousand), offset by the decreases concerning the maintenance works related to La Spezia Migliorina (-€608 thousand) and the Vicenza rolling stock depot (-€252 thousand).

## 7. Intangible assets

This caption exclusively comprises costs incurred for software development related mainly to the group's IT systems. Opening and closing balances are shown in the table below.

	(€'000)		
	Concessions, licences, trademarks and similar rights	Assets under development and payments on account	Total
Historical cost	215,419	3,312	218,731
Amortisation and impairment losses	(152,901)		(152,901)
Grants	(10,448)		(10,448)
<b>Balance at 1.1.2019</b>	<b>52,070</b>	<b>3,312</b>	<b>55,382</b>
Investments		40,254	40,254
Placement in service	22,685	(22,685)	
Amortisation	(15,260)		(15,260)
Non-recurring transactions	(28,275)	(11,747)	(40,022)
Other reclassifications		51	51
<b>Total changes</b>	<b>(20,850)</b>	<b>5,873</b>	<b>(14,977)</b>
Historical cost	184,216	9,185	193,401
Amortisation and impairment losses	(142,906)		(142,906)
Grants	(10,090)		(10,090)
<b>Balance at 31.12.2019</b>	<b>31,220</b>	<b>9,185</b>	<b>40,405</b>
Investments		23,774	23,774
Placement in service	26,229	(26,229)	
Amortisation	(14,102)		(14,102)
Other reclassifications*		70	70
<b>Total changes</b>	<b>12,127</b>	<b>(2,385)</b>	<b>9,742</b>
Historical cost	210,445	6,800	217,245
Amortisation and impairment losses	(157,008)		(157,008)
Grants	(10,090)		(10,090)
<b>Balance at 31.12.2020</b>	<b>43,347</b>	<b>6,800</b>	<b>50,147</b>
Reclassifications*			
Historical cost		70	70
<b>Total reclassifications</b>		<b>70</b>	<b>70</b>

During the year, investments and placement in service amounted to €23,774 thousand and €26,229 thousand, respectively. They mainly relate to the acquisition and development of group IT applications in the commercial, administrative, management and IT security fields.



## 8. Deferred tax assets and deferred tax liabilities

The table below shows deferred tax assets and deferred tax liabilities at 31 December 2020 and changes of the year due to the main temporary differences between carrying amounts and the related tax amounts.

	31.12.2019	Incr. (decr.) through profit or loss	Other changes	31.12.2020
(€'000)				
<b>Deferred tax assets</b>				
Differences related to intangible assets and PPE	63,401	(4,818)		58,583
Provisions for risks and charges and impairment losses with deferred tax deductibility	55,352	(899)		54,453
Differences related to buildings held for trading - inventories	63,388	(1,676)		61,712
Other	295	(65)	55	285
<b>Total deferred tax assets</b>	<b>182,436</b>	<b>(7,458)</b>	<b>55</b>	<b>175,033</b>
<b>Deferred tax liabilities</b>				
<b>Provision for deferred tax liabilities</b>				
Differences related to intangible assets and PPE	54,080	(711)		53,369
Differences related to buildings held for trading - inventories	24,525	(678)		23,847
Other				
<b>Total provision for deferred tax liabilities</b>	<b>78,605</b>	<b>(1,389)</b>		<b>77,216</b>
- Provision for IRES consolidation scheme	81,091	5,760		86,851
<b>Total</b>	<b>159,696</b>	<b>4,371</b>		<b>164,067</b>

Deferred tax assets and liabilities mainly relate to the misalignment between the carrying amount and the tax value of property, plant and equipment, investment property and intangible assets on which depreciation and amortisation are calculated, and buildings held for trading, in addition to the deferred deductibility applied to provisions for risks and charges and the effects of IFRS 9 FTA.

The changes in the year refer to the net effect (€6,069 thousand) of the decrease in deferred tax assets and the decrease in deferred tax liabilities, mostly due to the differences between the carrying and tax amounts of amortisation and depreciation in the year and utilisations of the provision for risks and charges, in addition to other amounts recognised in equity (€55 thousand) which reflect the changes in the actuarial reserves.

The provision for the IRES consolidation scheme includes the tax losses transferred by the group companies and used to offset taxes related to the parent and other subsidiaries that participate in the tax consolidation scheme. The provision also reflects the utilisations to remunerate the same companies for the tax losses previously transferred and offset against their taxable income during the year.

## 9. Equity investments

The tables below show the opening and closing balances of equity investments, broken down by category, and changes therein in 2020 and 2019.

	(€'000)		
	Carrying amount 31.12.2020	Carrying amount 31.12.2019	Cumulative loss allowance
<b>Investments in:</b>			
Subsidiaries	37,897,375	37,936,238	209,081
Associates	53,392	53,392	
Joint arrangements	95,120	95,120	
Other companies	15,748	14,748	
<b>Total</b>	<b>38,061,635</b>	<b>38,099,498</b>	<b>209,081</b>

## Changes in 2020

(€'000)

	Carrying amount 31.12.2019	Changes of the year					Carrying amount 31.12.2020	Cumulative loss allowance
		Acquisitions/ Subscriptions	Disposals/ Decreases	Impairment losses/ gains	Reclassifications	Other changes		
<b>Investments in subsidiaries</b>								
Anas S.p.A.	2,863,741						2,863,741	
Fercredit S.p.A.	31,413						31,413	
Ferservizi S.p.A.	8,378						8,378	
Mercitalia Logistics S.p.A.	219,265						219,265	160,533
FS Sistemi Urbani S.r.l.	534,094						534,094	
Grandi Stazioni Immobiliare S.p.A.	616						616	
Italcertifer S.p.A.	738						738	
Italferr S.p.A.	8,047						8,047	
RFI S.p.A.	32,463,899						32,463,899	
Trenitalia S.p.A.	1,607,137						1,607,137	
Busitalia Sita Nord S.r.l.	85,373			(37,148)			48,226	37,148
Nugo S.p.A.	11,400			(11,400)				11,400
Tav S.r.l.	50	32				(32)	50	
FSTechnology S.p.A.	27,578						27,578	
Ferrovie del Sud Est e Servizi Automobilistici - FSE S.r.l.	73,300						73,300	
FS Italian Railways US Inc	89	2,945					3,034	
FS Saudi Arabia for Land Transport LLC	119	2,080					2,199	
FS International S.p.A.	1,000	4,660					5,660	
	<b>37,936,238</b>	<b>9,716</b>		<b>(48,548)</b>		<b>(32)</b>	<b>37,897,375</b>	<b>209,081</b>
<b>Investments in associates</b>								
Metro 5 S.p.A.	30,308						30,308	
Ferrovie Nord Milano S.p.A.	23,061						23,061	
Italiacamp S.r.l.	23						23	
	<b>53,392</b>						<b>53,392</b>	
<b>Investments in joint arrangements</b>								
TELT Sas (formerly LTF Sas)	95,120	63,459				(63,459)	95,120	
	<b>95,120</b>	<b>63,459</b>				<b>(63,459)</b>	<b>95,120</b>	
<b>Other companies</b>								
BCC Bureau Central de Clearing	6						6	
Eurofima SA	14,584						14,584	
Hit Rail BV	97						97	
Isfort S.p.A.	61						61	
Treccani S.p.A.		1,000					1,000	
	<b>14,748</b>	<b>1,000</b>					<b>15,748</b>	
<b>Total</b>	<b>38,099,498</b>	<b>74,175</b>		<b>(48,548)</b>		<b>(63,491)</b>	<b>38,061,635</b>	<b>209,081</b>

The changes during the year relate to:

- **Ferrovie dello Stato Italiane Saudi Arabia for Land Transport LLC** – The company has its registered office in Riyadh and its business object consists of railway infrastructure operations and maintenance and waterway transport in Saudi Arabia. With written resolution dated 23 December 2020 and confirmed on 29 December by notary signature, the sole shareholder Ferrovie dello Stato Italiane S.p.A. increased the company's capital from SAR 500,000 to SAR 10,030,000 (for a final amount, translated into euros, of approximately €2,199,000), which was fully subscribed and paid\_up.
- **FS Italian Railways USA Inc** – The company is based in San Francisco (California) and its business object consists of managing and developing transport and related activities in North America, including participating in tenders for transport contracts. On 18 December 2020, the sole shareholder Ferrovie dello Stato Italiane S.p.A. paid a capital contribution of US\$3,570,000 (approximately €2,945,000). In accordance with the Delaware law to which the company is subject, this will not entail the issue of new shares or the modification of the nominal amount of the outstanding shares, thus leaving the share capital unchanged.
- **FS International S.p.A.** – The company's registered office is in Rome and its business object consists of developing and consolidating, on the international markets targeted by the FS Italiane group, the design, construction, management and maintenance of railway and public and private passenger and freight transport lines, vehicles, stations and systems, including the related engineering, certification, logistics, information & communication technology, advisory and training services provided to the FS Italiane group companies, including in their interests, in the fields of transport and integrated mobility services. On 30 September 2020, in their extraordinary meeting, the shareholders decided to increase the share capital, in one or more tranches and in separate issues, from €1,000,000 up to a maximum €6,830,000, to be carried out by 30 September 2021 by issuing new ordinary shares to be offered as an option at par to the sole shareholder. On the same date, the sole shareholder Ferrovie dello Stato Italiane S.p.A. subscribed and paid a first tranche of €2,300,000 and on 1 December 2020, it subscribed and paid a second tranche of €2,360,000. Therefore, the fully subscribed and paid-up share capital currently amounts to €5,660,000.
- **TAV S.r.l.** – In its meeting of 31 March 2020, the board approved the proposed quota capital reduction from €50,000 to €18,344 in order to cover the losses recognised in 2019 and reinstate the quota capital at €50,000.
- **Treccani S.p.A.** – On 26 November 2020, the company informed the shareholder that its board of directors had approved a capital increase in more than one tranche of €6,000,000 and reserved for four new shareholders: Ferrovie dello Stato Italiane S.p.A., Fondazione Domani, Fondazione di Sardegna and Snam S.p.A.. Consequently, on 21 December 2020, FS S.p.A. subscribed 966,183 new shares for a total fully paid-up amount of €1,000,000.
- **TELT SaS** – The carrying amount of this investment increased by €63,459 thousand, entirely offset by the increase in the grants related to assets received from the MEF for financial investments as per section 7532.

Reference should be made to the next few pages of this note for information about the impairment losses on equity investments in new companies recognised during the year.

## Changes in 2019

(€ 000)

	Changes of the year					Other changes	Carrying amount 31.12.2019	Cumulative loss allowance
	Carrying amount 31.12.2018	Acquisitions/ Subscriptions	Disposals/ Decreases	Impairment losses/ gains	Reclassifications			
<b>Investments in subsidiaries</b>								
Anas S.p.A.	2,863,741						2,863,741	
Fercredit S.p.A.	31,413						31,413	
Ferservizi S.p.A.	8,378						8,378	
Mercitalia Logistics S.p.A.	219,265						219,265	160,533
FS Sistemi Urbani S.r.l.	534,094						534,094	
Grandi Stazioni Immobiliare S.p.A.	616						616	
Netinera Deutschland GmbH (formerly FS2Move GmbH)	144,355				(144,355)			
Mercitalia Rail S.r.l. (formerly FS Telco S.r.l.)								135
Italcertifer S.p.A.	738						738	
Italferr S.p.A.	8,047						8,047	
RFI S.p.A.	32,463,899						32,463,899	
Trenitalia S.p.A.	1,417,782				189,355		1,607,137	
Busitalia Sita Nord S.r.l.	85,373						85,373	
TrainOSE SA	45,000				(45,000)			
Nugo S.p.A.	11,400						11,400	
Tav S.r.l.	50						50	
FSTechnology S.p.A.	1,000	26,578					27,578	
Ferrovie del Sud Est e Servizi Automobilistici - FSE S.r.l.	73,300						73,300	
FS Italian Railways US Inc		89					89	
FS Saudi Arabia for Land Transport LLC		119					119	
FS International S.p.A.		1,000					1,000	
	<b>37,908,451</b>	<b>27,787</b>					<b>37,936,238</b>	<b>160,668</b>
<b>Investments in associates</b>								
Metro 5 S.p.A.	30,308						30,308	
Ferrovie Nord Milano S.p.A.	23,061						23,061	
Italiacamp S.r.l.	23						23	
	<b>53,392</b>						<b>53,392</b>	
<b>Investments in joint arrangements</b>								
TELT Sas (formerly LTF Sas)	95,120	79,758				(79,758)	95,120	
	<b>95,120</b>	<b>79,758</b>				<b>(79,758)</b>	<b>95,120</b>	
<b>Other companies</b>								
BCC Bureau Central de Clearing	6						6	
Eurofima SA	14,584						14,584	
Hit Rail BV	97						97	
Isfort S.p.A.	61						61	
	<b>14,748</b>						<b>14,748</b>	
<b>Total</b>	<b>38,071,711</b>	<b>107,545</b>				<b>(79,758)</b>	<b>38,099,498</b>	<b>160,668</b>

The following table compares the carrying amounts of investments in subsidiaries, associates and joint arrangements with the corresponding interests in equity.

(€'000)

	Registered office	Share/quoted capital	Profit (loss) for the year	Equity (deficit) at 31.12.2020	% of investment	Attributable equity (a)	Carrying amount at 31.12.2020 (b)	Difference (b) - (a)
<b>Investments in subsidiaries</b>								
Busitalia Sita Nord S.r.l.	Rome	73,000	(21,279)	67,542	100.00%	67,542	48,226	(19,316)
Anas S.p.A.	Rome	2,269,892	(107,058)	2,503,364	100.00%	2,503,364	2,863,741	360,377
Fercredit S.p.A.	Rome	32,500	7,323	94,328	100.00%	94,328	31,413	(62,915)
Ferservizi S.p.A.	Rome	8,170	20,012	39,877	100.00%	39,877	8,378	(31,499)
Mercitalia Logistics S.p.A.	Rome	184,611	4,747	198,806	100.00%	198,806	219,265	20,459
FS Sistemi Urbani S.r.l.	Rome	532,784	2,302	560,724	100.00%	560,724	534,094	(26,630)
Grandi Stazioni Immobiliare S.p.A.	Rome	4,000	(1,880)	34,005	60.00%	20,403	616	(19,787)
Italcertifer S.p.A.	Florence	480	2,087	11,236	55.66%	6,254	738	(5,516)
Italferr S.p.A.	Rome	14,186	32,244	96,071	100.00%	96,071	8,047	(88,024)
RFI S.p.A.	Rome	31,528,425	38,291	33,662,079	100.00%	33,662,079	32,463,899	(1,198,180)
FSTechnology S.p.A.	Rome	27,578	290	34,071	100.00%	34,071	27,578	(6,493)
Sita S.p.A. in liquidation (*)	Florence	200	1,597	6,878	55.00%	3,783		(3,783)
Nugo S.p.A.	Rome	1,000	(7,811)	(5,671)	100.00%	(5,671)		5,671
Trenitalia S.p.A.	Rome	1,607,137	(745,902)	2,468,264	100.00%	2,468,264	1,607,137	(861,127)
TAV S.r.l. (*)	Rome	50	(19)	31	100.00%	31	50	19
Ferrovie del Sud Est e Servizi Automobilistici - FSE S.r.l.	Rome	4,683	9,171	24,817	100.00%	24,817	73,300	48,483
FS Saudi Arabia for Land Transport LLC	Riyadh San	2,187	(741)	1,397	100.00%	1,397	2,199	802
FS Italian Railways US Inc	Francisco	2,991	(33)	2,945	100.00%	2,945	3,034	89
FS International S.p.A.	Rome	5,660	16	5,676	100.00%	5,676	5,660	(16)
<b>Total</b>						<b>39,784,761</b>	<b>37,897,375</b>	<b>(1,887,386)</b>
<b>Investments in associates</b>								
Metro 5 S.p.A.	Milan	53,300	13,418	97,942	36.70%	35,945	30,308	(5,637)
Ferrovie Nord Milano S.p.A. (*)	Milan	230,000	23,913	375,716	14.74%	55,380	23,061	(32,319)
Italiacamp S.r.l. (*)	Rome	150	443	1,391	20.00%	278	23	(255)
<b>Total</b>						<b>91,603</b>	<b>53,392</b>	<b>(38,211)</b>
<b>Investments in joint arrangements</b>								
TELT Sas (formerly LTF Sas) (**)	Le Bourget du Lac	1,000		867	50.00%	434	95,120	94,686
<b>Total</b>						<b>434</b>	<b>95,120</b>	<b>94,686</b>
<b>TOTAL</b>						<b>39,876,798</b>	<b>38,045,887</b>	<b>(1,830,911)</b>

(\*) Figures related to the 2019 financial statements (\*\*) Reclassification of the governments grants related to assets disbursed to the former parent RFI S.p.A. up to 2006 and reclassified in accordance with the group's accounting policies (as per IAS 20.27). These grants are used to finance the studies and preliminary works for the construction of the international section of the Turin-Lyon railway line. They are presented in equity in accordance with French GAAP.

The table below shows the methodology and discount rates used for impairment testing purposes:

CGU	Carrying amount 31.12.2020 (€'000)	Discount rate (WACC)	Growth rate
Anas S.p.A.	2,863,741	5.70%	
FsTechnology S.p.A.	27,578	6.54%	
Ferrovie del Sud Est e Servizi Automobilistici - FSE S.r.l.	73,300	5.35%	
Busitalia Sita Nord S.r.l.	48,226	4.10%	
Trenitalia S.p.A.	1,607,137	4.59%	1.50%
Mercitalia Logistics S.p.A.	219,265	6.85%	1.50%

The following companies have been recognised at carrying amounts above the corresponding portion of equity:

- Anas S.p.A., which joined the FS Italiane group in 2018, confirms the strategic scenario elements also following the update of the programme contract approved by the CIPE in its meeting of 24 July 2019 with resolution no. 36/2019 published in official journal no. 20 of 25 January. The update postpones Anas S.p.A.'s remuneration using the consideration method to 2021. Furthermore, the process to extend the concession up to a maximum of 50 years continued. However, the directors decided to re-test the investment for impairment which did not show any impairment losses, also taking into account the specific analysis conducted by the company on the recoverability of the asset that arose on the sale of the concession for the operation of Strada dei Parchi at 31 December 2020, equal to €451 million;
- Mercitalia Logistic S.p.A. was tested for impairment in 2020 showing no impairment. Accordingly, no impairment was recognised on this equity investment;
- The differences between the carrying amounts of Ferrovie del Sud Est S.r.l. and the corresponding portion of equity were tested for impairment and showed no impairment. Furthermore, considering the company's forecast performance in the business plan, these differences are not considered to be permanent.
- Nugo S.p.A. was fully impaired based on the forecast cash flows;
- Busitalia Sita Nord S.r.l. was tested for impairment in 2020 and consequently impaired by €37.1 million;
- TAV S.r.l. is dormant;
- FS Saudi Arabia for Land Transport LLC's loss for the year is in line with budget forecasts. Therefore, no impairment loss was recognised.
- FS Italian Railways USA Inc's loss for the year is in line with budget forecasts. Therefore, no impairment loss was recognised.

The following table summarises the main statement of financial position and income statement captions of associates and joint arrangements. Figures are drawn from the 2020 and 2019 financial statements.

(€'000)

Investments in associates and joint arrangements 31.12.2020	% of investment	Current assets	Non-current assets	Assets held for sale	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Costs	Profit
<b>Investments in associates</b>											
FNM S.p.A (*)	14.74%	253,718	449,131	2,674	705,524	264,507	65,301	329,808	88,980	65,067	23,913
Italiacamp S.r.l. (*) (**)	20.00%	2,582	297		2,878	1,285	202	1,487	3,410	2,967	443
Metro 5 S.p.A.	36.70%	121,595	634,800		756,395	72,924	585,529	658,453	74,413	60,995	13,418
<b>Investments in joint arrangements</b>											
TELT Sas (formerly LTF Sas)	50.00%	92,840	1,649,471		1,742,311	91,730	1,649,714	1,741,444	8,879	8,879	

(\*) The figures relate to the 2019 financial statements (\*\*) Financial statements drawn up under Italian GAAP

(€'000)

Investments in associates and joint arrangements 31.12.2019	% of investment	Current assets	Non-current assets	Assets held for sale	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Costs	Profit
<b>Investments in associates</b>											
FNM S.p.A (*)	14.74%	182,403	473,548		655,951	172,710	121,594	294,304	90,142	65,830	24,312
Italiacamp S.r.l. (*) (**)	20.00%	1,553	432		1,985	705	333	1,037	2,940	2,629	311
Metro 5 S.p.A.	36.70%	132,921	639,732		772,653	72,154	610,589	682,743	79,825	73,252	6,573
<b>Investments in joint arrangements</b>											
TELT Sas (formerly LTF Sas)	50.00%	24,529	1,396,862		1,421,390	45,831	1,375,504	1,421,336	11,267	11,267	

(\*) The figures relate to the 2018 financial statements (\*\*) Financial statements drawn up under Italian GAAP

## 10. Non-current and current financial assets (including derivatives)

The following table gives a breakdown of financial assets at the 2020 and 2019 year ends:

(€'000)

	Carrying amount								
	31.12.2020			31.12.2019			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Hedging derivatives		5,665	5,665				5,665		5,665
Loans and borrowings	6,834,642	926,640	7,761,282	6,083,657	1,539,759	7,623,416	750,985	(613,119)	137,866
Current loans		2,215,294	2,215,294		1,733,021	1,733,021		482,273	482,273
Other loans	0	5,608	5,608	88	156,111	156,199	(88)	(150,503)	(150,591)
<b>Total</b>	<b>6,840,307</b>	<b>3,147,542</b>	<b>9,987,849</b>	<b>6,083,745</b>	<b>3,428,891</b>	<b>9,512,636</b>	<b>756,562</b>	<b>(281,349)</b>	<b>475,213</b>

Financial assets increased by €475,213 thousand overall in 2020.

"Hedging derivatives" include the asset deriving from the measurement of derivatives hedging the financial risk in accordance with IFRS 13. At the measurement date, the company's derivatives consisted of cross currency swaps (cash flow hedges) and interest rate swaps (fair value hedges) related to the EMTN series 11 bond issue.

Loans and borrowings at 31 December 2020 refer to the loans granted to group companies, mainly to the subsidiaries RFI S.p.A. and Trenitalia S.p.A. for a total of €6,962,895 thousand, including €4,434,563 thousand in connection with the Euro Medium Term Notes Programme. The balance is net of the loss allowance of €5,591 thousand, recognised in accordance with IFRS 9.



The most significant financial transactions carried out in the year are described below:

- on 2 April 2020, Ferrovie dello Stato Italiane S.p.A. finalised another 14-year private bond placement with Eurofima for €200,000 thousand at a variable rate. The proceeds were used for an intragroup loan to Trenitalia S.p.A. to finance the rolling stock used to operate the public transport service;
- on 27 May 2020, Ferrovie dello Stato Italiane S.p.A. finalised another 10-year private bond placement with Eurofima for €200,000 thousand at a variable rate. The proceeds were used in an intragroup loan in favour of Trenitalia S.p.A. to finance the rolling stock used to operate the public transport service;
- on 29 May 2020, Ferrovie dello Stato Italiane S.p.A. agreed a three-year loan with UniCredit for €300,000 thousand, which will finance Trenitalia S.p.A.'s and RFI S.p.A.'s projects. Specifically, the loan includes an "ESG tranche" of €200,000 thousand to finance expenses mostly relating to Trenitalia S.p.A.'s new electric rolling stock. On the same date, it agreed a two-year loan with Intesa Sanpaolo for €300 million, which will finance Trenitalia S.p.A.'s projects. Both loans are part of a specific transaction which FS Italiane S.p.A. has specifically developed to seize the opportunities created by the ECB's significant economic stimulus and banking relief measures;
- on 23 June 2020, FS Italiane S.p.A. granted the subsidiary Busitalia Sita Nord S.r.l. a seven-year intragroup loan for a maximum of €14,000 thousand to finance Busitalia Veneto S.p.A.'s capital increase, which was necessary to sign the Service Contract for urban and suburban bus and tram LPT services in the municipality and province of Padua;
- on 23 July 2020, FS Italiane S.p.A. finalised a 12-year €150,000 thousand variable-rate corporate bond as part of the EMTN programme. The proceeds were used in an intragroup loan in favour of Trenitalia S.p.A. to finance the rolling stock used to operate the regional transport service;
- on 27 July 2020, FS Italiane S.p.A. finalised another 14-year private bond placement with Eurofima for €240,000 thousand at a variable rate. The proceeds were used for an intragroup loan to Trenitalia S.p.A. to finance the rolling stock used to operate the public transport service;
- on 27 November 2020, FS Italiane S.p.A. placed a 10-year fixed-rate bond (coupon set at 0.641%) of €250,000 thousand as part of the EMTN Programme. The proceeds were used for an intragroup loan to RFI S.p.A. to finance infrastructure investments;
- on 9 December 2020, FS Italiane S.p.A. placed a 3-year bond (coupon set at 0.00% and therefore with negative yield of 0.114%) of €80,000 thousand as part of the EMTN Programme. The proceeds were used for an intragroup loan solely to finance QBuzz BV investments, of which approximately €47,000 thousand related to investments in electric buses. At 31 December 2020, the amount disbursed was €12,000 thousand and €35,000 thousand was disbursed in February 2021;
- on 21 December 2020, FS Italiane S.p.A. granted TX Logistik AG an 11-year intragroup loan for up to €38,000 thousand to finance the purchase of new intermodal carriages. The first disbursement amounted to €7,252 thousand. The loan is guaranteed by the sub-holding company Trenitalia S.p.A.;
- on 22 December 2020, FS Italiane S.p.A. granted Trainose SA a ten-year intragroup loan for up to €18,000 thousand to finance the upgrading of the Thessaloniki maintenance facility. The first disbursement amounted to €5,000 thousand. The loan is guaranteed by the sub-holding company Trenitalia S.p.A..

These increases are offset by the repayment of loans by group companies during the year. The repayments total €1,559,034 thousand and mainly refer to Trenitalia S.p.A. (€952,418 thousand) and RFI S.p.A. (€541,458 thousand).

The €482,273 thousand increase in current loans during the year is essentially due to the increase in loans granted to Trenitalia S.p.A. (€890,000 thousand), QBuzz BV (€75,971 thousand), Trenitalia C2C (€69,839 thousand), Trenitalia TPER

Scarl (€28,000 thousand) and Mercitalia Rail S.r.l. (€15,000 thousand) offset by the decrease in the loans granted to RFI S.p.A. (€610,000 thousand).

The €150,591 thousand decrease in other loans is mainly due to the smaller intragroup current account balances with Trenitalia S.p.A. (-€131,682 thousand) and Italferr S.p.A. (-€21,121 thousand) and the €1,390 thousand reduction in the back-up facility, offset by the greater intragroup current account balances with Trenitalia C2C, up €3,435 thousand.

## 11. Other non-current and current assets

(€'000)									
	31.12.2020			31.12.2019			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Other assets from group companies		138,367	138,367		49,319	49,319		89,048	89,048
VAT assets	23,882		23,882	25,696		25,696	(1,814)		(1,814)
MEF									
MIT		450,912	450,912		514,371	514,371		(63,459)	(63,459)
Other government authorities		13	13		195	195		(182)	(182)
Sundry assets and prepayments and accrued income	1,257	6,259	7,516	1,256	8,248	9,504	1	(1,989)	(1,988)
<b>Total</b>	<b>25,139</b>	<b>595,551</b>	<b>620,690</b>	<b>26,952</b>	<b>572,133</b>	<b>599,085</b>	<b>(1,813)</b>	<b>23,418</b>	<b>21,605</b>
Loss allowance	(1,073)	(418)	(1,491)	(1,074)	(443)	(1,517)	(1)	(25)	(26)
<b>Total net of the loss allowance</b>	<b>24,066</b>	<b>595,133</b>	<b>619,199</b>	<b>25,878</b>	<b>571,690</b>	<b>597,568</b>	<b>(1,812)</b>	<b>23,443</b>	<b>21,631</b>

The increase in other assets from group companies is due to the rise in the group's VAT assets (€1,172 thousand), the decrease in amounts receivable from the tax consolidation scheme (€13,334 thousand) and the increase in assets from subsidiaries (€101,209 thousand), mainly related to RFI S.p.A.'s and Ferrovie Nord Milano S.p.A.'s dividends.

VAT assets decreased by a total of €1,814 thousand due to the derecognition of the accrued interest on the 2006 VAT assets pursuant to article 20.4-bis of Legislative decree no. 567/1993.

The amount due from the MIT for chapter 7532 grants for the transfers to TELT Sas, to build the Turin – Lyon railway line decreased by €63,459 thousand. The MIT payments to TELT Sas are detailed in note 9 - Equity investments.

Sundry assets decreased following the reduction in contract advances paid (€1,972 thousand), particularly to Flow Consortium, due to the VAT reimbursement on foreign invoices.

The loss allowance is down by a total of €26 thousand on the previous year end as a result of the losses on other assets in accordance with IFRS 9.

Assets broken down by geographical segment are as follows:

(€'000)			
	31.12.2020	31.12.2019	Changes
Italy	618,169	595,100	23,069
Eurozone countries	1,431	1,525	(94)
United Kingdom	900	343	557
Other non-EU European countries		12	(12)
United States	165	320	(155)
Other countries	25	1,785	(1,760)
<b>Total</b>	<b>620,690</b>	<b>599,085</b>	<b>21,605</b>

## 12. Inventories

	(€'000)		
	31.12.2020	31.12.2019	Changes
Land and buildings held for trading	525,321	533,730	(8,409)
Allowance for inventory write-down	(153,224)	(156,342)	3,118
<b>Total inventories</b>	<b>372,097</b>	<b>377,388</b>	<b>(5,291)</b>

<b>Reclassifications</b>			
Cost	16,035	343	15,692
Allowance for inventory write-down	(14,157)	(122)	(14,035)
<b>Total reclassifications</b>	<b>1,878</b>	<b>221</b>	<b>1,657</b>

Inventories comprise buildings held for trading. The net decrease of €5,291 thousand on the previous year end is due to the disposals of the year (€25,414 thousand), net of utilisation of the related allowance for inventory write-down (€17,275 thousand), and the increases in extraordinary maintenance on buildings (€970 thousand). As discussed in note 6 - Investment property, during the year, properties included in sales plans were reclassified from this caption for €1,878 thousand.

### 13. Non-current and current trade receivables

(€'000)

	31.12.2020			31.12.2019			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Ordinary customers	3,921	74,766	78,687	4,345	86,240	90,585	(424)	(11,474)	(11,898)
Government authorities and other public authorities		4,915	4,915		4,960	4,960		(45)	(45)
Receivables from group companies		140,752	140,752		89,797	89,797		50,955	50,955
<b>Total</b>	<b>3,921</b>	<b>220,433</b>	<b>224,354</b>	<b>4,345</b>	<b>180,997</b>	<b>185,342</b>	<b>(424)</b>	<b>39,436</b>	<b>39,012</b>
Loss allowance	(163)	(23,974)	(24,137)	(186)	(27,198)	(27,384)	23	3,224	3,247
<b>Total net of the loss allowance</b>	<b>3,758</b>	<b>196,459</b>	<b>200,217</b>	<b>4,159</b>	<b>153,799</b>	<b>157,958</b>	<b>(401)</b>	<b>42,660</b>	<b>42,259</b>

Trade receivables increased by €42,259 thousand in the year as a result of the combined effect of:

- the €11,898 thousand decrease in trade receivables from ordinary customers in connection with the foreign contract for the Riyadh metro and Grandi Stazioni Retail S.p.A.;
- the €50,955 thousand increase in trade receivables from commercial operations with intragroup customers.

Trade receivables from group companies essentially refer to the contract for the supply and management of services, IT services, membership fees, property items and the foreign contract for the Riyadh metro.

The loss allowance increased by a total of €3,247 thousand on the previous year end. The increase relates to both current trade receivables (€3,223 thousand) and non-current trade receivables (€23 thousand) and includes the loss allowance recognised in accordance with IFRS 9, €450 thousand of which related to trade receivables at 31 December 2020.

The maximum exposure to credit risk, broken down by geographical segment, is as follows:

	31.12.2020			31.12.2019			Changes		
Italy		196,965			143,776			53,189	
Eurozone countries		3,048			1,857			1,191	
United Kingdom		1,022			403			619	
Other European countries (EU, non-Euro)					16			(16)	
Other non-EU European countries		250			250				
Other countries		23,069			39,040			(15,971)	
<b>Total</b>		<b>224,354</b>			<b>185,342</b>			<b>39,012</b>	

## 14. Cash and cash equivalents

They can be analysed as follows:

	31.12.2020	31.12.2019	(€'000) Changes
Bank and postal accounts	245,013	260,379	(15,366)
Cheques	1	1	
Cash and cash on hand	24	26	(2)
Cash pooling accounts	39,125	81,228	(42,103)
<b>Total</b>	<b>284,163</b>	<b>341,634</b>	<b>(57,471)</b>
Loss allowance	(448)	(976)	528
<b>Total net of the loss allowance</b>	<b>283,715</b>	<b>340,658</b>	<b>(56,943)</b>

The €56,943 thousand decrease in this caption is mainly due to the reduction in cash pooling accounts and bank and postal account balances. This decrease is primarily due to the rise in short-term cash pooling requirements (€71,352 thousand) and the capital contribution made by FS Italiane S.p.A. to FS International S.p.A., FS Italian Railways USA Inc, Ferrovie dello Stato Italiane Saudi Arabia for Land Transport LLC and Treccani S.p.A. for a total of €10,684 thousand, as described in detail in note 9 - Equity investments, offset by the collection of dividends from subsidiaries, associates and other companies (€29,420 thousand).

## 15. Tax assets

Tax assets amount to €86,264 thousand, up by €2,522 thousand on the balance of €83,743 thousand at 31 December 2019, and mainly relate to IRES assets from the tax consolidation scheme and group withholdings.

## 16. Equity

Changes in the main equity captions in 2020 and 2019 are shown in the statement of changes in equity.

### Share capital

Ferrovie dello Stato Italiane S.p.A.'s share capital at 31 December 2020 is entirely subscribed and paid up and consists of 39,204,173,802 ordinary shares with a nominal amount of €1 each, for a total of €39,204,173,802.

### Legal reserve

This reserve amounts to €64,807 thousand at the reporting date, up by €11,334 thousand after allocation of part of the 2019 profit pursuant to article 2430 of the Italian Civil Code.

### Actuarial reserve

The actuarial reserve includes the effects of actuarial gains and losses on post-employment benefits and the Free Travel Card. An actuarial loss of €70 thousand, net of the tax effect, was recognised in 2020.

### Retained earnings

This caption of €589,951 thousand refers to the allocation of part of the 2019 profit.

## Profit for the year

2020 ended with a profit of €40,959 thousand.

The origin, availability and distributability of equity captions are shown below.

Origin	Balance at 31.12.2020 (a+b)	Unavailable portion (a)	Possibility of use	Available portion (b)
<b>Share capital</b>	39,204,174	39,204,174		
<b>Income-related reserves:</b>				
Legal reserve	64,807	64,807	B	
<b>Valuation reserves</b>				
Actuarial reserve	(70)		A,B	(70)
Retained earnings	589,951		A,B,C	589,951
<b>Total</b>	<b>39,858,862</b>	<b>39,268,981</b>		<b>589,881</b>

Key:

A: capital increase

B: coverage of losses

C: dividends

## 17. Non-current and current loans and borrowings

Details on the amounts and terms and conditions of the company's loans measured at amortised cost are as follows:

(€'000)

Non-current loans and borrowings, net of the current portion	Carrying amount		
	31.12.2020	31.12.2019	Changes
Bonds	5,931,955	5,409,862	522,093
Bank loans and borrowings	601,780	104,144	497,636
Loans and borrowings from other financial backers		97,060	(97,060)
<b>Total</b>	<b>6,533,735</b>	<b>5,611,066</b>	<b>922,669</b>

(€'000)

Loans and borrowings and current portion of non-current loans and borrowings	Carrying amount		
	31.12.2020	31.12.2019	Changes
Bonds (current portion)	614,766	929,046	(314,280)
Bank loans and borrowings (current portion)	1,835,682	1,682,803	152,879
Loans and borrowings from other financial backers (current portion)	97,060	340,326	(243,266)
Loans and borrowings from group companies (current portion)	613	433	180
<b>Total</b>	<b>2,548,121</b>	<b>2,952,608</b>	<b>(404,487)</b>
<b>Total loans and borrowings</b>	<b>9,081,856</b>	<b>8,563,674</b>	<b>518,182</b>

The €518,182 thousand increase in this caption on the previous year end is substantially due to the new private bond placements with Eurofima with a nominal amount of €640 million in April (€200,000 thousand and a 14-year maturity), in May (€200,000 thousand and a ten-year maturity) and in July (€240,000 thousand and a 14-year maturity), the agreement of new loans with Unicredit and Banca Intesa SanPaolo in May with a total nominal amount of €600,000 thousand, the subscription of new bonds as part of the Euro Medium Term Notes Programme, for a total nominal amount of €480,000 thousand, in July (€150,000 thousand), in November (€250,000 thousand) and in December (€80,000 thousand) to meet the group's financial requirements, and the €298,318 thousand increase in current funding. For additional information about the bond issues, reference should be made to note 10 - Non-current and current financial assets.

These increases are offset by the repayments of the first bond issue under the Euro Medium Term Notes Programme for €750 million, the Targeted Longer Term Refinancing Operations - TLTRO II for €300,000 thousand, €190,326 thousand of the Cassa Depositi e Prestiti loan, €152,418 thousand €343,000 thousand of the Eurofima bond and €101,132 thousand of the EIB loan.

Furthermore, this caption increased due to the measurement of the interest rate swap classified as a fair value hedge (€2,569 thousand).

The terms and conditions of all non-current loans and borrowings, including the current portion, are summarised in the table below:

(€'000)

Creditor	Currency	Nominal interest rate	Year of maturity	31.12.2020		31.12.2019	
				Nominal amount	Carrying amount	Nominal amount	Carrying amount
EUROFIMA	€	6M Euribor - spread	2020			62,700	62,701
EUROFIMA	€	6M Euribor - spread	2026	190,000	190,104	190,000	190,065
EUROFIMA	€	6M Euribor - spread	2026	100,000	100,055	100,000	100,034
EUROFIMA	€	6M Euribor - spread	2027	128,700	128,830	128,700	128,799
EUROFIMA	€	6M Euribor - spread	2026	116,000	116,062	116,000	116,038
EUROFIMA	€	6M Euribor - spread	2022	120,000	120,137	120,000	120,108
EUROFIMA	€	6M Euribor - spread	2024	122,200	122,260	122,200	122,237
EUROFIMA	€	6M Euribor - spread	2027	65,700	65,765	65,700	65,749
EUROFIMA	€	6M Euribor - spread	2020			47,400	47,401
EUROFIMA	CHF	fixed rate 2.57%	2020			41,459	41,740
EUROFIMA	€	6M Euribor + spread	2025	42,500	42,505	42,500	42,500
EUROFIMA	€	6M Euribor + spread	2034	200,000	200,000	200,000	200,000
EUROFIMA	€	6M Euribor + spread	2034	200,000	200,000		
EUROFIMA	€	6M Euribor + spread	2030	200,000	200,000		
EUROFIMA	€	6M Euribor + spread	2031	240,000	240,000		
EMTN PROGR. TR. 1	€	fixed rate 4.00%	2020			749,185	762,545
EMTN PROGR. TR. 2	€	fixed rate 3.50%	2021	599,490	600,583	598,990	600,080
EMTN PROGR. TR. 3	€	6M Euribor + spread	2025	300,000	300,005	300,000	300,007
EMTN PROGR. TR. 4	€	6M Euribor + spread	2022	349,728	350,286	349,570	350,139
EMTN PROGR. TR. 5	€	fixed rate 1.65%	2031	49,832	50,194	49,817	50,178
EMTN PROGR. TR. 6	€	fixed rate 1.50%	2025	998,041	1,005,767	997,624	1,005,329
EMTN PROGR. TR. 7	€	fixed rate 0.87%	2023	599,718	600,077	599,615	599,974
EMTN PROGR. TR. 8	€	6M Euribor + spread	2025	100,000	100,008	100,000	100,011
EMTN PROGR. TR. 9	€	6M Euribor + spread	2030	200,000	200,270	200,000	200,328
EMTN PROGR. TR. 10	€	fixed rate 1.12%	2026	699,428	703,226	699,327	703,114
EMTN PROGR. TR. 11	€	fixed rate 1.03%	2029	99,837	100,254	99,818	100,234
EMTN PROGR. TR. 12	€	6M Euribor + spread	2029	140,000	140,013	140,000	140,020
EMTN PROGR. TR. 13	€	6M Euribor + spread	2024	190,000	190,000	190,000	190,008
EMTN PROGR. TR. 14	€	6M Euribor + spread	2032	150,000	150,540		
EMTN PROGR. TR. 15	€	fixed rate 0.64%	2030	250,000	250,123		
EMTN PROGR. TR. 16	€	fixed rate 0.00%	2023	80,270	80,270		
				<b>6,531,444</b>	<b>6,547,334</b>	<b>6,310,605</b>	<b>6,339,339</b>
EIB	€	fixed rate 4.685%	2021	105,870	106,090	207,002	207,433
CASSA DD.PP.	€	fixed rate 4.026%	2021	97,060	97,060	287,386	287,386
TLTRO II 1 <sup>st</sup> tranche (GDP)	€	6M Euribor + spread	2020			150,000	150,000
TLTRO II 2 <sup>nd</sup> tranche (ISP)	€	6M Euribor + spread	2020			150,000	150,000
TLTRO (ISP)	€	6M Euribor + spread	2022	299,582	299,582		
TLTRO (Unicredit)	€	6M Euribor + spread	2023	199,750	199,771		
TLTRO (Unicredit)	€	6M Euribor + spread	2023	99,879	99,892		
<b>Total loans and borrowings (*)</b>				<b>7,333,585</b>	<b>7,349,729</b>	<b>7,104,993</b>	<b>7,134,158</b>

(\*) The carrying amount of loans and borrowings at 31 December 2020 excludes current funding of €1,729,558 thousand and the €2,569 thousand adjustment to financial liabilities for fair value hedges. The balance at 31 December 2019 excluded current funding of €1,431,241 thousand and the -€-1,726 thousand adjustment to financial liabilities for fair value hedges.



The table below analyses the net financial position, shown in the reclassified statement of financial position, as presented in the 2020 directors' report compared with 31 December 2019:

	(€'000)		
	31.12.2020	31.12.2019	Changes
<b>Current net financial position</b>	<b>(578,987)</b>	<b>(476,005)</b>	<b>(102,982)</b>
Cash pooling accounts	(39,097)	(81,169)	42,072
Loans and borrowings from other financial backers	97,060	340,326	(243,266)
Bank loans and borrowings	1,834,895	1,680,626	154,269
Bonds	612,518	927,582	(315,064)
Intragroup current account	298,481	185,635	112,846
Loans with group companies	(3,138,428)	(3,269,678)	131,250
Bank and postal accounts	(244,593)	(259,462)	14,869
Other	177	135	42
<b>Net non-current financial position</b>	<b>(300,903)</b>	<b>(472,224)</b>	<b>171,321</b>
Loans and borrowings from other financial backers		97,060	(97,060)
Bank loans and borrowings	601,780	104,056	497,724
Bonds	5,931,955	5,409,862	522,093
Loans with group companies	(6,834,642)	(6,083,395)	(751,247)
Other	4	193	(189)
<b>Total</b>	<b>(879,890)</b>	<b>(948,229)</b>	<b>68,339</b>

Pursuant to the amendments to IAS 7, the reconciliation between the total changes in financial assets and liabilities broken down by monetary and non-monetary items is given below.

	(€'000)						
	31.12.2019	Monetary items (statement of cash flows)	Intragroup current account	Non-monetary items			31.12.2020
				New leases	IFRS 9	Other	
Disbursement and repayment of current and non/current loans	8,563,673	529,748				(11,565)	9,081,856
Change in other financial assets	(9,512,636)	(636,218)	149,220		338	11,446	(9,987,850)
Change in other financial liabilities	343,706	(151)	(36,267)	3		(3,137)	304,154
<b>Total</b>	<b>(605,257)</b>	<b>(106,621)</b>	<b>112,953</b>	<b>3</b>	<b>338</b>	<b>(3,256)</b>	<b>(601,840)</b>

## 18. Post-employment benefits and other employee benefits

(€'000)

	31.12.2020	31.12.2019
Present value of post-employment benefit obligations	7,347	7,459
Present value of Free Travel Card obligations	289	290
<b>Total present value of obligations</b>	<b>7,636</b>	<b>7,749</b>

Changes in the present value of liabilities for defined benefit obligations for post-employment benefits and the Free Travel Card (excluding other employee benefits) are shown in the table below.

(€'000)

	2020	2019
Defined benefit obligations at 1 January	7,749	8,868
Service costs	6	3
Interest cost (*)	26	70
Actuarial gains recognised in equity (**)	240	305
Advances, utilisations and other changes	(385)	(1,497)
<b>Total defined benefit obligations</b>	<b>7,636</b>	<b>7,749</b>

(\*) through profit or loss

(\*\*) net of the tax effects

The decrease in the provision for post-employment benefits and the Free Travel Card (approximately €113 thousand) mainly refers to:

- the benefits paid to personnel who left the company during the year (€481 thousand) and transfers of employees to and from other group companies (€114 thousand);
- the difference between the expected accrued amount at the end of the observation period and the expected present value of the benefits payable in the future as recalculated at the end of the period and of the updated valuation assumptions, that represents the actuarial gains/(losses). This calculation generated an actuarial loss of €240 thousand during the year, compared to the actuarial loss of €305 thousand in 2019.

### Actuarial assumptions

The main assumptions for the actuarial estimate process are described below.

	2020	2019
Discount rate (post-employment benefits)	(0.02)%	0.37%
Discount rate (Free Travel Card)	0.34%	0.77%
Expected turnover rate for employees	3.00%	3.00%
Expected rate of advances	2.00%	2.00%
Probability of death	RG48 mortality rate published by the General Accounting Office	
Disability	INPS tables broken down by gender and age	
Retirement age	100% upon meeting the Compulsory general insurance requirements	

The following table shows the results of the sensitivity analysis performed to assess the effects that would have been recorded in terms of changes in the present value of liabilities for defined benefit obligations, following reasonably possible changes in actuarial assumptions.

The last table shows the average duration of the defined benefit obligations and the disbursements provided by the plan.

	Post- employment benefits	Free Travel Card
Inflation rate +0.25%	7,431	296
Inflation rate -0.25%	7,264	281
Discount rate +0.25%	7,215	280
Discount rate -0.25%	7,483	298
Turnover rate +1%	7,289	
Turnover rate -1%	7,411	
Service cost		6
Plan duration	8	14
Payment - first year	1,798	18
Payment - second year	327	17
Payment - third year	235	17
Payment - fourth year	449	16
Payment - fifth year	376	15

## 19. Provisions for risks and charges

The opening and the closing balances of, and changes in, the provisions for risks and charges for 2020 are given below.

(€'000)

	31.12.2019	Accruals	Utilisations	Other changes	Release of excess provisions	31.12.2020
Tax provision	4		(2)			2
Labour and civil litigation	6,634	21	(576)		(98)	5,981
Other minor risks	144,322		(1,306)	(279)	(624)	142,113
<b>Total</b>	<b>150,960</b>	<b>21</b>	<b>(1,884)</b>	<b>(279)</b>	<b>(722)</b>	<b>148,096</b>

The **provision for labour and civil litigation** was accrued to cover probable expenses due to the third-party litigation related to sales contracts (price reductions, compensation for damage suffered during sales negotiations), non-compliance with agreements or disputes about leases, claims for checks on property, pre-emption rights, etc., as well as disputes with personnel. €576 thousand of the provision was used in 2020, mainly due to the disputes with personnel and to manage real estate, while €98 thousand was released after the settlement of legal proceedings. In addition, the accrual of €21 thousand refers to the company's update of its risk assessment for accuracy.

The **provision for other minor risks** mainly covers estimated expenses to be incurred for managers involved in the change management process and contractual costs borne by the former Ferrovie Real Estate S.p.A. connected to specific sales, called "high income and high building package", reclamation costs for certain sites, contractual risks and tax-related items non included in the tax provision described below.

Utilisations of the provisions for risks in the year (€1,306 thousand) refer to the overall expenses incurred to meeting the contractual obligations of the former Ferrovie Real Estate S.p.A. and other property management expenses.

Other changes (+ €279 thousand) relate to the reclassification of €341 thousand of the bilateral fund for income assistance (Interministerial decree of 9 January 2015 and Legislative decree no. 148/2015D and INPS circular of 29 December 2015) to other non-current liabilities, in relation to projects launched during the year, and to the reclassification of -€621 thousand to other non-current liabilities.

The **tax provision** covers probable tax outlays.

## 20. Non-current and current financial liabilities (including derivatives)

(€'000)

	Carrying amount								
	31.12.2020			31.12.2019			Change		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
<b>Financial liabilities</b>									
Financial instruments				2,314		2,314	(2,314)		(2,314)
Lease liabilities	5	202	207	194	114	308	(189)	88	(101)
Other financial liabilities		303,947	303,947	262	340,822	341,084	(262)	(36,875)	(37,137)
<b>Total</b>	<b>5</b>	<b>304,149</b>	<b>304,154</b>	<b>2,770</b>	<b>340,936</b>	<b>343,706</b>	<b>(2,765)</b>	<b>(36,787)</b>	<b>(39,552)</b>

The decrease in other financial liabilities is mainly due to the lower liability for the intragroup current accounts, mostly with RFI S.p.A. (€37,483 thousand), Mercitalia Rail S.r.l. (€23,474 thousand), FSTechnology S.p.A. (€15,488 thousand), Ferservizi S.p.A. (€15,009 thousand) and Mercitalia Logistics S.p.A. (€6,587 thousand) offset by the increase in the balance with Busitalia Group (€25,773 thousand), Italferr S.p.A. (€13,647 thousand), Trenitalia TPER Scarl (€11,917 thousand) and Trenitalia S.p.A. (€9,727 thousand).

“Financial instruments” have a nil balance arising from the measurement of hedging derivatives in accordance with IFRS 13 as described in note 10 - Non-current and current financial assets (including derivatives).

“Lease liabilities” of €207 thousand consist of the financial liability recognised in accordance with IFRS 16.

The table below shows a forecast of potential future lease payments:

(€'000)

Recognised lease liabilities	Potential Future lease payments	Rate at which lease extension/termination options have been historically exercised
207	446	50%

## 21. Other non-current and current liabilities

(€'000)

	31.12.2020			31.12.2019			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Advances for grants		450,912	450,912		514,371	514,371		(63,459)	(63,459)
VAT liabilities		8,492	8,492		4,186	4,186		4,306	4,306
Social security charges payable		5,339	5,339		5,060	5,060		279	279

Other liabilities with group companies	20,409	33,773	54,182	23,982	22,165	46,147	(3,573)	11,608	8,035
Other liabilities and accrued expenses and deferred income	8,619	63,464	72,083	9,940	60,546	70,486	(1,321)	2,918	1,597
<b>Total</b>	<b>29,028</b>	<b>561,980</b>	<b>591,008</b>	<b>33,922</b>	<b>606,328</b>	<b>640,250</b>	<b>(4,894)</b>	<b>(44,348)</b>	<b>(49,242)</b>

Advances for grants are entirely related to the resources allocated to the construction of the Turin - Lyon railway line. The increase on the previous year end mirrors the increase in the amounts due from the MEF and MIT (see note 11). The €4,306 thousand increase VAT liabilities is due to the VAT liability of the year.

The increase in other liabilities with group companies is principally due to the tax consolidation scheme (€10,838 thousand), offset by the decrease in intragroup VAT liabilities (€652 thousand) mainly as a result of the transfer of net VAT assets/liabilities during the year by the companies participating in the VAT consolidation scheme and the derecognition of the accrued interest on the 2006 VAT assets (€1,813 thousand), as described in note 11.

The €1,597 thousand increase in other liabilities and accrued expenses and deferred income is mainly due to the adjustment of the bilateral fund for income assistance (-€2,900 thousand; reference should be made to note 19 - Provision for risks and charges for additional details), guarantee deposits (€1,103 thousand), amounts due to employees, mainly comprised of leaving incentives formalised during the year the financial effect of which will be recognised in the subsequent year, bonuses for employees and managers seconded to other group companies (€4,559 thousand), accrued holidays not taken (-€780 thousand) and other tax liabilities (-€288 thousand).

## 22. Current trade payables

They can be analysed as follows:

	31.12.2020	31.12.2019	Changes
Suppliers	57,311	77,911	(20,600)
Advances	9,157	31,540	(22,383)
Group companies	66,242	52,705	13,537
<b>Total</b>	<b>132,710</b>	<b>162,156</b>	<b>(29,446)</b>

Trade payables mainly consist of amounts due to non-group suppliers and group companies. Liabilities with related parties are described in note 41 - Related party transactions.

Advances amount to €9,157 thousand and mainly refer to amounts received for expropriations not yet completed.

The fair value measurement of trade payables had no significant effect considering the short period of time between the moment the payable arises and its due date.

### 23. COVID-19 emergency

Since the first few months of 2020, FS Italiane S.p.A., also as the holding company of the FS Italiane group, has been - and continues to be - committed to managing the extraordinarily complex health, socio-environmental and economic crisis that the country faces in the wake of the global COVID-19 outbreak. The company has responsibly assessed - always considering the internal and external actions and measures, as well as the developments under way - the current and future operational, organisational, economic and financial impacts on operations in the near future as well.

The 2020 economic and financial performance – at company level – reflects the significant impacts and negative repercussions of the public health emergency in the wake of the global spread of COVID-19.

Revenue from property management decreased by €12,004 thousand on 2019, mainly as a consequence of the reduction in the concession fee from Grandi Stazioni Retail S.p.A. and in revenue from the sale of advertising spaces in Italy's four main train stations, as described in note 24 - Other revenue from sales and services. Operating costs decreased by €1,508 thousand as a result of lower external communications and advertising expense, while impairment losses rose by €5,889 thousand. The latter increase is entirely attributable to the rise in non-performing assets in the real estate segment caused by the effects of the pandemic.

No loan assets or liabilities changed as a result of COVID-19, either in terms of balance or borrowing cost.

The tax consolidation scheme reflects the decrease in income (€126,304 thousand) due to the significant reduction in the IRES amounts transferred by the participating companies compared to the prior year as a result of the impact of the pandemic on the FS Italiane group companies.

## 24. Revenue from sales and services

The company recognises revenue from contracts with customers in accordance with IFRS 15. This standard is a single and comprehensive framework for revenue recognition and sets out the provisions to be applied to all contracts with customers (except for those covered by other standards on leases, insurance contracts and financial instruments).

The table and comments below give a breakdown of revenue from sales and services.

	(€'000)		
	2020	2019	Changes
<b>Revenue from contracts with customers</b>	<b>120,517</b>	<b>94,043</b>	<b>26,474</b>
Patent use charges		14,878	(14,878)
Services provided by the parent	49,652	32,384	17,268
Sundry services	59,261	31,951	27,310
Sale of land and buildings held for trading	11,502	14,227	(2,725)
Sundry sales	102	603	(501)
<b>Other revenue from sales and services</b>	<b>68,018</b>	<b>79,601</b>	<b>(11,583)</b>
Revenue from property management	67,932	79,443	(11,511)
Revenue from grants	86	158	(72)
<b>Total</b>	<b>188,535</b>	<b>173,644</b>	<b>14,891</b>

Revenue from sales and services increased by €14,891 thousand on 2016, mainly due to the combined effect of the following:

- the sale of land and buildings held for trading totalling €11,502 thousand during the year, realising a net gain of €3,284 thousand (-€6,371 thousand on the previous year). Revenue from property sales is down by €2,725 thousand due to the current public health emergency;
- the €14,878 thousand decrease in patent use royalties due to the signing of a new contract with the group companies, which provides for their use on a free loan basis;
- the €27,311 thousand rise in sundry services mainly due to the progress of the Metro Riyadh contract (€25,192 thousand). The balance is affected by the one-year postponement of the trial run and the higher costs incurred partly due to *force majeure*;
- the €501 thousand decrease in sundry sales, which refer to publications (*La Freccia* magazine, the official train schedule, etc.) and advertising space by the External Relations department, mainly due to the printing and sale of online advertising spaces especially in the first few months of the year;
- greater revenue from the recharges that FS Italiane S.p.A. applied to group companies (€17,268 thousand), mainly in relation to the following services: human resources (€27,198 thousand), external relations (€9,727 thousand), tax and accounting (€4,092 thousand), institutional affairs (€3,414 thousand) and corporate affairs (€2,537 thousand);
- the €11,511 thousand decrease in revenue from property management, which mainly consists of leases, recharges of condominium expenses and revenue from the commercial use of stations, substantially due to the effects of the COVID-19 pandemic and the resulting lockdown which caused a reduction in the concession fee from Grandi Stazioni



Retail S.p.A. (€3,998 thousand), the concurrent decrease in revenue from the sale of advertising space in the four largest stations (Roma Termini, Milano Centrale, Napoli Centrale and Torino Porta Nuova) (€2,017 thousand) and the decrease in revenue from facility management recharges by Grandi Stazioni Retail S.p.A. (€2,084 thousand). Furthermore, other property leases decreased by €2,855 thousand as a result of the change in scope and revenue from the recharging of condominium expenses fell by €690 thousand, mainly due to lower consumption in offices as a consequence of the lockdown.

The table below gives a breakdown of revenue from contracts with customers by category:

	(€'000)					
	Real estate		Other services		Total	
	2020	2019	2020	2019	2020	2019
<b>Geographical segment</b>						
Italy	11,502	14,227	83,017	47,798	94,518	62,025
Europe			11	49	11	49
Non-EU			25,987	31,968	25,987	31,969
<b>Total revenue from contracts with customers</b>	<b>11,502</b>	<b>14,227</b>	<b>109,015</b>	<b>79,815</b>	<b>120,517</b>	<b>94,042</b>
<b>Product lines</b>						
<b>Revenue from contracts with customers</b>						
Other service revenue	11,502	14,227	109,015	79,815	120,518	94,042
<b>Total revenue from contracts with customers</b>	<b>11,502</b>	<b>14,227</b>	<b>109,015</b>	<b>79,815</b>	<b>120,517</b>	<b>94,042</b>
<b>Moment of recognition</b>						
Over time	11,502	14,227	109,015	79,815	120,517	94,042
<b>Total revenue from contracts with customers</b>	<b>11,502</b>	<b>14,227</b>	<b>109,015</b>	<b>79,815</b>	<b>120,517</b>	<b>94,042</b>
<b>Total other revenue from sales and services</b>	<b>67,932</b>	<b>79,443</b>	<b>86</b>	<b>158</b>	<b>68,018</b>	<b>79,601</b>
<b>Total revenue from sales and services</b>	<b>79,434</b>	<b>93,670</b>	<b>109,100</b>	<b>79,973</b>	<b>188,535</b>	<b>173,643</b>

Information about contract assets and liabilities is given below:

(€'000)	31.12.2020	31.12.2019
Contract assets classified under "Current/non-current trade receivables"	17,341	48,796
Contract assets classified under "Other current assets/Non-current assets"		
Other assets not included in the above categories		
Contract assets	59,206	16,716
Contract liabilities	0	22,378

The table below shows the significant changes in contract assets and liabilities for the year:

(€'000)	31 December 2020	
	Contract assets	Contract liabilities
Revenue recognised during the year which was included in the opening balance of "contract liabilities"		(22,378)
Increases in contract liabilities due to collections, net of the amounts recognised during the year		
Reclassifications from "contract assets" recognised at the beginning of the year	(11,816)	
Increases in contract assets due to the provision of services	54,306	
Increases in contract assets due to changes in the assessment of the percentage of completion		
Business combinations		
Other changes		

### **Other revenue from sales and services**

Other revenue from sales and services include lease income of €67,932 thousand in 2020.

The table below includes an ageing analysis of payments to be received in future years for assets that the group has given under operating lease:

							(€'000)
	<b>Within one year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>	<b>After five years</b>	<b>Total</b>
Undiscounted payments to be received for operating leases	68,363	78,032	78,031	78,030	77,754	77,754	457,963

## **25. Other income**

This caption can be analysed as follows:

			(€'000)
	<b>2020</b>	<b>2019</b>	<b>Changes</b>
<b>Surety fee income</b>	<b>6,232</b>	<b>6,349</b>	<b>(117)</b>
<b>Repayments</b>			
Managers' fees as corporate officers at FS Italiane group companies	356	266	90
Other repayments	36	28	8
<b>Total repayments</b>	<b>392</b>	<b>294</b>	<b>98</b>
<b>Other sundry income</b>	<b>1,652</b>	<b>1,987</b>	<b>(335)</b>
<b>Total</b>	<b>8,276</b>	<b>8,630</b>	<b>(354)</b>

The €354 thousand decrease is mainly due to the combined effect of:

- the €144 thousand reduction in surety fee income to group companies and particularly RFI S.p.A.;
- the €90 thousand increase in the fees due to the managers appointed in group companies and other associations;
- the €335 thousand decrease in other sundry income, mostly related to assistance services for funded training provided to group companies.

With respect to the comparative figures, for the purposes of a better presentation, €4,372 thousand, related to services provided by the parent, was reclassified from "Repayments" to "Services", while €611 thousand, mainly related to the recharging of membership fees to other group companies, was reclassified to "Other operating costs".

## 26. Personnel expense

	(€'000)		
	2020	2019	Changes
Wages and salaries	42,477	43,569	(1,092)
Social security charges	12,252	12,085	167
Other expense for employees	1,487	(1,217)	2,704
Post-employment benefits	2,799	2,792	7
Accruals and releases	(602)	2,015	(2,617)
<b>Employees</b>	<b>58,413</b>	<b>59,244</b>	<b>(831)</b>
Wages and salaries	23	80	(57)
Social security charges	70	64	6
<b>Consultants and freelancers</b>	<b>93</b>	<b>144</b>	<b>(51)</b>
Temporary workers, seconded employees and trainees	1,044	990	54
Other costs	2,291	2,676	(385)
<b>Other costs</b>	<b>3,335</b>	<b>3,666</b>	<b>(331)</b>
<b>Total</b>	<b>61,841</b>	<b>63,054</b>	<b>(1,213)</b>

Personnel expense, which totals €61,841 thousand, decreased by €1,213 thousand on the previous year.

The decrease is due to:

- a €831 thousand decrease in personnel expense due to the combination of the reduction in wages, salaries and social security charges, down by a total of €925 thousand following the adjustment of the provision for accrued holidays (-€880 thousand), higher leaving incentives in the year of €4,801 thousand (+€2,707 thousand on 2019) and the lack of accruals for managers involved in the change management process (-€1,918 thousand on 2019);
- a €51 thousand decrease in costs for consultants and freelancers following the reduction in collaboration agreements;
- a €331 thousand decrease in other costs, mainly due to lower training costs (-€375 thousand).

The table below gives a breakdown of the company's average number of employees by category:

	2020	2019	Changes
<b>Personnel</b>			
Managers	121	118	4
Junior managers	207	223	(16)
Other	314	301	12
<b>Total</b>	<b>642</b>	<b>642</b>	

## 27. Raw materials, consumables, supplies and goods

They can be analysed as follows:

	2020	2019	(€'000) Changes
Raw materials and consumables	166	344	(178)
Lighting and driving force	3	11	(9)
Change in land and buildings held for trading	8,219	14,572	(6,353)
<b>Total</b>	<b>8,388</b>	<b>14,927</b>	<b>(6,540)</b>

The €6,540 thousand decrease in this caption is mainly due to the lack of impairment losses on property held for trading recognised during the year (2019: €10,000 thousand) which was only partially offset by the increase in costs of goods sold (€3,646 thousand).

## 28. Services

This caption can be analysed as follows:

	(€'000)		
	2020	2019	Changes
Transport services	8	7	1
<b>Maintenance, cleaning and other contracted services</b>	<b>7,037</b>	<b>8,407</b>	<b>(1,370)</b>
Contracted services and work	99	415	(316)
Cleaning and other contracted services	558	591	(33)
Maintenance and repair of intangible assets and property, plant and equipment	7,321	8,502	(1,181)
Accruals/releases for maintenance	(941)	(1,101)	160
<b>Property services and utilities</b>	<b>24,253</b>	<b>25,070</b>	<b>(817)</b>
<b>Administrative and IT services</b>	<b>51,633</b>	<b>31,550</b>	<b>20,083</b>
<b>External communications and advertising expense</b>	<b>10,752</b>	<b>12,600</b>	<b>(1,848)</b>
<b>Other sundry services</b>	<b>76,586</b>	<b>62,314</b>	<b>14,272</b>
Professional services	4,183	4,008	175
Insurance	1,710	440	1,270
Consultancies	1,601	14,722	(13,121)
Facility management	13,839	16,491	(2,652)
Travel and accommodation	418	1,483	(1,065)
Other administrative services	1,902	2,126	(224)
Other services	52,933	23,044	29,889
<b>Total</b>	<b>170,269</b>	<b>139,948</b>	<b>30,321</b>

The overall increase in services is mainly due to greater IT services (€20,083 thousand), mainly provided by FS Technology S.p.A., other costs for the Riyadh metro contract (€24,561 thousand) which match with the contract revenue, and greater insurance costs (€1,270 thousand). These increases are offset by lower consultancy fees (€13,121 thousand), lower facility management costs (€2,652 thousand), mostly paid to Grandi Stazioni Rail S.p.A. and entirely recharged to Grandi Stazioni Retail S.p.A. for maintenance and to ensure the efficiency of the real estate assets of Italy's main train stations, lower costs paid to Ferservizi S.p.A. for the management of the company's real estate assets, maintenance, cleaning and utilities (totalling €2,187 thousand) and lower travel and transfers (€1,065 thousand).

With respect to the comparative figures, as described in note 25 - Other income, the revenue for the remuneration of the activities centralised in FS Italiane S.p.A. on behalf of the group companies (€4,372 thousand) was reclassified to this caption.

## 29. Use of third-party assets

This caption can be analysed as follows:

	2020	2019	Changes
Lease payments and condominium expenses	4,343	3,956	387
IT services and other	1	1	
<b>Total</b>	<b>4,344</b>	<b>3,957</b>	<b>387</b>

This caption increased on the previous year mainly due to higher condominium expenses and payments for leased spaces (€514 thousand), offset by the €124 thousand decrease in fees for the use of spaces at stations.

## 30. Other operating costs

This caption can be analysed as follows:

	2020	2019	Changes
Membership fees and contributions	9,451	8,859	592
Non-deductible VAT (pro rata)	3,671	4,134	(463)
Taxes and duties	14,870	14,276	594
Other sundry expense	(15,794)	5,631	(21,425)
Other costs, accruals/releases	(98)	5,517	(5,615)
<b>Total</b>	<b>12,100</b>	<b>38,417</b>	<b>(26,317)</b>

The €26,317 thousand decrease in this caption is mainly due to last year provisions for the probable risk of losing a lawsuit with third parties (€5,615 thousand) and the reduction in other sundry expense mainly as a consequence of the favourable outcome of the tax dispute commenced by FS Italiane S.p.A. and Terna S.p.A. (€13,366 thousand), lower indemnities and legal expenses not covered by insurance (€4,395 thousand) and greater revenue from repayments (€3,832 thousand) for the remuneration of the activities centralised in FS Italiane S.p.A. on behalf of the group companies, which was reclassified from Other income, as described in note 25.

## 31. Internal work capitalised

Internal work capitalised, amounting to €971 thousand (2019: €1,593 thousand), refers to personnel expense attributable to the production and development of software recognised under intangible assets.

### 31. Amortisation and depreciation

This caption can be analysed as follows:

	2020	2019	Changes
Amortisation	14,102	15,260	(1,158)
Depreciation	8,875	9,256	(382)
<b>Total</b>	<b>22,977</b>	<b>24,516</b>	<b>(1,539)</b>

The €1,539 thousand decrease on the previous year is due to normal trends in amortisation and depreciation resulting from investments of the year.

### 33. Impairment losses (gains)

This caption can be analysed as follows:

	2020	2019	Changes
Impairment losses on property, plant and equipment	2	7	(5)
Impairment losses on intangible assets			
Adjustments and impairment gains on financial assets	5,682	730	4,952
Impairment losses on cash and cash equivalents	(527)	680	(1,206)
<b>Total</b>	<b>5,157</b>	<b>1,417</b>	<b>3,740</b>

This caption increased by €3,740 thousand due to higher net impairment losses on assets and cash and cash equivalents, mainly on the basis of analytical estimates of expected recovery and the adjustment of the loss allowance in accordance with IFRS 9 (-€665 thousand), offset by lower impairment losses on property, plant and equipment.

### 34. Financial income

This caption can be analysed as follows:

	2020	2019	(€'000) Changes
Gains on equity investments	130,830	137,406	(6,576)
<b>Total gains on equity investments</b>	<b>130,830</b>	<b>137,406</b>	<b>(6,576)</b>
Financial income from non-current loans and securities	126,518	136,456	(9,938)
Other financial income	24,364	29,550	(5,186)
Exchange gains	14,351	14,584	(233)
<b>Total other financial income</b>	<b>165,233</b>	<b>180,590</b>	<b>(15,357)</b>
<b>Total</b>	<b>296,063</b>	<b>317,996</b>	<b>(21,933)</b>

Financial income decreased by €21,933 thousand on 2019, mainly due to:

- lower interest accrued on non-current loans (€9,938 thousand) primarily from RFI S.p.A. (€14,887 thousand) due to lower funding costs reflected in the financial charges and Trenitalia S.p.A. (€2,723 thousand), essentially following the repayment of the first tranche of the EMTN bond. These decreases are offset by the increase in interest accrued from Mercitalia Rail S.r.l. (€2,199 thousand), Ferrovie del Sud Est e Servizi Automobilistici S.r.l. (€1,395 thousand), Mercitalia Logistics S.p.A. (€1,948 thousand), QBuzz BV (€1,198 thousand), Busitalia Sita Nord S.r.l. (€531 thousand) and FSTechnology S.p.A. (€442 thousand) for the loans received from FS Italiane S.p.A. during the year;
- the total decrease of €6,576 thousand in dividends distributed by subsidiaries, associates and non-controlling interests essentially due to lower dividends from Ferservizi S.p.A. (-€4,917 thousand), Sita S.p.A. in liquidation (-€2,475 thousand), Centostazioni Retail S.p.A. (-€525 thousand), which was sold in 2019, Ferrovie Nord Milano S.p.A. (-€32 thousand) and Hit Rail BV (-€5 thousand), offset by the greater dividends received from Fercredit S.p.A. (€1,000 thousand), Italferr S.p.A. (€312 thousand) and Eurofima SA (€66 thousand);
- other financial income, which decreased by a total of €5,186 thousand, mostly because of the €12,862 thousand gain realised in 2019 on the purchase and sale contract that FS Italiane S.p.A. and RFI S.p.A. (as sellers) signed with AltaCSRETAILFR (as buyer) for Centostazioni Retail S.p.A.. The decrease is offset by the €3,684 thousand rise in financial income from cross currency swaps (cash flow hedges) hedging exchange rate fluctuations on the loan granted to Trenitalia UK, as described in note 4 - Financial risk management; the €2,370 thousand increase in interest on current loans to subsidiaries, mainly Trenitalia C2C and Qbuzz BV; the €1,035 thousand increase in interest on collars and swaps and interest on the backup facility (€561 thousand).



## 35. Financial expense

This caption can be analysed as follows:

	2020	2019	Changes
			(€'000)
<b>Impairment losses on financial assets</b>	<b>48,883</b>	<b>409</b>	<b>48,474</b>
Accruals for charges on equity investments in group companies			
Impairment losses on group equity investments	48,579		48,579
Other expense for impairment losses on financial assets	304	409	(105)
<b>Total other financial expense</b>	<b>132,311</b>	<b>141,748</b>	<b>(9,437)</b>
Interest on financial liabilities	109,047	126,828	(17,781)
Financial expense on employee benefits	42	96	(54)
Financial expense on leases	3	4	(1)
Other financial expense		3,669	(3,669)
Exchange loss	23,219	11,151	12,068
<b>Total</b>	<b>181,194</b>	<b>142,157</b>	<b>39,037</b>

Financial expense increased by €39,037 thousand on the previous year, mainly due to:

- greater impairment losses on group equity investments, up by €48,474 thousand, essentially related to the complete impairment of Nugo S.p.A. (€11,400 thousand) and the impairment loss on Busitalia Sita Nord S.r.l. (€37,148 thousand), as described in note 9 - Equity investments. Furthermore, impairment losses decreased by €105 thousand as a result of applying IFRS 9;
- the €12,068 thousand increase in exchange losses, mainly recognised on current and non-current loans in British pounds and the operations related to the Riyadh metro contract;
- the total decrease of €12,518 thousand in interest expense on loans from Cassa Depositi e Prestiti, the EIB and Eurofima, due to the reduction in both the outstanding liability and applicable interest rates (6M Euribor), which was reflected in lower financial income received from RFI S.p.A., as indicated in note 33; interest expense of €7,784 thousand on Eurofima loans, essentially as a result of the repayment of the first tranche of the EMTN bonds, expense of €569 thousand related to Eurofina loans and interest and fees due to the non-utilisation of the backup facility (€313 thousand). These decreases were offset by the increase in interest expense on uncommitted lines (€1,207 thousand), bank commissions paid mainly for Eurofima loans (€1,029 thousand), interest expense on new bank loans taken out with Unicredit and Intesa Sanpaolo (€1,002 thousand) and costs incurred for bonds related to the Euro Medium Term Notes Programme (€840 thousand);
- the €3,669 thousand decrease in financial expense relating to cross currency swaps classified as cash flow hedges, which were entered into for the purpose of hedging current risk reflected in greater financial income, as described in note 34.

"Financial expense on leases" of €3 thousand includes interest accrued following the initial application of IFRS 16.

### 36. Current and deferred taxes

Income taxes can be analysed as follows:

	2020	2019	Changes
IRES		275	(275)
Income from the tax consolidation scheme	(21,483)	(158,297)	136,814
Deferred taxes	6,069	4,477	1,592
Adjustments to prior year income taxes	2,032	341	1,691
<b>Total income taxes</b>	<b>(13,382)</b>	<b>(153,204)</b>	<b>139,822</b>

Income taxes decreased by €139,822 thousand overall on 2019, mainly due to the combined effect of the following factors:

- the €275 thousand decrease in current IRES;
- the decrease in the tax income from the tax consolidation scheme (€21,483 thousand, up by €136,814 thousand on 2019), recognised on the lower IRES transferred by the group companies over the years and used during the year, as its subsequent remuneration is not deemed probable;
- the €1,592 thousand increase in deferred tax assets and liabilities (see note 8 - Deferred tax assets and deferred tax liabilities).

## Reconciliation of the actual tax rate

	2020		2019	
	€	%	€	%
Profit for the year	40,959		226,673	
Total income taxes	(13,382)		(153,204)	
Pre-tax profit	27,577		73,469	
<b>IRES theoretical tax (national tax rate)</b>		<b>24.0%</b>		<b>24.0%</b>
<b>Lower taxes:</b>				
Dividends from investees	(129,359)		(130,536)	
Utilisation of provisions	(1,565)		(1,201)	
Other decreases	(12,091)		(13,206)	
<b>Higher taxes:</b>				
Accruals	4,952		8,534	
Impairment losses on equity investments	48,579			
Prior year expense	163		130	
Exchange difference	11,485		524	
Amortisation and depreciation	2,353		3,235	
Non-deductible taxes	14,270		14,537	
Other increases	25,944		45,658	
Total IRES taxable profit (loss)	(7,692)		1,144	
<b>Total current taxes (IRES)</b>			<b>275</b>	
<b>Difference on prior year estimated taxes</b>	<b>2,032</b>		<b>341</b>	
<b>Total deferred taxes</b>	<b>6,069</b>		<b>4,477</b>	
<b>Income from the tax consolidation scheme</b>	<b>(21,483)</b>		<b>(158,297)</b>	
<b>TOTAL INCOME TAXES</b>	<b>(13,382)</b>		<b>(153,204)</b>	

## 37. Contingent assets and contingent liabilities

At the reporting date, there were no contingent assets or liabilities.

## 38. Other information

At the date of preparation of these financial statements, similarly to the previous years, the share capital of Eurofima SA, with registered office in Basel, and in which the company holds a 13.50% investment, was not entirely called up. Consequently, based on the following observations, this represents a financial commitment by the company:

- the callable shares were last approved in 1997;
- the Swiss legislation allows callable shares to never be called up.

The callable share capital that Ferrovie dello Stato Italiane S.p.A. holds amounts to CHF 280,800,000 (€259,353 thousand at the exchange rate ruling on 31 December 2020). Its payment would increase the carrying amount of the equity investment by the same amount.

### 39. Audit fees

Pursuant to article 37.16 of Legislative decree no. 39/2010 and letter 16-bis of article 2427 of the Italian Civil Code, the total fees due to the independent auditors and their network companies amount to €663 thousand and include the fees paid for services other than the statutory audit (€285 thousand).

### 40. Directors' and statutory auditors' fees

	2020	2019	Changes
Directors (1)	1,232	1,212	20
Statutory auditors	100	100	
<b>Total</b>	<b>1,332</b>	<b>1,312</b>	<b>20</b>

(1) Includes the fees of chairman, director and the CEO's fixed and variable remuneration, also as a manager of Ferrovie dello Stato Italiane S.p.A..

Directors' fees include the amounts envisaged for the positions of chairman and CEO, as well as any amounts envisaged for the remaining board members. In addition to the above fees, the external member of the supervisory body received €75 thousand. The fees to the representatives of the MEF (directors and statutory auditors) are transferred to such Ministry when the related parties are employees thereof.

### 41. Related parties

#### Transactions with key managers

	2020	2019
Short-term benefits	5,714	5,570
Post-employment benefits	411	371
<b>Total</b>	<b>6,125</b>	<b>5,941</b>

The benefits relate to the sundry remuneration paid to parties indicated.

In addition to short-term benefits of €5,714 thousand paid out in 2020, a variable portion is to be paid in 2020 for an amount not exceeding €1,500 thousand, once checks have been made on whether objectives have been reached.

Key managers did not receive any termination benefits or long-term benefits.

During the year, the key managers did not carry out any transactions, directly or through close family members, with the group, group companies or other related parties.

#### Related party transactions

The main transactions between Ferrovie dello Stato Italiane S.p.A. and its related parties, which were all carried out on an arm's length basis, are described below.

	ASSETS	LIABILITIES
<b>Subsidiaries</b>		
Rete Ferroviaria Italiana S.p.A.	Services provided by the parent Company officers Seconded personnel Insurance reimbursements Recharge of IT services Recharge of public relation services Lease of land, offices and workshops Recharge of the service cost for the bilateral fund for income assistance	Technical party - property maintenance Seconded personnel Health services Funded training Leases
Ferservizi S.p.A.	Services provided by the parent Company officers Insurance reimbursements Seconded personnel Recharge of IT services Company officers Lease and sub-lease of offices Recharge of condominium expenses Recharge of the service cost for the bilateral fund for income assistance	Property management Recharge of condominium expenses for asset protection IT services Seconded personnel  Ticket purchase fees Asset enhancement fees Technical administration management services  Personnel management Accounting and treasury Facilities and building management Administrative services Training and funded training Asset allocation services Station area management Manager in charge of preparing financial information Maintenance, conservation and protection fees Catering services
Fercredit S.p.A.	Services provided by the parent Seconded personnel Company officers Insurance reimbursements Recharge of IT services Recharge of condominium expenses Lease and sub-lease of offices	Other group services
Grandi Stazioni Rail S.p.A.	Services provided by the parent Company officers Seconded personnel Concession fee Insurance reimbursements Contributions to AGCM charges	Facilities management Fees for the use of spaces Condominium expenses Management of non-core buildings Events, exhibitions, trade fairs and meetings
FS Sistemi Urbani S.r.l.	Services provided by the parent Company officers Insurance reimbursements Lease and sub-lease of offices Recharge of condominium expenses Recharge of IT services	Asset enhancement fees Office lease Training funding
Mercitalia Shunting & Terminal S.r.l.	Services provided by the parent Insurance reimbursements Contributions to AGCM charges incurred	Transport services
TX Logistik AG	Services provided by the parent Insurance reimbursements	
Trenitalia S.p.A.	Services provided by the parent Insurance reimbursements Contributions to AGCM charges incurred Seconded personnel Recharge of IT services Recharge of professional services External communication services Recharge of the service cost for the bilateral fund for income assistance	Staffing services Passenger transport costs Training funding
Italferr S.p.A.	Services provided by the parent Company officers Seconded personnel Insurance reimbursements Recharge of IT services External communication services Contributions to AGCM charges incurred	Technical administration management services Training funding
Mercitalia Logistics S.p.A.	Services provided by the parent Company officers Seconded personnel Insurance reimbursements Recharge of IT services External communication services Office leases Utilisation of trademark	Training funding

Recharge of condominium expenses

Busitalia Sita Nord S.r.l.	Services provided by the parent Company officers Seconded personnel Insurance reimbursements Recharge of IT services External communication services Office leases Recharge of condominium expenses Recharge of professional services	
Italcertifer S.p.A.	Services provided by the parent Seconded personnel Insurance reimbursements Recharge of IT services	Seconded personnel
Mercitalia Intermodal S.p.A.	Services provided by the parent Company officers Insurance reimbursements	
Metropark S.p.A.	Services provided by the parent Insurance reimbursements Lease and sub-lease of offices Recharge of condominium expenses Leases	
Netinera Deutschland GmbH	Services provided by the parent	Seconded personnel
Ataf Gestioni S.r.l.	Services provided by the parent Insurance reimbursements	
FSTechnology S.p.A.	Services provided by the parent Company officers Insurance reimbursements Recharge of IT services Personnel services Leases Recharge of condominium expenses	IT services Seconded personnel
Trenord S.r.l.	Services provided by the parent Insurance reimbursements Lease and sub-lease of offices and workshops Recharge of condominium expenses	
Terminali Italia S.r.l.	Services provided by the parent Insurance reimbursements Office leases Recharge of condominium expenses	
Ferrovie del Sud Est e Servizi Automobilistici - FSE S.r.l.	Services provided by the parent Seconded personnel Contributions to AGCM charges incurred Recharge of IT services External communication services	
Thello SAS	Services provided by the parent	
Busitalia Rail Service S.r.l.	Services provided by the parent Insurance reimbursements	
Busitalia Veneto S.p.A.	Services provided by the parent Insurance reimbursements	
Busitalia Campania S.p.A.	Services provided by the parent Insurance reimbursements	
Bluferries S.r.l.	Services provided by the parent Insurance reimbursements	
Grandi Stazioni Immobiliare S.p.A.	Services provided by the parent Insurance reimbursements Building leases Recharge of condominium expenses	
Savit S.r.l.	Services provided by the parent Insurance reimbursements	
Mercitalia Rail S.r.l. (formerly FS Telco S.r.l.)	Services provided by the parent Company officers Insurance reimbursements Seconded personnel Repayments of professional services Lease and sub-lease of offices Recharge of condominium expenses Leases	Training funding

Trainose S.p.A.	Services provided by the parent Seconded managers	
Anas S.p.A.	Services provided by the parent Seconded managers Company officers	
Nugo S.p.A.	Services provided by the parent Seconded personnel Company officers Insurance recharges Seconded personnel Leases Recharge of condominium expenses	
Obuzz BV	Services provided by the parent	
Trenitalia C2C	Services provided by the parent	
Trenitalia UK	Services provided by the parent	
Trenitalia TPER Scarl	Services provided by the parent Insurance reimbursements	
Cremonesi Workshop S.r.l.	Services provided by the parent Insurance reimbursements	
Tunnel Ferroviario del Brennero	Contributions to the charges incurred	
Infrarail Firenze S.r.l.	Services provided by the parent Insurance reimbursements	
FSI Saudi for Land Transport	Repayments for sundry services	Leases and related costs
FS International S.p.A.	Company officers Repayments for sundry services	

#### Associates

Italiacamp S.r.l.	Investments in consortia and foundations
Metro 5 S.p.A.	Company officers

#### Joint arrangements

Operation Alliance Saudi Co		Other third-party services
TELT Sas (formerly L.T.F. Sas)	Services provided by the parent Seconded personnel Leases	

#### Associates of subsidiaries

Autostrade Asti-Cuneo S.p.A.	Company officers
City Boat	Company officers
Sitaf S.p.A.	Repayments

#### Other related parties (\*)

CDDPP group	Pedestrian crossings	Loans and borrowings
ENEL group	Land easement instalments Pedestrian crossings	Electrical energy supply
ENI group	Land easement instalments Pedestrian crossings	Gas supply
POSTE group	Operating buildings lease instalments Land lease instalments	Postal charges
Invitalia	Pedestrian crossings	
Eurofer	Company officers	Grants
Other pension funds		Insurance policies
Previdai		Grants
Fondazione FS	Company officers Seconded personnel Leases Recharge of condominium expenses	Membership fees Professional courses
Cooperatives, associations, EEIGs and partnerships	Company officers	Sponsorships Membership fees to the railway recreational association
Leonardo group RAI group IPZS		Consultancies Taxes and duties Publishing

(\*) Companies with the same parent, i.e., the MEF.

## OTHER RELATED PARTIES

TAX CONSOLIDATION SCHEME	VAT UNDER THE VAT CONSOLIDATION SCHEME	INTRAGROUP BANK AND POST OFFICE CURRENT ACCOUNTS	LOANS GRANTED	OVERDRAFTS AND LOANS RECEIVED	ISSUE OF SURETIES TO	SUPPLEMENTARY PENSION FUNDS
RFI S.p.A.	RFI S.p.A.	RFI S.p.A.	RFI S.p.A.		RFI S.p.A.	
Fercredit S.p.A.	Fercredit S.p.A.	Fercredit S.p.A.			Fercredit S.p.A.	
Ferservizi S.p.A.	Ferservizi S.p.A.	Ferservizi S.p.A.			Ferservizi S.p.A.	
Trenitalia S.p.A.	Trenitalia S.p.A.	Trenitalia S.p.A.	Trenitalia S.p.A.		Trenitalia S.p.A.	
Italferr S.p.A.	Italferr S.p.A.	Italferr S.p.A.			Italferr S.p.A.	
Grandi Stazioni Rail S.p.A.	Grandi Stazioni Rail S.p.A.	Grandi Stazioni Rail S.p.A.	Grandi Stazioni Rail S.p.A.		Grandi Stazioni Rail S.p.A.	
Bluferries S.r.l.	Bluferries S.r.l.	Bluferries S.r.l.	Bluferries S.r.l.			
Metropark S.p.A.	Metropark S.p.A.	Metropark S.p.A.				
Mercitalia Logistics S.p.A.	Mercitalia Logistics S.p.A.	Mercitalia Logistics S.p.A.	Mercitalia Logistics S.p.A.		Mercitalia Logistics S.p.A.	
FS Sistemi Urbani S.r.l.	FS Sistemi Urbani S.r.l.	FS Sistemi Urbani S.r.l.			FS Sistemi Urbani S.r.l.	
Mercitalia Rail S.r.l.	Mercitalia Rail S.r.l.	Mercitalia Rail S.r.l.	Mercitalia Rail S.r.l.		Mercitalia Rail S.r.l.	
Italcertifer S.p.A.		Italcertifer S.p.A.	Italcertifer S.p.A.		Italcertifer S.p.A.	
Mercitalia Intermodal S.p.A.	Mercitalia Intermodal S.p.A.		Mercitalia Intermodal S.p.A.		Mercitalia Intermodal S.p.A.	
Busitalia Rail Service S.r.l.	Busitalia Rail Serv S.r.l.	Busitalia Rail Service S.r.l.	Busitalia Rail Service S.r.l.			
Busitalia Veneto S.p.A.		Busitalia Veneto S.p.A.				
Busitalia Campania S.p.A.		Busitalia Campania S.p.A.	Busitalia Campania S.p.A.			
		Busitalia Simet S.p.A.				
Mercitalia Shunting & Terminal S.r.l.	Mercitalia Shunting & Terminal S.r.l.	Mercitalia Shunting & Terminal S.r.l.	Mercitalia Shunting & Terminal S.r.l.	Mercitalia Shunting & Terminal S.r.l.	Mercitalia Shunting & Terminal S.r.l.	
Terminali Italia S.r.l.	Terminali Italia S.r.l.	Terminali Italia S.r.l.	Terminali Italia S.r.l.			
Tunnel Ferroviario del Brennero S.p.A.						
Busitalia Sita Nord S.r.l.	Busitalia Sita Nord S.r.l.	Busitalia Sita Nord S.r.l.	Busitalia Sita Nord S.r.l.		Busitalia Sita Nord S.r.l.	
					TX Logistik AG	
					Netinera	
					Deutschland GmbH	
TAV S.r.l.		Grandi Stazioni Immobiliare S.p.A.	Grandi Stazioni Immobiliare S.p.A.			
					Thello SAS	
			Trenitalia C2C		Trenitalia C2C	
			Trenitalia UK		Trenitalia UK	
			Ferrovie Sud Est S.r.l.		Ferrovie Sud Est S.r.l.	
		Qbuzz BV	Qbuzz BV		Qbuzz BV	
			Savit S.r.l.			
Nugo S.p.A.		Nugo S.p.A.				
		Ataf Gestioni S.r.l.				
FSTechnology S.p.A.	FSTechnology S.p.A.	FSTechnology S.p.A.	FSTechnology S.p.A.		FSTechnology S.p.A.	
					Telt Sas	
		Trenitalia TPER Scarl	Trenitalia TPER Scarl			
			Florence City Sightseeing			



**Other related  
parties**

Cassa DD.PP.

Eurofer

The tables below summarise statement of financial position amounts at 31 December 2020 and the income statement figures for the year then ended.

**Trade and other transactions**

(€'000)

	2020		2020		
	Assets	Liabilities	Guarantees and commitments	Costs	Revenue
<b>Subsidiaries</b>					
Anas S.p.A.	1,758			(399)	1,495
Ataf Gestioni S.r.l.	121			(7)	53
Bluferries S.r.l.	625			(1)	(1)
Busitalia Campania S.p.A.	65			(3)	31
Busitalia Rail Service S.r.l.	13	268			7
Busitalia Veneto S.p.A.	190	86		(12)	69
Busitalia Sita Nord S.r.l.	3,115	2,052	42,452	(457)	1,464
Cisalpino AG	250				
Cremonesi Workshop S.r.l.	9		368		6
Fercredit S.p.A.	711	33	763	(233)	271
Ferservizi S.p.A.	7,741	24,438	3,693	24,732	6,677
FSE S.r.l.	1,570		81,268	(1,040)	695
FSE S.r.l.	47			(8)	
FS International S.p.A.	1,154			(1,141)	44
FS Saudi for Land Trasport	1,596	21		(1,575)	
FSTechnology S.p.A.	2,743	13,042	10,172	42,420	404
FS Sistemi Urbani S.r.l.	569	4,397	939	5,704	345
Grandi Stazioni Immobiliare S.p.A.	19				13
Grandi Stazioni Rail S.p.A.	3,419	9,965	7,698	15,771	8,101
Italcertifer S.p.A.	202	220	20	18	58
Italferr S.p.A.	2,970	4,811	5,174	(150)	1,138
Mercitalia Intermodal S.p.A.	2,174	487	122	(5)	21
Mercitalia Logistics S.p.A.	10,046	518	20,548	(309)	2,075
Mercitalia Rail S.r.l. (formerly FS Telco S.r.l.)	11,725	93	11,532	(15)	1,052
Mercitalia Shunting & Terminal S.r.l.	10,148	677	8,725	1	33
Metropark S.p.A.	288	875		(2)	226
Netinera Deutschland GmbH	1,483		35,000	(6)	90
Nord Est Terminal S.p.A. in liquidation					
Nugo S.p.A.	2,232			(54)	207
Obuzz BV	288	26	20,021	26	66
Rete Ferroviaria Italiana S.p.A.	137,690	35,904	1,883,456	(3,991)	30,329
Savit S.r.l.	2				
Sita S.p.A. in liquidation	6,760				
Terminali Italia S.r.l.	244	246		(22)	39
Terminal Alptransit S.r.l.	5		3,088		5
Thello SAS	41		5,116		13
Trainose S.p.A.	317	340		190	7
Trenitalia Logistic France Sas					
Trenitalia S.p.A.	49,530	8,599	868,828	(4,748)	31,753
Trenitalia C2C	938		39,965		60
Trenitalia UK Ltd	777		138,813		472
Trenitalia TPER Scarl	21			(8)	12
Trenord S.r.l.	319				176
Tunnel Ferroviario del Brennero S.p.A.		129			2
TX Logistik AG	484		1,842	(1)	31
<b>Total</b>	<b>264,400</b>	<b>107,227</b>	<b>3,189,603</b>	<b>74,675</b>	<b>87,539</b>
<b>Associates</b>					
Ferrovie Nord Milano S.p.A.	1,410				
Italiacamp S.r.l.				300	
Metro 5 S.p.A.					17
<b>Total</b>	<b>1,410</b>			<b>300</b>	<b>17</b>

<b>Joint arrangements</b>					
Operation Alliance Saudi Co	13,447			41,448	
TELT Sas (formerly L.T.F. Sas)	494			(1,368)	100
<b>Total</b>	<b>494</b>			<b>(1,368)</b>	<b>100</b>
<b>Associates of subsidiaries</b>					
Autostrade Asti Cuneo					6
City Boat	1				
LI-NEA S.p.A.					5
Logistica SA	46				
Sitaf S.p.A.	4			(4)	
<b>Total</b>	<b>72</b>			<b>(4)</b>	<b>11</b>
<b>TOTAL</b>	<b>266,376</b>	<b>107,227</b>	<b>3,189,603</b>	<b>73,603</b>	<b>87,667</b>
<b>Other related parties</b>					
CDDPP group					29
POSTE group					12
IPZS				88	
Eurofer				145	18
Other pension funds				2,319	
Cooperatives, associations, EEIGs and partnerships				32	5
Fondazione FS				4,022	910
Previndai				1,069	
<b>Total</b>				<b>7,732</b>	<b>1,001</b>

## Financial transactions

	2020		2020		
	Assets and current accounts	Liabilities	Guarantees and commitments	Expense	Income
<b>Subsidiaries</b>					
Anas S.p.A.					
Ataf Gestioni S.p.A.		3,420		1	
Bluferries S.r.l.	10,000	123		7	25
Busitalia Campania S.p.A.		2,764			48
Busitalia Sita Nord S.r.l.	73,797	12,473		37,146	1,079
Busitalia Rail Service S.r.l.	3,000	1,449		3	2
Busitalia Veneto S.p.A.		14,878		2	
Fercredit S.p.A.		660			4,000
Ferservizi S.p.A.		21,531		5	15,000
Firenze City Sightseeing S.r.l.	253				3
FSE S.r.l. Trasporto Ferro	88,937			2	3,116
FSTechnology S.p.A.	34,999	28,301	32,560	5	910
FS Saudi for Land Transport	305				5
FS Sistemi Urbani S.r.l.		53,071		4	
Grandi Stazioni Immobiliare S.p.A.	9,607	50		3	115
Grandi Stazioni Rail S.p.A.	41,022	14,382		1	505
Italcertifer S.p.A.		218			1
Italferr S.p.A.	12,001	13,647	15,000	(15)	9,651
Metropark S.p.A.		2,841		1	
Mercitalia Logistics S.p.A.	139,043	4,280		1	3,369
Mercitalia Rail S.r.l. (formerly FS Telco)	296,521	4,117	9,506	13	6,384
Mercitalia Shunting & Terminal	3,500	7,634		(2)	62
Mercitalia Intermodal	40,223			7	428
Netinera Deutschland GmbH			180,464		599
Nuogo S.p.A.		5,002		11,401	
Qbuzz BV	248,556	28,183	10,702	62	3,740
Rete Ferroviaria Italiana S.p.A.	2,136,057	62,378	50,000	(587)	154,266
Savit S.r.l.	1,500			1	13
TAV S.r.l.				32	
Thello SAS			5,740		9
Terminali Italia S.r.l.	5	4			
Trainose S.p.A.	26,006			2	795
Trenitalia S.p.A.	6,497,622	11,203	442,969	2,888	57,080
Trenitalia C2C	150,803		8,989	53	3,477
Trenitalia UK Ltd	81,759	35	17,192	(3)	1,974
Trenitalia TPER Scarl	28,026	11,917		20	26
TX Logistik AG	39,608		1,550	5	801
<b>TOTAL</b>	<b>9,963,151</b>	<b>304,560</b>	<b>774,672</b>	<b>51,058</b>	<b>267,483</b>
<b>Associates</b>					
Ferrovie Nord Milano S.p.A.					1,410
Metro 5 S.p.A.	23,189			(6)	1,474
<b>Total</b>	<b>23,189</b>			<b>(6)</b>	<b>2,884</b>

<b>Joint arrangements</b>					
Operation Alliance Saudi Co				30,268	57
<b>Total</b>				<b>30,268</b>	<b>57</b>
<b>Associates of subsidiaries</b>					
First Trenitalia West Coast Rail Limited				(8)	93
<b>Total</b>				<b>(8)</b>	<b>93</b>
<b>TOTAL</b>	<b>9,986,339</b>	<b>304,560</b>	<b>804,940</b>	<b>51,044</b>	<b>270,517</b>
<b>Other related parties</b>					
CDDPP group				9,674	
<b>TOTAL</b>				<b>9,674</b>	

## 42. Guarantees

The table below details the guarantees issued by the company on behalf of subsidiaries, third parties or other subsidiaries, broken down by financial and non-financial.

Issued on behalf of	(€'000)	
	Financial	Non-financial
Rete Ferroviaria Italiana S.p.A.	50,000	1,883,456
Trenitalia S.p.A.	442,969	868,828
Netinera Deutschland GmbH	180,464	35,000
Busitalia Sita Nord S.r.l.		42,452
Cremonesi Workshop S.r.l.		368
Grandi Stazioni Rail S.p.A.		7,698
FS Sistemi Urbani S.r.l.		939
FSTechnology S.p.A.	32,560	10,172
FSE Infrastruttura S.r.l.		81,268
Italferr S.p.A.	15,000	5,174
Ferservizi S.p.A.		3,693
Mercitalia Logistics S.p.A.		20,548
TX Logistik AG	1,550	1,842
Italcertifer S.p.A.		20
Thello SAS	5,740	5,116
Mercitalia Rail S.r.l.	9,506	11,532
Mercitalia Shunting & Terminal S.r.l. (formerly Serfer)		8,725
Mercitalia Intermodal S.r.l.		122
Trenitalia C2C	8,989	39,965
Trenitalia UK Ltd	17,192	138,813
Terminal Alptransit S.r.l.		3,088
Obuzz BV	10,702	20,021
Fercredit S.p.A.		763
OPS Co	30,268	
<b>Total</b>	<b>804,940</b>	<b>3,189,603</b>

Financial guarantees are mainly comprised of guarantees and counter-guarantees issued to banks for loans. Non-financial guarantees are comprised of bid bonds, performance bonds, commercial guarantees and commitments in favour of the tax authorities.

The main non-financial parent guarantees were issued to the tax authorities (€2,224,916 thousand) to guarantee reimbursements of tax credits to the following subsidiaries: RFI S.p.A., Trenitalia S.p.A., Mercitalia Logistics S.p.A., Mercitalia Intermodal S.p.A., Ferservizi S.p.A., Grandi Stazioni Rail S.p.A., Italferr S.p.A., FS Sistemi Urbani S.r.l., FSTechnology S.p.A., Fercredit S.p.A., Thello Sas and Ferrovie del Sud Est e Servizi Automobilistici S.r.l..

The non-financial parent guarantees include one to GSE guaranteeing the service contract for energy supply signed with RFI S.p.A. (€150,000 thousand) and the guarantees issued to Terna SpA for the contracts signed by Rete Ferroviaria Italiana S.p.A. for the electrical energy dispatching service for withdrawal points which power rail traction and for other uses (guarantees of €22,400 thousand and €1,800 thousand, respectively).

Financial guarantees issued to banks for loans granted are as follows:

- from the EIB to RFI S.p.A. (guarantee of €50,000 thousand);
- from Unicredit AG to TX Logistik AG (guarantee of €1,075 thousand);
- from Unicredit S.p.A. to Mercitalia Rail S.r.l. (guarantee of €6,458 thousand).

Furthermore, a strong comfort letter (€420,000 thousand) was issued for the 2004 loan from OPI (now Intesa Sanpaolo) granted to Trenitalia S.p.A..

The guarantees relating to projects abroad were issued mainly on behalf of Trenitalia C2C Ltd (for an amount corresponding to €48,953 thousand), Trenitalia UK Ltd (for an amount corresponding to €156,005 thousand) and Italferr S.p.A. (for an amount corresponding to €4,487 thousand).

The parent guarantees issued on behalf of Netinera Deutschland GmbH amount to €215,464 thousand.

Guarantees issued on behalf of the parent for projects abroad include a bank counter-guarantee of SAR 189,318 thousand (€41,800 thousand) relating to the performance bond issued in favour of the Royal Commission for Riyadh City (RCRC).

### 43. Information pursuant to Law no. 124/2017

Law no. 124 of 4 August 2017 on the market and competition introduced, inter alia, new reporting requirements on public funds for subsidiaries controlled directly or indirectly by the state. Specifically, article 1.125-129 provides for the inclusion of some information about the “funds disbursed” and “received from” the specific parties identified in the same articles.

The table below summarises the information required by the above law for 2020 about the funds disbursed:

---

CONFINDUSTRIA ASSOCIATIONS	
AGENS-AGENZIA CONFEDERALE DEI TRASPORTI E SERVIZI	697,332
UNINDUSTRIA	315,274
ASSOLOMBARDA	240,282
CONFINDUSTRIA EMILIA REGION - CENTRAL AREA	147,861
UNIONE INDUSTRIALE - TURIN	139,167
CONFINDUSTRIA - FLORENCE	124,047
UNIONE INDUSTRIALI - NAPLES	124,047
SICINDUSTRIA	119,700
UNINDUSTRIA - CALABRIA REGION	102,312
CONFINDUSTRIA - VERONA	89,775
CONFINDUSTRIA - VENICE ROVIGO	81,459
CONFINDUSTRIA - GENOA	80,955
CONFINDUSTRIA - BARI BARLETTA - ANDRIA TRANI	58,149
CONFINDUSTRIA - MARCHE NORD	55,188
CONFINDUSTRIA - UMBRIA	44,856
CONFINDUSTRIA - ALESSANDRIA	44,226
FEDERTURISMO CONFINDUSTRIA	43,750
CONFINDUSTRIA - NOVARA VERCELLI VALSESIA	43,029
CONFINDUSTRIA - FOGGIA	41,769
CONFINDUSTRIA - HIGH ADRIATIC AREA	40,131
CONFINDUSTRIA	37,500
CONFINDUSTRIA - SOUTH TUSCANY	30,114
CONFINDUSTRIA - ROMAGNA AREA	29,358
CONFINDUSTRIA - LIVORNO AND MASSA CARRARA	29,232
CONFINDUSTRIA - UDINE	27,720
CONFINDUSTRIA - SOUTH SARDINIA	26,712
CONFINDUSTRIA - CATANIA	25,137
ASSINDUSTRIA - CENTRAL VENETO REGION	24,822
UNIONE INDUSTRIALE - PISA	23,814
UNIONE INDUSTRIALI - SAVONA AREA	21,798
CONFINDUSTRIA - CUNEO	18,459
CONFINDUSTRIA - LA SPEZIA	17,892
ASSOIMPRENDITORI - ALTO ADIGE	16,191
CONFINDUSTRIA - SALERNO	16,191
CONFINDUSTRIA - VICENZA	15,939
CONFINDUSTRIA - TARANTO	14,175
CONFINDUSTRIA - CHIETI PESCARA	13,482
CONFINDUSTRIA - CASERTA	13,167
CONFINDUSTRIA - L'AQUILA - ABRUZZO	13,104
ASSOCIAZIONE INDUSTRIALI - CREMONA AREA	10,899
CONFINDUSTRIA - BENEVENTO	10,836
<b>INTERNATIONAL ASSOCIATIONS</b>	
UIC - UNION INTERNATIONALE DES CHEMINS DE FER	350,687
CER	259,659

---

Italy-India association	10,000
<b>OTHER ASSOCIATIONS</b>	
FONDAZIONE FS ITALIANE	4,424,000
ITALIACAMP S.r.l.	300,000
ASSONIME	206,270
FONDAZIONE ACCADEMIA SANTA CECILIA	160,000
Fondazione Meet	50,000
Fondazione Ricerca & Imprenditoria	50,000
ASSOCIAZIONE CIVITA	44,000
ASPEN INSTITUTE ITALIA	35,000
FONDAZIONE MEETING PER L'AMICIZIA	35,000
I.G.I. - Istituto Grandi Infrastrutture	30,000
CONSEIL DE COOPERATION ECONOMIQUE	25,000
Gruppo Italia	25,000
CONSUMERS' FORUM	21,000
ISTITUTO PER GLI STUDI	20,000
NON-PROFIT MAKING BODIES	19,268
Trace International, Inc	16,390
ICMA	15,417
Fondazione per Lo Sviluppo Sostenibile	15,000
VALORE D	15,000
BSR Business for Social Responsibility	14,000
Global Reporting Initiative	14,000
CDP	12,000
KYOTO CLUB	10,000
<b>Total</b>	<b>9,246,542</b>

The table below summarises the information required by the above law for 2020 about the funds received:

<b>Beneficiary</b>		
MIT to Telt Sas	Chapter 7532	63,459,429

#### 44. Events after the reporting date

On 18 February 2021, Agens and the FS Italiane group signed a number of important agreements with the trade unions, including, in particular, the agreement for national collective bargaining agreement for Mobility workers/Railway operations, dated 16 December 2016 and which also introduced some measures covering remote work and welfare schemes. The parties also signed a protocol for the quality of work in railway service contracts, with which the group reaffirmed the principles underpinning a healthy economy supported by the quality of work, such as lawfulness, transparency, sustainability and occupational health and safety.

On 18 February 2021, Standard and Poor's affirmed both the Issuer Credit Rating at "BBB" and the "Stand Alone Credit Profile" (SACP) at "bbb+", the latter therefore one notch above the overall rating of FS and the Republic of Italy. The outlook remains negative.

On 23 February 2021, FS Italiane S.p.A.'s board of directors approved the issue of new bonds (reserved for institutional investors as part of the EMTN listed on the Dublin stock exchange) and the use of other financial instruments, for a maximum total of €2 billion and 900 million. The funds raised on debt capital markets will finance the FS Italiane group's investment requirements for 2021 and, specifically, they will be used to purchase new trains for regional transport and medium and long-haul transport, as well as for the railway infrastructure.

On 10 March 2021, with respect to the LH passenger transport grants of the subsidiary Trenitalia S.p.A., the press release of the European Commission, which was then referenced in a release by the Ministry of Infrastructure and Sustainable Mobility (MIMS), noted the approval of the grants related to the market sector for the period from 8 March 2020 to 30 June 2020. Both the criteria for determining the grants and the reference period were partially revised. The funds granted by the Commission to companies totalled €511 million for the above period. For the subsequent period, discussions are underway between the MIMS and the European Commission in order to identify criteria and methods for quantifying further grants, given the objective restrictions on mobility between the regions imposed by the series of Prime Minister's decrees, even after 30 June, in addition to maintaining the limits on saleable seats to ensure the distancing of passengers on board trains throughout the entire year.

On 18 March 2021 – with settlement date 25 March – Ferrovie dello Stato Italiane S.p.A. issued its third green bond for a nominal amount of €1 billion. The coupon has been set at 0.375%, matures on 25 March 2028 and was issued as part of the EMTN programme updated to 12 March 2021.

The issue is part of the Green Bond Framework set up by Ferrovie dello Stato Italiane S.p.A. to finance projects with positive impacts in terms of environmental sustainability. Specifically, the proceeds from the issue are earmarked to replace rolling stock for public transport as detailed below:

- New Pop and Rock electric trains for regional passenger transport;
- New ETR 1000 high-speed electric trains for long-haul passenger transport.

Both projects ensure improvements in energy efficiency, reductions in CO2 emissions and a modal shift towards the use of rail in local and long-haul public transport.

To this end, the certification from the Climate Bonds Initiative (CBI) was confirmed. CBI is an international non-profit organisation that promotes sustainable financing to combat climate change at a global level. The CBI certification and the projects financed by Ferrovie dello Stato Italiane S.p.A. confirm its strong commitment to ESG issues, promoted by through sustainable finance operations.

FS Italiane S.p.A. will use the proceeds of the issue to grant Trenitalia S.p.A. an intragroup loan with substantially the same characteristics and contractual conditions as the bond issue in terms of restrictions and the parties' commitments.

The issue is part of the total €2.9 billion approved by FS Italiane S.p.A.'s board of directors on 23 February 2021 for the group's 2021 requirements.



## Proposed allocation of the profit for the year of Ferrovie dello Stato Italiane S.p.A.

Since the legal reserve has not yet reached the minimum provided for by article 2430 of the Italian Civil Code, we propose allocating the profit for the year as follows:

- 5%, equal to €2,047,950.96, to the legal reserve;
- and carrying forward the remaining €38,911,068.17.

Rome, 31 March 2021

The board of directors

The Chairman

The CEO

**Certification of the Chief Executive Officer and the Manager in charge of the company's accounting documents preparation of the separate financial statements of Ferrovie dello Stato Italiane SpA at 31 December 2020 pursuant to article 154-bis, paragraph 5, of Legislative Decree no. 58/1998**

1. The undersigned Gianfranco Battisti and Roberto Mannozi, respectively as Chief Executive Officer and Manager in charge of the company's accounting documents preparation of Ferrovie dello Stato Italiane S.p.A., also pursuant to article 154-bis paragraphs 3 and 4 of Legislative decree no. 58 of 24 February 1998, certify:

- the adequacy with regard to the characteristics of Ferrovie dello Stato Italiane SpA and
- the effective application

of the administrative and accounting procedures in preparing the separate financial statements at 31 December 2020.

2. In this regard, we report that:

- a. the evaluation of the adequacy and effective application of the administrative and accounting procedures used to prepare the separate financial statements of Ferrovie dello Stato Italiane SpA was based on internal control model, consistent with the "Internal Controls – Integrated Framework" issued by the "Committee of Sponsoring Organizations of the Treadway Commission" which represents an internationally-accepted framework for the internal control system;
- b. this evaluation did not identify any significant issues.

3. In addition, we certify that:

3.1. the separate financial statements of Ferrovie dello Stato Italiane SpA:

- a. have been prepared according to the International Financial Reporting Standards endorsed by the European Community pursuant to regulation (CE) 1606/2002 of European Parliament and Council of 19 July 2002;
- b. correspond to the entries in the books and accounting records of the company;
- c. provide a true and fair view of the financial position and results of operations of Ferrovie dello Stato Italiane SpA.

3.2. the directors' report includes a reliable analysis of the financial position, performance and results of operations of Ferrovie dello Stato Italiane SpA, together with a description of the main risks and uncertainties to which it is exposed.

March 31, 2021

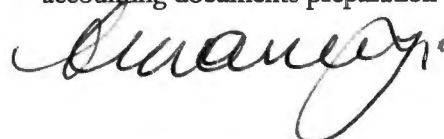
Gianfranco Battisti

Chief Executive Officer



Roberto Mannozi

Manager in charge of the company's  
accounting documents preparation



Piazza della Croce Rossa, 1 - 00161 Roma

Ferrovie dello Stato Italiane S.p.A. – Società con socio unico

Sede legale: Piazza della Croce Rossa, 1 - 00161 Roma

Cap. Soc. Euro 39.204.173.802,00

Iscritta al Registro delle Imprese di Roma

Cod. Fisc. e P. Iva 06359501001 – R.E.A. 962805



KPMG S.p.A.  
Revisione e organizzazione contabile  
Via Curtatone, 3  
00185 ROMA RM  
Telefono +39 06 80961.1  
Email it-fmauditaly@kpmg.it  
PEC kpmgspa@pec.kpmg.it

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

## **Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014**

*To the sole shareholder of  
Ferrovie dello Stato Italiane S.p.A.*

### **Report on the audit of the financial statements**

#### ***Opinion***

We have audited the separate financial statements of Ferrovie dello Stato Italiane S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2020, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Ferrovie dello Stato Italiane S.p.A. as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the separate financial statements" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Recoverability of the carrying amount of investments in subsidiaries**

Notes to the separate financial statements: section on accounting policies and note 9 "Equity investments"

<b>Key audit matter</b>	<b>Audit procedures addressing the key audit matter</b>
<p>The separate financial statements at 31 December 2020 include investments in subsidiaries of €37,897,375 thousand recognised at acquisition or incorporation cost.</p> <p>At each reporting date, the directors check whether there is evidence that these equity investments may be impaired.</p> <p>If indicators of impairment are identified, the directors check the recoverable amount of the equity investments by comparing their carrying amount to their value in use, calculated using appropriate valuation methods under the circumstances.</p> <p>Based on their analyses, the directors identified indicators of impairment in certain investments in subsidiaries and recognised impairment losses totalling €48,548 thousand.</p> <p>Considering the materiality of the financial statements caption, we believe that the recoverability of the carrying amount of investments in subsidiaries is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>— understanding the process adopted to measure equity investments in subsidiaries and to identify any related indicators of impairment;</li><li>— checking, also involving our own valuation specialists, the analyses made by the directors and the reasonableness of the conclusions reached, including in the light of available information and the knowledge acquired through our audit of the separate and consolidated financial statements;</li><li>— assessing the appropriateness of the disclosures provided in the notes about the measurement of investments in subsidiaries.</li></ul>

### **Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements**

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors



believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

### ***Auditors' responsibilities for the audit of the separate financial statements***

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

#### ***Other information required by article 10 of Regulation (EU) no. 537/14***

On 4 November 2014, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2014 to 31 December 2022.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

### **Report on other legal and regulatory requirements**

#### ***Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98***

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.



**Ferrovie dello Stato Italiane S.p.A.**

*Independent auditors' report*

*31 December 2020*

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Rome, 15 April 2021

KPMG S.p.A.

(signed on the original)

Benedetto Gamucci  
Director of Audit

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

**REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE 2020 ANNUAL REPORT**

**SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2020**

**AND**

**CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020**

**OF FERROVIE DELLO STATO ITALIANE S.p.A. – SINGLE-MEMBER COMPANY PURSUANT TO ARTICLE 2429.2  
OF THE ITALIAN CIVIL CODE**

To the sole shareholder of Ferrovie dello Stato Italiane S.p.A.

**SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2020**

Dear Shareholder,

The current composition of the board of statutory auditors, appointed for three years and, in any case, until the shareholder's meeting called to approve the 2021 financial statements, is the result of the shareholder's resolution passed on 3 July 2019 appointing the following statutory auditors: Alessandra dal Verme, chairwoman, Susanna Masi and Gianpaolo Davide Rossetti, standing statutory auditors, Letteria Dinero and Salvatore Lentini, alternate statutory auditors.

Along with the parent's other corporate officers, the statutory auditors systematically check that the corporate governance principles are applied and they also oversee compliance with the law, the by-laws and the principles of sound administration, particularly with respect to the adequacy of the organisational, administrative and accounting system adopted by FS Italiane S.p.A. and that it is effectively working.

When FS Italiane S.p.A. was attributed the public interest entity status, pursuant to article 19 of Legislative decree no. 39/2010, the parent's board of statutory auditors also became the "Internal Control and Audit Committee", with responsibility for monitoring financial reporting, the efficacy of the internal control, internal audit and risk management systems, the statutory audit and the independence of the independent auditors, particularly with respect to the type of any non-audit services they provide to the audited company.

The draft separate financial statements of Ferrovie dello Stato Italiane S.p.A. - single-member company, which have been submitted for your approval, were approved by the board of directors in its meeting of 31 March 2021.

During the year, we carried out the supervisory duties required by the law, considering the code of conduct recommended by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili). With respect to the activities we performed, the following should be noted.

We acquired information on the general performance and outlook, in particular on the continuing impact of the COVID-19 public health emergency also in the first few months of 2021, and on the most significant



transactions in terms of size or characteristics, carried out by the company and its subsidiaries. Based on the information acquired, we have nothing to report in this respect.

To the best of our knowledge, the transactions carried out complied with the law and the by-laws and were not potentially in conflict with the shareholder's resolutions or such that would jeopardise the integrity of the company's assets.

Neither during the year nor after the reporting date did we identify any atypical and/or unusual transactions with third and/or related parties. The ordinary transactions carried out on an arm's length basis with group companies and other related parties, which are described in the documents accompanying the separate and consolidated financial statements, reflect, and are in line with, the company's interests.

The independent auditors, KPMG S.p.A., issued their report on FS Italiane S.p.A.'s separate financial statements at 31 December 2020, as per article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014, expressing an unqualified opinion on their compliance with the IFRS endorsed by the European Union and on the fact that the financial statements give a true and fair view of the company's financial position, financial performance and cash flows. In the same report, the independent auditors state that the directors' report and some specific information on corporate governance and the ownership structure, required by article 123-bis.4 of Legislative decree no. 58/98, are consistent with the separate financial statements of FS Italiane S.p.A. at 31 December 2020 and have been prepared in compliance with the applicable law.

With respect to the supervisory activities concerning the independence of the auditors entrusted with the statutory audit, in our role as Internal control and audit committee, we note that, in the additional communication provided pursuant to article 11 of Regulation (EU) no. 537/2014, KPMG S.p.A. confirmed its independence under article 6.2.a) of the aforementioned Regulation.

We monitored the independence of the independent auditors pursuant to articles 10, 10-bis, 10-ter, 10-*quater* and 17 of Legislative decree no. 39/2010 and article 6 of the European Regulation, also with specific reference to the adequacy of the provision of non-audit services.

Based on the documentation and the information received, we have nothing to report about KPMG S.p.A.'s independence. During the year, we regularly met the independent auditors to exchange significant data and information and to fulfil our supervisory duties with respect to the statutory audit of the separate and consolidated financial statements.

Based on the information received from them, no facts, circumstances or irregularities were noted which should be disclosed in this report. During the year, we met 20 times. The minutes of these meetings are kept in the relevant book.

In addition, during the year, we attended:

- one shareholders' meeting;
- 13 board of directors' meetings.

Such meetings were held in compliance with relevant legislation, regulations and by-laws. During the board of directors' meetings, we met our obligations to periodically report to the board of directors and the board of statutory auditors as per article 2381 of the Italian Civil Code.

We gained an understanding and monitored the adequacy of the company's internal controls and, in our role as Internal control and audit committee, we monitored the efficiency of the internal controls and risk management and internal audit system with respect to financial reporting.

We conducted our supervisory activities based on, inter alia: (i) the information obtained during the periodic meetings with the Central Internal Audit Department; (ii) the examination of the company documents and the results of the work performed by the independent auditors; (iii) the information provided by the Supervisory Body set up pursuant to Legislative decree no. 231/2001; (iv) our active participation in the board of directors' and other committees' meetings.

We have nothing to report with respect to the Internal Control and Risk Management System (ICRMS) or the anti-corruption policies and refer readers to the annual report for information in this respect.

Also in our role as Internal control and audit committee, we monitored the financial reporting process and received evidence of the activities carried out by the manager in charge of financial reporting, most recently during the meeting of 9 April 2021. We have nothing to report in this respect.

We also gained an understanding and supervised, to the extent of our duties, the adequacy of the company's organisational structure and how it operates and the measures adopted by the administrative body and the CEO to deal with the COVID-19 emergency, by obtaining information from the Heads of the competent company departments. With respect to the organisational model adopted pursuant to Legislative decree no. 231/2001, we were duly informed about the checks carried out during the year and have nothing to report in this respect. In particular, on 26 May 2020, the Board of Directors of FS Italiane S.p.A. approved the updating of the 231 Model in order to bring the organisation of the internal control system compliance programmes up to the highest standards and into line with best practices. FS Italiane S.p.A.'s Supervisory Body consisted of two external members up to 16 December 2020, one serving as chairman and another internal member (the head of FS Italiane S.p.A.'s Central Audit Department), and the BoD changed its composition on 17 December 2020, following the amendment that the BoD made to the by-laws of the Supervisory Body and the related section of the 231 model - General Part. In its new form, the Supervisory Body consists of three members from outside the group, one of whom is also appointed chairman.

We also monitored the adequacy of the company's administrative/accounting system, including with respect to the impacts of the COVID-19 emergency, and its reliability in fairly representing operations through (i) the information and documents obtained during the meetings with the manager in charge of financial reporting and the examination of the joint statements made by the latter and the CEO on 31 March 2021; (ii) the information obtained from the competent department Heads and (iii) the examination of the company documents and the results of the work carried out by the independent auditors.

Based on our supervisory activities, to the extent of our duties, we believe that the company's administrative/accounting system is substantially adequate and reliable in fairly presenting operations.

During the year and after the reporting date, we did not receive any complaints pursuant to article 2408 of the Italian Civil Code. There was no need to intervene due to failure of the board of directors as per article 2406 of the Italian Civil Code.

Based on our supervisory and monitoring activities, we have nothing to report.

We examined the draft separate financial statements at 31 December 2020 and note the following:

- a. after checking that the separate financial statements were consistent with the facts and information known to us, we have nothing to report in this respect;
- b. as our duties do not include analytical checks of the content of the financial statements, we checked their basis of presentation and that their preparation generally complied with the law and the IFRS. We have nothing to report in this respect;

c. to the extent of our knowledge, during the preparation of the separate financial statements, the directors did not apply any of the waivers permitted by article 2423.4 of the Italian Civil Code.

The company ended 2020 with a profit of €40,959,019.13. For additional information, reference should be made to the notes to the separate financial statements.

\*\*\*

Finally, having considered the separate financial statements at 31 December 2020, the information provided by the directors and the findings of the independent auditors, to the extent of our duties, we have no objections to your approval of the draft financial statements of FS Italiane S.p.A. - single-member company at 31 December 2020, as submitted by the board of directors to the sole shareholder.

## CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020

Dear Shareholder,

The consolidated financial statements of Ferrovie dello Stato Italiane group (“FS Italiane group”) at 31 December 2020, which have been submitted to you, comprise the required consolidated schedules and the notes thereto. They have been prepared in accordance with the IFRS (which include the International Accounting Standards), endorsed by the European Union, and are accompanied by a directors’ report and the statement of the manager in charge of financial reporting, as well as a schedule describing the group’s consolidation scope and equity investments.

They also include the reconciliation between profit for the year and equity in FS Italiane S.p.A.’s separate financial statements and the related consolidated figures at 31 December 2020, compared to 31 December 2019.

In the directors’ report, which the independent auditors KPMG S.p.A. checked for consistency with the consolidated financial statements, the directors have described the group’s and the parent’s overall financial position, financial performance and cash flows and provided detailed information about the specific operations of consolidated companies and the outlook.

We performed our supervisory activities in compliance with the code of conduct for boards of statutory auditors issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili). In accordance with such code of conduct, we referred to the legislation that regulates the preparation of consolidated financial statements.

The documentation examined and information received did not show any non-compliance with legislation governing the preparation of consolidated financial statements.

The independent auditors issued their report as per articles 14 of Legislative decree no. 39/2010 and 10 of Regulation (EU) no. 537 of 16 April 2014, stating that the consolidated financial statements at 31 December 2020 comply with the IFRS, are presented clearly and give a true and fair view of FS Italiane group’s financial position, financial performance and cash flows as at and for the year ended 31 December 2020.

The directors’ report includes the consolidated non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016 (the “decree”). We examined KPMG S.p.A.’s report on the consolidated non-financial statement which stated that, *based on the procedures performed, nothing has come to their attention that would have led them to believe that the 2020 consolidated non-financial statement of the Ferrovie dello Stato Italiane group had not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the Global Reporting Initiative Sustainability Reporting Standards issued in 2016 by GRI - Global Reporting Initiative.*

During the year, the independent auditors made suggestions on how to improve the information flows, which did not impact the audit, but related to the Sustainability Report, which the group appropriately took into account by also integrating the consolidated non-financial statement disclosure required under Law decree no. 254/2016. Specifically, in 2020, for the first time, the materiality matrix was developed using a bottom-up approach (and therefore starting with an analysis of the information gathered by subsidiaries).

After examining the annual report, we acknowledge that the group’s management reported that *“since the first few months of 2020, the FS Italiane group has been - and continues to be - actively committed to dutifully and carefully handling, with an approach it has shared with all stakeholders, the unprecedented and extraordinarily complex health, socio-environmental and economic crisis that the country faces in the wake of the global COVID-19 coronavirus outbreak. The group has responsibly assessed - always considering*

*the internal and external actions and measures, as well as the developments under way - the current and future operational, organisational, economic and financial impacts on operations in the near future as well”.*

Furthermore, based on the same annual report, we also acknowledge that *“from the onset of the emergency, the FS Italiane group [...] took all the appropriate and recommended measures to limit infections and manage the pandemic, which was also in compliance with the government virus containment and social distancing measures to protect the health of employees, customers, suppliers and, in general, the entire community. In particular, it set up an intragroup task force to constantly monitor developments in the situation, coordinate the measures required by the government and outline the necessary and timely internal actions”.*

Moreover, since July 2020, the group has held talks with the competent Italian Ministries to define a bundle of projects to be financed with the Recovery Fund and, in January 2021, an intragroup task force for the National Recovery and Resilience Plan (“NRRP”) was set up to oversee the group’s actions in connection with the NRRP.

From an accounting point of view, with respect to the “2020 pandemic” trigger event, in the annual report, pursuant to IAS 36, the group tested property, plant and equipment and intangible assets for impairment. We acknowledge that these tests have resulted in the recognition of minor impairment losses on certain intangible assets, specifically goodwill, mainly relating to foreign investees. These impairment losses are also due to the trend of the reference markets.

Finally, with respect to the outlook, we acknowledge that *“partly to ensure that what is happening does not affect its current, confirmed, solid medium and long-term prospects, the FS Italiane group aspires to support the country’s recovery within its field, contributing to multi-modal passenger and freight mobility based on a careful analysis of the shape of the new, post-pandemic scenarios, steering them while keeping the needs of people at the absolute centre; a mobility that is increasingly sustainable, safe and, at the same time, focused on operational excellence, maintaining its leadership role at the cutting edge of technology and resilient digital infrastructure, not only in Italy but with a consolidated international footprint. In particular, as part of the actions to launch the country’s recovery, despite the ongoing COVID-19 emergency, the FS Italiane group plans to increase capital expenditure again in 2021, in both the Infrastructure and Transport segments, with a crucial fleet upgrading project. Revenue is also expected to rise in 2021, despite the as-yet complex macroeconomic scenario characterised by the pandemic, which still creates significant uncertainty”.*

Rome, 15 April 2021

#### THE BOARD OF STATUTORY AUDITORS

Alessandra dal Verme	Chairwoman	(signed on the original)
Susanna Masi	Standing statutory auditor	(signed on the original)
Gianpaolo Davide Rossetti	Standing statutory auditor	(signed on the original)