



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

FS ITALIANE GROUP AND FERROVIE DELLO STATO ITALIANE S.P.A. 2020 ANNUAL REPORT HIGHLIGHTS

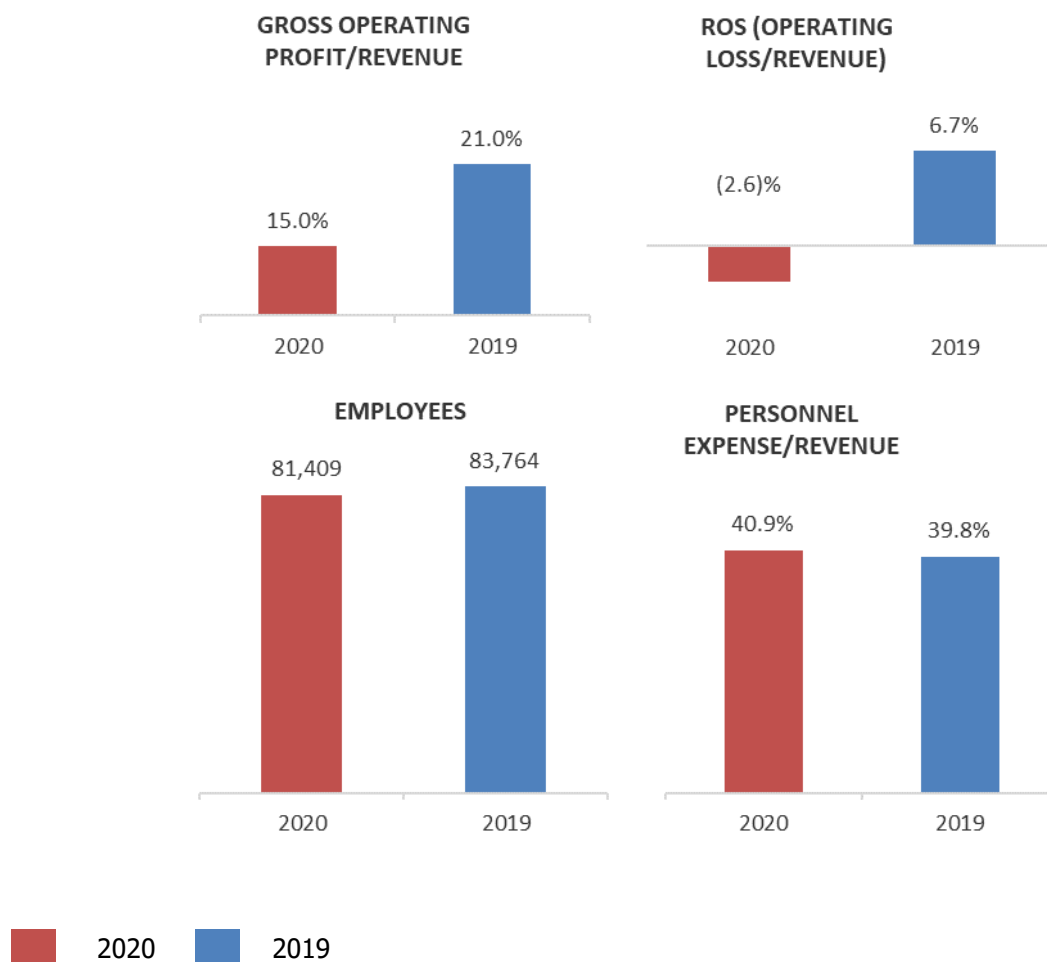
CONTENTS

FS ITALIANE GROUP AND FERROVIE DELLO STATO ITALIANE S.p.A. 2020 ANNUAL REPORT HIGHLIGHTS

Group highlights	3
COVID-19 emergency	4
The group's financial position and performance	9
Investments	19
Segment reporting	21
Ferrovie dello Stato Italiane S.p.A.'s financial position and performance	35
Consolidated financial statements	39
Annual separate financial statements of Ferrovie dello Stato Italiane S.p.A.	45
Reporting by operating segment	51

Group highlights

These highlights show how the FS Italiane group's performance in 2020 was affected by the economic and financial impact of the ongoing public health emergency that began in the wake of the global COVID-19 outbreak.



millions of Euro

Financial highlights	2020	2019	Change	%
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)
	31.12.2020	31.12.2019	Change	%
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

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 to contain the risk of further spread throughout the population.

Consequently, 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.

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.

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. 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.

	millions of Euros
	Impact of COVID-19
REVENUE	(1,695)
Revenue from sales and services	(1,668)
Revenue from contracts with customers	(2,747)
Other revenue from sales and services	1,079
Other income	(27)
OPERATING COSTS	(652)
Personnel expense	(168)
Other costs, net	(484)
GROSS OPERATING LOSS	(1,043)
Amortisation, depreciation, accruals and impairment losses	44
OPERATING LOSS	(999)
Net financial expense	(15)
PRE-TAX LOSS	(1,014)
Income taxes	28
LOSS FROM CONTINUING OPERATIONS	(986)
Profit (loss) from assets held for sale, net of taxes	
LOSS FOR THE YEAR	(986)

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.

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 at the foot of the reclassified financial statements to give a better understanding of the group's financial position and performance in 2020.

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 which was detailed in the paragraph "COVID-19 emergency" and is 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)
REVENUE	10,837	12,423	(1,586)	(12.8)	(1,695)	(106.9)
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)
OPERATING COSTS	(9,204)	(9,814)	610	6.2	652	106.9
GROSS OPERATING PROFIT	1,633	2,609	(976)	(37.4)	(1,043)	(106.9)
Amortisation, depreciation, accruals and impairment losses	(1,911)	(1,780)	(131)	(7.4)	44	33.6
OPERATING (PROFIT) LOSS	(278)	829	(1,107)	(133.5)	(999)	(90.3)
Net financial expense	(283)	(176)	(107)	(60.8)	(15)	(14.0)
PRE-TAX PROFIT (LOSS)	(561)	653	(1,214)	(185.9)	(1,014)	(83.5)
Income taxes	(1)	(60)	59	98.3	28	47.5
PROFIT (LOSS) FROM CONTINUING OPERATIONS	(562)	593	(1,155)	(194.8)	(986)	(85.4)
Profit (loss) from assets held for sale, net of taxes		(9)	9	100.0		
PROFIT (LOSS) FOR THE YEAR	(562)	584	(1,146)	(196.2)	(986)	(86.0)
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 paragraph "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 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; 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:
 - 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.
 - 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;
 - 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, was 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).

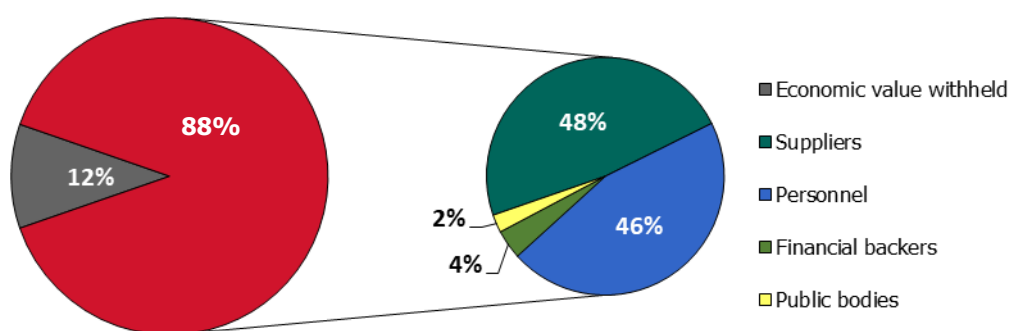
Accruals, totalling €127 million, compared to net releases of €22 million in the previous year, rose essentially due to the adjustment of the Bilateral fund for income assistance, set up for proactive income and employment assistance, to cover extraordinary benefits to be paid in future years.

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.

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	
Directly generated economic value	10,941	100%	12,524	100%	12,196	100%
Revenue from sales and services	10,482		12,011		11,560	
Other sundry income	459		513		636	
Distributed economic value	9,621	88%	10,190	81%	9,877	81%
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	
Economic value withheld	1,320	12%	2,334	19%	2,319	19%
Amortisation, depreciation, accruals and impairment losses	1,911		1,780		1,762	
Other sundry costs and taxes	(29)		(30)		(2)	
Profit (loss) for the year	(562)		584		559	



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 jobs¹.

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

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 considering 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) and sales 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:

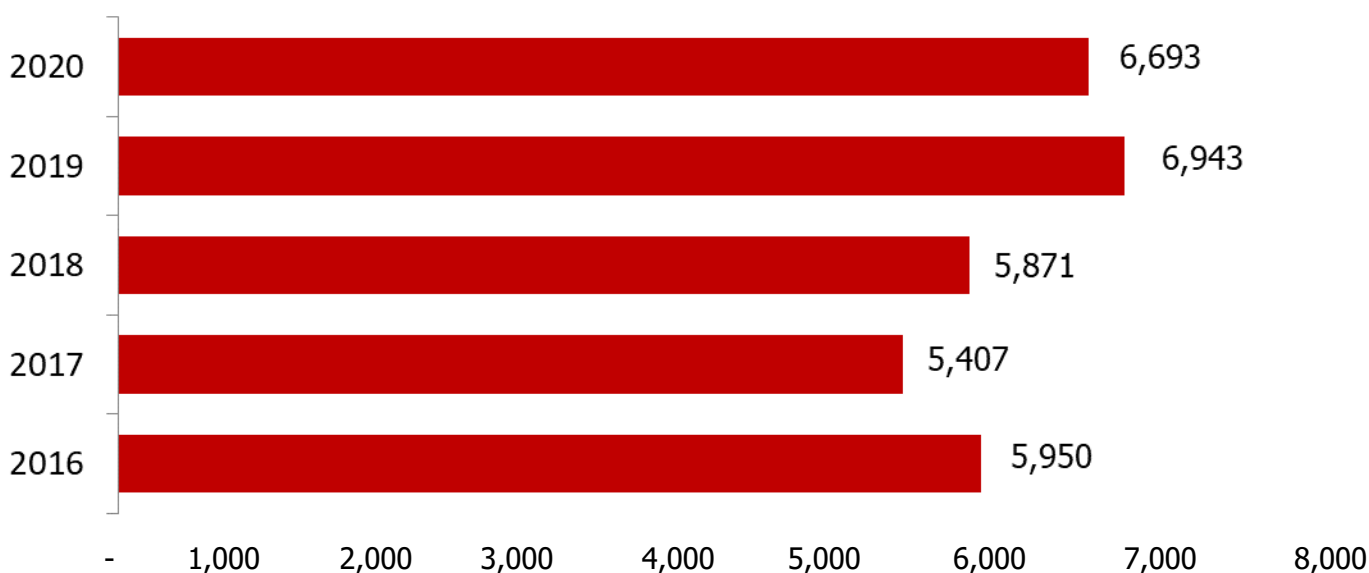
- the loss for the year, which was €562 million lower than the profit for 2019;
- the change in the consolidation scope (-€310 million) essentially due to the acquisition of 100% of Netinera Deutschland GmbH (impact of -€119 million, including -€110 million attributable to non-controlling interests and -€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.

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 2020², 98% of which in Italy (+5% on the €8.5 billion at 2019 year end³).

² 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.).

³ 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.

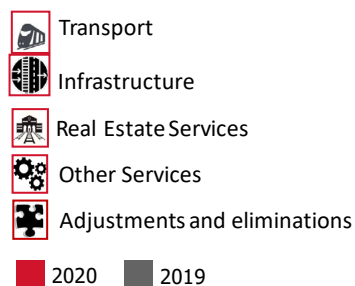
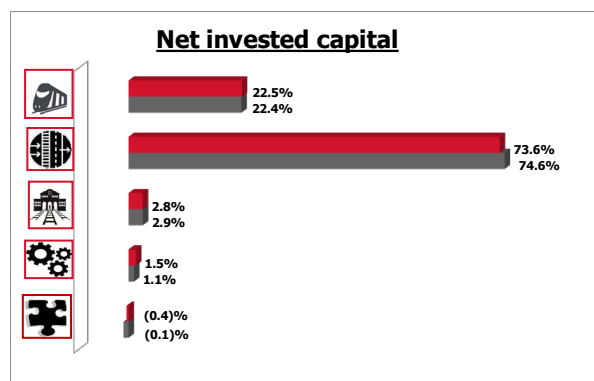
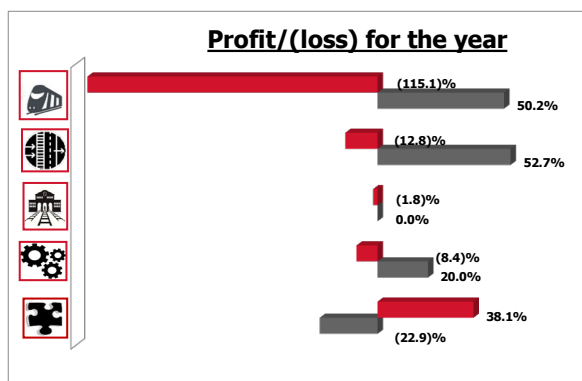
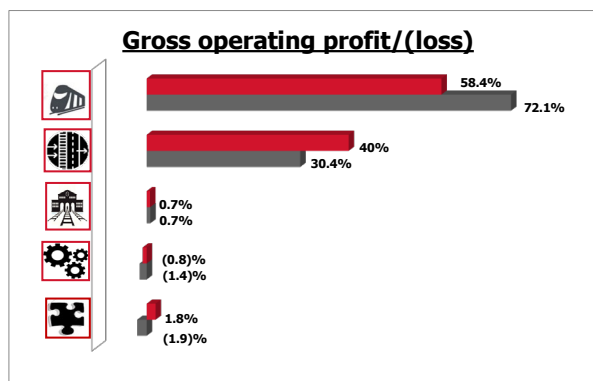
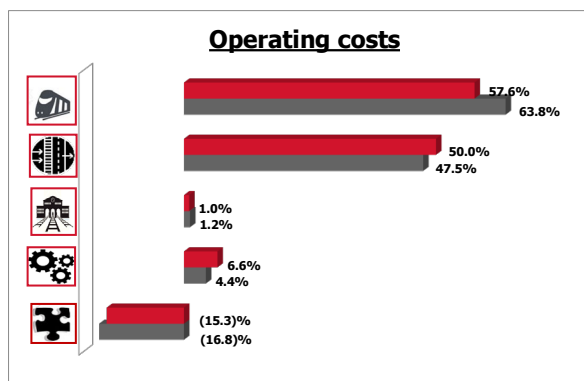
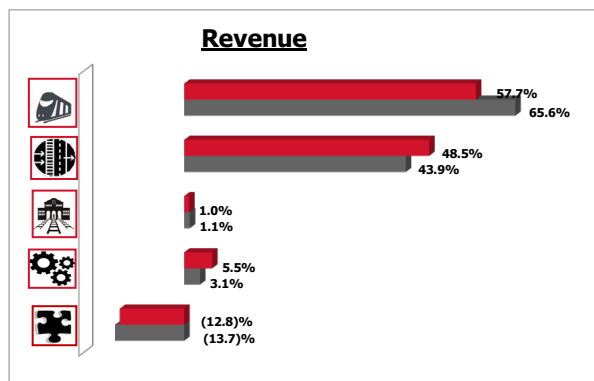
Approximately 80% of capital expenditure refers to the Infrastructure operating segment, with Rete Ferroviaria Italiana (RFI) S.p.A. investing €4,917 million (including €4,258 million for the traditional/HC network, €110 million for the HS/HC network between Turin, Milan and Naples and €549 million for 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 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.

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 hub, 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)
Revenue	6,258	8,144	(1,886)	(23.2)
Operating costs	(5,306)	(6,262)	956	15.3
Gross operating profit	952	1,882	(930)	(49.4)
Operating profit (loss)	(418)	467	(885)	(189.5)
Segment profit (loss) (attributable to the owners of the parent and non-controlling interests)	(647)	293	(940)	>200

	31.12.2020	31.12.2019	Change
Net invested capital	11,304	11,195	109

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 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 department 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) that the DFT and the franchisees signed in September 2020, made to the Franchise Agreement. 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)
Revenue	5,256	5,451	(195)	(3.6)
Operating costs	(4,603)	(4,658)	55	1.2
Gross operating profit	653	793	(140)	(17.7)
Operating profit	160	455	(295)	(64.8)
Segment profit (loss) (attributable to the owners of the parent and non-controlling interests)	(72)	308	(380)	(123.4)

	31.12.2020	31.12.2019	Change
Net invested capital	37,050	37,292	(242)

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)
Revenue	106	138	(32)	(23.2)
Operating costs	(95)	(119)	24	20.2
Gross operating profit	11	19	(8)	(42.1)
Operating profit (loss)	(6)	6	(12)	>200
Segment loss (attributable to the owners of the parent and non-controlling interests)	(10)		(10)	>200

	31.12.2019	31.12.2018	Change
Net invested capital	1,423	1,425	(2)

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)
Revenue	599	391	208	53.2
Operating costs	(612)	(427)	(185)	(43.3)
Gross operating loss	(13)	(36)	23	(63.9)
Operating loss	(62)	(65)	3	(4.6)
Segment profit (loss) (attributable to the owners of the parent and non-controlling interests)	(47)	117	(164)	(140.2)

	31.12.2020	31.12.2019	Change
Net invested capital	739	548	191

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	%
Revenue	197	183	14	8
- Revenue from sales and services	189	174	15	9
- Other revenue	8	9	(1)	(11)
Operating costs	(256)	(259)	3	(1)
GROSS OPERATING LOSS	(59)	(76)	17	(22)
Amortisation and depreciation	(23)	(25)	2	(8)
Net impairment gains	(5)	(1)	(4)	>200
OPERATING LOSS	(87)	(102)	15	(15)
Net financial income	115	176	(61)	(35)
PRE-TAX PROFIT	28	74	(46)	(62)
Income taxes	13	153	(140)	(92)
PROFIT FOR THE YEAR	41	227	(186)	(82)

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

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 in **other provisions** (-€2 million) and the decreases in **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).



Consolidated financial statements

Statement of financial position

millions of Euros

	31.12.2020	31.12.2019
Assets		
Property, plant and equipment	46,460	46,058
Investment property	1,393	1,385
Intangible assets	2,668	2,713
Deferred tax assets	408	405
Equity-accounted investments	765	574
Service concession assets	1,891	1,696
Financial assets (including derivatives)	1,054	1,628
Trade receivables	6	6
Other assets	4,770	5,319
Total non-current assets	59,415	59,784
Inventories	2,307	2,290
Trade receivables	2,493	2,671
Financial assets (including derivatives)	637	705
Service concession assets	1,412	1,549
Cash and cash equivalents	1,270	1,534
Tax assets	104	128
Other assets	3,450	3,462
Total current assets	11,673	12,339
Assets held for sale and disposal groups		1,691
Total assets	71,088	73,814
Total equity and liabilities		
Share capital	39,204	39,204
Reserves	70	53
Valuation reserves	(413)	(400)
Retained earnings	2,956	2,412
Profit (loss) for the year	(570)	573
Equity attributable to the owners of the parent	41,247	41,842
Profit attributable to non-controlling interests	8	11
Share capital and reserves attributable to non-controlling interests	154	437
Total equity attributable to non-controlling interests	162	448
Equity	41,409	42,290
Liabilities		
Loans and borrowings	7,733	7,211
Post-employment benefits and other employee benefits	1,073	1,221
Provisions for risks and charges	2,437	2,547
Deferred tax liabilities	466	502
Contract advances	1,214	1,142
Financial liabilities (including derivatives)	1,381	1,577
Trade payables	26	27
Other liabilities	140	162
Total non-current liabilities	14,470	14,389
Loans and borrowings and current portion of non-current loans and borrowings	3,832	4,095
Current portion of provisions for risks and charges	18	34
Trade payables	5,586	5,797
Tax liabilities	4	13
Contract advances	431	197
Financial liabilities (including derivatives)	169	176
Other liabilities	5,169	5,614
Total current liabilities	15,209	15,926
Liabilities held for sale and disposal groups		1,209
Total liabilities	29,679	31,524
Total equity and liabilities	71,088	73,814

Income statement

millions of Euros

	2020	2019
Revenue		
Revenue from sales and services	10,482	12,011
Other income	355	412
Total revenue	10,837	12,423
Operating costs		
Personnel expense	(4,432)	(4,945)
Raw materials, consumables, supplies and goods	(1,278)	(1,491)
Services	(4,800)	(4,734)
Use of third-party assets	(116)	(140)
Other operating costs	(175)	(215)
Internal work capitalised	1,597	1,711
Total operating costs	(9,204)	(9,814)
Amortisation and depreciation	(1,604)	(1,712)
Net impairment gains	(180)	(90)
Accruals	(127)	22
Operating profit (loss)	(278)	829
Financial income and expense		
Financial income	81	88
Financial expense	(387)	(286)
Net financial expense	(306)	(198)
Share of profits of equity-accounted investees	23	22
Pre-tax profit (loss)	(561)	653
Income taxes	(1)	(60)
Loss from assets held for sale, net of taxes		(9)
Profit (loss) for the year (attributable to the owners of the parent and non-controlling interests)	(562)	584
<i>Profit (loss) for the year attributable to the owners of the parent</i>	(570)	573
<i>Profit (loss) for the year attributable to non-controlling interests</i>	8	11

Statement of comprehensive income

millions of Euros

	2020	2019
Profit (loss) for the year (attributable to the owners of the parent and non-controlling interests)	(562)	584
Other comprehensive income		
Items that will not be reclassified to profit or loss, net of the tax effect:		
Net actuarial losses	(43)	(9)
attributable to the owners of the parent	(43)	(9)
attributable to non-controlling interests		
Items reclassified to profit or loss	25	13
Items that will or may be reclassified to profit or loss, net of the tax effect:		
Cash flow hedges - effective portion of changes in fair value	5	6
attributable to the owners of the parent	5	4
attributable to non-controlling interests		2
Net exchange gains	5	
Other comprehensive income (expense), net of the tax effect	(8)	10
Comprehensive income (expense) (attributable to the owners of the parent and non-controlling interests)	(570)	594
<i>Comprehensive income (expense) attributable to:</i>		
Owners of the parent	(578)	581
<i>Non-controlling interests</i>	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
	Share capital	Legal reserve	Extraordinary reserve	Other reserves	Translation reserve	Hedging reserve	Actuarial reserve	Fair value reserve	Total reserves					
Balance at 1 January 2019	39,204	50				(86)	(322)		(358)	1,868	540	41,254	443	41,697
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
Balance at 31 December 2019	39,204	53				(69)	(331)		(347)	2,412	573	41,842	448	42,290
Balance at 1 January 2020	39,204	53				(69)	(331)		(347)	2,412	573	41,842	448	42,290
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							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)
Balance at 31 December 2020	39,204	65			5	(39)	(374)		(343)	2,956	(570)	41,247	162	41,409

Statement of cash flows

millions of Euros

	2020	2019
Profit (loss) for the year	(562)	584
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
Gains 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
Net cash flows generated by operating activities	1,274	1,273
Increases in property, plant and equipment	(6,229)	(6,542)
Investment property	(5)	(2)
Increases in intangible assets	(257)	(340)
Increases in equity investments	(178)	(120)
Investments, before grants	(6,668)	(7,003)
Grants for property, plant and equipment	4,352	4,116
Grants for investment property		
Grants for intangible assets		
Grants for equity investments	150	112
Grants	4,502	4,229
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
Decreases	122	153
Net cash flows used in investing activities	(2,044)	(2,622)
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
Net cash flows generated by financing activities	494	1,087
Total cash flows	(276)	(254)
Opening cash and cash equivalents	1,534	1,796
Closing cash and cash equivalents	1,258	1,534
of which intragroup current account	12	

Annual separate financial statements of
Ferrovie dello Stato Italiane S.p.A.

Statement of financial position

Euros

	31.12.2020	31.12.2019
Assets		
Property, plant and equipment	50,788,278	47,938,264
Investment property	442,403,269	447,005,704
Intangible assets	50,147,475	40,404,665
Deferred tax assets	175,033,072	182,436,348
Equity investments	38,061,634,521	38,099,497,753
Financial assets (including derivatives)	6,840,307,296	6,083,744,791
Trade receivables	3,758,600	4,159,204
Other assets	24,065,497	25,877,644
Total non-current assets	45,648,138,008	44,931,064,373
Inventories	372,097,043	377,387,565
Trade receivables	196,458,944	153,799,937
Financial assets (including derivatives)	3,147,542,214	3,428,890,772
Cash and cash equivalents	283,714,848	340,657,747
Tax assets	86,264,467	83,742,642
Other assets	595,133,072	571,689,908
Total current assets	4,681,210,588	4,956,168,571
Total assets	50,329,348,596	49,887,232,944
Equity		
Share capital	39,204,173,802	39,204,173,802
Reserves	64,806,665	53,473,021
Valuation reserves	(69,955)	112,825
Retained earnings	589,951,253	374,612,026
Profit for the year	40,959,019	226,672,871
Total equity	39,899,820,784	39,859,044,545
Liabilities		
Loans and borrowings	6,533,734,581	5,611,065,583
Post-employment benefits and other employee benefits	7,635,534	7,748,976
Provisions for risks and charges	148,095,814	150,959,192
Deferred tax liabilities	164,067,473	159,695,900
Financial liabilities (including derivatives)	4,827	2,769,448
Other liabilities	29,028,996	33,922,328
Total non-current liabilities	6,882,567,225	5,966,161,427
Loans and borrowings and current portion of non-current loans and borrowings	2,548,120,993	2,952,607,703
Trade payables	132,710,431	162,155,659
Financial liabilities (including derivatives)	304,149,389	340,935,917
Other liabilities	561,979,774	606,327,693
Total current liabilities	3,546,960,587	4,062,026,972
Total liabilities	10,429,527,812	10,028,188,399
Total equity and liabilities	50,329,348,596	49,887,232,944

Income statement

	2020	2019
		Euros
Revenue from sales and services	188,535,042	173,644,017
Other income	8,275,836	8,629,529
Total revenue	196,810,878	182,273,546
Personnel expense	(61,840,530)	(63,053,941)
Raw materials, consumables, supplies and goods	(8,387,759)	(14,927,438)
Services	(170,269,015)	(139,948,833)
Use of third-party assets	(4,343,385)	(3,957,340)
Other operating costs	(12,100,158)	(38,417,427)
Internal work capitalised	970,565	1,592,916
Total operating costs	(255,970,283)	(258,712,063)
Amortisation and depreciation	(22,976,676)	(24,515,949)
Net impairment gains	(5,156,590)	(1,416,501)
Operating loss	(87,292,671)	(102,370,967)
Gains on equity investments	130,829,816	137,405,991
Other financial income	165,233,654	180,590,274
Losses on equity investments	(48,882,971)	(409,120)
Other financial expense	(132,310,594)	(141,747,660)
Net financial income	114,869,905	175,839,485
Pre-tax profit	27,577,234	73,468,518
Income taxes	13,381,785	153,204,353
Profit from continuing operations	40,959,019	226,672,871
Profit for the year	40,959,019	226,672,871

Statement of comprehensive income

	2020	Euros 2019
Profit for the year	40,959,019	226,672,871
Items that will not be reclassified to profit or loss:		
Net actuarial losses	(237,899)	(305,262)
Tax effect on actuarial gains	55,119	50,128
Other comprehensive expense, net of the tax effect	(182,780)	(255,134)
Comprehensive income	40,776,239	226,417,737

Statement of changes in equity

Euros

Equity									
	Reserves					Total reserves	Retained earnings	Profit for the year	Total equity
	Other reserves			Valuation reserves					
	Share capital	Legal reserve	Extraordinary reserve	Other reserves	Actuarial reserve				
Balance at 1 January 2019	39,204,173,802	50,353,142			367,959	50,721,101	315,334,328	62,397,577	39,632,626,808
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)
Balance at 31 December 2019	39,204,173,802	53,473,021			112,825	53,585,846	374,612,026	226,672,871	39,859,044,545
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)
Balance at 31 December 2020	39,204,173,802	64,806,665			(69,955)	64,736,710	589,951,253	40,959,019	39,899,820,784

STATEMENT OF CASH FLOWS

Euros

	2020	2019
Profit for the year	40,959,019	226,672,870
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
Accruals to provisions and impairment losses	(499,561)	9,216,104
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
Net cash flows generated by (used in) operating activities	(19,648,692)	5,821,239
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)
Investments, before grants	(107,030,383)	(134,212,139)
Grants for equity investments	63,459,429	79,757,976
Grants	63,459,429	79,757,976
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
Decreases	52,733	35,264,236
Net cash flows used in investing activities	(43,518,221)	(19,189,927)
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)
Net cash flows used in financing activities	(106,621,539)	(39,429,599)
Total cash flows	(169,788,452)	(52,798,287)
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)

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
Revenue	6,258	5,256	106	599	(1,382)	10,837
Personnel expense	(2,277)	(2,014)	(5)	(156)	20	(4,432)
Other costs, net	(3,029)	(2,589)	(90)	(456)	1,392	(4,772)
Operating costs	(5,306)	(4,603)	(95)	(612)	1,412	(9,204)
Gross operating profit (loss)	952	653	11	(13)	30	1,633
Amortisation and depreciation	(1,268)	(296)	(9)	(50)	19	(1,604)
Impairment losses and accruals	(102)	(197)	(8)	1	(1)	(307)
Operating profit (loss)	(418)	160	(6)	(62)	48	(278)
Net financial income (expense)	(282)	(212)	3	8	200	(283)
Income taxes	53	(20)	(7)	7	(34)	(1)
Segment profit (loss) (attributable to the owners of the parent and non-controlling interests)	(647)	(72)	(10)	(47)	214	(562)

millions of Euros

31.12.2020	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and Inter-segment eliminations	FS Italiane group
Net invested capital	11,304	37,050	1,423	739	(200)	50,316

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
Revenue	8,144	5,451	138	391	(1,701)	12,423
Personnel expense	(2,648)	(2,171)	(6)	(147)	27	(4,945)
Other costs, net	(3,614)	(2,487)	(113)	(280)	1,625	(4,869)
Operating costs	(6,262)	(4,658)	(119)	(427)	1,652	(9,814)
Gross operating profit (loss)	1,882	793	19	(36)	(49)	2,609
Amortisation and depreciation	(1,352)	(335)	(9)	(35)	19	(1,712)
Impairment losses and accruals	(63)	(3)	(4)	6	(4)	(68)
Operating profit (loss)	467	455	6	(65)	(34)	829
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)
Segment profit (loss) (attributable to the owners of the parent and non-controlling interests)	293	308		117	(134)	584

millions of Euros

31.12.2019	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and Inter-segment eliminations	FS Italiane group
Net invested capital	11,195	37,292	1,425	548	(483)	49,977

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