FERROVIE DELLO STATO ITALIANE

# INTEGRATED MOBILITY PLAYER

## Investor Presentation

September 2017

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# Introduction to Ferrovie dello Stato Italiane Group

# Introduction to FS Group

- **Ferrovie dello Stato Italiane SpA** (“**FS**” or the “**Issuer**”) is the holding company of the Italian railway group (FS Group), which is the main provider of transport services in Italy by rail and bus both passenger and freight.
- **FS is 100% owned by the Ministry of Economy and Finance** (‘MEF’):
  - The MEF, as shareholder, appoints the members of FS’s Board.
  - The Government contributes to the funding of infrastructure development under master agreements ‘Contratto di Programma’ and remunerates FS’s Public Service Contracts (‘PSCs’).
- FS, inter alia, controls:
  - **Trenitalia SpA** (“Trenitalia”) is the incumbent railway passenger transport operator for national and regional services in Italy and provides services abroad mainly in UK and France.
  - **Rete Ferroviaria Italiana SpA** (“RFI”) is the infrastructure manager and owner of the Italian national rail network, 16,788Km connected with neighbouring countries, operating via a 60 years concession started in 2000 which business is partially regulated by Transport Regulation Authority.
  - **Busitalia Sita Nord** ( “Busitalia”) provides bus transport, both urban and suburban, as well as long-distance bus services in Italy and abroad.
  - **Mercitalia Hub** which provides freight and logistics services to several industries and clients both in Italy and abroad
  - Other companies involved in infrastructure engineering, real estate and commercial activities.
- Since 2011 FS has expanded its business abroad through the acquisition of foreign transport companies: **Netinera** in Germany, **c2c** in UK, **Qbuzz** in Netherlands, **Thello** in France, **Trainose** in Greece. **International development is going on to make FS Group a leading international operator of integrated mobility.**

FERROVIE DELLO STATO ITALIANE

# FS Group in a snapshot

**FS Group main line and operating segment (a)**

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| | |
|---|---|
| Fercredit | 100% |
| Ferservizi | 100% |
| Italcertifer | 55,66% |
| Italferr | 100% |
| RFI | 100% |
| Mercitalia | 100% |
| Trenitalia | 100% |
| Busitalia Sita Nord | 100% |
| Netinera DL GmbH | 51,00% |
| Ferrovie Sud Est | 100% |
| Grandi Stazioni Immobiliare | 60,00% |
| Grandi Stazioni Rail | 100% |
| Cento stazioni | 100% |
| FS Sistemi Urbani | 100% |

**OTHER SERVICES**

| (€m) | 2016** |
|---|---|
| Revenue | 266 |
| EBITDA | 8 |

**INFRATRUCTURE**

| (€m) | 2016** |
|---|---|
| Revenue | 2,627 |
| EBITDA | 351 |

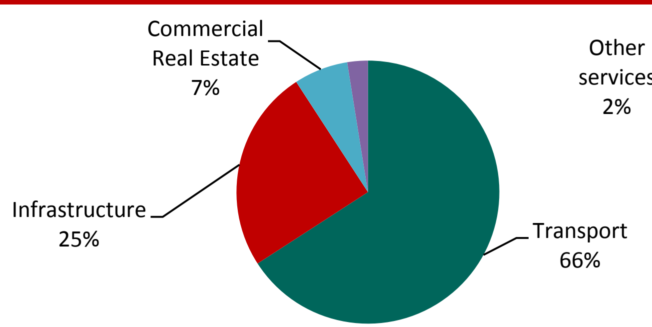
**TRANSPORT**

| (€m) | 2016** |
|---|---|
| Revenue | 6,937 |
| EBITDA | 1,497 |

**COMMERCIAL REAL ESTATE**

| (€m) | 2016** |
|---|---|
| Revenue | 702 |
| EBITDA | 423 |

**Group Revenue by segment (2016)***




**2016 Consolidated Highlights (€mn)**

| | |
|---|---|
| Revenue | 8,928* |
| EBITDA | 2,293 |
| EBITDA Margin | 25.7% |
| EBIT | 892 |
| EBIT Margin | 10% |
| Net Income | 772 |
| Net Invested Capital | 45,257 |
| Equity | 38,497 |
| Net Financial Debt | 6,760 |

* Net of (1,604)m of cons.adj.
** Operating segment results gross of cons.adj.
*** GS Retail sale in July 2016
(a) see appendix for the whole Group's structure
*Source: FS 2016 Annual Report*

# Integrated Mobility Player: Recent Steps

**The restructuring and asset enhancement activities completed in 2016 and first half of 2017 move towards the FS Group's new vision to become an INTEGRATED MOBILITY PLAYER in line with the 2017-2026 industrial plan**

**June 2017**
Acquisition of 36.7% stake from Astaldi in M5, the concessionnaire of the new underground line 5 in Milan.

**August 2017**
Busitalia acquires Qbuzz: a public bus transport services company in Netherlands

**April 2017**
Busitalia FAST: JV between Busitalia and SIMET for the long distance bus transportation in Italy and Germany

**February 2017**
Trenitalia enters the UK rail market acquiring the franchisee C2C which operates the London- South Essex line

**January 2017**
Acquisition of Trainose, the leading Greek railway transport company

**January 2017**
Buy-back of Centostazioni 40% stake by FS

**November 2016**
Ownership transfer from the Italian Ministry of Infrastructure and Transport to FS of Ferrovie del Sud Est e Servizi Automobilistici, the local public transport company operative in Puglia region.

**September 2016**
Buy-back of Thello 33% stake by Trenitalia

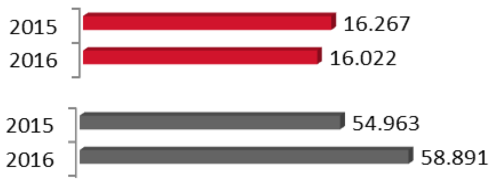
**July 2016**
Closing of the sale of 100% of GS Retail after the demerger process of GS Group started in 2015.

**2° HY 2016**
Creation of the Mercitalia Hub to restructure the freight transportation and logistics business of the Groups.

*Source: Company information*

# Key Operating Data

## Long-haul transport market services - “Arrows”-“Frecce”




## Long-haul transport PSC services


## Railway network

**2016**

**16,788 km**

**2015**

**16,724 km**

## Stations

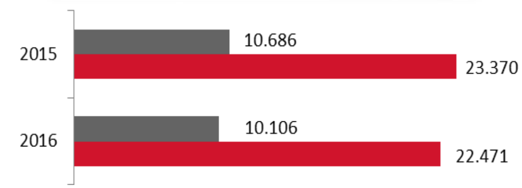
**2016**

**2,300**

## Regional transport


## Road transport


## Cargo transport




Tons Km abroad - million

Tons Km total - million

Passengers - km million    Trains\Bus - km thousand

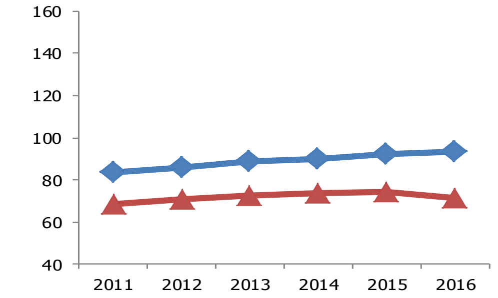
*Source: FS 2016 Annual Report*

# Benchmarking with European rail players

Trend in passenger and cargo traffic

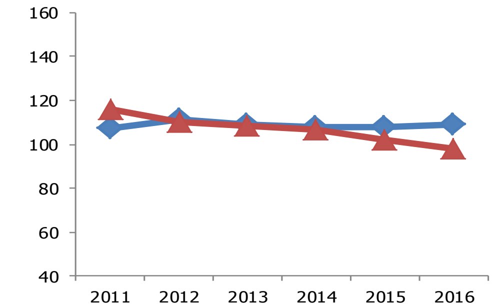
| (€b) | 2016 | 2015 | 2014 |
|---|---|---|---|
| Revenue | 8.9 | 8.5 | 8.4 |
| *EBITDA margin %* | *25.7%* | *23%* | *25.2%* |
| *EBIT margin %* | *10%* | *7.5%* | *7.9%* |

| | Issuer Rating |
|---|---|
| Fitch | BBB |
| S&P | BBB- |



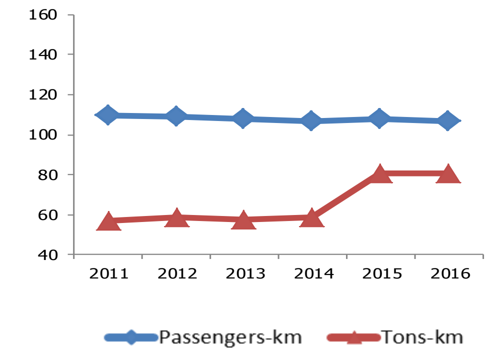

| (€b) | 2016 | 2015 | 2014 |
|---|---|---|---|
| Revenue | 43.3 | 43.2 | 39.7 |
| *EBITDA margin %* | *10.3%* | *10%* | *12.9%* |
| *EBIT margin %* | *3.4%* | *-0.4%* | *5.3%* |

| | Issuer Rating |
|---|---|
| S&P | AA- |
| Moody’s | Aa1 |




| (€b) | 2016 | 2015 | 2014 |
|---|---|---|---|
| Revenue | 32.3 | 31.4 | 27.2 |
| *EBITDA margin %* | *12.8%* | *14%* | *8.7%* |
| *EBIT margin %* | *6.6%* | *-0.3%* | *2.5%* |

| | Issuer Rating |
|---|---|
| Fitch | AA |
| S&P | AA- |
| Moody’s | Aa3 |




*Source: FS, DB, SNCF Annual Reports*

# 2.1

# Operations and Industry Overview

Transport services

# Transport services in a snapshot

## Transport Services

### MERCITALIA

The **Mercitalia hub** born from the reorganization of the cargo and logistic businesses of the Group includes:

MERCITALIA LOGISTICS

- which provides logistics services to several industries and clients both in Italy and abroad

MERCITALIA RAIL

- born from the spin off of Trenitalia's cargo unit which operates the freight transportation

TX LOGISTIK

- The freight transport company mainly active in Germany, Austria, Switzerland and Denmark

### NETINERA

- Netinera was formed following FS's acquisition of Arriva Deutschland in Feb 2011
- Netinera transports passengers and freight in the German local and urban transport market
- Netinera also carries out activities on international routes to the Czech Republic

### TRENITALIA

- One of the leading European railway operators, **Trenitalia** transports around 600m passengers
- Passenger activities are split between regional/urban and medium-long distance
- **Trenitalia UK** is the arm to operates into the UK rail market

thello

- operates in France

TRENORD

- **Trenord** is a 50:50 JV between Trenitalia and Ferrovie Nord Milano Group and operates passengers rail services in Lombardy region

### BUSITALIA NORD

- **BUSITALIA – SITA Nord** provides local bus transport, both urban and suburban, as well as long-distance bus services, tourism and rental
- The company organises the replacement of rail services by bus ones

Qbuzz

- is the Dutch subsidiary which operates public bus transport services in Netherlands

### FSE – FERROVIE DEL SUD EST E SERVIZI AUTOMOBILISTICI

- **Ferrovie del Sud Est e Servizi Automobilistici** operates in Puglia region providing local passenger and cargo transport services by rail, bus, tram, cable car.
- With the Decree dated 4 August 2016, the Italian Ministry of Infrastructure and Transport transferred the whole company to FS

### TRAINOSE

- Trainose is the leading Greek railway undertaking, it provides passengers and freight transport services both at national, regional and international level.
- Acquired on 18 January 2017, the closing of the process is expected in the next weeks, following the green light from European Union.
- **The company has not been yet consolidated in the FS Group financial statements**

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# Trenitalia Overview

TRENITALIA

## Key highlights

- **Wholly owned by FS, Trenitalia is the company which handles rail passenger transport in Italy and abroad**
- Trenitalia is one of the leading railway operators in Europe
- Everyday manages about 9,000 trains and each year transports c. 600 million of passengers
- Organized in two* business segments:
  - **medium/long distance passengers**
  - **regional passengers**

## Financial highlights

| €mn | 2016 * | 2015 (a) |
|---|---|---|
| **Revenues** | **5,078.7** | **5,114.3** |
| **EBITDA** | **1,394.5** | **1,480.4** |
| **EBIT** | **332.5** | **511.9** |
| **Net Income** | **116** | **230** |
| ***EBITDA Margin*** | ***27.5%*** | ***28.9%*** |
| ***EBIT Margin*** | ***6.5%*** | ***10%*** |

| Medium Long distance | revenues* (€mn) | | |
|---|---|---|---|
| | 2016 | 2015 | Change |
| ▪ High Speed services<br>▪ International and domestic services | **2,295** | **2,398** | **-4,3%** |

| Regional | revenues* (€mn) | | |
|---|---|---|---|
| | 2016 | 2015 | Change |
| ▪ Commuter passenger services<br>▪ Regional/Inter-regional services | **2,751** | **2,685** | **2,47%** |

*** Note:**

- Trenitalia demerged its Cargo division allocating the related assets to Mercitalia Rail with effect as of 1 January 2017. This transaction is part of FS Group's 2017-2026 business plan to relaunch the Cargo business via a specific dedicated company structure.
- In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the revenue and costs of such division are recognised in the separate item "Loss from discontinued operations" in the income statement, after the profit from continuing operations.
- Therefore Trenitalia's 2016 Revenues, EBITDA and EBIT items hereby shown does not include freight division results, which however contributed to the Net Income.

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(a) Figures as at 31 December 2016 reflect the application of IFRS 5. For the purposes of a better comparison, figures as at 31 December 2015 were restated accordingly.

*Source: Company information, Trenitalia 2016 Annual Report*

# Trenitalia Medium/Long Distance Transport

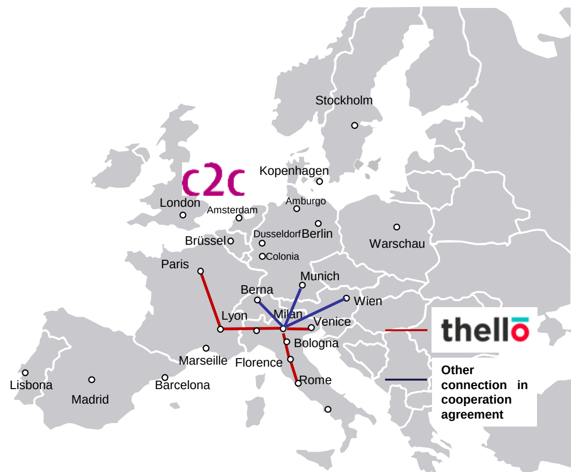
## Frecce

FRECCIAROSSA — High Speed services Torino-Milano-Brescia-Bologna-Firenze-Roma-Napoli-Salerno

FRECCIARGENTO — Fast services connecting Roma to Venezia, Verona, Bari and Reggio Calabria

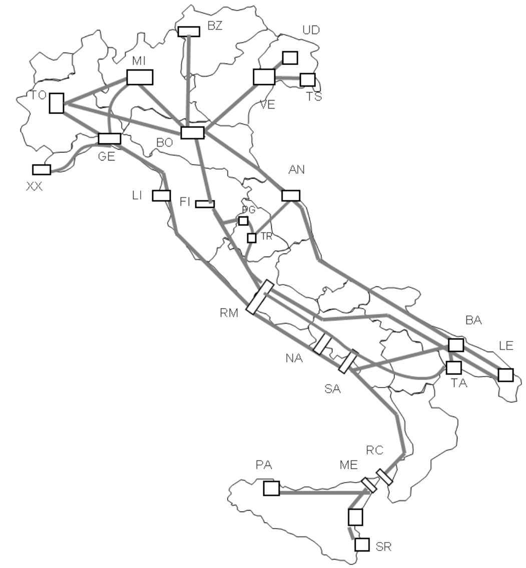
FRECCIABIANCA — Fast services connecting: Milano to Lecce, Genova to Roma and Milano to Venezia

## International




- Trenitalia, in cooperation with the major European rail undertakings, offers international connections from Italy to Austria, Germany and Switzerland
- Trenitalia UK is the arm to operates into the UK rail market currently managing c2c franchise
- Thello directly offers connections between Italy and France

## Public Service Contract with the State



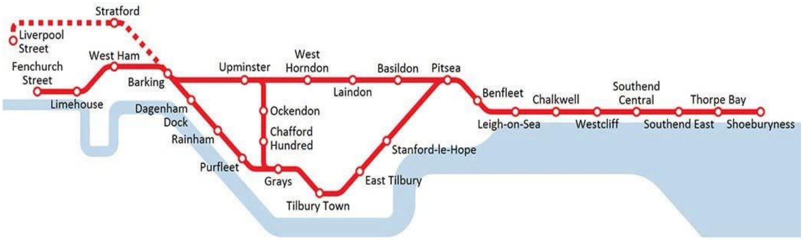

- In January 2017 has been agreed between Trenitalia and Minister of Infrastructure and Transport the new National PSC with the state which will have a 10 years duration
- The new offer envisages 88 "Intercity Day" and 20 "Intercity Night" daily plus 10 Intercity for the weekend and revamping of rolling stocks

*Source: Company information*

# International transport services: Trenitalia UK

- **10 February 2017: acquisition by Trenitalia UK of 100% of the train operator C2C from National Express Group**
- The deal, formally approved by the Department for Transport, worth £72.6 million.

- Franchise Agreement **until November 2029**.
- c2c offers **commuter passenger services** between Fenchurch Street (**East London**) and Shoeburyness (**South Essex**), 64 km line in 1h.
- **400 rides** for over **42 million passengers/year**
- Passengers **traffic raised in 2015 by 5.3%** overall and by 7.6% in off-peak hours
- **Top place in the British franchises' punctuality rank**





**TRENITALIA UK COMMITMENT IN OTHER FRANCHISES TENDERS:**

- 24 January 2017 Expression of Interest in JV with FirstGorup for the **East Midlands franchise** (the JV has been shortlisted)
- 24 April 2017 Expression of Interest in JV with FirstGorup for the **West Coast Partnership franchise** (the JV has been shortlisted)

*Source: Company information*

# Trenitalia Regional Transport

TRENITALIA

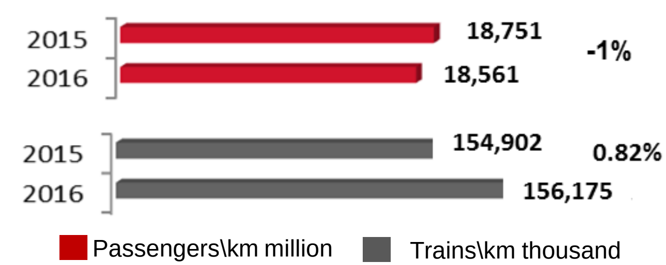
## Overview

- Offers mobility service at urban, regional and inter-regional level
- Providing customers with about 7,800 trains a day
- The relations between Trenitalia and local administrations are regulated by different **Public Service Contracts** (‘PSCs’) in which the required level of services are specified in terms of quantity and quality, tariff obligations, fees.
- **Contracts are subject to specific regulation in terms of eligible costs and adequate capital investments returns.**
- In 2016 revenues related to regional passenger services equal **€2,751mn (+2.47% vs. 2015)**
- **Trenitalia now operates in all 20 Italian Regions with 6/8 years contracts and negotiating for new 15 years contracts***

## Service Enhancement

- Fleet upgrading with 23 *Jazz*, 6 *Swing*, 3 *Flirt* new trains and 133 *Vivalto* new carriages, for a total investment of **455 million Euro** in 2016.
- Customer satisfaction reached 81.2% in January 2017, with growth in all indicators (punctuality, information, cleaning, comfort, safety)

## Traffic trend

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* See appendix for details
*Source: Company information; Trenitalia 2016 Annual Report*

# Road Passenger Transport: Busitalia Group

**The key player for the growth in local public transportation of FS Group**

**2017**
Busitalia acquires Qbuzz: a public bus transport services company in Netherlands

**2016**
Incorporation of Busitalia Campania and acquisition of CSTP the local public transport company of Salerno municipality

**2017**
Busitalia FAST: JV with SIMET for the long distance bus transportation in Italy and Germany

**2014**
Tender awarded for 100% Umbria Mobilità Esercizio (regional mobility)

**2015**
Incorporation of Venezia City Sightseeing

**2015**
Incorporation of Busitalia Veneto with a 55% controlling interest (Padova and Rovigo urban and extra-urban LPT)

**2014**
Incorporation of Busitalia Rail Service (road transport services to support the railway service)

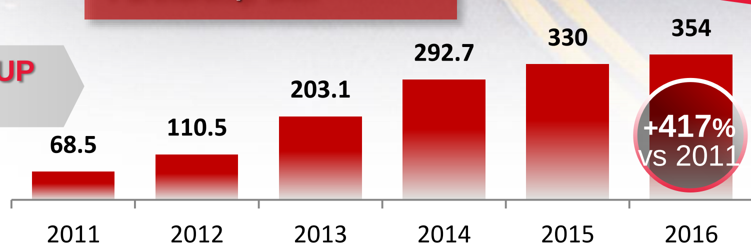
**2012 - 2013**
Acquisition of 70% of ATAF Gestioni (Firenze LPT road transport) in partnership with Autoguidovie

**2012**
Partnership with Autoguidovie

**2011**
Busitalia was established from the division of SITA (1912) into two independent companies

| Key Financial figures | | |
|---|---|---|
| €mn | 2016 | 2015 |
| Revenues | 354 | 330 |
| EBITDA | 36 | 30.2 |
| *EBITDA Margin* | *10%* | *9%* |
| EBIT | 13 | 10.5 |
| *EBIT Margin* | *4%* | *3%* |

**BUSITALIA GROUP REVENUE**




*Source: Company information; Busitalia Annual Reports*

# Group's transport in Germany: Netinera Deutschland

- On Feb 2011 FS Italiane, in partnership with Cube Infrastructure, finalised the acquisition from Deutsche Bahn of Arriva Deutschland, renamed Netinera Deutschland - FS Italiane owns 51% of the company and Cube Infrastructure the remaining 49%.
- Netinera is the second largest operator providing regional rail transport in Germany.
- The Netinera Group consists of several operating companies active in passenger traffic, freight transportation, infra management and rolling stock maintenance.
- The Group is arranged into four areas that adopt a regional customer-oriented business approach.

| Key figures | | |
|---|---|---|
| **€m** | **2016** | **2015** |
| **Operating revenues** | 603 | 573 |
| **EBITDA** | 78 | 70.5 |
| ***EBITDA Margin %*** | *13%* | *12%* |
| **EBIT** | 26 | 23 |
| ***EBIT Margin %*** | *4%* | *4%* |

**Network Overview**

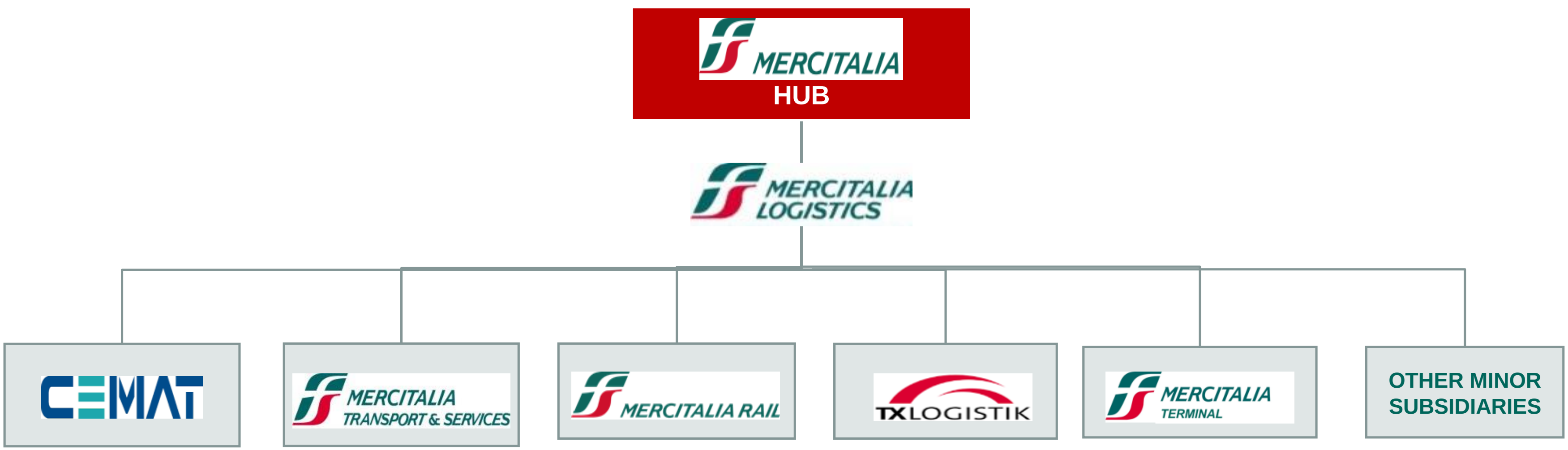

*Source: Company information; Netinera 2016 Annual Report*

# Freight and Logistics services: Mercitalia Hub

## Integrated governance for the freight services

The new **Mercitalia Hub** has been created with the aim of restructuring the cargo business and rationalize the freight operators active in the Group to improve quality and efficiency of cargo services provided

- Strengthen the presence in Intermodal transport segments with higher attraction/growth
- Develop synergies in terms of revenues (gain/improve access to strategic hubs) and costs (scale economies)
- Increase and strengthen the customer offer and service portfolio (i.e. offer E2E services by extending the current offer and including last-mile transport)



2.2

# Operations and industry overview

Infrastructure services

# FS infrastructure services in a snapshot

**Infrastructure Services**

RFI — RETE FERROVIARIA ITALIANA

- **RFI is the company of FS with the public role of INFRASTRUCTURE MANAGER**
- It is responsible for the whole national rail infrastructure (track, the stations and terminals)
- As the sole concessionaire of the network, RFI operates according to contracts with the Government
- RFI ensures to railway undertakings the access to the railway network, guarantees the maintenance and the safe circulation on the whole network, manages the investments for the upgrading of railway lines and develops the technology of systems and materials
- According to the liberalization rules of the railway sector RFI is required to allow transparent and non discriminatory access to the infrastructure network
- RFI is responsible for 2,200 stations

ITALFERR

- **Italferr, the FS's engineering firm**, offers its services on the Italian and foreign markets in the field of transport engineering
- Designs and builds infrastructural and technological projects included in investment and upgrade plans for the railways
- Italferr is already active in Italy and abroad (Europe, the Middle East, Asia, Africa and Latin America)

**Within the FS Infrastructure segment, RFI is the main company for assets and revenues**

*Source: Company information; RFI 2016 Annual report*

# RFI Overview

RFI RETE FERROVIARIA ITALIANA

## Key figures

| €mn | | 2016 | 2015 |
|---|---|---|---|
| **Revenues** | | **2,575** | **2,486** |
| | *Track access charges* | *1,058* | *1,006* |
| | *CdP-Service* | *975.5* | *975.5* |
| | *Sale of electrical energy for traction* | *200* | *159* |
| | *Other income* | *341* | *345* |
| **EBITDA** | | **357** | **279** |
| *EBITDA margin %* | | *14%* | *11%* |
| **EBIT** | | **215** | **160** |
| *EBIT margin %* | | *8%* | *6%* |
| **Net Income** | | **181** | **129** |

## Network highlights (km)

| Classification for: | 2016 |
|---|---|
| **Type of track** | |
| Double track lines | 7,647 |
| Single track lines | 9,141 |
| **Electrification** | |
| Double track electrified lines | 7,570 |
| Single track electrified lines | 4,453 |
| Not electrified lines | 4,765 |
| **Total km of lines** | **16,788** |
| **Type of service** | |
| **Conventional network** | **23,085** |
| **HS lines** | **1,350** |
| **Total tracks Length** | **24,435** |

## HS lines in Italy


## Travel time on ETR trains

By the end of 2017

| Linee | TO-MI | MI-BO | BO-FI | RM-NA | RM-MI | RM-MI |
|---|---|---|---|---|---|---|
| Before HS | 1: 22’ | 1: 42’ | 60’ | 1: 27’ | 4: 30’ | |
| HS | 1: 00’ | 1: 02’ | 35’ | 1: 08’ | 2:55’ no stop<br>2:40’<br>MI Rogoredo<br>RM Tiburtina | 2:30’ no stop<br>2:15’<br>MI Rogoredo<br>RM Tiburtina |

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*Source: Company information; RFI 2016 Annual report and RFI Website*

# RFI Regulatory framework

## Contracts with the State

- As foreseen by the Concession Act and Legislative Decree188/2003, the relation between RFI and the **Ministry of Infrastructure and Transport (MIT)** is governed by the **Contratto di Programma ('CdP')**

According to the current regulatory framework, the Contratto di Programma is organized in two main parts:

### Contratto di Programma – Investment Part - CdP-I

- The contract regulates the relations between RFI and the MIT exclusively for the **implementation of investment programs** for the modernization and development of the infrastructure relating to safety, legal obligations and technologies.
- The new CdP-I for the 2017-2021 period as defined by the MIT provides resources for Euro 13 billion. Closing of the approval process by the competent authorities expected within the year.

### Contratto di Programma – Services Part - CdP-S

- This act regulates the relationship between RFI and the MIT concerning funds for **ordinary and extraordinary maintenance** of the rail network and other activities (including safety, security and navigation)
- The CdP-S for 2012-2014 was extended to 31 December 2016 at the same terms and conditions to complete the new 2016-2021 GPC-S formalisation and approval process

## Regulation of access to infrastructure network - Transport Regulation Authority

- The **Transport Regulation Authority (ART)** is the independent authority which regulates access to rail infrastructure
- In November 2015 the ART released its decision N. 96 on the criteria for **determining access charges** for the use of national rail infrastructure.
- The decision defined: **a) a five year regulatory period, b) perimeter of relevant costs, c) market segmentation based on the main types of service, d) new classification of the network, e) «Caps» to the segment average kilometric charge for the purpose of market sustainability, f) requirements for regulatory accounting**.
- **ART defined a WACC of 4.52% as minimum return of part of the invested capital of RFI.**
- On 1st July 2016, the ART released its decision n. 75/2016 validating the 2016-2021 charging scheme provided by RFI for the Minimum Access Package.

*Source: Company information; RFI 2016 Annual report*

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# FS Group Strategy Highlights

# THE FS GROUP'S NEW VISION to grow in the new mobility context

## 2017 – 2026 Industrial Plan: 5 STRATEGIC PILLARS

**Modal integration for passengers**

**Integrated mobility solutions mainly through:**
- **Growth in the rail and road LPT sector**
- Entry into **new market segments** (e.g. Long Distance road transport)
- Integration of rail and road **transport services** of the local **railways**

**Integrated logistics**

**Development of integrated logistics services** through
- more efficient traction (cost optimisation/km) and service quality with the creation of the **MERCITALIA hub**
- **Entry into new segments** to offer an **end-to-end service**

**Integrated infrastructure**

**Creation of an integrated infrastructure hub to ensure better effectiveness in planning and management transport infrastructures through:**
- integration of railway and road infrastructures through the **merger with ANAS***
- consolidation of **railway networks under concession**

**International Development**

- Participation in **international infrastructural projects** as a **General Contractor and/or O&M services**
- **Growth in** international **rail transport services**
- **Growth in** international **LPT**

**Digital & Customer Centricity**

- Development of an **Extended Customer Experience** to integrate mobility and ancillary services
- FS Group's transformation into a **Data Driven Company and Digital disruptor**

* Azienda Nazionale Autonoma delle Strade is the concessionaire of part of Italian road and highway (100% MEF)

*Source: 2017-2026 FS Industrial Plan; Company information*

# Integrated Infrastructure: ANAS transaction

## Integrated infrastructure

**On 24 April 2017 a Law Decree defined the merger of ANAS into FS Group through the transfer of ANAS' entire share capital - without any consideration to be paid by FS.**

The decree provides two conditions precedent to be satisfied in favour of FS in order to complete the transaction:

1. The assessment of the accounted provisions for litigations as adequate in respect of the potential litigations worth;
2. The completion of the Contratto di Programma for the years 2016-2020 (Programme Contract) with the Minister of Infrastructure and Transport (MIT) which regulates the relationship between ANAS and MIT. It defines the annual grants the Minister will transfer to ANAS for maintenance services of the road network and new infrastructure investments. The mechanism is similar to the Contratto di Programma which RFI has with MIT. The annual grants will be accounted in the form both of revenues (when related to ordinary maintenance) and as a deduction on the asset value (when related to new infra investments).

The Contratto di programma has been approved by the CIPE on August 7th 2017 and closing of the process by the competent authorities is expected within the year.

* Azienda Nazionale Autonoma delle Strade is the concessionaire of part of Italian road and highway (100% MEF)

*Source: 2017-2026 FS Industrial Plan; Company information*

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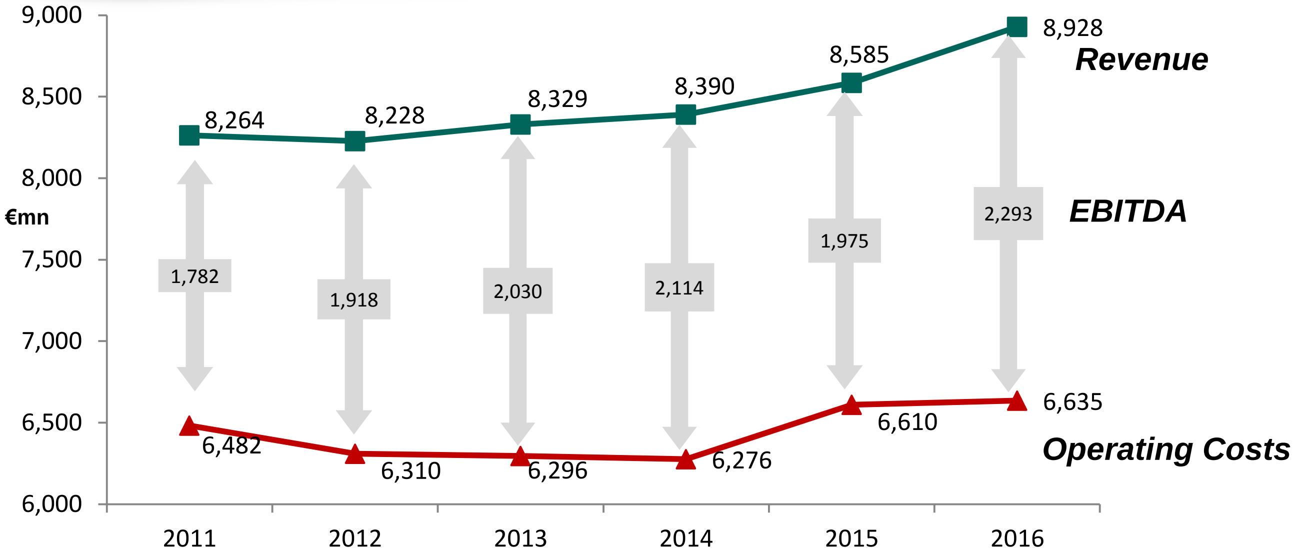
# Financial Overview

# FS Group financial performance continues to improve



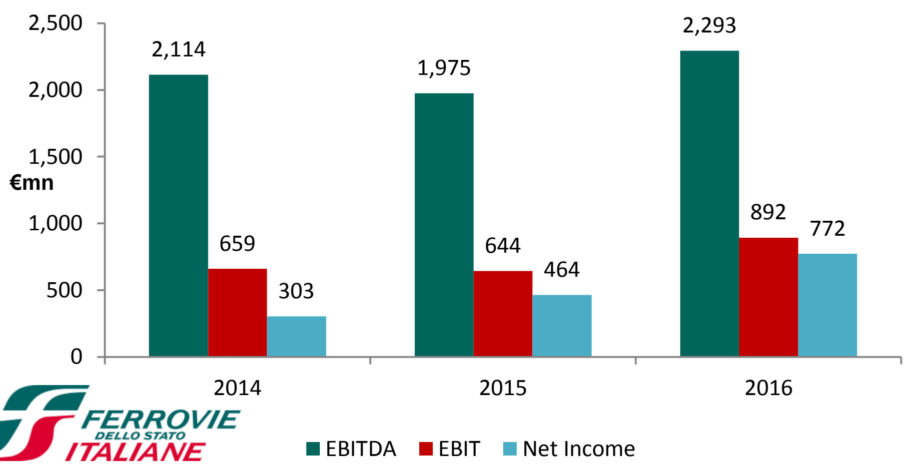

CAGR +1.56%

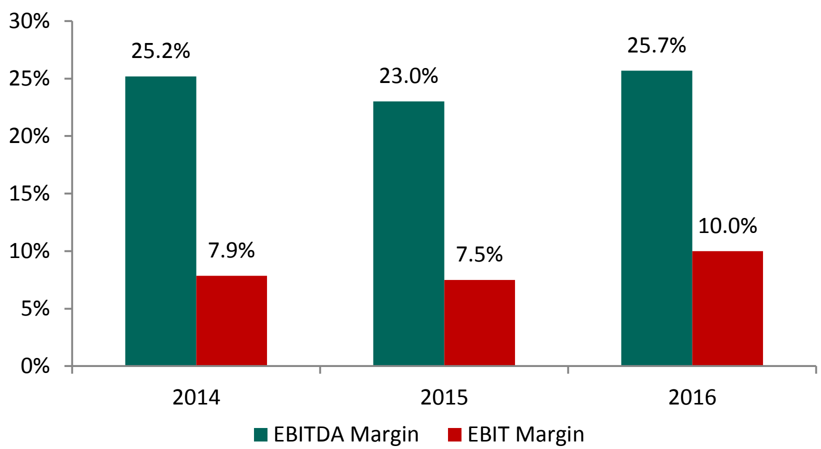
**Increase in revenue over the period**

CAGR +0.47%

**...focus on expenses containment**

**Consistent profitability and margins**




FERROVIE DELLO STATO ITALIANE

*Source: FS 2016 Annual Report*

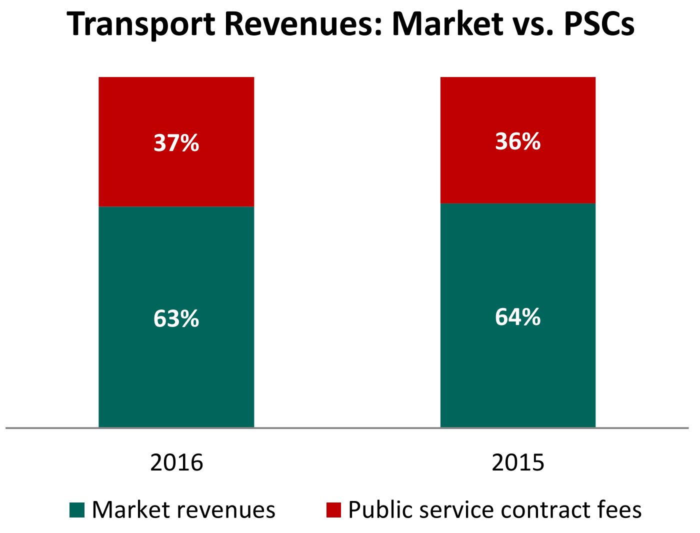
# Group revenues breakdown

**In 2016 Revenues increased by €343 million** (**+4% vs 2015**), as a result of the rise in **revenue from sales and services** (+€27 million) and **other income** (+€316 million).

- **Transport Services "Market"**: strong performance of the **short-haul passenger** segment (+€56 million) - both domestic rail and road and international rail - offset by the decrease in the **long-haul passenger** segment (-€99 million), mainly due to the tightening in the average yield following the increased intermodal competitive pressure, in addition to the lack of the incremental traffic originated by Expo 2015.
- **Transport Services "PSCs"**: revenue from Public Service Contracts – with Regions and Government - increase by €62 million
- **Infrastructure**: increase in **toll revenues** due to the greater production volumes requested by railway companies whereas revenues from CdP-Services keep stable
- **Other income rose by €316 million, mainly as a result of the €365 million gain from the sale of Grandi Stazioni Retail's assets**

## Revenues breakdown

| €mn | 2016 | 2015 | change % |
|---|---|---|---|
| **Transport services** | **6,385** | **6,383** | **0.0%** |
| *Passenger traffic products* | *3,164* | *3,207* | *-1.3%* |
| *Cargo traffic products* | *860* | *878* | *-2.1%* |
| ***Market revenues*** | ***4,024*** | ***4,084*** | ***-1.5%*** |
| *PSCs and other contracts* | *248* | *247* | *0.4%* |
| *Fees from the Regions* | *2,113* | *2,052* | *3.0%* |
| ***Public service contract fees*** | ***2,361*** | ***2,299*** | ***2.7%*** |
| **Infrastructure services** | **1,282** | **1,256** | **2.1%** |
| **Other services revenues** | **241** | **242** | **-0.4%** |
| **Other income** | **1,020** | **704** | **44.9%** |
| | | | |
| **Total Group Revenues** | **8,928** | **8,585** | **4%** |




*Source: FS 2016 Annual Report*

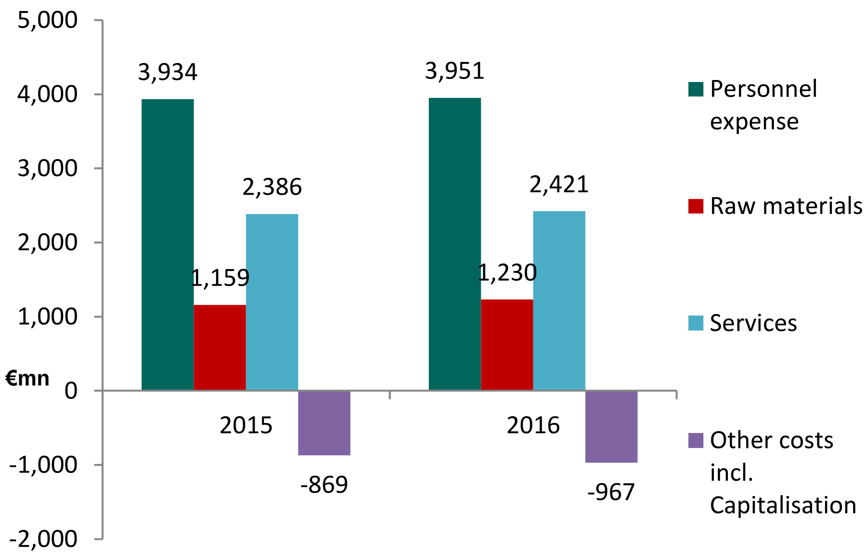
# Focus on operating costs

In 2016 **operating costs** amounted to **€6,635 million**, **up by 0.4% only** on 2015 (€6,610 million)

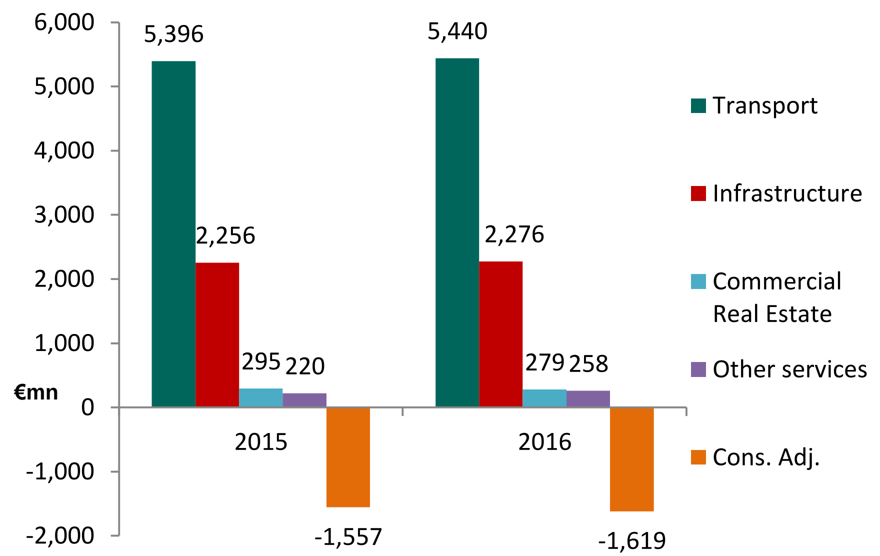
- The rise in **personnel expense** mainly due to new national labour agreement for railway workers, was almost fully offset by the workforce organisation efficiency project and the reduction in the annual average employee numbers.
- **Raw materials consumption** rose following greater investments in infrastructure, offset by smaller costs for rolling stock.
- The increase in "Electrical energy and fuel for traction" was mainly the result of the net effect of higher electrical energy costs, due to the new regulatory provisions in the electricity market, and smaller fuel costs, caused by the generalised drop in fuel prices.
- **Services** rose following the net effect of the increase in transport services, offset by savings in relation to maintenance services.

- Transport services account for the majority of operating expenses given the higher proportion of labour and service costs

**Breakdown of operating costs**



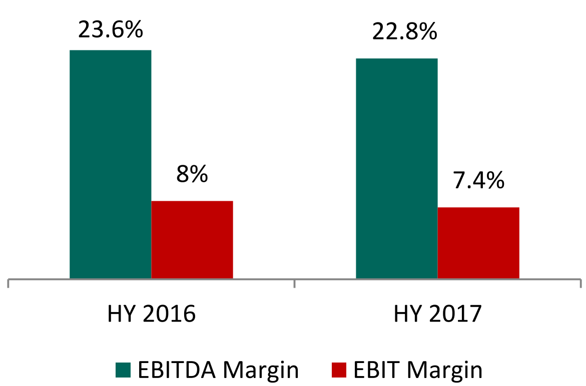

**Total operating costs by division**




*Source: FS 2016 Annual Report*

# First Half 2017 Performance highlights

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




- **Revenue increased by €304 million with transport services contributed most:**
  - **Long haul passenger** transport service - market component (+€51 million) and universal service (+€47 million).
  - **Regional passenger** transport service performance very encouraging (+€133 million) - both on **domestic** and **international** market (consolidation of acquired British railway company c2c).
  - **Road passenger** transport increased by €46 million thanks to new acquisitions within Busitalia group.

- **profit for the period** of **€273 million,** down 4.5% on HY 2016 mainly due to external factors, such as the legally-imposed increase in the cost of electrical energy, and higher depreciation and amortisation for the period following the large investments in new rolling stock.

- The significant improvement (+€34 million) in the **gross operating profit**, validates the Group's satisfactory business performance.

FERROVIE DELLO STATO ITALIANE

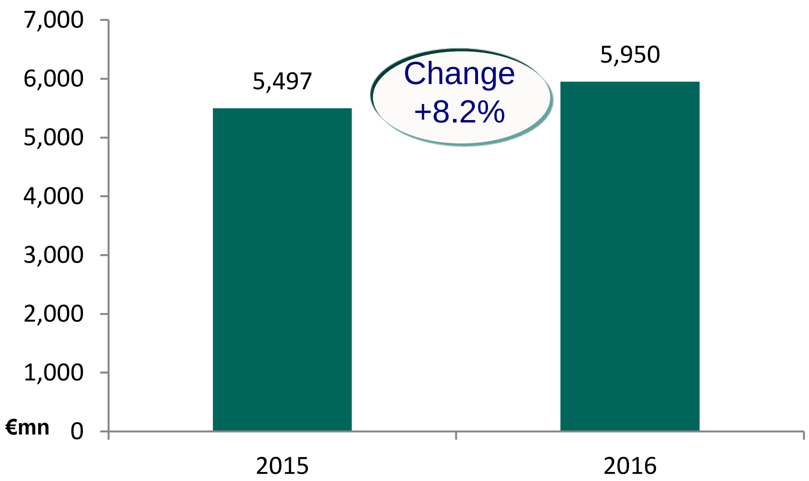
*Source: FS 2016 Annual Report and 2017 interim report highlights*

# FS Group's CAPEX profile

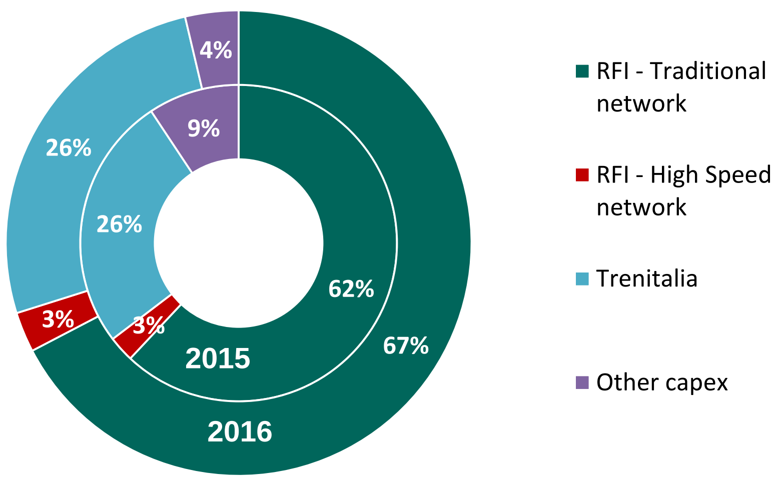
**FS Italiane Group confirms its position as the leading investor in the development of transport, infrastructure and logistics**

- FS's investment expenditure in 2016 came to **€ 5,950 million** (€1,649 million of which self-financed and €4,301 million through government grants mainly earmarked to infrastructure) up by 8.2% on the already sizeable amount invested in 2015.
- The majority of capex is related to the maintenance and development of the **rail infrastructure network** carried on by **RFI,** with a focus on Traditional network (~ €4bn).
- **Trenitalia** accounts for 26% (~ €1,5bn) up by 9% on the previous year and invested 63% of its capex to purchase new **rolling stock both** for long haul and regional passenger transport:
  - € 614 million was earmarked to additional "**Frecciarossa 1000**"
  - € 455 million went to the **new regional fleet**

**FS Capex in 2015 - 2016**




**2015 - 2016 capex breakdown**

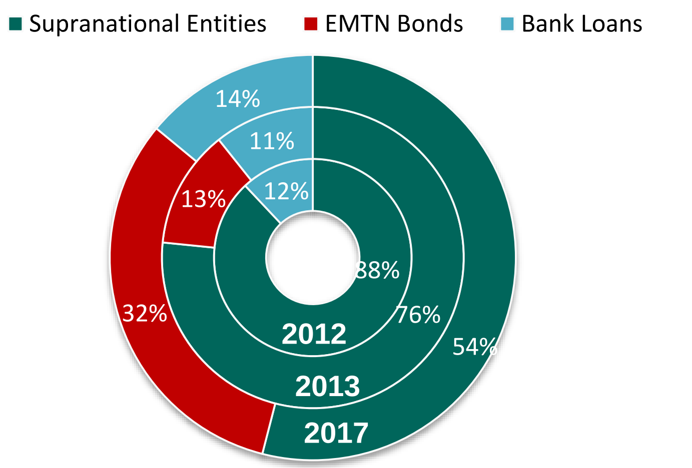



Source: FS 2016 Annual Report

# FS' debt profile

- FS Group's total gross financial debt (long term+short term) amounts to **€ 11,794mn*** at 30 June 2017 vs. € 11,862mn* at YE 2016
- The bulk of FS Group's debt is held by FS Holding (€ 8,204mn)
- Part of FS' debt is funded directly through guaranteed State transfers (€ 2.81 billion out of the total debt of € 11.79 billion at 30 June 2017). This debt is earmarked to infrastructure investments.
- **With € 3.05 bn outstanding, FS has significantly increased the use of senior unsecured bonds for its funding needs since the establishment of the EUR 4.5bn EMTN Programme, which now account for 32% of financial sources.** Supranational entities such as EIB, Cdp, Eurofima, still act as important Group's lenders whereas bank lending accounts for 14%.
- Furthermore FS has a **€ 1.5bn committed revolving credit facility** underwritten by the a pool of 10 banks in May 2015 having a 3-year maturity and **additional uncommitted credit lines** granted by many primary banks.
- **Net Financial Debt** amounts to **€ 8,063mn at 30 June 2017 up from** € 6,742mn at YE 2016

**Breakdown Financial sources (a)**




**EMTN bonds in CSPP since July 2016 (b)**

**Split of debt by company as of 30 June 2017**

| €mn | Gross financial debt |
|---|---|
| FS (Holding Company) | 8,204 |
| Rete Ferroviaria Italiana | 1,830 |
| Trenitalia | 915 |
| Other Group's Companies | 845 |
| Total Long Term Debt + Short Term Financing | **11,794*** |

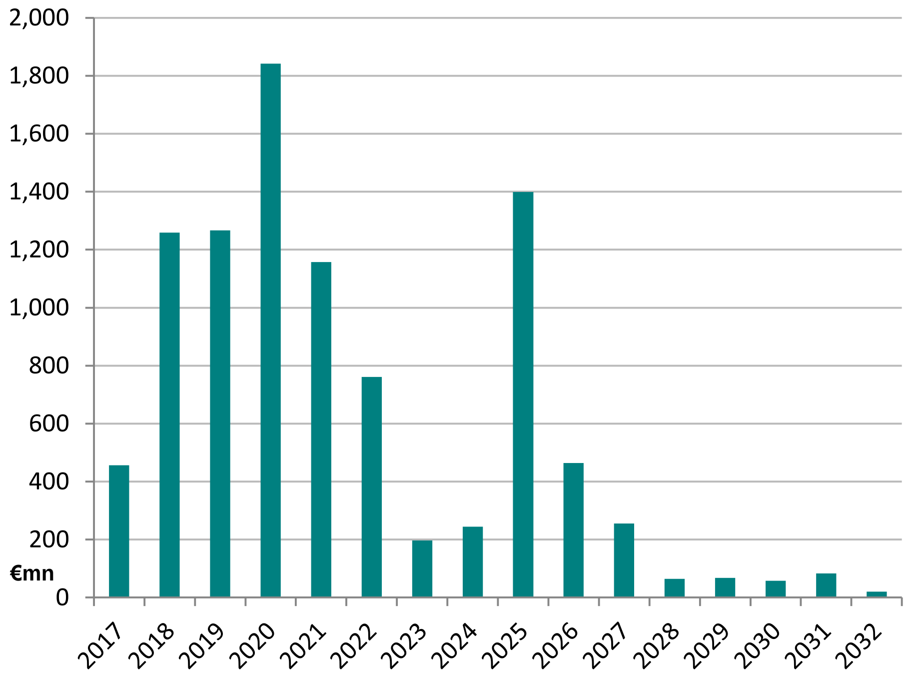
**Of which € 9,339mn long term debt and € 2,455mn short term debt and current portion of long term debt*

*(a) These percentages are calculated on the long term debt held by FS\RFI\TI which amounts to around 9 billion*
*(b) In PSCC from July 2015 to July 2016*
*Source: FS 2016 Annual Report and 2017 interim report highlights*

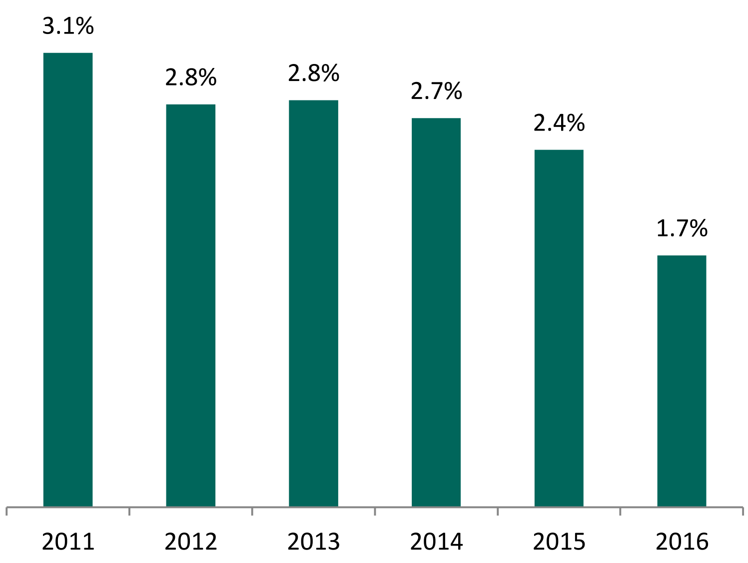
# Balanced debt maturity profile
# Effective management of financial expense

- The Group has a **balanced debt maturity profile** extending over the next 15 years, with the majority of maturities falling due over the next 5 years.
- Historically low borrowing costs and an **effective management of financial costs**, including interest rate risk management policies, has resulted in a containment of interest expense on debt generating value for the Group.
- In 2016 interest expense on debt was a **record low at 1.7%.**

**Group long term debt maturity profile ***




**Interest on financial liabilities ****

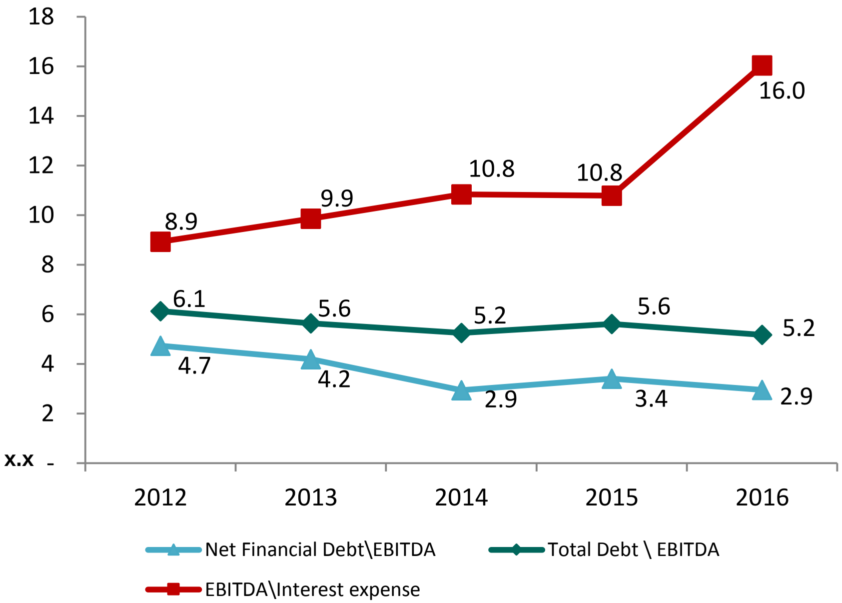



** Maturity profile calculated on the long term debt, included the current portion of the long term debt, held by FS\RFI\TI which amounts to around 9 billion*
*** The financial expense is net of government grants, therefore the ratio is calculated on the debt not funded through guaranteed government grants*
*Source: FS 2016 Annual Report*

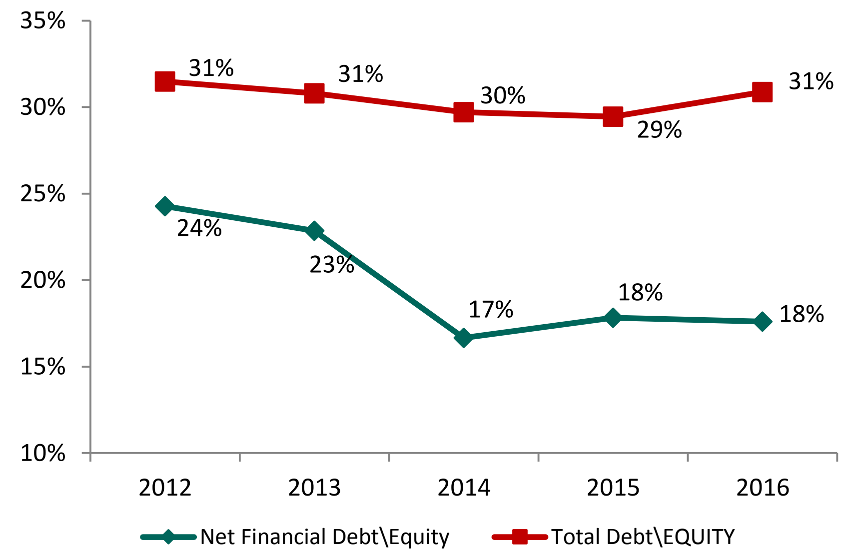
# Debt service capacity

- Given improvement in profitability and conservative debt management, **Net Debt / EBITDA has decreased to 2.9x** in 2016 from 4.7 in 2012.
- Historically low borrowing costs and effective management of financial costs, including interest rate risk management policies, resulted in **EBITDA interest cover improved substantially** in the last five years reaching 16x in 2016.
- FS Italiane maintains a strong capitalisation.

**Leverage evolution and EBITDA interest coverage**




**Capitalisation**




FERROVIE DELLO STATO ITALIANE

*Source: FS Annual Reports*

# Rating Overview

| RATING | | | COMMENTS |
|---|---|---|---|

S&P Global Ratings

| | | |
|---|---|---|
| Corporate Rating | BBB- | Outlook STABLE |
| Stand Alone Credit Profile | bbb | Outlook STABLE |

*FS' rating reflects the:*

- ***"very important" role** for the Italian government as holding group of the country's national railway and the "**integral" link** with its sole owner (Ministry of Economy and Finance)*
- ***"Strong" business profile***
- ***"Intermediate" financial risk profile***

**Stand Alone Credit Profile ONE NOTCH UPLIFT**

- On September 16th 2014 t**he Stand Alone Credit Profile (SACP) was revised upward to 'bbb' from 'bbb-', due to the improvement of FS Italiane's "financial risk profile" (from "significant" to "intermediate")**

FitchRatings

| | | |
|---|---|---|
| Corporate Rating | BBB | Outlook STABLE |
| Stand Alone Rating | BBB | Outlook STABLE |

*FS' rating reflects the:*

- ***Full ownership** and **high integration** with the Italian government and its **key role in the national infrastructural development***
- ***Standalone rating at BBB having good standalone features** underpinned by a dominant market share in passenger transportation services*

FERROVIE DELLO STATO ITALIANE

# Closing remarks: key credit strengths

- Integrated Mobility Operator
- Sole concessionaire of the rail network until 2060
- Regulated Infrastructure business
- Market leading positions in all passenger rail transport services in Italy
- Business diversification (product\geographical)
- Track record of resilient performance
- High technical barriers to entry and capital requirements
- Effective and disciplined financial management

FERROVIE DELLO STATO ITALIANE

# Appendix: 2016 Consolidated Financial Statements

## Income Statement

| €mn | 2016 | 2015 | Change % |
|---|---|---|---|
| **Total Revenues** | **8,928** | **8,585** | **4.0%** |
| *Of which:* | | | |
| *Transport* | *6,385* | *6,383* | *+1.6%* |
| *Infrastructure* | *1,282* | *1,256* | *2.1%* |
| *Others* | *1,261* | *946* | *33.3%* |
| **Operating Costs** | **(6,635)** | **(6,610)** | **0.4%** |
| *Of which:* | | | |
| *Employee costs* | *(3,951)* | *(3,934)* | *0.4%* |
| *Raw materials* | *(1,230)* | *(1,159)* | *6.1%* |
| *Service costs* | *(2,421)* | *(2,386)* | *1.5%* |
| *Other net operating costs* | *967* | *869* | *11.3%* |
| **EBITDA** | **2,293** | **1,975** | **+16.1%** |
| **EBIT** | **892** | **644** | **38.5%** |
| **Profit before Tax** | **798** | **537** | **48.6%** |
| Income taxes | (26) | (73) | 64.4% |
| **Group Profit** | **772** | **464** | **66.4%** |

## Reclassified Statement of Financial Position

| €mn | 2016 | 2015 | Change |
|---|---|---|---|
| Net operating Working Capital | 404 | 929 | (525) |
| Other Net Assets | 591 | (581) | 1,172 |
| **Working Capital** | **995** | **348** | **647** |
| Net non-current assets | 47,330 | 47,357 | (27) |
| Other provisions | (3,068) | (3,010) | (58) |
| Net assets held for sale | | | |
| **NET INVESTED CAPITAL** | **45,257** | **44,695** | **562** |
| Net current financial debt | 353 | 884 | (531) |
| Net non-current financial debt | 6,407 | 5,858 | 549 |
| **Net financial debt** | **6,760** | **6,742** | **18** |
| **Equity** | **38,497** | **37,953** | **544** |
| **COVERAGE** | **45,257** | **44,695** | **562** |

## Statements of Cash Flows

| €mn | 2016 | 2015 |
|---|---|---|
| **Profit for the year** | **772** | **464** |
| **Net cash flows generated by operating activities** | 1,395 | 1,468 |
| **Net cash flows used in investing activities** | (1,177) | (1,878) |
| **Net cash flows generated by financing activities** | 815 | 407 |
| **Total cash flows** | **1,032** | **(3)** |
| **Opening cash and cash equivalents** | 1,305 | 1,308 |
| **Closing cash and cash equivalents** | **2,337** | **1,305** |

FERROVIE DELLO STATO ITALIANE

# Appendix: HY 2017 Consolidated Financial Statements

| Income Statement<br>*€mn* | First half 2017 | First half 2016 | Change % |
|---|---|---|---|
| **Total Revenues** | **4,554** | **4,250** | 7.2% |
| **Operating Costs** | **(3,515)** | **(3,245)** | 8.3% |
| *Of which:* | | | |
| *Employee costs* | *(2,047)* | *(1,984)* | |
| *Raw materials* | *(553)* | *(449)* | |
| *Service costs* | *(1,243)* | *(1,140)* | |
| *Other net operating costs* | *328* | *328* | |
| **EBITDA** | **1,039** | **1,005** | 3.4% |
| **EBIT** | **339** | **344** | -1.5% |
| **Profit before Tax** | **291** | **298** | -2.3% |
| Income taxes | (18) | (12) | 50% |
| **Group Profit** | **273** | **286** | -4.5% |

| Reclassified Statement of Financial Position<br>*€mn* | 30-06-2017 | 31-12-2016 | Change |
|---|---|---|---|
| Net operating Working Capital | 1,353 | 404 | 949 |
| Other Net Assets | 651 | 591 | 60 |
| **Working Capital** | **2,004** | **995** | **1,009** |
| Net non-current assets | 47,459 | 47,330 | 129 |
| Other provisions | (2,983) | (3,068) | 85 |
| Net assets held for sale | | | |
| **NET INVESTED CAPITAL** | **46,480** | **45,257** | **1,223** |
| Net current financial debt | 951 | 353 | 598 |
| Net non-current financial debt | 7,122 | 6,407 | 715 |
| **Net financial debt** | **8,073** | **6,760** | **1,313** |
| **Equity** | **38,407** | **38,497** | **(90)** |
| **COVERAGE** | **46,480** | **45,257** | **1,223** |

| Statements of Cash Flows<br>*€mn* | First half 2017 | First half 2016 |
|---|---|---|
| **Profit for the year** | **273** | **286** |
| **Net cash flows generated by operating activities** | (472) | 750 |
| **Net cash flows used in investing activities** | (810) | (853) |
| **Net cash flows generated by financing activities** | 40 | 527 |
| **Total cash flows** | **(1,242)** | **424** |
| **Opening cash and cash equivalents** | 2,337 | 1,305 |
| **Closing cash and cash equivalents** | **1,095** | **1,729** |

FERROVIE DELLO STATO ITALIANE

# Appendix: Trenitalia Regional Transport- Public Service Contracts

**Regional PSCs**

- Regions are competent for Regional Public Service Contracts in which scheduling, pricing and planning of the services are set

**TICKET PRICING**

- Contracts are subject to specific regulation that defines eligible costs in terms of company operational expenses, depreciations and **adequate capital investments returns**.
- Local Authorities establish the share of the cost to be covered by **tariffs charged to the users** while meeting the remaining part of those total costs with **fees on their own charge** which are contracted in the PSCs.

**CONTRACT DURATION**

- **Trenitalia renewed almost all of the contracts for 6/8 years and is negotiating with most of the Regions to replace them with new contracts of 15 years.**
- **Trenitalia mainly self-finances its own rolling stock**. **A put clause in favour of Trenitalia** provides that all the rolling stocks accounted along the contract life by Trenitalia according to the contractual terms have to be purchased by the Region should the services be assigned to another company

| Local Authority | Agreement |
|---|---|
| | |
| **Emilia Romagna** | Signed with Trenitalia for the period 2016-2018. For the period 2019-2041 the PSC has been assigned to Trenitalia+Tper by public tender. |
| **Lombardia** | Signed for the period 2015-2020 |
| **Umbria** | Signed for the period 2015-2020 2020 which could be replaced by a 15 years PSC 2018 - 2032 |
| **Veneto** | Signed for the period 2015-2023 which could be replaced by a 15 years PSC 2018 – 2032. |
| **P.A. Bolzano** | Signed for the period 2016-2024 |
| **P.A. Trento** | Signed for the period 2016-2024 |
| **Friuli VG** | Extension for the period 2015-2017. Expected award ex art. 5.5 Regulation 1370/2007 for the 2018-2019 period, pending direct award to Trenitalia for a 15 years PSC. |
| **Sardegna** | Extension for the period 2015 – 2016, already signed a 9 years PSC for the period 2017 – 2025. |
| **Sicilia** | Signed for the period 2015 – 2016 which will be followed by a 10 years PSC 2017-2026 |
| **Toscana** | Signed for the period 2015 – 2023 which could be replaced by a 15 years PSC 2018 – 2032. |
| **Lazio** | Signed for the period 2015 – 2020 which could be replaced by a 15 years PSC 2018 – 2032. |
| **Abruzzo** | Signed for the period 2015 – 2023 which could be replaced by a 15 years PSC 2018 – 2032. |
| **Marche** | Signed for the period 2015-2023 which could be replaced by a 15 years PSC 2018 – 2032. |
| **Piemonte** | Will be signed for the period 2017-2019/202, pending direct award to Trenitalia of a new multi-annual PSCs for one/two areas of the Region |
| **Campania** | Signed for the period 2015-2023 2023 which could be replaced by a 15 years PSC 2018 – 2032. |
| **Liguria – Calabria - Puglia** | Signed for the period 2015-2017 except Puglia for 2016-2017 which will be followed by a 15 years PSC 2018 – 2032 |
| **Molise Basilicata** | Signed PSC for the period 2015-2023 which could be replaced by a 15 years PSC 2018 – 2032 |
| **Valle d'Aosta** | Expected award ex art. 5.5 Regulation 1370/2007 for the 2017-2018 period, pending the direct award to Trenitalia or a tender of a new multi-annual PSC. |

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Investor Relations section:

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