FIRST SUPPLEMENT DATED 19 JUNE 2019 TO
THE BASE PROSPECTUS DATED 22 OCTOBER 2018

FERROVIE DELLO STATO ITALIANE S.p.A.
(Incorporated with limited liability in the Republic of Italy)

€7,000,000,000

Euro Medium Term Note Programme

This supplement (the “Supplement”) to the base prospectus dated 22 October 2018 (the “Base Prospectus”), constitutes a supplementary prospectus for the purposes of Article 16 of Directive 2003/71/EC, as amended or superseded (the “Prospectus Directive”) as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the “Prospectus Regulations”) and is prepared in connection with the Euro Medium Term Note Programme (the “Programme”) established by Ferrovie dello Stato Italiane S.p.A. (the “Issuer”). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus.

The Issuer accepts responsibility for the information contained in this Supplement and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. This Supplement has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

With effect from the date of this Supplement, each reference in the Base Prospectus to “Base Prospectus” shall be read and construed as a reference to the Base Prospectus as amended and supplemented by this Supplement. To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no significant new fact, material mistake or inaccuracy relating to the information included in the Base Prospectus which is capable of affecting the assessment of the Notes issued under the Programme has arisen or been noted, as the case may be, since publication of the Base Prospectus.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or any of their respective affiliates as to the accuracy or completeness of the information contained or incorporated in this Supplement or any other
information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Supplement or any other information provided by the Issuer in connection with the Programme.

Purpose of the Supplement

The purpose of this Supplement is (i) to update the “Risk Factors” section of the Base Prospectus; (ii) to update the “Information Incorporated by Reference” section of the Base Prospectus to incorporate by reference the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2018; (iii) to update the “Use of Proceeds” section of the Base Prospectus; (iv) to update the “Description of the Issuer” section of the Base Prospectus; (v) to update the “Taxation” section of the Base Prospectus and (vi) to update the “General Information” section of the Base Prospectus.

AMENDMENTS AND ADDITIONS TO THE BASE PROSPECTUS

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Risk Factors

In the section entitled “Risk Factors”, the paragraph entitled “Risks relating to macroeconomic conditions” on pages 11-12 of the Base Prospectus shall be deleted and replaced by the following:

“The sovereign debt crisis has raised concerns about the long-term sustainability of the European Monetary Union and the ordinary activity of many commercial and investment banks as well as insurance companies. Some of these entities have become insolvent or have been forced to merge with other financial firms or have requested assistance from governments, central banks and international monetary funds which have intervened injecting liquidity into the economic system, also taking part in the restructuring of some financial entities. Moreover, other negative factors, such as increasing unemployment levels, have worsened the situation.

Persistent market tensions might negatively affect the funding costs and economic outlook of some euro member countries, including Italy. Since the beginning of the sovereign debt crisis in May 2010, credit quality has generally declined, as reflected by downgrades suffered by several countries in the Eurozone, including Italy.

Despite the several initiatives of supranational organisations to deal with the heightened sovereign debt crisis in the euro area, global markets remain characterised by high volatility.

The persisting financial crisis has also adversely affected Italy and the current negative economic situation is not expected to end in the near future. In this context, it is currently unclear what effect the exit of the United Kingdom from the European Union (so called ‘Brexit’) will have on the macroeconomic environment in Europe.

FS is affected by the economic and political environment and cyclical trends in the European and domestic economy, and any economic downturn, market crisis or period of instability could have a negative impact on the Group’s business.

For example, weak economic conditions and prolonged instability could result in stagnation or a decrease in demand for transport businesses in which FS and its Group operate, adversely affecting the services of FS. This in turn may give rise to a decrease in prices and
profitability levels, which may have an adverse effect on the financial condition and result of operations of FS.”

In the section entitled “Risk Factors”, the paragraph entitled “Interest Rate risks” on page 12 of the Base Prospectus shall be deleted and replaced by the following:

“The Group is mainly exposed to interest rate risk related to loans which bear variable rates of interest. In particular, as of 31 December 2018, 42 per cent. of the Group's loans bore variable rates of interest. The Group companies which are most exposed to this risk (including Trenitalia S.p.A. ("Trenitalia") and Rete Ferroviaria Italiana S.p.A. ("RFI")) have entered into hedging transactions on the basis of specific risk management policies approved by the respective Boards of Directors and implemented with the technical and operating support of FS, with the aim of managing the exposure to changes in interest rates. The Group does not enter into derivatives for speculative purposes. There can be no assurance that such hedging transactions will be successful in eliminating the risks deriving from changes in interest rates, or the Group will be able to further implement transactions to hedge interest rate risk related to new debt issues and this may have an adverse effect on the Issuer's business and results of operations.”

In the section entitled “Risk Factors”, the paragraph entitled “Risks relating to the structure of the Group” on page 13 of the Base Prospectus shall be deleted and replaced by the following:

“The majority of the Group's debt is held by FS, RFI and Trenitalia (which together, held 83.5 per cent. of total debt as of 31 December 2018). Generally, any claims in respect of indebtedness incurred, and guarantees issued, by a subsidiary of the Issuer, and claims of preference shareholders (if any) of such subsidiary, will rank in priority to any claims of the creditors of its parent company, the Issuer with respect to the assets and earnings of such subsidiary. The subsidiaries have no obligations, contingent or otherwise, to pay any amounts due under the Notes while they have obligations to make funds available to the Issuer to pay any amounts due under the Notes via intercompany loans signed between the Issuer and the relevant subsidiary, reflecting the main contractual conditions of the bonds in terms of parties' commitments and covenants. The Notes, therefore, will be effectively subordinated to creditors (including trade creditors) and preference shareholders (if any) of the Issuer's direct and indirect subsidiaries. The proceeds from any issue of Notes finance Group's capex via the above mentioned intercompany loans.”

In the section entitled “Risk Factors”, the paragraph entitled “Risks related to the European Commission procedures SA. 32953 and SA. 32179 relating to the implementation of the competition policy” on page 13 of the Base Prospectus shall be deleted and replaced by the following:

“If the European Commission finds, at the end of the procedure of formal investigation on assumed State aid measures on behalf of Trenitalia and FS Logistica (now Mercitalia Logistics), described in "Description of the Issuer–Litigation– Proceedings before the Italian and EU authorities", that the abovementioned measures constitute unlawful State aid incompatible with the internal market, it shall adopt a negative decision with the recovery of the State aid, that will oblige the Italian State to take all necessary measures to recover, without delay, the aid from Trenitalia and FS Logistica. A negative outcome resulting from such investigation and a timely action by the Italian State to recover of such aid could therefore have an adverse effect on the Group's results of operations.”
Information Incorporated by Reference

With effect from the date of this Supplement the information appearing in, or incorporated by reference into, the Base Prospectus on pages 22 - 23 shall be supplemented by adding the following information at the end of the section in the manner described below.

2018 Consolidated Financial Statements

A copy of the audited consolidated financial statements (including the notes thereto) of the Issuer as at and for the year ended 31 December 2018 (the “2018 Consolidated Financial Statements”) and the auditor’s report in respect of the 2018 Consolidated Financial Statements has been filed with the Central Bank of Ireland. The following table shows where specific items of information are contained in the 2018 Consolidated Financial Statements, and such specific items shall be deemed to be incorporated in, and to form part of, this Supplement. Any non-incorporated parts of a 2018 Consolidated Financial Statements are either deemed not relevant for an investor or are otherwise covered elsewhere in this Supplement.


<table>
<thead>
<tr>
<th>2018 Consolidated Financial Statements</th>
<th>2018</th>
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<td>Consolidated statement of financial position</td>
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<td>Consolidated Income Statement</td>
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<td>pages 172-297</td>
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</table>

2018 auditor's reports in respect of the Consolidated Financial Statements

Auditor's report in respect of the 2018 Consolidated Financial Statements (pages 402-405 of PDF)

Press release relating to the approval of the 2018 Consolidated Financial Statements by the shareholder's meeting

A copy of the press release dated 7 June 2019, relating to the approval of the 2018 Consolidated Financial Statements by the shareholder's meeting, has been filed with the Central Bank of Ireland, and, by virtue of this Supplement, is incorporated by reference in, and forms part of, the Base Prospectus.


Copies of the documents specified above as containing information incorporated by reference in this Supplement may be inspected, free of charge, at the registered office of the Issuer.
Use of Proceeds

The section entitled “Use of Proceeds”, on page 72 of the Base Prospectus shall be deleted and replaced by the following section:

“USE OF PROCEEDS

The net proceeds of the issue of the Notes will be applied by the Issuer for the general finance purposes of the Group, with particular focus on:

(i) high speed capex in infrastructure and rolling stock; and

(ii) inter alia, works, plants, and/or networks, and/or the procurement of assets relating to the railway public service and to the freight transport service, and/or the construction and management of railway networks;

as well as for any other purpose specified in the applicable Final Terms, including Eligible Green Projects, as applicable.

According to the definition criteria set out by the International Capital Market Association ("ICMA") green bond principles ("Green Bond Principles"), only Tranches of Notes financing or refinancing Eligible Green Projects will be denominated "Green Bonds".

Eligible Green Projects have been defined in accordance with the broad categorisation of eligibility for green projects set out by the ICMA Green Bond Principles. In accordance with the ICMA Green Bond Principles, the Issuer published on its institutional website its framework relating to investments in Eligible Green Projects (the "FS Green Bond Framework").

For the purposes of this section:

"Eligible Green Projects" means projects with a positive impact in terms of environmental and social sustainability, in accordance with the broad categorisation of eligibility for green projects set out by ICMA, which prior to the relevant Issue Date will be (i) approved both by the Issuer and by a reputed sustainability rating agency, and (ii) made available on the Issuer's website (www.fsitaliane.it) in the investor relations section.”

Description of the Issuer

The section of the Base Prospectus entitled “Description of the Issuer” on pages 73 – 127 of the Base Prospectus, is deleted in its entirety and replaced by the section attached as Annex 1 (Description of the Issuer) to this Supplement.

Taxation
In the paragraph entitled “Italian resident Noteholders” of the section entitled “Taxation”, the first, second, third and fourth paragraphs on page 128 of the Base Prospectus, shall be deleted and replaced by the following:

“Pursuant to Decree 239, where the Italian resident Noteholder, who is the beneficial owner of the Notes, is:

(a) an individual not engaged in an entrepreneurial activity to which the relevant Notes are connected;
(b) a non-commercial partnership;
(c) private or public institutions (other than companies), trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities; or
(d) an investor exempt from Italian corporate income taxation,

Interest payments relating to the Notes, accrued during the relevant holding period, are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes) (unless Noteholder described under (a) to (c) have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the application of the "risparmio gestito" regime according to Article 7 of Italian Legislative Decree No. 461 of 21st November 1997, as amended ("Decree No. 461") — see under "Capital gains tax", below). All the above categories are qualified as "net recipients".

In the event that Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax and may be deducted from the taxation on income due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the *imposta sostitutiva*, on Interest if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the “Finance Act 2017”) or in Article 1(211-215) of Law No. 145 of 30 December 2018 (the “Finance Act 2019”).

In the paragraph entitled “Atypical Securities” of the section entitled “Taxation”, the twelfth paragraph on page 129 of the Base Prospectus, shall be deleted and replaced by the following:

“Subject to certain conditions (including minimum holding period) and limitations, Interest relating to the Notes may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100 - 114) of Finance Act 2017 or in Article 1(211-215) of Finance Act 2019.”

In the paragraph entitled “Atypical Securities” of the section entitled “Taxation”, the second paragraph on page 130 of the Base Prospectus, shall be deleted and replaced by the following:
“Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the withholding tax, on interest, premium and other income relating to the Notes if such Notes are included in a long term savings account (piano di risparmio a lungo termine) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017 or in Article 1(211-215) of Finance Act 2019.”

In the paragraph entitled “Capital gains tax” of the section entitled “Taxation”, the fourth, fifth, sixth and seventh paragraphs on page 131 of the Base Prospectus, shall be deleted and replaced by the following:

“Under the tax declaration regime (regime della dichiarazione), which is the default regime for Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the imposta sostitutiva on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay imposta sostitutiva on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding Notes not in connection with an entrepreneurial activity, Italian resident partnerships not carrying out commercial activities and Italian private or public institutions not carrying out mainly or exclusively commercial activities may elect to pay the imposta sostitutiva separately on capital gains realised on each sale or redemption of the relevant Notes (the "risparmio amministrato" regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries); and (b) an express election for the risparmio amministrato regime being punctually made in writing by the relevant Noteholder. The depository is responsible for accounting for imposta sostitutiva in respect of capital gains realised on each sale or redemption of Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the risparmio amministrato regime, where a sale or redemption of Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the risparmio amministrato regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains realised by Italian resident individuals holding Notes not in connection with an entrepreneurial activity, Italian resident partnerships not carrying out commercial activities and Italian private or public institutions not carrying out mainly or exclusively commercial activities who have entrusted the management of their financial assets, including Notes, to an authorised intermediary and have opted for the so called "risparmio gestito" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be
paid by the managing authorised intermediary. Under the risparmio gestito regime, any
depreciation of the managed assets accrued at year end may be carried forward against
increase in value of the managed assets accrued in any of the four succeeding tax years.
Under the risparmio gestito regime, the Noteholder is not required to declare the capital gains
realised in the annual tax return.

Subject to certain limitations and requirements (including a minimum holding period), Italian
resident individuals not engaged in an entrepreneurial activity may be exempt from Italian
capital gain taxes, including the imposta sostitutiva, on capital gains realised upon sale or
redemption of the Notes if the Notes are included in a long-term savings account (piano di
risparmio a lungo termine) that meets the requirements set forth in Article 1(100-114) of
Finance Act 2017 or in Article 1(211-215) of Finance Act 2019.”

In the paragraph entitled “Capital gains tax” of the section entitled “Taxation”, the eleventh
paragraph on page 132 of the Base Prospectus, shall be deleted and replaced by the
following:

“Subject to certain conditions (including minimum holding period) and limitations, capital
gains in respect of Notes realized upon sale, transfer or redemption by Italian Pension Fund
may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a
long-term savings account (piano di risparmio a lungo termine) that meets the requirements
set forth in Article 1 (100 - 114) of Finance Act 2017 or in Article 1(211-215) of Finance Act
2019.”

In the paragraph entitled “Wealth tax on securities deposited abroad” of the section entitled
“Taxation”, the second paragraph on page 133 of the Base Prospectus, shall be deleted and
replaced by the following:

“This tax is calculated on the market value of the Notes at the end of the relevant year (or at
the end of the holding period) or, if no market value figure is available, the nominal value or
the redemption value of such financial assets held outside the Italian territory. Taxpayers are
entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State
where the financial assets are held (up to an amount equal to the Italian wealth tax due).”

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General Information

In the section entitled “General Information”, the paragraph entitled “Significant/Material
Changes” on page 139 of the Base Prospectus, shall be deleted and replaced by the following:

“Since 31 December 2018, there has been no significant change in the financial or trading
position of the Issuer or the Group and since 31 December 2018 there has been no material
adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries.”
ANNEX 1  
Description of the Issuer  

DESCRIPTION OF THE ISSUER  

Introduction  

History and Development  

Ferrovie dello Stato Italiane S.p.A. ("FS", "FS Italiane", or the "Issuer" and together with its subsidiaries, the "Group" or "FS Group") is the holding company of the Italian railway group, which is active in the field of passenger and freight transport (mainly by rail) and related services. Among other things, FS controls the railway infrastructure manager RFI, the road infrastructure manager Anas as well as the railway undertaking Trenitalia, which are subsidiaries of FS.

Pursuant to Law n. 137 of 22 April 1905 which entrusted the management and ownership of most railway services, once privatised, to the Italian State (the "State"), FS was established on 21 April 1905 through the nationalization of three private companies in operation in Italy since 1839. On 12 August 1992, FS became a joint-stock company which was wholly owned by the State via the Ministry of the Economy and Finance ("MEF"). In accordance with Article 4 of the Articles of Association currently in force (the "Articles of Association"), FS is incorporated, domiciled and operating under the laws of Italy (the Italian civil code and specific legislation in addition to the Articles of Association) for a period up to 31 December 2100 (which may be extended or decreased by a resolution passed at an extraordinary shareholders' meeting).

Purpose of the Issuer  

According to Article 3 of the Articles of Association, the objectives of FS include the:

(a) construction and management of the infrastructure network for rail, road and motorway transportation at a domestic and international level;

(b) operation of any transport services, including by air, of passengers and freight, at domestic and/or international level, including the promotion, implementation, and management of initiatives and services in the transportation field; and

(c) performance of any other connected and instrumental activities related directly or indirectly to those mentioned above, including activities related to customer services and those aimed at the enhancement of assets for the operation of (a) and (b) above.

Registered Office  

The registered office of FS is at Piazza della Croce Rossa 1, Rome, Italy, Fiscal Code and Registration with the Company Register of Rome No. 06359501001. Its telephone number is +39 06 44101.

Financial Year  

The Issuer's financial year starts on 1 January and ends on 31 December of each year.
Major shareholders

The Issuer is a wholly-owned subsidiary of the MEF.

Organisational Structure

EC Directive 91/440/EEC on the development of railways (subsequently amended by EC Directive 2001/12/EC of 26 February 2001) as implemented by law D.P.R. 8 July 1998 n. 277 and Legislative Decree 8 July 2003 n. 188 ("Decree 188/2003"), established the guidelines for the restructuring of the Italian national rail system. These EC Directives emphasised the need to separate rail infrastructure management from the provision of transport services. Following these legislative developments, the Group initiated a reorganisation program in 1998 by creating the infrastructure division. In May 1999, the Group set up three additional divisions to manage the medium and long-distance passenger transport, freight transport and local transport. The reorganization continued with the establishment in June 2000 of Trenitalia, a passenger and freight transport company, which was completed on 1 July 2001.

Since 2001, infrastructure maintenance (through RFI) and railway undertakings (through Trenitalia) have operated as separate companies within the Group.
The Group structure as of 31\textsuperscript{th} December 2018 is outlined below:
Key Players

The key players in the Italian Rail Industry are the following:

<table>
<thead>
<tr>
<th>Government / regulatory bodies</th>
<th>Ministry of Economy and Finance (&quot;MEF&quot;)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>● The Ministry of Economy and Finance (MEF) pays fees for the National Public Service Contract and transfers financial resources to the Regions for the Regional public service Contract. The MEF also provides funding for rail infrastructure investments and maintenance.</td>
</tr>
<tr>
<td>Ministry of Infrastructure and Transports (&quot;MIT&quot;)</td>
<td></td>
</tr>
<tr>
<td>Autorità Garante della Concorrenza e del Mercato (&quot;AGCM&quot;)</td>
<td>● The Ministry of Infrastructure and Transport (MIT) delivers licenses to railway undertakings. MIT also defines the access charge to the railway infrastructure and subscribes the Contratto di Programma with RFI and the National Public Service Contract (the Contratto di Servizio that includes national universal services for passengers transport) with Trenitalia.</td>
</tr>
<tr>
<td>Autorità di Regolazione dei Trasporti (&quot;ART&quot;)</td>
<td>● The Italian Competition Authority is an independent body and is in charge of the application of competition law and of national consumer legislation.</td>
</tr>
</tbody>
</table>

Infrastructure manager

<table>
<thead>
<tr>
<th>Rete Ferroviaria Italiana (&quot;RFI&quot;)</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Rete Ferroviaria Italiana SpA (RFI) is part of the Ferrovie dello Stato Italiane Group. It owns the infrastructure and is responsible for designing, building and maintaining the infrastructure and develops the technology of systems and materials. RFI acts as the national railway infrastructure manager, as set forth in the Act of Concession with the MIT.</td>
</tr>
</tbody>
</table>

Agenzia Nazionale per la Sicurezza Ferroviaria ("ANSF")

| The National Railway Safety Authority (Agenzia Nazionale per la Sicurezza delle Ferrovie, ANSF) is an independent body from all the railway actors. ANSF's main tasks are: ● To define the legislative framework for the railway operational safety, ● To verify the enforcement of the adopted regulations, ● To carry out the approval processes for systems, sub-systems and constituents, ● To issue the safety certificates to railway undertakings and the safety authorizations to infrastructure managers. |

Regions

| The Regions subscribe Public Service Contracts (PSCs) for regional transport services with railway undertakings. In Italy there are 15 ordinary Regions and 5 border Regions with special status. |

Railway undertakings

| Trenitalia is the largest Italian railway undertaking. |
| After having obtained a license, (a 'titolo autorizzatorio'), a safety certificate and after having entered into a 'Contratto di Utilizzo' with the infrastructure manager, these provide passenger and freight transportation services |
Business of the Group

As at 31 December 2018, the Group is organized into the following operating segments, each of which is carried out by certain key subsidiaries:

- The transport services segment, which accounted for 70 per cent. of the Group's revenues for the year ended 31 December 2017 and for 58 per cent. of the Group's revenues for the year ended 31 December 2018, is divided into medium/long term distance passengers, regional passengers, and freight and is largely represented by the 100% owned subsidiary, Trenitalia.

- The infrastructure services segment, which accounted for 24 per cent. of the Group's revenues for the year ended 31 December 2017 and for 39 per cent. of the Group's revenues for the year ended 31 December 2018, manages the national rail network, both high speed and conventional lines, and national road and motorway network through the 100 per cent. owned subsidiaries, respectively, RFI and Anas.

- The commercial activities relating to the real estate segment, which accounted for 3 per cent. of the Group's revenues for the year ended 31 December 2017 and for 1 per cent. of the Group's revenues for the year ended 31 December 2018, includes the companies (primarily FS Sistemi Urbani) that deal with management and enhancement of the property assets of the Group.

- The other services segment, which accounted for 3 per cent. of the Group's revenues for the year ended 31 December 2017 and for 2 per cent. of the Group's revenues for the year ended 31 December 2018, manages other Group services including financial and administrative services.

On 18 January 2018, after receipt of approval from the Italian Antitrust Authority (AGCM), the Ministry of the Economy and Finance (MEF) transferred its entire investment in Anas to FS Italiane. Consequently, the FS Group consolidated financial statements as at and for the year ended 31 December 2018 includes the financial information, including results, of Anas.

The following table sets out certain financial information of the Group's business segments for the years ended 31 December 2018 and 2017.

<table>
<thead>
<tr>
<th>Year ended 31 December 2018</th>
<th>Transport</th>
<th>Infrastructure</th>
<th>Commercial Real Estate Activities</th>
<th>Adjustments and Eliminations</th>
<th>Operating Segments</th>
<th>FS Italiane Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from Third Parties</td>
<td>7,655</td>
<td>4,036</td>
<td>87</td>
<td>6</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Inter-segment revenues</td>
<td>293</td>
<td>1,338</td>
<td>53</td>
<td>255</td>
<td>(1,650)</td>
<td>289</td>
</tr>
<tr>
<td>Operating revenues</td>
<td>7,948</td>
<td>5,374</td>
<td>140</td>
<td>261</td>
<td>(1,645)</td>
<td>12,078</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,679</td>
<td>817</td>
<td>15</td>
<td>(24)</td>
<td>(11)</td>
<td>2,476</td>
</tr>
</tbody>
</table>
### Year ended 31 December 2017

<table>
<thead>
<tr>
<th>Transport Infrastructure</th>
<th>Commercial Activities</th>
<th>Real Estate Activities</th>
<th>Other Services</th>
<th>Adjustments and Eliminations</th>
<th>FS Italiane Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from Third Parties</td>
<td>7,352</td>
<td>1,490</td>
<td>147</td>
<td>21</td>
<td>(3)</td>
</tr>
<tr>
<td>Inter-segment revenues</td>
<td>290</td>
<td>1,137</td>
<td>180</td>
<td>251</td>
<td>(1,572)</td>
</tr>
<tr>
<td>Operating revenues</td>
<td>7,642</td>
<td>2,627</td>
<td>327</td>
<td>272</td>
<td>(1,575)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td><strong>1,760</strong></td>
<td><strong>495</strong></td>
<td><strong>52</strong></td>
<td><strong>6</strong></td>
<td><strong>(0)</strong></td>
</tr>
</tbody>
</table>

Again in 2018, FS Group remains the top player in the EU in terms of EBITDA and EBIT margin:

### Transport Services

Within the macro-sector of transport services, the Group operates primarily through Trenitalia and its subsidiaries.

Other Group subsidiaries active in the transport services sector are Netinera Deutschland, Busitalia Group, the Mercitalia Hub – which operates the freight transport, FSE and TrainOSE.
**Trenitalia S.p.A.** (100 per cent. owned by FS) is the passenger transport company of the Group and consists of two business areas: passengers/medium and long-distance routes (domestic and international) and passengers/local transport (commuter, regional and inter-regional).

In 2018, Trenitalia recorded positive results, reporting a net profit of Euro 256.8 million. Also for the previous year ended 31 December 2017, Trenitalia recorded a positive result, with a net profit of Euro 276.2 million. 2018 EBITDA decrease from Euro 1,585.7 million in 2017 to Euro 1,483.7 million in 2018, down by -6.4 per cent and 2018 EBIT came to Euro 386.1 million, down on the previous year (Euro 399.1 million), accounting for 7.2 per cent. of revenue (7.5 per cent. in 2017).

2018 EBITDA was negatively affected by the following elements:

- the first application of the Law no. 167 of 20 November 2017, that changes cost of electrical energy for traction, had a positive impact on EBITDA 2017;
- the increase in the toll paid to the infrastructure operator (Euro 36 million).

Through the Long-Haul Passenger Division, Trenitalia provides mobility services for passengers at a national and international level. The services are divided into "market services", for which there is no contribution from public funds, and "universal services", which are only provided based on a specific services contract with the State. In 2018 revenues from market services recorded a decrease of about Euro -22.4 million, due to the decrease in revenue from the Freccia trains, in addition, revenue generated by the International and Charter trains are in line with 2017. Revenues arising from universal services recorded a decrease of about Euro -12.5 million.

The table below set out key financial information relating to Trenitalia for the years ended 31 December 2018 and 31 December 2017.

<table>
<thead>
<tr>
<th>31 December</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>(in millions of Euro)</td>
<td></td>
</tr>
<tr>
<td><strong>Main indicators</strong></td>
<td></td>
</tr>
<tr>
<td>Operating revenues</td>
<td>5,367.9</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
</tr>
<tr>
<td>Medium/Long distance passenger</td>
<td>47%</td>
</tr>
<tr>
<td>Regional passenger</td>
<td>53%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,483.7</td>
</tr>
<tr>
<td>EBIT</td>
<td>386.1</td>
</tr>
<tr>
<td>Profit (loss) for the year</td>
<td>256.8</td>
</tr>
<tr>
<td><strong>Medium and long-distance traffic data</strong></td>
<td></td>
</tr>
<tr>
<td>PASSENGERS/KM – MARKET</td>
<td>millions</td>
</tr>
<tr>
<td>PASSENGERS/KM – UNIVERSAL</td>
<td>millions</td>
</tr>
</tbody>
</table>
## Regional transport traffic data

<table>
<thead>
<tr>
<th></th>
<th>December 2018</th>
<th>December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONTRIBUTED</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>millions</td>
<td>20,595</td>
</tr>
<tr>
<td><strong>TRAINS/KM – MARKET</strong></td>
<td>thousands</td>
<td>64,933</td>
</tr>
<tr>
<td><strong>TRAINS/KM - UNIVERSAL CONTRIBUTED</strong></td>
<td>thousands</td>
<td>25,370</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>thousands</td>
<td>90,303</td>
</tr>
</tbody>
</table>

### Revenues (*)

|                      | millions      | 2,499        | 2,506        |

### Trenitalia UK Ltd

Trenitalia UK Ltd ("Trenitalia UK" 100 per cent. owned by Trenitalia) is the British subsidiary of the FS Group active in the UK rail market. On 10 February 2017, Trenitalia UK entered into an agreement with the National Express Group PLC to acquire 100 per cent. of NXET Trains Limited (National Express Essex Thameside), subsequently renamed Trenitalia c2c Ltd ("Trenitalia c2c"). Trenitalia UK in a joint venture with First Group was shortlisted, after the Expression of Interest, to be invited to tender for the West Coast franchise which includes the current InterCity services between London, Manchester, Liverpool, Preston, Edinburgh and Glasgow. The joint venture presented its binding bid in July 2018.

### Trenitalia c2c Ltd

Trenitalia c2c Ltd, is a British passenger transport company which manages the c2c (City to Coast) franchise between London and Shoeburyness on the east coast of South Essex. In 2018, Trenitalia c2c recorded operating revenues of Euro 210.8 million and a negative net result of Euro -6.2 million, with Euro -3.4 million EBITDA and Euro -7.6 million EBIT.

### Netinera Deutschland GmbH

Netinera Deutschland GmbH (in which FS has a 51 per cent. shareholding and Cube Infrastructure SCA Investment Fund has the remaining 49 per cent. shareholding) and its subsidiaries (the "Netinera Group") also operates in the Regional Passenger and Freight Transport segment, through a group of about 32 companies active in Germany. The Netinera Group is primarily involved in rail and road transport activities in the German local and metro transport markets, but it also carries out activities on international routes to the Czech Republic, Poland and the Netherlands. In addition to passenger and cargo transport service, the group performs services for the maintenance and renovation of vehicles.

During the course of 2018, the Netinera Group recorded revenues of Euro 625.1 million and expenses of Euro 547 million with Euro 78.5 million EBITDA and Euro 30.3 million EBIT. Taking into account amortization and depreciation of Euro 48 million and financial expenses of Euro 18 million to its partners, the Netinera group recorded profits of Euro 5.9 million.

The table below set out key financial information relating to Netinera Group for the years ended 31 December 2018 and 31 December 2017.
Busitalia-Sita Nord S.r.l. ("Busitalia") is the subsidiary which operates in the sector of public road transport within the Regional Passenger Transport Operating Segment. The company carries out its business, also through its subsidiaries ("Busitalia Group"), in various sectors, such as local public transport (both urban and suburban), long-distance bus service (both national and international), tourism and hires.

In 2018, Busitalia Group recorded operating revenues of Euro 624.5 million with Euro 55.3 million EBITDA and 6.3 million EBIT, principally derived from service contracts with Regions, Provinces and Municipalities as well as those from the additional service contracts with the region Tuscany.

The tables below sets out key financial information relating to Busitalia Group for the years ended 31 December 2018 and 31 December 2017.

<table>
<thead>
<tr>
<th>Main indicators</th>
<th>December 2018</th>
<th>December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>624.5</td>
<td>472.0</td>
</tr>
<tr>
<td>EBITDA</td>
<td>55.3</td>
<td>43.1</td>
</tr>
<tr>
<td>EBIT</td>
<td>6.3</td>
<td>15.3</td>
</tr>
<tr>
<td>Profit (loss) for the year</td>
<td>0.8</td>
<td>8.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Busitalia Group traffic data</th>
</tr>
</thead>
<tbody>
<tr>
<td>PASSENGERS</td>
</tr>
<tr>
<td>BUS/KM</td>
</tr>
</tbody>
</table>
Mercitalia Hub through the sub-holding, Mercitalia Logistics S.p.A. (100 per cent. owned by FS), and its subsidiaries operates in the cargo transport and in the logistics of the Group. The Mercitalia Hub is the cluster of Group’s companies that operate in the freight transport and logistics business: the sub-holding company Mercitalia Logistics S.p.A., Mercitalia Rail S.r.l., TX Logistik Group (based in Germany but active in different European countries), Mercitalia Intermodal S.p.A., Mercitalia Transport & Services S.r.l., Mercitalia Shunting & Terminal S.r.l. and TerAlp (Terminal AlpTransit S.r.l.). The purpose of Mercitalia Hub is to relaunch the freight business of the Group, developing integrated freight transport and logistics solutions that add value to railway use both in Italy and in Europe.

In 2018, Mercitalia Hub recorded operating revenues of Euro 1,017.6 million compared with Euro 1,042.1 million in 2017. 2018 EBIT decreased from Euro -30.7 million in 2017 to Euro -103.7 million in 2018, due to the increase in the impairment losses on freight transport operations (Euro 70 million). The impairment losses on freight transport operations derive on the outcome of the impairment test conducted, which suggest that the cash flows and the expected future return on freight transport operations, discounted using a rate which reflects the risk level of the specific business, do not fully remunerate the business’ net invested capital.

The table below set out key financial information relating to Mercitalia Hub for the years ended 31 December 2018 and 31 December 2017.

<table>
<thead>
<tr>
<th>Main indicators</th>
<th>December 2018</th>
<th>December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>1,017.6</td>
<td>1,042.1</td>
</tr>
<tr>
<td>EBITDA</td>
<td>29.5</td>
<td>39.5</td>
</tr>
<tr>
<td>EBIT</td>
<td>(103.7)</td>
<td>(30.7)</td>
</tr>
<tr>
<td>Profit (loss) for the year</td>
<td>(109.4)</td>
<td>(37.3)</td>
</tr>
</tbody>
</table>

FSE S.r.l. (100 per cent. owned by FS) is not only a passenger transport company that provides, through an integrated network, mobility services (train/bus) in Apulia Region but also a firm that provides transport engineering services (see next paragraph: Infrastructure Services).
In 2018, the transport segment of FSE recorded operating revenues of Euro 130.6 million and the company had a positive net result of Euro 39 million, with Euro 48.2 million EBITDA and Euro 42.5 million EBIT.

TrainOSE SA (100 per cent. owned by FS) is a company that provides cargo and passenger transport services at suburban, regional and national level in Greece. FS Italiane acquired TrainOSE on 14 September 2017. In 2018, TrainOSE SA recorded operating revenues of Euro 116.8 million and had a negative net result of Euro -3.7 million.

FS Group key operating data in the transport segment:

(*) passengers-km of road transport do not include Qbuzz traffic volume
FS transport segment revenues breakdown between Market services and Public Service Contracts:

**Infrastructure Services**

Within the macro-sector of Infrastructure Services, the Group operates through RFI, one of its main subsidiaries with the public role of Infrastructure Manager. It is responsible for the entire Italian national rail infrastructure including tracks that are 16,781 km long.

As indicated previously, from 18th January 2018 the company Anas is part of the Group. Anas manages and is responsible for Italy's national road and motorway infrastructure for over 26,000 km.

**RFI – Rete Ferroviaria Italiana S.p.A.** (100 per cent. owned by FS) performs the role of railway Infrastructure Manager in Italy, as assigned by a deed of concession (Concessione) granted by the Ministry of Infrastructure and Transport ("MIT") in October 2000 with a duration of 60 years (the "RFI Deed of Concession") and on the basis of the Contratto di Programma, a program contract governing relations with the State. RFI is responsible for the design, construction, commissioning, management and maintenance of the railway infrastructure in Italy. It manages the control and safety systems connected with train operations, contracts with railway companies, and draws up the timetables for the rail
network and promotes the integration of the Italian infrastructure within the European railway network. RFI is also operating in the ferry service between Sicily and Sardinia directly and through its subsidiaries. RFI is in charge of the development of high-speed projects, it is active in investing in technology innovation and implementing new technology through internal programmes dealing with technology in safety, traffic management and efficiency and development; moreover RFI is also planning on expanding links between Northern Italy and other EU countries as well as adding more connections in Southern Italy, including Naples–Bari, Salerno–Reggio Calabria, and Palermo–Catania-Messina, these projects are under designing/construction.

In 2018, RFI had net profit equal to Euro 274.2 million (with an increase of 5 per cent. compared to 2017) and EBITDA of Euro 449 million (a decrease of 6 per cent.). In 2018, the revenues from sales and services increased by Euro 227 million (an increase of 9 per cent.) mainly due to the following factors:

- the increase in toll revenue (€72 million), as the net effect of the increase in volumes and the ISTAT adjustment;
- the increase in revenue from the sale of electrical traction (€126 million), due to the effects of Law no. 167 of 20 November 2017; and
- the rise in revenue from Contratto di Programma (€40 million) related to higher grants for assistance services for people with reduced mobility, gates and rescue vehicles.

Other income increased by Euro 25 million (+19 per cent) mainly due to the increase in revenue from the sale of material no longer in use and removed from production (€4 million) and the rise (€17 million) of active penalties (e.g. Performance Regime).

The performance achieved was negatively affected by the following costs‘ increase: personnel’s cost (€52 million); cost for electrical energy and fuel for train traction due to the effects of Law no. 167 of 20 November 2017 (€188 million), consumption of materials for both investments and operation; and maintenance costs (€19 million). Those variations were partly offset by the increase of capitalizations (€178 million) and by a decrease of devaluation on plant and machinery (€34 million). Finally an increase to the fund for the pursuit of pro-active policies to support income and employment (€14 million) occurred.

The table below set out key financial information relating to RFI for the years ended 31 December 2018 and 31 December 2017.

<table>
<thead>
<tr>
<th>Main indicators</th>
<th>December 2018</th>
<th>December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>2,790.5</td>
<td>2,537.7</td>
</tr>
<tr>
<td>Track access charges</td>
<td>1,175.4</td>
<td>1,103</td>
</tr>
<tr>
<td>CdP-Services Part</td>
<td>1,016.2</td>
<td>975.5</td>
</tr>
<tr>
<td>Sale of electrical energy for traction</td>
<td>186</td>
<td>59</td>
</tr>
<tr>
<td>Other income</td>
<td>413</td>
<td>400</td>
</tr>
<tr>
<td>EBITDA</td>
<td>449</td>
<td>479.3</td>
</tr>
</tbody>
</table>

(in millions of Euro)
EBIT .............................................................. 311.9 292.5
Profit (loss) for the year (period) ............................ 274.2 261.5

Classification for: 2018 (km)

Type of track
- Double track lines 7,721
- Single track lines 9,060

Electrification
- Double track electrified lines 7,644
- Single track electrified lines 4,374
- Not electrified lines 4,763

Total km of lines 16,781

Type of service
- Conventional network 23,035
- HS lines 1,467

Total tracks Length 24,502

Anas S.p.A. (100 per cent. owned by FS) performs the role of road infrastructure manager in Italy, as assigned by a deed of concession (Concessione) granted by the Ministry of Infrastructure and Transport ("MIT") in December 2002 with a duration of 30 years (the "Anas Deed of Concession"), and on the basis of the Contratto di Programma, a program contract governing relations with the State. Anas manages Italy's national road for over 26,000 km and motorway network for over 1,300 km and provides support to public entities and roadway design, construction and maintenance both in Italy and abroad also through its subsidiaries (Anas Group).

As mentioned above, Ministry of Economy transferred his entire investment in Anas Group to FS Group at 18\(^{th}\) January 2018; consequently FS Group consolidated financial statements at 31 December 2018 include Anas Group financial results. Anas is still subject to the auditing and technical-operative supervision of the Ministry of Infrastructure and Transport.

The table below sets out key financial information relating to Anas for the years ended 31 December 2018 and 31 December 2017.

<table>
<thead>
<tr>
<th>Main indicators</th>
<th>December 2018</th>
<th>December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions of Euro)</td>
<td>(in millions of Euro)</td>
<td></td>
</tr>
<tr>
<td>EBIT .................</td>
<td>311.9</td>
<td>292.5</td>
</tr>
<tr>
<td>Profit (loss) for the year (period)</td>
<td>274.2</td>
<td>261.5</td>
</tr>
</tbody>
</table>
December 2018 | December 2017
---|---
Operating revenues | 2,046.5 | 2,176.8
Revenues for construction services | 1,256.7 | 1,375
Revenues from concession fee | 731.1 | 718.7
Other income | 58.7 | 83.1
EBITDA | 157.8 | 175.5
EBIT | (11.6) | 14.8
Profit (loss) for the year (period) | 2 | 0.6

Italferr S.p.A. (100 per cent. owned by FS) is the FS engineering firm and offers its services on the Italian and foreign markets in the field of transport engineering. It initiates and completes infrastructural and technological projects included in investment and upgrades plants for the railways.

In 2018, the company had a positive net result of Euro 8.8 million, with an increase in revenues from engineering services (an increase of 13 per cent.).

FSE S.r.l. (100 per cent. owned by FS) is not only a passenger transport company that provides, through an integrated network, mobility services (train/bus) in Apulia Region but also a firm that provides transport engineering services.

In 2018, FSE (infrastructure area) recorded operating revenues of Euro 86.5 million and the company had a positive net result of Euro 29.7 million, with Euro 51.6 million EBITDA and Euro 47.8 million EBIT.

Starting from 2018 the companies GS rail S.p.A. and Centostazioni S.p.A. were transferred from “Commercial Real Estate Activities” to “Infrastructure Services”.

The table below set out key financial information relating to GS Rail for the years ended 31 December 2018 and 31 December 2017.

| | December 2018 | December 2017 |
---|---|---|
Operating revenues | 140.6 | 137.7 |
EBITDA | 15.6 | 14.2 |
EBIT | 9.1 | 7.7 |
Profit (loss) for the year (period) | 5.4 | 4.3 |

Centostazioni S.p.A. was merged by incorporation into RFI on 16 July 2018 and was responsible for the management of the assets comprised in the real estate complexes of the network of 103 medium-sized railway stations owned by RFI spread across 20 Italian regions. A procedure is currently ongoing - lead by RFI - to sell 100 per cent. of the share capital of Centostazioni Retail S.p.A. (constituted on 8 July 2018) which will have the concession of the commercial and advertising spaces in the railway stations of Milano Porta

**Commercial Real Estate Activities**

Within the macro-sector of Commercial Real Estate Activities, the Group operates mainly through FS Sistemi Urbani S.r.l., furthermore, FS's real estate activities also contribute to the results of this segment.

**FS Sistemi Urbani S.r.l.** (100 per cent. owned by FS Italiane) carries out activities relating to integrated urban services and the enhancement of assets which are not linked to the conduct of the railway business through the integrated management and the development of real estate services. In 2018 FS Sistemi Urbani S.r.l. recorded operating revenues of Euro 28.3 million. The net results in 2018 for the company were positive (4.2 million).

**Other Services**

Other companies which make up the non-core services of the Group are Fercredit S.p.A. and Ferservizi S.p.A..

**Fercredit S.p.A.** (100 per cent. owned by FS) is responsible for the financial services of the Group. Its activities are essentially focused on the development of the credit factoring and leasing on the captive market and on the expansion of the consumer credit transactions for the employees of the Group itself. In 2018, the company recorded a net profit of Euro 3.4 million compared to Euro 9.1 million in 2017.

**Ferservizi S.p.A.** (100 per cent. owned by FS) is the Group's non-core services company, which constitutes the "Integrated Services Centre" of the FS Group, as it manages activities aimed at the following processes: Real Estate, Administration, Facility Management, Group Procurement. The company recorded a net profit of Euro 19.9 million in line with 2017 with Euro 43.2 million EBITDA (+7.4 million) and Euro 30.3 million EBIT equal to 3 per cent.

**Corporate Bodies and Management**

The following table sets out the composition of the board of directors of the Issuer (the "Board of Directors") as of the date of the Supplement. The shareholders' meeting on 30 July 2018 appointed a Board of Directors comprising seven members for a period of three terms, which terminate on the date in which the financial statements for the last year of the director's third term is approved. According to clause 10.3 of the Articles of Association, the members of the Board of Directors may be re-elected. On 31 July 2018, the Board of Directors appointed Gianfranco Battisti as chief executive officer.

**Board of Directors and Management**

The Board of Directors of FS consists of seven members.

The following are the members of the Boards of Directors of FS all of whom were appointed on 30 July 2018.
<table>
<thead>
<tr>
<th>Name</th>
<th>Position (FS)</th>
<th>Other activities of the members of the Board of Directors within the Group</th>
<th>Main activities of the members of the Board of Directors outside the Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gianluigi Vittorio Castelli</td>
<td>Chairman of the Board of Directors</td>
<td>CEO of Nugo S.p.A.</td>
<td>Director of DEVO Lab (Digital Enterprise Value and Organisation Laboratory)&lt;br&gt;Associate Professor of Practice of Information Systems – SDA Bocconi School of Management&lt;br&gt;Director of Fondazione P&amp;R&lt;br&gt;Member of the surveillance board of Fondazione Ricerca &amp; Imprenditorialità&lt;br&gt;Chairman of Union Internationale des Chemins de Fer (UIC)</td>
</tr>
<tr>
<td>Gianfranco Battisti</td>
<td>CEO/Managing Director General Manager</td>
<td>CEO of FS Sistemi Urbani</td>
<td>Chairman Confindustria-Federturismo (The Italian Federation of Tourism Associations/Enterprises)&lt;br&gt;Member of the board of Aspesi-National Association of Real Estate Development Companies&lt;br&gt;Member of Strategic Steering Board of European University Rome&lt;br&gt;Member of the board of two no-profit medical organizations&lt;br&gt;Member of the board of no profit organization &quot;Amici del Fiuggi&quot;</td>
</tr>
<tr>
<td>Flavio Nogara</td>
<td>Director</td>
<td>N/A</td>
<td>Employee of Banca Popolare di Sondrio</td>
</tr>
<tr>
<td>Andrea Mentasti</td>
<td>Director</td>
<td>N/A</td>
<td>Chief Executive Officer of Milano Serravalle – Milano Tangenziali&lt;br&gt;Chairman of Pedemontana Lombarda (APL)</td>
</tr>
<tr>
<td>Cristina Pronello</td>
<td>Director</td>
<td>N/A</td>
<td>Professor in MIDT at the Sorbonne Universités - UTC</td>
</tr>
<tr>
<td>Francesca Moraci</td>
<td>Director</td>
<td>N/A</td>
<td>Tenured Professor in City Planning and head of city planning laboratory at the</td>
</tr>
<tr>
<td>Name</td>
<td>Position (FS)</td>
<td>Other activities of the members of the Board of Directors within the Group</td>
<td>Main activities of the members of the Board of Directors outside the Group</td>
</tr>
<tr>
<td>---------------</td>
<td>---------------</td>
<td>--------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Wanda Ternau</td>
<td>Director</td>
<td>Member of the Board of Mercitalia Logistics S.p.A.</td>
<td>Teaching activities on Global Regulation of Markets and Engineering Infrastructure and Railway Systems at Sapienza University</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Member of the</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>architecture and territory faculty of the Università Mediterranea in Reggio Calabria</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Scientific manager of the urban and territorial strategies for planning laboratory – LabStutep – of the Università Mediterranea in Reggio Calabria</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Member of the technical committee of the interregional permanent conference for the coordination of the policies in the Messina Strait area (established pursuant art. 4 Calabrian regional law n. 12 of April 2015)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Vice-chairman of the conference of the entities participating to the protocol of intent between FSSistemi Urbani, Anas, Italian Ministry of Infrastructures and Transport, universities and business associations on the project &quot;QVQC- Quale Velocità Quale Città- Alta Velocità /Alta Capacit. I nuovi scenari ambientali e territoriali in Europa e in Italia&quot;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Member of the college of professor of the architecture and territory PhD of the Università Mediterranea in Reggio Calabria</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Founding member and vicechairman of the national scientific association &quot;Accademia Urbana&quot;</td>
</tr>
<tr>
<td>Name</td>
<td>Position (FS)</td>
<td>Other activities of the members of the Board of Directors within the Group</td>
<td>Main activities of the members of the Board of Directors outside the Group</td>
</tr>
<tr>
<td>--------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Carmine Di Nuzzo</td>
<td>Chairman of the Board of Statutory Auditors (since 4 July 2016)</td>
<td>N/A</td>
<td>Manager of the Ragioneria Generale dello Stato (General Accounting Department of State) (MEF) Chief Inspector General of the General Inspectorate for</td>
</tr>
</tbody>
</table>

The business address of each member of the Board of Directors of FS is Piazza della Croce Rossa, 1, 00161 Rome, Italy.

**Board of Statutory Auditors**

The board of statutory auditors (the "**Board of Statutory Auditors**") has three standing members and two alternative members elected by the general shareholders' meeting. Pursuant to Article 2403 of the Italian Civil Code, the Board of Statutory Auditors verifies compliance with the law, the Articles of Association and with correct corporate governance principles, and also verifies the adequacy and functionality of the organisational structure and administrative and accounting systems adopted by the Issuer.

The following is a list of the auditors appointed or, as the case may be, reappointed on 9 August 2013 and on 4 July 2016:
<table>
<thead>
<tr>
<th>Name</th>
<th>Position (FS)</th>
<th>Other activities of the members of the Board of Statutory Auditors within the Group</th>
<th>Main activities of the members of the Board of Statutory Auditors outside the Group</th>
</tr>
</thead>
</table>
| Susanna Masi    | Statutory Auditor (since 4 July 2016)  | N/A                                                                              | Chairman of the Board of Statutory Auditors of INVIMIT Sgr S.p.A. and Idea Fimit Sgr.  
Member of the Board of Statutory Auditors of Equitalia S.p.A. and Gruppo FS Italiane.                                           |
Chairman of the Board of Statutory Auditors and member of Supervisory Body ("Organismo di vigilanza" pursuant Legislative Decree n. 231/01) of: Groupama Assicurazioni S.p.A.;  
Statutory Auditor of: Corit S.p.A. In Liq. (Unicredit Group); |
<table>
<thead>
<tr>
<th>Name</th>
<th>Position (FS)</th>
<th>Other activities of the members of the Board of Statutory Auditors within the Group</th>
<th>Main activities of the members of the Board of Statutory Auditors outside the Group</th>
</tr>
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<tbody>
<tr>
<td>Cinzia Simeone</td>
<td>Alternate Auditor (since 18 May 2004)</td>
<td>N/A</td>
<td>Federmeccanica - Federazione Sindacale dell'Industria Metalmecanica Italiana; Federtrasporto; Giuseppe Laterza &amp; Figli S.p.A.; Opel Italia S.r.l.</td>
</tr>
<tr>
<td>Paolo Castaldi</td>
<td>Alternate Auditor (since 24 June 2010)</td>
<td>N/A</td>
<td>Statutory auditor of the ECIPA Nazionale (National Confederation for Professional Education in Crafts and Small Businesses) Member of Gruppo Bilanci (Financial Group) set up within the Commissione tecnica di valutazione per il fondo perequativo (Technical Commission for Assessment of Equalization Fund) at Unioncamere Statutory auditor of the Federazioni Italiana Badminton (CONI) Manager at MEF (c/o ufficio centrale di bilancio - Ministero per i beni e per le attività culturali) Auditor of Fondazione Istituto Italiano di Tecnologia Auditor of Federazione Italiana Discipline sportive Armi da Caccia</td>
</tr>
</tbody>
</table>

The residential addresses for each member of the Board of Statutory Auditors are as follows:


Dott.ssa Masi Susanna - Via XX Settembre 97, Rome, Italy
Conflict of Interest

To the Issuer's knowledge, including on the basis of the FS' procedure concerning the "Related Party Transactions" (Administrative and Accounting Procedure - PAC/FS/11, 3rd December 2010), there are no existing potential conflicts of interest between the Board of Directors' or Board of Statutory Auditors' duties with respect to the Issuer and their private interests and/or duties.

Third Party Information

The Issuer confirms that third party information contained in the Base Prospectus has been accurately reproduced. As far as the Issuer is aware and is able to ascertain from information published by a third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Capital

According to Article 5 of the Articles of Association, the share capital of FS as at the date of the Supplement is Euro 39,204,173,802.00 consisting entirely of ordinary shares with a par value of Euro 1 each. All the shares in issue are fully subscribed and paid up. No preference shares have been issued and the Issuer does not hold treasury shares.

The share capital of FS can be increased by means of the contribution of cash or assets. Further to any increase in share capital, the new shares would need to be offered as options to the shareholders in proportion to the shares actually owned; those who exercise the option will have the right to purchase the shares.

Corporate Governance

The Issuer complies in all material respects with the Italian corporate governance regime applicable to it pursuant to its Articles of Association and Italian legislation. The corporate governance process is based on the provisions and communications issued by FS' Board of Directors. FS is administered by a Board of Directors consisting of seven members (the Chairman, five non-executive directors and a Managing Director) appointed by the Shareholders' Meeting.

Relevant Committees

FS established two committees comprised of members of the Board of Directors of FS: the Comitato Audit, Controllo rischi e Governance and the Comitato per la Remunerazione e le Nomine.

The main task of the Comitato Audit, Controllo Rischi e Governance is to support, through preparatory work, proposals and opinions:
• the evaluations of the Board of Directors concerning the internal control system and risk management, as well as the requirements for the approval of periodic financial reports;

• the evaluations concerning the size/composition of the Board of Directors and the corporate governance of the FS Group, as well as the corporate social responsibility.

The main task of the **Comitato per la Remunerazione e le Nomine**, is to advise and make proposals to the Board of Directors regarding, among other things, the remuneration of the CEO and the Chairman (if the latter has operating powers), the definition of criteria for the designation of FS’ key management personnel and members of Group's corporate bodies, the eventual co-option of FS' Directors as well as the periodic review of the requirements of independence and integrity and the absence of any reasons for incompatibility or ineligibility of the Directors of FS.

Furthermore, FS has established the following corporate committees, the main tasks of which are described as follows:

• The main task of the **Ethical Committee** is to promote the integration of ethical principles within corporate processes, to verify the compliance of the behaviour of the Board of Directors and employees to the standards of conduct and to revise business procedures in light of the Code of Ethics adopted by FS. Meetings of the Committee take place quarterly and its members are appointed by the Board of Directors.

• The main task of the **Committee for Equal Opportunities** is to promote initiatives and actions to offer female workers more favourable working conditions and greater development opportunities. Meetings of the Committee take place every two months and consist of one female representative from each trade union organization which signs the **CCNL Mobilità/AreaAF** and a corresponding number of female members designated by the Group.

• The main task of the **Antitrust Committee** is to promote, through the development of guidelines, the dissemination of knowledge regarding antitrust regulations and monitor their correct application. Meetings of the Committee take place quarterly and its members are appointed by the CEO. The CEO, with broad executive powers, is appointed by the Board of Directors.

• The main task of the **Investment Committee** is to provide guidelines on investment and disinvestment plans, assess the soundness (strategic, economic and financial) of strategic initiatives, monitor business plan execution and propose corrective actions. Meetings of the Committee take place upon the initiative of the Strategies and Planning Department. The Investment Committee members are appointed by the CEO.

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

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

- The **Foreign Development Committee** was set up with group measure no. 206/AD of 5 May 2016 for the strategic oversight of development initiatives in the group's interests abroad.

- The **Credit Committee**, set up with group measure no. 210/AD of 23 June 2016, is responsible for monitoring the performance of group receivables, highlighting any critical areas and promoting the necessary corrective action, while also assessing consolidated exposure to each counterparty and any possibility of offsetting amounts.

- The **Sustainability Committee** was set up with group measure no. 211/AD of 1 July 2016 to ensure the integration of social and environmental aspects in the group's economic/financial strategies and promote the values and principles of sustainable development, in accordance with stakeholders’ requirements and expectations.

- Additionally, in connection with the launch of its first Green Bond in 2017, FS established a **Green Bond Working Committee**, established to create, review, maintain and implement FS Green Bond Framework. This Committee consists of members of FS’ Finance and Sustainability teams, as well as those of the subsidiaries involved from time to time. The Committee is chaired by FS's Head of Finance.

**Internal Audit Department**

FS' management system is divided into twelve departments which report directly to the Chairman or to the CEO. The main group companies have internal audit departments reporting to the Chairman of their BoD. For companies that do not have (or do not yet have) their own internal audit departments, the parent's Central Audit Department provides this service.

If an Audit Committee has been set up, the internal audit department reports to it as well, as defined by the relevant company's internal procedures.

Internal auditing at group level is independent and objective, provides assurance and serves an advisory purpose, to improve the organisation's efficiency and effectiveness. It also helps the organisation to pursue its targets through a professional and systematic audit approach, which generates added value as it is aimed at assessing and improving control, risk management and corporate governance processes.

For the analysed processes, the group's internal audit departments assess the adequacy of the internal control system (ICS), with respect to the following:
- effective, efficient operations;
- protecting company assets;
- compliance with laws, regulations (both inside and outside the company) and contracts.

The Central Internal Audit Department defines the group's audit guidelines and methodologies, which also helps better manage internal audit personnel.

**Law 262/2005**

Since 2007, upon the request of the Ministry of the Economy and Finance and in order to adopt corporate governance systems that are increasingly in line with those of listed companies, the parent created the position of manager in charge of financial reporting pursuant to Law no. 262 of 28 December 2005 "Provisions to protect asset management and regulate financial markets" for companies listed on financial markets.

Following the issue of the aforementioned bond (July 2013), FS' status became that of a public interest entity pursuant to article 16 of Legislative decree no. 39/2010 because it had issued bonds. Accordingly, the position of manager in charge of financial reporting is now legally required as the company now completely falls within the scope of application of article 154-bis of the Consolidated finance act.

The Regulation of the Manager in charge of financial reporting approved by the board of directors on 28 July 2015 governs the role, functions, powers, means and responsibilities of FS' manager in charge of financial reporting and this manager's relationships with the company officers, the control and supervisory bodies, the various company departments and group companies.

Considering FS Group's organisational and operational complexity, to strengthen and improve efficiency in the application of this legislation, FS' Board of Directors has deemed it appropriate, from the start, to have its main subsidiaries immediately appoint managers in charge of financial reporting as well (RFI, Trenitalia, FS Logistica S.p.A. (now Mercitalia Logistics S.p.A.), Busitalia and Ferservizi S.p.A.).

On 4 July 2016, the shareholder resolved to amend article 16 of the by-laws to implement the legislative requirements for managers in charge of financial reporting (article 154-bis of the Consolidated finance act) which – as noted earlier – applies to FS following the issue of listed bonds.

Since the position was created and filled, FS' current manager in charge of financial reporting has been the Director of the parent's Central Administration, Financial Statements and Tax Department, appointed by the Board of Directors on 27 March 2018 upon the CEO's proposal and with the approval of the Board of Statutory Auditors. He will remain in office until the approval of the financial statements as at and for the year ending 2020.

**Law 231/2001**

Legislative Decree n. 231 of 8 June 2001 ("Law 231/2001") "Regulation of the administrative responsibility of the legal persons, companies and associations even without legal personality under Article. 11 of September 29th 2000, no. 300" introduced into Italian
law the principle of corporate criminal responsibility, i.e., criminal responsibility imposed on an entity, as well as on a natural person.

The expansion of such responsibility allows both the property of the entities themselves as well as the economic interests of the shareholders to be considered in formulating the penalty of certain criminal offences committed by the company's directors or employees.

Group measure no. 209/P of 9 June 2016, which replaced the previous measures concerning the control model since 2002, requires the companies of the Group to adopt an organisational, management and control model to prevent the illegal conduct covered by Legislative decree no. 231/2001 and establish a supervisory body responsible for monitoring that the models are functional and compliant and propose updates to them.

Supervisory bodies are normally set up as boards with a chairman from outside the company with important, specific expertise in this respect, an internal audit manager and a legal expert from outside the group or, alternatively, a member of the board of statutory auditors.

To ensure the bodies' independence, their members may not hold similar positions with subsidiaries or parents nor have interests in or carry out material transactions with the company, subsidiaries or parents.

FS' Supervisory Body consists of two external members, one of whom acts as Chairman, and one internal member, i.e., the Director of FS' Central Internal Audit Department.

**Code of Ethics**

The Code of Ethics adopted by FS clearly sets out the responsibilities, ethical and social commitments that FS has with regard to the stakeholders, and outlines the rules underlying any action taken by the Group. It is approved by the Board of Directors and applies to the corporate bodies, management, employees, external consultants, commercial partners, suppliers and other stakeholders of the Group.

**Sustainability and Environment**

FS Group has intensified its ambition of creating transport works and services that create long-lasting value for the community by redefining the business through intermodal transport.

This vision is based on three pillars: economic, social and environmental commitments. This expression of intent constitutes the shared foundation of values and beliefs that transversally guide FS Group's decisions and operations.

FS Group's code of conduct establishes the rights and responsibilities of corporate officers, managers, employees, freelancers, business partners, suppliers and all other parties involved in transactions with the FS Group. With the code of conduct, the FS Group transparently assumes its responsibilities and commitments to internal and external stakeholders.

FS Italiane Group conducts its business in compliance with the principles of integrity, ethics and zero tolerance for corruption. To further support this commitment, since 2017, the parent company has voluntarily used a self-regulatory tool to prevent corruption. This tool, called the unified anti-corruption framework, is based on the following two management and control models:
the 231 model, for suspected corruption within the scope of Legislative decree no. 231/2001 (including between private parties, undue soliciting to give or promise benefits and misconduct); and

the anti-bribery and corruption (ABC) management system.

The FS Group is also a member of the Union Internationale des Chemins de Fer ("UIC"), which promotes the railway sector around the world as a solution to the challenges of mobility and sustainable development. In 2011, the Group signed the UIC Declaration on Sustainable Mobility and Transport, undertaking to promote responsible conduct in line with the 10 principles of the Global Compact. FS Group also aims to help achieve the following sustainable development goals as part of the United Nations 2030 Agenda for sustainable development: gender equality, decent work and economic work, industry innovation and infrastructure, sustainable cities and communities, climate action and partnerships for the goals.

The FS Group has formalised a set of principles – for all stakeholders – underpinning its business policies, code of conduct and vision.

The quality of the environment is a key value on which the FS Group has based the mobility project strategies it is pursuing to improve the overall transport system.

In its search for innovative travel solutions, to maximise the benefits of sustainable infrastructure and transport, the FS Group aims to create an integrated, intermodal system that seamlessly meets its customers' mobility needs by offering an alternative to the traditional mobility model based on private cars burning fossil fuels. By making the most of railway transport, the backbone of sustainable mobility, the Group is striving to create a system of synergies between collective transport, local public transport, sharing mobility services and, more generally, all operators capable of reducing the environmental impact of the transport of passengers and goods.

Its approach to improving environmental performance is increasingly geared towards assessing all stages in the life cycle of each process and service, focusing on the quality and operations of its suppliers, proper waste management and the appropriate care for the environmental aspects connected to all Group companies' operations. To implement this approach, the FS Group pursues certain of measures to ensure its commitment to reducing environmental impacts is constant.

This commitment has also been translated into the implementation and certification of environmental management systems or integrated management systems covering all processes and operating sites, in order to continuously improve the Group services.

The considerable and differentiated range of activities requires the Group to carry out structured monitoring in order to retain control over the most significant environmental aspects.

On 1 July 2016, the Sustainability Committee was set up to ensure the integration of social and environmental aspects in the Group's economic/financial strategies and promote the values and principles of sustainable development, in accordance with the stakeholders' requirements and expectations.
The FS Group is aware that sustainable, long-lasting growth goes hand-in-hand with the ability to create value for the community and all stakeholders, i.e. its ability to meet the interests and expectations of its stakeholders. For this reason the Group holds a stakeholder panel every year to promote dialogue and interaction with stakeholders and stakeholder involvement. Stakeholders are invited to discuss hot topics and propose improvements for the business. In turn, the FS Group promises to give a specific and transparent answer to every request submitted and to follow up tangibly where appropriate.

Last year, the Sustainability Committee began a collaborative process with the Group’s stakeholders from research groups, institutions and other stakeholder groups, to define long-term objectives for 2030 to 2050, on priority issues for FS Italiane Group. The first three round tables focused on safety, emissions and sustainable mobility and will soon formalise challenging objectives for the future of the Group.

In recent years, the FS Group has distinguished itself for its deep commitment to initiatives and projects to relieve social distress in railway areas and redevelop the land for communities. As the economic crisis continues and migration surges, all of Italy is experiencing the deterioration of social conditions, which can be especially seen at railway stations. Promoted and managed in collaboration with local bodies and non-profit associations, the help centres are the answer of the FS Group to the growing social distress and the considerable rise in migration to Europe and Italy in particular, as it is a gateway to Europe.

The help centres are "low threshold" information points - i.e. without any filtering of users - created to welcome and shelter those who are most in need and help begin their rehabilitation with the city's social services and institutions. The Group plays a key role in this project, providing space inside or near to the station on free loan to associations and bodies engaged in combating social marginalisation and covering urgent needs so they can create help centres.

The FS Group continuously monitors its environmental impacts with the aim of minimising and mitigating negative impacts, while taking the necessary steps to develop the environmental advantages of mass transport and making the most of local resources.

Since 2009, FS has been publishing an annual Sustainability Report with the aim of illustrating our commitment to this important issue. In addition, in 2017, FS drew up the first Consolidated Non-Financial Statement (DNF), pursuant to Italian Legislative Decree 254/2016, published in the Annual Financial Report. The Sustainability Report has been prepared in accordance with the “GRI Sustainability Reporting Standards” guidelines issued by the Global Reporting Initiative (GRI) in 2016, using the comprehensive reporting option. The report covers the economic, social and environmental activities deemed to be the most significant for the Group and its stakeholders. The Report is also subject, on voluntary basis, to a limited assurance by KPMG S.p.A..

The Group's activities span a wide range of diversified operating segments that characterise its business and that have been assigned different impact levels with respect to the main environmental aspects. The reporting scope includes the core activities of the most material companies in aggregate environmental terms for the sector.

FS Group makes it a priority to monitor the volumes of energy used in its environmental accounting. In 2018, final consumption totalled 29.5 million GJ, with electricity accounting
for approximately 71 per cent., considering energy for traction and other uses (e.g., lighting infrastructure, offices and stations, vehicle maintenance at workshops, etc.), followed by diesel (24 per cent.) and natural gas (5 per cent.) far behind. Electricity and diesel for railway traction account for over 70 per cent. of energy use, with other uses consisting of electricity, heating and road transport.

The transport segment's use of electrical energy (84 per cent. of the total electrical energy consumption) is composed of: 97.3 per cent. for railway traction and 2.7 per cent. for other electrical services.

An examination of use by individual source shows how railway transport affects the two main types of energy (electricity and diesel). However, approximately 90 per cent. of journeys are operated on electrical lines, with only a small portion powered by diesel, which improves energy efficiency and creates immediate benefits from the production of energy from renewable sources (which currently accounts for 35 per cent. of national energy production).

The transport segment's use of diesel (84.8 per cent. of the total diesel consumption) is composed of: 65.9 per cent. for railway traction, 31.5% for public road service traction and 2.6% for other purposes.

The transport segment's use of natural gas (67.6 per cent. of the total natural gas consumption) is composed of: 71.5 per cent. for heating, 28.5 per cent. for public road service traction.

Unlike the energy sources discussed above, natural gas is mainly used for heating (over 80 per cent.) and only residually for transport, exclusively for the road transport fleet (approximately 19 per cent.). Total natural gas consumption volumes in 2018, amounting to approximately 47.6 million cubic metres of gas, are in line with the previous year.

The transport segment's CO₂ emissions (83.8 per cent. of the total CO₂ emissions) are composed of: 87.9 per cent. from railway traction, 7.5 per cent. from public road service traction, 2.5 per cent. from heating and 2.1 per cent. from other activities.

In recent years, final specific consumption for railway traction in Italy has performed within a narrow range of values, both for passenger and freight transport. Various factors affect specific consumption, including the characteristics of the transport, their routes and their use, the variability of which can lead to changes from one year to the next. In general, the commitment is to focus on a higher-quality service with better environmental performance. To this end, rolling stock for passenger transport has been significantly upgraded in terms of the service offered, which increases demand for energy per passenger-km. As a result, measures to reduce consumption and maximise efficiency have been taken. One example is the Frecciarossa 1000, specially designed with efficient lighting and braking energy recovery systems for multiple environmental benefits. Since 2019, the new regional Pop and Rock trains will be rolled out.

Greenhouse gas emissions reflect energy consumption. In 2018 FS Italiane Group as a whole, produced 179,745 tonnes more of CO₂ compared to 2017 (+8 per cent.) for a total of 2,532,901 tonnes. The most substantial increases are due to greater consumption of electricity for other uses (+56 per cent.) and diesel (+17 per cent.), partly following the extended scope which includes the new companies beginning in 2018. Nearly two-thirds of CO₂ emissions
are produced by electrical railway traction, while residual emissions are due to diesel consumption (20 per cent.), electricity (14 per cent.) and natural gas (4 per cent.).

The performance of specific emissions is similar to that of specific consumption: emissions by traffic units for passengers and freight amount to around 35 gCO₂/passenger-km and less than 15 gCO₂/tonne-km, respectively. The former decreased slightly after registering growth between 2014 and 2016, while the latter has remained more or less the same as in the previous two-year period.

The Group is actively committed to promoting and spreading renewable sources and reducing the production of pollutants and greenhouse gas emissions released into the atmosphere. Various group companies are negotiating electricity supply contracts from certified renewable sources, covering up to 100% of the supply. Furthermore, the Group is installing photovoltaic and thermal solar plants at its properties for self-production of the energy they consume. For example, work was completed to install photovoltaic systems at certain Trenitalia plants (Rome, Naples and Venice) for the production of approximately 2 GWh of electricity per year. At the same time, photovoltaic plants are being installed at additional workshops (e.g., Naples and Milan) and are expected to produce approximately 5.7 GWh of solar power per year.

The Group’s commitment to managing, monitoring and reducing waste can be seen in its implementation of management models focused on preventing, reusing and recycling waste from industrial activities as part of a circular economy and the search for solutions to improve waste collection systems in passenger services, particularly at stations. Waste from the infrastructure and transport companies’ activities accounts for 99 per cent. of all waste produced in 2018 by the Group. The demolition of railway carriages as part of the investments to update and strengthen the freight fleet and the increase in railway infrastructure maintenance increased 2018 waste production by approximately 12 per cent. on 2017. The percentage of special waste sent for recycling - mainly iron, steel, cement and wooden sleepers - remains approximately 95 per cent.

To prevent or reduce the harmful effects of exposure to environmental noise, the FS Group carefully plans and carries out noise mitigation work for its transport, site and plant operations.

Furthermore, the FS and the main Group companies are involved in the implementation and certification of their environmental management systems in accordance with the ISO 14001 standard. In 2016, the Group companies began a transition to the new UNI EN ISO 14001:2015 standard, which, unlike the previous version, encourages environmental management systems to be more responsive to the specific company and extends improvement strategies according to broader concept of sustainability. The Group also controls the environmental risk of its contractor companies assigned infrastructural works projects, which includes a contractual obligation for the construction companies to adopt an environmental management system (UNI EN ISO 14001) for site activities for the entire duration of the contract and provide the company and relevant bodies with objective evidence of their controls over project activities.

FS Group initiatives and projects
| **Energy** | FS issues its first green bond to finance the high-energy efficiency trains Pop, Rock and Frecciarossa 1000.  
GSE approved its requests for white certificates for the new Pop and Rock regional trains.  
A remote driver performance monitoring system was installed on the new buses to track their performance and pinpoint improvement areas.  
Development was completed on the QLIK IT system to monitor Trenitalia's energy consumption.  
RFI's electric substation meter project began, which will include the replacement of obsolete high and medium voltage transformers.  
Application of the Envision™ protocol, the first rating system for the design and creation of sustainable infrastructures. |
| **Atmospheric emissions** | The tender was assigned for the supply of electrical energy to 10 FS Group companies, which will include approximately 30 GWh/year from certified renewable sources in Italy.  
The preliminary analysis and economic/environmental assessment report for the construction of photovoltaic power plants with total power of approximately 200 MW was prepared.  
Italferr S.p.A. met the contractual environmental sustainability requirements of works in progress and, more specifically, to reduce the greenhouse gas emissions generated by works contracts worth over €30 million.  
Particulate, nitrogen oxide and CO2 emissions were reduced with the commissioning of Busitalia's new Euro 6 and electrical buses, r.  
Progressive conversion of the current company car fleet to electric cars. |
| **Waste** | Strengthening of sorted waste collection systems in stations.  
Waste monitoring and control using dedicated software.  
Feasibility studies to increase sorted waste collection on board trains and at plant. |
Ferrovie strongly believes that rail and public transport are critical for sustainable development and global efforts to combat climate change, by facilitating the modal shift away from cars into less carbon intensive modes of transport.

Ferrovie has developed the FS Green Bond Framework in accordance with the ICMA Green Bond Principles and which aims at financing projects with a positive impact in terms of environmental and social sustainability. The FS Green Bond Framework obtained a second party opinion from Sustainalytics.

The FS Green Bond Framework envisages as Eligible Green Projects the public transport rolling stock renewal as follows:

- New Electric Multiple Unit (EMU) trains for regional passenger transport, so called "Pop" and "Rock";
- New High speed Trains "ETR 1000".

Both categories of projects ensure energy efficiency improvements, carbon emissions reduction and a modal shift to rail in the local public and long-distance transport market, as well as contribute, among other factors, to the improvement of air quality and the comfort of passengers.

On 30 November 2017, FS issued its Euro 600 million 0.875% due 12/2023 inaugural green bond (Series 7) under the Programme, to finance the above mentioned Eligible Green Projects. 97 per cent. of the proceeds were allocated at date of issue whereas full allocation was completed on 4 April 2018.

As at the date of the Supplement, the Green Bond Framework is under review and further Eligible Green Projects could be added.
The number of Group employees rose from 74,436 at 31 December 2017 to 82,944 at 31 December 2018 a net increase of 8,508, including 6,810 due to extraordinary transactions (6,761 employees from Anas and its subsidiaries). The average number of employees also increased by a similar amount (+9,221 resources).

**Personnel management and development policies**

In 2017, work continued to increase efficiency and productivity, which included employee turnover to bring new experts and professionals into the Group.

Redundancy was managed with leaving incentives on one hand and by using the extraordinary benefits of the fund for income and employment assistance for the Group companies. Approximately 500 workers benefited from these schemes in 2017, on the other.

In addition, following the Interministerial decree no. 99296/2017, the Group began the procedure for the use of additional benefits drawn from the FS fund for "extraordinary solidarity benefits" which will entail the hiring of around 1,000 young new employees for the operations the Group companies Trenitalia, RFI and Mercitalia Rail S.r.l., replacing the same number of workers who will retire.

The Group significantly ramped up its use of job postings, efforts that included new policies to develop the Group's resources and know-how. For the purposes of transparency, equal opportunities and professional diversification, employees were given the chance to express their interest in diversification in various fields, with the involvement of over 1,300 people, including managers. This resulted in an updated database for the creation of professional groups within the Group to consult for continuous job postings. Out of 92 intragroup job openings, 76 jobs openings were posted, and out of the 47 completed postings, 22 were filled.

Recruitment on the market outside the Group, which encompasses international candidates to meet the Group's development needs and know-how. For the purposes of transparency, equal opportunities and professional diversification, employees were given the chance to express their interest in diversification in various fields, with the involvement of over 1,300 people, including managers. This resulted in an updated database for the creation of professional groups within the Group to consult for continuous job postings. Out of 92 intragroup job openings, 76 jobs openings were posted, and out of the 47 completed postings, 22 were filled.

Recruitment on the market outside the Group, which encompasses international candidates to meet the Group's development needs on foreign markets - in accordance with the principles of fairness, merit-based criteria, transparency and equal opportunities, as always - has focused on top quality recent graduates, not only in the fields of engineering, but in business and law as well, and on specialised experts, to generate value for the Group. To become known for its innovation to increasingly attract young people in general, rare candidates like those needed in the digital and technology fields and top candidates with digital skills and global mindsets, the Group has rolled out new digital tools for pre-screening and evaluation, enabling it to substantially increase the number of candidates eligible for positions at the end of the recruitment process. In 2017, over 440,000 curriculum vitae in the database were considered, including more than 105,000 that were received in response to published ads, creating a pool of recent graduates as attractive candidates. Of these, 240 were selected for positions in the Group. 78 newly hired employees were recruited through intense, ongoing collaboration with the network of universities and diversified employer branding activities (over 8,000 young potential candidates were met in the year). In particular, the FS competition was designed, organised and held to attract, involve, train and recruit students and recent graduates who stand to contribute to the mobility sector. Over 2,000 young participants competed on the website and the Facebook page with serious games, digital case studies and share experiences (escape room), 70 of whom were selected for the on-site event. Of these, 28 received "job vouchers" for exponential Group recruitment.
Similarly, "professional breeding grounds" that are useful to the business were developed for the professional target, with up to 180 people for expert positions and 22 managerial positions.

Each company of the Group followed its own specific procedure for the selection of operational personnel, in line with the Group's principles guidelines, which consider the candidate's residence in the region where the job is based as a priority requisite. For the specific purpose of training experts and cultivating potentially attractive pools of candidates to meet future needs for operational personnel within the Group, approximately 2,000 high school students were involved in youth initiatives, highlighting the Group's active contribution to developing culture and expertise for the labour market and boosting the country's economic system and employment rate, with 218 school/work programmes under 55 active agreements.

The Group has also expanded its channels for the communication and promotion of professional opportunities in line with international benchmarks to strengthen recruitment and attract new talent, including international talent. In particular, the career website "FSitaliane.it/Lavoraconnoi" – which receives an average of about 197,000 visits per month and around 680,000 page views – was completely revamped with new content and an updated layout. The Group also: i) published the English language version of the career website and online app; ii) reinforced the Group's presence on Linkedin with a corporate page (in English); iii) periodically updated the sections on People, Recruitment, Company and Events/News. These efforts resulted in over 120,000 followers for the Group.

For the purpose of top level training to ensure innovation, developing the production system and make school and university training more responsive to business needs– also considering the requirements of integrated mobility and jobs in the new digital world, preparing young people for employment and bringing them closer to jobs – the Group promoted and conducted many different employer branding and networking initiatives with universities, through ongoing, fruitful contact with young people. It disbursed over 64 scholarships, provided 83 on-the-job training arrangements and held 30 events and seminars to meet, listen, provide work orientation to and recruit young people. All this led it to confirm its number one ranking for the fourth year in a row as the "Best Employer of Choice" among companies where young recent graduates would like to work, based on a statistical analysis of a sample of 2,500 young people representing all Italian recent graduates and considering 101 Italian and international companies.

in 2017, a new performance management model was established in order to enable the FS Group to:

- encourage the personal and professional development of people (heads and workers);
- align overall performance with strategic targets;
- provide continuous, differentiated feedback; and
- support the development of skills.

In 2017, additional development activities covered were:
assessing participants of interest to the FS Group (managers, key junior managers and university graduates: 323 people) and company interest (junior managers and white collars: 426 people) for a total of 749 participants, along with the management of feedback and development plans following the assessments; and

FS Group's annual performance assessment conducted by resource managers using the integrated evaluation system and involving key resource groups (managers, junior managers and university graduates). The performance of 9,169 men and 2,475 women was assessed, representing about 18 per cent. of the Group's average workforce for the year, up approximately 33 per cent. on 2016. The supervisors monitored the annual performance of resources not included in the integrated evaluation system assessment process informally (e.g., by providing feedback on strengths and improvement areas).

Industrial relations

In 2017, operating instructions were given for the application of the changes to the national labour agreement for the Mobility/Railway sector and the FS Group's agreement dated 16 December 2016, updating the previous guidelines for the purpose of simplification. The information systems were formatted and updated in accordance with the changes introduced by the national labour agreement for the Mobility/Railway sector and FS Group's agreement of 16 December 2016, in cooperation with the relevant Group structures. In addition, Group regulations were updated in accordance with the legislative changes, such as the legislation on civil unions. To implement the consequent contractual clause, on 2 May 2017, a pilot agreement was signed for smart working arrangements within the FS Group companies that have offered them.

On 20 July 2017, an agreement was signed with Mercitalia Rail S.r.l. to amend and integrate the working hours clauses for mobile personnel contained in the national labour agreement for the Mobility/Railway sector and FS Group's agreement dated 16 December 2016, in order to improve the Group's economic and organisational efficiency.

Another agreement was signed on 21 December 2017 for EUROFER, a complementary pension fund, allowing the dependants of railway workers participating in the fund to join as well.

Following the issue of decree no. 99296 of 18 May 2017 issued by the Italian Labour and Social Policy Minister's decree and the Minister of the Economy and Finance, published in Official Journal no. 166 of 18 July 2017, concerning the regulation of the fund for income and employment assistance for FS Group companies' personnel, an agreement was signed on 26 October 2017 for the procedure to receive the extraordinary solidarity benefits under the same fund. By way of this agreement, the parties quantitatively and qualitatively defined the personnel eligible for such benefits and the related methods and determined the procedure for the recruitment of new resources on the market for the generational succession of personnel.

The percentage of Group employees who are members of trade unions remained substantially the same at 62.95 per cent. and group employee absenteeism is 8.8 per cent., compared to 8.9 per cent..
Absenteeism rate | 8.8% | 8.9% | 8.8%

Missed hours due to strikes show a substantial decrease on the previous year. Furthermore, company strikes accounted for 21 per cent. of total missed hours, in line with 2016.

<table>
<thead>
<tr>
<th>Missed hours due to strikes</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
</table>

**Capital Expenditure**

“Total expenditure” for the FS Italiane Group for the year ended 31 December 2018 amounted approximately to Euro 7.5 billion¹ in 2018, 98 per cent. of which was in Italy.

FS Italiane Group’s capital expenditure for investments for the year ended 31 December 2018 came to Euro 5,871 million (Euro 1,144 million self-financed and Euro 4,727 million through government grants) compared to Euro 5,407 million for the year ended 31 December 2017.

Approximately 84 per cent. of investments refers to the Infrastructure operating segment, with RFI S.p.A. investing €4,769 million, including €4,654 million for the traditional/HC network and €115 million for the HS/HC network between Turin, Milan and Naples and Anas group investing €1,391 million. Approximately, 15 per cent. of investments refers to the Transport operating segment for projects devoted to the transport of passengers by road and rail, both in Italy and abroad, and to the transport of freight. Specifically, Trenitalia S.p.A. invested €798 million (including ordinary maintenance), the Mercitalia group approximately €119 million, the Busitalia group €152 million and the remaining companies operating abroad €35 million (Netinera Deutschland GmbH, Trenitalia, Trenitalia c2c Ltd, Thello SAS and TrainOSE SA). The Real Estate and Other services segment accounts for the remainder of the Group’s investments, made mainly by FS Sistemi Urbani S.r.l. and FS Italiane S.p.A for the maintenance and upgrade of the respective property assets and ICT projects.

**Capex breakdown 2018** ²

---

¹ Total expenditure includes Anas S.p.A. and FSE S.r.l. investments recognised pursuant to IFRIC 12 (approximately €1.3 billion) while the remainder is comprised of the investments of special-purposes entities not consolidated on a line-by-line basis (e.g., TELT, BBT etc., for around €0.3 billion).

² Capex breakdown excludes Anas S.p.A. and FSE S.r.l. investments recognised pursuant to IFRIC 12 (approximately €1.3 billion) and the remainder comprised of the investments of special-purposes entities not consolidated on a line-by-line basis (e.g., TELT, BBT etc., for around €0.3 billion).
Overview of the Consolidated Financial Information of the Group

*Consolidated Income Statement for the years ended 31 December 2018 and 2017*

<table>
<thead>
<tr>
<th>For the year ended 31 December</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions of Euro)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from sales and services</td>
<td>11,566</td>
<td>8,993</td>
</tr>
<tr>
<td>Other income</td>
<td>512</td>
<td>300</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>12,078</td>
<td>9,293</td>
</tr>
<tr>
<td><strong>Operating costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel expense</td>
<td>(4,853)</td>
<td>(4,178)</td>
</tr>
<tr>
<td>Raw materials, consumables, supplies and goods</td>
<td>(1,599)</td>
<td>(1,136)</td>
</tr>
<tr>
<td>Services</td>
<td>(4,371)</td>
<td>(2,663)</td>
</tr>
<tr>
<td>Use of third-party assets</td>
<td>(257)</td>
<td>(229)</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>(204)</td>
<td>(202)</td>
</tr>
<tr>
<td>Internal work capitalised</td>
<td>1,682</td>
<td>1,428</td>
</tr>
<tr>
<td><strong>Amortisation and depreciation</strong></td>
<td>(1,571)</td>
<td>(1,378)</td>
</tr>
<tr>
<td><strong>Reversals of impairment losses</strong></td>
<td>(155)</td>
<td>(152)</td>
</tr>
<tr>
<td><strong>Provisions</strong></td>
<td>(36)</td>
<td>(65)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>714</td>
<td>718</td>
</tr>
<tr>
<td><strong>Financial income and expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial income</td>
<td>92</td>
<td>62</td>
</tr>
<tr>
<td>Financial expense</td>
<td>(221)</td>
<td>(176)</td>
</tr>
<tr>
<td>Share of profits of equity-accounted investees</td>
<td>32</td>
<td>14</td>
</tr>
<tr>
<td><strong>Pre-tax profit</strong></td>
<td>617</td>
<td>618</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(58)</td>
<td>(64)</td>
</tr>
<tr>
<td>Profit (loss) from assets held for sale, net of taxes</td>
<td>(2)</td>
<td></td>
</tr>
<tr>
<td><strong>Profit for the year from continuing operations</strong></td>
<td>559</td>
<td>552</td>
</tr>
<tr>
<td>Profit for the year (attributable to the owners of the parent and non-controlling interests)</td>
<td>559</td>
<td>552</td>
</tr>
</tbody>
</table>
**Consolidated Statement of Financial Position as of 31 December 2018 and 2017**

<table>
<thead>
<tr>
<th></th>
<th>As of 31 December</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>2018</strong></td>
<td><strong>2017</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Property, plant and equipment</strong></td>
<td>44,371</td>
<td>44,449</td>
<td></td>
</tr>
<tr>
<td><strong>Investment property</strong></td>
<td>1,403</td>
<td>1,398</td>
<td></td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td>4,260</td>
<td>988</td>
<td></td>
</tr>
<tr>
<td><strong>Deferred tax assets</strong></td>
<td>413</td>
<td>158</td>
<td></td>
</tr>
<tr>
<td><strong>Equity-accounted investments</strong></td>
<td>555</td>
<td>373</td>
<td></td>
</tr>
<tr>
<td><strong>Service concession financial assets</strong></td>
<td>1,917</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current financial assets (including derivatives)</strong></td>
<td>2,155</td>
<td>1,863</td>
<td></td>
</tr>
<tr>
<td><strong>Non-current trade receivables</strong></td>
<td>9</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td><strong>Other non-current assets</strong></td>
<td>4,471</td>
<td>1,307</td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>59,554</td>
<td>50,545</td>
<td></td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>2,200</td>
<td>2,102</td>
<td></td>
</tr>
<tr>
<td><strong>Current trade receivables</strong></td>
<td>2,494</td>
<td>2,548</td>
<td></td>
</tr>
<tr>
<td><strong>Current financial assets (including derivatives)</strong></td>
<td>818</td>
<td>620</td>
<td></td>
</tr>
<tr>
<td><strong>Service concession financial assets</strong></td>
<td>1,220</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td>1,796</td>
<td>1,834</td>
<td></td>
</tr>
<tr>
<td><strong>Tax assets</strong></td>
<td>120</td>
<td>113</td>
<td></td>
</tr>
<tr>
<td><strong>Other current assets</strong></td>
<td>4,317</td>
<td>5,231</td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>12,965</td>
<td>12,465</td>
<td></td>
</tr>
<tr>
<td><strong>Assets held for sale and disposal groups</strong></td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>72,519</td>
<td>63,013</td>
<td></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>41,697</td>
<td>38,630</td>
<td></td>
</tr>
<tr>
<td><strong>Equity attributable to owners of the parent</strong></td>
<td>41,254</td>
<td>38,380</td>
<td></td>
</tr>
<tr>
<td><strong>Share capital</strong></td>
<td>39,204</td>
<td>36,340</td>
<td></td>
</tr>
<tr>
<td><strong>Reserves</strong></td>
<td>50</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td><strong>Valuation reserves</strong></td>
<td>(436)</td>
<td>(467)</td>
<td></td>
</tr>
<tr>
<td><strong>Retained earnings (losses carried forward)</strong></td>
<td>1,896</td>
<td>1,923</td>
<td></td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>540</td>
<td>542</td>
<td></td>
</tr>
<tr>
<td><strong>Total equity attributable to non-controlling interests</strong></td>
<td>443</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td><strong>Profit for the year attributable to non-controlling interests</strong></td>
<td>19</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td><strong>Share capital and reserves attributable to non-controlling interests</strong></td>
<td>424</td>
<td>240</td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current loans and borrowings</strong></td>
<td>8,335</td>
<td>9,125</td>
<td></td>
</tr>
<tr>
<td><strong>Post-employment benefits and other employee benefits</strong></td>
<td>1,474</td>
<td>1,633</td>
<td></td>
</tr>
</tbody>
</table>
As of 31 December

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions of Euro)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions for risks and charges</td>
<td>2,588</td>
<td>944</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>525</td>
<td>275</td>
</tr>
<tr>
<td>Contract advances</td>
<td>995</td>
<td></td>
</tr>
<tr>
<td>Non-current financial liabilities (including derivatives)</td>
<td>1,620</td>
<td>44</td>
</tr>
<tr>
<td>Non-current trade payables</td>
<td>49</td>
<td>96</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>138</td>
<td>160</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td><strong>15,724</strong></td>
<td><strong>12,277</strong></td>
</tr>
<tr>
<td>Current loans and borrowings and current portion of non-current loans and borrowings</td>
<td>3,069</td>
<td>2,389</td>
</tr>
<tr>
<td>Current portion of provisions for risks and charges</td>
<td>35</td>
<td>50</td>
</tr>
<tr>
<td>Current trade payables</td>
<td>5,398</td>
<td>4,252</td>
</tr>
<tr>
<td>Tax liabilities</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td>Contract advances</td>
<td>142</td>
<td></td>
</tr>
<tr>
<td>Current financial liabilities (including derivatives)</td>
<td>69</td>
<td>33</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>6,366</td>
<td>5,363</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>15,098</strong></td>
<td><strong>12,105</strong></td>
</tr>
<tr>
<td>Liabilities held for sale and disposal groups</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>30,822</strong></td>
<td><strong>24,383</strong></td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td><strong>72,519</strong></td>
<td><strong>63,013</strong></td>
</tr>
</tbody>
</table>

*Consolidated Cash Flows Statement for the years ended 31 December 2018 and 2017*

As of 31 December

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions of Euro)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td><strong>559</strong></td>
<td><strong>552</strong></td>
</tr>
<tr>
<td>Amortisation and denreciation</td>
<td>1,571</td>
<td>1,378</td>
</tr>
<tr>
<td>Share of profits/losses of equity-accounted investments</td>
<td>(32)</td>
<td>(14)</td>
</tr>
<tr>
<td>Accruals to provisions and impairment losses</td>
<td>305</td>
<td>263</td>
</tr>
<tr>
<td>Profit on sales</td>
<td>(82)</td>
<td>(74)</td>
</tr>
<tr>
<td>Change in inventories</td>
<td>(74)</td>
<td>(105)</td>
</tr>
<tr>
<td>Change in trade receivables</td>
<td>535</td>
<td>(149)</td>
</tr>
<tr>
<td>Change in trade payables</td>
<td>(165)</td>
<td>225</td>
</tr>
<tr>
<td>Changes in current and deferred taxes</td>
<td>10</td>
<td>46</td>
</tr>
<tr>
<td>Change in other liabilities</td>
<td>263</td>
<td>377</td>
</tr>
<tr>
<td>Change in other assets</td>
<td>(578)</td>
<td>(1,082)</td>
</tr>
<tr>
<td>Uses of provisions for risks and charges</td>
<td>(364)</td>
<td>(203)</td>
</tr>
<tr>
<td>Payment of employee benefits</td>
<td>(200)</td>
<td>(145)</td>
</tr>
<tr>
<td>Change in service concession financial</td>
<td>(283)</td>
<td>(17)</td>
</tr>
<tr>
<td><strong>Net cash flow generated by operating activities</strong></td>
<td><strong>1,466</strong></td>
<td><strong>1,069</strong></td>
</tr>
<tr>
<td>Increases in property, plant and equipment</td>
<td>(5,770)</td>
<td>(5,306)</td>
</tr>
<tr>
<td>Increases in property</td>
<td>(1)</td>
<td>(6)</td>
</tr>
<tr>
<td>Increases in intangible assets</td>
<td>(402)</td>
<td>(196)</td>
</tr>
<tr>
<td>Increases in equity investments</td>
<td>(141)</td>
<td>(131)</td>
</tr>
<tr>
<td><strong>Investments, before grants</strong></td>
<td><strong>(6,314)</strong></td>
<td><strong>(5,639)</strong></td>
</tr>
</tbody>
</table>
Grants for property, plant and equipment ........................................ 4,725  4,300
Grants for investment property ..................................................  2
Grants for intangible assets .......................................................... 125  95
Grants for equity investments .....................................................  4,852  4,395

Divestments ..............................................................................  163  159

Net cash flow used in investing activities .................................. (1,299) (1,085)

Disbursement and repayment of non current loans .............. (1,106)  667
Disbursement and repayment of current loans .......................  111 (1,091)
Change in financial assets ....................................................... 428  456
Change in financial liabilities ...................................................  154  72
Dividends ............................................................................... (159) (300)
Changes in equity .....................................................................  367 (146)

Net cash flow generated by in financing activities .................. (205) (486)

Total cash flows ..................................................................... (38) (503)
Opening cash and cash equivalents ....................................... 1,834  2,337
Closing cash and cash equivalents ......................................... 1,796  1,834

Reclassified Consolidated Statement of Financial Position as of 31 December 2018 and 2017

<table>
<thead>
<tr>
<th></th>
<th>As of 31 December</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(in millions of Euro)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating working capital</td>
<td></td>
<td>(324)</td>
<td>402</td>
</tr>
<tr>
<td>Other assets, net</td>
<td></td>
<td>2,378</td>
<td>1,173</td>
</tr>
<tr>
<td>Working capital</td>
<td></td>
<td><strong>2,054</strong></td>
<td><strong>1,575</strong></td>
</tr>
<tr>
<td>Net non-current assets</td>
<td></td>
<td>50,986</td>
<td>47,279</td>
</tr>
<tr>
<td>Other provisions</td>
<td></td>
<td>(4,622)</td>
<td>(2,902)</td>
</tr>
<tr>
<td>Net assets held for sale</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>NET INVESTED CAPITAL</td>
<td></td>
<td><strong>48,418</strong></td>
<td><strong>45,954</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COVERAGE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net current financial debt</td>
<td></td>
<td>(555)</td>
<td>(65)</td>
</tr>
<tr>
<td>Net non-current financial debt</td>
<td></td>
<td>7,210</td>
<td>7,338</td>
</tr>
<tr>
<td>Net financial debt</td>
<td></td>
<td><strong>6,655</strong></td>
<td><strong>7,273</strong></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td>41,763</td>
<td>38,681</td>
</tr>
<tr>
<td>COVERAGE</td>
<td></td>
<td><strong>48,418</strong></td>
<td><strong>45,954</strong></td>
</tr>
</tbody>
</table>

Turning to the FS Italiane group’s overall performance, in comparing the operating performance of 2018 and 2017, in addition to the significant impacts of the non-recurring transactions summarised above, which were the result of strategic management decisions
included in the business plans approved from time to time, the effects of legislation which came into force at the end of 2017, as discussed in the following, must also be kept in mind.

Specifically, the 2017 figures were heavily impacted by the application of the provisions of Law no. 167 of 20 November 2017, which introduced sweeping changes to the previous regulatory framework for the Special Rate Regime (SRR) for the procurement of electrical energy used for traction, no longer basing the calculation of consumption on the type of transport service but instead on the type of infrastructure used to provide the transport service. Considering only the adjustments for 2015-2016, the results for 2017 benefited from a €143 million reduction in energy costs. This reduction led to a €128 million increase in gross operating profit, net of recharges to third-party railway companies. Therefore, in order to compare the group’s operating performance based only on management levers, the 2017 figures need to be “normalised”. Net of the above-mentioned regulatory impact, the profit for 2017 would have been €424 million.

Turning to the analysis of the main results and financial data for 2018, partly as a consequence of the above factors, revenue grew by €2,785 million and the profit for the year was €559 million.

Net of the corporate transactions described in detail (+€2,567 million), the increase in revenue is mainly due to the rise in revenue from transport services, which grew by a further €287 million in the year.

The positive contribution of the railway passenger transport service (which increased by a total of €152 million), and the contribution of the growth in revenue from road passenger transport (also with an increase of €152 million), drove a 4 per cent. increase in revenue from transport services. Conversely, the turnover of the freight business decreased by €18 million due to greater complexity and riskiness in the segment. The contribution of the waterway services was €1 million.

Different trends were observed for the various business types in the railway passenger transport service.

The performance of the short-haul service (+€167 million) stands out, improving both domestically, with Trenitalia S.p.A. driving the growth with an increase of €59 million, and internationally, thanks to the contribution of the Netinera Deutschland group (+€13 million) and the companies acquired as part of the above-mentioned non-recurring transactions (+€93 million of which: Trenitalia c2c Ltd for €27 million and TrainOSE SA for €66 million). The growth in revenue generated by local transport in Italy is a result of the commitment, and the related costs, that the FS Italiane group has taken on via its subsidiary Trenitalia S.p.A. in the contracts renewed with the Italian regions. Intense activity has commenced, placing the customer at the centre of the strategic priorities, with the aim of improving the overall service offered in terms of punctuality, comfort, cleanliness and safety.

The turnover of the long-haul passenger transport service was substantially unchanged overall (-€15 million; 0.6 per cent.), with an improvement in its universal service (+€14 million), offset by a slight decrease in the market service segment (-€29 million). The growth in the universal service segment is due to the change in fees under the medium and long-haul service contract which, in the pursuit of a balance of costs and revenues, rose €16 million to offset the increase in toll costs under the new tariff system and the agreements with the public
customer, which required significant dedication over the term of the contract to ensure better service quality, comfort and punctuality.

As mentioned earlier, revenue from road transport services also rose significantly in the year, by €152 million, mostly due to the entry of the Dutch company Qbuzz BV into the group (+€139 million). Domestically, the steps taken to reduce tariff evasion both on board buses and at bus stops are beginning to give results.

On the other hand, as mentioned, revenue from freight transport and logistics services decreased by approximately €18 million.

Almost the entire increase in revenue from infrastructure services is due to the entry of Anas group into the consolidation scope (€2,144 million of the total €2,161 million increase). The remaining portion mostly relates to the increase in toll revenue from infrastructure services due to the cost-of-living adjustment to prices and the increase in production volumes.

The contribution of other income to the overall growth of operating revenue was decisive, with the above-mentioned non-recurring transactions accounting for €126 million of the €212 million increase in this caption. The other part mainly includes the effects of non-recurring factors, such as the bankruptcy discharge following the finalisation of the deed of arrangement of Ferrovie del Sud Est e servizi automobilistici S.r.l. (+€63 million) and other items, such as revenue generated by the performance regime and insurance compensation.

Operating costs rose by €2,622 million (+37.6 per cent.) to €9,602 million (2017: €6,980 million). They may be analysed as follows:

- the €675 million increase in net personnel expense is due to the expansion of the consolidation scope described above (€561 million). Almost the entire remaining portion of the increase is due to the growth in the workforce and the effects of contractually-defined salary increases;

- the overall increase in other costs (€1,947 million) which, net of the non-recurring transactions (+€1,721 million), were impacted by the costs to purchase electrical energy used for traction, which rose by €187 million compared to 2017. This growth is driven by the fact that last year’s figure benefited from prior year income due to the rate adjustment (2015-2016) following the application of the above-mentioned legislative provision of Law no. 167/2017. The remaining increase in costs is due to the non-capitalisable component of the consumption of materials (ordinary maintenance).

With the exception of the contractually-defined salary increases for employees, operating costs decreased steadily in the second half of 2018 as a result of the savings policies implemented by top management.

Gross operating profit increased by €163 million, or 7 per cent., to €2,476 million as a result of the variations in revenue and operating costs described above.

Operating profit amounts to €714 million, and is basically unchanged from the previous year. Specifically, the increase in gross operating profit was offset by the greater amortisation/depreciation, due entirely to the start-up of the group’s considerable investments, and impairment losses, of €193 million and €3 million, respectively, offset by
lower provisions of €29 million. This latter caption mainly reflects the performance of the extraordinary part of the fund for income and employment assistance.

Net financial expense of €97 million is substantially unchanged, due to the proportional growth in both financial income (+€48 million, including €18 million for the group’s share of profits of equity-accounted investees) and financial expense (+€45 million).

Income taxes amount to €58 million, a decrease of €6 million mainly reflecting changes in current taxes (+€7 million), changes in deferred taxes (-€19 million) and adjustments related to prior years (+€6 million).

**Strategy of the Group**

The new industrial plan for the period 2019-2023 ("Plan") was presented on 10 May 2018 by the FS Group management.

FS Italiane’s new strategy focuses on the people’s, travellers’ and employees’ needs, gathering the legacy of a decade of HS services performance and carrying on the integration of different modes of transport started in the last years.

The aim is to transform collective mobility in Italy, improving significantly the service for people, with a strong leap in the quality and customisation of the offer, especially in regional and local transport.

Estimated growth per year is further 90 million passengers and, as a result, less than 600 million kilograms of CO2 and 400 thousand cars on the roads.

The aim of the new FS strategy is “Focus on people’s needs via quality services” and it will be pursue through the following actions:

- **boosting investment to improve the service quality**: the planned investments will focus on i) infrastructure (both railway and road) with the acceleration of 1,600 RFI and Anas worksites; ii) the enhancement of the fleet with more than two thousand new vehicles: trains, buses, freight locomotives and wagons. The majority of the new vehicles will be dedicated to local transport, with 600 new regional trains, frontloading the delivery of 239 trains to 2023, and 1,421 buses, of which more than 500 have zero emissions (electric/hybrid/methane); 14 new Frecciarossa 1000 to boost high-speed connections; 714 wagons and 100 new-generation electric locomotives will contribute to increasing the modal share in freight transport; iii) underground railways; iv) the real estate sector. Moreover, investments in technology and digitisation will have an important role across all sectors;

- **a customer oriented approach with the client at the centre of the strategy, in the regional as well as in the HS services**: FS main focal points are rail passengers and, above all, commuters. FS aim is to continue to work intensively to achieve ever higher standards of safety, quality and efficiency in regional and local rail transport. A central objective of the Plan is to increase significantly punctuality rates with interventions both in infrastructure and transport sector. The ERTMS (European Rail Traffic Management System) technological system is crucial: already installed on HS/HC lines, it will be progressively extended to the traditional network, increasing track capacity and reducing congestion on the lines;
• **integrated mobility and intermodality**: the collaboration between all of the operators in the transport sector certainly makes travel experiences more fluid and streamlined, improving regional and metropolitan transport services. Collaborating with road transport, to build a balance in which each mode of transport can enhance its specific purpose. Investing in modal hubs, further integrating with ports and inland terminals, to offer an effective, reliable, convenient and sustainable service, also to strengthen FS’ freight and logistics service and through valorization of FS real estate assets;

• **sustainability**: new, more comfortable and more technologically-advanced trains, modern stations that are increasingly integrated into the metropolitan fabric, and rail/road integration. The principles of ethics and sustainability are at the heart of FS strategic decisions;

• **digitalisation**: is essential to meeting demand, in an increasingly more widespread and efficient manner, and to accompany passengers throughout their entire travel experiences, providing them with more assistance and more effective and timely information. The aim is to realise optimised industrial processes with a reduction in time and cost, along with predictive maintenance on trains and infrastructure, punctuality, regularity and safety; in this respect, it is fundamental to increase the competitiveness of the national railway infrastructure to promote and favour railway services, also exporting FS best practices and know-how at international level.

**Regulatory Framework**

**Current railway transport laws**

The services provided by the Group are subject to European Union and Italian laws.

<table>
<thead>
<tr>
<th>European legislation</th>
<th>Italian legislation</th>
<th>Description</th>
<th>Comments</th>
</tr>
</thead>
</table>
• Development of EU railways | • Administrative reorganization of the FS Italiane Group |
| Directive 95/18/EC    | Presidential Decree n. 146/1999 | • Introduction of license for railway undertakings  
• Infrastructure capacity  
• Charges for the use of the infrastructure | |
| Budget Law 2001 (Art. 131) | | • Transition from concession system to authorization system. | • Italian market is fully liberalised |
| Legislative decree n. 422/1997 | | • Regionalisation of public local transport | |
| Directive 2001/12/EC  | Legislative Decree n. 188/2003  
Directive 2001/13/EC  
Directive 2001/14/EC  
Directive 2001/16/EC | • Infrastructure capacity allocation  
• Regulation of access to the infrastructure  
• License for railway undertakings  
• Access charge calculation  
• Safety certificates  
• Interconnection between national railway system and the trans-European one | |
Legislative Decree | • Further integration to ensure consistency among key European rail markets. In particular: | • The Legislative Decree n. 162/2007 sets the safety rules and conditions for the access |
<table>
<thead>
<tr>
<th>European legislation</th>
<th>Italian legislation</th>
<th>Description</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004/50/EC Directive 2004/51/EC Regulation (EC) 881/2004</td>
<td>n. 163/2007</td>
<td>Safety</td>
<td>• Safety • Set up of an European Railway Agency • Liberalization of the freight rail market from 01/01/2007 to the rail services market, attributing the expertise to a new autonomous institution, the ‘Agenzia nazionale per la sicurezza delle ferrovie’ • The Legislative Decree n. 163/2007 regulates the design, construction, commissioning, restructuring, renovation, operation and maintenance phases of railway systems, as well as with respect to professional qualifications and health and safety conditions of the staff who is deals with the operation and maintenance</td>
</tr>
<tr>
<td>Regulation (EC) 1370/2007</td>
<td>Law n. 214/2011 (so called &quot;Salva Italia&quot;)</td>
<td></td>
<td>• Conditions under which competent authorities, when imposing or contracting for public service obligations, compensate public service operators for costs incurred and/or grant exclusive rights in return for the discharge of public service obligations.</td>
</tr>
<tr>
<td>Directive n. 2012/34/UE</td>
<td>Legislative Decree n. 112/2015</td>
<td></td>
<td>From the entering into force of the Legislative Decree n. 112/2015 are abrogated the following laws: • The Legislative Decree n. 188/2013 • The Articles 58 and 59 of the Law 99/2009 • The Presidential Decree n 146/1999</td>
</tr>
<tr>
<td>Legislative Decree n. 50/2017</td>
<td></td>
<td></td>
<td>• New Authority competences • Sources and allocation criteria of the National Fund for the Government’s financial contribution to the public local transport of the ordinary Regions.</td>
</tr>
</tbody>
</table>
The Fourth Railway Package

In 2016, the Fourth EU Railway Package was approved.

The package consists of a market pillar and a technical pillar, which are respectively established in directives and regulations, as specified below:

**Market pillar**

- EU directive no. 2016/2370 of the European Parliament and Council of 14 December 2016 amending EU directive no. 2012/34/EU as regards to the opening of the market for domestic passenger transport services by rail and the governance of the railway infrastructure. In Italy, the Directive was transposed by the Legislative Decree n. 139/2018;

- EU regulation no. 2016/2337 of the European Parliament and Council of 14 December 2016 repealing the Council's regulation no. 1192/69 on common rules for the normalisation of the accounts of railway undertakings; and


**Technical pillar**


- EU directive no. 2016/797 of the European Parliament and Council of 11 May 2016 on the interoperability within the European Union; and


In short, the market pillar provides for the opening of domestic passenger transport services to competition throughout the EU by December 2020. Right of access can be limited only to protect economic equilibrium of public service contracts.
Furthermore, it contains rules concerning the infrastructure manager's independence within integrated groups, i.e., those in which there is both an infrastructure manager and railway undertakings.

EU regulation no. 2016/2338 provides calls for tenders as a general rule for awarding public service contracts. However, national authorities can continue to directly award service contracts under certain conditions.

Technical pillar strengthens the powers of the European Union Agency for Railways (EUAR, formerly ERA) concerning the rolling stock authorisation in EU countries and its certification in accordance with safety standards.

**Regulatory Overview Transportation**

- The relationship between Trenitalia and the Italian central / local administrations is regulated by different public service contracts ("PSCs") in which the required level of services are specified in terms of quantity and quality, tariff obligations, and fees.

- The State and the Regions define the perimeter of the services to be provided on the basis of the mobility and accessibility of user needs. Contracts are subject to specific regulation that defines eligible costs in terms of company operational expenses, depreciations and adequate capital investments returns.

- As the State and the Regions define quantity and quality of rail services included in the contracts, it is their responsibility to decide whether to reduce or increase them according to the terms and conditions defined in the contract.

- PSCs contain appropriate tools and clauses to guarantee payments to railway undertakings by Regions within the stated terms. In case of non-payment or under compensation of the services provided, the railway undertakings have the right to reduce or even to stop the services.

- Rail fares are adjusted annually for (i) inflation; (ii) any variations on contractual quality/performance objectives (e.g. punctuality, cancellations, cleaning); (iii) change in access infrastructure charges; and (iv) changes in regional fare policy.

- According to EC Regulation 1370/2007, competent authorities (the Regions and the State) may decide to directly award PSCs or to launch competitive tenders. Since 1997 only a few Regions have launched tenders for local rail transport. To date, all the PSCs have been awarded to Trenitalia (on its own or as a consortium leader).

- All risks deriving from the performance of the PSCs are borne by Trenitalia; the contracts with the central administration foresee the possibility of revision in case of significant change in the overall scenario, in order to maintain economic equilibrium.

**Railway Infrastructure**

- As foreseen by the RFI Deed of Concession and Legislative Decree n. 112/2015 which implemented the Directive 2012/34/EU, the relationship between RFI and the State is regulated on the basis of an Agreement (Contratto di Programma).
• The *Contratto di Programma* is the basis for the funding of rail infrastructure development; the funding is primarily based on a medium term investment plan and covers infrastructure development, extraordinary maintenance and ordinary maintenance. Each *Contratto di Programma* lasts for a minimum of five years and may be subject to annual adjustments.

• According to the current regulatory framework, the *Contratto di Programma* is organized in two main parts:
  
  • investments to modernize and further develop rail infrastructure are disciplined by the *Contratto di Programma* – Investment Part; and
  
  • ordinary and extraordinary maintenance and other activities (including safety, security and navigation) are disciplined by the *Contratto di Programma* – Services Part.

• In September 2018, the 2017-2021 *Contratto di Programma* – Investment Part has been sent to the Parliamentary Commissions for their examination. This is the last step before the final approving MIT/MEF interministerial decree of the contract, which will then be lodged by the Court of Auditors.

• The 2016-2021 *Contratto di Programma* – Services Part took full effect on 2 October 2017 following the Court of Auditors' registration of Ministerial decree no. 359 of 12 July 2017 whereby the MIT approved the deed.

*Road Infrastructure*

• As foreseen by the Anas Deed of Concession, the relationship between Anas and the State is regulated on the basis of an Agreement (*Contratto di Programma*).

• The *Contratto di Programma* is the basis for the funding of the road and motorway infrastructure development; the funding is primarily based on a medium term investment plan and covers roads and motorways infrastructure development, extraordinary maintenance and ordinary maintenance. Each *Contratto di Programma* lasts for a minimum of three years and may be subject to annual adjustments.

• According to the current regulatory framework, the *Contratto di Programma* provides two type of funding:
  
  • Compensation Services Part: to fund ordinary maintenance, operation services, security and recurring extraordinary maintenance (paving and guardrail).
  
  • Compensation Investment Part: to fund investments to modernize and further develop road infrastructure. This compensation covers depreciation costs and the regulatory net invested capital remuneration.

• The 2016-2020 *Contratto di Programma* took full effect on 29 December 2017 following the Court of Auditors' registration of Ministerial decree no. 588 of 27 December 2017 whereby the MIT approved the deed.

*The Italian Transport Regulation Authority*
The Italian Transport Regulation Authority (Autorità di Regolazione dei Trasporti or "ART") became operational in January 2014. Its main objects are to:

1. guarantee equitable and non-discriminatory access to rail, port, airport and highway infrastructures;
2. define minimum quality levels for national and local transport considered to be a public service;
3. regulate access to rail infrastructure;
4. define public tender mechanisms to assign transport services; and
5. cooperate with the public administration in identifying public service obligation routes and support it in identifying the most effective methods to finance them.

The original framework of the functions provided in the law which established the ART has been progressively widened, adding new competencies to the ART:

- Legislative Decree n. 70/2014 assigned to the ART the role of independent entity to supervise the compliance of the regulation for the rail transport passengers' rights;
- Legislative Decree n. 50/2017 assigned to the ART the responsibility to transport Opera define Public Service Contracts content, efficiency targets and financial balance targets which the Public transport Operator has to be compliant.

The ART's regulatory framework

On 5 November 2014, the ART began to introduce regulatory measures for the fair and non-discriminatory access to rail infrastructure by its decision no. 70/2014 and started the process for the establishment of criteria for determining charges for the use of railway infrastructure, ensuring cost-effectiveness and efficient management.

With respect to adoption of measures for the fair and non-discriminatory access to rail infrastructure for the year 2015, the new authority considers that, in defining the level of toll, the Infrastructure Manager should be oriented to principles of more transparency and economic efficiency, and in particular:

(a) in line with Legislative Decree n. 112/2015), the financial statements of the Infrastructure Manager must have a balance between the total revenues and the costs related to the management of the infrastructure;
(b) the eligible financial costs should be evaluated by the Infrastructure Manager having regard to any possible optimisation of the management of the debt, in line with the best market conditions;
(c) the investments made by the Infrastructure Manager after 31 December 2013 must be adjusted annually, as well as the related credit lines; and
(d) the incidence of the infrastructure management costs must be reformulated time to time, with immediate implementation, in order to burden less in the period in which the competitive scenario has been deploying and consolidating.
With regard to the eligible costs criteria, the authority requests the Infrastructure Manager to consider eligible, for the computation of the access charge to the HS\HC network, in addition to the infrastructure management costs (appropriately reformulated), only the following annual financial costs, properly optimized in line with the best market conditions:

(a) the annual financial costs related to the investments already made as of 31 December 2013 incurred by the Infrastructure Manager, as not covered by government grants; and

(b) the annual cumulative financial costs related to the investments in progress after 31 December 2013, calculated as the costs actually incurred by the Infrastructure Manager net of government grants.

On 18 November 2015, the ART released its decision no. 96/2015 on the criteria for determining access charges for the use of national rail infrastructure. The new regulatory framework concerns (i) the minimum access package supplied by the Infrastructure Manager (RFI) to all railway undertakings in a non-discriminatory manner and (ii) other rail services supplied by operators of service facilities. With regard to the charges for the use of rail infrastructure, the decision particularly defines:

• a five year regulatory period;
• perimeter of relevant costs;
• market segmentation based on the main types of service;
• new classification of the network;
• «caps» to the segment average kilometric charge for the purpose of market sustainability and
• requirements for regulatory accounting.

On 1 July 2016, the ART released its decision no 75/2016 validating the 2016-2021 charging scheme for the Minimum Access Package supplied by the Infrastructure Manager (RFI). The charging scheme complies with the criteria for the determination of charges for access and use of the railway infrastructure, as adopted by Decision n. 96/2015 and later amendments.

With respect to local and regional public transport, ART has also defined, by means of a series of resolutions, the regulatory framework for the preparation of the award of service contracts procedures.

With resolution no. 49/2015, the ART established the first regulatory measures for the drafting of call for bids and conventions relating to tenders for the allocation of local public transport services, as well as the criteria for the appointment of awarding committees for the rail and road transport sectors.

The regulatory measures concern aspects such as the rules relating to the goods used for the execution of the relevant service, the economic-financial plan that companies must draw up to participate to the tenders, the minimum information to be provided to competitors to ensure equitable and non-discriminatory access, the duration, extension and renewal of contracts.
With resolution no. 48/2017, the ART defined the methodology for determining the public service areas and the most efficient methods of financing. Through this methodology, the ART has provided local authorities with the criteria for identifying the optimal lots for the award of local and regional public transport services.

The content of the main ART regulations in 2018 and first months of 2019 is summarised below:

During 2018, the ART extended the regulatory framework for PSO (as defined below) services by adding the following resolutions to the previous measures concerning tender procedures (no. 49/2015) and the definition of public service areas (no. 48/2017).

Resolution no. 16/2018 of 9 February 2018

With this regulatory act, the ART established the minimum quality conditions ("MQC") for railway transport services, both national and regional, characterised by public service obligations ("PSO"). The MQC provide for obligations and minimum performances to be provided to passengers to satisfy mobility needs, ensuring the efficient use of public resources allocated to PSO compensation.

The MQC are composed of a series of quality parameters to be included in the service contracts, with a system for monitoring and verifying the quality of services (availability of transport services and adequacy to the demand, regularity and punctuality of the service, information to users, transparency, commercial accessibility, cleanliness and comfort and accessibility, with particular reference to people with reduced mobility; safety of the ride and of the traveller).

Resolution no. 106/2018 of 25 October 2018

With this regulatory act, implementing the regulation on passenger rights, the ART has established the minimum content of specific rights that users of rail transport services with public service obligations may require from managers of railway services and infrastructure.

In particular, the ART specified the procedures for the exercise of railway transport passengers' rights under EC Regulation no. 1371/2007 with regard to: the right to information and related procedures of provision, the right to accessibility and usability of services and stations, the right to compensation for delays, procedures for requesting and providing reimbursement and compensation.

Resolution no. 120/2018 of 29 November 2018

With this regulatory act, the ART has established methodologies and criteria for improving the efficiency of the management of regional public railway transport services. On the basis of such regulatory measures, the ART provides local authorities with parameters for improving the efficiency of new service contracts relating to regional railway passenger transport.

The regulation proposed by ART provides that the economic-financial plan of each service contract must be drawn up on the basis of the so-called "efficient operating cost".

Relationship with the Italian State
The Italian State is the 100 per cent. shareholder of FS via the MEF. The State also acts as a client to FS via the MIT and Regions.

As sole shareholder, the Italian State:

(i) appoints the Board of Directors;

(ii) oversees FS' strategy via its board representation; and

(iii) services (mainly to RFI) a large part of FS' debt directly through guaranteed State transfers as detailed in the debt structure section below.

As a client, the State (i) executes PSCs which set out scheduling, quality level and pricing of the services and fees to be paid to Trenitalia, and (ii) executes the Contratti di Programma with both RFI and Anas which sets out the funds for infrastructure investment and maintenance.

FS' legal status was formally changed on 12 August 1992 from that of a government body to a public limited joint stock company. However, in accordance with public law obligations and being an entity which, although formally a corporation under private law, is owned by the State and/or is benefiting from public money, the Corte dei Conti (Italy’s Court of Auditors) controls FS. A Magistrato Delegato, appointed by the Court of Auditors, attends the meetings of FS’ corporate bodies. FS is also required to abide by public procurement laws; indeed FS and other companies belonging to it are to be considered public undertakings under Article 2(b) of Directive 2014/25/UE (coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors). The EU legislative provision applicable to FS was transposed into Legislative Decree n. 50/2016 (Nuovo codice dei contratti pubblici di lavori, servizi e forniture).

According to its Articles of Association and pursuant to Article 2364 of the Italian Civil Code, the General Assembly (Assemblea) of FS, composed by the sole shareholder, MEF, resolves, in particular, on: (i) the appointment and revocation of members of the Board of Directors (Consiglio di Amministrazione) and the Board of Statutory Auditors (Collegio Sindacale) as well as their remuneration; (ii) the responsibility of the Board of Directors members and the Statutory Auditors; and (iii) the approval of the annual financial statements.

**Debt Structure**


The majority of the Group's debt is held by FS, RFI and Trenitalia (83.5 per cent. of Total Debt at 31st December 2018). RFI's borrowings are solely used to fund infrastructure investments and Trenitalia borrowings are entirely linked to the purchase/revamping of rolling stock, as described in further detail in the "Use of Proceeds" section.

The Group has a balanced debt maturity profile extending out over the next 12 years.

Part of FS' debt is funded directly through guaranteed State transfers (Euro 2.12 billion out of a total debt of Euro 11.4 billion as of 31 December 2018).
An amount of Euro 1.38 billion of private placement bonds is fully underwritten by Eurofima, a European infrastructure supranational entity rated Aa1 by Moody's and AA+ by Standard & Poor's.

With €3.95 billion outstanding as of the date of the Supplement, FS has significantly increased the use of senior unsecured bonds for its funding needs since the establishment of this EMTN Programme, which now account for 45 per cent. of financial sources. Supranational entities such as EIB, Cdp, Eurofima, still act as important Group's lenders whereas bank lending accounts for 13 per cent. These percentages are calculated on the long term debt held by FS, RFI and Trenitalia which amounts to around Euro 9.5 billion.

The pie-chart below shows the breakdown of financial sources in 2012, 2013 and 2018.

In July 2018 FS renewed a Euro 2 billion committed revolving credit facility, with 3-year maturity underwritten by a pool of 11 banks and increased from the previous Euro 1.5 billion expired in May. Besides, FS has additional uncommitted credit lines granted by several primary domestic and international banks.

The split of debt by the Group's main companies at 31 December 2018 can be summarised as follows:

<table>
<thead>
<tr>
<th></th>
<th>Total Debt</th>
<th>External Debt</th>
<th>Parent company debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>FS</td>
<td>7,452</td>
<td>7,452</td>
<td>N/A</td>
</tr>
<tr>
<td>RFI</td>
<td>3,707</td>
<td>1,507</td>
<td>2,200</td>
</tr>
<tr>
<td>Trenitalia</td>
<td>5,813</td>
<td>573</td>
<td>5,240</td>
</tr>
<tr>
<td>Anas</td>
<td>630</td>
<td>630</td>
<td>-</td>
</tr>
<tr>
<td>Other Group companies</td>
<td>2,037</td>
<td>1,242</td>
<td>795</td>
</tr>
</tbody>
</table>

| Total Long Term Debt and Short Term Financing | N/A | 11,404 | 8,235 |
Given improvement in profitability and conservative debt management, Total Debt / EBITDA has been keeping stable around 5x, improving up to 4.6x in 2018.

Historically low borrowing costs and prudent management of finance costs, including interest rate risk management policies, has resulted in EBITDA interest cover remaining above 9x since 2013.

FS Italiane maintains a strong equity cushion and capital base which offsets its debt leverage:

Historically low borrowing costs and an effective management of finance costs, including interest rate risk management policies, has resulted in a containment of interest expense on debt generating value for the Group.

**Deed of Concession**

FS' infrastructure, both railway and road, as well as national rail passenger activities are subject to public service obligations and are agreed by contract with the State through the RFI Deed of Concession and Anas Deed of Concession.

RFI acts as the national railway infrastructure manager, as set forth in the RFI Deed of Concession with the MIT, under which RFI's role consists of developing, strengthening and maintaining the Italian rail network and controlling traffic and handling relations with train operators over safety standards and access to the tracks. The relationship between RFI and the State is governed by the *Contratto di Programma*.

Anas acts as the national road infrastructure manager, as set forth in the Anas Deed of Concession with the MIT, under which Anas's role consists of managing, developing, strengthening and maintaining the Italian road and motorway network, controlling the management of motorway granted to third concessionaires, supervising construction works on third concessions. The relationship between Anas and the State is governed by the *Contratto di Programma*. 
Public Service Contracts

The relationship between Trenitalia and the Italian central/local administrations are regulated by different PSCs in which the required level of services are specified in terms of quantity and quality, tariff obligations, and fees. The State and the Regions define the perimeter of the services to be provided on the basis of mobility and accessibility needs. Such contracts are subject to specific regulation that defines eligible costs in terms of company operational expenses, depreciations and adequate capital investments returns. As the State and Regions define quantity and quality of rail services included in the contracts, it is left to their discretion to decide to reduce or increase the rail services according to the terms and conditions defined in the contract. PSCs contain appropriate tools and clauses to guarantee payments to railway undertakings by Regions within the stated terms. Rail fares are adjusted annually for (1) inflation; (2) any variations on contractual quality/performance objectives (e.g. punctuality, cancellations, cleaning); (3) change in access infrastructure charges; and (4) changes in regional fare policy.

Trenitalia primarily self-finances its own rolling stock. A put clause in favour of Trenitalia provides that the rolling stock accounted for by Trenitalia during the life of the contract according to the contractual terms have to be purchased by the Region should the services be assigned to another company.

According to EC Regulation n. 2016/2338, competitive tendering is the main rule for awarding public service contracts, but member states' competent authorities (Regions and Central Government) are allowed to opt for direct awarding of PSCs. Since 1997 only a few Regions have launched tenders for local rail transport.

National Public Service Contracts

The MIT produces an investigation on medium/long distance passenger transport market conditions in order to ensure the equilibrium between costs and revenues of the rail service is maintained. The Interministerial Committee for Economic Planning ("CIPE") identifies the rail passenger services perimeter to be included in the National PSC. The MIT and MEF, within the limits of available financial resources, negotiate with the railway undertaking with respect to the annual services timetable, with the aim of guaranteeing the achievement of an economic equilibrium during the validity period of the contract. This analysis is based on a multi-year business plan ("PEF") that defines a specific regulatory accounting for eligible costs covered by State compensation, which includes the cost of capital.

The contract concerns medium/long distance public transport services, and it is regulated by Law 166/2002 in accordance with the EU legal framework. The competent authorities (MIT and MEF) and Trenitalia recently defined the content of the 2017-2026 National PSC for passenger services. Currently the contract is in its final stage of approval. The overall duration of the contract is ten years.

Regional Public Service Contracts

Regions are responsible for Regional PSCs in which scheduling, pricing and planning of the services are set. A Service Catalogue approach has been adopted by Trenitalia containing prices of each offered train category and type of service set on the basis of the costs incurred in providing them including a fair return on capital included. Trenitalia renewed almost all of the contracts for 8 years and is negotiating with most of the Regions to replace them with
new contracts of 15 years, six of them already signed. Reviews of tariffs and fee structure within a PSC normally occur after the contract expires.

PSCs current status may be summarized as follows:

<table>
<thead>
<tr>
<th>Region</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emilia Romagna</td>
<td>Signed with Trenitalia for the period 2016-2018. For the period 2019-2041 the PSC has been assigned to Trenitalia and Trasporto Passeggeri Emilia Romagna S.p.A by public tender.</td>
</tr>
<tr>
<td>Lazio</td>
<td>Signed for the period 2018 - 2032</td>
</tr>
<tr>
<td>Veneto</td>
<td>Signed for the period 2018 - 2032</td>
</tr>
<tr>
<td>Veneto</td>
<td>Signed for the period 2018 - 2032</td>
</tr>
<tr>
<td>Umbria</td>
<td>Signed for the period 2018 - 2032</td>
</tr>
<tr>
<td>Puglia</td>
<td>Signed for the period 2018 - 2032</td>
</tr>
<tr>
<td>Sardinia</td>
<td>Signed for the period 2017-2025</td>
</tr>
<tr>
<td>Sicily</td>
<td>Signed for the period 2017-2026</td>
</tr>
<tr>
<td>Trento</td>
<td>Signed for the period 2016-2024</td>
</tr>
<tr>
<td>Bolzano</td>
<td>Signed for the period 2016-2024</td>
</tr>
<tr>
<td>Tuscany</td>
<td>Signed for the period 2015-2023 which could be replaced by a 15 years PSC 2019 – 2033 (extension already approved by the Authority)</td>
</tr>
<tr>
<td>Abruzzo</td>
<td>Signed for the period 2015-2023</td>
</tr>
<tr>
<td>Marche</td>
<td>Signed for the period 2015-2023</td>
</tr>
<tr>
<td>Campania</td>
<td>Signed for the period 2015-2023</td>
</tr>
<tr>
<td>Molise</td>
<td>Signed for the period 2015-2023</td>
</tr>
<tr>
<td>Basilicata</td>
<td>Signed for the period 2015-2023</td>
</tr>
<tr>
<td>Calabria</td>
<td>Signed for the period 2015-2017, expected direct assignment to Trenitalia of a 15 years PSC 2018 - 2032</td>
</tr>
<tr>
<td>Friuli Venezia</td>
<td>Signed for the period 2018-2019</td>
</tr>
<tr>
<td>Venezia</td>
<td>PSC extended for the period 2017-2019. The PSC 2018-2029 (5+5) was assigned to Trenitalia after a tendering process.</td>
</tr>
<tr>
<td>Valle d'Aosta</td>
<td>Signed PSC for the period 2017-2019/2020 (3+1). Trenitalia participated to the Tendering Process of a new 10+5 years PSC for</td>
</tr>
<tr>
<td>Piedmont</td>
<td></td>
</tr>
</tbody>
</table>

- 65-
one area of the Region (metropolitan area of Turin). The Authority is currently evaluating the technical offer of Trenitalia being the sole bidder. The rest of the regional service under PSC is expected to be directly assigned to Trenitalia for a 10+5 period.

| Lombardy | Signed for the period 2015-2020 (operated by Trenord) |

**Judicial Investigations and Proceedings (Arbitration, Antitrust Proceedings and Proceedings before the Public Contracts Supervisory Authority; Administrative Litigation)**

In relation to the most significant judicial investigations and proceedings initiated by some public prosecutors' offices against former representatives of the Group companies, to date no events have been reported which the Issuer believes could lead to either Group companies themselves or the Group being exposed to material liabilities or losses, nor is the Group aware, at present, of events that could considerably affect their economic, financial and equity position. Furthermore, in cases where circumstances existed, the Issuer appeared as an aggrieved party to recover damages.

In 2018, following the criminal proceedings initiated by the public prosecutors against former or current Group company representatives, there were no definitive rulings against senior management (company officers or general managers) for any of the following:

- particularly serious negligent criminal acts entailing significant damage to the concerned Group company or that gave rise to the application of restrictive measures;
- negligent criminal acts covered by Legislative decree no. 231/2001; and
- additional negligent criminal acts covered by Law no. 190/2012.

To meet disclosure requirements, the paragraph below includes information on criminal proceedings and contingent assets and liabilities arising from the most significant civil, administrative and arbitration proceedings and proceedings before the Italian and EU authorities.

**Litigation pursuant to Legislative decree no. 231/01**

- Hearings are underway in criminal proceedings no. 2554/2013 in the general register of crimes at the Foggia Court against RFI S.p.A. pursuant to Legislative decree no. 231/01 concerning the fatal workplace accident on 5 March 2010 at Cerignola, in which an employee of Fersalento S.r.l. died.

- With respect to criminal proceedings no. 6305/09 in the general register of crimes pending before the public prosecutors' office at the Lucca Court, following the railway accident in Viareggio on 29 June 2009, at the 31 January 2017 hearing, the judge read the first-level ruling. For the Group, the Court found that FS and FS Logistica S.p.A. (as of the date of the Supplement, Mercitalia Logistics S.p.A.) had not committed administrative liability violations pursuant to Legislative decree no. 231/2001 "because there is no crime" and acquitted, "because they did not commit the crime", FS' former pro-tempore CEO for the allegations against him in his position as
pro-tempore CEO, FS Logistica S.p.A.’s former CEO and former Chairman, and five RFI officials. However, it found Trenitalia and RFI guilty of administrative violations pursuant to article 25-septies of Legislative decree no. 231/2001, fined them €700 thousand each and prohibited them from advertising their goods and services for three months. The Court also issued guilty rulings for 12 natural persons within the Group, including two of RFI’s former pro-tempore CEOs who succeeded each other between 2001 and 2009 and Trenitalia’s former pro-tempore CEO, in addition to another 11 natural persons and three companies outside the Group for violations of Legislative decree no. 231/2001, while one person was found not guilty. The Court also ordered the guilty parties, jointly and severally and with the related civil liability, to pay damages (in addition to court and defence costs) to the aggrieved parties that had filed the lawsuit, submitting most of the damages to the civil court judge for liquidation, while ordering payment of an advance on the damages at the same time. The natural persons and companies found guilty, as well as the public prosecutor and the aggrieved parties, have filed appeals against the Court’s ruling.

• Arguments are being heard in criminal proceedings No. 7906/2009 in the general register of crimes with the public prosecutors’ office at the Latina Court concerning alleged injuries due to negligence in connection with alleged violations of antiaccident legislation (following an accident that occurred on 10 August 2009). Three of RFI’s officials are being investigated, in addition to the company itself for the alleged violation of Legislative Decree No. 231/01. At the hearing on 14 December 2017, the Court dismissed the case against all the subjects of the investigation, as the crime has become time-barred.

• In the criminal proceedings No. 1430/2014 in the general register of crimes with the public prosecutors’ office at the Gela Court, RFI has been charged with administrative liability in connection with the accident resulting in the death of 3 maintenance employees of RFI occurred on 17 July 2014 between the stations of Falconara and Butera. The trial is on-going.

• Criminal proceedings No. 3566/2015 in the general register of crimes with the public prosecutors’ office at the Rimini Court are pending in relation to the accident that occurred on 5 March 2015 in which an employee of A.T.S. Costruzioni was injured while working at OMC Locomotive in Rimini. Trenitalia has been charged with the administrative crimes covered by articles 5 and 25-septies, paragraph 3 of Legislative Decree No. 231/01, as the negligence that led to the injuries was allegedly committed in violation of anti-accident and health protection in the workplace legislation.

• Criminal proceedings No. 20765/2014 in the general register of crimes are pending before the Florence Court in reference to the operating accident that occurred on 12 January 2014 during rolling stock shunting operations. One employee working as a signalman at the watchtower at the entrance to where train carriages are kept lost his life in the accident. The preliminary hearing is being held against two managers and two employees of Trenitalia (charged with negligent manslaughter for violations of anti-accident legislation, and Trenitalia is also charged with administrative liability following a crime covered by articles 5, letters a) and b), and 25-septies of Legislative Decree No. 231/01. Following the request to send the case to trial filed by the public prosecutor in connection with the above mentioned natural persons and Trenitalia, the preliminary hearing phase of the proceeding has started. The judge of the preliminary
hearing ruled to send all the defendants to a trial hearing held on 10 November 2017 in front of the I Criminal Section of the Florence Court. The trial is on-going.

- Criminal proceedings No. 1525/08 in the general register of crimes (the "Truck Center" case) relate to negligent manslaughter due to violations of anti-accident legislation. The first-level proceedings were concluded with certain Mercitalia Logistics S.p.A. (previously known as FS Logistica S.p.A.) officials found guilty, along with the company itself, for both third party liability and violations of Legislative decree no. 231/2001. The court ruling has been appealed. The Bari Court of Appeal has acquitted the Mercitalia Logistics S.p.A. and its employees as they did not commit the crime. As a result of this ruling, the €1.4 million administrative sanction issued by the first instance court against Mercitalia Logistics S.p.A. has been revoked. The decision of the court of appeal has been challenged by the public prosecutor before the Supreme Court. At the hearing of 8 February 2019, the Supreme Court nullified the acquittal, referring the case to the Court of Appeal of Bari.

- Criminal proceedings no. 1758/2014 in the general register of crimes before the Milan Court relate to alleged violations of the legislative limits established for the drainage of industrial waste water in public sewers at an industrial plant in Milan. In these proceedings, charges have currently been lodged against one manager of Trenitalia and Trenitalia itself for liability under Legislative decree no. 231/01 in relation to the same alleged environmental violations. At the hearing held on 22 June 2018, the Court has acquitted both the manager of Trenitalia and Trenitalia itself because "there is no crime". No appeal has been filed against the decision of the judge of first instance.

- In the context of the criminal proceedings no. 16682/2014 in the general register of crimes pending before the public prosecutors' office of Palermo, a notice of conclusion of preliminary investigations was served in June 2018 on the chief executive director of RFI and on the RFI itself charged with administrative liability pursuant to Legislative decree no. 231/01. The offense claimed was organized activity for the illicit traffic of wastes (452-quaterdecies of the criminal code) where RFI was charged with the administrative violation pursuant to article 25-undecies paragraph 2 subsection f) of Legislative decree no. 231/01 in connection to the alleged illegally dispose of waste realized through its intermediary Ecosistem S.r.l. in November 2014 at the landfill located in Camasta (Agrigento), after RFI had carried out works on the platform under the bridge Petrace di Gioia Tauro (Reggio Calabria). By way of decree filed on 24 April 2019, the positions of the chief executive director and the company were filed.

- In the criminal proceedings no. 6769/2015 in the general register of crimes with the public prosecutors' office pending before the Perugia Court, on 23 May 2017 the prosecutor issued the request to committal to trial notified to, inter alia, Busitalia in connection with the alleged administrative liability arising from the application of articles 5, 24 and 25 of Legislative decree no. 231/01 in connection with the crime set forth in article 640-bis of the criminal code. On 11 June 2018, the judge of preliminary hearing issued the notice sending all the defendants to trial. The judge of the preliminary hearing scheduled the first hearing to be held in January 2020 and retained the fact less serious than aggravated fraud against the State (pursuant to article 640, paragraph 2, no. 1 of the criminal code) which was originally alleged.
Criminal proceedings no. 18773/2009 in the general register of crimes with the public prosecutors' office pending before the Bari Court involve Ferrovie del Sud Est e Servizi Automobilistici S.r.l. for alleged administrative liability pursuant to Legislative decree no. 231/01 in connection with the claim of international fraud (alleged to have occurred through the purchase in Poland of rolling stock at a price higher than its market value) against the former sole director of the company. Following the committal to trial of the natural persons involved and the company, the trial is on-going.

Criminal proceedings no. 3651/18 in the general register of crimes with the public prosecutors' office pending before the Milan Court: on 25 January 2018, in Seggiano di Piolettolo (near Milan), a railway accident occurred to the regional train no. 10452 managed by Trenord S.r.l., operating in the railway line between Cremona and Milan – Porta Garibaldi, resulting in the death of 3 passengers and injuries to other passenger. The Milan public prosecutor opened criminal proceeding involving as persons under investigation certain officers and employees of RFI: the chief executive director, the head of the Direzione Produzione, the head of the Direzione Territoriale Produzione (DTP) of Milan, the head of Unità Territoriale Linee Sud – DTP Milano, the head of the Unità Manutenzione (UM) Lavori Brescia and the Specialisti Cantieri Armamento within the above mentioned Unità Manutenzione. In addition, the chief executive officer and the operations officer of Trenord S.r.l. are under investigation. The companies RFI and Trenord S.r.l. are drawn in the proceedings for administrative liability pursuant to Legislative decree no. 231/01. The public prosecutor claims against the natural persons are related to the crimes under articles 430 and 449, paragraphs 1 and 2 of the criminal code (unintentional railway disaster), articles 589, paragraphs 2 and 3 and 590, paragraphs 2, 3 and 4 of the criminal code (unintentional manslaughter and unintentional injuring with violation of the rules on the prevention of work-related injuries) and article 71 of Legislative Decree 81/08 (violation of the duties of the employer). As to the companies, the public prosecutor claim their administrative liability under article 25-septies, paragraphs 2 and 3 of Legislative decree no. 231/01 in relation to sanctions, in case of unintentional manslaughter and serious injuries, due to violation of the rules on the prevention of work-related injuries. RFI has appointed its attorney and a technical adviser. In relation to the any liability that may arise, the Group has already triggered its insurance policies. The preliminary investigation phase is on-going.

Other significant criminal court proceedings

Criminal proceedings no. 503034/2012 in the general register of crimes previously with the public prosecutors' office at the Rossano Court and subsequently transferred to the Castrovillari public prosecutors' office relate to a fatal accident in which a train hit a car with six people inside it at the private railroad crossing on the Rossano C. - Mirto Crosia section. The public prosecutor has request to send to trial RFI managers and employees (some of whom are pensioners) and non-FS Group parties charged with unintentional manslaughter and unintentional railway disaster. The preliminary hearing is on-going.

Criminal proceedings no. 6765/2012 in the general register of crimes with the Brindisi Court refers to a claim relating to an accident involving the Freccia Argento train no. 9351 and a lorry on 24 September 2012 at the railroad crossing on the Bari - Lecce section near the Cisternino (BR) station. In these proceedings, RFI and Trenitalia have
joined the criminal proceedings as a civil party claiming damages. The non-group defendant found guilty has appealed against the Brindisi Court ruling of 21 October 2014. On 5 April 2019, the Lecce Court of Appeals confirmed the conviction sentence issued in the first-level proceedings which became final.

• Criminal proceedings no. 2615/2018 in the general register of crimes with the public prosecutors' office at the Ivrea Court relate to a railway accident occurred on 23 May 2018 on the Chivasso/Ivrea line when regional train no. 10027 hit a lorry that had driven through the level crossing barriers, and got stuck on the tracks. The train driver and the driver of the escort service died and many other people were injured. The preliminary investigation is currently on-going;

• Criminal proceedings no. 4153/2016 in the general register of crimes at the Bari Court were commenced by the public prosecutors' office against FSE S.r.l.'s former sole director and other persons. The allegations relate to several instances of document, corporate company and fraudulent bankruptcy which put the company in distress and resulted in the need for FSE S.r.l. to access the procedure for a composition with creditors. FSE S.r.l. and FS S.p.A. are also claimants and joined the proceedings. The hearing is currently on-going;

• Criminal proceedings no. 8790/2016 in the general register of crimes with the public prosecutor's office at the Court of Lecce are pending at the preliminary hearing phase before the judge of the preliminary hearings of the Court of Lecce, with charges of unintentional road homicide, pursuant to article 589-bis of the criminal code, and unintentional road personal injuries, pursuant to article 590-bis of the criminal code, lodged against an employee of Ferrovie del Sud Est e Servizi Automobilistici S.r.l. for the accident occurred on 1 August 2016 while he was driving the company bus. In connection with such accident in which one man died and a second person was injured, FS has been sued for third party liability along with the insurance company. The defendant's attorneys have lodged a request for shorter trial procedure subject to experts' investigations, which are currently on-going.

• Criminal proceedings no. 6310/2017 in the general register of crimes with the public prosecutor's office at the Court of Lecce are pending at the preliminary investigations phase relate to an accident occurred on 13 June 2017 between two trains of Ferrovie del Sud Est e Servizi Automobilistici S.r.l. at the exit of Galugnano, within the Municipality of San Donato di Lecce, on the stretch of line between the main city of the Salento area and Otranto. The notice of conclusion of preliminary investigations was served to two FSE S.r.l. managers on 11 December 2018. According to the notice, two managers and two company employees are accused of negligence causing a train crash, causing damage to people (approximately 20 injured people, including passengers and FSE S.r.l. personnel) and property (collided trains). Following the request for indictment submitted by the public prosecutors' office of Lecce, a preliminary hearing was scheduled, at which a plea bargaining request and a request for an abbreviated trial were made, with postponement to the next hearing for the discussion of all positions.

Arbitration proceedings with general contractors

• Sub-section AV/AC Novara-Milan: RFI-FCA arbitration. Following the appeal against the award which involves part of the reserves advanced by FCA in the course
of work, the proceedings, which were commenced by FCA, are now pending before the Supreme Court following such appeal by RFI. Proceeding for revocation of judgement lodged by FCA before the Rome Court of Appeal is also pending. On the hearing for the final briefs held on 6 June 2018, the case was taken under advisement.

**Civil and administrative proceedings**

- K2 discount pursuant to Ministerial decree no. 44T/2000. With respect to what indicated in the annual report for the year ending on 31 December 2017, to which reference should be made for additional details, the civil action commenced by Trenitalia before the civil court of Rome to obtain that RFI pays the amounts related to the K2 discount, against the elimination of MIT Decree no. 92T of 11 July 2007 (Council of State’s ruling no. 1110/2013 on the basis of which the Council of State issued ruling no. 1345/2014), is on-going. As part of these proceedings, the judge allowed RFT to implead the MIT and the MEF to guarantee and indemnify the amounts related to the K2 discount which may be paid to Trenitalia. Both ministries have convened and the Court postponed the hearing to 15 January 2020 for the decision on the requests for investigation;

- Appeal against ART resolution no. 70/2014. Various FS Group companies (RFI, Grandi Stazioni S.p.A. and Centostazioni S.p.A.) lodged three extraordinary appeals with the President of Italy against ART resolution no. 70 of 31 October 2014 (“Regulation for fair and equal access to railway infrastructures and commencement of proceedings to define the criteria for the definition of the toll to use railway infrastructures”). Initially lodged with the Lazio regional administrative court, the appeals were then transferred to the Piedmont regional administrative court where RFI’s and Grandi Stazioni S.p.A.’s cases were summarised. Trenitalia appeared in both proceedings on 5 May 2016. The appeals lodged by RFI S.p.A. and the former Grandi Stazioni S.p.A. were rejected by the Piedmont Regional Administrative Court with rulings nos. 541/2017 and 1025/2017, respectively. The companies filed an appeal against said rulings.

- Appeal against ART resolution no. 96/2015. With an extraordinary appeal before the President of Italy, RFI, Trenitalia and the former Grandi Stazioni S.p.A. appealed against ART resolution no. 96 of 13 November 2015 containing the principles and criteria for determining the fees to access and use the railway infrastructure. Their appeals were transferred to the Piedmont regional administrative court. RFI also appeared in the proceedings pending before the Piedmont regional administrative court for the appeal lodged by another railway company against the same ART resolution no. 96/2015. Following the termination of the proceedings commenced by RFI for loss of interest by the infrastructure operator (Piedmont regional administrative court’s ruling no. 1287/2017), the appeals lodged by Trenitalia against ruling no. 1240/2017, in which the Piedmont regional administrative court rejected Trenitalia’s appeal against Resolution no. 80/2016 (and related measures) remain in progress, as well as ruling no. 57/2018, with which the Piedmont regional administrative court rejected Trenitalia’s appeal against Resolution no. 96/2015 (and related measures). In its ruling no. 58/2018, the Piedmont regional administrative court also rejected the appeal lodged by former Grandi Stazioni S.p.A. against Resolution no. 96/2015 (and related measures).
Proceedings A/519. With a decision taken during the meeting held on 3 May 2018, the Italian antitrust authority (Autorità Garante della Concorrenza e del Mercato) has started an investigation against the Issuer, RFI and Trenitalia, to verify whether a breach of article 102 of the Treaty on the Functioning of the European Union (abuse of dominant position) has occurred. The allegedly abusive actions was committed by the Issuer as holding company through its subsidiaries RFI and Trenitalia, and allegedly consists in submitting to the Veneto Region a joint proposal of infrastructural improvements (i.e. electrification of part of the Veneto Regions' network, to be implemented by RFI) and investments in new rolling stocks by Trenitalia, which prompted the Region to change its initial decision of launching a tender for bids and to directly award Trenitalia with a contract for the provision of railway services for an overall term of 15 years (the agreement was entered into on 11 January 2018). Upon serving the notice of start of investigation activities, inspections were carried out at the Rome offices of all companies involved, as well as at the Trenitalia's office in Venezia. The deadline for the completion of the investigations was 30 May 2019.

RFI vs Anas – SATAP: case pending before the Rome civil court. This dispute is based on a number of agreements signed in previous years by the then TAV S.p.A. with Anas and the motorway operator of the Turin-Milan motorway concession ASTM (now SATAP) to modernise and extend the motorway as part of the overall upgrading of the multimodal Turin-Milan corridor concurrently with the construction of the new HS/HC Turin-Milan railway section. TAV/RFI and Anas/SATAP were unable to reach a compromise as the latter rejected RFI's requests for the allocation to them of some of the costs to upgrade the multimodal corridor regarding the motorway modernisation and extension. Therefore, on 9 June 2016, RFI issued a writ of summons to Anas/SATAP to appear before the Rome court, claiming over €1,000 million, plus ancillary charges. On 17 July 2018, the Rome court rejected RFI’s requests, stating that “the claimant was not entitled to any amount from the defendants in respect of the relevant works”. In a settlement agreement dated 13 February 2019, RFI, SATAP and Anas agreed to define their mutual relations in their entirety, waiving any appeal against the ruling. As part of the agreement, mainly aimed at settling the relationship between RFI and SATAP, SATAP took full responsibility for the reimbursement of the legal expenses settled in court in favour of Anas for approximately Euro 50,000 plus general expenses.

Trenitalia is a party to some disputes with its rolling stock suppliers mainly in respect of the different interpretation of the price revision clause. In April 2018, the Rome court handed down an unfavourable decision for the company on appeal, overturning the previous first-instance decisions. Trenitalia is considering whether to appeal to the Supreme Court. However, any expenses consequent to this ruling would further increase the investments to which the price revision clause relates.

Anas vs. Grandi Lavori Fincosit S.p.A: as per the writ served on 10 December 2018, Grandi Lavori Fincosit S.p.A. summoned Anas before the Rome court, claiming approximately €130 million for claims from 1 to 19 recognised during the contract for the executive design and performance of the “works to construct the new Sulcitana SS 195, Cagliari-Pula section, Lots 1 and 3 and the related works of “Opera Connessa Sud”. The risk of losing the case is currently being assessed, pending the internal report. However, it is believed that, over the next few months, this risk may assessed
as probable with a 45 per cent. charge of the claim, based on the internal policy “guidelines to assess the litigation risk”.

- ruling No. 63958/2016 of the general register - Anas /Strada dei Parchi: with respect to ruling no. 63958/2016 of the general register, commenced by Anas following the failure of Strada dei Parchi (the operator in charge of the operation, completion and modernisation of the A24 and A25 motorways) to pay the 2015 portion of the concession, the question of the constitutional legitimacy of article 52-quinquies of Law Decree no. 50 of 24 April 2017, converted with amendments into Law no. 96 of 21 June 2017, was brought before the Constitutional Court. Under this law provisions “The operator shall pay Anas S.p.A. the outstanding amount of the concession fee, entirely pertaining to Anas S.p.A., for a total of €111.7 million, in three instalments falling due on 31 March of 2028, 2029 and 2030, each amounting to €37.2 million, plus legal interest. The expiry dates of all remaining instalments of the fee due to Anas S.p.A. remain unchanged. The potential question of constitutional legitimacy refers to Anas S.p.A. role as the recipient of the fee payable by Strada dei Parchi, which the referring court did not manifestly find unfounded in two respects: i) the breach of article 77.2 Const., since the provision “was included in a completely new measure with respect to the original Law Decree with a clear and obvious lack of any connection, both with the subject of the new article 52-quinquies, as described in the related section – earthquake safety measures for the A24 and A25 motorway – and the perceptive content and purpose of the remaining part, resulting even in contrast with them”; ii) the breach of articles 1, 3, 24 and 101 Const. since the challenged provision “…covers a specific individual contract between specific parties, pending a number of proceedings which challenge payment of the instalments comprising the concession fee to which it refers, and also impose by law a decision which, conversely, already rests with the court”. In this respect, the fee of the granted concession was a significant component of Anas’s assets and any related loss would result in a considerable loss for the company and the consequent impairment, unquestionably putting at risk the value of the company (which includes the receivable from the operator with a nominal amount of approximately €900 million which, in the financial statements, is equal to assets worth an estimated €576 million). By Order No. 174/2018, the Constitutional Court set the date for the hearing to be held at a public hearing on 4 June 2019.

- Tax Assessment Report of the Guardia di Finanza (“tax police”) to the company FSE Srl. In December 2018, the tax police drafted and notified the company FSE Srl of a tax assessment report, after completing the tax audits carried out, of the findings for the purposes of direct and indirect taxation for the fiscal years from 2013 to 2016. This audit is due to the criminal proceedings brought against the former sole director of the company by the public prosecutors’ office of the court of Bari concerning the crime of fraudulent bankruptcy, deemed to have been committed to the detriment of the company by the same pro tempore director and by certain executives and employees of the company, also in conjunction with advisors and suppliers in the performance of specific business transactions. The Italian revenue agency (Agenzia dell’Entrate), while carrying out the controls by the tax police, stopped the payment of the VAT credit due to the company and, subsequently, on the basis of the findings indicated in the tax assessment report, issued a notice of assessment for IRAP (regional production tax) purposes only for the fiscal year 2013. Given the importance of the issue in question, FSE Srl immediately started appropriate discussions with the
offices of the Italian Revenue Agency and during the month of May 2019, as resulting from the deeds of accession of 7 May 2019, the company came to the sharing of the amount due of €5.6 million. This amount was paid in its entirety on 8 May 2019 and will allow, with reasonable certainty, the payment of the substantial VAT credit claimed by the company, which is at the service of the arrangement plan and preparatory to the payment of the creditors in accordance with the terms and timing provided for in the approved plan.

- tax audit on Ferrovie del Sud Est e Servizi Automobilistici S.r.l.: on 13 December 2018, Ferrovie del Sud Est e Servizi Automobilistici S.r.l. received a preliminary assessment report about the outcome of the tax audit carried out on 10 May 2018 by the tax police – Bari unit. The audit covered the tax years between 2013 and 2018 and commenced following a number of criminal proceedings brought by the public prosecutors' office at the Bari court and related to the crime of fraudulent bankruptcy committed to the detriment of the company by the company’s interim sole director and some of its managers and employees, including in collaboration with consultants and suppliers, when performing specific management operations. The preliminary assessment report raises objections for IRES (corporate income tax) and IRAP (regional production tax) taxes and VAT purposes for the years from 2013 to 2016. The objections – all of which relate to the above criminal proceedings, focus on the non-deductibility of costs and/or expenses which can be denied by the tax authorities and which imply taxation as “costs deriving from a crime” pursuant to article 14.4-bis of Law no. 537/1993, or as “costs that do not meet the relevant requirements”, in whole or in part, pursuant to article 109 of the TUIR (consolidated income tax act), resulting in an increase in IRAP and the non-deductibility of VAT, under article 19 of Presidential Decree no. 633/72. Based on the above objectives, for IRAP purposes only, the tax authorities, Puglia regional office, large taxpayers’ department, sent, on 21 December 2018 notice of assessment no. TUBOC0200034/2018, against which the company filed a request for tax settlement proposal on 13 February 2019.

Proceedings before the Italian and EU authorities

- EU cases SA 32179 and SA 32953. On 28 March 2014, the European Commission's Directorate-General for Competition notified Italy of a decision to begin a formal investigation in connection with two potential state aid programmes relating to:

  a) state aid measures under the forms of transfers of infrastructure assets (case SA 32179); and
  b) compensation for a public service obligation in the rail freight sector (case SA 32953).

The first aid measure being investigated relates to four asset allocation operations within the FS Italiane group, in which assets were allocated to Trenitalia S.p.A. and FS Logistica S.p.A., respectively. In particular, these transfers include assets that do not constitute railway infrastructure (they are mainly workshops) and are, in any case, no longer functional for the infrastructure operator. The second measure being investigated relates to the compensation by the Italian station to Trenitalia S.p.A. for the discharge of public service obligations in rail freight transport from 2000 to 2014 under three consecutive public service contracts. After 2015 and 2016, in which there were no further developments, near the end of 2017, the European Commission resumed the examination of both dossiers. Accordingly, considering the current stage
of the cases and their complexity, and based on the opinions of independent legal experts, in line with previous evaluations, we believe that: 1) the effects of any negative development with respect to case SA 32179 would substantially relate to assets, due to the re-allocation of assets within the FS Italiane group; and ii) with respect to case SA 32953, it still impossible to objectively identify a contingent liability or reliably estimate any amount that might be paid.

- Appeals relating to the tender for the assignment of services for the Tuscany region.

With an appeal lodged on 15 April 2016, the consortium company MOBIT Scarl (consisting of Busitalia and other local public transport incumbents operating in Tuscany) appealed before the Tuscany regional administrative court against the region’s regulation ordering the definitive assignment of the tender to the only other participant, Autolinee Toscane S.p.A. (“AT”). The tender related to the assignment in a single lot of local public transport services for nine years, which may be extended for another two years, worth approximately €4 billion. AT, which also took legal action, presented a counterclaim to have the consortium MOBIT excluded from the tender. With ruling no. 1548/2016 of 28 October 2016, the Tuscany regional administrative court admitted the two appeals, cancelled the assignment of the tender and found that neither of the claimants had presented offers that met the region’s guidelines for the preparation of the economic/financial plan. All the participants (Mobit, AT and the Tuscany region itself) appealed against ruling no. 1548/2016 before the Council of State. The latter, with an ordinance issued on 6 April 2017, submitted the issues relating to the interpretation of certain provisions of Regulation (EC) no. 1370/2007 to the EU Court of Justice, as they were relevant to the case. The EU Court of Justice, by way of a decision dated 21 March 2019, ruled upon the interpretation of the above-mentioned provisions of Regulation (EC) no. 1370/2007, establishing that article 5 of such Regulation, containing the prohibition for beneficiaries of direct entrustments of public transport services to participate in tenders relating to territorial catchment areas other than those in which they operate under conditions of non-competitive advantage (prohibition of participation extra moenia), is not applicable to an award procedure that took place before 3 December 2019. The proceeding have been returned to the Council of State, which has set a hearing for discussion on 28 November 2019.

- Appeal against the transfer of the investment in FSE S.r.l. to FS S.p.A.. With ruling no. 6417/2017, the Lazio regional administrative court rejected the appeal filed by Arriva Italia S.r.l., Ferrotramviaria S.p.A. and COTRAP to repeal MIT Decree no. 248/2016 which identified FS as the party to receive the investment in FSE S.r.l. which, at the time, was held by said Ministry, thereby confirming its lawfulness. As part of the appeal to overturn the first-level ruling, the claimants indicated the failure to comply with the requirements applicable to government assistance as the first ground of appeal, in relation to: i) the granting of €70 million to FSE S.r.l. pursuant to article 1.867 of Law no. 2018/2015, as amended by article 47 of Law Decree no. 50/2017 and ii) FSE S.r.l.’s transfer to FS S.p.A. with no competitive procedure and no consideration. The Council of State decided to refer the issue to the European Court of Justice, pursuant to article 267, par. 1, letter a) of the Treaty on the Functioning of the European Union (decision to refer no. 3123/2018). As at the date of the Supplement, the proceedings are pending, awaiting the hearing to be scheduled by the Court of Justice.
Recent events

**FS Italiane Shareholders' Meeting approves 2018 Financial Statement**

On 5 June 2019, the FS Italiane ordinary and extraordinary shareholders’ meeting approved the FS' Financial Statement for the year ended 31 December 2018, complemented by the Consolidated Annual Financial Report of the FS Group. The Shareholders’ Meeting also approved an amendment of the FS’ By-Laws to allow the business development during the Industrial Plan period.

**FS Group released the new 2019-2023 Industrial Plan**

On 10 May 2019, FS management presented the new Industrial Plan for the period 2019-2023 to its stakeholders. The presentation highlights the new strategy the Group will pursue in the next five years.

**Metro 5 debt renegotiation**

Metro 5 (36.7 per cent. owned by FS) has closed the renegotiation of nearly Euro 500 million long term debt (maturity 2035) reaching above 40 per cent. spread reduction as compared to the former applying. Renegotiation process started in the first semester of 2018 following the acquisition of 36.7 per cent. of Metro 5 shares by Ferrovie dello Stato Italiane dated June 2017. The process ended successfully thanks to the strong and renewed interest in the project shown from all the lenders and notwithstanding the market turmoil on Italian sovereign debt occurred during the same period.

**New bond issues approved by FS BoD**

On 16 April 2019 FS' Board of Directors approved the issue of new bonds for a maximum amount of Euro 1 billion and Euro 750 million. The proceeds will finance the FS Group capex. Namely, investments for new regional and medium long-haul trains, new locomotives for freight transport and completion of the High Speed infrastructure and may be also applied to finance or re-finance, Eligible Green Projects.

**Developments on Alitalia dossier**

On 30 October 2018, FS’ Board of Directors approved to present an offer to buy the divisions of Alitalia-Società Aerea Italiana e Alitalia Cityliner. Soon thereafter both the rating agencies, Fitch and S&P’s affirmed that FS Italiane's potential acquisition of Alitalia does not immediately affect the rating of FS Italiane. On 27 March 2019, FS released a note affirming that discussions were undergoing with a limited number of industrial players for the establishment of the shareholder structure for the potential acquisition of the assets of Alitalia.

**Centostazioni Retail sale closing**

On 20 March 2019 FS closed the sale transaction of Centostazion Retail with the buyer Altarea Cogedim. Centostazioni Retail is responsible for the long-term commercial and advertising enhancement of five Italian railway stations: Milano Porta Garibaldi, Torino Porta Susa, Padova, Roma Ostiense and Napoli Afragola.

**Netinera has been awarded with the Netzes Elbe-Spree tender**
On 5 February 2019 Netinera (the German subsidiary 51 per cent. owned by FS), through the company Ostdeutsche Eisenbahngesellschaft (ODEG), has been awarded in Germany with the Netzes Elbe-Spree tender for commuter transport (allotments 1 and 4) in the Berlin, Brandenburg and Saxony-Anhalt state. ODEG’s contract is due to start in 2022 with a duration of 12 years. ODEG is controlled by NETINERA (50 per cent.) and the railway holding company BeNEX (50 per cent.).

**Europe’s major Green Bond Issuers launch the Corporate Forum on Sustainable Finance**

On 15 January 2019, FS and fifteen European companies (EDF, EDP, ENEL, ENGIE, Iberdrola, Icade, Ørsted, RATP, SNCF Réseau, Société du Grand Paris, SSE, Terna, Tideway, Vasakronan) joined to set up the Corporate Forum on Sustainable Finance (“the Forum”). The Forum, designed as a permanent network for exchanging views and ideas, brings together dynamic “Green Issuers” committed to upholding and developing sustainable finance as a critical tool to fight climate change and to foster a more sustainable and responsible society.

**FS released the first Green Bond Report**

On 6 December 2018 FS presented to the institutional investors its first Green Bond Report. In compliance with the Green Bond Principles issued by the International Capital Market Association (ICMA). The Green Bond Report aims to inform about quality and quantity of the FS investments financed through the first green bond, and their positive effects in terms of environmental sustainability.

**Standard and Poor's affirms rating "BBB" and changes outlook to negative**

On 29 October 2018 Standard and Poor’s affirmed FS’s rating at ‘BBB’ and changed the Outlook from Stable to Negative, mirroring the Outlook change on Italy’s occurred on 26th October, which the FS rating is closely related to, being a government related entity. S&P has also confirmed the FS’s stand-alone credit profile (SACP) at ‘bbb’, affirming that FS’ metric remains very solid.

**Trainose has signed the acquisition of EESSTY**

On 29 October, the share transfer agreement between TRAINOSE S.A. – the Greek company 100 per cent. owned by FS - and ROSCO, a Greek company providing maintenance of rolling stock, has been signed; TRAINOSE has acquired the totality of ROSCO’s shares.