2015 Annual Financial Report

TRENITALIA
GRUPPO FERROVIE DELLO STATO ITALIANE

KPMG

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

Trenitalia S.p.A.

Financial statements as at and for the year ended 31 December 2015

(with report of the auditors thereon)

KPMG S.p.A.
20 April 2016

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the sole shareholder of
Trenitalia S.p.A.

Report on the financial statements

We have audited the accompanying financial statements of Trenitalia S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2015, the income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

Other matters

As described in the notes to the financial statements, despite significant controlling interests, the company has availed itself of the legal exemption from preparation of consolidated financial statements as it is, in turn, directly controlled by Ferrovie dello Stato Italiane S.p.A., for which consolidated financial statements are prepared. These consolidated financial statements have been made public within the timescale and the mode defined by current legislation.

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own financial statements. Our opinion on the financial statements of Trenitalia S.p.A. does not extend to such data.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report with the financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report, which is the responsibility of the company's directors, with the financial statements. In our opinion, the directors' report and is consistent with the financial statements of Trenitalia S.p.A. as at and for the year ended 31 December 2015.

Rome, 20 April 2016

KPMG S.p.A.

(signed on the original)

Benedetto Gamucci
Director of Audit

TRENITALIA
GRUPPO FERROVIE DELLO STATO ITALIANE

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

TRENITALIA S.p.A.
2015 ANNUAL REPORT

Trenitalia S.p.A.

Company with sole shareholder, managed and coordinated by Ferrovie dello Stato Italiane S.p.A.

Fully paid-up share capital: €1,654,464,000.00

Registered office: Piazza della Croce Rossa 1, 00161 Rome

Tax code and company registration no.: 05403151003

R.E.A. no. 0883047

VAT number: 05403151003

Website: www.trenitalia.com

COMPANY MISSION

Trenitalia provides passenger and cargo transport services domestically and internationally.

Trenitalia's mission revolves around certain essential conditions, which consist in the safety and quality of its services, the health of its workers and protecting the environment. Trenitalia believes that putting its relationship with clients first is the way to gain a long-term competitive advantage and create value for shareholders.

Trenitalia's entire organisation is committed to meeting clients' needs and market demands. It always guarantees high safety standards and implements development and modernisation plans in accordance with social and environmental sustainability standards.

To achieve its mission, the company has created an organisational structure divided into business divisions, and it has assigned each of these a specific mission according to the particular characteristics of the market in which the division operates.

COMPANY OFFICERS AND INDEPENDENT AUDITORS

Board of directors:

Chairman	Tiziano ONESTI since 21 December 2015
	Marco ZANICHELLI until 30 October 2015
Managing Director	Barbara MORGANTE since 23 December 2015 (*)
	Vincenzo SOPRANO until 21 December 2015
Directors	Maria Rosaria MAUGERI (**)
	Marco GOSSO (**)
	Paolo COLOMBO (**)
	Stefano SAVINO (***)
	Francesco ROSSI (***)
	Barbara MORGANTE (***)

Board of statutory auditors:

Chairman	Maria Laura PRISLEI
Standing statutory auditors	Alessandro ALESSANDRINI
	Gianfranco ZANDA
Alternate statutory auditors	Margherita BONITATIBUS
	Gianpaolo Davide ROSSETTI

Independent auditors:

KPMG S.p.A.

(*) In office since 21 December 2015 as Director

(**) In office since 21 December 2015

(***) In office until 21 December 2015

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GLOSSARY

Below is a key of the most frequently used performance and financial indicators in this report:

- **Gross operating profit:** this is an indicator of the performance of operations and reflects the core business only. It is calculated as the difference between revenue and operating costs.
- **Operating profit:** this is an indicator of the performance of operations and is calculated as the algebraic sum of gross operating profit and amortisation and depreciation, write-downs, impairment losses (reversals of impairment losses) and provisions.
- **Net working capital**: this is the balance of inventories, current and non-current trade receivables and current and non-current trade payables.
- **Other assets, net:** these consist of receivables and advances from the Ministry of the Economy and Finance for grants, deferred tax assets, other current and non-current assets and other current and non-current liabilities.
- **Working capital:** this is the algebraic sum of net operating working capital and other assets, net.
- **Net non-current assets:** these consist of property, plant and equipment, investment property, intangible assets and equity investments.
- **Other provisions:** these comprise post-employment benefits and other employee benefits, the tax provision, the bilateral fund for income assistance, the provision for litigation with employees and third parties, the provision for other sundry risks and deferred tax liabilities.
- **Net invested capital (NIC):** this is the algebraic sum of working capital, net non-current assets, other provisions and net assets held for sale.
- **Gross operating profit margin**: this is the percentage given by the ratio of gross operating profit to revenue.
- **Operating profit margin – ROS (return on sales):** this sales profitability indicator is calculated as the ratio of operating profit to revenue.
- **Debt equity**: this is the ratio of the net financial position to equity.
- **Equity:** this is calculated as the algebraic sum of share capital and reserves, including fair value reserves (cash flow hedge and actuarial reserves), retained earnings (losses carried forward), financial liabilities relating to derivatives and the net profit (loss) for the year.
- **Net financial debt (NFD):** this is the sum of bonds, the current portion of non-current bank loans and borrowings, current bank loans and borrowings, current and non-current loans and borrowings from other financial backers, cash and cash equivalents and current and non-current financial assets.
- **ROE (return on equity):** this is a profitability indicator for equity and is calculated as the ratio of profit/loss for the year and average equity (from the start to the end of year), net of the profit/loss for the year.
- **ROI (return on investment):** this is a profitability indicator for invested capital. It is calculated as the ratio of operating profit to average NIC (from the start to the end of the year).
- **Turnover of net invested capital:** this is the ratio of invested capital to sales. It is calculated as the ratio between operating revenue and average NIC (from the start to the end of the year).

The terms for operating activities and abbreviations most frequently used in this report are defined below:

- **ART:** Italian Transport Regulator

- **ATC:** Automatic train control. This system automatically controls the train's speed. It is the technological and functional development of the automatic train protection (ATP).
- **HS/HC:** High speed/High capacity. This is the system of lines and means specifically developed for high speed transport and the consequent high capacity transport.
- **Average load** = (passenger-km/train-km) this ratio expresses the number of passenger-km per train-km, i.e., how many people a train can transport on average.
- **Public service contracts:** these are contracts between the government (regions or central government) and Trenitalia S.p.A. for transport services.
- **European Rail Traffic Management System (ERTMS):** this is the system that integrates the various railway networks in the EU from a functional and operational standpoint and provides for the European Train Control System.
- **ETCS (European Train Control System):** this is the overall network of the various national ATC systems. ATC systems consist of traditional and innovative signalling systems and can be based on continuous signal repetition (CSR) or continuous digital signal repetition (CDSR).
- **GSM-R (Global System for Mobile Communication-Railways):** this is the international telephony standard based on GSM technology, mainly for communications between trains and control centres. It transmits on a 900 MHz band reserved for railway operations in Europe. It is part of ERTMS.
- **Load factor** = (pkm/seat-km): this indicator measures saturation i.e., how much of a train is occupied on average with respect to total available seats.
- **MEF:** Ministry of the Economy and Finance
- **MIT:** Ministry of Infrastructure and Transport
- **TSCS:** this train speed control system is the first functional stage of the ATC system for constant control over train speed, making it possible to activate the emergency brakes if the train exceeds the maximum speed allowed on the line or if it proceeds past stop signals.
- **Terminal:** this is the intermodal transport infrastructure for the transfer of large load units between carriers, with or without warehouses of modest size.
- **Combined transport:** this is intermodal transport mainly carried out by rail, river or sea, whereas the initial and terminal journeys are by road.
- **Intermodal** transport: this is transport using two or more modes of transport (road, rail, sea or river) with the transfer of load units from one mode to another without breaking up the load, i.e., using a roadway vehicle or intermodal transport unit (containers, swap bodies and semitrailers).
- **Tonne-km:** this is the product of kilometres travelled multiplied by tonnes transported over a given period of time.
- **Train-km:** this is the sum of kilometres travelled by all trains in the fleet over a given period of time.
- **Passenger-km:** this is the sum of kilometres actually travelled by all transport service passengers over a given period of time (pkm).

Directors' report

MAIN INDICATORS

	Actual 2015	Actual 2014	Actual 2013
INCOME STATEMENT HIGHLIGHTS *(millions of Euros)*			
Revenue	5,542.3	5,576.7	5,497.8
Operating costs	(4,114.9)	(4,120.9)	(4,112.5)
Gross operating profit	1,427.4	1,455.8	1,385.3
Operating profit	380.7	288.0	431.7
Profit for the year	230.0	59.5	181.5
PERFORMANCE INDICATORS			
ROI	4.2%	3.6%	5.2%
ROS	6.9%	5.2%	7.9%
NAT	0.61	0.69	0.66
PROFITABILITY INDICATORS			
Employees (FTE)	31,589	32,007	33,665
Train-km/Employee (thousands)	8.48	8.24	7.88
Revenue/Employee	175,453	174,232	163,307
Gross operating profit margin	25.8%	26.1%	25.2%
FINANCIAL INDICATORS *(millions of Euros)*			
Net financial debt	6,715	5,951	6,241
D/E	2.91	2.87	2.98
Operating cash flows	647	967	544
Investments (excluding routine investments)	(1,432)	(694)	(552)
Amortisation and depreciation (excluding routine investments)/Investments	0.5	1.0	1.2
Financial requirements	763	(290)	(98)

MAIN EVENTS OF THE YEAR

January

- On 19 January, Trenitalia and GTT signed a letter of intent to consider the possibility of setting up a newco to manage the metropolitan network services of the Turin area.

February

- In February, the Emilia Romagna Regional Office participated in the "Industriamoci" project launched by Bologna Unindustria (the business and industrial association of Bologna). The aim of the project is to bring together local companies and local schools, spread awareness of company's professionalism and encourage students' awareness of the value of technical training. This project entails taking students to visit the places where the Regional Division mainly operates. In the same month, the Foggia Maintenance Workshop launched another "school/work" project which provides the students of the schools involved with 200 hours of training over two years.
- The new mobile ViaggiaTreno app for smartphones to assist Trenitalia customers was launched in February. This app is available for all mobile devices with up to eight-inch screens and features a new layout and detailed information to plan journeys and receive constant updates on railway traffic.

March

- Starting from 1 March 2015, compensation will be paid for delays of between 30 and 59 minutes on Trenitalia Frecce trains. This is part of Trenitalia's increased focus on customers and goes beyond the rights currently provided for by EU legislation, whereby compensation is only paid for delays of over 60 minutes. The compensation is in the form of a voucher in the passenger's name and can be used to purchase another ticket within twelve months of the delay.
- The new Swing and Jazz trains became operative in March in Tuscany. These trains were designed and built using state-of-the-art engineering techniques and boast sophisticated accessories and equipment which will provide Tuscan travellers (mainly commuters) with a more punctual, comfortable and informative public railway transport service.
- In March, Trenitalia and Explora, respectively the official global rail carrier and the official tourism board for the Expo Milano 2015, signed a partnership agreement to promote the tourist destinations for the Expo Milano 2015. One of the main objectives of the agreement is to facilitate train reservations by booking and purchasing Trenitalia's tickets on the official Expo Milano 2015 portal (wonderfulexpo2015.info). This agreement goes hand-in-hand with the other promotions and encourages the use of Frecce trains, with offers for students, tour operators and foreigners who will visit other parts of Italy in addition to the Expo.

April

- On 10 April, during the Trenoverde 2015 meeting organised by Legambiente and FS Group, Trenitalia had the chance to reiterate how environmental sustainability is a key pillar of the company's ethical approach and an economic lever giving it competitive edge when facing market challenges.
- During the month, the new multi-function cards were issued. Created by CartaSi and Trenitalia, they are the result of an agreement that aims to progressively arrive at a complete and interoperable digitalisation of payment options in the transport sector. This project integrates the payment functions that CartaSi

manages for CartaFreccia, Trenitalia S.p.A. customer loyalty cards and the regional transport cards. In 2015, new cards were issued and are progressively replacing the previous ones. As for local public transport, in the Piedmont region, customers will already be able to purchase passes and tickets issued by local public transport other than Trenitalia.

June

- On 9 June 2015, Trenitalia signed a new agreement with travel agencies involving about 6,700 agencies and over 16 million customers. Negotiations with the trade associations, Astoi Confindustria Viaggi, Assoviaggi Confesercenti and Fiavet Confcommercio Imprese per l'Italia led to the renewal of the agreement, benefiting both the travel agencies and customers. The agencies may use streamlined procedures and fast-track activation, while customers will have a wider range of products and related services to choose from.
- On 26 June, the company signed a memorandum of understanding for the service contract with the region of Sicily. The government has given this region complete responsibility for planning and financing the regional railway service. The understanding provides that the new contract will have a two-year term and approximately 9.5 million train-km per year, in addition to investments of €190 million, including €40 million borne by Trenitalia and €150 million by the region, for new rolling stock in order to update the fleet significantly.

July

- On 15 July 2015, Legislative decree no. 112 implementing Directive 2012/34/EU of the European Parliament and Council and establishing a single European railway space (recast) was converted into law. This decree annuls and supersedes the provisions of Legislative decree no. 188/2003. In addition to reiterating the rules for the accounts and financial statements of railway companies (segregation of cargo and passenger transport services), it also defines the access conditions for mandatory services.
- On 16 July, a framework agreement was signed with Meridiana for discounted fares for customers and special benefits for members of the Meridiana Club and CartaFRECCIA loyalty clubs who use the Meridiana-Trenitalia intermodal service.
- On 17 July, the Prontotreno app, now called the Trenitalia app, became available for the iPhone and launched new features, created in part following customers' suggestions.
- On 24 July, Trenitalia and Air France-KLM signed an agreement to offer discounts to travellers buying joint train+air travel packages. The agreement is effective up to 31 December 2015.
- On 29 July, Trenitalia and Ferrovie dello Stato Italiane signed a Facility Agreement for €800 million on the Backup Facility Agreement that had been signed on 22 May with the Original Lenders.

September

- The Vatican museums and FS Italiane Group have come together to offer tourists, adventure-seekers and history buffs the chance to board a special train any Saturday from 12 September and over a three-month period, leaving the historic Stazione Vaticana inside the Vatican City with stops at the Castel Gandolfo and Albano Laziale stations. This new route has linked the two "Vatican cities" and brought two renowned cultural and artistic destinations like the Vatican museums and Castel Gandolfo pontifical villas closer together.

October

- The fifth edition of Frecciarosa was held in October. It is an awareness and prevention initiative for women's diseases, organised in partnership with the Associazione IncontraDonna Onlus. As in previous years, the Frecciarosa 2015 programme included medical consultations on-board the train and the distribution of a manual filled with useful advice and recommendations for women in general, with the aim of prioritising women, their health and their rights.

November

- Through its operating companies, FS Italiane group has prepared a specific plan to ensure an efficient mobility system to Rome and its connections with the surrounding area and Italy's cultural capitals in view of the upcoming Jubilee. The integrated road-rail transport system will play a crucial role during the year of the Jubilee, and the main hubs have been equipped with car parks and services to make travelling easier. The Rome Tiburtina station will serve as the city's main hub, with 96 domestic trains serving the station every day, including 64 Frecciarossa, 22 Frecciargento and 10 Intercity trains, in addition to the 307 regional connections.
- On 13 November, ART issued resolution 96/2015 defining the criteria for the railway operator to determine railway infrastructure access and use fees. Among other things, the measures covered the ways in which the infrastructure is used and the fees to use station spaces, cargo hubs and technological systems. This resolution implements Directive 2012/34/EU establishing a single European railway space (recast), adopted in Italy with Legislative decree no. 112/2015.

December

- On 19 December, over 6,300 railway workers and their families met with Pope Francis at the Vatican, in the Pope Paul VI hall for an event organised to commemorate 110 years since the foundation of Ferrovie dello Stato Italiane.
- On 21 December, Trenitalia's shareholders appointed the new board of directors. They nominated Tiziano Onesti Chairman and proposed Barbara Morgante as Managing Director of the company. She was nominated during the first board meeting held on the 23 December 2015.

MACROECONOMIC CONTEXT

In 2015, the slowdown in growth among the major emerging economies, which in recent years had led the world economy, the collapse of raw materials prices and rising volatility on financial markets weakened growth prospects for global economic activity.

According to Prometeia's most recent estimates, global GDP growth stands at 2.9% (-0.4% lower than in 2014), with the slowdown in emerging countries (+3.7% compared to +4.6% in 2014) partially offset by the modest improvement in industrialised nations (+2.0% compared to +1.7% on 2014). Growth forecasts for 2016 are +3.0%, underscoring the fact that dynamic, consistent global growth is not yet expected.

The US economy continued to improve in 2015, although at relatively low rates. After the first quarter got off to a modest start (GDP +0.2%), the second quarter ramped up the pace (GDP +1.0%) thanks to consumption, while the third and fourth quarters slowed (GDP +0.4 and +0.6%, respectively) due to the weak global economy and the appreciation of the dollar, which did not help exports. Average GDP growth for the year ultimately came to +2.5%. Overall, the economic cycle was sustained by the sound performance of domestic demand, positive labour market data - showing that the unemployment rate is down to 5.0% - and the surge in consumer confidence. These elements led the Federal Reserve to begin normalising monetary policy after seven straight years of stimulus.

Although Japan is one of the industrialised countries most exposed to China's economic slowdown given its geographical location and trade ties, it showed positive, yet modest, economic growth. GDP grew by 0.8% (compared to zero growth in 2014) thanks to domestic demand, bolstered by a monetary and tax stimulus plan that offset the slump in exports.

The main emerging economies weakened considerably, with the different countries showing widely inconsistent trends. While Brazil and Russia suffer deep political and economic crises - the annual decline in Brazilian GDP is 3.4% and the country's rate of inflation is over 10%, and Russian GDP is down by 3.7% - India is enjoying positive economic development - GDP +7.3% - pushed by the manufacturing and service sectors. Although China has grown by 6.9%, in line with the government's forecasts, its economic slowdown reflects the process underway to adopt a development model that focuses more on consumption and services rather than exports and infrastructural investments.

International trade data		2015	2014
		(% change on previous year)	
GDP			
	World	2.9	3.3
	Advanced countries	2	1.7
	US	2.5	2.4
	Japan	0.8	0
	Eurozone	1.5	0.9
	Emerging countries	**3.7**	**4.6**
	China	6.9	7.4
	India	7.3	7
	Latin America	-0.4	1.1
Oil (Brent price per barrel in US$)		53.2	99.4
International trade		1.4	2.5

Source: Prometeia December 2015

The modest growth trend in international trade continued in 2015 (+1.4%), mainly due to the decline in commercial trade with emerging economies.

The price of oil fell further in the year, coming to an average annual price of US$53.2 per barrel. Global crude oil production remained extremely high, mainly due to the policies implemented by OPEC and the US, but also because of the gradual increase in supply from Iran after international sanctions were revoked. On the other hand, demand is down, also due to the slowdown in emerging countries.

As in other industrialised countries, economic growth in the Eurozone resumed in 2015 at a moderate rate, amid uncertainty in terms of both the weak international context and heightening geographical tensions, especially in the Middle East. GDP grew by 1.5% due to the positive contribution of domestic demand, which was encouraged by the improvement in the labour market, rather than by foreign demand. Inflation remained very low (+0.1%), in part due to the effect of the aforementioned drop in the price of oil. During the year, the ECB implemented quantitative easing to mitigate the risks of falling prices - triggered by the drop in raw materials costs - from impacting forecast inflation in the medium term, which would exacerbate risks of deflation.

Eurozone economic data	2015	2014
GDP	*(% change on previous year)*	
Eurozone	**1.5**	**0.9**
Germany	1.5	1.6
France	1.1	0.2
Italy	0.7	-0.4
Spain	3.1	1.4
Inflation	*(% change on previous year)*	
Eurozone	**0.1**	**0.4**
Germany	0.3	0.8
France	0.1	0.6
Italy	0.1	0.2
Spain	-0.6	-0.2
Domestic demand	*(% change on previous year)*	
Eurozone	**1.5**	**0.9**
Germany	1.0	1.3
France	0.7	0.7
Italy	1.0	-0.5
Spain	1.0	-0.5

Source: Prometeia December 2015

Standing out among the largest economies in Europe, Spain shows growth (GDP +3.1%) and Italy a recovery, albeit a slow one (GDP +0.7%). The German economy, after the summer slowdown due to the issues resulting from the Volkswagen scandal and the flood of migrants requesting asylum (which has also affected other European countries), has resumed growth (GDP +1.5%), bolstered by domestic demand. The French economy has also ramped up its growth (GDP +1.1%), despite the negative impact of the terrorist attacks at the start and end of the year.

The Italian context

After the long recession of previous years, the Italian economy resumed growth. In 2015, economic activity was sustained by domestic demand, moderate growth in investments and positive events like the lower price of oil, the favourable exchange rate and the ECB's monetary stimulus.

In more detail, after stabilising at the end of 2014, GDP grew by 0.4% and 0.3% in the first and second quarters, respectively. The economic context worsened slightly in the summer (GDP +0.2% in the third quarter) due to the drop in foreign demand. Indeed, the latter was affected by the slowdown in the main emerging economies, as in other European countries. The most recent available information shows that in the fourth quarter of the year, GDP grew by 0.3%. This means that, year-on-year, GDP increased by 0.7%, bolstered by growth in household spending (+1.0%) and the recovery in investments (+0.5%).

Industrial production also showed signs of recovery, with annual growth of 1.2%. The segments that grew the most significantly are vehicle manufacturing, coke production and the production of refined oil and chemical products. On the other hand, the most significant decreases were seen in the textile, clothing, leather and accessory segments, the production of computers, electronics and optical products and, finally, the food segments.

Prices showed very low growth rates, as they were mainly affected by the direct and indirect effects of the reduction in the cost of energy products. Indeed, in 2015, inflation slowed for the third year in a row, reaching +0.1% compared to +0.2% in 2014.

The labour market showed positive signs, as the favourable trend seen in late 2014 continued, presumably tied to the effects of the government's measures eliminating contributions for new hires and the surge in economic activity. The unemployment rate fell to 12.1%, compared to 12.8% in 2014. Although the unemployment rate for young people aged 15 to 24 is still very high, it has fallen to 38.1% (source: Istat, November 2015).

Italian economic data	**Q1**	**Q2**	**Q3**	**Q4**
	(% change on previous year)			
GDP	0.4	0.3	0.2	0.3
Domestic demand	0.8	0.5	0.2	0.2
Spending by households and private not-for-profits	-0.1	0.4	0.5	0.3
Public administration spending	0.0	-0.4	-0.6	-0.3
Gross fixed investments	1.2	-0.4	0.1	0.3
Construction	1.9	-0.2	0.6	0.7
Other durable goods	0.4	-0.7	-0.4	-0.1
Imports of goods and services	2.1	1.8	1.3	0.7
Exports of goods and services	0.7	1.0	1.7	0.6

Source: Prometeia December 2015

Italian economic forecasts for 2016 and 2017 show higher steady growth (GDP +1.4%). The ECB's recent decision to extend quantitative easing and its non-restrictive stance to budget policies until 2017 should confirm growth forecasts for economic activity. While foreign trade could slip due to the global economic slump, demand in Italy and the Eurozone should surge in its place. In the next few months, a lot will depend on the trend in the price of oil, the geopolitical scenario and the impact of terrorism, the new unknown.

RELEVANT MARKET'S TRENDS

In 2015, although it was limited, the Italian economic recovery had a positive impact on the transport market. Benefiting from the sound performance of GDP (+0.7%), industrial production (+1.0% after four years of negative rates) and foreign trade (export volumes +1.9% and import volumes +7.1%), total passenger and cargo traffic grew in all main segments.

Cargo transport by air rose, with transported cargo volumes up by 4.2%. The Milan Malpensa hub remained the largest in terms of cargo handling, reporting 500 thousand tonnes and accounting for approximately 54% of total air traffic. In 2015, even heavy vehicle **motorway** traffic trends confirmed the recovery seen in 2014, with some 13 billion vehicle-km, equal to an increase of 3.3% on the same period of the previous year (the data refer to September 2015). Clear signs of improvement are also seen in the number of cargo transport vehicles registered (+12.8%), thanks to the introduction of the tax benefits in the 2016 Stability Act to encourage businesses to invest.

In terms of transport by **sea**, container transport at Italy's main ports showed a steady trend, with roughly 5 million TEUs (twenty foot equivalent units) transported in the first half of the year. In 2015, the consolidation of the **logistics** sector continued, with turnover up by 1.4% on the previous year.

The **passenger** transport segment also performed well. Indeed, there was growth in passenger transport by **air**, with around 157 million travellers passing through the 35 Italian airports monitored by Assaeroporti (the Italian association of airports), up by 4.5% on the previous year. This increase reflects the modest growth in domestic traffic (+1.2%) and the sharp rise in international service traffic (+6.8%), the latter supported by EU traffic, up by 8.3% year on year. In this context, the Rome Fiumicino airport remains the number one domestic passenger hub with some 40 million journeys per year, despite the smaller operations following the fire in Terminal 3 last May. Milan Malpensa is second with 18.6 million passengers.

In the **motorway** segment, light vehicle traffic increased by 3.2% in the first three quarters of the year compared to the same period of the previous year, an increase of roughly 47 billion vehicle-km. The car market also confirmed its recovery, registering roughly 1.6 million new registrations (approximately +16% on 2014). Finally, the cruise **ship** transport segment also performed well, with an annual forecast of around 11 million passengers and a rise of approximately 6.0% on 2014.

Traffic figures of major European railway companies

In conjunction with a slow and gradual economic recovery, presenting GDP growth of 1.5%, industrial production up by 1.4% and the unemployment rate down to 11.0%, demand for railway mobility in Europe has reflected a contrast of trends between the passenger and cargo segments.

The main European railway companies' most recent provisional traffic data gathered by the International Union of Railways (Union Internationale des Chemins de Fer, "UIC") show that cargo traffic has undergone an overall decline of 4.0% in terms of tonne-km. Except for the French SNCF, which reported a 3% rise in traffic, the other major railway companies have seen contractions: in particular, in Spain's Renfe -4%, Germany's DB AG -5% and Poland's PKP -3%.

On the other hand, there was moderate growth in passenger railway traffic in 2015. Compared to the previous year, passenger-km rose by 1.2% among the railway companies monitored by the UIC. However, only the Spanish railway company Renfe has remained in line with the European average, reporting +1.5%, while the French SNCF reported a very weak increase of 0.2% and German DB AG reported a drop in traffic (-1.4%).

RELATIONSHIPS WITH CUSTOMERS

Passenger transport - Market

2015 saw the consolidation of the product offer in the market segment in the highly competitive HS market, with competitors pursuing intense pricing strategies. Moreover, the company's competitor expanded its offer at the Milan Centrale and Rome Termini stations. However, the Expo Milano 2015 had a positive impact on number of passengers transported. Net of the effects of the Expo, demand slowed considerably, partly due to the Paris terror attacks.

The company's pricing policy for all products in this segment continued in line with the previous year, offering passengers the long-standing fare structure: Standard, Economy and Super Economy, i.e., a combination of flexibility and convenience. In addition to this range, all the offers continue: Two for the price of one every Saturday and for special occasions holidays; Children travel free, for families, allowing children under 15 years of age to travel for free; the CartaFreccia Special card for loyal customers, who can travel on Frecce trains with a 50% discount off the Standard fare on Tuesdays, Wednesdays and Thursdays from 11 am to 2 pm; and the CartaFreccia Young and Senior cards for travellers under 26 and over 60 who can travel with a 20% discount. In addition, the special same-day and same-weekend roundtrip fares are still being offered for Frecce trains:

In the second half of the year, two new offers were introduced for specific tourist destinations with discounts of up to 50% off the standard fare: the "Special HS" to and from Naples, Salerno, Verona and Bolzano and the "Special FB" to and from Genoa, along with the new "three for the price of two HS package" giving loyal CartaFreccia customers the chance to buy three Frecciarossa and Frecciargento journeys on the same route for the price of two.

Furthermore, as Official Global Rail Carrier for the Expo Milano 2015, Trenitalia launched a series of commercial offers for travellers to Milan or Rho Fiera, including the Special Expo round-trip offer with a discount ranging from 20% to 30% on the standard fare at the time of purchase and the school group Italy offer with special prices depending on the journey and service. In addition, under a specific agreement with the Expo organiser, Expo entrance tickets were sold through Trenitalia's main sales channels: ticket offices, travel agencies, group offices and on the Trenitalia.com website.

In 2015, sales campaigns were launched entailing the use of e-discounts for special events, holidays and specific travel periods, in addition to the CartaFreccia Happy Birthday, Renew your consent, Word-of-mouth and Prepaid CartaFreccia campaigns.

In 2015, in the wake of the previous year's positive results, the sports marketing campaigns were confirmed, with the addition of Sassuolo to the football teams that already partner with Frecciarossa network, i.e., Juventus, Torino, Milan, Inter, Bologna, Fiorentina, Roma, Lazio and Napoli.

Trenitalia signed an agreement with Expo Milano 2015, becoming Official Global Rail Carrier of the Expo. Under this agreement, it prepared a commercial offer to connect Milan to major traffic hubs in Italy and abroad, with 69 direct connections per day to and from the Rho Fiera EXPO station. For the entire duration of Expo 2015, 242 trains arrived in Milan every day from all over Italy, including 154 Frecce trains, offering a daily total of 130 thousand seats.

From the Expo's opening day, 14 million passengers chose Trenitalia services to travel to Milan. Of these, no fewer than 6 million travelled on Frecciarossa trains and 300,000 on EuroCity Italy - Switzerland trains. Trenitalia was an Official Expo Ticketing Agent, distributing and selling some 180,000 tickets to the expo throughout its Italian and international sales network and generating turnover of approximately €4.2 million.

The company was also involved in transporting 45 delegations of the various countries participating in the Expo and the UN, including delegations accompanied by the President of Italy, the Prime Minister and government ministers. The General Secretary of the UN, Ban Ki-Moon, also chose Trenitalia trains for his travel in Italy.

In general, the company's qualitative performance can be summarised as follows: 96.8% of medium and long haul trains in the market service segment arrived on time or, in any case, no more than 0 to 15 minutes late (compared to 97.4% in 2014). Customer satisfaction data, based on a third party survey, show overall satisfaction with the journey of 93.4% at year end (94.1% in 2014).

The following main developments were introduced in 2015:

- **Frecciarossa trains**

The restyling of the new Bistrot carriages was completed, and they replaced traditional restaurant carriage on the entire Frecciarossa (ETR 500) fleet. Featuring an innovative design, the new Bistrot carriage will enable the company to improve its service, thanks to the modern equipment and expanded space to display food. The bar area has been completely updated and the restaurant area has been equipped with business-class seating. Passengers in these seats can enjoy restaurant services on trains running at lunch or dinner time. Activities continued to improve WiFi and 3G internet connectivity services, while the development project for the new on-board WiFi site was completed with the site's launch on 17 December 2015. The new, single site for all HS trains, named "Portale FRECCE", is totally free for customers. In addition, the graphics were improved with a colour coding system for the various services offered, a simplified process for accessing the services and new content including films, TV programmes, music and news on the main events of the day.

The company finished developing the schedule of information broadcast on screens in carriages, continuously expanding content throughout the entire ETR500 fleet (WhereRU/News/Info Travel/Entertainment and sales offers/agreements) and kicking off a new project to fine-tune the ways in which content is displayed (georeferencing, updates at given times and customised update schedules for commercial journeys).

On 14 June 2015, the company launched a new commercial service on the new Frecciarossa 1000 trains, involving eight trains on the Milan-Rome route, with plans to expand this service to routes to Naples and Turin as well. The number of ETR 1000s will progressively increase to a total of 28. The Frecciarossa 1000 is Trenitalia's new HS train. It is comfortable, safe, environmentally friendly and has been designed so that each and every feature is at the cutting edge of the most advanced technology currently achievable. Capable of travelling on all HS networks throughout Europe at a peak speed of 400km/h thanks to its 16 powerful motors on the different carriages, the Frecciarossa 1000 has been designed with interiors that are both elegant and the epitome of travel comfort: easy to use spaces, wide corridors, ergonomic seats, sound proofing, LED lighting, accessibility for people with reduced mobility, on-board screens, electrical outlets at every seat and WiFi connections. Like the Frecciarossa ETR 500, the Frecciarossa 1000 also offers four seating classes (Executive, Business, Premium and Standard), a quiet Business area for passengers who prefer to travel in tranquillity, a meeting room in the Executive section, and a baby changing table in every carriage.

97.55% of Frecciarossa trains arrived on time or, in any case no more than 0 to 15 minutes late, compared to 97.6% in 2014. Customer satisfaction data, based on surveys by independent parties, show overall satisfaction with the journey of 95% at year end, slightly down on the previous year (96.1%).

- **Frecciargento trains**

The development of on-board technologies continued with the consolidation of WiFi and 3G services, while 4G modems were installed to manage on-board screen updates. The group completed the Frecciarossa development project for the new on-board WiFi site, launched on 17 December 2015 and continued developing the schedule of content displayed on the in-carriage screens. It also launched new functions (georeferencing, updates at given times and customised update schedules for commercial journeys). To make communications more effective, the touch screens in vestibules were upgraded to prove the same information as the in-carriage screens.

98.6% of Frecciargento trains arrived on time or, in any case no more than 0 to 15 minutes late, compared to 98.5% in 2014. Customer satisfaction data, based on surveys by independent parties, show overall satisfaction with the journey of 92.8% at year end, slightly down on the previous year (93.2).

- **Frecciabianca trains**

As in 2014, for Frecciabianca trains, the company focused on reducing the amount of time between connections, to cut down on customers' travel time. The Rome-Reggio Calabria route was shortened by 15 minutes in 2015.

The process continued to align the exterior of the new Frecciabianca trains with the rest of the fleet and improvements were made to the on-board announcement schedule, which is now the same as on the Frecciarossa and Frecciargento trains. In addition, work began to align the interior and exterior of the ETR470 (former Eurocity) fleet to the Frecciabianca.

94.8% of Frecciabianca trains arrived on time or, in any case no more than 0 to 15 minutes late, compared to 96% in 2014. Customer satisfaction data, based on surveys by independent parties, show overall satisfaction with the journey of 91.5% at year end, slightly down on the previous year (93.2).

- **International service**

The Italy - Switzerland offer was confirmed with the same frequency of trains as in 2014. On the other hand, an additional train pair was added to the EuroCity Thello service between Milan and Marseilles via Nice.

The Rho Fiera EXPO stop was added to the routes of all international trains arriving from Switzerland, and, beginning on 1 May 2015, new Eurocity Expo trains were rolled out, without any in-between stops in Italy (for passengers from Switzerland).

Commercial initiatives also include the continued offer for Carta Freccia cardholders on Italy-Austria night trains, the "smart price" rate for 1st class travellers, the new "Mini" and "Family child" offers and the ticketless service on international routes.

The company continued offering passengers discounts on Frecciarossa, Frecciargento and Frecciabianca travel to France, operated in collaboration with its subsidiary Thello. The Frecce-Thello combination makes it possible to connect France with major Italian cities and the most popular tourist and business destinations efficiently and at even lower prices.

Universal passenger service

In line with the provisions of the long haul public service contract for 2009/2014, the offer model defined by the customer, the Ministry of Infrastructure and Transport, was confirmed for 2015 with the 2015 rider.

Again in 2015, passengers on night trains were offered the Night + HS discount, entailing a special price for travel on HS Frecciarossa and Frecciargento trains leaving from or arriving in Naples and Rome in combination with a night connection to or from Sicily and Calabria.

In addition, the Economy and Super Economy fares were still active in 2015 for night trains with a special price point, and a communications campaign called "Night travel starting at €39" was launched for journeys in couchettes (€49 for the sleeper carriage). In the summer, the Economy and Super Economy fares for day trains were launched at special price points called "IC day travel starting at €9".

Over 95.8% of medium and long haul trains falling under the universal service and other services reached their destination on time or less than 15 minutes late, showing a significant improvement on the previous year (94.6%).

Regional transport

Most of the public service contracts in place with the regions expired on 31 December 2014. Certain contracts were renewed: those with Umbria, Sicily and the Autonomous Province of Bolzano. Negotiations are underway in the other regions and the renewal of agreements in Lazio, Tuscany, Veneto, Marche, Sardinia and the Autonomous Province of Trento is being formalised. The contract with Friuli Venezia Giulia has been extended to 31 December 2016.

The Emilia Romagna region awarded the joint venture between Trenitalia (principal) and TPER with the contract for the provision of railway services (15 years, renewable for another 7.5 years).

In general, most of the regions, although each to a different extent, are excellent customers and none have requested significant cuts in services. Certain regions have even contributed with their own funds to purchase new trains and play a very important part in the continuous improvement of the range of services offered.

In certain cases, which are, fortunately, limited, considerable cuts have been made in the services requested due to budget issues and delays in payments that have made it necessary to postpone or suspend investments in new trains.

The transfer of resources from the Ministry of Infrastructure and Transport to the special-status regions, affecting the public service contract with the Ministry of Infrastructure and Transport, is nearing completion and only the undivided services in the north east area (mainly Verona-Brennero and Trieste-Venice) remain in place. 95.4% of regional transport trains arrived 0 - 5 minutes within the scheduled time, showing a clear improvement on the previous year (93%).

Customer satisfaction data have improved substantially as well. In particular, overall passenger satisfaction reached 76.1% in 2015, compared to 74.1% in 2014. More specifically, the perceived quality of cleanliness on board regional trains improved considerably, rising from 58.8% in 2014 to 62.6% in 2015.

A series of initiatives and investments have been carried out to improve service quality by making services easier to use, in particular:

- paper tickets have been eliminated and e-tickets are now on sale, indicating the origin and destination of the journey. Tickets are valid for 60 days and the group is evaluating whether to shorten this term of validity to prevent potential ticket avoidance. Regional tickets are sold not only at ticketing offices and other retailers, but also online at Trenitalia.com and using the Trenitalia app four months before the journey and up to 20 minutes before train departure. In addition, tickets do not need to be printed. The end aim is the complete digitalisation of this service with no paper tickets using tools like smart cards to facilitate the integration, including fares, of the various modes of transport;
- the project to replace the old self service ticketing machines was completed, with the installation of 1,280 new devices at the main traffic hubs and crowded areas, such as universities and trade fair grounds. The new self service machines meet far superior technical and security standards than the previous ones and are much easier to use, enabling customers to buy any product in the company's domestic offer using cash, credit cards or direct debit cards;
- new ticket punchers have been installed, making it possible, inter alia, to use new ticket recognition technologies, such as barcodes and microchips.

Cargo

Cargo transport continues to be affected by uncertainties and difficulties in all non-automotive segments. In particular, as in 2014, railway traffic has suffered from the near standstill on the domestic market, with one exception: clear signs of recovery in traditional traffic led by the automotive sector, while combined domestic traffic continues to show lower volumes to and from ports.

In this economic scenario, the Cargo Division has been able to post slight increases on 2014, both in revenue and in traffic volumes. It has achieved these results by promoting customer loyalty, extending the term of agreements in place in Italy and taking targeted action to increase international traffic from Italy to abroad. However, the discontinuous trend in combined sea and land domestic traffic has not helped significantly recover traffic from intermodal and intramodal competition.

ECONOMIC & FINANCIAL CONDITIONS

Income statement

The profit for 2015 reflects the impact on results of changes in the company's operating context, such as the termination of the Cargo public service contract with the government and regulation measures issued in the second half of 2014, which have affected the cost of electrical energy for traction and charges to use HS infrastructure in the Long Haul Passenger Transport Service Division on the market.

The government's decision to not renew the Cargo public service contract generated a reduction of roughly €105 million in Trenitalia's fees. This was only partly offset by elimination of infrastructure access costs for traffic originating and/or terminating in the Southern Italian regions and ferry costs, totalling €33.3 million. In the wake of the government's decision, for the 2014 financial statements, the company decided to revise the Cargo Division's business plan. Indeed, impairment testing on the Cargo Division led to the impairment of the division's assets by €185.2 million, with a benefit on 2015 due to lower depreciation and amortisation by around €10.9 million

The measures passed relating to electrical energy for traction (Electricity and Gas Regulator's resolution of December 2013 and Decree law no. 91, converted into Law no. 116/14 on 11 August 2014, published in the Italian Official Journal no. 192 of 20 August 2014) led to an estimated €34.0 million increase in the cost of energy. With respect to the charges to use the HS infrastructure, the Italian Transport Regulator's ("ART") regulation reduced the HS toll from €12.8 to €8.2 per train-km (-37%) as from November 2014, with an estimated impact of roughly €56.9 million on profit or loss for the year, and lower costs of approximately €56.9 million.

millions of Euros

	2015	2014	Change
Revenue	**5,542.3**	**5,576.7**	**(34.4)**
- Revenue from sales and services	5,308.4	5,366.9	(58.6)
- Other income	234.0	209.8	24.2
Operating costs	**(4,114.9)**	**(4,120.9)**	**6.0**
Personnel expense	(1,894.5)	(1,900.5)	6.0
Other costs, net	(2,220.4)	(2,220.4)	(0.0)
GROSS OPERATING PROFIT	**1,427.4**	**1,455.8**	**(28.4)**
Amortisation and depreciation	(1,007.2)	(958.3)	(48.9)
Net reversals of impairment losses	(15.5)	(209.5)	194.0
Provisions	(24.0)	-	(24.0)
OPERATING PROFIT	**380.7**	**288.0**	**92.6**
Net financial expense	(131.9)	(160.7)	28.9
PRE-TAX PROFIT	**248.8**	**127.3**	**121.5**
Income taxes	(18.7)	(67.8)	49.1
PROFIT FOR THE YEAR	**230.1**	**59.5**	**170.6**

The profit for 2015 amounts to €230.1 million, compared to €59.5 million for 2014. For the purposes of providing an accurate comparison of results, readers should keep in mind that the 2014 income statement includes the significant impairment losses (€185.2 million) on the Cargo Division's assets. The gross operating profit decreased slightly, falling from €1,455.8 million in 2014 to €1,427.4 million in 2015 (-1.95%), similar to the slight decrease in the gross operating profit margin, which went from 26.1% in 2014 to 25.8% in 2015. These trends reflect the substantially steady performance of operations.

The operating profit came to €380.7 million, up on the previous year (€288.0 million).

Despite the volatile economic context, the company achieved important milestones, as it both improved the quality of its offer and also continued strengthening its fundamentals.

The company is capable of taking action to maintain its leadership on the HS market through a particularly effective marketing strategy. It has used all marketing mix levers, partly through significant market control innovations, with positive repercussions on customer satisfaction, market shares and product profitability. In the scope of the long haul universal service and regional transport segments, it has continued to adjust its offer to meet the customers' requirements and reflect changes in demand, within the limits of the public service contracts. The regional transport service has achieved important milestones in terms of timeliness and customer satisfaction.

The Cargo Division has continued to pursue the rationalisation/reorganisation of its operating structure, a complex process that began in previous years with the aim of adjusting it in the pursuit of financial balance. With the termination of the public service contract, a new business plan was prepared for the division, with the definition of a series of projects and measures needed to find a new financial balance.

Revenue

Revenue from sales and services

Revenue from sales and services fell by 1.1% to €5,308.4 million for 2015, compared to €5,366.9 million in the previous year. The changes in each type of revenue are summarised below:

	2015	2014	% change
Traffic revenue	3,296.2	3,234.3	1.9%
Revenue from public service contracts	1,891.9	1,992.6	-5.1%
Revenue from other transport-related services	120.3	140.0	-14.1%
Total	**5,308.4**	**5,366.9**	**-1.1%**

Traffic revenue

Traffic revenue rose by a total of roughly €62 million (+1.9%), due the varying contributions of passenger traffic (+€54.1 million, +2%) and cargo traffic (+€7.8 million, +1.7%).

The increase in passenger traffic revenue was due to the rise in demand for passenger-km which, as the commercial offer expanded (+1.9%), grew by a total of 1.8%.

During the year, the Cargo Division generated traffic revenue from third parties of €477.1 million, showing an increase on the previous year. This division generated a total of 34.2 million train-km, a slight increase (+1.4%) on 2014.

Additional details on the trend in traffic revenue are given in the section providing reporting by division.

Revenue from public service contracts

Revenue from public service contracts (with the regions and the government) decreased by approximately €100.7 million (-5.1%) on the previous year.

Medium haul service contract fees showed no material changes in turnover.

Fees arising from the local public transport service provided to the government for the undivided services in the Triveneto region are substantially unchanged, while revenue from service contracts with the regions, including

Sicily and Valle D'Aosta show a slight, overall decrease of about €3 million, due to the renegotiation of certain contracts.

As noted earlier, the government's decision to terminate the cargo service contract led to a decrease of approximately €105 million in the corresponding fees.

Revenue from other transport-related services

Revenue from other transport-related services decreased by a total of €19.7 million on 2014, mainly the net effect of the trends in the following fees:

- lease of rolling stock (-€8.2 million), mainly due to the reduction in revenue from leasing rolling stock to Trenord S.r.l. (-€9.6 million) as the measurement criteria for these transactions were changed, partly offset by the increase in the lease payments due from the subsidiary Thello (+€2.8 million);
- rolling stock maintenance on behalf of third parties (-€12.1 million), mainly due to the cuts in the services that the company's Technical Department provided to Trenord S.r.l. (-€14.8 million), partly offset by the increase in maintenance provided to companies outside the FS group (+€2.2 million);
- connector tracks and cargo terminal management (-€0.7 million).

Other income

Other revenue increased by €24.2 million on 2014. The main changes with respect to 2014, which are mostly due to the change, from one year to the next, in the management of certain non-core business items, are described below:

- €41.2 million increase in fines charged to clients and suppliers for breach of contract;
- €4.9 million increase in ticketing fee income;
- increase in general service fees and recharges, totalling €8.2 million from Thello Sas (+€7.1 million) and third parties (+€2.5 million), partly offset by the decrease in the services provided to Trenord S.r.l. (-€1.3 million);
- €14.4 million reduction in income from the scrapping of rolling stock;
- €11.5 million increase in insurance compensation;
- €5.1 million reduction in travel irregularities.

Operating costs

Operating costs decreased slightly on 2014, by €6.0 million (-0.15%).

This was the result of the dynamics described below.

Personnel expense improved by €6.0 million (-0.3%). The reduction was the net effect of certain positive and negative factors, such as:

- lower costs as the average workforce, measured in terms of full-time equivalents (FTE) decreased by 418, generating savings of roughly €24.0 million;

- €35.3 million increase in costs due to the higher average cost per employee as the raises provided for by the national labour agreement took full effect;
- €2.4 million rise in revenue arising on recharges for personnel seconded to other group companies;
- less leaving incentives paid and less expense to adjust the liability to the fund for income assistance for FS group employees, entailing total savings of €16.6 million;
- €0.8 million increase in personnel-related expense.

Other costs, net of the capitalisation of routine maintenance and other revamping projects on rolling stock, are substantially unchanged with respect to 2014. This item was mainly affected by:

- lower costs for transport services (production process and train operation), down by roughly €50.1 million due to the drop in:
  a) costs to access the infrastructure, which were reduced by €69.9 million, mainly due to the lowering of the unit toll on HS routes in accordance with the ART resolution (-€56.9 million) and the elimination of cargo tolls for trains originating and/or terminating in Southern Italian regions (-€25.9 million);
  b) the Cargo Division's ferrying costs, down by €7.4 million;
  c) costs related to train operation, due to the related company RFI and third parties, down by €7.7 million;
  d) replacement bus service costs, down by €5.8 million,

  partly offset by higher costs for electrical energy used for traction, up by €42.0 million, mainly due to the application of the Electricity and Gas Regulator's resolution no. 12/2013 and greater costs to RFI for fees to access the railway infrastructure, following the expansion of the commercial offer;

- greater costs for materials, up by a total of €12.8 million, due to the combined effect of the €24.0 million rise in scrapping costs and the adjustment of the allowance for write-downs, partly offset by the reduction in consumables, mainly because of the lower average price of fuel;
- the €12.3 million increase in costs for the rolling stock maintenance process, as the warranty period for certain fleets has come to an end and the commercial offer has grown;
- the €4.5 million increase in costs for rolling stock and plant cleaning costs;
- the €8.7 million increase in costs for on-board train services, consisting of food services and welcome drinks, influenced by the greater demand met and the extension of the new catering model to the entire HS fleet;
- the €8.7 million increase in IT costs, mainly due to the roll-out of new systems;
- the €6.4 million increase in advertising and marketing costs due to promotional activities for services sold on the market;
- greater costs to lease rolling stock, up by €7.2 million;
- the increase totalling €8.2 million due to the capitalisation of costs incurred for extraordinary and routine maintenance and other revamping projects on rolling stock.

Amortisation and depreciation

Amortisation and depreciation rose by €48.9 million. Approximately €19.3 million of this increase was due to greater depreciation of routine maintenance, while the residual €29.6 million was due to the combined effect of greater depreciation of rolling stock and other investments that were rolled out in 2015 (€45.4 million) and the end of depreciation for certain assets that reached the end of their useful lives or that were impaired (-€15.8 million).

Impairment losses (reversals of impairment losses)

Impairment losses decreased by €194.0 million, with €185.2 million of this decrease due to the fact that, in 2014, the Cargo Division's assets were impaired as a result of impairment testing described above. The residual decrease was due to the lower impairment losses on rolling stock and workshop plant in 2015 (-€13.6 million), offset by the increase in the impairment of the Cargo Division's trade receivables (+€5.3 million).

Provisions

Provisions grew by €24.0 million due to the accrual of a restructuring provision of €24.0 million to activate the extraordinary benefits under the income assistance fund for FS group employees.

Financial income and expense

Net financial expense improved by a total of €28.9 million due to the €10.1 million increase in financial income and the €18.8 million reduction in financial expense compared to 2014.

The increase in financial income is mainly due to Cisalpino's distribution of dividends of €15 million, partly offset by the lack of interest income on the tax asset for registration tax in 2015, as the tax authorities reimbursed the amount in 2014, and the positive time value adjustments of €2.5 million and €1.9 million, respectively.

The trend in financial expense on the servicing of non-current loans and borrowings showed an overall improvement of €21.7 million. Lower financial expense was due to the reduction in the average interest rate applied to debt, down from 2.58% in 2014 to 2.36% in 2015. Furthermore, this caption benefited from the greater weight of current debt, which accrues interest at a more favourable rate, and the gradual repayment of non-current loans and borrowings on which the company had agreed swap contracts to remain in place until maturity. These contracts prevented it from taking full advantage of the market advantages that have arisen as the EURIBOR has fallen.

In addition, greater financial expense due to unrealised exchange rate losses (€7.4 million) arose on the €81 million loan in Swiss francs, due to the significant appreciation of the Swiss franc since the end of 2014 following the Swiss central bank's decision in January 2015 to not keep the €/CHF exchange rate at 1.20.

The interest cost of post-employment benefits decreased by a total of €7.7 million, mainly due to the effect of the lower average rate applied, which went from 2.25% in 2014 to 1.34% in 2015.

Moreover, the increase in impairment losses on equity investments had a negative impact of €4 million. These impairment losses related to Thello S.A.S. (€3 million) and Cisalpino AG (€1 million) following their net losses for the year.

Income taxes

The tax charge for the year shows a €49 million decrease. The items that resulted in the most significant changes were that in 2015, it became possible for companies to deduct total personnel expense for employees with open-ended contracts from the IRAP tax base, resulting in a decrease of €54 million, and that the IRES tax rate was lowered, resulting in a €3.7 million decrease, with a net positive impact on deferred tax liabilities/assets. Finally, decreases of €1.2 million were due to the updating of prior year estimates of income taxes, as determined with the filing of the relevant tax returns in 2015.

Reclassified statement of financial position

millions of Euros	31.12.2015	31.12.2014	Change
ASSETS			
Net working capital	579.6	749.2	(169.6)
Other net assets	(234.0)	(528.3)	294.3
Working capital	**345.6**	**220.9**	**124.6**
Non-current assets	9,684.1	8,878.3	805.8
Non-current equity investments	143.1	144.2	(1.1)
Net non-current assets	**9,827.3**	**9,022.5**	**804.8**
Post-employment benefits	(918.8)	(1,010.4)	91.6
Other provisions	(233.2)	(207.7)	(25.5)
Post-employment benefits and other provisions	**(1,152.0)**	**(1,218.1)**	**66.1**
NET INVESTED CAPITAL	**9,020.8**	**8,025.3**	**995.5**
COVERAGE			
Current net financial debt	2,715.7	1,356.8	1,358.9
Non-current net financial debt	3,998.9	4,594.4	(595.4)
Net financial debt	**6,714.6**	**5,951.2**	**763.5**
Equity	**2,306.2**	**2,074.1**	**232.1**
COVERAGE	**9,020.8**	**8,025.3**	**995.5**

Net invested capital

Net invested capital increased by €995.5 million on 31 December 2014 due to the €124.6 million rise in working capital, the €804.8 million increase in net non-current assets and the €66.1 million decrease in post-employment benefits and other provisions.

Net operating working capital decreased by €169.6 million due to the following trends:

- the increase of roughly €409.3 million in trade receivables, most of which (€362.8 million) are due from the regions and the Ministry of the Economy and Finance for service contract fees. In particular, considering - following the transfer of responsibilities from the Ministry of Infrastructure and Transport to the regions as from 2011 – the reallocation of the amount due from the Valle d'Aosta region from receivables from the Ministry of the Economy and Finance to receivables from the regions, the total receivable from the government has grown by €184 million (mainly because the government has not yet paid the fees on the national universal service contract), while the total receivable due from the regions has grown by €178.8 million. The entire receivable from the Ministry of the Economy and Finance (€534.7 million) can be considered outstanding, while the outstanding amount due from the regions totals €675.2 million, compared to €556 million at 31 December 2014. In addition to taking the appropriate legal steps to collect the receivables and protect its assets, the company has agreed collection plans with some of its public body customers and constantly monitors their fulfilment. Given the large amount of the receivable from the Ministry of the Economy and Finance, the competent ministers have, for some time, been taking steps to reduce the outstanding balance. Finally, other trade receivables also increased in the year (+€46.4 million), mainly due to the growth in ordinary customers. Of this amount, over €22 million was due to fines, for which the related documentation was issued in December and the fines are expected to be collected in March 2016;

- the decrease in inventories of approximately €40.5 million, particularly with respect to spare parts;
- the €538.5 million increase in trade payables due to the cash flow trend in investments in the year, which were particularly intense near the end of the year.

Other net assets (liabilities) increased by €294.3 million, mainly due to the following:

- the net increase of €287.1 million in the VAT asset due to the application of the new split payment approach to managing VAT on transactions with public bodies and government administrations. This method was introduced with the 2015 Stability Act (Law no. 190/2014) and took effect on 1 January 2015. It provides for a mechanism that, when goods are sold or services provided to public bodies, the supplier does not directly collect (and subsequently pay) VAT but it is instead paid directly by the public body. The company, which has many transactions with the regions and the Ministry of the Economy and Finance, has a structural VAT asset. To recover the VAT assets that accrued over the first three quarters of 2015, the company filed a claim for reimbursement, while for the fourth quarter of 2015, it will recover the VAT when it files a VAT return;
- €32 million decrease in payables to employees, substantially due to the combined effect of the decrease in payables to the fund for income assistance in connection with projects nearing conclusion (-€54.3 million) and the increase in related accruals (+€22.4 million).

Net non-current assets increased by a total of €804.8 million, mainly due to the rise in non-current assets following investments, including routine maintenance, carried out and recognised in the year (approximately €1,848.1 million), net of amortisation, depreciation and impairment losses (roughly €1,011.4 million) and grants related to assets and disposals (€31.8 million).

Post-employment benefits and other provisions decreased by €66.1 million on 31 December 2014, due to the following:

- the €91.6 million decrease in post-employment benefits, mainly due to the actuarial gain of €38.6 million and the utilisation of post-employment benefits when employees left the company and advances were paid (€62.8 million), the effects of which were only partly offset by the recognition of the interest cost (€13.3 million). The amount of the actuarial gain is mainly related to the change in the discounting rate applied to the provision, which reduced it to below the amount of the liability accrued at that date: the adjustment was recognised as a balancing entry in the equity reserve.

- €24 million increase in the restructuring provision, due to the estimated cost of initiating projects in line with the plan targets.

Net financial debt

The company's net financial debt amounts to €6,714.6 million, reflecting a worsening of €763.4 million in the year. Continuing operations generated net cash inflows of €228.9 million in 2015, after the negative effects of accumulating delays on the part of the regions and, in particular the Ministry of the Economy and Finance, in paying fees for the service contracts.

Investing activities used €915.4 million in cash flows from continuing operations (compared to €558.8 million in 2014) while financing activities used €120.9 million. On the other hand, grants related to investments generated cash flows of €44.3 million and the year ended with total net cash outflows of €763.5 million.

In 2015, the company also incurred outflows for the repayment of €602.9 million in non-current loans falling due, which led to overall coverage, including the use of cash flows from operations, of approximately €1,366.3 million through credit lines made available by the parent.

Equity

Equity in the reclassified statement of financial position includes, unlike in the non-reclassified statement, derivative liabilities. Accordingly, to provide a clear understanding, the following reconciliation of reclassified equity and non-reclassified equity is given below.

	2015	**2014**	**Change**
Reclassified equity	2,306.2	2,074.1	232.1
Derivative liabilities included in equity	(71.7)	(124.2)	52.5
Equity	**2,234.5**	**1,949.9**	**284.6**

Reclassified equity shows a €232.1 million decrease due to the following changes:

- distribution of €11 million in dividends to the parent;
- recognition of the profit for the year of €230 million;
- €29.8 million increase in the actuarial reserve for employee benefits;
- €16.7 million decrease due to the change in the derivative liabilities included in equity (€52.5 million), net of the cash flow hedge reserve, including the tax effect (€35.8 million).

Reporting by division

Trenitalia is organised into separate divisions, each of which generates independent cash flows:

- Long Haul Passenger Transport

- Regional Passenger
- Cargo

In accordance with the company's control model, the cross-company divisions (Technical Head Office, Industrial Logistics Head Office, Industrial Planning Head Office and Staff) are allocated to the income statements of the various divisions, making it possible to present them on a full-cost basis.

This is the first time Trenitalia is presenting information by division in the annual report. Accordingly, comparative data for 2014 have been determined retrospectively using the same allocation and classification criteria as for 2015. This reporting by business unit is not in compliance with the segment reporting criteria required by IFRS 8, as the company has no obligation in this respect.

Long Haul Passenger Transport

The Long Haul Passenger Transport Division manages domestic and international medium and long haul passenger transport services, which include both those sold on the market (High Speed Frecciarossa and Frecciargento trains, as well as Frecciabianca and international trains) and medium and long haul Intercity day and Intercity night services pursuant to a service contract with the government.

Millions of Euros	2015	2014	Change	%
Revenue	**2,398.1**	**2,339.5**	**58.6**	2.5
- Revenue from sales and services	2,213.2	2,174.3	38.9	1.8
- Other income	184.9	165.2	19.7	11.9
Operating costs	**(1,614.2)**	**(1,603.9)**	**(10.3)**	0.6
Gross operating profit	**783.9**	**735.6**	**48.3**	6.6
Amortisation, depreciation and impairment losses	(476.6)	(457.5)	(19.1)	4.2
Operating profit	**307.3**	**278.1**	**29.2**	10.5

The long haul passenger transport ended the year with an operating profit of €307.3 million, up on the previous year (€278.1 million). The gross operating profit also increased, by around 6.6% from €735.6 million in 2014 to €783.9 million in 2015.The gross operating profit margin as a percentage of revenue came to 32.7% in 2015, up on the 31.4% of 2014, highlighting a considerable improvement in the performance of operations.

The following table reports the main traffic indicators. The indicators are reported for market services, which relates to services for which no public grants are awarded, meaning there are no regulations dictated by service obligations, separately from the universal service, which refers to trains under a specific service agreement with the government. For the purposes of a consistent comparison, certain 2014 items have been reclassified between the two Long Haul Passenger Division segments following changes in the service scope.

	2015	2014	Delta %
Revenue (€/million)	**2,398**	**2,340**	**2.5%**
Passenger-km (millions):	**20,388**	**19,920**	**2.3%**
- of which: market services	15,869	15,082	5.2%
- of which: universal service	4,518	4,839	-6.6%
Train-km (thousands)	**79,261**	**77,976**	**1.6%**
- of which: market services	53,428	52,101	2.5%
- of which: universal service	25,832	25,875	-0.2%

Medium and long haul traffic revenue performed well, improving by €38.9 million (+2.0%) on 2014, due to the differing trends between the various service types:

- overall, the **market segment** shows a 3.8% increase, amounting to +€61.7 million, due to the growth in revenue (€67.3 million) from the Freccia trains, whose offer was expanded with the HS Turin-Milan-Naples-Salerno network, partly offset by the decrease in revenue (-€5.6 million) generated by the EuroNight and Charter trains.

- the **universal service** shows a €22.8 million decline in total revenue due to both the drop in night service revenue (-€3.6 million, -4.0%) and, with a greater impact, the lack of income from services between Milan and Ventimiglia (-€19.2 million), which the subsidiary Thello SA operated in 2015.

The increase in other revenue was substantially due to the rise in income for fines.

Operating costs of the Long Haul Passenger Transport Division went from €1,603.9 million in 2014 to €1,614.2 million in 2015, up by €10.3 million (+0.6%).

Personnel expense decreased by a total of €9.6 million, while other operating costs rose by €19.9 million.

The total decrease in personnel expense was the combined effect of the reduction in FTE (-326 compared to 2014), with a total estimated impact of €18.2 million, and the increase in the per capita cost, which had a total impact of €9.6 million. The reduction in the average workforce was due to the smaller scope of ticketing offices as certain offices were transferred to the Regional Passenger Transport Division.

Other operating costs show a net increase totalling €19.9 million. This trend was affected by changes in legislation, all of which impacted the market segment, but with an opposite sign: on one hand, the reduction in the unit HS toll ordered by ART in its resolution, led to savings of roughly €56.9 million, while on the other, the increase in the cost of electrical energy for traction, following measures passed by the Electricity and Gas Regulator, which had a negative impact of approximately €34 million. Also with respect to energy consumption, the increase in production throughout the entire network, with the rising electrical energy unit cost, led to greater expense.

The rising trend in other operating costs on 2014 is due to the expansion of the commercial offer of market services (train-km +1.1 million) and demand met (pkm +5.6% on Frecce trains), as well as the extension of the new catering model to the entire HS fleet and higher fees paid by the Regional Passenger Transport Division after certain ticketing offices were transferred to other company structures. The increase in depreciation is partly due to the roll-out of 18 ETR 1000 trains and the trend in routine maintenance.

This division's net invested capital is shown below in comparison with the previous year end:

Millions of Euros	2015	2014	Change	%
Net working capital	(274.9)	(456.2)	181.3	-39.7
Net non-current assets	3,800.5	3,324.7	475.8	14.3
Other provisions	(261.8)	(294.2)	32.4	-11.0
Net invested capital	**3,263.8**	**2,574.3**	**689.5**	**26.8**

The change in net invested capital is mainly due to the increases in non-current assets following the purchase of new rolling stock (ETR 1000) and the rise in working capital due to the receivables for 2015 universal service fees that the Ministry of the Economy and Finance has yet to pay.

Regional passenger transport

The Regional Passenger Transport Division is responsible for mass transit and regional and inter-regional transport services in accordance with the regional service contracts, meeting the explicit requirements of the various regions. Organised into 20 regional departments, this segment promotes, together with other local bodies and other transport companies, modal and fare integration schemes to facilitate transit services for residents.

Millions of Euros	2015	2014	Change	%
Revenue	**2,685.1**	**2,663.5**	**21.6**	0.8
- Revenue from sales and services	2,501.6	2,488.5	13.1	0.5
- Other income	183.5	175.0	8.5	4.9
Operating costs	**(1,967.1)**	**(1,936.1)**	**(31.0)**	1.6
Gross operating profit	**718.0**	**727.4**	**(9.4)**	(1.3)
Amortisation, depreciation and impairment losses	(485.5)	(458.1)	(27.4)	6.0
Operating loss	**232.5**	**269.3**	**(36.8)**	(13.7)

The Regional Passenger Transport Division ended the year with an operating profit of €232.5 million, down on the previous year (€269.3 million). The gross operating profit showed a 1.3% decrease, slipping from €727.4 million in 2014 to €718.0 million in 2015, while the gross operating profit margin as a percentage of revenue held strong in 2015, coming in at 26.7%, compared to 27.0% in 2014.

The following table reports the main traffic indicators:

	2015	2014	Delta %
Revenue (€/million)	**2,685**	**2,663**	**0.8%**
Passenger-km (millions)	18,902	18,691	1.1%
Train-km (thousands)	154,902	151,905	2.0%

In 2015, regional transport traffic revenue grew on the previous year by approximately €16.2 million (+2.0%). This increase was due to greater passenger-km (+1.1%) and the higher average fares (+0.9%). Production measured in terms of train-km increased by 2.0%, mainly in Tuscany, Veneto, Campania and Lazio due to the restoration of local lines that were not operating in 2014.

Local public transport fees paid by the government for undivided services in the Triveneto region are substantially unchanged, while revenue generated by service contracts with the regions are slightly down by approximately €3 million, due to the renegotiation of certain contracts when they expired. As for fees from the government, the public service contract with the Ministry of Infrastructure and Transport for the special-status regions expired in 2009 and has not yet been renewed. However, the company has continued to provide its services on the basis of instructions that the Ministry has provided each year, periodically requesting the same number of train-km as in 2011. Moreover, Trenitalia has provided these services on the basis of continuity clauses in connection with the expired contract, which the Ministry of Infrastructure and Transport has, itself, cited. Trenitalia has reported this situation on multiple occasions to both the Ministry of Infrastructure and Transport and the Ministry of the Economy and Finance, sending exhaustive documentation demonstrating that the Ministry of Infrastructure and Transport has requested these services and that they have been provided. In 2015, the gap between public funding earmarked for these services and production revenue for the same amounts to roughly €4 million, which the company has prudently accrued. It took a similar approach in previous years, when the difference between the value of services provided and the amount of earmarked funds was even greater. At the same time, the Ministry of Infrastructure and Transport is progressively transferring responsibility to the special-status regions. Indeed, following the programme agreement dated 7 June 2012 between Sardinia and the relevant ministries, the transfer of financial resources from the Ministry of the Economy and Finance to the region was completed. A similar procedure is underway for Sicily, whereas, for Valle d'Aosta, it was not until Decree law no. 78 of 2015 was issued that resources were transferred, albeit with retroactive effect from 2011.

The operating costs of the Regional Transport Division amount to €1,967.1 million, up by €31.0 million on 2014 (+1.6%). This increase is substantially due to the rise of approximately €22.0 million in personnel expense, in turn affected by the increase in the per capita cost (impact of roughly €19.0 million) and the number of employees assigned to this division (94 FTE, with an impact of around €5.0 million). The number of resources grew as a result of the reorganisation of the sales process, which began on 1 September 2014 and which had an impact on all of 2015.

Other costs, net rose by approximately €9.0 million in 2015 (+0.8%). This was mainly due to the following factors:

- €11.0 million increase in toll costs, due to greater production and services offered in certain regions;
- €6.0 million increase in the cost of electrical energy, partly due to the growth in production and partly to the unit cost, which was about 10% higher;
- greater adjustments of fines on service contracts with the regions, up by €3.9 million;
- lower rolling stock maintenance costs, down by €5 million as there were fewer face-lift and repair activities with the progressive arrival of new trains in the year;
- €6.0 million reduction in replacement bus service costs, as these services were no longer necessary after the railway service resumed with the restoration of lines that had been suspended in 2014.

The increase in amortisation and depreciation is mainly due to the roll-out of new trains following investments.

This division's net invested capital is shown below in comparison with the previous year end.

Millions of Euros	**31.12.2015**	**31.12.2014**	**Change**	**%**
Net working capital	572.4	548.1	24.3	4.4
Net non-current assets	4,893.8	4,514.8	379.0	8.4
Other provisions	(453.8)	(478.1)	24.3	-5.1
Net invested capital	**5,012.4**	**4,584.8**	**427.6**	**9.3**

The change is mainly due to the increase in net non-current assets, following new investments in rolling stock for the regional transport service.

Total receivables from the regions amount to approximately €1,095.3 million, compared to €916.4 million at 31 December 2014, showing a total increase of €178.8 million. At the previous year end, some receivables from the regions (roughly €82.7 million) had been adjusted on a pro-forma basis to reflect the progressive transfer of responsibilities from the Ministry of Infrastructure and Transport to the Valle d'Aosta region as from 2011.

Of these receivables, a total of €675.2 million had fallen due at 31 December 2015 (31 December 2014: €556 million). The regions with the most significant balances of outstanding receivables are: Campania (€174 million), Valle d'Aosta (€100 million), and Sicily (€83 million). The outstanding amount due from the government totals over €203 million, which coincides with the total receivables due. In addition to taking the appropriate legal steps to collect the receivables and protect its assets, the company has agreed collection plans with some of the regions and constantly monitors the regions' fulfilment. The receivable from the Ministry of the Economy and Finance for local public transport services has now reached massive proportions. In this respect, the competent ministries have, for some time, been taking steps to reduce the outstanding balance. The total increase in receivables is partly offset by the increase in trade payables, which have grown by some €248 million, due to the considerable investments. These investments were particularly significant near the end of the year.

Cargo

The Cargo Division manages both traditional and combined (intermodal) cargo railway transport services in Italy and abroad.

Millions of Euros	2015	2014	Change	%
Revenue	**515.1**	**622.5**	**(107.4)**	(17.3)
- Revenue from sales and services	485.7	575.4	(89.7)	(15.6)
- Other income	29.4	47.1	(17.7)	(37.6)
Operating costs	**(573.6)**	**(616.8)**	**43.2**	(7.0)
Gross operating profit (loss)	**(58.5)**	**5.7**	**(64.2)**	(1,126.3)
Amortisation, depreciation and impairment losses	(84.7)	(251.1)	166.4	(66.3)
Operating loss	**(143.2)**	**(245.4)**	**102.2**	(41.6)

The Cargo Division ended the year with an operating loss of €143.2 million, showing a net improvement on the operating loss of the previous year (€245.4 million). On the other hand, gross operating loss reflected a downturn, as it went from a gross operating profit of €5.7 million in 2014 to a gross operating loss of €58.5 million in 2015. The government's decision to terminate the Cargo Public Service Contract generated a reduction of roughly €105 million per year in the corresponding fees. This was only partly offset by the elimination of infrastructure access costs for traffic originating and/or terminating in the Southern Italian regions and ferry costs, totalling €33.3 million, and partly by the new incentive scheme for cargo railway transport which, as from 2015, provides for grants that cover (up to the limit of €100 million/year for all railway companies) the costs incurred to access infrastructure and for ferries.

The following table reports the main cargo traffic indicators:

	2015	2014	Delta %
Revenue (€/million)	**515**	**623**	**-17.3%**
Tonne-km (millions) (*)	15,700	14,694	6.8%
Train-km (thousands) (**)	34,183	33,714	1.4%

(*) Includes tonnes-km generated abroad.

(**) Includes train-km commissioned to other railway companies and generated abroad.

Revenue from sales and services amount to €485.7 million in 2015, down by a total of €89.7 million (-15.6%) on the previous year. This was due to the differing trends in the various revenue categories:

- **Cargo traffic revenue**: in 2015, the Cargo Division generated total market revenue of €485.7 million, showing a slight increase of 1.6% on the previous year (2014: €476.6 million). Production grew slightly on 2014 (+1.4%), coming to 34.2 million train-km. These include 6.5 million generated abroad thanks to the year-on-year rise (+7.1%) in international traffic mainly to and from Germany, Austria and France. In addition, 15.7 billion tonne-km were transported, corresponding with a 6.8% increase on the previous year.

The main business segments, with reference to the various product categories served, show the following trends.

Conventional business

Conventional business traffic volumes, measured in train-km, and turnover grew by 3.3% and 2.9% on 2014, respectively.

The trend in railway traffic in the main conventional business segments can be summarised as follows:

- Steel: there was a considerable increase in volumes with certain customers with highly specialised products (pipes, beams, heavy section bars, flat rolled sections) which have, moreover, offset the drops in traffic between the Italian steel industry's connected production facilities. Accordingly, 2015 ended with a total increase in train-km of +6.6% on 2014, which corresponded with an equivalent increase in revenue.
- Automotive: this sector showed continued growth, encouraged by Fiat Chrysler Automobiles ("FCA")'s revival on the domestic and international market. Railway transport boasted similar signs of recovery, with a dramatic impact on volumes in terms of train-km (+34.7% on 2014), mainly tied to Italian vehicles, parts and vans and international traffic as well (imports of vehicles from Germany and Belgium and exports to France, Germany and the United States).
  Revenue rose by 34.2% on the previous year.

- Chemical: the generally weak situation in Europe remained, a scenario exacerbated in Italy by the effects of the crisis in other closely related segments/customers (construction, appliances, furniture, major users of plastics and synthetic resins). Railway transport, which has always been associated with the production of the basic chemical only, ended the year down 9.3% on 2014 in terms of train-km and down 14.4% in terms of revenue, nearly all of which generated by domestic operations.

- Other segments - raw materials and consumer goods: because of the crisis in the construction industry with a slow recovery in large-scale infrastructural projects, the transport of building materials and wood showed declining turnover again in 2015, while consumer goods volumes were steadier. Railway transport in these sectors has reported shrinking volumes in terms of train-km (-7.9% on 2014), mostly due to the drop in international traffic of imports (grain from Eastern European countries and timber from Austria and Germany) and domestic transport of bottled water. This has evidently led to a decline in turnover on the previous year (-9.6% on 2014).

Combined transport business

There was an overall 5.7% drop in combined traffic volumes in 2015 in terms of train-km, compared to the previous year, while total turnover remained substantially steady (-0.7%). The commercial offer was changed in 2015, to the benefit of shorter haul traffic contracts.
On the European container market, the Northern European hubs reported slowdowns in traffic due to the decline in transport to/from emerging countries (China, in particular). Italian ports maintained steady volumes in terms of handled TEUs, especially in the northern Tyrrenian and northern Adriatic. In this scenario, railway traffic combined with sea and land transport saw a decrease in volumes on both the

domestic market (train-km -5.2% and revenue -2.7% on 2014), and the international market (train-km -6.8% and revenue +0.8% on 2014).

- **Service contract fees**: as noted earlier, the termination of the contract on 1 January 2015 led to the loss of all turnover associated with the contract, which totalled approximately €100 million in the last year when it was in effect.

The operating costs of the Cargo Division amount to €573.6 million, down by €43.2 million on 2014 (-7.0%).

Personnel expense totals €6.0 million, down mainly as a result of the drop in FTE (-141 FTE compared to 2014), the total estimated effect of which is a decrease of €8.1 million, only partly offset by the €2.4 million increase in average per capita personnel expense.

Other costs, net fell by roughly €37.2 million in 2015 (-10.0%), mainly due to the following factors:

- €26.6 million decrease in costs to access the infrastructure, mostly resulting from the elimination of the toll for cargo traffic originating and/or terminating in the Southern Italian regions;
- €7.4 million reduction in ferry costs;
- €2.5 million drop in fuel purchase costs, following the lower cost of oil;
- €3.3 million decrease in related services after certain activities were in-sourced;
- €3.9 million reduction in costs to maintain rolling stock, which partly offset the higher cost to lease carriages and locomotives (+€8.4 million).

Furthermore, amortisation and depreciation dropped by €10.9 million in 2015, mostly due to the fact that there was no depreciation charge in 2015 for the rolling stock impaired at the end of 2014. Consequently, the €179.6 million decrease in impairment losses is attributable to the impairment losses of €185.2 million recognised in the 2014 financial statements on Cargo Division assets, as described earlier, which were not repeated in 2015. On the other hand, there was a €5.3 million increase in the impairment of trade receivables. Finally, the company accrued €24.0 million to the restructuring provision for the activation of extraordinary benefits of the fund for income assistance for the employees of FS group companies.

The division's net invested capital is shown below, substantially unchanged with respect to the previous year end.

Millions of Euros	**31.12.2015**	**31.12.2014**	**Change**	**%**
Net working capital	128.4	119.2	9.2	7.7
Net non-current assets	506.7	503.0	3.7	0.7
Other provisions	(193.8)	(181.1)	(12.7)	7.0
Net invested capital	**441.3**	**441.1**	**0.2**	**0.0**

HUMAN RESOURCES

The company had 31,393 employees at year end. More detailed information is given the table below:

	Employees	Junior managers	Managers	Total
Balance at 31.12.2014	28,071	3,493	238	31,802
Increase	810	251	21	1,082
Decrease	(1,367)	(102)	(22)	(1,491)
Balance at 31.12.2014	**27,514**	**3,642**	**237**	**31,393**

New hires, not considering transfers between group companies, almost exclusively consisted of personnel assigned to maintenance for railway operations. Decreases in the year were due to ordinary employee turnover, promotions and infragroup transfers.

The trend in the average personnel expense over the past two years is shown below:

Average personnel expense per worker	2015	2014
Figures in Euros/FTE	59,999	59,134

With Circular no. 208 of 29 December 2015, INPS (the national social security institution) provided an operational framework for the fund for income assistance for employees of FS group companies pursuant to Interministerial decree no. 86984 of 9 January 2015 (published in the Official Journal of 7 March 2015). Consequently, the ordinary contribution to the fund will be reactivated in February 2016 (with the recovery of contributions for the period from March 2015 to January 2016 in the same February 2016 payslip). Nevertheless, while the fund's administration committee met regularly on 14 January 2016, the fund benefits cannot be used immediately and only the extraordinary benefits may be potentially activated once the specific procedure agreement has been signed with the heads of the Italian trade unions for the management of redundant workers following restructuring processes, crisis situations, business reorganisation processes or the transformation of work activities. The content of the agreements must cover the new legislation under aforementioned Interministerial decree no. 86984/2015. The restructuring of the logistics hub and, accordingly the Cargo Division, consists of improving the efficiency of production and organisation which, unless additional, different management tools are used, will entail the extraordinary benefits under the fund, with the company responsible for bearing the cost.

Furthermore, intense talks continued with INPS offices about the fund management procedures, which led to access to the fund and the provision of the extraordinary benefits within the scheduled dates.

Upon the request of the agreeing organisations and in compliance with the contractual procedures in this respect, in July 2014, Agens began negotiations to renew the national labour agreement for the 2012 railway redundancy/contractual areas applicable to the company's employees and set to expire on 31 December 2014.

Trenitalia training

Training is a particularly important tool in terms of sharing knowledge, making use of experience and developing skills, focusing on railway transport and operational safety concerns and supporting business processes and professional groups.

Trenitalia's training plan for 2015 consisted of a total of approximately 156,292 man-days (117,470 man-days in 2014). The aim of the plan is to support the achievement of business targets by focusing attention on the areas covered by the business plan, i.e., to:

- develop competences like a focus on customers and approach driven by the market and competition;
- encourage the widespread awareness of rules and information on safety in the workplace and in operations;
- support workers' technical and professional growth, making the most of each individual's abilities and potential;
- accompanying business process innovation, change and optimisation processes;

Training was provided with Fondimpresa grants totalling around €4.2 million, which is the total amount disbursed by this body for training to be conducted by year end.

Specifically, Trenitalia training in 2015 related to the following areas:

- institutional training about the company to guide fresh graduates, recently graduated professionals and train supervisor apprentices when they join the FS Italiane group;
- managerial training on typically management, behaviour and interpersonal skills. This type of training is for managers and other personnel requiring support for their position or guidance at times of growth or following professional assessments;
- technical/professional training to develop practical and theoretical technical/professional skills which are essential for work activities, such as technical/professional certification and updates for train conduction, testing, escorting and formation personnel training for instructors and tutors and workplace safety training with specific regard to the certification of prevention and protection managers and staff;
- to support these change processes and training initiatives for employees affected by new ways of working or new systems implemented in the company: the new billing cycle, new sales systems, the related administrative reporting system and the management system that supports maintenance processes are key examples.

Safety in the workplace

The group's aim of reducing the number and frequency of accidents in the workplace has led it to implement a series of measures at central and local level, such as:

- ongoing monitoring of company accidents with the preparation and distribution of reports on accidents, which are classified by seven macro causes and compared each month with the same period of the previous year;
- preparation of a training course for operators/instructors assigned to equipment;
- as part of the International Union Railways (UIC) work group coordinated by Trenitalia and responsible for analysing statistics on accidents at work, the definition of the criteria and methodology for gathering and

managing data on accidents at work to be applied to European railway companies and, in July, the issue of the first edition of the accident at work report. 23 railway companies representing 12 countries were surveyed;

- also as part of the UIC work group, the start of work by the UIC Contractor Safety Task Force in order to prepare guidelines on the management contractors' safety;
- measurement of noise and electromagnetic fields in driver's compartments, in collaboration with Italcertifer.

Training mainly related to work stress, emergency management, asbestos, single interference risk assessment document and aggressive behaviour.

These activities have enabled the company to outperform the company targets set to reduce the number of accidents (-3%) and their frequency (-2%), as shown in the table below:

Type	2015	2014	Change
Number of accidents (> 3 days paid by INAIL [the Italian labour insurance institute] or to be defined, excluding accidents in transit)	881	1,130	-22 %
Frequency (Number of accidents x 1000 / average number)	27.77	35.16	-21 %
Of which: fatal accidents	0	1	-1

ENVIRONMENTAL AND SAFETY POLICY

Integrated system for quality, the environment and safety in the workplace

During the year, the company's activities in terms of safety and the environment mainly related to the following:

- the implementation, roll-out and improvement of its integrated management system for quality, the environment, health and safety in the workplace. It conducted 221 internal audits during the year and began analysing and reviewing the environmental aspects relating to its activities, products and services with an impact on the material management system aspects environmental processes in which it is involved;
- the development of training programmes for employees on environmental issues with the aim of training experts who can independently manage environmental issues and the related repercussions of applying specific legislation in this sector, acquiring the necessary technical and legal knowledge in these fields. Training hours came to 2,265 man-days;
- *Energy:* the company designed and implemented its first energy diagnosis campaign in accordance with Legislative decree no. 102/14. The campaign covered seven maintenance plants and enabled the company to define the management guidelines for Trenitalia's plant energy diagnosis. A specific work group completed the reorganisation and rationalisation of gas and electricity utilities and the management guidelines for Trenitalia's plant electricity utilities were issued. At the same time, the company began managing all of its approximately 1,600 electricity contracts with one single supplier, with the continuous exchange of both administrative information - through e-billing - and physical data - through an online portal to analyse electricity consumption and costs. An updated version of the remote energy consumption metering system was issued, and will enable the company to detect any irregularities in consumption in real time and take the necessary corrective measures. The system was installed and implemented in another five maintenance workshops, in addition to the 14 workshops of 2014;
- *Emission Trading System*: as part of the integrated management system, the environmental targets set for the divisions/departments for 2015 were redefined. Specifically, these include: 1) reducing specific CO2 emissions from activities carried out at the rolling stock maintenance workshops, in proportion to the number of hours worked; and 2) reducing specific CO2 emissions from traction per traffic unit. Actual 2014 data show that both targets were achieved in the previous year, with specific emissions of less than 30 gr CO2/traffic unit for traction and a positive delta for fixed plant emissions. In April 2015, it returned 6,842 emission rights relating to 2014 to the Ministry of the Environment via access to the CO2 and emission quota register. The company has reduced its emissions by 28% on 2014;
- in April, the Verona, Foggia and Foligno workshops obtained white certificates for energy efficiency. The purpose of these certificates, which are technically referred to as energy efficiency certificates, is to encourage end customers on the electricity and gas market to improve their energy efficiency. The number of certificates depends on the type of efficiency measures taken. To date, the company received approximately 22,000 energy efficiency certificates from the Electricity Service Manager. It has monetised 7,847 of these, generating roughly €0.8 million;

- environmental targets were set for plants, entailing the reduction of raw material consumption. Specifically, the focus is on cutting down on the consumption of paints per traffic unit, while increasing the use of environmentally-friendly lubricants and paints;
- specific division-based targets were set to conserve water as part of the integrated management system, entailing the reduced consumption of water in proportion to the number of hours worked. Furthermore, the company managed the single environmental authorisation for the disposal of water classified as domestic waste water generated by activities serving production;
- the sorting of special urban-equivalent waste was extended to all offices and all workshops, defining specific targets for each division in terms of the amount of special waste sent for disposal as a result of maintenance and operations.

Operational safety

The company's policy for the safety of operations includes commitments based on compliance with specific binding requirements in the sector and, concurrently, the outcome of the internal assessment process carried out as part of the Operational Safety Management System ("SGSE"), aimed at continuous improvement. The commitments in the policy are organised into adequate macro safety targets, each of which entails the annual definition of steps and projects to prevent and mitigate specific risks. Together, these form the company's annual safety plan, within which the policy is published. The SGSE procedures require that the company update the policy each year to reflect developments in scenarios inside and outside the company. In confirming the general principles and commitments in the policy for previous years, the 2015 policy also considered developments in the "reorganisation of legislation" process concerning operational safety promoted and coordinated by the National Agency for Railway Safety ("ANSF"), which, with its Decree no. 4/2012, has issued regulations governing railway operators' activities and responsibilities in this revision of operational rules to reflect legislative, technical and scientific advancements. Given its breadth and the commitment required by this new legislation, company management has expended its stated commitments in the policy to include promoting "...the implementation of procedures, provisions and requirements regulating the adoption of operating structures that meet mandatory standards in line with the safety guidelines issued by the National Agency for Railway Safety, and in the light of Decree no. 4/2012 (reorganisation of legislation)....".

The company considers safety in railway operations a crucial, binding part of all its activities and therefore a strategic area for its business development.

It mainly ensures operational safety by complying with standards and mandatory rules. Its scrupulous compliance with rules is, above all, a cultural value underpinning the work of all company personnel, who have always seen safety as an ethical duty in their daily conduct.

The company's organisational model empowers all managers, junior managers and operating personnel at all levels to take responsibility to ensure the safety of passengers, personnel and third parties, while also protecting things and the environment. In this scope, 2015 activities focused on defining and constantly updating SGSE procedures (COCS and DOCS) in line with developments in the applicable legislation and in the company's organisational structures. The most significant measures related to assessing the material risks outside the railway system and involving personnel in operational safety issues. Work continued to update part B of

Trenitalia's safety certificate, with the inclusion of new types of rolling stock and, in particular, activities in view of the authorisation to roll out the ETR 1000 train.

ANSF renewed part A of Trenitalia's safety certificate, valid from 28 April 2015 to 27 April 2020.

In particular, the company believes it is essential to:

- ensure that resources with responsibility for the SGSE work in close contact with resources responsible for operating processes, for the continuous improvement of their part of the system "... to pursue an accident rate of zero, considering legislative developments, technical and scientific advancements and making it a priority to prevent serious accidents." (article 2 of ANSF decree no. 4/2012). To this end, it manages information on safety in a transparent, complete and timely manner, in process that clearly indicates the level at which any non-conformities are detected and pinpoints the causes, the company taking the suitable steps to remedy the non-conformity and prevent similar non-conformities. Furthermore, it checks the effectiveness of these steps, ensuring that they are traceable with respect to all concerned parties;
- leverage the human factor as a vehicle for spreading employee awareness of their role in the safety process and preparing them to carry out their duties through the following steps:
  - guaranteeing all personnel's comprehensive and effective knowledge of this policy;
  - planning training and ongoing refresher courses for personnel and all parties involved in the provision of the service, in a continuous process that is managed and organised to enhance workers' personal knowledge;
  - involving personnel at all levels and their representatives, in order to receive all useful feedback and create a virtuous cycle of continuous improvement based on past experience to achieve the safety targets and the objectives of the policy;
  - focusing utmost on sensitising and developing human resources, as a crucial factor in ensuring transport safety;
- prioritising investments in technologies that meet the highest international standards;
- guaranteeing correct and immediate maintenance of rolling stock through the coordinated monitoring of all operational, technological and logistical variables in the maintenance process;
- promoting the implementation of procedures, provisions and requirements regulating the adoption of operating structures that meet mandatory standards in line with the safety guidelines issued by the National Agency for Railway Safety ("ANSF"), and in the light of Decree no. 4/2012 (reorganisation of legislation)), as well as to promote the continuous improvement of safety performance.
- encourage a "risk assessment culture":
  - following the significant operational, organisational and technical changes to the railway system;
  - during the periodic monitoring of operational risks in order to adopt any necessary risk mitigation measures.
  - spur the development of IT systems to support security activities and processes, with the aim of simplifying the related modi operandi and attain more effective traceability.

The company's commitment to security also entails partnerships with the railway infrastructure manager and other railway operators (railway companies, suppliers ECMs, holders, etc.), in accordance with Italian and European legislation and developments in such legislation.

On-board safety

The agreement between FS Italiane and Polfer (Railway Police) has led to more police patrolling and controls on board trains and at stations to ensure passengers and workers travel safely, as free from petty crime as possible. Preventions measures have also been taken on the more critical trains, i.e., night trains and crowded city trains.

Work is being carried out on rolling stock to install video surveillance devices, while more recently acquired rolling stock is already equipped with these devices.

INVESTMENTS

The investment plan, net of extraordinary maintenance, includes commitments for the 2016-2020 period amounting to approximately €4,300 million. 50% of these commitments, corresponding with some €2,200 million, relates to investments that are already underway.

Investments in 2015 amount to approximately €1,849 million (including €417 million for routine maintenance) and are detailed below with comparative data for 2014:

(millions of Euros)	**2015**	**2014**	**Changes**	
			Absolute	**%**
Increases*	1,213	450	763	170%
Revamping	84	120	(36)	-30%
Rolling stock	**1,297**	**569**	**728**	**128%**
On-board technologies	20	11	9	77%
Plant and other	52	49	3	6%
IT	63	65	(2)	-3%
TOTAL	**1,432**	**694**	**738**	**106%**
Maintenance enhancing the asset	**417**	**402**	**15**	**4%**

(*) "Increases" include contractual advances of €126 million and recoveries of advances paid in previous years, amounting to €185 million. These are mainly advances paid to purchase new rolling stock.

Investments were greater than in 2014 mainly due to the acquisition of new trains for the high speed and regional transport services. Indeed, during the year, new ETR 1000 trains were delivered for the Long Haul Passenger Transport Division to expand the high speed fleet, while deliveries of Vivalto carriages continued with the E464 locomotives, electric Jazz trains and diesel Swing trains for the Regional Transport service. In addition, new contracts were kicked off to acquire additional Vivalto carriages and Jazz trains, as well as new electrical Flirt trains.

Investments are analysed by division/department below:

(millions of Euros)	2015	2014	Changes	
			Absolute	%
Long Haul Passenger Transport Division	667	91	576	633%
Universal Service Passenger Transport Division	19	15	4	27%
Regional Passenger Transport Division	695	543	152	28%
Cargo Division	9	7	2	32%
Technical Department	11	1	9	713%
Transversal investments	31	37	(6)	-16%
TOTAL	**1432**	**694**	**737**	**106%**

Long Haul Passenger Transport Division: investments in this Division, amounting to approximately €623 million, relate to the delivery of the first 18 new electric HS Frecciarossa 1000 trains, which were progressively rolled out for commercial service beginning in June 2015.

The fleet revamping project saw the completion of the revamping of Bistrot carriages on Frecciarossa ETR 500 trains (roughly €5 million) with the delivery of another 11 carriages and the upgrade of ETR 485 trains (roughly €3 million) to make them more reliable in operation. In addition, around €1 million was spent to update the fire prevention system on E404 and E414 locomotives.

Work continued on the plant to reorganise and strengthen the HS fleet maintenance sites: the Turin ongoing maintenance plant (approximately €3 million), the Naples ongoing maintenance plant (about €2 million), the Milan Martesana site (roughly €1 million) and the Roma San Lorenzo site (some €1 million).

In addition, work continued to redevelop Trenitalia's ticketing offices and commercial spaces at major stations, with a total of approximately €2 million spent.

ICT investments mainly related to revenue management and customer relationship management systems.

Universal Service Passenger Transport Division: work mainly related to the renovation of Intercity carriages (around €6 million) and the revamping of the E402 locomotives (roughly €3 million). Investments in plant included strengthening and rationalising maintenance sites (approximately €4 million).

Regional Transport: another 41 new electric Jazz trains were delivered during the year, entailing an investment approximately €250 million. In addition, 144 double-decker Vivalto carriages (approximately €205 million) and another 27 electric 464 locomotives (around €55 million) were delivered, while deliveries began for the new diesel Swing trains began, with 21 trains delivered and approximately €65 million recognised in the year.

Seven additional electrical Flirt trains were ordered, with the payment of €15 million in advances.

Revamping projects underway include the face-lift of medium haul carriages to increase comfort, and updates to safety standards. Investments came to roughly €47 million and the project is nearing completion, after having improved over 1,200 carriages. Activities also continued to update and adjust the door system on medium haul carriages, the low floor carriages and ALN 1200/663 vehicles (about €10 million).

Work continued on the plant to reorganise and strengthen the maintenance sites, with total investments coming to approximately €12 million.

Investments to make e-ticketing systems interoperable came to around €5 million and related to the smart cards in the Piedmont and Emilia Romagna regions, while in Lazio, the project also entailed a special new regional smart card for the Jubilee.

Cargo: work worth approximately €2 million was carried out to update and rationalise certain industrial buildings, including those in Marcianise, Livorno and Milan, and to replace equipment.

IT activities entailed investments in the integrated platform supporting the division's supply cycle and traffic (approximately €1 million) and the railway vehicle management system project (around €2 million), which is part of one of the areas of the Network and Mobility National Operating Programme projects.

Technical Department: work mainly consisted up technological upgrades to workshops for approximately €5 million, including the Vicenza workshop and the renewal of equipment in the range of €1 million.

Transversal business investments: the company invested some €14 million to put a security officer in the driver's compartment on board locomotives.

ITC investments entailed the implementation/update and development of the following:

- the integrated sales platform by integrating various sales channels and developing the Infomobility feature (approximately €3 million);
- the production platform, which includes adjustments and updates to the railway schedule, personnel assignment, ongoing voltage plant maintenance planning and railway traffic management in the control rooms (about €7 million);
- the new Dynamic Maintenance Management System to improve the efficiency of the maintenance process (approximately €2 million);
- sales, reporting and administration process management systems (roughly €18 million);
- the integrated logistics production requirement planning management system (around €3 million).

The number of vehicles purchased and those subject to the main revamping projects are indicated below:

	New rolling stock	Revamping
	no. of vehicles	**no. of vehicles**
Locomotives	**27**	**78**
Regional	27	78
Carriages	**144**	**565**
HS Long Haul Passenger Transport		
• Frecciarossa Bistrot carriages	-	11
Universal Service Long Haul Passenger Transport		
• InterCity IC 270 trains	-	20
Regional		
• Double decker trains	144	241
• Medium haul trains	-	281
• UIC-X semi-automated trains	-	1
Cargo		
• **Carriages**	-	11
Trains	**80**	
HS Long Haul Passenger Transport		
• Frecciarossa trains	18	-
Regional		
• Jazz trains	41	-
• Swing trains	21	-
• TAF trains	-	-

The Trenitalia fleet

As a result of investments and divestments in 2015, the Trenitalia fleet is composed as described below:

Operating rolling stock at 31.12.2015

Category		Units
Driving	Electric locomotives	1,418
Driving	Diesel locomotives	175
Total driving vehicles		**1,593**
Light vehicles	Electric ("ALE" and "LE" models)	595
Light vehicles	Diesel ("ALN" and "LN" models)	499
Total light vehicles		**1,094**
Trains	TAF	89
Trains	Minuetto trains	204
Trains	Jazz trains	70
Trains	Flirt trains	3
Trains	Swing trains	21
Trains	Electric trains	125
Total trains		**512**
shunting vehicles	Diesel locomotives/railcars	453
Total shunting vehicles		**453**
Driven	Passenger carriages	6,140
Driven	Carriages	19,583
Driven	Other	10
Total driven		**25,733**

RISK FACTORS

At the preparation date of this report, no particular risks and uncertainties are foreseen that could have a material impact on the company's financial position or results of operations, other than those mentioned further on and in the notes, which are, in any case, monitored and mitigated using risk management policies created to protect the company, its assets and its ability to continue as a going concern. Other risk factors (business and operational risks) and their nature are briefly described below, with mention of the actions taken to monitor them.

Business risks

The operational risks deriving from the new operator's entry into the high speed sector were considered in the company's business plan, which was updated accordingly. At present there are no other particular risks. The risks considered in overall measurement are the result of transport market trends and price levels. If used to gain additional market shares, they could affect the division's profitability.

The medium and long haul transport market is affected by domestic consumption, employment rates and the overall development of key economic factors. Modal transport competition and the proper regulating of such competition are also crucial factors in the company's success.

High speed railway transport and related services have enabled the railway sector to gain competitive edge against other means of transport (air and road), especially by shortening travel times, increasing comfort and arriving in the urban centre of major cities. In certain routes where airfare is comparable to train fare, the latter has gained significant market shares. The critical factor for success in this market segment will always be maintaining and improving service quality and rapidly adapting to changes in market demand. The progressive renewal of the fleet with new HS trains will undoubtedly be a key factor of innovation and attraction, progressively shortening travel time, with the support of the technological innovation of sales channels.

In the local public transport sector, certain Italian regions are facing extremely difficult budgeting situations, which could cause the uncertainty surrounding contractual due dates for the collection of public service contract fees to continue. Trenitalia has signed contracts with Italian regions regardless of the ways in which the regions find the necessary funds for the service. The uncertainty dominating the entire sector has led regions to reduce their requests in recent years to the contractual minimums. Although these processes fall within the company's ability to adapt to changes, they are in stark contrast with local transport requirements and the time needed for a railway operator to plan its investments.

Certain Italian regions are increasingly using tenders, which could, overall, be awarded from 2018/2019 on. Pending the start of these tenders, they are currently considering bridge contracts with Trenitalia. Agreements have already been reached with certain regions for bridge contracts, which are expected to last five to six years, and negotiations are underway with other regions that could lead, within the year, to the definition of extensions.

All investments downstream from the public service contracts in place with the regions have "put" clauses in favour of Trenitalia. The potential effects of non-renewal of these public service contracts with the regions, the repercussions of which will be seen in a few years, are not currently foreseeable and they are in any case considered risks attributable to any company operating on the free market.

The local public transport scenario could be affected (upon the outcome of tenders and, accordingly, in the management of changes from one operator to another) in certain ways relating to transfers of essential facilities to a new operator.

The ongoing weak economy in Italy and around the world and the government's decision to terminate the Cargo public service contract in 2015 led to a decrease in fees of roughly €105 million, only partly offset by the elimination of costs to use infrastructure in Southern Italy and ferry costs. This decision entailed a revision of Cargo Division's business plan underway at the end of 2014, and the decision to impair some of the Cargo Division's assets. In 2016, new legislation established another reduction in the toll cost through resources made available by the 2015 Stability Act with the aim of encouraging cargo transport.

On 13 November 2015, ART issued resolution 96/2015 defining the principles and criteria for the determination of railway infrastructure access and use fees. Trenitalia is appealing against certain measures in this resolution. Specifically, some of the measures regarding tolls have made it impossible for railway companies to forecast expenditure even for the year in course and, therefore, they are unable to plan production in forthcoming years. The company does not currently have any information on what the effects of certain measures concerning the classification of lines will be. This means that the average unit toll for market services could change significantly, entailing a dramatic revision of the offer due to changes in the conditions needed for the financial balance of the services offered and the prices applied to customers, potentially causing a material change in demand.

Operational risks

There were no substantial changes in the operational risks that could arise from the complexity of transactions with maintenance, cleaning, spare parts and rolling stock suppliers since that described in the 2014 financial statements. On the other hand, in terms of safety, during the year, criminal action was taken against the top management of certain railway companies, including Trenitalia, for alleged violations of workplace safety regulations concerning the adoption of the single train driver model. The company's safety standards are consistent with those of the main European railway companies and are the result of extensive prior talks with the trade unions that, after having evaluated safety issues as well, all signed an integrative labour agreement in 2009 and the national labour agreement in 2012.

Top management and the relevant divisions and structures carefully monitor the aforementioned operational risk and, accordingly, it is believed to be mitigated. This is reinforced by the fact that the company has assessed and continues to do so on an ongoing basis, all aspects relating to such risk. Below are the company's main considerations:

- the safety of employees and protection of work conditions have always been indispensable values set forth in the company's and FS Italiane group's code of ethics;
- the use of one driver is the customary practice for train driving throughout Europe. For example, this is the method used in the United Kingdom, France, Germany, Belgium, the Netherlands, the Czech Republic, Switzerland, Austria, Slovakia, Hungary and Poland;
- the European Railway Safety Agency, including ANSF (the Italian national railway safety agency) and CER (the European Railway Agency), finds this driving method to be safe;
- the highest safety standards are guaranteed in Italy because the railway network has for some time been completely equipped with train speed protection systems;

- Trenitalia uses a workplace safety management system, OHSAS 18001, that meets international standards and is certified by an independent body (SGS) that has stated the system is fully compliant with procedures and current regulations, including with respect to tangibly ensuring adequate safety levels for workers.

The use of one driver is a definitive and irreversible step forward in the railway transport efficiency improvement and modernisation process.

Legal and contractual risks

There are no material legal or contractual risks in addition to those described in the 2014 annual report, which mainly relate to litigation pending with various suppliers, customers and employees. The company determines accruals for such risks after estimating the probability that liabilities will arise as a result of the contractual and legal risks. The current utilisation of these provisions depends on when the risk arises and how much it was estimated to be.

In this respect:

(i) there are many cases involving legal action taken by former cleaning service contractors following the company's termination of contracts due to their serious breaches in the performance of the contracts;

(ii) a construction company involved in the dynamic poly-functional plant in Naples has taken legal action in relation to disputes that arose during the construction of the plant;

(iii) a rolling stock construction company has taken legal action in relation to the customer's complaints concerning delays or faults in supplies, to which the contractually-agreed fines were applied, through their deduction from payments made;

(iv) former employees of the cleaning companies that lost contracts have taken legal action to receive executive orders for the recovery from Trenitalia (as joint obligor) of remuneration and/or post-employment benefits not paid by their employer upon termination of employment;

EU procedures

The company is affected by a few EU procedures that have been initiated with respect to issues described in the specific section of this report.

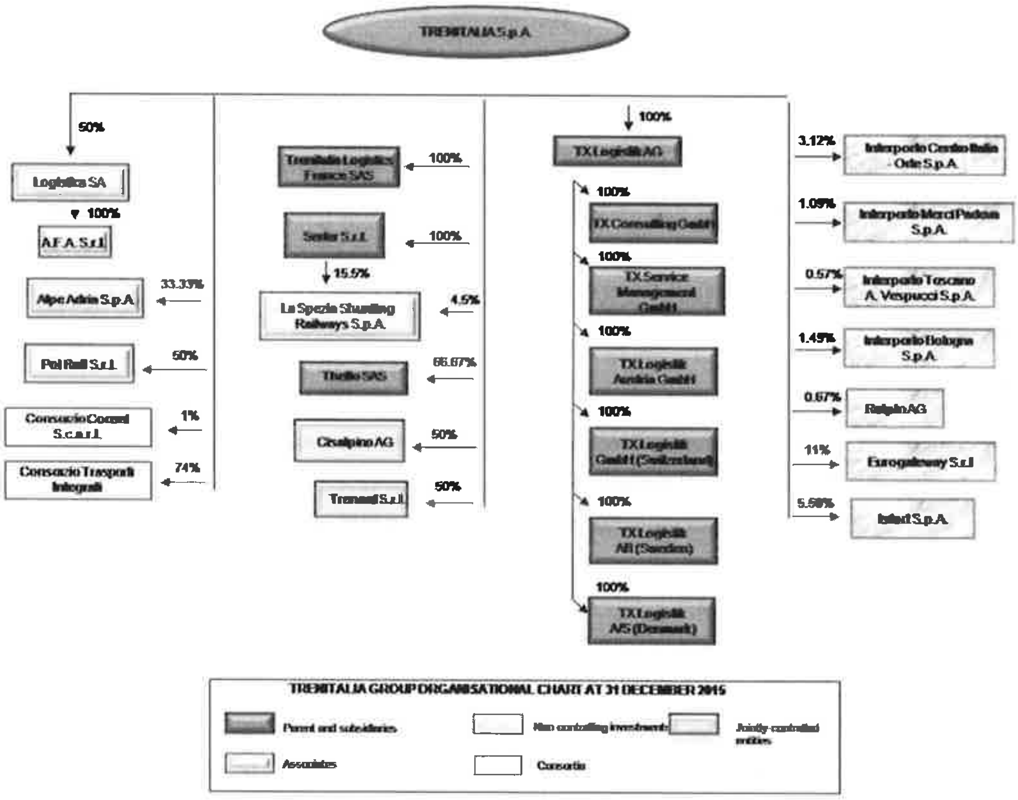
RELATED PARTIES TRANSACTIONS

Transactions with the group companies and their transactions with other related parties are carried out to the parties' mutual financial benefit on an arm's length basis.

Receivables and payables, income and expense arising on transactions during the year with parents and other group companies and information on related party transactions are presented in the notes to the financial statements, to which reference should be made.

THE TRENITALIA GROUP

The Trenitalia group is composed as follows at 31 December 2015:



Trenitalia's equity investments did not undergo any material changes in the year. The merger of Gestione Servizi Interporto into Interporto di Bologna took effect on 1 July 2015.

PERFORMANCE OF SUBSIDIARIES

The results for 2015 of Serfer S.r.l., TX Logistik AG, Trenord S.r.l. and Thello S.a.s. are presented below.

SERFER S.r.l.

(€'000)

	2015	**2014**
Revenue	76,599	71,392
Costs	(71,473)	(66,629)
Gross operating profit	**5,126**	**4,763**
Amortisation and depreciation	(1,134)	(1,107)
Impairment losses	(365)	0
Operating profit	**3,628**	**3,656**
Net financial expense	(197)	(215)
Pre-tax profit	**3,431**	**3,441**
Income taxes	(2,074)	(2,451)
Profit for the year	**1,357**	**990**

This company operates in the railway sector, providing shunting, railway traction and rolling stock maintenance services in addition to services for the design, construction and maintenance of railway connections.

In 2015, total revenue increased by roughly 7% due to the larger volumes in the company's core businesses, particularly: railway shunting (+11.2%) and superstructure construction and maintenance (+57.6%).

The increase in shunting revenue is the direct result of the synergies developed with the group companies that led to the roll-out of new activities in the year, especially in the passenger transport segment. The growth in superstructure construction and maintenance revenue was mainly due to the complete implementation of the master agreement signed with Trenitalia for recurring and non-recurring superstructure maintenance, railway outfitting and railway plants.

Finally, the drop in line services (-19.4%), mostly due to customers' progressive in-sourcing of activities.

The rise in business volumes pushed operating costs up by 7%. The total increase of 8% in personnel expense due to the greater number of human resources, especially in the shunting segment (+9% on 2014, equal to 70.4 FTE). This was only partly offset by the reduction in the per capita cost, the net effect of the fact that the contractual raises in the national labour agreement for the mobility sector took effect and the decreases due to the reduced contribution charges for new hires pursuant to the Jobs Act.

The trend in operations has enabled the company to consolidate the strong results it achieved in 2014 both in terms of the gross operating profit margin (6.7%) and the operating profit margin (4.7%). Net financial expense improved on 2014.

The profit for the year is up on 2014 due to the lower tax charge, mainly because of the lower IRAP charge as it became possible for companies to deduct total personnel expense for employees with open-ended contracts from the IRAP tax base. This was partly offset by the increase in the IRES charge following the higher tax base.

TX Logistik AG

(€'000)

	2015	2014
Revenue	239,230	231,609
Costs	(237,516)	(221,918)
Gross operating profit	**1,714**	**9,691**
Amortisation and depreciation	(2,462)	(1,958)
Impairment losses	(484)	(842)
Operating profit (loss)	**(1,232)**	**6,891**
Net financial expense	(1,040)	(598)
Pre-tax profit (loss)	**(2,272)**	**6,293**
Income taxes	20	(2,315)
Profit (loss) for the year	**(2,252)**	**3,978**

This company, which operates in the European logistics sector, has always sought a place among leading the largest railway cargo operators in Europe. The TX group has branches and licences to operate railways in Germany, Austria, Switzerland, Holland and Italy and works with reputable partners for traction services in Denmark, Sweden and Switzerland. In Germany, the company has consolidated its position as the second largest railway operator in integrated logistics services, offering the market a top quality integrated service in terms of quality and innovation. Although it maintained its market shares and posted a slight increase in total turnover (+3%), in 2015, the company was affected by fierce price competition from the domestic German incumbent and road transport, with its increasingly competitive prices as the cost of petrol falls.

In September, the Swedish subsidiary's railway operation licence on the Scandinavian peninsula was cancelled after the local authorities conducted an audit on railway transport, which showed that the company's safety system management process was misaligned. The company has appealed against this decision in court and is awaiting the publication of the court decision. Moreover, the decision and the need to guarantee this service for customers led the company's to change its operational model in order to continue operating international traffic to and from the Scandinavian peninsula. The change has generated additional costs with a significant impact on the company bottom line. It ended the year with a loss of roughly €2.2 million. The company has carried out a series of reorganisation projects involving its services that should enable it to restore profitability in 2016.

Trenord S.r.l.

(€'000)

	2015	2014
Revenue	782,053	747,477
Costs	(719,113)	(688,655)
Gross operating profit	**62,940**	**58,821**
Amortisation and depreciation, impairment losses and provisions	(50,901)	(42,961)
Operating profit	**12,039**	**15,861**
Net financial expense	(2,480)	(3,495)
Pre-tax profit	**9,559**	**12,365**
Income taxes	(5,679)	(10,152)
Profit for the year	**3,880**	**2,213**

This company provides passenger transport services mainly in the Lombardy region, i.e., in the various areas established under the public service contract signed with the Lombardy regional authorities, which was renewed on 10 April 2015 for 2015-2020.

In 2015, Trenord further strengthened its operating schedule, mainly to meet demand for additional services for the Expo between May and October. Indeed, production went from 39.9 million train-km to 41.5 train-km, up by about 3.9%.

Service quality performance indicators are clearly improving. Steps taken in the year have improved train arrival times, with the average percentage of on-time trains rising from 83.9%, considering an entire day without any exclusions, in 2015 to an average of 88% in January and February 2016.

In 2015, the company reported a profit of €3.9 million for the year, up by €1.7 million on the previous year. Revenue is up by €34.6 million, mainly due to the trend in railway traffic revenue thanks to the Expo. The gross operating profit amounts to €62.9 million, up on 2014 (+7.5%), while the operating profit amounts to €12.0 million. At year end, the company counted 4,150 employees, a decrease of 73 on year end 2014.

In the economic scenario following the Expo, what was to ultimately have been a temporary expansion of provisional services for the event became, upon the region's request, a structural offer. In a wider scope, as provided for by the new service contract that was signed, this greater structural production is pushing the company to focus further on containing costs and a fuller and more efficient use of production factors.

Thello S.a.s.

(€'000)

	2015	2014
Revenue	46,145	30,293
Costs	(49,997)	(30,990)
Gross operating loss	**(3,852)**	**(697)**
Amortisation and depreciation, impairment losses and provisions	(175)	(252)
Operating loss	**(4,027)**	**(949)**
Net financial expense	(150)	(64)
Pre-tax loss	**(4,177)**	**(1,013)**
Income taxes	(315)	(353)
Loss for the year	**(4,492)**	**(1,366)**

In 2015, Thello consolidated the market on which it operates with night Venice - Paris trains and day Milan - Marseilles trains, by promoting another two pairs of daily trains between Nice and Milan. The company now has four round trip train pairs between France and Italy. In terms of commercial activities, 2015 was s difficult year: the terror attacks in Paris in January and November had a significant impact on passenger traffic, causing a 15% drop in the first quarter and a decrease of more than 30% at year end, especially on the night line.

The company ended the year with a loss of €4.5 million. New marketing campaigns are planned for 2016 to relaunch the offer of night and day railway connections.

TREASURY SHARES

At 31 December 2015, Trenitalia S.p.A. neither owns nor has acquired or sold any treasury shares or shares of its parent during the year, either directly or through trustees or nominees.

OTHER INFORMATION

Pending investigations and legal proceedings

Investigations and legal proceedings pending at year end are as follows:

- Arguments are currently being heard in criminal proceedings no. 6305/09 in the general register of crimes pending before the Public Prosecutor's Office with the Lucca Court, following the railway accident in Viareggio on 29 June 2009.
- With respect to criminal proceedings no. 8374/2014 in the general register of crimes and no. 1677/2015 in the general register of the Preliminary Investigation Judge with Ancona Court, the Ancona Public Prosecutor's office began criminal proceedings following the fatal workplace accident on 19 October 2013 at the Ancona station, in which a worker of the Ancona-based cleaning cooperative ICFP (Immobiliare Cooperativa Facchini Portabagagli) died while using a body washing carriage in the station area known as the "Scambietti north washing yard", which was overturned due to the narrowing of the final section of the platform used to wash trains. In these proceedings, the former manager of the Marche Regional Department was charged with manslaughter, along with the head of ICFP, while Trenitalia S.p.A. and ICFP were charged with the crime covered by article 25-septies of Legislative decree no. 231/2001, as the crime covered by article 589 of the Italian Criminal Code was allegedly committed in violation of workplace health and safety regulations, in part following the conduct of companies that allegedly benefited from these violations by speeding up the work and saving the cost of adopting prevention measures.
  On 9 February 2016, the court decided to dismiss the case, as it found the company's organisation adequate in accordance with Legislative decree no. 231/2001.
- Criminal proceedings for the alleged crime covered by Legislative decree no. 81/2008: notices of the commencement of investigations into the conduct of the company's former Managing Director and various managers by the Turin and Rome courts, because they, as employers, had not prepared a complete analysis of the related workplace risks in the risk assessment documents, the workplace risks in connection with a) aspects related to the new way in which personnel shifts are assigned, now using the IT system named "IVU", b) the introduction of new work tools (tablets) for on-board personnel, c) what happens when the single train driver feels ill, d) what happens when the conductor feels ill and, consequently cannot contact the train driver. All the proceedings are still in the preliminary investigation stage or the preliminary investigation has just been completed.
- Criminal proceedings no. 20765/2014 in the general register of crimes of the Public Prosecutor's Office with the Florence Court. These criminal proceedings relate to the derailment that occurred on 12 January 2014, during rolling stock shunting operations. Unfortunately, this accident caused the death of an employee working as train diverter at the "Carriage Fleet Entrance Diverter" cabin. The preliminary investigation is still underway for these proceedings, which involve the Managing Director and five managers/employees, for the alleged crimes covered by article 589.2 of the Italian Criminal Code.

- Criminal proceedings no. 361/2015 in the general register of crimes with the Milan Public Prosecutor's Office. The proceedings involve the investigation of the former CEO and a conductor for the alleged crime pursuant to article 590 of the Italian Criminal Code following the accident that occurred at the Milan Centrale station involving a traveller who, before boarding IC train 659 on 8 May 2014, was caught in the train doors when they closed without warning. The criminal proceedings are still in the preliminary investigation stage. In the meantime, the insurance company has provided compensation and the damaged party has undertaken to drop the charges.
- Criminal proceedings no. 51238/2013 in the general register of crimes with the Public Prosecutor's office with the Naples Court: the Chairman of Trenitalia S.p.A. is being investigated for the crimes covered by article 317 of the Italian Criminal Code in relation to the awarding of contracts (for cleaning services), and the proceedings are still at the preliminary investigation stage.
- Criminal proceedings no. 3937/2013 in the general register of crimes and no. 2046/2014 in the general register of preliminary investigations with the Verbania Court: agreeing with the Public Prosecutor's arguments, the judge for the preliminary investigation ordered the dismissal of the case. The proceedings had begun following an accident on 10 November 2012 involving a Piedmont Regional Division train driver at the Domodossola station. The employee suffered injuries and was given 151 days of sick leave.
- Criminal proceedings no. 35874/13 in the general register of crimes with the Public Prosecutor's Office with the Rome Court originated from alleged violations of Legislative decree no. 81/2008 in connection with measures taken from 3 August 2010 to 24 January 2011 following the introduction of the "single driver" module to prevent risks relating to emergency and/or first aid situations that can arise when only one train driver is used. The Territorial Labour Department assessed non-compliance with instructions and informed the Public Prosecutor's Office so the criminal proceedings could resume. The CEO's lawyers have lodged a defence brief requesting immediate payment of a fine. As the Preliminary Investigation Judge denied this request, the Public Prosecutor has sent a notice of the conclusion of the preliminary investigation. The Preliminary Investigation Judge (proceedings no. 27413/2014 of the general register) issued a measure on 18 June 2015 denying another request to settle the proceedings with payment of a fine given the generic and indeterminate nature of the charges, which make it impossible for the defendants to fully exercise their rights to defence and, accordingly, the legal authorities' ability to examine the request.
- On 12 March 2014, the Anti-Trust Authority resolved to commence preliminary proceedings PS/4848 - Indemnities and refunds for delays and other difficulties - against Trenitalia, claiming it had violated the Consumers' Rights Code with respect to unfair business practices. Concurrently with the start of the preliminary investigation, the Anti-Trust Authority inspected Trenitalia's Bologna, Naples and Bari sites.

  In the notice that the proceedings would begin, two alleged unfair business practices were contested: i) the adoption of the procedures for the payment of indemnities for long haul train delays that are complicated and burdensome, in order to discourage users' claims; ii) failure to recognise passengers who buy one journey consisting of several different trains (both the long haul service and regional transport service) as part of the "global ticket", pursuant to EC regulation 1371/2007 concerning the rights and obligations of railway transport passengers.

  In order to speed up the preliminary process, on 24 April 2014, Trenitalia proposed commitments that would resolve the challenges made during such process. During the hearing on 24 November 2014, the Anti-Trust Authority resolved to accept Trenitalia's proposed commitments, making them obligations and ending the proceedings without assessing any violations or imposing any administrative fines on the company (measure no. 25176 of 12 November 2014). On 13 February 2015, the company filed a detailed report with the Anti-

Trust Authority on the implementation status of the commitments that the Authority had made mandatory and implemented the same measures in 2015, in accordance with the schedule indicated.

- On 12 March 2014, the Anti-Trust Authority informed Trenitalia that it had commenced the preliminary procedure filed as PS/4656–Fines for travel with irregular tickets, claiming that Trenitalia's assessment system and fines were not compliant with the Consumers' Rights Code, particularly with respect to the discretion used in determining whether tickets are irregular or passengers do not have them and the application of compulsory public procedures in the collection of fines, which prevent consumers from effectively contesting the imposed fines.

  The preliminary procedure was completed with the Authority's decision, during the hearing on 12 November 2014 that the commercial practices were non-compliant with articles 20, 24 and 25 of the Consumers' Rights Code, as they "could induce consumers to err as to the nature of the fines imposed and the reason for payment, making a passenger ticketing procedure regulated by the general terms of public transport public" (measure no. 25175 of 12 November 2014). With this measure, the Authority prohibited Trenitalia from continuing the contested practice and imposed an administrative fine of €1 million, which Trenitalia paid on 9 December 2014. As Trenitalia found no grounds and serious gaps in the allegation process behind the Authority's decision, on 16 January 2015, it appealed against the ruling before the regional administration court of Lazio, lodging various arguments against the legitimacy of the Anti-Trust Authority's measures, including with respect to the preliminary examination. Furthermore, Trenitalia, requested the preventive suspension of the measured against which it appealed, i.e., the prohibition to continue the contested practice.

  With ruling no. 12179 of 26 October 2015, the Lazio regional administrative court admitted Trenitalia's appeal and cancelled the Anti-Trust Authority's order no. 25175 of 12 November 2014, which imposed sanctions. In particular, the Judge admitted the arguments in the appeal, confirming: (i) the legitimacy of Presidential decree no. 753/1980 as the legislation justifying Trenitalia's right to impose fines, regardless of the company's nature and corporate role; and (ii) the fact that the company's commercial decision to require passengers to book their seats on medium and long haul journeys, as defined by Trenitalia, cannot be challenged. Moreover, the Lazio regional administrative court ordered the full revision of the original fine considering the ruling. The process for the restatement of the fine has not yet been notified. Finally, on 25 January 2016, the Anti-Trust Authority lodged an appeal against the Lazio regional administrative court's ruling.

- On 27 May 2015, the Anti-Trust Authority concluded preliminary proceedings no. I/759 – which had commenced on 5 February 2014 – assessing that there was an understanding between certain companies limiting competition, to the detriment of Trenitalia. The alleged conduct consisted of their participation in 24 public tenders called by Trenitalia for the procurement of electro-mechanical material for railway traction in the period between March 2008 and September 2011 (at least). In particular, the Authority assessed a complex collusive strategy to divide the market and fix prices, in which the companies acted in concert to participate in public tenders in order to decide the awarding in advance, with continued contact and exchanges of sensitive information. Moreover, it arose that the understanding led to unnatural increases in tender assignment prices, as demonstrated by the fact that the tenders carried out after cartel was discovered, average tender prices decreased. The Authority imposed a sanction totalling approximately €2 million, divided into the colluding companies mainly with respect to their role in promoting and managing the cartel.

There are no material changes since the 2014 financial statements to report with respect to other pending investigations and legal procedures.

EU procedures

The European Commission has notified Italy of the following investigations:

- On 28 March 2014, the European Commission decided to begin a formal investigation in connection with two alleged government assistance programmes relating to the transfer of assets from RFI to FS Logistica and Trenitalia through four mergers between 2007 and 2010, with the Italian government offsetting amounts with Trenitalia under three public service contracts for cargo transport signed as from 2000. The decision was published in the EU's Official Journal on 23 May 2014. In 2014, both the Italian government and FS group provided the Commission with their considerations in this respect. In 2015, there were no significant developments and the Commission is still conducting preliminary activities.
- Case SA 39014 (request for information on HS charges), on 9 July 2014, the European Commission's General Anti-Trust Department sent the Italian authorities a request for information on an alleged discrimination in the calculation of HS charges between Trenitalia and NTV and a subsidy that RFI allegedly gave Trenitalia through dividends on profits from the management of the HS network or other infragroup agreements. The Italian authorities responded on 28 October 2014.
  The Commission accepted the clarifications provided by the Italian Authorities and the FS Group and decided not to proceed with a formal investigation.

There are no material changes since the 2014 financial statements to report with respect to the other circumstances.

As the formal investigations described above are still at a preliminary stage and the company does not currently have any obligations in relation to them, but is only indirectly involved as a concerned third party, the requirements of IAS 37 for the recognition of provisions do not apply.

Legislative decree no. 231/2001

In 2015, the company's supervisory body monitored the functioning and compliance of the company's organisational, management and control model (the "231 model") by analysing and monitoring the information that the company structures sent and through targeted tests for certain areas that are abstractly considered at risk for the committing of these crimes. The relevant structures readily considered the recommendations that arose following the tests, namely relating to the need to update the group of procedures governing the processes analysed.

The supervisory body encouraged and monitored the updating of the 231 model following legislators' introduction of additional crimes beyond those covered by Legislative decree no. 231 of 8 June 2001 and further crimes considered, as well as considering the company's organisational changes and the changes in the external context affecting activities at risk. Following the results of analyses, the company updated, where necessary, the crimes that could, from an abstract standpoint, be committed, as well as the possible mitigation measures, procedures to prevent the risk of such crimes being committed, information flows to be sent to the supervisory body, the organisational structures involved in at-risk activities.

During the meeting held on 23 February 2016, the board of directors approved the seventh update to the company's organisational, management and control model. A description of the model is published on the company's Intranet.

Disclosure required by article 2497-ter of the Italian Civil Code

Activities performed for non-recurring transactions, such as demergers and the acquisition of equity investments are outlined in the company's business plan, which its parent has approved. Operating activities have been carried out in accordance with corporate governance regulations.

OUTLOOK

The risk factors described above consist of elements that could, if they arose, cause changes in the overall context in which the company operates. In particular, these changes consist of developments in the regulatory and legislative context, along with trends typical of a market in which competition could generate discontinuities in the short-term. The effect of these discontinuities cannot be accurately determined at this time; only their materiality can be described.

It is uncertain whether the government will be able to meet the obligations it has assumed in exchange for the provision of services and in paying for such services. This could materially impact cash flows and profitability. The severe financial crisis affecting certain Italian regions, although less dramatic than in the past, negatively affects the company's generation of cash flows and its ability to guarantee planned investments. The company has dealt with these risks and limited them. Maintaining profitability in the main business segments and funding from the shareholder could support the company's significant investment plans.

The company has taken all steps to maintain profitability such that it can generate value despite these changes in the context in which it operates.

ALLOCATION OF PROFIT FOR THE YEAR

The company's financial statements as at and for the year ended 31 December 2015 show a profit for the year of €230,043,009.86, which we propose allocating as follows:

- €11,502,150.49 to the legal reserve;
- distribution of dividends totalling €34,000,000.00;
- €184,540,859.37 to retained earnings.

The dividend includes the portion of the profit for the year distributed as required by article 20 of Law no. 89 of 23 June 2014, subsequently amended by article 10.12 of Decree law no. 192/2014 and converted into Law no. 11 of 27 February 2015.

The board of directors

The Chairman

Financial statements: financial schedules and notes

Statement of financial position

Euros	Notes	31.12.2015	31.12.2014
Assets			
Property, plant and equipment	*(6)*	9,545,306,473	8,751,645,589
Intangible assets	*(7)*	138,840,536	126,660,320
Deferred tax assets	*(8)*	108,492,887	122,294,241
Equity investments	*(9)*	143,110,197	144,168,157
Non-current financial assets (including derivatives)	*(10)*	1,759,145	479,135
Other non-current assets	*(11)*	17,431,573	18,740,808
Total non-current assets		**9,954,940,811**	**9,163,988,250**
Inventories	*(12)*	647,347,379	687,818,959
Current trade receivables	*(13)*	2,125,156,462	1,716,274,691
Current financial assets (including derivatives)	*(10)*	14,372,673	9,209,279
Cash and cash equivalents	*(14)*	33,635,498	40,368,611
Tax assets	*(15)*	11,099,693	2,442,620
Other current assets	*(11)*	260,488,847	55,492,009
Total current assets		**3,092,100,552**	**2,511,606,169**
Total assets		**13,047,041,363**	**11,675,594,419**
Equity			
Share capital	*(16)*	1,654,464,000	1,654,464,000
Reserves	*(16)*	211,909,031	208,933,569
Reserves for unrealised gains and losses	*(16)*	(186,317,346)	(251,893,733)
Retained earnings	*(16)*	324,421,518	278,887,744
Profit for the year	*(16)*	230,043,010	59,509,237
Total equity		**2,234,520,214**	**1,949,900,817**
Liabilities			
Non-current loans and borrowings	*(17)*	4,000,702,652	4,594,861,284
Post-employment benefits and other employee benefits	*(18)*	918,767,689	1,010,381,476
Provisions for risks and charges	*(19)*	140,789,688	108,657,261
Deferred tax liabilities	*(8)*	90,961,063	95,094,679
Non-current financial liabilities (including derivatives)	*(20)*	64,707,736	98,693,768
Other non-current liabilities	*(21)*	22,255,196	63,380,772
Total non-current liabilities		**5,238,184,023**	**5,971,069,240**
Current loans and borrowings and current portion of non-current loans and borrowings	*(17)*	1,518,812,634	814,724,224
Current portion of provisions for risks and charges	*(19)*	1,479,436	4,008,229
Current trade payables	*(22)*	2,198,472,429	1,660,005,482
Current financial liabilities (including derivatives)	*(20)*	1,261,246,975	636,177,107
Other current liabilities	*(21)*	594,325,652	639,709,320
Total current liabilities		**5,574,337,126**	**3,754,624,362**
Total liabilities		**10,812,521,149**	**9,725,693,602**
Total equity and liabilities		**13,047,041,363**	**11,675,594,419**

Income statement

Euros	Notes	2015	2014
Revenue			
Revenue from sales and services	*(23)*	5,308,361,879	5,366,927,824
Other income	*(24)*	233,980,230	209,792,354
Total revenue		**5,542,342,110**	**5,576,720,178**
Operating costs			
Personnel expense	*(25)*	1,894,531,812	1,900,540,149
Raw materials, consumables, supplies and goods	*(26)*	454,393,213	402,053,691
Services	*(27)*	2,021,893,219	2,082,116,605
Use of third-party assets	*(28)*	143,345,882	134,881,022
Other operating costs	*(29)*	54,580,644	47,005,780
Internal work capitalised	*(30)*	(453,828,690)	(445,676,645)
Total cost		**4,114,916,080**	**4,120,920,602**
Amortisation and depreciation	*(31)*	1,007,238,322	958,294,938
Impairment losses	*(32)*	15,515,225	209,478,351
Impairment losses on non-current assets		9,728,071	209,001,786
Impairment losses on receivables		5,787,155	476,565
Provisions	*(33)*	24,000,000	-
Operating profit		**380,672,482**	**288,026,287**
Financial income and expense			
Financial income	*(34)*	18,714,752	8,602,973
Financial expense	*(35)*	150,570,472	169,336,608
Net financial expense		**(131,855,719)**	**(160,733,635)**
Pre-tax profit		**248,816,763**	**127,292,652**
Income taxes	*(36)*	18,773,753	67,783,415
Profit from continuing operations		**230,043,010**	**59,509,237**
Profit for the year		**230,043,010**	**59,509,237**

Statement of comprehensive income

Euros	Notes	2015	2014
Profit for the year		**230,043,010**	**59,509,237**
Other comprehensive income			
Items that will not be reclassified to profit or loss, gross of the tax effect:			
Actuarial gains (losses)	*(16)*	39,321,092	(84,023,262)
Tax effect of actuarial gains/(losses)	*(16)*	(9,509,276)	22,425,504
Items that are or may be reclassified to profit or loss, gross of the tax effect:			
Cash flow hedges - effective portion of changes in fair value	*(16)*	52,445,925	48,509,681
Cash flow hedges - tax effect of the effective portion of changes in fair value	*(16)*	(16,681,354)	(13,340,162)
Total other comprehensive income/(expense), net of the tax effect		**65,576,387**	**(26,428,240)**
Comprehensive income		**295,619,397**	**33,080,997**

Statement of changes in equity

Euros	Equity								
		Reserves							
		Reserves		Unrealised gains and losses					
	Share capital	*Legal reserve*	*Extraordinary reserve*	*Hedging reserve*	*Actuarial reserve*	**Total reserves**	Retained earnings	Profit for the year	**Total equity**
Balance at 31 December 2013	1,654,464,000	**22,774,816**	**177,084,324**	(125,054,332)	(100,411,162)	(25,606,354)	**106,473,558**	**181,488,615**	**1,916,819,820**
Capital increase									
Dividend distribution									
Allocation of profit for the previous year		9,074,431				**9,074,431**	172,414,184	(181,488,615)	-
Comprehensive income, of which:									
Profit for the year								59,509,237	**59,509,237**
recognised directly in equity				35,169,518	**(61,597,758)**	**(26,428,240)**			**(26,428,240)**
Balance at 31 December 2014	1,654,464,000	31,849,247	177,084,324	(89,884,814)	(162,008,920)	(42,960,163)	**278,887,742**	**59,509,237**	**1,949,900,817**
Capital increase									
Dividend distribution							(11,000,000)		**(11,000,000)**
Revaluation of property, plant and equipment									
Actuarial gains (losses)									
Allocation of profit for the previous year		2,975,462				**2,975,462**	56,533,775	(59,509,237)	-
Comprehensive income, of which:									
Profit for the year								230,043,010	**230,043,010**
Profit recognised directly in equity				35,764,571	29,811,816	**65,576,387**			**65,576,387**
Balance at 31 December 2015	1,654,464,000	34,824,709	177,084,324	(54,120,243)	(132,197,104)	25,591,686	**324,421,517**	**230,043,010**	**2,234,520,214**

Cash flow statement

Euros	Notes	2015	2014
Profit for the year	*(16)*	**230,043,010**	**59,509,237**
Amortisation and depreciation	*(31)*	1,007,238,322	958,294,938
Accruals to provisions for risks	*(19)*	*52,699,289*	*21,281,701*
Impairment losses	*(6-7-9)*	*5,484,365*	*209,007,683*
Accruals for employee benefits	*(18)*	*11,674,182*	*20,336,033*
Accruals and impairment losses		69,857,836	250,625,417
Profits (losses) on sales	*(24-29)*	760,447	(16,463,262)
Change in inventories	*(12)*	40,471,580	(961,049)
Change in trade receivables	*(13)*	(408,881,771)	164,631,113
Change in trade payables	*(22)*	538,466,947	37,882,922
Change in deferred taxes	*(8)*	(16,522,892)	(20,224,059)
Change in deferred tax assets and liabilities	*(15)*	(8,657,073)	(1,817,373)
Change in other liabilities	*(21)*	(86,509,244)	(14,002,137)
Change in other assets	*(11)*	(203,687,603)	14,907,456
Utilisation of the provision for risks and charges	*(19)*	(23,095,655)	(57,185,661)
Payment of employee benefits	*(18)*	(63,966,874)	(46,204,942)
Net cash flows generated by operating activities		**1,075,517,031**	**1,328,992,602**
Increase in property, plant and equipment	*(6)*	*(1,791,374,789)*	*(1,040,836,336)*
Increase in intangible assets	*(7)*	*(57,317,075)*	*(56,029,142)*
Investments, before grants		(1,848,691,864)	(1,096,865,478)
Grants for property, plant and equipment	*(6)*	*13,849,447*	*17,213,468*
Grants		13,849,447	17,213,468
Divestments of property, plant and equipment	*(6)*	*16,389,239*	*42,121,343*
Divestments of equity investments	*(9)*	*186,899*	*27,668*
Divestments		16,576,138	42,149,011
Net cash flows used in investing activities		**(1,818,266,279)**	**(1,037,502,999)**
Disbursement and repayment of non-current loans	*(17)*	(295,379,019)	(279,463,160)
Disbursement and repayment of current loans	*(17)*	405,308,798	69,925,684
Changes in financial liabilities	*(10)*	(6,443,404)	30,250,074
Changes in financial liabilities	*(20)*	(9,702,108)	(1,616,708)
Dividends	*(16)*	(11,000,000)	-
Net cash flows generated by (used in) financing activities		**82,784,267**	**(180,904,109)**
Total cash flows		**(659,964,981)**	**110,585,494**
Opening cash and cash equivalents		(551,265,079)	(661,850,573)
Closing cash and cash equivalents		(1,211,230,060)	(551,265,079)
Infragroup current account	*(20)*	(1,244,865,558)	(591,633,690)
Cash and cash equivalents	*(14)*	**33,635,498**	**40,368,610**

NOTES TO THE FINANCIAL STATEMENTS

1. Introduction

The financial statements as at and for the year ended 31 December 2015 have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Union with Regulation (EC) no. 1606/2002 and in effect at year end (all the aforementioned standards and interpretations are collectively referred to as the "EU-IFRS"). Trenitalia S.p.A. availed of its right under Legislative decree no. 38 of 28 February 28, which regulates the exercise of the options under article 5 of Regulation (EC) no. 1606/2002 concerning on the application of EU-IFRS. Specifically, pursuant to articles 3 and 4 of the above Legislative decree, the company has prepared its financial statements in accordance with EU-IFRS since the year ended 31 December 2010. Up to the year ended 31 December 2009, the company prepared its financial statements in accordance with the relevant provisions of Legislative decree no. 127 of 9 April 1991, as interpreted in the light of the accounting standards issued by the OIC, the Italian Accounting Standard Setter (the "Italian GAAP").

2. The company

Trenitalia S.p.A. (the "company" or "Trenitalia") is a company incorporated and domiciled in Italy which operates in accordance with the laws of the Italian Republic. The company has its registered office in Rome, at Piazza della Croce Rossa 1.

It is managed and coordinated by the parent Ferrovie dello Stato Italiane S.p.A..

On 24 March 2016, the directors approved the draft financial statements at 31 December 2015 and authorised their publication and submission to the shareholder within the legal deadline. These financial statements will be presented for the shareholder's approval by 26 April 2016, which is within the term set out by law, and will be filed within the legal deadline. The shareholder is entitled to amend these financial statements.

Despite holding controlling interests, the company has opted not to prepare consolidated financial statements and availed itself of the exemption permitted by IFRS 10. The consolidated financial statements for public use are prepared by Ferrovie dello Stato Italiane S.p.A. which is Trenitalia S.p.A.'s direct parent. This company has its registered office in Rome, Piazza della Croce Rossa 1, and the consolidated financial statements can be obtained at the above address in accordance with the terms and methods set out in the current regulations.

KPMG S.p.A. has been appointed to prepare the legally-required audit.

3. Approaches to budgeting

As mentioned earlier, these financial statements have been prepared in accordance with EU-IFRS. Specifically, the company consistently applies the EU-IFRS to all periods presented in these financial statements.

Furthermore, these financial statements have been prepared on the basis of the best knowledge of EU-IFRS and best practices. Any future interpretation guidelines and updates will be reflected in subsequent years, in accordance with the procedures provided for by the EU-IFRS over time.

The financial statements have been prepared and presented in Euro, which is the company's functional currency, i.e., the currency of the primary economic environment in which the company operates. All amounts included in the tables of the following notes, except as otherwise specified, are expressed in thousands of Euros.

The financial statements format applied and the related classification criteria adopted by the company in accordance with the options provided for in IAS 1 "Presentation of Financial Statements" are set out below:

- The statement of financial position has been prepared by classifying assets and liabilities as "current/non-current";
- The income statement has been prepared by classifying operating costs by nature;
- The statement of comprehensive income includes the profit for the year, as well as any other changes in equity captions attributable to transactions that are not carried out with owners in their capacity as owners.
- The statement of cash flows has been prepared by reporting cash flows arising from operating activities using the indirect method.

These financial statements have been prepared on a going-concern basis, as the directors established that there are no financial, operational or any other indications of critical issues about the company's ability to meet its obligations in the foreseeable future. Reference should be made to note 5 "Financial risk management" for a description of the company's financial risk management procedures.

The financial statements have been prepared on the historical cost basis, except where fair value measurement is mandatory.

4. Applied accounting standards

The most applied accounting standards applied to the preparation of these financial statements are described below.

Property, plant and equipment

Property, plant and equipment are recognised at purchase or production cost, net of accumulated depreciation and impairment losses, if any. The purchase or production cost includes any charges that are directly incurred to make assets available for use, as well as dismantlement and removal charges, if any, that will be incurred as a result of contractual obligations that require the asset to be returned to its original conditions. Any financial expense that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised and depreciated on the basis of the useful life of the asset to which they refer. Leasehold improvements or costs to upgrade and transform property, plant and equipment are recognised under assets.

Any charges incurred for ordinary maintenance and repairs are directly charged to profit or loss when incurred. Costs to expand, upgrade or improve the structural elements owned or used by third parties are capitalised when they meet the requirements for separate recognition as assets or as parts of an asset, applying the component approach, whereby a component must be accounted for separately if its useful life can be measured independently.

Depreciation is calculated systematically and on a straight-line basis in accordance with rates that are deemed to reflect the estimated economic and technical useful lives of the assets.

The useful lives of property, plant and equipment and their residual value are reviewed and updated, where necessary, at least at each reporting date. Land is not depreciated.

The following depreciation rates and useful lives are used:

Category	Amortisation rate	Useful life
Rolling stock		
- Components to be reconditioned	15.4% - 20%	5-6.5 years
- Components subject to wear and tear	15.4% - 20%	5-6.5 years
- Restyling/Safety of driving material	8%	12.5 years
- Restyling/Safety of driven material	10%	10 years
- Basic component	3.3% - 4.3%	23-30 years
- Capitalised second-level maintenance	15.4% - 20%	5-6.5 years
- Maintenance that enhances the asset (significant revamping)	5.5%	18 years
Land and buildings		
- Owned land	-	
- Owner-occupied land	-	
- Industrial buildings and light construction	2%	50 years
- Maintenance that enhances industrial buildings	5%	20 years
- Leasehold improvements	20%	5 years
Industrial plants		
- Workshop plants	5%	20 years
- Maintenance that enhances workshop plants	10%	10 years
Industrial equipment		
- Road and rail vehicles	7.5%	13 years
- Machinery and equipment	10%	10 years
- Loading vehicles	10%	10 years
- Communication systems	25%	4 years

Other assets		
- Motor vehicles	20% - 25%	4-5 years
- Furniture and fittings	12%	8 years
- Ordinary office machines	12%	8 years
- Electronic office machines	20%	5 years
- Mobile phones	20%	5 years
- Specific plants	12%	8 years
- Generic plants	8%	12.5 years
- Sundry and small equipment	12%	8 years
- Health equipment	12.5%	8 years
- Leasehold improvements	20%	5 years

Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance, that can be controlled and can generate future economic benefits. They are recognised at purchase and/or production cost, including any directly-attributable expenses incurred to make the asset available for use, net of accumulated amortisation (except for intangible assets with an indefinite useful life) and impairment losses, if any. Interest expense, if any, that accrues during and for the development of intangible assets, is considered part of the purchase cost. Amortisation begins when the asset is available for use and is charged on a straight-line basis over its estimated useful life. Specifically, the company has the following main intangible assets:

(a) Concessions, licenses and trademarks

They are amortised on a straight-line basis over their term.

Costs of software licences, including any expenses incurred to make the software available for use, are amortised on a straight-line basis and on the basis of the licence term.

Any costs relating to software maintenance are expensed when incurred.

(b) Research and development expenditure

Research expenditure is recognised in profit or loss when incurred, while development expenditure is recognised under intangible assets where all the following conditions are met:

- the project is clearly identified and any costs referred thereto are identifiable and can be measured reliably;
- the technical feasibility of completing the project can be demonstrated;
- the intention to complete the project and to sell the generated intangible assets can be demonstrated;
- there is a potential market or, in case of internal use, it is demonstrated that the intangible asset is useful for the production of the intangible assets generated by the project;
- technical and financial resources are available which are necessary to complete the project.

The amortisation of development expenditure, if any, recognised under intangible assets begins from the date when the result generated by the project can be used and is carried out in a period of five years.

If the research phase of an identified internal project cannot be distinguished from the development phase of an internal project, the expenditure on that project is fully charged to profit or loss as if it were incurred in the research phase only.

The gain or loss arising from the derecognition of an intangible asset is equal to the difference between the net disposal proceeds and the carrying amount of the asset. It is recognised in profit or loss when the asset is derecognised.

The amortisation rates applied to intangible assets with a finite useful life are as follows:

Category	Amortisation rate	Useful life
- Development expenditure	20%	5 years
- Software	20%	5 years

Impairment losses on intangible assets and property, plant and equipment

i) Intangible assets and property, plant and equipment with a finite useful life

At each reporting date, a test is carried out to check if there is any evidence that property, plant and equipment and intangible assets may be impaired. For this purpose, account is taken of both external and internal sources of information. With respect to internal sources of information, the following must be considered: the obsolescence of or physical wear and tear of the asset, significant changes, if any, in the use of the asset and the economic performance of the asset with respect to expectations. As regards external sources of information, the following must be considered: the trend in the market prices of the assets, negative changes, if any, in technology, markets or laws, the trend in market interest rates or in the cost of capital used to measure investments.

If any such indication exists, the company estimates the recoverable amount of the asset, recognising the impairment loss in profit or loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use, i.e., the present value of the future cash flows expected to be derived from the asset. In calculating value in use, the expected future cash flows are discounted using a discount rate which reflects the time value of money, compared to the investment period and risks specific to the asset. The recoverable amount of an asset that does not generate largely independent cash flows is calculated in relation to the cash generating unit to which this asset belongs.

Impairment losses are recognised in profit or loss when the carrying amount of the asset, or of the related cash generating unit to which the asset is allocated, exceeds its recoverable amount. Impairment losses on cash generating units are first allocated to reduce the carrying amount of the goodwill, if any, allocated to the cash-generating unit and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit and within the limits of the related recoverable amount. If the reasons for a previously recognised impairment loss no longer apply, the carrying amount of the asset is reversed in profit or loss without exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years and had the related amortisation or depreciation been charged.

Equity investments in subsidiaries, associates and jointly-controlled entities and other investments

Equity investments in subsidiaries, associates and jointly-controlled entities are measured at their cost, adjusted for impairment.

The company's equity investments in companies that are neither subsidiaries nor associates and which are not listed in an active market and for which the use of an appropriate measurement model is not reliable, are in any case measured at cost.

Impairment losses on equity investments measured at cost are recognised in profit or loss. If the reasons for an impairment loss no longer apply, the carrying amount of the equity investment is reversed up to its original cost. Reversals of impairment losses are recognised in profit or loss.

Financial instruments

The company classifies financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity financial assets;
- available-for-sale financial assets.

Management classifies financial assets upon initial recognition.

(a) Financial assets through profit or loss

This category includes financial assets held for trading, derivatives (see the paragraph below) and assets designated as such upon initial recognition. Their fair value is calculated based on the reporting date bid price. The fair value of unquoted derivatives is calculated by applying commonly used financial valuation techniques. Fair value changes of the instruments included in this category are immediately recognised in profit or loss.

Classification as current or non-current assets reflects management's trading expectations: those that are expected to be realised within 12 months or designated as held for trading are included under current assets.

(b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. If there is an objective evidence of impairment, their carrying amount is decreased to reflect the discounted value of future flows: the impairment losses identified by impairment tests are recognised in profit or loss. If, in a subsequent period, the reasons behind the impairment loss cease to exist, the carrying amount of the asset is reversed without exceeding what the amortised cost would have been had the impairment not been recognised. These assets are classified as current, except for the portions due after one year which are included under non-current assets.

(c) Held-to-maturity financial assets

These assets are measured at amortised cost and are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. They are classified under current assets when the term is within 12 months. If there is objective evidence of impairment, their carrying amount is decreased to reflect the discounted value of future flows: the impairment losses identified by impairment tests are recognised in profit or loss. If, in a subsequent period, the reasons behind the impairment loss cease to exist, the carrying amount of the asset is reversed without exceeding what the amortised cost would have been had the impairment not been recognised.

(d) Available-for-sale financial assets

This category includes financial assets, other than derivative financial assets, that are designated as available for sale or are not classified in any of the above categories. They are measured at fair value which is calculated based on market prices at annual or interim reporting dates or using financial valuation models and techniques. Fair value changes are recognised in a specific equity caption ("reserve for available-for-sale financial assets"). This reserve is released to profit or loss only when the asset is actually sold or, in case of decreases, when the significant and prolonged decrease in fair value already recognised in equity cannot be recovered. Classification under current or non-current assets depends on management's intention and the effective trading of the security: those assets which are expected to be realised within twelve months are classified under current assets.

If there is objective evidence of impairment, their carrying amount is decreased to reflect the discounted value of future flows: the decreases in fair value previously recognised in equity are reversed to profit or loss. The impairment losses recognised in prior years are reversed when the reasons behind their recognition cease to exist. This only applies to financial instruments other than equity instruments.

Derivatives

Derivatives are considered as assets held for trading and are measured at fair value through profit or loss, unless they effectively hedge a specific risk underlying the group's assets or liabilities or commitments.

Specifically, the company uses derivatives as part of a hedging strategies which mitigate the risk of fair value changes of recognised assets or liabilities or assets or firm commitments (fair value hedges) or changes in cash flows expected from firm commitments or highly probable transactions (cash flow hedges). Reference should be made to note [•] for information about the recognition of hedges of the currency risk on long-term contracts.

The effectiveness of hedges is documented and tested since the inception of the transaction which is periodically (at least at each annual or interim reporting date) measured by comparing the fair value changes of the hedge to those of the hedged item (dollar offset ratio) or, with respect to more complex financial instruments, through statistical analyses based on risk changes.

Fair value hedges

Fair value changes of derivatives designated as fair value hedges and which qualify as such, are recognised in profit or loss, similarly to fair value changes of hedged assets or liabilities attributable to the risk hedged.

Cash flow hedges

Fair value gains or losses on derivatives designated as cash flow hedges which qualify as such, are recognised, only to the extent of the "effective" portion, in other comprehensive income in the hedging reserve. They are subsequently reclassified to profit or loss when the underlying hedged item affects profit or loss. Fair value gains or losses related to the ineffective portion are immediately recognised in profit or loss. Should the underlying transaction no longer be considered highly probable, the related portion of the "hedging reserve" is immediately reclassified to profit or loss. Conversely, should the derivative be sold, expire or no longer qualify as an effective hedge of the risk for which the transaction was created, the related portion of the "hedging reserve" is maintained until the underlying item affects profit or loss. Recognition of the hedge as a cash flow hedge is discontinued prospectively.

Fair value estimate

The fair value of instruments quoted on an active market is calculated based on the bid price at the reporting date, while that of instruments not quoted on an active market is determined using financial valuation techniques: specifically, the fair value of interest rate swaps is calculated by discounting expected cash flows, while that of currency forwards considers closing rates and the expected differentials of the relevant currencies.

Financial assets and financial liabilities measured at fair value are classified using the following three levels of the fair value hierarchy, based on the relevance of the inputs used to determine fair value. Specifically:

Level 1: financial assets and financial liabilities whose fair value is calculated based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at the measurement date;

Level 2: financial assets and financial liabilities whose fair value is calculated based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: financial assets and financial liabilities whose fair value is calculated based on unobservable inputs for the asset or liability.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and available bank deposits and any other forms of short-term investment, with an initial maturity of three months or less. At the reporting date, current account overdrafts are classified in the statement of financial position as financial liabilities under current liabilities. Cash and cash equivalents are measured at fair value through profit or loss.

Loans, trade payables and other financial liabilities

Loans, trade payables and other financial liabilities are initially recognised at fair value, net of directly-attributable costs, and are subsequently measured at amortised cost, applying the effective interest rate method. When there is a change in the estimated expected cash flows, the carrying amount of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and of the effective internal rate as initially determined. Loans, trade payables and other financial liabilities are classified under current liabilities, except for those with a contractual term beyond twelve months after the reporting date and those for which the company has an unconditional right to defer their settlement for at least twelve months after the reporting date. Loans, trade payables and other financial liabilities are derecognised when repaid and when the company has transferred all risks and charges related to the instrument.

Inventories

Inventories, which mainly comprise spare parts for the maintenance of rolling stock, are recognised at the lower of purchase and/or production cost and net realisable value. Cost is calculated using the weighted average cost method.

The accounting treatment of inventories provides for an increase in inventories following purchases and a decrease therein following use, with direct recognition in profit or loss.

Net realisable value corresponds, for finished goods and property, to the selling price estimated in the ordinary course of business, net of estimated selling costs. Replacement cost is used for raw materials, consumables and supplies.

Purchase cost includes additional charges, while production cost comprises directly-attributable costs and a portion of indirect costs that are reasonably attributable to the products.

Obsolete and/or slow-moving inventories are written down to reflect their estimated possible use or future sale, through the recognition of a specific allowance for inventory write-down. The write-down is derecognised in subsequent years if the reasons therefor no longer apply.

Employee benefits

Short-term benefits comprise wages, salaries, related social security contributions, holidays paid and incentives paid out in the form of bonuses payable in the twelve months after the reporting date. These benefits are accounted for as personnel expense components in the period in which the employees provide their service.

Post-employment benefits and other employee benefits

The company has both defined contribution and defined benefit plans in place. The defined contribution plans are managed by third-party fund managers, in relation to which there are no legal or any other obligations to pay additional contributions if the fund has no sufficient assets to meet the commitments with employees. With respect to the defined contribution plans, the company pays contributions, either voluntarily or as required by contract, into public and private insurance pension funds. Contributions are recognised as personnel expense on an accruals basis. Advance payments for contributions are recognised as an asset that will be repaid or offset against future payments, if due.

A defined benefit plan is a plan that cannot be classified as a defined contribution plan. Under defined benefit plans, the amount of the benefit to be paid to the employee can be quantified only after the termination of the employment relationship, and is linked to one or more factors, such as age, years of service and remuneration. Therefore, defined benefit obligations are determined by an independent actuary using the projected unit credit method. The present value of defined benefit plans is determined by discounting future cash flows at an interest rate equal to that of (high-quality corporate) bonds issued in the foreign currency in which the liability will be settled and that takes account of the term of the related pension plan. Actuarial gains and losses are fully recognised in profit or loss in the relevant year, taking account of the related deferred tax effect.

Specifically, the company manages a defined benefit plan that consists of is represented by post-employment benefits (Italian "TFR"). Italian companies are required to accrue a provision pursuant to article 2120 of the Italian Civil Code, which is treated as deferred remuneration and is based on employees' duration of service and the remuneration they receive during that time. Starting from 1 January 2007, Law no. 296 of 27 December 2006, the "2007 Finance Act" and subsequent decrees and regulations introduced significant amendments to TFR regulations, including the employees' right to choose to transfer the TFR being accrued either to supplementary pension funds or to the "Treasury Fund" managed by INPS (the Italian Social Security Institute). Consequently, the obligation to INPS and the contributions paid into supplementary pension funds are now treated, pursuant to IAS 19 "Employee benefits", as defined contribution plans, while the amounts recognised under post-employments benefits at 1 January 2007 are still treated as defined benefit plans. Post-employment benefits also include another special Italian severance pay benefit due to employees for their service up to 31 December 1995.

The company also has a defined benefit pension plan in place, the "Free Travel Card" (*Carta di Libera Circolazione*, "CLC") that gives current and retired employees and their relatives, the right to use - free of charge or, in some cases, for an admission fee - the company's railway services.

Therefore, a provision has been accrued, on the basis of the above actuarial techniques, which includes the discounted cost related to retired employees who are entitled to the benefit, as well as the portion of the benefit vested by employees in service and to be paid after termination of employment. The accounting treatment of the Free Travel Card benefits and the effects arising from their actuarial valuation are the same as those envisaged for post-employment benefits.

Provisions for risks and charges

Provisions for risks and charges are recognised for certain or probable losses and charges, whose amount and/or due date cannot be determined. They are recognised only when the company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. This amount represents the best estimate of the expenditure required to settle the obligation. The rate used to determine the present value of the liability reflects the current market values and takes account of the specific risk that can be associated to each liability.

Where the effect of the time value of money is material and the settlement dates of obligations can be estimated reliably, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Risks for which a liability is only possible are disclosed in the specific section on contingent liabilities without accruing any provisions.

Revenue

Revenue is recognised when it is probable that future economic benefits will flow to the company and these benefits can be measured reliably, net of returns, rebates, trade discounts and bulk discounts.

Revenue from services is recognised in profit or loss on a percentage of completion basis and only when the outcome of the service can be estimated reliably.

Revenue from the sale of goods is recognised at the fair value of the consideration received or receivable. It is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of the goods and the related costs can be measured reliably.

Interest income is recognised in profit or loss on the basis of the effective rate of return.

Government grants

Government grants, when formally assigned and, in any case, when the right to their disbursement is deemed definitive as it is reasonably certain that the company will comply with any conditions attached to the grant and that the grants will be received, are recognised on an accruals basis in direct correlation with the costs incurred.

i) Grants related to assets

They refer to amounts paid by the government and other public bodies to the company for the implementation of initiatives aimed at the construction, reconditioning and expansion of property, plant and equipment. They are recognised as a direct reduction in the cost of the assets to which they refer and decrease the depreciation rates.

ii) Grants related to income

They refer to amounts paid by the government or any other public bodies to the company to offset costs and charges incurred. They are recognised under "Other income", as a positive component of income.

Dividends

They are recognised in profit or loss when the shareholders' right to receive payment thereof arises. The latter usually coincides with the shareholders' resolution approving dividend distribution.

Dividends distributed to company shareholders are presented as a change in equity and recognised under liabilities when their distribution is approved by the shareholders.

Cost recognition

Costs are recognised when they relate to goods and services acquired or consumed in the year or by systematic allocation.

Income taxes

Current taxes are calculated based on estimated taxable income and in accordance with ruling tax legislation. Deferred tax assets, related to prior tax losses, are recognised when it is probable that future taxable income will be available against which these losses can be recovered. Deferred tax assets and liabilities are calculated using the tax rates that are expected to be applied in the years in which the differences will be realised or settled.

Current taxes, deferred tax assets and liabilities are recognised in profit or loss, except for those relating to items recognised under other comprehensive income and directly taken to equity. In the latter cases, deferred tax liabilities are recognised under the "Tax effect" caption related to the other comprehensive income or directly in equity, respectively. Deferred tax assets and liabilities are offset when they are levied by the same tax authorities, there is a legally enforceable right to set off the recognised amounts and a settlement on a net basis is expected.

Taxes other than income taxes, such as indirect taxes and duties, are included in profit or loss under "Other operating costs".

Translation of foreign currency amounts

Any transactions in a currency other than the functional currency are recognised at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in a currency other than the Euro are subsequently adjusted at the closing rate. Non-monetary assets and liabilities denominated in a currency other than the Euro are recognised at historical cost using the exchange rate prevailing at the date of initial recognition. Exchange rate differences are taken to profit or loss.

Assets and liabilities held for sale and disposal groups

Non-current assets and liabilities (or disposal groups) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use are classified as held for sale and recognised separately from any other assets and liabilities in the statement of financial position. The corresponding prior year statement of financial position figures are not reclassified. A discontinued operation is a component of the company that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Profits or losses of discontinued operations – either disposed of or classified as held for sale and being divested – are recognized separately in profit or loss, net of tax effects. Prior year corresponding figures, where present, are reclassified and presented separately in the separate income statement, net of tax effects, for comparative purposes. Non-current assets and liabilities (or disposal groups) classified as held for sale, are firstly recognised in accordance with the specific standard applicable to each asset and liability and, subsequently, are recognised at the lower of carrying amount and fair value, less costs to sell. Subsequent impairment losses are recognised directly as an adjustment to non-current assets (or disposal groups) classified as held for sale through profit or loss.

Impairment losses are reversed for any subsequent increase in fair value less costs to sell of an asset, not in excess of the cumulative impairment loss that has been previously recognised.

New standards

First-time adoption of standards, amendments and interpretations

IFRIC 21 – Levies

On 20 May 2013, the IASB issued IFRIC 21 – Levies, which is an interpretation of IAS 37 – Provisions, contingent liabilities and contingent assets. The EU endorsed this document with Regulation no. 634 of 13 June 2014. It

provides guidance on when to recognise a liability for a levy imposed by a government, except for those already regulated by other standards (e.g. IAS 12 – Income taxes). One of the requirements laid down under IAS 37 for the recognition of a liability is that the entity must have a present obligation as a result of a past event (obligating event). The interpretation clarifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.
IFRIC 21 applies for annual periods beginning on or after 17 June 2014.
Because of its nature, the application of this interpretation had no material effects on these financial statements.

IAS 19 – Employee benefits - Amendment

On 21 November 2013, the IASB issued some amendments to IAS 19 – Employee benefits, named "Defined benefit plans: employee contributions". The EU endorsed these documents with Regulation no. 2015/29 of 17 December 2014, with aim of simplifying the accounting treatment of employees' or third-party contributions to defined benefit plans.
These amendments apply to annual periods beginning on or after 1 February 2015.
The application of the IFRS amendment has not had any material impact on these financial statements.

Annual Improvements to IFRS: 2010-2012 Cycle

On 12 December 2013, the IASB issued the Annual improvements to IFRS: 2010-2012 cycle. The EU endorsed this document with Regulation no. 2015/28 of 17 December 2014. The following standards were amended:

- the amendment to IFRS 2 clarifies the definition of "vesting condition", separately defining the concepts of "performance condition" and "service condition";
- the amendments to IFRS 3 clarify that the classification of a contingent consideration, which meets the definition of financial instruments, as a financial liability or as equity must be recognised in accordance with the definitions of financial liability and equity instruments under IAS 32: Financial instruments: presentation. Moreover, fair value gains and losses in a contingent consideration, which are not measurement period adjustments and which are not classified in equity, must be recognised in profit or loss;
- with respect to the amendments to IFRS 8, entities are required to briefly describe the operating segments combined, the criteria applied and the economic indicators that were considered in establishing that the combined operating sectors have similar financial characteristics;
- the amendment to IAS 24 modifies the definition of "related party" to include "management entities", i.e., those entities (or any member of a group to which it belongs) which provide key management services to the reporting entity or its parent. With respect to "management entities", the reporting entity shall state the amount of the costs incurred to provide key management services. However, it is not required to state the fees paid or due by the "management entity" to its directors or employees, pursuant to IAS 24.17;
- the amendments to IAS 16 and 38 clarify that, when the revaluation model is applied, the adjustments to accumulated depreciation/amortisation are not always consistent with the adjustment to the gross carrying amount. Specifically, at the revaluation date, the asset's carrying amount can be adjusted to the revalued amount either as follows: a) the asset's gross carrying amount is adjusted in a manner

that is consistent with the revaluation and the accumulated amortisation/depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset, net of accumulated impairment losses; b) accumulated amortisation/depreciation is offset against the asset's gross carrying amount.

These amendments apply to annual periods beginning on or after 1 February 2015.
The application of the improvements to IFRS, where relevant, had no material effects on these financial statements.

Annual Improvements to IFRS: 2011-2013 Cycle

On 12 December 2013, the IASB issued the "Annual improvements to IFRS: 2011-2013 cycle". The EU endorsed this document with Regulation no. 1361 of 18 December 2014. The following standards were amended:

- the amendment to IFRS 3 clarifies that this standard does not apply to joint ventures or joint operations when they are established. Prior to the amendment, the exception was limited to the set-up of joint ventures;
- the amendment to IFRS 13 clarifies that the "portfolio exception" applies to financial assets and financial liabilities managed on the basis of a net exposure to market and credit risks, although it does not meet the definition of IAS 32; indeed, it falls under the scope of IAS 39;
- the amendments to IAS 40 clarify that an entity shall determine whether the property acquired shall be classified as investment property or owner-occupied property under IAS 40 and subsequently separately establish whether the acquisition of the investment property constitutes the acquisition of a single asset or of a group of assets.

These amendments apply to annual periods beginning on or after 1 January 2015.
The application of the improvements to IFRS, where relevant, had no material effects on these financial statements.

Accounting standards, amendments and interpretations recently endorsed by the European Union, but not yet adopted

IFRS 11 – Joint arrangements - Amendments

On 6 May 2014, the IASB issued Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). This document was endorsed by the European Union with Regulation no. 2173 of 24 November 2015. The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business.
The amendments are effective for annual periods beginning on or after 1 January 2016. The company is currently assessing the future impacts the amendments may have on the financial statements.

IAS 16 - Property, plant and equipment - IAS 38 - Intangible assets - Amendments

On 12 May 2014, the IASB issued Clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38). This document was endorsed by the European Union with Regulation no. 2231 of 2 December 2015. The amendments clarify that the use of revenue-based methods to calculate the

depreciation/amortisation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
The amendments are effective for annual periods beginning on or after 1 January 2016. The company is currently assessing the future impacts the amendments may have on the consolidated financial statements. However, no significant impacts are expected.

IAS 27 – Separate financial statements - Amendments
On 12 August 2014, the IASB issued Equity Method in Separate Financial Statements (Amendments to IAS 27). This document was endorsed by the European Union with Regulation no. 2441 of 18 December 2015. The amendments restore the option to use the equity method, described in IAS 28 Investments in associates and joint ventures, to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.
The amendments are effective for annual periods beginning on or after 1 January 2016. The company is currently assessing the future impacts the amendments may have on the consolidated financial statements.

Annual Improvements to IFRS: 2012-2014 Cycle
On 25 September 2014, the IASB issued the Annual Improvements to IFRS: 2012-2014 Cycle. This document was endorsed by the European Union with Regulation no. 2343 of 15 December 2015. The amendments introduced are part of the ordinary streamlining and clarification process of IFRS. They refer to the following standards: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosure, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting.
The amendments are effective for annual periods beginning on or after 1 January 2016. The company is currently assessing the future impacts the amendments may have on the consolidated financial statements.

IAS 1 – Presentation of financial statements - Amendments
On 18 December 2014, the IASB issued Disclosure Initiative (Amendments to IAS 1). This document was endorsed by the European Union with Regulation no. 2406 of 18 December 2015. The amendments clarify some aspects related to disclosure. The initiative is part of the Disclosure Initiative project to improve the presentation of, and disclosures in, IFRS financial statements and resolve some of the critical issues reported by operators.
The amendments are effective for annual periods beginning on or after 1 January 2016. The company is currently assessing the future impacts the amendments may have on the consolidated financial statements.

Accounting standards, amendments and interpretations not yet endorsed by the European Union

At the reporting date, the competent bodies of the European Union have not yet completed the endorsement process necessary to adopt the following accounting standards and amendments. The company is currently assessing the future impacts these standards, amendments and interpretations may have on the financial statements.

IFRS 14 - Regulatory deferral accounts

On 30 January 2014, the IASB issued IFRS 14 - Regulatory deferral accounts, an interim standard applicable to the rate-regulated activities project. IFRS 14 permits only entities which are first-time adopters of IFRS to continue to account for rate regulation balances in accordance with their previous GAAP. In order to improve comparability with the entities that already apply IFRS and that do not recognise these balances, the standard provides that the impact of rate regulation be separately presented in an entity's financial statements. The European Commission suspended the endorsement process pending the issue of the definitive version of the standard by the IASB.

IFRS 9 – *Financial instruments*

On 24 July 2014, the IASB issued the definitive version of IFRS 9 - Financial instruments. This standard reflects the various stages covering classification, measurement, derecognition, impairment and hedge accounting within the IASB project to replace IAS 39. The new standard supersedes the previous versions of IFRS 9. In 2008, the IASB began the process to replace IFRS 9 which involved a number of stages. In 2009, the first version of IFRS 9 was issued, covering the measurement and classification of financial assets. The provisions governing financial liabilities and derecognition were issued in 2010. In 2013, IFRS 9 was amended to include the general model of hedge accounting. In September 2015, the EFRAG completed the due process to issue the endorsement advice which was subsequently submitted to the European Commission.

The endorsement advice recommends that all companies apply IFRS 9 as of 2018 and provides for the early application in the insurance sector.

IFRS 10 – *Consolidated financial statements* - IAS 28 – *Investments in associates and joint venture* - Amendments

On 11 September 2014, the IASB issued Sales or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) to resolve an inconsistency between IAS 28 and IFRS 10. Under IAS 28, the gain or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or an associate in exchange for an investment in the latter is recognised only to the extent of unrelated investors' interests in the associate or joint venture. Conversely, under IFRS 10, when control is lost, the full amount of the gain or loss is recognised, even if the entity maintains a non-controlling interest in the company, including the sale or contribution of an associate to a joint venture or an associate. The amendments establish that when an asset or subsidiary are transferred/contributed to a joint venture or an associate, the amount of the gain or loss to be recognised in the financial statements of the transferor depends on whether the transferred/contributed assets or subsidiary constitute a business, as defined in IFRS 3. When the transferred/contributed assets or subsidiary constitute a business, the entity shall recognise the gain or loss on the entire investment previously held. Conversely, it shall recognise the portion of gain or loss attributable to share of investment it still holds.

In December 2015, the IASB issued the amendment that defers for an unlimited period of time the coming into force of the amendments to IFRS 10 and IAS 28.

IFRS 10 – Consolidated financial statements - IFRS 12 – Disclosure of interests in other entities - IAS 28 – Investments in associates and joint venture - Amendments

On 18 December 2014, the IASB issued Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The amendment clarifies three aspects related to the consolidation of an investment entity. In July 2015, the EFRAG completed the due process for the issue of the endorsement advice.

IFRS 15 - Revenue from contracts with customers and Amendments

On 28 May 2014, as part of the IFRS-US GAAP convergence project, the IASB and the FASB published IFRS 15 - Revenue from contracts with customers. This standard is a unique and comprehensive framework for revenue recognition and sets out the provisions to be applied to all contracts with customers (except for those covered by other standards on leases, insurance contracts and financial instruments). IFRS 15 replaces the previous standards applicable to revenue: IAS 18 - Revenue and IAS 11 - Construction contracts, as well as the following interpretations: IFRIC 13 - Customer loyalty programmes, IFRIC 15 - Agreements for the construction of real estate, IFRIC 18 - Transfers of assets from customers and SIC 31 - Revenue—Barter transactions involving advertising services. On 11 September 2015, the IASB issued an amendment to IFRS 15, postponing the coming into force of the standard to 1 January 2018. However, early application is permitted. The EU endorsement is expected in the second quarter of 2016.

IFRS 16 – Lease

On 13 January 2016, the IASB issued IFRS 16 Leases, which replaces IAS 17. IFRS 16 is effective from 1 January 2019. The new standard eliminates the different recognition of operating and finance leases, while containing elements that simplify its application.

Early application is permitted to entities that also adopt IFRS 15 Revenue from Contracts with Customers. The EFRAG is expected to complete the due process in the second half of 2016.

IAS 12 – Income tax - Amendments

On 19 January 2016, the IASB issued some amendments to IAS 12 Income Tax. The document "Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)" clarifies the accounting for deferred tax assets on debt instruments measured at fair value. The amendments are effective from 1 January 2017. Early application is permitted. The EU endorsement is expected by the end of 2016.

IAS 7 – Statement of Cash Flows - Amendments

On 29 January 2016, the IASB issued some amendments to IAS 7 Statement of cash flows. The Disclosure initiative (Amendments to IAS 7) document is meant to improve the presentation and disclosure of the financial information provided to users of financial statements and to resolve some of the critical issues reported by operators. The amendments are effective from 1 January 2017. The EU endorsement is expected by the end of 2016

Use of estimates and valuations

In preparing the financial statements in accordance with IFRS, the directors applied accounting standards and methods, which in some circumstances rely on difficult and subjective valuations and estimates based on past experience and on assumptions that are from time to time considered to be reasonable and realistic depending on the circumstances. Therefore, the actual amounts of certain financial statements captions calculated according to the above estimates and assumptions may differ in the future, even materially, from those reported in the financial statements, because of the uncertainty that characterises the assumptions and conditions on which the estimates are based. Estimates and assumptions are reviewed periodically and the effects of any changes are recognised in profit or loss when they affect the year only. If the revision affects both current and future years, the change is recognised in the year the revision is made and in the related future years.

Therefore, actual results may differ, even materially, from these estimates following possible changes in the factors considered in the determination of these estimates.

The following accounting standards require the most subjectivity from the directors in the preparation of estimates and would have a significant impact on the financial figures if there were a change in the conditions underlying the assumptions used:

i) Impairment losses

Property, plant and equipment and intangible assets with a finite life are tested for impairment. Impairment losses are recognised when there is evidence that it will be difficult to recover the related carrying amount through the use of the asset. Impairment tests require the directors to make subjective valuations based on the information available within the company and in the market, as well as from past experience. Furthermore, when a potential impairment loss exists, the company calculates such loss using suitable valuation techniques. The correct identification of impairment indicators and the estimates for calculating them depend on factors that may vary over time, thus affecting valuations and estimates made by the directors.

ii) Amortisation and depreciation

The cost of property, plant and equipment and intangible assets is depreciated and amortised, respectively, on a straight-line basis over the estimated useful lives of the assets. The directors determine the useful lives of the company's assets when the assets are purchased. They are based on past experience for similar assets, market conditions and forecasts concerning future events that may have an impact on the useful life. Therefore, the actual economic life may differ from the estimated useful life. The company assesses any technological and sector changes to update residual useful lives on a regular basis. These updates may entail a change in the amortisation and depreciation period and in the amortisation and depreciation rates of future years.

iii) Provisions for risks and charges

Provisions are accrued against legal and tax risks which represent the risk of a negative outcome. The recognised provisions relating to these risks reflect the best estimate made by the directors at the reporting date. This estimate entails the adoption of assumptions that depend on factors which may vary over time and which may have significant effects compared to the current estimates made by the directors for the preparation of the company's financial statements.

iv) Taxes

Deferred tax assets are recognised based on the income expected in future years. The valuation of any expected income for the purposes of the recognition of deferred taxes depends on factors that may vary over time and determine significant effects on the measurement of deferred tax assets.

v) Fair value of derivatives

The fair value of derivatives that are not quoted in active markets is measured using valuation techniques. The company applies valuation techniques that use inputs that can be observed in the market, either directly or indirectly, at the reporting date, and that are connected to the assets and liabilities being measured. Even if the estimates of the above fair values are considered reasonable, any possible changes in the estimate factors on which the calculation of the aforesaid amounts is based may generate different valuations.

vi) Operating segments

At the date of these financial statements, the company had no debt instruments or shares quoted on a regulated market and was included in the scope of consolidation of the Ferrovie dello Stato Italiane group, which provides information on its operating segments in the notes to the consolidated financial statements, in accordance with IFRS 8.2 b.

5. Financial risk management

The activities carried out by the company expose it to various types of risks that include market risk (interest rate, price and currency risk), liquidity risk and credit risk.

This section provides information on the company's exposure to each of the risks listed above, the objectives, policies and processes for the management of these risks and the methods used to assess them, as well as capital management. These financial statements also include additional quantitative information. The company's risk management focuses on the volatility of financial markets and is aimed at minimising potential undesired effects on its financial position and results of operations.

Credit risk

Credit risk is the risk that a customer or one of the counterparties of a financial instrument may cause a financial loss by not complying with an obligation. It mainly arises from trade receivables, loan assets with the public administration, the company's financial investments and cash and cash equivalents.

The company has issued organisational procedures for credit management in order to define strategies and guidelines for the commercial credit policy, assign credit limits for customers, prevent the concentration of credit risk, monitor customers' solvency and start credit collection operations.

The recoverability of loans and receivables is forecast considering each individual position, taking account of the instructions given by the heads of department and by the internal and external legal advisors who handle recovery procedures. Accordingly, loans and receivables whose recovery is uncertain at the reporting date are impaired.

With respect to the derivatives used for hedging purposes and which can potentially generate credit exposure to counterparties, the company applies a policy that defines concentration limits by counterparty and credit rating.

The table below shows the company's exposure to the credit risk:

Euros	31.12.2015	31.12.2014
Current trade receivables	2,423,558	1,976,490
Allowance for impairment	(298,401)	(260,216)
Current trade receivables, net of the allowance for impairment	**2,125,156**	**1,716,275**
Other current assets	41,336	56,046
Allowance for impairment	(1,119)	(2,015)
Other current assets, net of the allowance for impairment	**40,217**	**54,031**
Non-current financial assets (including derivatives)	1,759	479
Allowance for impairment		
Non-current financial assets (including derivatives), net of the allowance for impairment	**1,759**	**479**
Other non-current assets	16,867	18,176
Allowance for impairment		
Other non-current assets, net of the allowance for impairment	**16,867**	**18,176**
Cash and cash equivalents	**33,635**	**40,369**
Current financial assets (including derivatives)	14,373	9,209
Allowance for impairment		
Current financial assets (including derivatives), net of the allowance for impairment	**14,373**	**9,209**
Non-current trade receivables		
Allowance for impairment		
Current trade receivables, net of the allowance for impairment	**-**	**-**
Construction contracts	-	-
Allowance for impairment		
Construction contracts, net of the allowance for impairment	**-**	**-**
Total exposure, net of the allowance for impairment	**2,232,008**	**1,838,539**

The tables below show its exposure to credit risks by counterparty, in absolute terms and as a percentage, excluding cash and cash equivalents:

Euros	31.12.2015	31.12.2014
Public administration, Italian government and regions	1,675,060	1,307,597
Ordinary customers	176,862	146,587
Financial institutions	-	-
Other debtors	346,450	343,987
Total exposure, net of the allowance for impairment	**2,198,373**	**1,798,171**

	31.12.2015	31.12.2014
Public administration, Italian government and regions	76.20%	72.72%
Ordinary customers	8.05%	8.15%
Financial institutions	0.00%	0.00%
Other debtors	15.76%	19.13%
Total exposure, net of the allowance for impairment	**100.00%**	**100.00%**

Because of the nature of its business, the company's loans and receivables include the amounts related to public service agreements entered into with the regions and the government and the amounts due from ordinary customers which are mainly related to the company's transactions with Cargo customers. Therefore, they are largely attributable to government and public bodies, such as the Ministry of the Economy and Finance ("MEF") and the regions. Specific procedures are in place to minimise the risk of creditors' insolvency by assessing their credit standing, especially for large Cargo customers and travel agencies. In certain cases, credit limit can be exceeded only by companies that issue adequate sureties. Therefore, credit risk, which is represented by the company's exposure to potential losses arising from the failure of its own debtors to comply with their obligations is significantly mitigated.

The table below gives a breakdown of financial assets at 31 December 2015 by overdue amounts, net of the allowance for impairment and excluding cash and cash equivalents:

31.12.2015						
		Overdue by				
	Not overdue	0-180	180-360	360-720	beyond 720	Total
Public administration, Italian government and regions (gross)	470,724	484,345	259,888	368,229	108,748	1,691,934
Allowance for impairment	(3,901)			(5,210)	(7,763)	(16,874)
Public administration, Italian government and regions (net)	**466,823**	**484,345**	**259,888**	**363,019**	**100,985**	**1,675,060**
Ordinary customers (gross)	126,804	54,407	24,380	64,272	166,873	436,735
Allowance for impairment	(1,190)	(15,199)	(19,762)	(59,686)	(164,036)	(259,873)
Ordinary customers (net)	**125,613**	**39,208**	**4,618**	**4,586**	**2,837**	**176,862**
Financial institutions						-
Other debtors (gross)	196,599	64,419	26,567	68,941	12,699	369,224
Allowance for impairment	(6)			(11,745)	(11,023)	(22,774)
Other debtors (net)	**196,593**	**64,419**	**26,567**	**57,196**	**1,676**	**346,450**
Total exposure, net of the allowance for impairment	**789,029**	**587,972**	**291,073**	**424,801**	**105,498**	**2,198,373**

31.12.2014						
		Overdue by				
	Not overdue	0-180	180-360	360-720	beyond 720	Total
Public administration, Italian government and regions (gross)	670,706	187,385	213,069	252,869		1,324,029
Allowance for impairment	(3,901)			(12,532)		(16,433)
Public administration, Italian government and regions (net)	**666,805**	**187,385**	**213,069**	**240,337**	-	**1,307,597**
Ordinary customers (gross)	123,738	27,131	194,789	23,071		368,729
Allowance for impairment	(1,148)	(9,008)	(192,375)	(19,610)		(222,142)
Ordinary customers (net)	**122,590**	**18,123**	**2,414**	**3,461**	-	**146,587**
Financial institutions						-
Other debtors (gross)	256,067	38,670	6,314	66,010	581	367,642
Allowance for impairment	(2,021)			(21,634)		(23,655)
Other debtors (net)	**254,046**	**38,670**	**6,314**	**44,376**	**581**	**343,987**
Total exposure, net of the allowance for impairment	**1,043,441**	**244,178**	**221,798**	**288,173**	**581**	**1,798,171**

Receivables from the public administration total €1,675 million and mainly refer to amounts due from the regions and the Ministry of the Economy and Finance in connection with public services. Of this amount, approximately 34% is already overdue. Overdue receivables from the Campania region (approximately €174.3 million), the Valle d'Aosta region (approximately €100 million), Sicily (€83 million) and the Ministry of the Economy and Finance (roughly €532 million) are particularly significant. The breakdown by due date includes the receivable for invoices to be issued to the Ministry of the Economy and Finance and the Valle d'Aosta and Sicily regions, since the services have already been provided and reported, but these bodies have yet to implement suitable procedures for the invoicing and payment of such services.

Liquidity risk

Liquidity risk is the risk that an entity may have difficulties in complying with the obligations associated with financial liabilities to be settled by delivering cash or another financial asset. As stated in the directors' report, the company holds considerable receivables from the government and the regions, which are not settled on time. However, while they present lengthy payment terms, they enable the company to manage its financial requirements.

The parent has provided the company with committed and uncommitted credit lines to help it meet its cash requirements. In addition, the company participates in the Ferrovie dello Stato Italiane group's cash pooling system. The following table shows the due dates of financial liabilities, including interest to be paid:

31/12/2015	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
Non-derivative financial liabilities							
Bank loans and borrowings	1,446,652	1,476,071	178,917	178,597	357,274	424,801	336,482
Shareholder loans	4,072,863	4,302,241	1,154,345	25,876	49,032	2,006,611	1,066,377
Financial liabilities	1,244,866	1,244,866	1,244,866	-	-	-	-
Total	**6,764,381**	**7,023,178**	**2,578,128**	**204,473**	**406,306**	**2,431,412**	**1,402,859**
Trade payables	**2,198,472**	**2,198,472**	**2,198,472**	-	-	-	-
Derivative financial liabilities	**81,089**	**81,806**	**31,336**	**15,195**	**21,624**	**12,023**	**1,628**

31/12/2014	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
Non-derivative financial liabilities							
Bank loans and borrowings	1,801,480	1,846,402	181,395	180,853	361,165	659,037	463,952
Shareholder loans	3,608,106	3,877,439	452,371	28,460	578,869	1,079,149	1,738,590
Financial liabilities	591,634	591,634	591,634	-	-	-	-
Total	**6,001,220**	**6,315,475**	**1,225,400**	**209,313**	**940,034**	**1,738,186**	**2,202,542**
Trade payables	**1,660,005**	**1,660,005**	**1,660,005**	-	-	-	-
Derivative financial liabilities	**143,237**	**143,194**	**51,503**	**32,061**	**35,650**	**20,102**	**3,878**

The tables below show the repayments of financial liabilities by due date within one year, from 1 to 5 years and after 5 years:

31/12/2015	Carrying amount	Within one year	1-5 years	Beyond 5 years
Non-derivative financial liabilities				
Bank loans and borrowings	1,446,652	354,777	765,208	326,667
Shareholder loans	4,072,863	1,164,035	1,924,208	984,620
Financial liabilities	1,244,866	1,244,866	-	-
Total	**6,764,381**	**2,763,678**	**2,689,416**	**1,311,287**
Trade payables	**2,198,472**	**2,198,472**	-	-

31/12/2014	Carrying amount	Within one year	1-5 years	Beyond 5 years
Non-derivative financial liabilities				
Bank loans and borrowings	1,801,480	355,021	996,459	450,000
Shareholder loans	3,608,106	459,703	1,521,340	1,627,063
Financial liabilities	591,634	591,634	-	-
Total	**6,001,220**	**1,406,358**	**2,517,799**	**2,077,063**
Trade payables	**1,660,005**	**1,660,005**	-	-

The contractual flows from variable-rate loans have been calculated using the forward rates estimated at the reporting date. The balance of the infragroup current account and current loans disbursed by the parent are classified under the shortest bracket ("6 months or less") in the disclosure table.

Market risk

As part of its operations, the company is exposed to several market risks, mainly interest rate risk and, to a lesser extent, currency risk. The objective of market risk management is keeping the group companies' exposure to these risks within acceptable levels, while optimising returns on investments. This risk is broken down into interest rate risk and currency risk, detailed below.

Interest rate risk

The company is mainly exposed to interest rate risk relating to non-current loans indexed to variable rates.

The objective of the group's interest rate risk management policies, which the company applies, is to limit the cash flow fluctuations in financing transactions in place and, where possible, to exploit the cost of debt optimisation opportunities offered by the indexing of variable-rate debt.

In accordance with the above policies, the company only uses plain vanillas, such as interest rate swaps, interest rate collars and interest rate caps.

The company pursues the following interest rate risk management policy:

- hedging of up to 50% of non-current debt through plain vanilla derivative instruments on interest rates that have a term equal to that of the transaction;
- ongoing monitoring of the residual debt in order to seize further hedging opportunities in the short;

The objective of the strategy, as a whole, is to limit cash flow fluctuations in financing transactions in place (cash flow hedges) in order to ensure the company meets its cost of debt objectives in the long-term plan and/or annual budget. The company only uses interest rate swaps/plain vanilla collars/plain vanilla caps.
The implementation of this strategy has enabled the company to limit the cost of debt on non-current loans and borrowings, including the credit spread, to below 3% in the past five years. At 31 December 2015, the all-in cost of non-current debt was below 2.4%.

At 31 December 2015, approximately 40% of non-current debt accrues interest at fixed rates or is hedged until maturity.

Three-year hedges, effective between the second half of 2015 and the second half of 2018, are in place on the residual liabilities not covered until maturity. These hedges were agreed in the second half of 2015 through interest rate swaps that fix the average cost of debt, including the spread, to below 0.5%, making it possible to substantially determine borrowing cost over the subsequent three years in advance.

Current debt typically accrues interest variable rates and is indexed to money market benchmarks.

The tables below show Trenitalia's debt, including current debt, and the related hedges.

The table shows variable rate and fixed rate loans.

	Carrying amount	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	beyond 5 years
Variable rate	6,083,790	6,214,381	3,044,332	358,177	1,512,713	1,299,159
Fixed rate	680,591	808,806	38,277	48,129	618,700	103,700
Balance at 31 December 2015	**6,764,381**	**7,023,187**	**3,082,609**	**406,306**	**2,131,413**	**1,402,859**
Variable rate	5,328,962	5,488,199	1,408,174	903,099	1,640,971	1,535,955
Fixed rate	672,258	827,275	26,539	36,935	97,214	666,587
Balance at 31 December 2014	**6,001,220**	**6,315,474**	**1,434,713**	**940,034**	**1,738,185**	**2,202,542**

The table below shows the impact of variable rate and fixed rate loans before and after hedging derivatives, which convert variable rates into fixed rates or which hedge against rises in variable rates beyond the maximum levels defined.

	31.12.2015	31.12.2014
Before hedging with derivative instruments		
Variable rate	89.94%	88.80%
Fixed rate	10.06%	11.20%
After hedging with derivative instruments		
Variable rate	31.79%	13.19%
Hedged variable rate	11.32%	60.20%
Fixed rate	56.89%	26.61%

The company does not account for fixed rate financial assets or liabilities at fair value through profit or loss and does not designate derivative instruments as hedging instruments using the fair value hedging model. Accordingly, any changes in interest rates at the reporting date have no effects on profit or loss.

The following sensitivity analysis shows the effects that would have been recorded in terms of changes in interest expense had an increase or a decrease of 50 basis points in the Euribor interest rates affected loans in 2015:

	Shift + 50 bps	Shift - 50 bps
Interest expense on variable-rate liabilities	16,998	(13,356)
Net cash flows from hedges	(17,108)	17,134
Total	**(110)**	**3,778**

It is clear how the hypothetical changes could affect debt and the equity reserve.

	Shift + 50 bps	Shift - 50 bps
Fair value of hedging derivatives	37,236	(38,324)
Total	**37,236**	**(38,324)**

Currency risk

The company is mainly active in Italy as well as in countries of the Eurozone. Therefore, the risk arising from the different currencies in which it operates is very limited.

Following its acquisition of the assets of Cisalpino AG in liquidation, the company has loans and borrowings in Swiss francs totalling CHF81 million, as shown in the table below:

	31/12/2015		31/12/2014	
	Euro equivalent	**CHF**	**Euro equivalent**	**CHF**
Loans and borrowings to group companies	74,758	81,000	67,365	81,000
Gross balance in the statement of financial position	**74,758**	**81,000**	**67,365**	**81,000**
Currency forwards	-	-	-	-
Net balance	**74,758**	**81,000**	**67,365**	**81,000**

The Swiss Central Bank's decision to release the Euro/CHF exchange rate from the 1.20 peg in January 2015 generated a dramatic appreciation of the Swiss Franc. Consequently, Trenitalia is exposed to potential currency losses due to an increase in the Euro equivalent amount of the above loans and borrowings, the effect of which is shown in the table above.

Capital management

The company's main objective with respect to capital risk management is to safeguard its ability to continue as a going concern, while ensuring returns for shareholders and benefits for the other stakeholders. The company also intends to maintain an optimal capital structure in order to reduce the cost of debt.

Financial assets and financial liabilities by category

To complete financial risk information, the table below gives a reconciliation between financial assets and financial liabilities as reported in the statement of financial position and the categories of financial assets and financial liabilities identified pursuant to IFRS 7.

31 December 2015	Loans and receivables	Loans and borrowings	of which: hedging derivatives
Non-current financial assets (including derivatives)	1,759		
Other non-current assets	17,432		
Current trade receivables	2,125,156		
Current financial assets (including derivatives)	14,373		
Cash and cash equivalents	33,635		
Tax assets	11,100		
Other current assets	260,489		
Non-current loans and borrowings		4,000,703	
Non-current financial liabilities (including derivatives)		64,708	64,708
Other non-current liabilities		22,255	
Short-term loans and borrowings and current portion of medium/long-term loans and borrowings		1,518,813	
Current trade payables		2,198,472	
Current financial liabilities (including derivatives)		1,261,247	16,381
Other current liabilities		594,326	

31 December 2014	Loans and receivables	Loans and borrowings	of which: hedging derivatives
Non-current financial assets (including derivatives)	479		
Other non-current assets	18,741		
Current trade receivables	1,716,275		
Current financial assets (including derivatives)	9,209		
Cash and cash equivalents	40,369		
Tax assets	2,443		
Other current assets	55,492		
Non-current loans and borrowings		4,594,861	
Non-current financial liabilities (including derivatives)		98,694	98,694
Other non-current liabilities		63,381	
Short-term loans and borrowings and current portion of medium/long-term loans and borrowings		814,724	
Current trade payables		1,660,005	
Current financial liabilities (including derivatives)		636,177	44,543
Other current liabilities		639,709	

Statement of financial position

6. Property, plant and equipment

Property, plant and equipment at 31 December 2015 and changes therein are shown in the table below. The assets' estimated useful lives did not change during the year.

PROPERTY, PLANT AND EQUIPMENT

	Land, buildings, railway and port infrastructure	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Historical cost	2,044,477	15,634,547	179,271	448,607	764,076	19,070,978
Depreciation and impairment losses	(642,205)	(8,601,301)	(136,048)	(361,426)	(19,840)	(9,760,820)
Grants	-	(413,101)	-	(76)	(11,503)	(424,680)
Balance at 01.01.2014	**1,402,272**	**6,620,145**	**43,223**	**87,105**	**732,733**	**8,885,478**
Investments				35	1,040,801	1,040,836
Roll-outs	14,514	943,340	5,458	8,286	(971,378)	220
Depreciation	(24,462)	(864,194)	(11,191)	(23,813)		(923,660)
Impairment losses		(206,113)			(1,937)	(208,050)
Disposals and divestments	(4,181)	(3,576)	(1)	-	(4,449)	(12,207)
Increases		(21,398)			4,184	(17,214)
Other changes		97			(13,854)	(13,757)
Other reclassifications	(3,794)	2,006		1,788		-
Non-recurring transactions						
Total changes	**(17,923)**	**(149,838)**	**(5,734)**	**(13,704)**	**53,367**	**(133,832)**
Historical cost	2,051,016	16,576,414	184,728	458,716	815,196	20,086,070
Depreciation and impairment losses	(666,667)	(9,671,608)	(147,239)	(385,239)	(21,777)	(10,892,530)
Grants	-	(434,499)	-	(76)	(7,319)	(441,894)
Balance at 31.12.2014	**1,384,349**	**6,470,307**	**37,489**	**73,401**	**786,100**	**8,751,646**
Investments				12	1,791,363	1,791,375
Roll-outs	8,978	1,793,613	3,180	8,273	(1,813,382)	662
Depreciation	(24,927)	(906,262)	(9,130)	(22,481)		(962,800)
Impairment losses		(2,581)			(1,619)	(4,200)
Disposals and divestments*	(1,948)	(15,901)	(11)	(81)		(17,941)
Increases		17,259		76	(31,185)	(13,850)
Other changes		414				414
Other reclassifications**						-
Non-recurring transactions						
Total changes	**(17,897)**	**886,542**	**(5,961)**	**(14,201)**	**(54,823)**	**793,660**
Historical cost	2,058,046	18,354,540	187,897	466,920	793,177	21,860,580
Depreciation and impairment losses	(691,594)	(10,580,451)	(156,369)	(407,720)	(23,396)	(11,859,530)
Grants	-	(417,240)	-	0	(38,504)	(455,744)
Balance at 31.12.2015	**1,366,452**	**7,356,849**	**31,528**	**59,200**	**731,277**	**9,545,306**

Disposals and divestments*						
Historical cost	(2,004)	(141,692)	(47)	(314)		(144,057)
Depreciation	56	125,791	36	233		126,116
Grants				76		
Impairment losses						0
Total disposals and divestments	**(1,948)**	**(15,901)**	**(11)**	**(5)**	**0**	**(17,941)**

The most significant changes of the year are as follows:

- Investments of €1,791,375 thousand mainly relate to rolling stock for €1,735,991 thousand (including advances for the purchase of rolling stock) and to other investments in workshop systems and buildings and technical equipment for €55,384 thousand. Specifically, investments in rolling stock increased significantly on the previous year end and particularly relate to the purchase of new ETR 1000 electric trains to expand the HS service and continue the renewal of the Regional Transport fleet with new contracts to purchase additional Vivalto carriages, electric Jazz trains and the new diesel Swing trains. Other investments include the continuation of plant maintenance projects and the redevelopment of the company's ticket offices and commercial spaces at the main stations.
- roll-outs mainly related to rolling stock (€1,783 million), including: the roll-out of 18 new electric HS ETR 1000 trains (€622 million), new rolling stock for regional transport, such as 144 Vivalto carriages

and 25 E464 locomotives (€293 million), 41 Jazz trains (€262 million) and 21 Swing trains (€73 million), as well as maintenance increasing the value of assets and restyling and revamping projects (€533 million);

- depreciation is recognised in profit or loss in accordance with the rates applicable to property, plant and equipment;
- impairment losses of €4,200 thousand include the impairment of idle rolling stock, particularly the ETR 450 train (€2,581 thousand) and other investments no longer in line with the company's requirements (€1,619 thousand);
- disposals and divestments of €17,941 thousand include the sale of an area in Rome at La Sapienza University (€2 million) and the sale of rolling stock to the Basilicata region (€3.5 million), while the rest is essentially due to non-current assets that the company no longer uses in the production cycle and transferred to current assets pending disposal;
- grants related to assets of €13,850 thousand mainly consist of those given by the region for the purchase of rolling stock in 2015 (€35,934 thousand), net of the amount returned to the Emilia Romagna region for rolling stock (€21,874 thousand);

the rolling stock guarantees issued in favour of Eurofima for the non-current loans raised through the parent Ferrovie dello Stato Italiane amount to €3,409,660 thousand.

The following disclosure about legal revaluations is given below broken down by type of asset, both before and after depreciation.

ASSET	Revaluation pursuant to Law no. 2 of 28 January 2009	
	Revaluation gross of depreciation	
	2008	2015
Land	50,878	50,878
Buildings	139,100	118,653
	189,978	**169,531**

The above revaluation, carried out pursuant to article 5 of Ministerial decree no. 162/2001, was applied to historical cost only, recognising a revaluation reserve taxable on distribution as a balancing entry, net of the provision for deferred tax liabilities.

7. Intangible assets

Intangible assets at 31 December 2015 and changes therein are shown in the table below. The assets' estimated useful lives did not change during the year.

INTANGIBLE ASSETS

	Development expenditure	Concessions, licences, trademarks and similar rights	Assets under development and payments on account	Total
Historical cost	13,218	493,149	12,921	519,288
Amortisation and impairment losses	(10,684)	(399,544)	(543)	(410,771)
Grants	(1,959)	(428)	-	(2,387)
Balance at 01.01.2014	**575**	**93,177**	**12,378**	**106,130**
Investments			56,029	56,029
Roll-outs	1,696	51,909	(53,825)	(220)
Amortisation	(242)	(34,393)		(34,635)
Impairment losses			(644)	(644)
Disposals and divestments				-
Other reclassifications				-
Total changes	**1,454**	**17,516**	**1,560**	**20,530**
Historical cost	14,914	545,058	15,125	575,097
Amortisation and impairment losses	(10,926)	(433,937)	(1,187)	(446,050)
Grants	(1,959)	(428)	-	(2,387)
Balance at 31.12.2014	**2,029**	**110,693**	**13,938**	**126,660**
Investments			57,317	57,317
Roll-outs		61,002	(61,664)	(662)
Amortisation	(547)	(43,891)		(44,438)
Impairment losses			(37)	(37)
Disposals and divestments				-
Other reclassifications				-
Total changes	**(547)**	**17,111**	**(4,384)**	**12,180**
Historical cost	14,914	606,060	10,778	631,752
Amortisation and impairment losses	(11,473)	(477,828)	(1,224)	(490,525)
Grants	(1,959)	(428)	-	(2,387)
Balance at 31.12.2015	**1,482**	**127,804**	**9,554**	**138,840**

The changes of the year relating to both "Investments" (€57,317 thousand) and "Roll-out" (€61,664 thousand) are mainly attributable to software development for the company's management systems. In this respect, investments related to the continuation of the following activities:

- the creation of the integrated cargo and RVMS (Railway Vehicle Management System);
- the development of an operating platform to edit and update the railway timetable, to manage the use of personnel, to schedule maintenance at the Current Maintenance plants and to manage railway traffic from control rooms;
- the streamlining of data centres, technical management of operating systems and management of application and networks;
- the improvement in the efficiency of the sales, reporting and administration process management systems and the creation of the MDM (Material Data Management) system for production requirement planning.

Amortisation of €44,438 thousand is that recognised in profit or loss at the rates applicable to intangible assets.

Impairment testing of cash generating units

The company did not test for impairment in 2015 as it had not identified any changes in the cash generating units (CGUs) compared to the previous year that would have a material impact on future cash flows.

8. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2015 and changes of the year are shown below.

	31.12.2014	Incr.(decr.) through profit or loss	Incr.(decr.) through OCI	Other changes	31.12.2015
Deferred tax assets					
- Measurement of financial instruments	34,094		(16,681)		17,413
- Deferred tax assets on prior year losses	88,200	2,880			91,080
Total	**122,294**	**2,880**	**(16,681)**	**0**	**108,493**
Deferred tax liabilities					
- Value differences on intangible assets and property, plant and equipment	119,645	(13,687)			105,958
- Post-employment benefits and other employee benefits	(24,730)		9,509		(15,221)
- Other items: Provision for workshop charges	180	44			224
Total	**95,095**	**(13,643)**	**9,509**	**0**	**90,961**
Balance	**(27,199)**	**(16,523)**	**26,190**	**0**	**(43,722)**

The €13,801 thousand decrease in deferred tax assets is due to:

- The €16,681 thousand decrease due to the lower fair value of interest rate hedges through derivatives. This change was also due to the lower IRES (corporate income tax) rate applicable as from 2017.
- The €2,880 thousand increase due to the adjustment of the tax benefits calculated for future years based on the expected positive results. As reported in previous years, Trenitalia recognised deferred tax assets on considering its prior year tax losses the recoverability of which, as permitted by the law, is unlimited in time in accordance with the law. In this respect, the company continues to apply an extremely prudent approach to when recognising these assets considering their potential recoverability in the time period covered by the 2016 budget and the 2017 plan only. Tax losses already transferred to the group consolidation scheme and not yet used at year end amount to approximately €974 million.

Deferred tax liabilities of €90,961 thousand show a net decrease of €4,134 thousand. This decrease was essentially due to the adjustment of the provision for taxes on assets (€13,687 thousand) to reflect the reduction in the IRES rate applicable as from 2017, partly offset by the increase in deferred tax liabilities on post-employment benefits (€9,509 thousand) following the update of such benefits in the light of the actuarial gain on employee benefits and the reduction in the IRES rate.

9. Equity investments

The tables below show equity investments' opening and closing balances, broken down by category, and changes therein.

	Carrying amount at 31.12.2014	Carrying amount at 31.12.2015	Cumulative allowance for impairment at 31.12.2015
Equity investments in			
Subsidiaries	98,535	98,535	1,013
Associates	1,607	1,607	654
Jointly controlled entities	43,101	42,160	941
Other companies	925	808	3,500
	144,168	**143,110**	**6,108**

Changes in 2014 are shown below:

	Carrying amount at 31.12.2013	Acquisitions/ Subscriptions	Acquisitions/ Reductions	Impairment losses/ Reversals of impairment losses	Reclass.	Other changes	Carrying amount at 31.12.2014	Cumulative allowance for impairment at 31.12.2014
Investments in subsidiaries	**98,535**						**98,535**	**1,013**
Serfer S.r.l.	7,088						7,088	
TX Logistik AG	91,410						91,410	
Trenitalia Logistik France S.a.s.	37						37	6
Thello S.a.s.	-						-	1,007
Investments in jointly controlled entities	**43,101**						**43,101**	
Cisalpino AG	5,041						5,041	
Trenord S.r.l.	38,060						38,060	
Investments in associates	**1,613**			**(6)**			**1,607**	**654**
Pol Rail S.r.l.	1,522						1,522	569
Logistica S.A.	18						18	
Alpe Adria S.p.A.	44						44	
East Rail S.r.l. in liquidation	18			(6)			12	85
La Spezia Shunting Railways S.p.A.	11						11	
Other companies	**953**		**(28)**				**925**	**3,460**
Eurogateway S.r.l.	75						75	
Centro Merci Orte	24						24	28
Consorzio Unico Campania	28		(28)				-	
Gestione Servizi Interporto	77						77	
ICF Intercontainer Interfrigo in liquidation	-							3,329
Interporto Padova	316						316	
Interporto Toscano Amerigo Vespucci	129						129	
Interporto Bergamo Montello-Sibem	35						35	89
Interporto Bologna	204						204	
Consel S.c.a.r.l.	1						1	
Ralpin AG	20						20	
Consorzio Trasporti Integrati	10						10	
Isfort	34						34	14
	144,202		**(28)**	**(6)**			**144,168**	**5,127**

Changes in 2015 are shown below:

	Carrying amount at 31.12.2014	Acquisitions/ Subscriptions	Acquisitions/ Reductions	Impairment losses/ Reversals of impairment losses	Reclass.	Other changes	Carrying amount at 31.12.2015	Cumulative allowance for impairment at 31.12.2015
Investments in subsidiaries	**98,535**						**98,535**	**1,013**
Serfer S.r.l.	7,088						7,088	
TX Logistik AG	91,410						91,410	
Trenitalia Logistik France S.a.s.	37						37	6
Thello S.a.s.	-						-	1,007
Investments in associates	**1,607**						**1,607**	**654**
Pol Rail S.r.l.	1,522						1,522	569
Logistica S.A.	18						18	
Alpe Adria S.p.A.	44						44	
East Rail S.r.l. in liquidation	12						12	85
La Spezia Shunting Railways S.p.A.	11						11	
Investments in jointly controlled entities	**43,101**			**(941)**			**42,160**	**941**
Cisalpino AG	5,041			(941)			4,100	941
Trenord S.r.l.	38,060						38,060	
Other companies	**925**			**(40)**		**(77)**	**808**	**3,500**
Eurogateway S.r.l.	75						75	
Centro Merci Orte	24						24	28
Consorzio Unico Campania	-						-	
Gestione Servizi Interporto	77					(77)		
ICF Intercontainer Interfrigo in liquidation	-							3,329
Interporto Padova	316						316	
Interporto Toscano Amerigo Vespucci	129						129	
Interporto Bergamo Montello-Sibem	35			(34)			1	123
Interporto Bologna	204						204	
Consel S.c.a.r.l.	1						1	
Ralpin AG	20						20	
Consorzio Trasporti Integrati	10						10	
Isfort	34			(6)			28	20
	144,168			**(981)**		**(77)**	**143,110**	**5,252**

Equity investments have been adjusted to reflect the investees' losses for the year, particularly Cisalpino AG's loss of €941 thousand.

In the following table, the carrying amounts of equity investments in subsidiaries, jointly controlled entities and associates are compared with the corresponding portions of equity.

	Registered	Share/quota capital	Profit (loss) for the year	Equity at 31.12.2015	% of owner-ship	Attributable equity (a)	Carrying amount at 31.12.2015 (b)	Difference (b)-(a)
Investments in subsidiaries								
Serfer S.r.l.	Genoa, Via Rolla 22r	5,000	1,357	11,746	100%	11,746	7,088	(4,658)
TX Logistik AG	Bad Honnef, Rhondarfer Str. 85	286	(2,253)	18,567	100%	18,567	91,410	72,843
Trenitalia Logistik France S.a.s.	Paris, 182 rue Lafayette	43	(41)	39	100%	39	37	(2)
Thello S.a.s.	Paris, 15 rue des Sablons	1,500	(4,492)	(15,422)	67%	(10,282)	0	10,282
							98,535	
Investments in associates								
La Spezia Shunting Railways S.p.A.	La Spezia, Via del Molo 1	1,000	73	1,257	4.5%	57	11	(46)
Pol Rail S.r.l (**)	Rome, Via Scalo S.Lorenzo 16	2,000	537	3,817	50%	1,909	1,522	(387)
East Rail S.r.l. in liquidation	Trieste, Via Ghega 1	130	(4)	38	32%	12	12	0
Alpe Adria S.p.A. (***)	Trieste, Via S.Caterina da Siena 1	120	20	201	33%	67	44	(23)
Logistica S.A.	Clichy la Garenne Cedex, Cap West 7/9 Allées de l'Europe	37	21	3,133	50%	1,567	18	(1,549)
							1,607	
Investments in jointly controlled entities								
Cisalpino AG (*)	Bern, Fabrikstrasse 35	93	(1,489)	8,200	50%	4,100	4,100	0
Trenord S.r.l. (**)	Milan, Via P. Paleocapa 6	76,120	3,880	77,923	50%	38,962	38,060	(902)
							42,160	
TOTAL							**142,302**	

(*) average 2015 Swiss Franc exchange rate: 1.0679; 31/12/2015: 1.0835
(**) amounts estimated at 31/12/2015
(***) amounts at 31/12/2014

The main increases between the carrying amount and the investees' equity are analysed below:

- the increase in TX Logistik AG is deemed to be fully recoverable, as it reflects the company's income-generating capacity estimated on the basis of its business plan;
- the provision for risks on equity investments was increased by €2,995 million for Thello S.a.s. compared to the balance at 2014 year end to bring the investee's carrying amount into line with Trenitalia's portion of the investee's net deficit of €10,282 thousand.

The following table summarises the main statement of financial position and income statement captions of jointly controlled entities and associates:

	% of investment	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Costs	Profit/(loss)
Investments in associates										
La Spezia Shunting Railways S.p.A.	4.50%	2110	0	2110	1689		1689	4524	4333	191
Pol Rail S.r.l.	50%	8,971	77	9,048	4,634	126	4,760	23,707	22,645	1,062
East Rail S.r.l. in liquidation	32%	61	0	61	25	0	25	0	18	(18)
Alpe Adria S.p.A.	33.33%	8,463	62	8,525	8,243	81	8,324	39,669	39,649	20
Logistica S.A.	50%	815	3,080	3,895	784	-	784	276	271	5
31.12.2014										
Investments in jointly controlled entities										
Cisalpino AG (**)	50%	23,678	508	24,185	516	-	516	241	1,344	(1,103)
Trenord S.r.l.	50%	392,314	234,811	627,125	455,610	99,987	555,597	747,477	745,264	2,213
31.12.2014										
Investments in associates										
La Spezia Shunting Railways S.p.A.	4.50%	1,820	770	2,590	1,330	3	1,333	4,408	4,335	73
Pol Rail S.r.l.	50%	7,064	21	7,085	3,142	126	3,268	19,106	18,569	537
East Rail S.r.l. in liquidation	32%	50	0	50	11		11	9	13	(4)
Alpe Adria S.p.A.	33.33%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Logistica S.A.	50%	123	3,080	3,203	70		70	272	251	21
31.12.2015										
Investments in jointly controlled entities										
Cisalpino AG (**)	50%	26,289	564	26,853	649	0	649	668	2,157	(1,489)
Trenord S.r.l.	50%	373,735	243,567	617,302	424,891	114,488	539,379	782,371	778,491	3,880
31.12.2015										

(**) amounts in Euros

10. Non-current and current financial assets (including derivatives)

Financial assets are broken down below compared with prior year corresponding figures:

	Carrying amount 31.12.2015			31.12.2014			Differences		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Financial assets									
Loan assets		14,373	14,373	-	9,209	9,209		5,164	5,164
Other loan assets	1,759		1,759	479	-	479	1,280		1,280
	1,759	**14,373**	**16,132**	**479**	**9,209**	**9,688**	**1,280**	**5,164**	**6,444**

Financial assets amount to €16,132 thousand at 31 December 2015, compared to €9,688 thousand at the previous year end.

The €6,444 thousand increase in financial assets is essentially due to the higher balance of the intercompany current account held with Thello S.A.S. (€4,891 thousand).

Loan assets can be analysed as follows

	Residual amount					
	31.12.2015			31.12.2014		
	Non-current	Current	Total	Non-current	Current	Total
Banks	872	-	872	479	-	479
Trenord S.r.l.	-	2,798	2,798	-	2,828	2,828
Thello S.p.A.	-	10,922	10,922	-	6,031	6,031
Ferrovie dello Stato Italiane S.p.A.	887	653	1,540	-	-	-
Logistica SA	-	-	-	-	350	350
Total	**1,759**	**14,373**	**16,132**	**479**	**9,209**	**9,688**

11. Other current and non-current assets

They can be analysed as follows:

	31.12.2015			31.12.2014			Differences		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Other receivables from group companies	6	10,752	10,758		17,430	17,430	6	(6,678)	(6,672)
VAT receivable from the parent	561	218,747	219,308	562		562	(1)	218,747	218,746
Receivables for tax consolidation		1,443	1,443		1,443	1,443			
Other VAT receivables	3		3	3		3			
Other government administrations	15,862	16,441	32,303	17,138	12,143	29,281	(1,276)	4,298	3,022
Sundry receivables and prepayments and accrued income	999	14,225	15,224	1,038	26,491	27,529	(39)	(12,266)	(12,305)
Total	**17,431**	**261,608**	**279,039**	**18,741**	**57,507**	**76,248**	**(1,310)**	**204,101**	**202,791**
Allowance for write-down		(1,119)	(1,119)		(2,015)	(2,015)		896	896
Total net of the allowance for impairment	**17,431**	**260,489**	**277,920**	**18,741**	**55,492**	**74,233**	**(1,310)**	**204,997**	**203,687**

Other current and non-current assets mainly include:

- receivables from other government authorities of €32,303 thousand, mainly related to the Ministry of Infrastructure and Transport for grants related to the Autostrada Ferroviaria Alpina project (non-current portion: €15,862 thousand and current portion: €16,245 thousand);
- the €219,308 thousand increase in the VAT asset is mainly due to the application of the new split payment approach to managing VAT on transactions with public bodies and government administrations. This method was introduced with the 2015 Stability Act (Law no. 190/2014) and took effect on 1 January 2015. To recover these VAT assets, which accrued over the first three quarters of 2015, the company filed a claim for reimbursement, while for the fourth quarter of 2015, it will recover the VAT when it files a VAT return;
- other loans and receivables of €15,224 thousand which, in turn, include: receivables from social security institutions (€4,504 thousand); receivables from personnel (€2,286 thousand), sundry receivables from the distributors of regional transport tickets (€975 thousand), advances to suppliers (€5,545 thousand) and other sundry receivables (€1,914 thousand).

For additional information about non-trade receivables from related parties, reference should be made to the specific note.

The recoverable value of loans and receivables from third parties was adjusted by the corresponding allowance for impairment (€1,119 thousand).

The maximum exposure to credit risk, as broken down by geographical area, is as follows:

	31.12.2015			31.12.2014			Differences		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Italy	17,432	255,272	272,704	18,741	56,754	75,495	(1,309)	198,518	197,209
Eurozone countries		4,284	4,284		721	721		3,563	3,563
United Kingdom					14	14		(14)	(14)
Other European countries (EU, non-Euro)		591	591		1	1		590	590
Other non-EU European countries		1,456	1,456		17	17		1,439	1,439
Other countries		5	5					5	5
	17,432	**261,608**	**279,040**	**18,741**	**57,507**	**76,248**	**(1,309)**	**204,101**	**202,792**

12. Inventories

They can be analysed as follows:

	31.12.2015	31.12.2014	Differences
Raw materials, consumables and supplies	824,410	877,165	(52,755)
Allowance for impairment	(188,597)	(200,017)	11,420
Carrying amount	**635,813**	**677,148**	**(41,335)**
Retired assets to be sold	22,783	20,751	2,032
Allowance for impairment	(11,249)	(10,080)	(1,169)
Carrying amount	**11,534**	**10,671**	**863**
Total inventories	**647,347**	**687,819**	**(40,472)**

Raw materials, consumables and supplies decreased by €52,755 thousand on the previous year substantially due to the implementation of a solution improving the management material that can be repaired. In addition, the new system to calculate production requirements was introduced and the consequent procurement plans were implemented, with a significant impact on spare parts. Moreover, the allowance for inventory write-down resulting from the disposal/scrapping of spare parts and parts also affected the balance. The allowance for inventory write-down decreased by €11,420 thousand which reflects the combined effect of the utilisation of approximately €35 million in respect of spare parts scrapped, partly offset by the €23.7 million accrual in accordance with the company's write-down policies. The amount of derecognised assets to be disposed of, net of the relevant allowance for inventory write-down, reflects the estimate realisable value calculated by the departments in charge of these assets. These assets are substantially unchanged with respect to the previous year end.

13. Current trade receivables

They can be analysed as follows:

	31.12.2015	31.12.2014	Differences
Ordinary customers			
- Customers	209,394	172,850	36,544
- Customers for travel irregularities	227,341	195,880	31,461
Government administrations and other public administrations	94,425	93,664	761
Foreign railways	21,485	15,903	5,582
Railways under concession	18,004	6,365	11,639
Agencies and other transport companies	23,041	24,565	(1,524)
Receivables for public service contracts from the Government and the regions	1,581,068	1,218,223	362,845
Other receivables from group companies	248,799	249,041	(242)
Total	**2,423,557**	**1,976,491**	**447,066**
Allowance for impairment	(298,401)	(260,216)	(38,185)
Total net of the allowance for impairment	**2,125,156**	**1,716,275**	**408,881**

The €408,881 thousand increase in receivables on the previous year was substantially due to the rise in receivables generated by the service contract with the Ministry of the Economy and Finance and the regions, totalling €362,845 thousand. The company has agreed collection plans with some of the regions and constantly monitors the regions' fulfilment. In other, limited cases, it has taken legal steps to protect its assets and collect the receivables. With respect to the receivable from the Ministry of the Economy and Finance for public service contracts (€534.7 million) the competent ministers have, for some time, been taking steps to reduce the outstanding balance.

Net of the receivables from the Ministry of the Economy and Finance and the regions, transactions with individual ordinary customers do not exceed 10% of Trenitalia's revenue.

For detailed information about related party trade receivables, reference should be made to the relevant note.

The maximum exposure to credit risk, broken down by geographical area, is as follows:

	31.12.2015	31.12.2014	Differences
Italy	2,363,357	1,944,314	419,043
Eurozone countries	41,782	28,392	13,390
United Kingdom	72	7	65
Other European countries (EU, non-Euro)	6,005	2,086	3,919
Other non-EU European countries	12,234	1,585	10,649
Other countries	107	107	-
	2,423,557	**1,976,491**	**447,066**

The allowance for impairment increased on the previous year. Changes of the year are as follows:

Allowance for impairment - trade receivables	31.12.2014	Accruals	Utilisations	Reclassifications	31.12.2015
Ordinary customers					
- Customers	29,767	5,829		440	36,036
- Customers for travel irregularities	192,376	31,460			223,836
Government administrations and other public administrations	16,433			441	16,874
Railways under concession	6				6
Agencies and other transport companies	13,561			15	13,576
Other receivables from group companies	8,073				8,073
Total	**260,216**	**37,289**	**0**	**896**	**298,401**

The accrual for 2015 almost entirely relates to the increase in the allowance to cover receivables for fines levied on travellers with irregular tickets (€31,460 thousand), while the remaining €5.8 million relate to one single debtor (ILVA).

14. Cash and cash equivalents

They can be analysed as follows:

	31.12.2015	31.12.2014	Differences
Bank and postal accounts	1,946	1,968	(22)
Cheques	-	2	(2)
Cash and cash on hand	31,689	38,399	(6,710)
Treasury current accounts		-	0
Total	**33,635**	**40,369**	**(6,734)**

The €6,734 thousand decrease in cash and cash equivalents relates to the reduction in "Cash and cash on hand" (€6,710 thousand). This caption reflects the portion of ticket office collections that was transferred to the company's bank current accounts before 31 December but was not credited by the banks until a later date.

15. Tax assets

Tax assets of €11,100 thousand rose by €8,657 thousand on 2014. They substantially represent the IRAP tax credit for self-taxation on account (€30,668 thousand), net of IRAP for the year (€22,011 thousand).

16. Equity

Changes in equity in 2014 and 2015 are shown in the statement of changes in equity at the beginning of the notes to the financial statements.

Share capital

At 31 December 2015, the company's fully subscribed and paid-up share capital was made up of 3,308,928 ordinary shares, with a par value of €500 each, for a total of €1,654,464 thousand

Legal reserve

The legal reserve, which protects share capital from any losses that may arise, is set up through the allocation of 5% of profits for the year until it reaches one fifth of share capital. At 31 December 2015, it amounted to €34,825 thousand, following the allocation of 5% of the profit for 2014, equal to €2,975 thousand.

Extraordinary reserve

It includes the revaluation reserve set up in 2008, pursuant to article 15.16 and 23, of Decree Law no. 185/2008 (known as the Anti-Crisis Decree Law), converted by Law no. 2 of 28 January 2009, following the revaluation of certain workshop complexes deriving from the demerger of Società Ferrovie Real Estate and determined on the basis of the gains specified in an appraisal. The revaluation, as required by paragraph 18 of the above Decree, is net of the provision for deferred taxes and is equal to €177,084 thousand.

Hedging reserve

The hedging reserve includes the effective portion of the cumulative net change in the fair value of cash flow hedges relating to transactions that have not yet taken place. At 31 December 2015, this reserve was negative by €54,120 thousand. Compared to the previous year, it decreased by a gross amount of €52,446 thousand, as a result of the changes in the fair value of derivatives (IRSs and collars) held in portfolio at 31 December 2015, offset by a €16,681 thousand change in deferred tax assets of the opposite sign.

Actuarial reserve

The actuarial reserve, which includes the effects of actuarial gains and losses on post-employment benefits and the Free Travel Card, amounted to €132,197 thousand at 31 December 2015. An actuarial profit of €39,321 thousand (net of a tax effect of €9,509 thousand) was recognised in 2015, compared to an actuarial loss of €84,023 thousand in 2014. The increase mainly refers to the increase in the discount rate applied to liabilities for employee benefits at 31 December 2015, compared to the previous year end.

Retained earnings

This caption increased as a result of the allocation of the 2014 profit of €56,534 thousand, net of the portion allocated to the legal reserve (€2,975 thousand), and decreased due to the distribution of dividends of €11,000 thousand. At 31 December 2015, retained earnings totalled €324,422 thousand, compared to €278,888 thousand at 31 December 2014.

Profit for the year

The company reported a profit for the year of €230,043 thousand, compared to €59,509 thousand for the previous year.

Availability of reserves

The origin, availability and distributability of equity captions, as well as their use in the past three years, are shown below:

Origin	Balance at 31.12.2015 (a+b)	Unavailable portion (a)	Possibility of use	Available portion (b)	Available portion of b)	Summary of use in the past three years			
						Capital increase	Coverage of losses	Dividends	Other
Share capital	1,654,464	1,654,464	-	-	-	-	-	-	-
Equity-related reserves:									
Revaluation reserve (Law Decree no. 185/2008)	177,084	-	**A B**	177,084	-	-	-	-	-
Unrealised gains and losses on CHF derivatives	(54,120)	(54,120)	-	-	-	-	-	-	-
Actuarial reserve	(132,197)	(132,197)	-	-	-	-	-	-	-
Income-related reserve:									
Legal reserve	34,825	34,825	**B**	-	-	-	-	-	-
Retained earnings (*)	324,422	43,054	**A B**	281,368	281,368	-	-		-
TOTAL	**2,004,478**	**1,546,026**		**458,452**	**281,368**	-	-	-	-

A - Capital increase
B - To cover losses
* The unavailable reserve refers to FTA reserves (Employee benefits and tax effects)

17. Non-current loans and borrowings

	Carrying amount		
Non-current loans and borrowings	**31.12.2015**	**31.12.2014**	**Differences**
Bank loans and borrowings	1,091,875	1,446,458	(354,583)
Shareholder loans	2,908,828	3,148,403	(239,575)
Total non-current loans and borrowings	**4,000,703**	**4,594,861**	**(594,158)**
Current portion of non-current loans and borrowings	**31.12.2015**	**31.12.2014**	Differences
Bank loans and borrowings	354,777	355,021	(244)
Shareholder loans	558,719	259,695	299,024
Total	**913,496**	**614,716**	**298,780**
Current loans	**31.12.2015**	**31.12.2014**	Differences
Shareholder loans	605,317	200,008	405,309
Total	**605,317**	**200,008**	**405,309**
Total current loans	**1,518,813**	**814,724**	**704,089**
Non-current loans	**4,914,199**	**5,209,577**	**(295,378)**
Total Loans	**5,519,516**	**5,409,585**	**109,931**

This caption includes non-current loans and borrowings, the current portion thereof and current loans and borrowings from the parent and banks. Current loans and borrowings include accrued charges of €11,393 thousand at 31 December 2015 (€11,841 thousand at 31 December 2014).

In particular, the non-current portion of loans and borrowings, totalling €4,000,703 thousand (€4,594,861 thousand at 31 December 2014) is down by €594,158 thousand due to:

- the reclassification of loans and borrowings falling due in 2016 (€902,420 thousand) to current loans and borrowings. They consist of: Eurofima loans of €547,837 thousand from the parent, €123,333 thousand from Banca Infrastrutture Innovazione e Sviluppo (formerly Opi) and €231,250 thousand from the European Investment Bank;
- partly offset by the new €300 million loan from the parent, which was agreed to meet financial requirements in the medium to long-term.

The current portion of non-current loans and borrowings increased by €298,780 thousand as a result of the difference between the above reclassifications of portions of loans falling due in 2016 (€902,420 thousand) and the payment of the principal on the loans that fell due in 2015, notably, the Eurofima loans from the parent (€248,300 thousand), the loans from Banca Infrastrutture Innovazione e Sviluppo (formerly Opi) (€231,250 thousand) and loans from the European Investment Bank (€123,334 thousand).

Current loans, which total €605,317 thousand (31 December 2014: €200,008 thousand), rose by €405,309 thousand, mainly due to the increase in the current portion of the loan from the parent to cover current cash requirements.

The terms and conditions of all non-current loans and borrowings are summarised in the table below:

Creditor	Currency	Nominal interest rate	Maturity	31.12.2015 Nominal amount	31.12.2015 Carrying amount	31.12.2014 Nominal amount	31.12.2014 Carrying amount
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2015	€ -	€ -	€ 165,300	€ 165,406
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2015	€ -	€ -	€ 83,000	€ 83,008
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2016	€ 310,000	€ 310,070	€ 310,000	€ 310,184
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2016	€ 194,000	€ 194,000	€ 194,000	€ 194,012
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2016	€ 32,300	€ 32,300	€ 32,300	€ 32,302
BANCA EUROPEA DEGLI INVESTIMENTI	€	6 m Euribor +/- Spread	2017	€ 300,000	€ 300,003	€ 450,000	€ 450,012
BANCA EUROPEA DEGLI INVESTIMENTI	€	6 m Euribor +/- Spread	2018	€ 203,125	€ 203,180	€ 284,375	€ 284,544
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2018	€ 200,000	€ 200,001	€ 200,000	€ 200,004
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2018	€ 200,000	€ 200,001	€ 200,000	€ 200,004
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2018	€ 149,400	€ 149,400	€ 149,400	€ 149,403
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2018	€ 62,700	€ 62,700	€ 62,700	€ 62,701
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2019	€ 160,000	€ 160,001	€ 160,000	€ 160,017
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2019	€ 183,000	€ 183,000	€ 183,000	€ 183,017
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2019	€ 300,000	€ 300,000	€ -	€ -
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2020	€ 62,700	€ 62,700	€ 62,700	€ 62,701
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2020	€ 47,400	€ 47,400	€ 47,400	€ 47,401
FERROVIE DELLO STATO ITALIANE	€	4.20%	2020	€ 500,000	€ 505,139	€ 500,000	€ 504,366
FERROVIE DELLO STATO ITALIANE	€	3.70%	2021	€ 100,000	€ 99,712	€ 100,000	€ 99,642
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2022	€ 120,000	€ 120,017	€ 120,000	€ 120,065
BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO	€	6 m Euribor +/- Spread	2022	€ 583,333	€ 583,427	€ 666,667	€ 666,838
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2024	€ 122,200	€ 122,206	€ 122,200	€ 122,231
BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO	€	6 m Euribor +/- Spread	2024	€ 360,000	€ 360,042	€ 400,000	€ 400,085
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2025	€ 42,500	€ 42,669	€ 42,500	€ 42,722
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2026	€ 190,000	€ 190,016	€ 190,000	€ 190,060
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2026	€ 100,000	€ 100,008	€ 100,000	€ 100,032
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2026	€ 116,000	€ 116,011	€ 116,000	€ 116,038
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2027	€ 128,700	€ 128,736	€ 128,700	€ 128,787
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2027	€ 65,700	€ 65,720	€ 65,700	€ 65,746
Total non-current loans - €				**€ 4,833,058**	**€ 4,838,459**	**€ 5,135,942**	**€ 5,141,328**
FERROVIE DELLO STATO ITALIANE	CHF	2.606%	2016	CHF 12,500	CHF 12,739	CHF 12,500	CHF 12,739
FERROVIE DELLO STATO ITALIANE	CHF	2.900%	2017	CHF 23,500	CHF 24,007	CHF 23,500	CHF 24,007
FERROVIE DELLO STATO ITALIANE	CHF	2.675%	2020	CHF 45,000	CHF 45,318	CHF 45,000	CHF 45,318
Total non-current loans - CHF				**CHF 81,000**	**CHF 82,064**	**CHF 81,000**	**CHF 82,064**
Euro equivalent				**€ 74,758**	**€ 75,740**	**€ 67,365**	**€ 68,249**
Non-current loans				**€ 4,907,816**	**€ 4,914,199**	**€ 5,203,307**	**€ 5,209,577**

The following table provides a breakdown of net financial debt shown in the reclassified statement of financial position, as reported in the 2015 directors' report and compared with 31 December 2014:

Amounts in Euros

Net financial debt	**31.12.2015**	**31.12.2014**	**Change**
Current net financial debt	**2,715,670,021**	**1,356,780,024**	**1,358,889,997**
Loans and borrowings from other financial backers (parent)	605,000,000	200,000,000	405,000,000
Current portion of non-current loans and borrowings (parent)	547,836,687	248,300,000	299,536,687
Current portion of bank loans and borrowings	354,583,333	354,583,333	-
Intercompany current account	1,244,865,558	591,633,690	653,231,868
Other (including accruals)	(36,615,557)	(37,736,999)	1,121,442
Non-current net financial debt	**3,998,943,507**	**4,594,382,149**	**(595,438,642)**
Loans and borrowings from other financial backers (parent)	2,908,827,652	3,148,402,950	(239,575,299)
Bank loans and borrowings	1,091,875,000	1,446,458,333	(354,583,333)
Other	(1,759,145)	(479,135)	(1,280,010)
Total	**6,714,613,528**	**5,951,162,173**	**763,451,354**

18. Post-employment benefits and other employee benefits

	31.12.2015	31.12.2014
Present value of post-employment benefit obligations	900,821	991,393
Present value of CLC obligations	17,858	18,893
Total present value of post-employment benefit and CLC obligations	**918,679**	**1,010,286**
Other employee benefits	89	95
Total post-employment benefits and other employee benefits	**918,768**	**1,010,381**

Changes in the present value of liabilities for defined benefit obligations for post-employment benefits and the free travel card are shown in the table below:

Post-employment benefits	**2015**	**2014**
Opening balance	991,393	935,439
Interest cost (*)	11,062	19,545
Actuarial (gains) losses recognised in equity	(38,691)	81,547
Advances and utilisations	(62,943)	(45,138)
Closing post-employment benefits liabilities	**900,821**	**991,393**
CLC		
Opening balance	18,893	16,694
Service cost (**)	190	171
Interest cost (*)	324	472
Actuarial (gains) losses recognised in equity	(629)	2,476
Advances and utilisations	(920)	(920)
Closing CLC liabilities	**17,858**	**18,893**

(*) through profit or loss
(**) expected present value of services payable in future years

The use of the provision for post-employment benefits (€62,943 thousand) refers to the benefits paid to the personnel who left the company during the year, advances and transfers of employees to other group companies. The difference between the expected accrued amount at the end of the observation period and the expected present value of the benefits payable in the future as recalculated at the end of the period, on the basis of the actual workforce at that date and of the updated valuation assumptions, represents actuarial gains/(losses). This caption generated an actuarial loss on post-employment benefits of €38,691 thousand during the year, compared to the actuarial gain of €81,547 thousand in 2014. This change is mainly due to the increase in the discount rate applied to the liability for post-employment benefits (1.39% at 31 December 2015, compared to 0.91% at 31 December 2014).

The free travel card ("CLC") is a defined benefit plan for the company's employees who can use the company's railway services free of charge or by paying an admission fee for certain additional products or services. The present value of the benefit was calculated using actuarial techniques and amounted to €17,858 thousand at 31 December 2015, compared to €18,893 thousand at 31 December 2014. The free travel card generated an actuarial gain of €629 thousand, compared to the actuarial loss of €2,476 thousand in 2014.

Other employee benefits at 31 December 2015 amount to €89 thousand (31 December 2014: €95 thousand) and are made up of a supplementary insurance policy for employees.

Actuarial assumptions

The main assumptions for the actuarial estimate process are described below:

	31.12.2015	31.12.2014
Discount rate (post-employment benefits)	1.39%	0.91%
Discount rate (CLC)	2.03%	1.49%
Annual increase rate of post-employment benefits	2.625% for 2016 2.850% for 2017 2.775% for 2018 2.700% for 2019 3.00% from 2020 onwards	1.95% for 2015 2.40% for 2016 2.625% for 2017 3.00% from 2019 onwards
Inflation rate	1.50% for 2016 1.80% for 2017 1.70% for 2018 1.60% for 2019 2.00% from 2020 onwards	0.60% for 2015 1.20% for 2016 1.50% for 2017 2.00% from 2019 onwards
Expected turnover rate for employees	3%	3%
Expected rate of advances	2%	2%
Mortality	RG48 mortality rate published by the General Accounting Office	
Disability	INPS tables broken down by gender and age	
Retirement age	100% upon meeting the Compulsory general insurance requirements	

The assumptions relating to the expected mortality are based on statistics published by the government's General Accounting Office (Ragioneria Generale dello Stato), while those relating to disability are based on the INPS (the Italian social security institution) tables broken down by age and gender.

A sensitivity analysis that shows the possible present values of defined benefit obligations, following reasonably possible changes in actuarial assumptions is given below.

31.12.2015	Post-employment benefits	CLC
Turnover rate +1%	897,112	-
Turnover rate -1%	904,929	-
Inflation rate +0.25%	910,913	18,172
Inflation rate -0.25%	890,887	17,546
Discount rate +0.25%	884,898	17,352
Discount rate -0.25%	917,237	18,386

The tables below show the contribution expected for the subsequent year, the average term of the defined benefit obligation and the payments scheduled by the plan.

31.12.2015	Post-emp. benefits	CLC
Service cost	-	182
Term of the plan (years)	7.8	12.0
Estimated future payments		
First year	66,448	947
Second year	61,383	948
Third year	69,770	950
Fourth year	42,018	963
Fifth year	89,658	984

19. Provisions for risks and charges

The opening and the closing balance of and changes in the provisions for risks and charges for 2015 are given below, indicating the current portion.

	31.12.2014	Accruals	Utilisations and other changes	Reclas-sifications	31.12.2015
Provision for industrial reorganisation	-	24,000			24,000
Other provisions:					
Other provisions relating to personnel	-	10,740	-		10,740
Provision for workshop charges	14,751	-	(280)	2,467	16,938
Provision for risks and charges	93,906	17,959	(22,753)		89,112
Total non-current portion	**108,657**	**52,699**	**(23,033)**	**2,467**	**140,790**
Provision for workshop changes - current portion	4,008	-	(62)	(2,467)	1,479
Total current portion	**4,008**	**-**	**(62)**	**(2,467)**	**1,479**
Total provisions for risks and charges	**112.665**	**52.699**	**(23.095)**	**-**	**142.269**

The €24,000 accrual to the restructuring provision is due to the activation of the extraordinary benefits under the income assistance fund (Interministerial decrease of 9 January 2015, Legislative decree no. 148/2015D and INPS circular dated 29 December 2015).

The provision for workshop charges (€18,417 thousand) is substantially unchanged from the previous year. The current portion amounts to €1,479 thousand.

At year end, other provisions for risks and charges amount to €89,112 thousand (31 December 2014: €93,906 thousand), comprised as follows:

- provision for labour litigation of €17,146 thousand (31 December 2014: €18,456 thousand) relating to estimated charges for legal disputes concerning labour issues pertaining to the company. Specifically, this caption includes disputes of the year which mainly involved the following: subcontracting of workers, higher level duties, length of service and other issues;
- provision for possible penalties to be paid to the regions of €4,152 thousand (31 December 2014: €8,301 thousand) in relation to the quality of the transport services rendered under the public service contract;

- provision for possible cargo transport penalties of €4,904 thousand (31 December 2014: €4,645 thousand) for possible cargo transport disputes;
- provision for civil litigation, disputes and other risks relating to relationships with customers and third parties of €52,628 thousand (31 December 2014: €55,218 thousand), the outcome of which could be unfavourable for the company;
- provision for risks on equity investments of €10,282 thousand (31 December 2014: €7,286 thousand) for losses on the investee Thello S.a.s., as described in the note to equity investments.

The provisions for risks and charges were adjusted by €17,959 thousand in 2015, consisting of adjustments for: (a) labour disputes (€6,362 thousand); (b) possible penalties to the regions (€6,014 thousand); (c) possible cargo transport penalties (€2,250 thousand); (d) disputes and other risks relating to relationships with customers and third parties (€338 thousand); and the (e) provision for risks on equity investments (€2,995 thousand).

Finally, the provisions for risks and charges decreased by €22,753 thousand in 2015, due to utilisations to pay cargo transport penalties (€1,991 thousand), penalties due to the regions for public service contracts (€10,163 thousand), charges arising on disputes in court or out of court concerning labour issues pertaining to the company (€7,672 thousand) and disputes with other third parties that were settled unfavourably for the company (€2,927 thousand).

The company is involved in legal and administrative disputes and in legal actions in connection with its ordinary business activities. Based on the information currently available, the assessment of the risks of losing these disputes by the external lawyers handling these disputes on behalf of Trenitalia and the existing risk provisions, they are not expected to significantly impact the financial statements.

20. Current and non-current liabilities (including derivatives)

	31.12.2015			31.12.2014			Differences		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Financial liabilities									
Hedging derivatives	64,708	16,381	81,089	98,694	44,543	143,237	(33,986)	(28,162)	(62,148)
Other financial liabilities		1,244,866	1,244,866	-	591,634	591,634	-	653,232	653,232
	64,708	**1,261,247**	**1,325,955**	**98,694**	**636,177**	**734,871**	**(33,986)**	**625,070**	**591,084**

Hedging derivatives reflect the total amount of interest rate swaps (IRS) and interest rate collars, calculated using standard market valuation methods (at fair value) in accordance with IFRS 13. They were entered into to cover fluctuations in interest rates on non-current loans and borrowings at variable rates. A total fair value of €81,089 thousand, was calculated for all transactions in place at 31 December 2015 and decreased by €62,148 thousand on the previous year.

The hedging derivatives included in the company's portfolio are OTC and fall under Level 2 of the fair value hierarchy laid down in IFRS 7.

Financial instruments have been measured at fair value using financial models based on market standards. Specifically, this entailed:

- determining the net present value of future flows for swaps;
- calculating the market value, using the Black & Scholes model, for collars and caps.

The inputs used to feed the above models reflect observable market parameters which are available with the main financial info-providers.

Specifically, the swap vs. three-month Euribor curve figures were used, as well as those related to the swap vs. six-month Euribor curve, the Eur interest rate volatility curve and the credit default swap curve (CDS) of the parties to the derivative contract, which reflect the input widely accepted by market operators to calculate non-performance risk. This risk is calculated using adequate financial valuation techniques and models which include, inter alia, the following factors:

i) the risk exposure, being the potential mark-to-market exposure throughout the life of the financial instrument,

ii) adequate CDS curves to reflect their probabilities of default (PD).

Other financial liabilities comprise the debit balance of the infragroup current account held with the parent, amounting to €1,244,866 thousand (31 December 2014: €591,634,610 thousand). This caption increased on the previous year by €653,232 thousand following the greater cash needs at year end compared to the previous year.

21. Other current and non-current liabilities

They can be analysed as follows:

	31.12.2015			31.12.2014			Differences		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Social security charges payable		150,010	150,010		136,244	136,244		13,766	13,766
VAT payables		26,984	26,984		89,936	89,936		(62.952)	(62.952)
VAT payables to the parent		0	0		5,964	5,964		(5,964)	(5,964)
Payables for tax consolidation		3,405	3,405		4,966	4,966		(1,561)	(1,561)
Other payables to group companies		7,189	7,189		9,599	9,599		(2,410)	(2,410)
Other payables and accrued expenses	22,255	406,738	428,993	63,381	393,000	456,381	(41,126)	13,738	(27,388)
Total	**22,255**	**594,326**	**616,581**	**63,381**	**639,709**	**703,090**	**(41,126)**	**(45,383)**	**(86,509)**

Other current liabilities are down by €45,383 thousand on 31 December 2014, essentially due to the combined effect of:

- the decrease in VAT liabilities (€62,952 thousand), following the reduction in the deferred VAT liability on invoices issued to the public administration, due to the application of the split payment system as from 1 January 2015 pursuant to article 1.629.b) of Law no. 190/2014;
- the increase in social security charges payable (€13,766 thousand) and other payables and accrued expenses and deferred income (€13,738 thousand), mainly due to amounts accrued in 2015, which will be paid in 2016 and the related charges.

Other non-current liabilities are down by €41,126 thousand, essentially due to the liability to the fund for income assistance due to payments in 2015. The liability to the fund amounts to €59,368 thousand (including €40,612 thousand due within one year).

For an analysis of group transactions, reference should be made to the section on related parties.

22. Current trade payables

They can be analysed as follows:

	31.12.2015	31.12.2014	Differences
Trade payables	1,076,357	851,220	225,137
Payments on account	24	225	(201)
Trade payables to group companies	1,122,091	808,560	313,531
Total	**2,198,472**	**1,660,005**	**538,467**

The €538,467 thousand increase in trade payables on the previous year end is mainly due to the greater payables as a result of investment volumes in the year to acquire new rolling stock, which were accentuated at the end of the year.

For an analysis of group transactions, reference should be made to the section on related parties.

Income statement

23. Revenue from sales and services

The tables and comments below give a breakdown of revenue from sales and services.

	2015	2014	Changes
Revenue from transport services	**5,188,132**	**5,226,866**	**(38,734)**
Market revenue	3,296,206	3,234,285	61,921
Passenger traffic products	*2,819,076*	*2,764,970*	*54,106*
Cargo traffic products	*477,129*	*469,315*	*7,814*
Public service contract fees	1,891,926	1,992,581	(100,655)
Revenue from services to railway companies and ancillary traffic services	**120,230**	**140,062**	**(19,832)**
Total	**5,308,362**	**5,366,928**	**(58,566)**

This caption amounts to €5,308,362 thousand, down by €58,566 thousand on the previous year.

Market revenue rose by €61,921 thousand on the previous year, due to:

- the increase in medium and long haul passenger transport revenue as the HS offer was strengthened and regional transport fares were increased;
- the increase in cargo transport revenue was due to both the growth in train-km and tonne-km.

Revenue from public service contract fees (the regions and the government) is down by €100,655 thousand, essentially due to the termination of the cargo transport service contract (2015 Stability Act). Fees arising from the local public transport service provided to the government for the undivided services in the Triveneto region are substantially unchanged, while revenue from service contracts with the regions, including Sicily and Valle D'Aosta show a slight, overall decrease of about €3 million, due to the renegotiation of certain contracts.

The table below gives a breakdown of fees by public service contracts with the government. As described above, the table shows the reduction due to the termination of the cargo contract and the transfer of responsibilities from the Ministry of Infrastructure and Transport to the Valle D'Aosta and Sicily regions, with the direct agreement of contracts with these regions.

	2015	2014	Changes
Public service contract fees from the government			
For passenger transport	246,601	365,457	(118,856)
For cargo transport	0	98,337	(98,337)
Total	**246,601**	**463,794**	**(217,193)**

Revenue from services provided to the railway companies and services in connection with railway operation is down by €19,832 thousand on 2014, mainly due to the following:

- €9,783 million decrease in rolling stock maintenance services provided to third parties, mostly due to the growth in the maintenance services that the company's Technical Office provided to Trenord S.r.l.;
- €8,251 thousand decrease in rolling stock rental fees.

24. Other revenue

This caption can be analysed as follows:

	2015	2014	Changes
Revenue from property management	9,575	10,148	(573)
Gains	2,501	17,065	(14,564)
Other sundry income	221,904	182,579	39,325
Total	**233,980**	**209,792**	**24,188**

Other revenue increased by €24,188 thousand on the previous year. The most significant changes in this caption include:

- €14,564 thousand reduction, mainly due to the decrease in the scrapping of rolling stock;
- €39,325 thousand increase in other income due to the growth in penalties on rolling stock purchase contracts (+€45,169 thousand), partly offset by the €7,964 thousand decrease in insurance compensation.

25. Personnel expense

This caption can be analysed as follows:

	2015	2014	Changes
Employees	**1,831,391**	**1,835,518**	**(4,127)**
Wages and salaries	1,359,620	1,346,822	12,798
Social security charges	377,723	370,132	7,591
Other expense for employees	(1,093)	22,953	(24,046)
Post-employment benefits	89,665	89,927	(262)
Provisions/Releases	6,206	6,433	(227)
Post-employment benefits/CLC service costs	(730)	(749)	19
Consultants and collaborators	**45**	**36**	**9**
Wages and salaries	19	11	8
Social security charges	26	25	1
Other costs	**63,095**	**64,986**	**(1,891)**
Temporary workers, seconded employees and work experience	1,412	1,879	(467)
Other costs	61,683	63,107	(1,424)
Total	**1,894,532**	**1,900,540**	**(6,008)**

Personnel expense, which totals €1,894,532 thousand, decreased by €6,008 thousand on the previous year.

Personnel expense decreased by €4,127 thousand, impacted by the 2014 recognition of greater costs as a result of the agreement signed with the trade unions in May 2014. The renewal of the national labour agreement also generated greater costs.

The table below gives a breakdown of the company's average number of employees by category:

PERSONNEL	2015	2014	Change
Managers	235	245	(10)
Junior managers	3,527	3,524	3
Other	27,961	28,370	(409)
TOTAL	**31,723**	**32,139**	**(416)**

26. Raw materials, consumables, supplies and goods

They can be analysed as follows:

	2015	2014	Changes
Raw materials, consumables and supplies	322,162	317,979	4,183
Electricity and drive fuel	122,319	73,054	49,265
Lighting and driving force	9,912	11,021	(1,109)
Total	**454,393**	**402,054**	**52,339**

Raw materials and consumables amount to €322,162 thousand. They relate to the consumption of materials in stock (€311,356 thousand), the purchase of heating fuel (€2,868 thousand) and the consumption of materials bought locally for the remaining amount.

Furthermore, this caption increased by €49,265 thousand essentially due to the higher cost of electrical energy for traction following Electricity and Gas Regulator's resolution 12/2013.

27. Services

This caption can be analysed as follows:

	2015	2014	Changes
Transport services	**979,580**	**1,071,719**	**(92,139)**
Toll	753,434	823,324	(69,890)
Cargo transport services	111,576	115,632	(4,056)
Other transport-related services	58,477	72,149	(13,672)
Shunting services	45,508	42,576	2,932
Ferry services	10,585	18,038	(7,453)
Maintenance, cleaning and other contracted services	**565,657**	**548,970**	**16,687**
Contracted services and work	351	456	(105)
Contract cleaning and other services	224,045	219,556	4,489
Maintenance and repair of intangible assets and property, plant and equipment	341,261	328,958	12,303
Property services and utilities	**30,668**	**35,417**	**(4,749)**
Administrative and IT services	**104,651**	**95,857**	**8,794**
External communication and advertising expense	**21,250**	**15,727**	**5,523**
Other	**320,087**	**314,427**	**5,660**
Professional services	6,117	7,770	(1,653)
Prize competitions and fees to other railway companies	19,371	16,326	3,045
Group common costs	4,328	3,524	804
Insurance	24,461	26,909	(2,448)
Night escort	20,921	20,188	733
Catering	76,580	68,568	8,012
Consultancies	272	229	43
Agencies' fees	46,943	46,104	839
Other	121,094	118,874	2,220
Provisions/Releases	0	5,935	(5,935)
Total	**2,021,893**	**2,082,117**	**(60,224)**

Costs for services decreased by €60,224 thousand.

The most significant changes refer to the following:

- a reduction in costs for tolls (-€69,890 thousand) and ferrying (-€7,453 thousand) due to the decrease in the unit cost for HS section tolls and the elimination of costs to use infrastructure in the Cargo segment, for traffic originating and/or terminating in the Southern Italian regions, including ferries;
- a decrease in costs for other transport-related services (-€13,672 thousand), essentially due to lower costs related to railway operation (-€7,696 thousand) and lower costs for replacement bus services (-€5,992 thousand);
- the increase in rolling stock maintenance costs (+€12,303 thousand);
- the €8,794 thousand increase in costs for administrative and IT services due to the growth in software maintenance volumes;
- the €5,660 thousand increase in costs for sundry services, mainly due to the increase in catering costs (+€8,012 thousand) and the increase in costs for railway transport contracts agreed with other companies (+€3,045 thousand), partly offset by the reduction in insurance costs (-€2,448 thousand) and the lack of provisions for civil litigation, unlike in 2014 (-€5,935 thousand).

28. Use of third-party assets

This caption can be analysed as follows:

	2015	2014	Changes
Operating lease payments	10	11	(1)
Lease payments, condom. expenses and registration tax	77,638	76,334	1,304
Leases and indemnities for rolling stock and other	50,778	43,617	7,161
IT and other services	14,920	14,919	1
Total	**143,346**	**134,881**	**8,465**

The €8,465 thousand increase in the use of third-party assets is essentially due to higher rolling stock rental costs (+€7,161 thousand) and the rise in condominium expenses to other group companies (+€1,304 thousand).

29. Other operating costs

This caption can be analysed as follows:

	2015	2014	Changes
Other costs	42,608	39,267	3,341
Losses	3,371	602	2,769
Provisions/Releases	8,602	7,137	1,465
Total	**54,581**	**47,006**	**7,575**

The €7,575 increase in other operating costs is due to the following:

- €3,341 thousand increase in other costs, essentially due to the grant to the FS Italiane foundation (€2,877 thousand);
- €2,734 thousand increase in estimated losses on the retirement of rolling stock from the production cycle;

- €1,262 thousand increase in provisions for penalties;

30. Internal work capitalised

Internal work capitalised (€453,829 thousand) mainly relates to the cost of materials, personnel and transport expense capitalised in 2015 against value-increasing maintenance of rolling stock carried out at the company's workshops.

31. Amortisation and depreciation

This caption can be analysed as follows:

	2015	2014	Changes
Amortisation of intangible assets	44,438	34,635	9,803
Depreciation of property, plant and equipment	962,800	923,660	39,140
Total	**1,007,238**	**958,295**	**48,943**

Amortisation and depreciation increased by €48,943 thousand due to the increase of roughly €19,330 thousand in depreciation of routine maintenance and the net effect of €29,613 thousand of greater depreciation of rolling stock and other investments that were rolled out in 2015 (+€45,451 thousand) and the end of the depreciation of assets that reached the end of their useful lives or were impaired (-€15,838 thousand).

32. Impairment losses (reversals of impairment losses)

This caption can be analysed as follows:

	2015	2014	Changes
Impairment losses on non-current assets	9,728	209,002	(199,274)
Impairment losses and reversals of impairment losses on receivables	5,787	476	5,311
Total	**15,515**	**209,478**	**(193,963)**

Net impairment losses show a €193,963 thousand decrease due to the fact that the Cargo Division assets were impaired by €185,200 thousand in 2014, with no impairment losses in 2015, and rolling stock and workshop plant were impaired by €13,107 thousand in 2014, with no impairment losses in 2015. The decrease was, however, partly offset by the €5,311 thousand increase in impairment losses on trade receivables.

33. Accruals to provisions for risks and charges

The company accrued €24,000 thousand to provisions for risks and charges to activate the extraordinary benefits under the income assistance fund for FS group employees, as described in the note to the provisions for risks and charges, to which reference should be made.

34. Financial income

This caption can be analysed as follows:

	2015	2014	Changes
Financial income from non-current receivables and securities	0	463	(463)
Other financial income	2,586	4,670	(2,084)
Financial income from derivatives	63	1,911	(1,848)
Dividends	15,514	983	14,531
Exchange rate gain	553	576	(23)
Total	**18,715**	**8,603**	**10,112**

Financial income amounts to €18,715 thousand, up by €10,112 thousand, essentially due to the distribution of dividends by Cisalpino (+€15,000 thousand) and Pol Rail (+€513 thousand). This increase is partly offset by a €1,848 thousand decrease in financial income on derivatives following the reduction in the time value of money and the lack of interest income on tax assets in 2014 (-€2,445 thousand).

35. Financial expense

This caption can be analysed as follows:

	2015	2014	Changes
Financial expense on payables	125,258	145,043	(19,785)
Financial expense on employee benefits (post-employment and CLC)	13,616	21,510	(7,894)
Impairment losses on financial assets	3,976	917	3,059
Exchange rate loss	7,721	1,867	5,854
Total	**150,570**	**169,337**	**(18,767)**

Interest on financial liabilities decreased by €19,785 thousand on 2014, mainly as a result of the combined effect of the drop in interest rates in international markets, specifically the Euribor to which loans and borrowings are indexed, and the reduction in average debt for the year. This caption, which totals €125,258 thousand, is essentially made up of:

- interest expense on bank loans of €6,582 thousand;
- interest expense on IRSs of €29,212 thousand;
- interest expense and premiums on caps and collars of €47,961 thousand;
- interest expense on loans and other charges to the parent of €39,334 thousand.

Financial expense for employee benefits amounts to €13,616 thousand and relates to the discounting of post-employment benefits (€13,292 thousand) and the Free Travel Card (€324 thousand) as per the actuarial valuation of the two statement of financial position captions.

Impairment losses on financial assets of €3,976 thousand are essentially due to the impairment of Thello S.a.s. (€2,995 thousand) and Cisalpino AG (€941 thousand).

Exchange rate losses increased by €5,854 thousand following the adjustment of loans and borrowings in Swiss francs to reflect the change in the Euro/Swiss franc exchange rate.

36. Current and deferred taxes

Income taxes can be analysed as follows:

	2015	2014	Changes
IRAP	20,605	73,427	(52,822)
IRES	14,692	14,580	112
Deferred taxes	(16,523)	(20,224)	3,701
Total	**18,774**	**67,783**	**(49,009)**

Current income taxes amount to €18,774 thousand, down by €49,009 thousand on the previous year.

For additional information about the negative impact of deferred taxes (€16,523 thousand) on profit or loss, reference should be made to the note on "Deferred tax assets and liabilities".

The table below shows the reconciliation of the effective tax rate:

	2015	%	2014	%
Profit for the year	230,043		59,509	
Total income taxes	18,744		67,783	
Pre-tax profit	**248,787**		**127,293**	
Theoretical IRES (27.50%)	**68,425**	**27.5%**	**35,005**	**27.5%**
Lower taxes:				
Utilisation of the provisions for risks and charges and company restructuring	(6,054)	-2.4%	(14,842)	-11.7%
IRAP portion related to personnel expense deductible from IRES	0	0.0%	(14,237)	-11.2%
Dividends recognised in the income statement	(4,053)	-1.6%	(257)	-0.2%
Other changes	(32,132)	-12.9%	(32,192)	-25.3%
Higher taxes:				
Impairment losses and accruals that cannot be deducted in whole or in part	22,473	9.0%	17,397	13.7%
Other changes	40,368	16.2%	94,711	74.4%
Total current income taxes (IRES)	**89,026**	**35.8%**	**85,585**	**67.2%**
Income from participation in the tax consolidation scheme and other adjustments	(74,334)	-29.9%	(71,005)	**-55.8%**
IRES	**14,692**	**5.9%**	**14,580**	**11.5%**
IRAP	**20,605**	**8.3%**	**73,427**	**57.7%**
Total deferred taxes	**(16,523)**	**-6.6%**	**(20,224)**	**-15.9%**
TOTAL INCOME TAXES	**18,774**	**7.5%**	**67,783**	**53.2%**

The percentage impact also considers IRAP, although this tax is calculated using a tax base that does not correspond with pre-tax profit (loss).

37. Contingent assets and contingent liabilities

At the reporting date, there were no contingent assets or liabilities.

38. Directors' and statutory auditors' fees

The following fees were paid to directors and statutory auditors for the performance of their duties:

	2015	2014	Change
Directors	464	474	(10)
Statutory auditors	63	63	0
	527	**537**	**(10)**

Directors' fees include the amounts envisaged for the positions of chairman and chief executive officer, as well as any amounts envisaged for the remaining board members.

In addition to the above fees, the chairman of the supervisory body received fees of approximately €41.6 thousand and a statutory auditor received €8.3 thousand.

39. Audit fees

Pursuant to article 37 of Legislative Decree no. 39/2010 and letter 16-bis of article 2427 of the Italian Civil Code, the total fees due to the independent auditors amount to €687 thousand and include those paid during the year for other non-audit services (€292 thousand).

40. Management and coordination

The highlights of the parent, Ferrovie dello Stato Italiane S.p.A., shown in the summary schedule required by article 2497-bis of the Italian Civil Code, are derived from its financial statements at 31 December 2014. For an adequate and complete understanding of the financial position of Ferrovie dello Stato Italiane S.p.A. (the parent) at 31 December 2014 and its results of operations for the year then ended, reference should be made to the financial statements, accompanied by the report of the independent auditors, that are available as required by the law.

thousands of Euros

	31.12.2014	31.12.2013
Assets		
Total non-current assets	42,266,930	42,775,583
Total current assets	2,620,140	2,586,197
Total assets	**44,887,071**	**45,361,781**
Equity		
Share capital	38,790,425	38,790,425
Reserves	305,733	302,603
Losses carried forward	(2,844,937)	(2,917,869)
Profit for the year	89,212	76,770
Total equity	**36,340,433**	**36,251,930**
Liabilities		
Total non-current liabilities	6,842,047	7,279,666
Total current liabilities	1,704,591	1,830,185
Total liabilities	**8,546,638**	**9,109,851**
Total equity and liabilities	**44,887,071**	**45,361,781**

	2014	2013
Revenue	148,015	160,410
Operating costs	(142,306)	(181,233)
Amortisation and depreciation	(21,639)	(22,112)
Net reversals of impairment losses	(6,228)	(21,878)
Net financial income	115,038	109,270
Income taxes	(3,669)	32,313
Profit for the year	**89,212**	**76,770**

Ferrovie dello Stato Italiane S.p.A. prepares consolidated financial statements.

41. Related parties

Transactions with key managers

Key managers' fees are as follows:

	2015	2014
Short-term benefits	4,045	3,991
Post-employment benefits	240	222
	4,285	**4,213**

The benefits relate to the fees paid to key managers, plus MBOs, if any. In addition to short-term benefits of €4,045 thousand paid out in 2015, a variable portion is to be paid in 2016, for an amount not exceeding €780 thousand (€730 thousand in 2014).

Key managers did not receive any termination benefits nor any other long-term benefits.

Other related party transactions

The main transactions between Ferrovie dello Stato Italiane group and its related parties, which were all carried out on an arm's length basis, are described below:

	Receivables	Payables
Subsidiaries		
Serfer S.r.l.	Cargo transport service	Shunting services
	Maintenance and lease of rolling stock	Railway transport terminal services
	Lease of cars	Maintenance of cars
Trenitalia Logistik France S.a.s.	International cargo transport service	Shunting support services
Thello S.a.s.	Maintenance and lease of rolling stock	Fees payable
	Sale of railway tickets	
	Sales fees	
	Financial:	
	Interest income on loans	
Tx Logistik AG	International cargo transport service	International cargo transport service
	Maintenance and lease of rolling stock	Shunting, terminal
Jointly controlled entities		
Trenord S.r.l.	Lease of rolling stock	Fees payable
	Rolling stock maintenance	Traffic management integrated services
	Traffic and shunting services	
	Sales fees	
Associates	**Receivables**	**Payables**
Pol Rail S.r.l.	Cargo transport service	Cargo transport service
		Lease of rolling stock
Alpe Adria S.p.A.	Cargo transport service	
Logistica SA	***Financial:***	
	Interest on loans	
La Spezia Shunting Railways S.p.A.		Shunting services
Parents		
Ferrovie dello Stato Italiane S.p.A. (a)		
	Transport of employees and relatives	Supply and management of personnel services
	Training services	Seconded personnel
		Company officers
	Tickets	Property lease payments and charges
		License to use the brand
	Financial:	***Financial:***
	Interest income on group VAT asset	Intercompany current account
		Interest on loans
		Surety fees
Other related companies	**Receivables**	**Payables**
Rete Ferroviaria Italiana S.p.A. (b)	Transport of employees and relatives	Toll
	Cargo transport service	Electrical energy and fuel for traction
	Rolling stock maintenance	Shunting
	Lease of rolling stock	Ferry service
	Maintenance engineering	Traffic-related services
		Maintenance
		Railway police services
		Health services
		Seconded personnel
		Property lease payments and charges
SGT S.p.A.	Lease of rolling stock	Shunting
Cemat S.p.A.	Cargo transport service	Railway material
	Rolling stock maintenance and testing	
Terminali Italia S.r.l.	Lease of cars	Shunting
	Tickets	

Other related parties		
Pension funds	Tickets	Supplementary pension funds
CDP Group	Tickets	Purchase of materials
Enel Group	Transport of material Lease payments	Lighting and driving force Electricity
Eni Group	Transport of material Tickets	Diesel oil for traction Gas utilities
EXPO 2015 Group	Area utilisation Fees receivable	
Finmeccanica Group	Domestic/international cargo transport Lease of rolling stock	Rolling stock maintenance Purchase of materials
GSE Group	Tickets	
Invitalia Group	Tickets	
IPZS Group	Tickets	
Poste Group		Printing of tickets, publications Transport and shipping Post charges
Sogin Group	Tickets	
Centostazioni S.p.A. (b)	Tickets	Condominium charges Property maintenance Plant cleaning Property lease fees and charges
Busitalia - Sita Nord (b)		Replacement car service
Busitalia Rail Service	Parking area charge	Replacement car service
Fercredit S.p.A. (b)	Tickets	Credit scoring services Trade payable factor **Financial:** Interest expense
Italferr S.p.A. (b)		Engineering services
Infrastructure Engineering Services doo Beograd		Engineering services
Italcertifer Soc. Cons.p.A. (b)	Testing and certification	Experimentation Testing and certification
FS Sistemi Urbani S.r.l. (b)		Property lease fees and charges

(a) Company carrying out management and coordination activities.

(b) Company under common control.

The table below summarises statement of financial position and income statement amounts at 31 December 2015 for related party transactions.

Trade and other transactions

(thousands of Euros)

	31.12.2015					2015	
	Receivables	Payables	Purchases for investments	Guarantees	Commitments	Costs	Revenue
Subsidiaries	**9,762**	**22,684**	**3,496**	-	-	**58,110**	**32,592**
Serfer S.r.l.	1,917	11,075	3,496			30,401	4,919
Trenitalia Logistik France S.a.s.	495	81				256	425
Thello S.a.s.	6,572	2,325				940	23,051
Tx Logistik AG	776	9,203				26,514	4,197
Jointly controlled entities	**80,272**	**71,966**	**926**	-	-	**7,310**	**102,128**
Cisalpino AG	4						4
Trenord S.r.l.	80,268	71,966	926			7,310	102,124
Associates	**2,239**	**1,871**	-	-	-	**7,964**	**11,297**
Pol Rail S.r.l.	1,737	1,225				6,217	4,470
Alpe Adria S.p.A.	491						6,823
East-Rail S.r.l. in liquidation	11						4
La Spezia Shunting Railways S.p.A.		646				1,747	
Parents	**225,997**	**38,853**	-	-	-	**52,650**	**1,570**
Ferrovie dello Stato Italiane S.p.A. (a)	225,997	38,853				52,650	1,570
Other related companies	**160,845**	**993,657**	**5,505**	-	-	**1,150,188**	**163,902**
Rete Ferroviaria Italiana S.p.A. (b)	92,980	379,720	3,152			957,355	111,007
BBT SE						7	110
Blueferries S.r.l.		6				5	
Netinera Deutschland GmbH (b)	69	142					75
SGT S.p.A.	137	243				657	94
Cemat S.p.A.	16,204	522				822	39,179
Terminali Italia S.r.l.		3,988				3,056	71
FS Logistica S.p.A. (b)	36,260	3,085				3,831	7,633
FS JIT Italia S.r.l.		7,132				17,729	284
NET in liquidation		1					
Ferservizi S.p.A. (b)	871	36,461	19			83,442	2,552
Metropark S.p.A.		54				119	
Grandi Stazioni S.p.A. (b)	101	1,141	69			29,353	411
Centostazioni S.p.A. (b)	6	4,617	105			11,289	104
Busitalia - Sita Nord (b)	798	4,791				6,343	754
Busitalia Veneto (b)	12	66				61	12
Busitalia Rail Service	20	16,860				35,221	119
Fercredit S.p.A. (b)	20	531,175				157	8
Italferr S.p.A. (b)	2,654	3,250	2,006			2	1,294
"Infrastructure Engineering Services" doo Beograd		56	56				
Sita S.p.A. in liquidation	10,204	28					
Italcertifer Soc.Cons.p.A. (b)	491	243	98			471	172
FS Sistemi Urbani S.r.l. (b)	17	78				267	22

Other related parties	**6,288**	**64,773**	**566,017**	**-**	**-**	**58,213**	**12,845**
Pension funds	11	299					95
CDP Group	4	335				2	149
Enel Group	134	1,908				7,317	445
Eni Group	2,210	4,330				1,815	8,124
EXPO 2015 Group	242						1,038
Finmeccanica Group	3,647	54,529	566,017			46,938	2,453
GSE Group	5					3	18
Invitalia Group	21					3	96
IPZS Group	7						52
Poste Group		3,196				2,134	
Rai Group		176					
Sogin Group	6						375
TOTAL	**485,402**	**1,193,804**	**575,945**	**-**	**-**	**1,334,434**	**324,335**

Financial transactions

(thousands of Euros)

	31.12.2015				2015	
	Receivables	Payables	Guarantees	Commitments	Expense	Income
Subsidiaries	**10,922**	**-**	**-**	**-**	**-**	**128**
Thello S.a.s.	10,922					**128**
Jointly controlled entities	**2,798**	**-**	**-**	**-**	**-**	**-**
Trenord S.r.l.	2,798					
Associates	**-**	**-**	**-**	**-**	**-**	**1**
Logistica SA						1
Parents	**1,540**	**5,317,728**	**-**	**-**	**39,334**	**882**
Ferrovie dello Stato Italiane S.p.A.	1,540	5,317,728			39,334	882
Other related companies	**-**	**-**	**-**	**-**	**550**	**-**
Fercredit S.p.A.					550	
TOTAL	**15,260**	**5,317,728**			**39,884**	**1,011**

42. Guarantees

Guarantees total €3,559,407 thousand and substantially relate to:

- collateral in the form of pledges on the company's rolling stock, issued by the company in favour of Eurofima to secure non-current loans raised through Ferrovie dello Stato Italiane (€3,409,660 thousand);

- guarantees issued in favour of the regions for public service contracts and other bodies by banks and the Post (€149,747 thousand).

43. Events after the reporting date

January

- On 21 January 2016, on-board cleaning began on the Lazio Regional Service, with specialised workers on board trains. This service is already operating on the Rome-Tivoli line and will progressively extended to other lines.
- Since 31 January 2016, four trains under the elite Trenitalia HS brand connect Milan to Venice. Now passengers can travel between these two major cities, enjoying Frecciarossa quality and comfort on a line previously served by Frecciabianca only.

February

- On 22 February 2016, the first of seven new diesel Swing trains for Veneto region commuters was delivered. It will begin operating in the first week of March on the Conegliano-Belluno line, benefiting overall travel quality.
- The new HS Naples-Bolzano line was opened on 28 February 2016 with four Frecciargento trains. Tickets were sold on trenitalia.com, and the company offered the Special HS 50% discount on departures up to 30 April 2016 to celebrate the opening of the line, so passengers could travel at half the standard ticket price.
- Trenitalia and CartaSi have partnered to make CartaFreccia a prepaid credit card as well. The new CartaFreccia is a handy top-up card to purchase Trenitalia tickets and passes and enables passengers to earn loyalty points and enjoy special discounts, as well to acquire other products and services at all tourist destinations and business in the MasterCard and Visa circuits, earning extra points that they can use in the Trenitalia loyalty scheme.
- During the meeting held on 23 February 2016, the board of directors approved the updates to the company's organisational, management and control model pursuant to Legislative decree no. 231/2001. This seventh update became necessary following the legislator's introduction of additional crimes to the scope of this Decree.

Reclassified statement of financial position and income statement of the Cargo Division (article 5 of Legislative decree no. 188/2003)

Reclassified statement of financial position of the Cargo Division

(thousands of Euros)

	31.12.2015	31.12.2014	Differences
NET ASSETS			
Net operating working capital	165,339	165,068	271
Other net assets	(36,905)	(45,874)	8,969
Net working capital	**128,434**	**119,194**	**9,240**
Non-current assets	405,762	402,061	3,701
Equity investments	100,907	101,019	(112)
Net non-current assets	**506,669**	**503,080**	**3,589**
Post-employment benefits	(138,514)	(150,636)	12,122
Other provisions	(55,322)	(30,491)	(24,831)
Total provisions	**(193,836)**	**(181,127)**	**(12,709)**
TOTAL NET INVESTED CAPITAL	**441,267**	**441,147**	**120**

Full cost reclassified income statement of the cargo division

(thousands of Euros)

	2015	2014	Differences
Revenue	**515,104**	**622,564**	**(107,460)**
- Revenue from sales and services	485,662	575,427	(89,765)
- Other revenue	29,442	47,137	(17,695)
Operating costs	**(573,595)**	**(616,841)**	**43,246**
Gross operating profit (loss)	**(58,491)**	**5,723**	**(64,214)**
Amortisation and depreciation	**(54,727)**	**(65,691)**	**10,964**
Impairment losses (reversals of impairment losses)	**(5,931)**	**(185,515)**	**179,584**
Provisions	**(24,003)**		**(24,003)**
Operating loss	**(143,152)**	**(245,483)**	**102,331**

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