

**TRENITALIA S.p.A.**  
**FINANCIAL STATEMENTS**  
**AT 31 DECEMBER 2012**

*Disclaimer*

*This Annual Report 2012 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.*

## **Trenitalia SpA**

Company with a sole shareholder subject to the direction and coordination activities of Ferrovie dello Stato Italiane S.p.A.

Share capital: Euro 1,654,464,000.00 fully paid-up

Registered office: Piazza della Croce Rossa no. 1, 00161 Rome

Fiscal code and Register of companies: 05403151003

R.E.A. (*Repertorio Economico Amministrativo*, Administrative Economic Register): no.: 0883047

VAT: 05403151003

## **OUR MISSION**

Trenitalia operates in the sector of services for the mobility of passengers and goods within a national and international context.

For Trenitalia, the basic conditions underlying its mission are the safety of the service, quality, workers' health, protection of the environment and it considers the importance of the relationship with the customer as the means to achieve a steady competitive advantage and create value for shareholders.

The whole organisation of Trenitalia, which is committed to meeting the needs of customers and the requirements of the market, always guarantees the highest standards of safety and it implements development and modernisation plans in compliance with social and environmental sustainability.

In order to achieve its mission the Company has created an organisational structure split into Divisions, each of which is assigned a specific mission depending on the particular features of its relevant market.

## **CORPORATE BODIES AND INDEPENDENT AUDITORS**

### **Board of Directors:**

Chairman	Marco ZANICHELLI
CEO	Vincenzo SOPRANO
Directors	Domenico BRACCIALARGHE Francesco ROSSI Enrico MOSCATI (*) Barbara MORGANTE (**)

### **Board of Statutory Auditors:**

Chairman	Silvana AMADORI
Regular members	Enrico ROSSI Roberto SERRENTINO
Substitute members	Francesco ROSSI RAGAZZI Gianpaolo Davide ROSSETTI

### **Independent auditors:**

PRICEWATERHOUSECOOPERS S.p.A.

(\*) Holding office until 31 July 2012

(\*\*) Appointed by the Shareholders' Meeting of 31 July 2012

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**Certification issued by the Manager responsible for preparing Company's accounting documents and CEO**

**Board of Statutory Auditors' and Independent Auditors' Reports**

# **Report on Operations**

**MAIN INDICATORS**

	<b>Final balance 2012</b>	<b>Final balance 2011</b>	<b>Final balance 2010</b>
<b>ECONOMIC HIGHLIGHTS</b> <i>(amounts in millions of euros)</i>			
Operating revenues	5,498.0	5,708.0	5,707.8
Operating costs	(4,147.8)	(4,317.0)	(4,458.4)
EBITDA	1,350.2	1,391.1	1,249.4
EBIT	418.3	496.2	341.9
Net result	206.5	156.4	73.1
<b>ECONOMIC AND FINANCIAL RATIOS</b>			
ROI	5.1%	6.5%	4.3%
ROS	7.6%	8.7%	6.0%
NAT	0.67	0.74	0.71
<b>PROFITABILITY RATIOS</b>			
Personnel (FTE)	35,770	37,549	40,924
Train-Km/Employee (th.)	7.27	7.19	6.76
Operating revenues/Employee	153,704	152,018	139,473
EBITDA Margin	24.6%	24.4%	21.9%
<b>FINANCIAL RATIOS</b> <i>(amounts in millions of euros)</i>			
Net financial position	6,335	5,854	6,337
D/E	3.31	3.22	3.82
Operating Cash Flow	242	1,054	342
Investments (excluding cyclical maintenance)	(752)	(509)	(497)
Amortisation and depreciation (excluding cyclical maintenance)/Investments	0.9	1.2	1.4
Financial requirements	481	(483)	39

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## MAIN EVENTS IN THE FINANCIAL YEAR

### January

- Between the end of January and the beginning of February a wave of exceptionally bad weather hit the entire country with very low temperatures and heavy snow fall. The weather warning, which was issued in the days preceding the event by the Civil Protection Agency, required the implementation of organisational measures necessary to deal with the emergency; the plans, drawn up beforehand at local level and sent in advance to the Civil Protection Centres, activated in all regions of Italy, and to the relevant Local Bodies, envisaged a reduction in the speed of trains, with consequent effects on the regular traffic, as well as a reduction in the service. Trenitalia has harnessed all its human resources in assisting its customers by trying to curb unavoidable inconvenience, has put commercial initiatives in hand to refund fares in full for those who decide to give up their journeys and, as a sign of care for its passengers, to compensate them for unforeseen delays in the event of bad weather even when there would not normally have been any provision for doing so.

### February

- On 22 February Trenitalia was certified by SGS for its integrated Quality, Environment and Health and Safety at Work management system. The certification issued to Trenitalia attests to the full compliance by all systems and procedures with the requirements – laid down by national and local legislation, especially in the field of environmental protection. Trenitalia is therefore the top transport company in Europe and the only major Italian firm to have the validity of its management system recognised and certified for all 50 production units and operational sites by obtaining the ISO 9001 certification for quality, ISO 14001 for environmental management and OHSAS 18001 for health and safety at work. The recognition follows a long process of checks and controls, involving 111 audits and a total of 171 days of assessment and analysis.

### March

- A Facility Agreement intercompany was entered into on 1 March 2012, which will expire on 4 March 2014, for an amount of Euro 600 million, out of the Backup Facility Agreement executed by Ferrovie dello Stato Italiane and a pool of banks on 4 March 2011; in the same manner as the main Backup Facility Agreement, the intercompany lines are general-purpose, committed and revolving lines.
- From March, Trenitalia prints its train tickets on environmentally-friendly paper certified as compliant with the standards of the Forest Stewardship Council. Thanks to the agreement between the National and International Passenger Division and Postel S.p.A. – the company that supplies the tickets – around 10 million tickets printed each month can boast this important certification.
- The new Frecciarossa Portal has been active since 1 March on all Trenitalia High-Speed trains on the Turin-Milan-Rome-Naples-Salerno route. The new entertainment service, created by Trenitalia and Telecom Italia, offers a wide selection of films, TV dramas, cartoons, documentaries and music supplied by Cubovision.
- During March, a three-year agreement was signed which will allow Trenitalia to sell its products in more than 5,500 travel agencies throughout Italy. The agreement with the Travel Associations, Fiavet,

Assotrail and Assoviaggi, consolidates and strengthens the collaboration between Trenitalia and travel agencies and will allow customers to benefit from ever improving commercial conditions and purchasing procedures that are easy, fast and which offer value for money.

- On 12 March, the "Trenitalia.com" internet platform was voted the best "journey planner". The announcement was made by Sim Kallas, Vice President and European Commissioner for Mobility and Transport. The winner was decided by thousands of European citizens who expressed their opinion in an online poll.

#### **April**

- Thanks to the partnership between Trenitalia and Regus, the leading worldwide supplier of flexible workplaces, in addition to the *FrecciaClub* areas in the main Italian stations, *Cartafreccia Oro* and *Platino* card holders can use the ten Regus centres, all within easy reach and in highly prestigious areas.

#### **May**

- A prize competition has been launched to celebrate one hundred million journeys on Trenitalia's *Frecce*, trains open to customers who take a *Freccia* train from 1 May to 30 September. A Fiat 500 Pop Star car will be given away every month from May to September.

#### **June**

- On 26 June Trenitalia and Amadeus, a leading distributor and supplier of advanced technology for the global travel and tourism industry, signed an agreement for the distribution of the Company's transport services through Amadeus channels. Travel agents, therefore, will also be able to book seats on *Frecce* trains through the global Amadeus distribution system, which connects about 91,000 sales outlets all over the world. Travel Agents that use the Amadeus Selling Platform may obtain access to our services and book them in a simple and standardised manner using the Flybyrail air/railway search system and the system conceived exclusively for railway services, Rail Agent Track.

#### **July**

- On 11 July Trenitalia acquired from the other shareholder, Veolia Transdev, 16.7% of the stake in Trenitalia Veolia Transdev –Thellò, thus passing to hold a stake of 66.7% of the share capital.
- After supplier Alstom had completed the delivery of 14 ETR 610 trains to Cisalpino AG at the end of 2011, the two shareholders of Cisalpino AG decided to split the original supply contract entered into with Alstom in 2006, arranging to assign the related rights and obligations to each shareholder equally and also arranging for the subsequent transfer of the ownership of the trains and taking over the loan granted by Eurofima for their purchase. This plan was put into effect in two phases: the first ended on 16 July with the execution of a specific deed by Trenitalia, SBB, Cisalpino and Alstom, named "Split and Assignment Agreement", which regulated the aspects related to the transfer of contractual rights and obligations. The second phase was concluded on 20 December 2012 with the transfer of the 7 trains and Trenitalia's acquisition of the Eurofima loan through the parent company Ferrovie dello Stato Italiane.
- On 20 July the collective labour agreement was renewed between the Company's representatives and the main Trade Unions.

- On 31 July the Shareholders' Meeting of Trenitalia took steps to renew the Board of Directors, the term of office of which is expected to expire at the time of the approval of the 2014 financial statements.

### August

- On 19 August, Frecciarossa 1000, the new High Speed train that will join the Trenitalia fleet, was presented in Rimini, at a world premiere in the presence of the President of the Council of Ministers, Mario Monti. The construction of the first 50 trains was entrusted to RTI Ansaldo-Breda/Bombardier Transportation Italy. This train will reach the maximum speed of 400 km/h and will reduce travel times on the section Rome-Milan to 2 hours and 15 minutes.

### September

- On 18 September the mock-up of the *Frecciarossa 1000* was presented at the Berlin Innotrans, the international transport world technological innovation fair. After going to Berlin, the *Frecciarossa 1000* was shown in Brussels in October and, coming back into Italy, went on with its tour of the main Italian cities: Milan in October, Naples in November and Rome in December. In 2013 it will stop in Bologna and Florence.
- On 20 September an environment agreement was signed at Assisi by Corrado Clini, the Environment Minister, and the Group's Managing Director. The aim of the agreement, which was signed during the International Meeting on the Environment, is to increase cargo traffic by rail.
- A bad accident occurred on 24 September on the Bari to Lecce line, at a level crossing on Provincial Road 7 at Cisternino (province of Brindisi). A truck made the mistake of going over the level crossing while the bars were coming down and was trapped on the rails. The impact with the Frecciargento 9351 train (Rome to Lecce), which had left Brindisi, was inevitable. The driver of the Frecciargento train died in the crash and 10 travellers were injured and had to be taken to nearby hospitals under observation, while 15 more travellers were treated on the spot.

### October

- During the month of October Trenitalia's *Frecce* and Parent Company FS Italiane promoted a communication and awareness campaign regarding women's health, rights and safety, sponsored by the Ministry of Health and the Ministry of Labour and Social Policies. Throughout the month stations and ordinary and high-speed trains were painted pink, becoming the scene for projects aimed at making people aware of prevention issues. Free consulting was given on board two *Frecciarossa* trains on the Milan to Rome route, while handbooks with advice and useful information were distributed on the entire *Frecce* fleet and in the *Freccioclubs*. These initiatives were combined with the *2X1* promotion for persons travelling on the *Frecce* trains in a woman's company and a special pink menu in the restaurant cars supported by advice on a healthy and correct diet and the tasting of wines produced exclusively by women.
- The tender was awarded for the supply of 70 single-deck electrical trains for Regional Transport, with an expected overall investment of Euro 350 million. Trenitalia awarded the tender to Alstom Ferroviaria S.p.A., which will produce the trains in Italy.

- The first quarterly review of the project launched for our four-legged friends in July. 5,000 tickets were sold for middle- and large-sized dogs travelling on the *Freccie* trains. This project also opened the doors of these trains to large dogs: since then almost one train in every five has had a dog on board. The numerical success was also reflected in the high degree of customer satisfaction and led to the consolidation of the project, which has been running permanently since the beginning of October.
- The new co-branded *Diners Club Freccia* credit card was issued on 19 October. This card provides access to special exclusive services and enables holders to win points quickly on their Trenitalia *CartaFRECCIA* loyalty cards.

### **November**

- During November, for the fourth year running, Trenitalia was at the London World Travel Market, the specialised international tourism trade fair. With the slogan, *Trenitalia, Rail Excellence and More*, the Trenitalia's aim was to convey to the operators in the sector and the specialised press that it is a company that cares for its customers, and also to offer the main tour operators new forms of cooperation.

### **December**

- On 12 December Trenitalia presented its student travel offers for journeys in Italy and abroad. This event, organised by AIESEC, a students' association promoting international student exchanges, sponsored by the Ministry for International Cooperation and Integration, was attended by hundreds of students from all Italian universities, who thus had the opportunity to learn of the special student travel offers for journeys in Italy. Particularly focused on Interrail, a product which, 40 years after its launch, continues to attract more and more young people from all over Europe, providing free travel on the railway networks of the 30 European countries that belong to the Interrail system.
- 20 December saw the completion of the second part of the Split and Assignment Agreement between Trenitalia, SBB, Cisalpino and Alstom, as referred to above.

## MACRO-ECONOMIC SCENARIO

About four years after the American financial crisis, the world's economy is still struggling. During 2012 global economic growth weakened further, conditioned both by a slowdown in world trade and the persisting uncertainty regarding the process of the consolidation of the public finances in the United States and the rising tensions on sovereign debt in some Eurozone countries. In this scenario a substantial divergence continues to exist between advanced economies' contributions to world economic growth and those of the emerging and recently industrialised countries. The economies of the last named, in fact, continued to grow in terms of percentage change in GDP in 2012 too (+5.1%), driven above all by China (+7.8%) and India (+4.7%). The developed countries' contribution (+1.3%), on the other hand, was decidedly lower, the United States' performance of + 2.3% being countered by a -0.4% drop in the Eurozone (Source: International Monetary Fund – IMF). Overall the world economy grew by 3.0% compared to 3.9% in 2011. World trade also shrank, +2.6% last year compared with the +7.2% of the preceding year.

Global Economic data		2011	2012
<b>GDP</b>		(% change over the previous year)	
	<b>World</b>	3.9	3.0
	<b>Developed countries</b>		
	USA	1.8	2.3
	United Kingdom	0.9	-0.2
	Eurozone	1.5	-0.4
	<b>Emerging Countries</b>		
	China	9.3	7.8
	India	7.3	4.7
	Latin America	4.7	2.4
<b>World trade</b>	7.2	2.6	
<b>Oil</b>		(\$ per barrel)	
<b>Brent</b>	111.6	112.1	

Source: *Prometeia Rapporto di Previsione gennaio 2013* (Forecast Report of January 2013)

In the Eurozone the persistent market tension caused by the sovereign debt crisis only relaxed during the second part of the year as a result of intervention on the part of the ECB. Nevertheless high unemployment and weak domestic demand continued to put a brake on basic growth movements.

Overall GDP in this area fell by 0.4% and, even if this was against a background of generalised slow-down, there was a marked difference in the rate of growth among EMU countries, where the core Europe countries suffered less than the peripheral states.

Germany, whose GDP rose by 0.9%, remains the Eurozone flagship, followed by France, which, even if it had to deal with substantial austerity measures, recorded a 0.1% growth rate. Of the peripheral countries, on the

other hand, one poor performance that stood out particularly was that of Portugal (-3.1%) and Greece (-6.4%).

In 2012, inflation in the EMU countries, which decreased compared to the previous year, came to 2.5%, thanks to the deceleration in prices of energy products that took place in the second part of the year.

<b>Eurozone Economic data</b>		<b>2011</b>	<b>2012</b>
<b>GDP</b>		(% change over the previous year)	
<b>Eurozone</b>		<b>1.5</b>	<b>-0.4</b>
Germany		3.1	0.9
France		1.7	0.1
Italy		0.6	-2.1
Spain		0.4	-1.4
<b>Inflation</b>		(% change over the previous year)	
<b>Eurozone</b>		<b>2.7</b>	<b>2.5</b>
Germany		2.5	2.2
France		2.3	2.2
Italy		2.9	3.3
Spain		3.1	2.4
<b>Domestic demand</b>		(% change over the previous year)	
<b>Eurozone</b>		<b>0.5</b>	<b>-1.9</b>
Germany		2.6	-0.2
France		1.7	-0.5
Italy		-0.9	-4.7
Spain		-1.9	-3.8

Source: *Prometeia Rapporto di Previsione gennaio 2013* (Forecast Report of January 2013).

Demand within the Eurozone fell noticeably (-1.9% against +0.5% in 2011), seriously affected both by the corrective measures on public finances – which, moreover, were indispensable in order to avert even more serious consequences on economic activity and stability – and by weakness in household consumption. In this case too there were obvious divergences among the EMU countries: in Germany (-0.2%) and France (-0.5%) the fall in demand was more limited than the more substantial reductions in Italy (-4.7%) and Spain (-3.8%).

The Italian economic system slowed down sharply in 2012 owing to both the tension on the financial markets and on the effect on disposable income of corrective measures on public finances. Furthermore the severe earthquake that occurred in Northern Italy in May, in an area with a high density of industrial and technological concerns, had a further unfavourable impact on the entire economy of the country.

The GDP performance showed a reduction of 0.8% in the first quarter of the year and 0.7% in the second one. A more limited reduction was recorded in the third quarter (-0.2%), which was however followed by a further fall equal to -0.6% in the fourth quarter. As a whole, the GDP reduction came, on an average annual basis, to 2.1%, compared to a modest growth of 0.6% recorded in 2011.

All components of household consumption continued to shrink, reflecting the prolonged drop in disposable income and the pronounced general uncertainty. The decline in the durable goods sector was particularly

accentuated. An indication of this is the general fall in the number of car registrations, which was lower than any other year since 1979.

In Italy, the annual average rate of inflation (NIC rate, *Nazionale Intera Collettività*, i.e. a price index for the whole community of Italian households) came to 3.0%, showing a slight increase by two tenths of percentage points compared to 2.8% in 2011.

A sharp increase was also recorded in unemployment rate, which came to 11.2% in December; in particular, note that the youth unemployment rate stood at 36.6% in the same period (Source: ISTAT). In 2012 the Italian enterprises benefitted from 1,090 million hours of redundancy fund schemes (*cassa integrazione*) against 973 million in 2011, reporting an increase of 12% on an annual basis.

<b>Italy Economic data</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
(% changes)				
<b>GDP</b>	-0.8	-0.7	-0.2	-0.6
(Empty row)				
<b>Domestic demand</b>	-1.6	-1.2	-0.7	-0.6
Household spending	-1.4	-1.2	-1.0	-0.6
PA* and ISP** spending	-0.1	0.1	-0.3	-0.4
<b>Gross fixed capital formation</b>	-4.1	-2.0	-1.4	-1.6
Constructions	-3.6	-1.2	-1.4	-1.9
Other investment assets	-4.7	-3.0	-1.3	-1.3
<b>Imports of goods and services</b>	-3.5	-0.5	-1.4	0.1
<b>Exports of goods and services</b>	-0.5	1.0	0.5	0.0

Source: *Prometeia Rapporto di Previsione gennaio 2013* (Forecast Report of January 2013)

\* PA = *Pubblica Amministrazione*, Public Administration

\*\*ISP = *Istituzioni Sociali Private*, Private Social Institutions

## PERFORMANCE OF THE RELEVANT MARKETS

In 2012 the sharp slowdown recorded in the economy in Italy had adverse effects on the entire transport sector, which were differentiated in the different passengers and cargo sector.

The cargo sector recorded a general drop, thus reflecting the sharp decline in industrial production (-6.7%) and trades (export +3.5% compared to +11.4% in 2011; import -5.2% compared to +9.5% in the previous year). In the Air transport sector, the decline in tonnes handled was 4.9%; among domestic airports, Milan Malpensa ranked first by volume of cargo handled in 2012 (406 thousand tons), with a reduction of 7.8% compared to 2011. Rome Fiumicino ranked second, with about 136 thousand tonnes handled (-4.9% compared to the previous year). Highway traffic also showed a continued fall: in terms of numbers, about 17 million heavy vehicles/km were covered, with a drop of 7.5% compared to 2011. A decrease was still recorded in the maritime transport of containers, the figures of which, relating to the first half of the year, recorded a decline of 5.1%.

In the same manner, the passenger traffic segment recorded negative trends, to a more or less pronounced extent, for all means of transport. In the air transport segment, passengers transported in 2012 were 147 million, with a decline of 1.3% (corresponding to a decrease of about two million passengers), resulting from a more pronounced reduction for the national component (-5.2 %) and a slight growth for the international one (+1.7%). Rome Fiumicino and Milan Malpensa airports, the two major airports by overall passenger traffic, recorded a decline of 1.8 % and 4.0%, respectively. In 2012 the decrease in highway traffic volumes was more significant, with a drop in light vehicles/km of 7.0% compared to the previous year. In the maritime transport segment, after a number of years in growth, cruise transport was affected by the effects of the economic crisis, recording a decline of 0.8% compared to the previous year.

In Italy, where slightly more than half of the overall economy is considered to be open to competition, the degree of liberalisation of the railway transport is among the highest in Europe; this has allowed an increasing number of railway companies. In 2012 the National Railway Safety Agency (*Agenzia Nazionale per la Sicurezza Ferroviaria* – ANSF) issued one new safety certificate and updated/renewed 20. The traffic volumes of other operators on the track managed by Rete Ferroviaria Italiana increased by about 28% over the previous year, thus achieving rates equal to about 3.6% and 27.3% in terms of trains/km in the passenger and cargo traffic segments, respectively.

### The traffic results of the main European railway companies

In 2012, the demand for rail transport in Europe was characterized by a general weakness, which affected the cargo sector to a more pronounced extent and the passenger sector to a lower extent. In fact, the overall demand reduced by 7.4% in terms of tons/km and 0.9% in terms of passengers/km.

The decline recorded in cargo railway transport was mainly caused by the negative economic trend of imports, in particular in those market segments that use rail transport to a predominant extent. By way of example, the automotive market recorded a decline of 8.2% in registrations in the 27 countries of the European Union. Among the railway companies in the cargo segment, DB AG (Germany) was the most able company, recording a limited loss in volumes compared to the European average, equal to -5.9% compared

to 2011; on the contrary, SNCF (France) and PKP (Poland) recorded losses of 11.1% and 11.5%, respectively, while the decrease in the traffic volumes managed by RENFE (Spain), equal to -7.5%, was in line with the European average.

In the passenger transport segment, note the performance of DB AG (Germany), the sole company in contrast with the performance of the most important railway companies, with a growth of +4.3%. The declines recorded by SNCF (France), with -0.4%, and RENFE (Spain), with -0.8%, were in line with the European average.

## RELATIONS WITH CUSTOMERS

### “Market Service” – National and International Passenger Segment

2012 was characterised by an improvement in the offer in the Market Service segment and by the gradual completion of diversification in service levels; the segment’s offer accounted for +5.1 % of the overall offer.

Pricing policy for all the products of the National and International Passenger Division (*Frecce* trains and Basic Services) was subject to a substantial process of change represented by a new pricing structure, which was presented to customers on 10 June 2012, divided into three types of fare, a mixture of flexibility and low cost: BASE – ECONOMY - SUPERECONOMY. Economy and Super-Economy fares have a multi-price structure and sold more than 9 million tickets, mostly in the second half of the year.

Apart from the above price range, fares were offered during 2012 that were specially conceived for certain customer targets or particular occasions related to special events: these are some examples of special offers taken from Passenger Division products in general:

- Carta Freccia Day for Cartafreccia holders, who were offered a 50% discount for Saturday travel (valid till 9 June 2012);
- Festa della Donna 2x1 for journeys on Women’s Day, allowing two persons (at least one of whom a woman) to travel for the price of one;
- San Valentino 2x1 for journeys on Valentine Day, allowing two persons to travel for the price of one.

The following promotions were only offered to Freccie trains travellers:

- **2x1 Frecciarosa:** in the framework of the *Frecciarosa* corporate project, created to promote the prevention of breast tumours, a fare valid for two persons (at least one of whom a woman) for the price of one was offered in October for departures between 11:00 a.m. and 2:00 p.m. and the whole day on Saturdays;
- **Internazionali BNL d’Italia:** spectators of the International Tennis tournament in Rome from 12 to 21 May 2012 were offered a 10% discount on single or return fares to Rome;
- **Bimbi Gratis:** Cartafreccia holders on board Freccie trains were offered free fares for children under the age of 12 for the entire second half of the year if accompanied by customers with loyalty cards; the age limit was extended to under the age of 15 on 9 December 2012.

During the year the number of customers with Cartafreccia programme loyalty cards exceeded the 2 million threshold. This programme was enriched with exclusive extra benefits (such as the possibility of buying journeys at special prices). New products were launched: the Città in viaggio ("Travelling Cities") gift chest, the only product with a Freccie train journey included, the result of cooperation with the Italian Boscolo Group, and a co-branded credit card with quality services in collaboration with Diners.

2012 marked the entry of Trenitalia into the world of sports marketing, reaching agreements with the International Tennis tournament, the Italian Rugby Federation and, above all, the partnership, for the entire season, with the football clubs that are included in the Frecciarossa network: Juventus, Turin, Milan, Inter, Bologna, Fiorentina, Rome, Lazio and Naples.

The percentage of medium/long-distance trains in the market Service segment that arrived at their destination in time or in any case with a delay of 0-15 minutes passed from 95.2% in 2011 to 96.9% in 2012. On the contrary, the improvement in the service rendered to customers is also confirmed by the customer satisfaction data recorded by entities outside the company, according to which the overall travel satisfaction level, at the end of the year, was equal to 93.2% (in line with the results recorded at the end of 2011), showing peaks of 96.1% for Frecciarossa trains.

The main developments in 2012 were:

## **Frecciarossa**

During the year the restyling of the ETR500 fleet continued for the new Frecciarossa train with the gradual extension of the new levels of service, Executive, Business, Premium and Standard, thus completing works on almost all the trains.

In May the transformation of the entire non-stop range between Milan and Rome was completed, while by the end of the year more than 90% of the total Frecciarossa range had been converted.

The new airline-style seat numbering was launched on all trains in June 2012.

On-board technological systems for passengers were introduced or improved with a view to the constant enhancement of the travel experience:

- the new Frecciarossa portal became fully operational
- WIFI and UMTS services were boosted and improved
- the menus of the monitors in the coaches were enriched (travel information, entertainment, news, commercials)

As regards the commercial offer, note the following:

- a remodulation of the Milan – Turin connection systems: a new morning connection, by which a total of 5 trains between 6.30 a.m. and 9.00 a.m. was achieved on the route to Turin-Milan and two new connections on the route to Milan-Turin in the afternoon slot;
- a larger coverage of the Milan metropolitan area, with new stops at Porta Garibaldi (from 10 to 12 stops) and Rogoredo (from 14 to 16 stops);
- the upgrading of rail connections from/to Rome Tiburtina (from 4 to 16 stops) and new connections to Salerno (from 8 to 10 trains per day);

- optimisation of the Milan-Rome evening offer;
- review of the timetable of the trains included in the periodical offer for the search for the utmost efficiency and a better synergy with Frecciargento trains.

## Frecciargento

During 2012 substantial investments were made in the entire Frecciargento fleet to raise the standards of comfort and make it easier to use technological services:

- WIFI and UMTS services were tried out on the ETR 600 trains;
- in June 2012 new airline style seat numbers were introduced;
- the exterior livery was revamped;
- the menus of the monitors in the coaches were enriched (travel information, entertainment, news, commercials).

In 2012, the Frecciargento train offer was characterised:

- by the increase in the connections on the Rome-Venice route, in the bands with higher demand, with the introduction of 3 new couples. Therefore, the strengthening of the route was completed, which had begun in June 2011, and the total offer passed from 30 to 36 connections.
- by the streamlining of the offer between Rome and the Puglia region:
  - Reduction of a Rome to Bari pair with low load factors (LFs).
  - Standardisation of the stops of the 6 Rome-Lecce trains representing the entire range.
- by the review of the timetable of the Reggio Calabria – Rome connection, in advance of the departure by 33 minutes to improve the system of connections for the customers in the Calabria region at the stations of Reggio Calabria, Villa San Giovanni and Lamezia Terme.

## Frecciabianca

The Frecciabianca product travels on traditional lines and serves three main lines: Padana Cross Road (Turin-Milan-Venice/Udine/Trieste), Adriatic (Milan-Bologna-Ancona-Bari/Lecce/Taranto) and Tyrrhenian (Rome-Genoa-Milan).

Starting from the time change in December 2012, the "Other ES\*" connections also entered the Frecciabianca perimeter, which were carried out with ETR 460 trains relating to the Rome – Reggio Calabria and Rome – Ravenna lines.

## International traffic

The International product saw, compared to 2011, the entry of the Venice – Paris connection (operated by Thello) in full operation, with encouraging results in terms of load factor and customer satisfaction. In the period from June to September, there were various interruptions of the Brenner pass in Domodossola (for

works at the Sempione pass) and a landslide in Switzerland, with transshipments carried out by substitute means of transport (buses). The Rome – Paris connection was restored and the new Milan – Munich connection was inaugurated (December 2012).

Furthermore, the School Group Europe offer was extended on the new connections.

## **“Universal Service” Passenger Segment**

In line with the provisions under section 12 of the service contract for long-distance routes, following the check of economical sustainability of the agreement, the 2012 timetable launched the new model of products defined by the customer, the Ministry of Infrastructures and Transport. This offer provide for some night trains from the South to stop at the Rome hub; from this hub passengers travelling towards the cities of northern Italy can continue their journey using High-Speed trains.

The Notte + AV (“Night + High-Speed Train”) promotion was conceived for such travellers in order to secure and support the market. This offer provides a special price for persons that use a night train and a High-Speed train for a single journey, including the part on board a Freccia train, in order to pursue greater efficiency and help communications between one part of Italy and another.

95% of medium- and long-distance Universal Service trains arrived on time or in any event not more than 15 minutes late, compared with 92.5% the previous year. The level of overall satisfaction with the journey, on the other hand, was 83.0%, an improvement on the year before (80.9%).

Finally, the Intercity product was characterised by a review of its configurations which affected the segment out of the scope of the service contract with the Government, providing for actions to adjust the offer depending on the market trend.

## **Regional Transport**

In 2012 the Regional Transport segment recorded a 6.11% increase in revenues from traffic compared to the previous financial year. This change was mainly linked to the instructions of the customer Regional governments, which entailed an increase of 6.9% in regional fares on average, and a reduction in volumes equal to 0.8% linked to the reduction in the required services.

During 2012 the provisions of the legislation governing competition in the public transport services sector changed twice. Legislative Decree no. 1 of 24 January 2012 bearing “Urgent measures for competition, development and competitiveness” (*Disposizioni urgenti per la concorrenza, lo sviluppo e la competitività*) provides, under article 25, for the Regional Governments’ obligation to launch tenders for the Regional transport service when the current agreements expired and prevented the Regional Governments from renewing the agreements for a further six years.

The legal framework then changed completely as a result of Constitutional Court judgment no. 199 of 20 July 2012, which abrogated the obligation to award public services by tender, thus, in practice, allowing Service Contracts to be renewed/renegotiated. This approach enabled the Service Contract in Emilia to be renewed until 30 June 2015 by virtue of Resolution no. 830 of 18 June 2012.

We should recall, however, that even if it is not obligatory to put transport services out to tender, it is allowable in any case and some Regional governments have confirmed that they wish to do so. Negotiations are still in progress for the Service Contract with the Ministry of Infrastructures and Transport for the Special Regions (*Regioni a Statuto Speciale*) (Sicily, Sardinia, Valle d'Aosta and "joint services" (*servizi indivisi*) in the Northern-East Area). As regards the funding for the Contract itself, it should be pointed out that it has been cut by about Euro 45.5 million; Euro 23.7 million has been made available to the Valle d'Aosta Region without title to the agreement. With regard to these arrangements, the competent Ministries are looking for a technical solution that allows Trenitalia to collect the fees. For about Euro 21.8 million, in compliance with the instructions received from the Ministry of Infrastructures and Transport, Trenitalia continued delivering the services at the same level as the previous year throughout 2012.

The percentage of regional transport trains that arrived at their destination in the 0-5 minutes time bracket worsened by 1.1%, going from 94.1% in 2011 to 93.0% in 2012.

Customer satisfaction data recorded improvements, specifically as regards the quality of cleanliness perceived on board regional trains, which improved compared to 2011 passing from 46.2% in 2011 to 50.2% in 2012, while overall travel customer satisfaction passed from 71.6% to 71,9%.

The Division started on a communication campaign called *Operazione treni puliti* – "Clean train operation". This is a photograph and video exhibition that Trenitalia has set up for travellers at the stations of the capital towns of the Regions and the larger Provinces to show the efforts made to make trains clean and decorous. The objective of this photograph and video show is to make the travelling public realise the economic and social impact of acts of vandalism (broken windows and lights, seats slashed and scribbled on, discharged fire extinguishers, etc.) and uncivilised behaviour (passengers putting their shoes on the seats, litter left in the trains, etc.) that entail a gross waste of time and money taken away from work that could be done to improve the service.

## **Cargo Transport**

In 2012 the Cargo segment recorded, at national level, a trend in decrease of -6.2% in industrial production (data from Centro Studi Confindustria), while in the Eurozone the trend in decrease was more attenuated, coming to around -2.3% (Eurostat data). This macro-economic scenario affected the cargo transport both in Italy and abroad.

As published by the UIC, the decline in volumes transported by train was significant for all the major railway companies: Trenitalia Cargo -3.1%, DB -5.9%, RENFE -7.5%, SNCF -11.1%. On the contrary, tons transported by road were affected, according to the data published by the Highway Network, by a decrease of - 7.1% compared to the previous year. On the other hand, in order to defend the relevant modal share of transport, road transport, both in import and in export services, applied a further reduction in selling prices, with decreases up to -9% in Export services and -13% in Import services.

Furthermore, the results from the Cargo traffic division were significantly affected by the reduction in international traffic, above all for transports from and to Germany, Austria, France, Poland and Hungary, a decline that the Division offset by an increase in the national traffic, which was even more significant in the combined service segment.

All the commodity sectors were affected by the crisis to an equal extent, the most marked declines being in the Traditional traffic sector, in which customers such as those in the Steel and Automotive industry make more use of rail transport than other businesses, while Intermodal traffic held well, thanks above all to container movements from and to the ports of Genoa and La Spezia.

In this scenario the Cargo Division provided a mixed range with the aim of offsetting the fall in Traditional traffic against intermodal transport, defending its market shares by retaining its customers through the promotion of additional services and showing that it had the capacity to provide even more competitive offers.

## INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION

### Income Statement

For the purpose of a correct comparison of the company's 2012 income statement data with those from the previous year, it should be pointed out that, up to the effective date of the contribution of the "Lombardy Regional Transport" branch of business to Trenord S.r.l., which took place on 3 May 2011, the items of 2011 operating revenues and costs contain all costs concerning the branch contributed, which have been recharged to "other revenues"; the change in the perimeter between the two periods does not determine significant effects at EBITDA level.

*amounts in millions of Euro*

	<b>2012</b>	<b>2011</b>	<b>Change</b>
<b>Operating revenues</b>	<b>5,498.0</b>	<b>5,708.0</b>	<b>(210.0)</b>
- Revenues from sales and services	5,279.3	5,406.4	(127.1)
- Other revenues	218.7	301.7	(83.0)
<b>Operating costs</b>	<b>(4,147.8)</b>	<b>(4,317.0)</b>	<b>169.2</b>
<b>EBITDA</b>	<b>1,350.2</b>	<b>1,391.0</b>	<b>(40.8)</b>
Amortisation and depreciation	(924.6)	(859.6)	(65.0)
Write-downs, impairment losses / value write-backs	(7.3)	(35.3)	28.0
<b>EBIT</b>	<b>418.3</b>	<b>496.2</b>	<b>(77.9)</b>
Finance income and costs	(202.3)	(233.6)	31.3
<b>PRE-TAX RESULT</b>	<b>216.0</b>	<b>262.6</b>	<b>(46.6)</b>
Income taxes	(9.5)	(106.3)	96.8
<b>NET PROFIT (LOSS) FOR THE YEAR</b>	<b>206.5</b>	<b>156.4</b>	<b>50.1</b>

2012 recorded a substantial improvement in the Net Profit equal of Euro 50.1 million compared to 2011 (+32%). In fact, the net profit for the 2012 financial year came to a positive value of Euro 206.5 million, compared to a profit of Euro 156.4 million in the previous financial year.

EBITDA passed from Euro 1,391.0 million in 2011 to Euro 1,350.2 million in 2012, with a decline of 2.9%; however, the impact of 24.6% on operating revenues in 2012 improved compared to 24.4% recorded in 2011.

EBIT recorded a decline of 15.7% coming to a positive result of Euro 418.3 million compared to Euro 496.2 million in the previous year, with an impact of 7.6% on operating revenues in 2012 (8.7% in 2011).

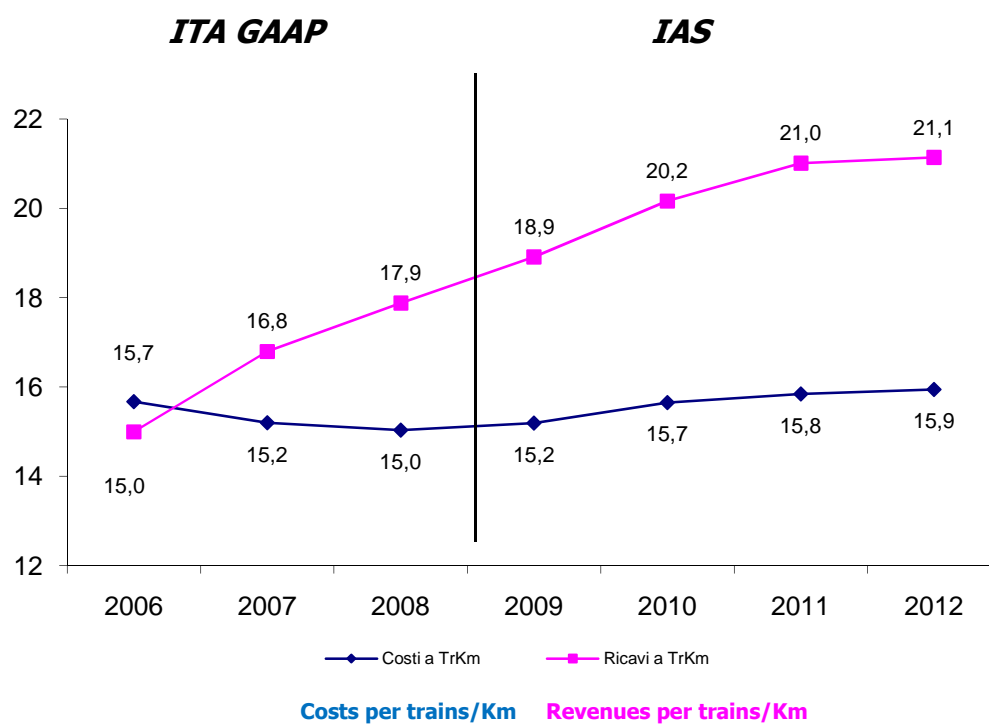
There are two non-recurring items that affected the 2012 result: the first is a rise of about Euro 33 million in labour costs as a result of the additional requirements arising from the reformulation of the plans for 2013 and following years in order to hasten the completion of the process of reorganisation and rationalisation that has been proceeding in the past few years, while the second, on the other hand, was a favourable item consisting in recognising a limited amount of about Euro 72 million of deferred tax assets in the income statement. Further details of this aspect will be provided later on this report.

Two particularly important factors were features of the 2012 financial year: on one hand the worsening of the unfavourable trend of the Italian and world economy and on the other the arrival of a competitor in the High-Speed service market. Trenitalia adjusted its strategy to this scenario, tackling the market with determination and thus defending its leading position in the High-Speed train market. Even against this background of greater difficulty, the Company managed to attain important objectives, not only in terms of the quality of its range, and succeeded in keeping its economic fundamentals substantially in line with those of previous periods. Within the market service passenger sector, trade initiatives were launched that were oriented towards a policy of segmenting and diversification of the range, both in terms of price and service, in order to satisfy the needs of customers who, owing to the economic crisis, were increasingly interested in the quality and price ratio.

The operations involved in changes to Universal Service medium- and long-distance and Regional Transport services continued in order to adapt them to customers' needs and market trends, without affecting the condition that contracts should be financially sustainable.

Trenitalia's Cargo Division went on with the complex process of rationalising/reorganising its operational structure in order to adapt it to market requirements and with its plan for the recovery of profit margins, laying solid foundations for making the Division financially stable.

The table below summarises the trend in the two main economic indicators of the company. It should be pointed out that, for a correct reading of the unit values, operating revenues and costs of the table reported below are net of charges-back to Trenord, as they relate to clearing entries, with a substantial zero balance on the income statement. This approach allows a reading that is not impaired by costs that no longer concern the production of Trains/Km of Trenitalia. This figure points to the progress that the Company has made towards financial stability, even considering the complex factors involved in the sectors of which it is composed.



The total trains/Km includes trains/Km recorded by other railway companies and realised on the Cargo Division's foreign networks on a subcontract basis.

## Operating revenues

The table below reports the main indicators relating to the three Business Divisions through which Trenitalia operates in the relevant markets.

For the National and International Passenger Division, some indicators are reported for "Market services" for which there are no public grants and, therefore, there are no regulations laid down by service contracts and "Universal Service" to which the trains which are produced on the basis of the specific service contract with the Government are allocated.

	2012	2011	Delta %
<b>National and International Passenger Transport Division</b>			
<b>Operating revenues (€/mil.)</b>	<b>2,224</b>	<b>2,334</b>	<b>-4.7%</b>
<b>Passengers / km (million):</b>	18,444	20,170	<b>-8.6%</b>
- of which: Market services	13,987	14,093	-0.8%
- of which: contributed Universal Service	4,457	6,077	-26.7%
<b>Trains / km (thousand)</b>	71,058	76,634	<b>-7.3%</b>
- of which: Market services	48,098	48,721	-1.3%
- of which: contributed Universal Service	22,960	27,913	-17.7%
<b>Regional Transport</b>			
Operating revenues (€/million) (*)	2,689	2,630	2.2%
Passengers / km (million):	19,045	19,198	-0.8%
Trains km (thousand)	154,785	157,746	-1.9%
<b>Cargo transport</b>			
Operating revenues (€/mil.)	666	708	-5.9%
Tons / km (million) (**)	15,412	15,584	-1.1%
Trains / km (thousand) (***)	34,261	34,886	-1.8%
Other Revenues/Eliminations (*)	-81	36	-324.2%
<b>Trenitalia Operating revenues</b>	<b>5,498</b>	<b>5,708</b>	<b>-3.7%</b>

(\*) Operating revenues are net of charge-backs to Trenord following the transfer of the title of purchase contracts as a result of the contribution of the branch of business. On the contrary, Eliminations relate to the set-off of inter-division items.

(\*\*) Includes foreign Tons/Km. It does not include traffic to Divisions/Technical Head Offices of Trenitalia.

(\*\*\*) It includes Trains/Km from other railway companies and realised in foreign countries.

## Revenues from sales and services

Revenues from sales and services recorded a decrease of 2.3%, coming to Euro 5,279.3 million at the end of the financial year, compared to Euro 5,406.4 million in 2011. Below are summarized the changes that occurred by individual type of revenues:

Description	2012	2011	Change	%
Revenues from traffic	3,107.1	3,226.1		-3.7%
Revenues from service contracts	2,022.2	2,051.0		-1.4%
Revenues from other services connected to transport	150.0	129.3		16.3%
<b>Total</b>	<b>5,279.3</b>	<b>5,406.4</b>		<b>-2.3%</b>

## Revenues from traffic

### ***Revenues from National and International Passenger Transport:***

The medium- and long-distance passenger transport recorded a negative performance in revenues from traffic of Euro 133.2 million (-6.8%). This performance was characterised by different dynamics between the different types of service:

- Market Services Segment:** An overall reduction of 3.7%, equal to Euro -58.4 million, was recorded. This performance mainly arose from the fall in revenues due to poorly used services and their consequent rationalisation, a process which affected some daytime InterCity trains in particular (Euro -29.7 million); also to be noted is the loss of revenues from traffic as a result of the end of the Artesia train (Euro -40.6 million), relating to international traffic, not yet offset by the start-up of the Thello service (revenues from this source are thus not included in the Company's turnover). The abovementioned reduction was largely offset by increased revenues arising from Frecciarossa, Frecciargento, Frecciabianca and Other ES services. The increase in revenues for about Euro 24.3 million mainly arose from the strengthening of the offer relating to the High Speed system on the Turin-Milan-Naples-Salerno line; this figure merits particular attention considering that competition has started in the High-Speed sector.
- Contributed Universal Service:** note a reduction of Euro 74.7 million (-20.7%). This reduction was affected by the gradual shifting of the share, on long-distance routes, to alternative means of transport in line with what has already occurred in Europe. The fall in traffic of the Universal Service segment in terms of passengers/km (-26.7%) was higher than the reduction in the offering in terms of Trains/km (-17.7%), according to the indications of the public customers.

### ***Regional Passenger Transport:***

Revenues from traffic in the regional transport segment recorded an increase of Euro 45.3 million (+6.14%), compared to 2011; this change was mainly linked to the increase in tariffs equal to 7.0%; trains/km went down by - 1.9% after the Regional Governments carried out a review of services in order to counter the growing difficulties in local authority finances. In general terms, however, passenger/kilometres only went down by 0.8%.

### ***Cargo Transport:***

In 2012 the Cargo Division recorded overall revenues from traffic equal to Euro 493.9 million, with a decrease of -5.9% compared to 2011. The Company reported an overall amount of Euro 34.3 million trains/km, recording a very low decrease (-1.8%) compared to 2011. Euro 4.6 million trains/km were produced abroad compared to Euro 4.9 million achieved in the previous year (-5.0%), thus confirming the decrease in volumes that mainly affected the International traffic.

The main business sectors, which follow the relevant product areas, recorded the following performance:

- ***Traditional Transport Business***

In 2012 the Traditional Transport Business recorded a decrease of - 5.2% in volumes, compared to 2011, in terms of trains/km, as a result of a decline in international traffic, which was partially offset by long-distance national traffic.

The corresponding turnover recorded by the business showed a decline of -9.1% compared to the previous year. Below is an analysis of the performance of the main traditional transport business segments:

- *Iron and steel segment:* total Italian steel production fell by -5.2% in 2012; this result was also due to the fact that the amount of steel exported remained more or less the same; Trenitalia's business in this segment is mainly concentrated in Italy so the decline in this line of business was also much more significant. Therefore, the segment closed the year with an overall decline of -12.2% in trains/km compared to 2011, with a consequent decrease of - 13.7% in revenues compared to the previous year.
- *Automotive segment:* The 2012 data relating to the registrations of new cars throughout the 27 EU countries showed a reduction of -8.2%, with differences in performance in the main markets. Many manufacturers announced the closure of some factories to reduce their present over-capacity. Railway transport in this sector recorded a fall in volumes compared with 2011 in terms of trains/km, and consequently also a fall in turnover (-8.1 %). Factors in this result were substantial reductions in international railway traffic caused by significant falls in the volumes of components to Poland and motor cars to France, while as regards imports the main decreases involved motor cars from Poland, France and Germany.

- *Chemical segment:* in this segment there was an overall reduction of -12.6% in trains/km compared with 2011, spread evenly over both domestic and international traffic, while the fall in turnover was moderated by more value-added services to customers (-2.1% compared to 2011).
- *Other sectors - Raw Materials and Consumers' Goods:* railway transport volumes in this segment remained substantially stable, with an increase in transported trains/km but a slightly lower turnover (-3.7% compared to 2011). The increase in volumes was due to increased traffic from the long-distance national transport (beverages and mineral water) and traffic to Southern Italy. On the contrary, imports were affected by a fall in cereals from Hungary and France, sugar from Germany and other food products from the former Yugoslavia countries.

- **Combined Transport Business**

National/International Combined Transport: there was a substantial increase in domestic transport (+19.6% for trains/km and +20.9% for turnover), which set off the steady fall in international traffic (-16.0% for trains/km and -9.6% for turnover), thus achieving an overall increase of +3.5% in volumes compared to the previous year and an increase of +2.3% in turnover compared to 2011. There were some reductions in the amounts of combined land transport offset by new sea traffic services, especially from Northern Tyrrhenian and Trieste ports. As a result of the increases that took place during the year in motorway tolls and the cost of fuel, there was a shift in mode of transport from road to sea, from which subsequent rail transport also benefited.

## Revenues from Service Contracts

Revenues arising from fees for public service contracts (Regional Governments and the Government) showed a decrease of Euro 28.8 million compared to 2011. The reduction in fees mainly focused on the services acquired by the Government for the Special Regions (Sicily, Sardinia, Valle d'Aosta and "joint services" (*servizi indivisi*) in the Northern-East Area).

There was a reduction of about Euro 45.5 million in sources of finance from the Contract with the Government. Euro 23.7 million of this was made available to the Valle d'Aosta Region (Stability Law no. 220 of 2010), without title to the agreement. With regard to these arrangements, the competent Ministries are looking for a technical solution that allows Trenitalia to collect the fees. For the additional fees of about Euro 21.8 million, in compliance with the instructions received from the Ministry of Infrastructures and Transport, Trenitalia continued delivering the services at the same level as the previous year throughout 2012.

Also as regards the Ordinary Regions, public finance obligations entailed a reduction of 1.9% in the demand for services, as well as an increase in fares and a reduction in the fees. The fees out of service contracts with the Government within the Medium- and Long-Distance Universal Service and in the Cargo sector remained almost unchanged.

## Revenues from Other Services Linked to Transport

Revenues for other services linked to transport recorded an overall increase of Euro 20.7 million compared to 2011. This increase is mainly attributable to fees for services of maintenance of rolling stock rendered to Trenord srl. In this regard, it should be pointed out that this increase came both from increased services rendered (about Euro 6 million) and from different invoicing methods; in fact, up to the enforceability of the maintenance service contract, which took place at the beginning of 2012, these services had been recognized under "other revenues".

## Other Revenues

Other Revenues recorded an overall reduction of Euro 83.0 million compared to 2011.

The following are the main items in which there were downward variations compared with 2011, mainly attributable to the treatment of some non-core business items between the two financial years:

- reduction in amounts debited to Trenord srl after the transfer of title to about Euro 67.2 million in purchase contracts;
- reduction of Euro 12.5 million in the rental of the Lombardy Regional Transport branch of business, which was only paid during the first four months of 2011;
- reduction by virtue of the recognition in 2011 of the capital gain arising from the contribution of the "Lombardy Regional Transport" branch of business to Trenord srl, equal to Euro 18.8 million;
- reduction in income arising from the scrapping of wagons for Euro 11.5 million.

These reductions were partially offset by the increase: in fees for service to Thello sas and Trenord srl (Euro +13.0 million), in revenues from real estate management (Euro +6.4 million), insurance indemnities (Euro +5.1 million) and commissions earned (Euro +3.6 million).

## Operating costs

Operating costs recorded an overall improvement of Euro 169.2 million, compared to 2011. However, the overall change must take account of the different perimeter referable to the Branch contributed to Trenord which, in 2011, transferred part of the costs previously charged-back to the same. Net of the change in the perimeter, the reduction in costs was equal to about Euro 118.4 million.

This effect was due to the dynamics reported below:

**Personnel cost** recorded an improvement of Euro 107.3 million (-5.1%). This reduction was mainly due to the combined effect of some factors such as:

- lower costs arising from the reduction in average staff by 1,786 units, with a positive effect of about Euro 91 million;
- lower 2012 costs compared to the estimated cost for the renewal of the National Collective Labour Agreement (CCNL, *Contratto Collettivo Nazionale di Lavoro*) allocated in the 2011 financial year, the effect of which was equal to about Euro 29 million;
- lower costs of Euro 7.8 million for contribution reliefs acknowledged by INAIL (*Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro*, National Institute for Insurance against Accidents at

work) for the amount paid out in 2010 on account of performance bonuses for the 2007, 2008 and 2009 years;

- lower accruals to the provision for risks from labour litigation for Euro 5 million;
- higher charges relating to payables to personnel for untaken accrued holidays, which amounted to about Euro 4 million as a result of the increased unit cost following the renewal of the CCNL.
- after the renewal of the CCNL in 2012, the new cost of contractually agreed leave, which had been the subject of negotiations for about three years, was at last determined. During these financial years the Company had set aside the amount it deemed necessary to settle its staff's entitlements on renewal. When the personnel were paid what they were due for previous financial years, the amount left over from the provision was about Euro 129 million. On the other hand, in further refining the data in the plan for 2013-2015, the Company considered it desirable to speed up the reorganisation programmes that had been laid down for the various business sectors, making arrangements to hasten the outlay of financial resources and support this outlay by handling the matter using procedures that had already been tried out before. The Company, therefore, decided to set aside Euro - 162.8 million as income support for its personnel in order to meet the cost of the plans to be put into practice in 2013. The difference between the revenues from the first item and the expected cost of the second is an extra liability of about Euro 33.8 million.

**Other costs**, net of capitalization for cyclical maintenance and other operations for revamping of rolling stock, recorded an overall decrease of Euro 61.9 million (2.8%). This item was affected by:

- lower costs charged back to Trenord, equal to Euro 48 million, as a result of the transfer of purchase contracts following the contribution of the operating branch of the Lombardy Regional Head Office (*Direzione Regionale Lombardia*);
- lower costs connected to transport services (production and circulation of trains) for about Euro 12.9 million as a result of the reduced costs of access to the infrastructure (toll and electricity) for Euro 11.9 million as a result of the reduction in the overall commercial offer for 9.8 million trains/km, both in the segment of Regional services and in the segment of trains under long-distance service contract; lower costs, equal to Euro 8 million, for the hire of wagons in the Cargo Division segment in relation to car transport and IWR (International Wagon Regulations; *RIV, Regolamento Internazionale Veicoli*) rentals; these cost reductions offset higher expenses for the purchase of fuels equal to Euro 4.4 million as a result of increased excise duties;
- lower shunting costs of about Euro 6 million in Cargo sector after the rationalisation of the train formation process;
- lower costs of on-board train services (Euro -6 million) resulting from a reduction in the night train steward service, mostly due to the decrease in the number of trains (Euro -18.5 million); this cut offsets higher catering costs, which are principally due to the fact that the four levels of service on the *Frecciarossa* have practically started to function regularly and that improvements have been made to the services on the other *Frecce* trains (Euro +12.5 million);
- higher costs connected to maintenance and cleaning of the rolling stock for Euro 12 million, aimed at ensuring an improvement in the qualitative standards offered to customers in terms of punctuality and cleaning;
- the remaining costs recorded a net overall decrease of about Euro 1 million compared to 2011. Analysis of these costs show that the reduction is due to lower expenses for administrative and IT

services, which mainly result, in their turn, from the renegotiation of contracts with outsourcers (about Euro 6.8 million); this reduction, however, was almost entirely offset by higher costs of leasing new tablets for engine crew and on-train staff (Euro 4 million).

## **Amortisation and depreciation**

Amortisation and depreciation increased by Euro 65.0 million. This change was determined by amortisation relating to the capitalization of second-level maintenance for the 2012 financial year, which accounted for about Euro 38.5 million, while the differential (Euro 26.5 million) was the result of the effect of the investment process that the Company is implementing.

## **Impairment losses**

Impairment losses decreased by Euro 28.0 million; this change was due to a reduction in the write-downs of rolling stock (Euro -26.4 million) and trade receivables (Euro -1.6 million).

## **Financial income and costs**

Financial income and costs recorded an overall improvement of Euro 31.3 million. This result was mainly attributable to the component of financial costs, which recorded a decrease of Euro 30.4 million compared to 2011, while financial income substantially remained in line with the previous year (Euro +1 million).

Financial income benefitted from higher dividends distributed by the subsidiary Tx Logistik for Euro 7.6 million (Euro 10 million in 2012 compared to Euro 2.4 million in 2011), which were almost fully offset by a decrease of Euro 7.2 million in interest income, essentially attributable to positions towards Trenord.

The performance of financial costs connected to the debt servicing on medium- and long-term loans recorded an improvement of Euro 15.3 million. These lower costs were attributable both to a decrease of about Euro 360 million in the average debt compared to 2011, with a positive effect of about Euro 10 million, and to reduced interest rates on the short-term portion. In 2012 the average cost of debt was equal to 2.69% compared to 2.75% in 2011, determining a positive impact that can be estimated at about Euro 4 million. The Company has in place hedging transactions involving the medium/long-term debt, which are described in the following chapters concerning risk management.

Finally, the result from financial income and costs benefitted from a reduction in the costs arising from:

- the interest cost of the Severance Pay for about Euro 7.5 million, as a result of a debt reduction following the significant exits recorded in 2011 and 2012;
- lower costs for Euro 6.1 million, linked to the recognition of the time value component of derivatives, in particular for the component relating to Collars.

## Income taxes

The tax burden for the period decreased by Euro 96.8 million. This decrease is correlated to the following dynamics:

- a decrease in the impact of income taxes for Euro 12.5 million (-11.7%) as a result of a lower taxable base for IRES (*Imposta sul Reddito delle Società*, Corporate Income Tax) and IRAP (*Imposta Regionale sulle Attività Produttive*, Local Tax on Production Activities) taxes;
- lack of 2011 assessment of the charge arising from tax litigation (the so-called "tax wedge") for Euro 11.5 million, which were paid in early 2012;
- a positive change for Euro 72.2 million arising from the assessment of deferred tax assets against tax benefits quantified for the next financial years. The 2012 financial year confirmed the ongoing stability of Trenitalia's results and that it has almost completely finished its reorganisation process. Trenitalia has an overall value of Euro 1,478 million of past tax losses at its disposal. The provisions of law issued during 2012 not only made a substantial change in the way business results are taxed but also made previous losses recoverable without any time limit. On the basis of this legal framework and the assumption that results would remain favourable, Trenitalia's accounts imply potential deferred tax assets amounting to about Euro 406 million in all, which could result in lower financial costs in future periods. The fact that there are no time limits on the recovery of past losses and that the Company will continue to be profitable necessarily entails the requirement of recognising an appropriate amount of deferred tax assets. The Company adopted an extremely prudent policy in recognising this credit item in profit and loss on the basis of the 2013 budget and the 2014 plan, only assessing recoverability over this timescale.

## Reclassified balance sheet

<i>Amounts in millions of Euro</i>	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>Change</b>
<b>ASSETS</b>			
Net current operating assets	781.1	557.4	223.7
Other net assets (liabilities)	(300.9)	(430.0)	129.1
<b>Current assets</b>	<b>480.2</b>	<b>127.4</b>	<b>352.8</b>
Property, plant and equipment	9,053.7	8,893.0	160.7
Equity investments under non-current assets	195.7	195.6	0.1
<b>Net fixed assets</b>	<b>9,249.3</b>	<b>9,088.6</b>	<b>160.8</b>
Severance pay	(1,094.2)	(987.5)	(106.7)
Other provisions	(387.4)	(555.9)	168.5
<b>Severance pay and Other provisions</b>	<b>(1,481.6)</b>	<b>(1,543.4)</b>	<b>61.8</b>
<b>TOTAL NET INVESTED CAPITAL</b>	<b>8,248.0</b>	<b>7,672.6</b>	<b>575.4</b>
<b>COVERAGE</b>			
Short-term net financial position	1,474.3	426.5	1,047.8
Medium/long-term net financial position	4,860.8	5,427.5	(566.8)
<b>Net financial position</b>	<b>6,335.1</b>	<b>5,854.0</b>	<b>481.1</b>
<b>Equity</b>	<b>1,912.9</b>	<b>1,818.6</b>	<b>94.3</b>
<b>COVERAGE</b>	<b>8,248.0</b>	<b>7,672.6</b>	<b>575.4</b>

### Net Invested capital

Net Invested Capital increased by Euro 575.4 million compared to 31 December 2011. This increase was due to an increase of Euro 352.8 million in current assets and of Euro 160.8 million in net fixed assets, as well as to a reduction of Euro 61.8 million in total provisions.

**Current Assets:** Net Current Operating Assets increased by Euro 223.7 million; this change was due to the movements in balances described below:

- an increase of about Euro 424.3 million in receivables due to a rise in the amounts due from the Regional Governments (Euro +457.3 million) and from the Ministry of Economy and Finance (Euro +12.4 million), which continued to accumulate prolonged delays in payment during 2012. This position was partially offset by reduced receivables from other customers (Euro -45.4 million). The situation regarding some Regional Governments' debts has reached levels that are no longer physiological in

spite of the funds transferred from the Ministry of Economy and Finance just before the end of the year: despite this central government funding, certain Regional Governments did not make any payments in order to honour their debts to Trenitalia. Appropriate legal action has been taken against some Regional Governments in order to enforce the collection of the sums due.

- the increase in stock of about Euro 6.2 million, in particular with reference to the component of spare parts, while that referred to materials for repair remained substantially unchanged.
- trade payables increased by Euro 206.8 million; this change was mainly attributable to the transaction with Cisalpino for the purchase of rolling stock (ETR 610) for Euro 148 million, which took place in December 2012.

Other Net Assets (Liabilities) decreased by Euro 129.1 million, mainly as a result of:

- an increase of about Euro 117.3 million in the receivable from Cisalpino SA, following the takeover, through FSI, of the Eurofima loan for the purchase of the rolling stock of Cisalpino AG referred to in the Split agreement signed in December;
- an increase of Euro 86.3 million in receivables for deferred tax assets;
- the recognition of the tax advance to the parent company for Euro 8.3 million;
- a reduction of about Euro 79.0 million in the VAT credit for which a refund was requested, as a result of the related collection.

**Net Fixed Assets:** Fixed Assets recorded a net increase of Euro 160.8 million, as a result of the increase in property, plant and equipment (Euro 160.7 million), which was mainly attributable, on one hand, to the investments made in the period (Euro 1,121.0 million, including the transfer of the ETR 610 fleet of Cisalpino AG for a value of Euro 147 million), and, on the other, to amortisation, depreciation and write-downs (Euro 930.1 million) for the period; the net value was also affected by the net disposals of rolling stock and other investments (Euro 19.8 million) and, finally, by the set-up grants collected (Euro 9.1 million);

**Severance Pay and Other Provisions:** The performance of the Provisions recorded an overall decrease of Euro 61.8 million. In particular, this decrease was due to a reduction of Euro 168.5 million in the Provisions for Risks and Charges, which was partially offset by an increase of Euro 106.7 million in the Severance Pay and Other Employee Benefits.

The Severance Pay and Other Employee Benefits recorded an increase following the recognition of the actuarial loss of Euro 174.6 million, with effect on the actuarial equity reserve and of the recognition of the interest cost for Euro 38.5 million. The increase was substantially affected by the use of a discount rate of 2.05% linked to the IBOXX Eurozone Corporate compared to 4.05% in 2011. This increase was partially offset by the use of the Severance Pay for Euro 105.8 million following the termination of employment relationships (no. 2,075) and for advances paid.

Finally, Other Provisions recorded an overall net decrease of about Euro 168.5 million; this change was due to:

- a decrease in the provision for deferred taxes, for Euro 49.6 million, mainly due to deferred tax liabilities relating to the actuarial recognitions of the debt for employee benefits (TFR and CLC);
- a decrease of Euro 236.7 million in the other correlated provisions, mainly due to personnel costs, which have not yet been fully quantified (contractual renewal). Of this amount, Euro 107.7 million

were used to cover actual personnel costs, while the residual amount (Euro 129.0 million) was taken to the income statement;

- a decrease of Euro 24.5 million in other provisions, mainly correlated to the reduction in the provisions for risks arising from civil actions and labour litigation;
- a net increase in provision for corporate reorganisation (bilateral provision) of Euro 142.3 million, as a result of the estimated Euro 162.8 million additional cost of starting on the projects that are to be carried out in compliance with the Plan, net of the Euro 20 million portion transferred to staff costs for programmes that have already been put in hand.

## Net Financial Position

The Company's net financial position came to Euro 6,335.1 million, recording an overall worsening of Euro 481.1 million in 2012. In 2012 current operations generated a positive cash flow of Euro 44 million. The performance of current operations was adversely affected by the delay by the Regional Governments in the financial settlement of receivables for fees under the Service Contracts, with increased receivables of Euro 457 million at the end of the year.

The cash flow from current operations was used for Euro 360.9 million for investments and for Euro 169.3 million to serve the financial facilities, and benefitted for Euro 9.8 million as the net effect of disinvestments and grants on account of investments (Euro 5.9 million). The financial position then benefitted both from the payment of dividends on the part of the Subsidiaries (TX Logistik) for Euro 10 million and from extraordinary receipts for Euro 79.8 million relating to the refund of the VAT credit. The treasury financial position for the financial year closed with uses of cash of Euro 386.5 million. The treasury financial position increased by an additional amount of Euro 94.6 million, of which Euro 117.3 million following the takeover of the Eurofima loan for the purchase of the rolling stock of Cisalpino AG, which was partially offset by the increase in other financial income components, including financial receivables from the parent company for financial items being settled on the intercompany current account.

## Equity

The Equity reported in the reclassified statement include, with respect to the Statutory Equity, payables arising from hedging financial instruments (derivatives); therefore, for avoidance of doubt, below is reported the statement of reconciliation between equity and the statutory equity.

	2012	2011	Changes
Reclassified Equity	1,912.9	1,818.6	94.3
Payables for derivatives included under equity	(295.5)	(242.1)	(53.4)
<b>Statutory equity</b>	<b>1,617.4</b>	<b>1,576.5</b>	<b>40.9</b>

Equity increased by Euro 94.3 million. This change was due to the economic result of the financial year, equal to Euro 206.4 million, which was partially offset mainly by the net decrease in the Fair market value of derivatives for Euro 53.4 million and the reduction in the reserve for employee benefits for Euro 127.6 million.

## HUMAN RESOURCES

The size of the company's workforce reached 34,819 units at the end of the period; the statement below reports the most important information:

	Employees	Middle managers	Managers	Total
Numbers as at 31.12.2011	32,199	4,218	283	36,700
Increases	116	68	10	194
Decreases	(1,869)	(180)	(26)	(2,075)
<b>Numbers as at 31.12.2012</b>	<b>30,446</b>	<b>4,106</b>	<b>267</b>	<b>34,819</b>

With the exception of transfers between companies, recruitment related almost exclusively to staff involved in maintenance activities within railway operations.

Decreases recorded in the year were partially due to ordinary employment termination and partially due to projects being realised in relation to the activation of the Income Support Fund (*Fondo di Supporto al Reddito*).

Below is reported the trend in the numbers of staff members in the last years:

Trenitalia (*)	2006	2007	2008	2009	2010	2011	2012
FTE	50,183	49,243	46,273	43,737	40,925	37,549	35,770

(\*) All the scenarios were based on proforma data in order to make them comparable; specifically:

- 2006: the perimeter was adjusted as a result of the demerger of the Handling and Facility branch and the transfer of the former Lombardy Region branch.
- 2007: the perimeter was adjusted as a result of the demerger of the Handling branch and the transfer of the former Lombardy Region branch.
- 2008/9/10: the perimeter was adjusted as a result of the transfer of the former Lombardy Region branch.

The Income Support Fund has the purpose - for the companies in the FS Italiane Group which are not provided with the traditional "social shock absorbers" - to implement the actions envisaged under article 59, paragraph 6, of the organic law no. 449 of 1997, aimed at encouraging the reorganization and restructuring of the Group itself in consideration of the process of restructuring and development of the railway transport system.

As highlighted in the previous financial statements, a trade union agreement was reached nationally in November 2010 which allowed trade union procedures to be launched in 2010 and 2011 at local level and agreements to be reached for the identification of surplus workers to be made redundant from March 2011 through the activation of the special benefits of the Fund. To date, the special measures of the Fund for the Company involved 1,803 production reorganisation measures and concerned staff from all sectors of activity, 1,642 resources of which had access to the fund's benefits in 2011, plus 161 additional resources in 2012.

An intense liaison activity was continued with INPS offices continued in order to manage the Fund's operational procedures for allowing access to the Fund and the payment of special benefits at the scheduled times. Starting from December 2012, INPS started updating the social security positions of former employees of the Company that had received these special benefits, applying rules that envisage:

- the adjustment of retirement requirements to increased expectation of life from 2013 (law no. 122/2010, article 12, paragraph 12-*bis*);
- the postponement of the payment of pensions to persons who have paid contributions for at least 40 years starting from 2012 (law no. 111/2011, article 18, paragraph 22-*ter*);
- the gradual increase in the pensionable age of 60 for women starting from 2014 (law no. 148/2011, article 1, paragraph 20).

The financial effects of the review of these social security positions and the additional costs estimated in order to implement the programmes that are to be carried out in accordance with the Plan have been recognised in the accounts.

On 20 July 2012, Agens (*Agenzia Confederale dei Trasporti e dei Servizi*, Federal Agency for Transport and Services), assisted by Federtrasporto, and the Filt-Cgil, Fit-Cisl, Uiltrasporti, Ugl Trasporti and Fast Ferrovie trade unions signed the CCNL on Mobility/Railway Activities sector; on 30 October the agreement was also signed by Or.S.A. Ferrovie. Also on 20 July, at the same time as the signature of the National Collective Labour Agreement, the FS Italiane Group and the former trade unions also signed the FS Italiane Group company agreement, which was then signed by Or.S.A. Ferrovie on 30 October 2012.

The two previous agreements had expired on 31 December 2008.

The new CCNL agreement, which will expire on 31 December 2014, is the first nationwide labour agreement that contributes to the gradual construction of the CCNL agreement on Mobility for the new unified rail transport and local public transport sector. The new agreement adopts the recommendations of the Memorandum on the CCNL agreement on Mobility signed in the presence of the Minister for Infrastructures and Transport on 14 May 2009, and of the subsequent Understanding signed on 30 September 2010, again at the above Ministry.

The new regulations came into force on 1 September 2012.

The arrangements that were agreed, compared with the preceding system, allow greater flexibility in industrial relations, working hours, rules on the utilisation of personnel and pay, thus resulting in a substantial increase in productivity. As regards working hours in particular, the changes from the previous arrangements are:

- all employees work 38 hours a week instead of 36, shunting personnel 38 hours instead of 34;
- relaxation of the restrictions on working hours per day and on the arrangements for mobile personnel, which vary according to the lines of business (high-speed, medium- and long-distance, regional transport, cargo transport);
- the possibility of negotiating further flexibility in working hours to meet specific production requirements at production unit level.

As regards pay, the financial terms regarded both cover for the previous period, 2009 to 2011, and increases to cover the three-year period 2012-2014 in accordance with the provisions of the Joint Trade union agreement of 15 April 2009 regarding the implementation of the master agreement on the reform of contract structures of 22 January 2009.

Starting from 1 January 2013, the FS Italiane Group's Company Agreement also introduced, for the first time, supplementary medical assistance schemes for all employees.

### ***Trenitalia training activities***

Training has gained importance as a tool for passing on knowledge, enhancing experience and developing the skills of staff, for focusing and orienting activities on themes relating to rail transport and operational safety, support for company processes and professional families.

The 2012 Trenitalia Training Plan gave rise to a total of 145,000 man/days of training (142,771 man/days of training in 2011) with 126,000 days of attendance (110,331 days of attendance in 2011). The aim of the Plan was to support the attainment of the Company's business targets, focusing attention on issues related to the 2011-2015 Business Plan, namely:

- developing competitiveness and the market;
- fostering internationalisation;
- ensuring safety at work and the protection of the environment;
- providing service quality and punctuality.

Contributions from Fondimpresa totalling Euro 2.4 million were used to fund training. This is the entire sum provided by this body for the training projects to be realised before the end of the year.

Below are the details relating to the areas of intervention of Trenitalia training activities in 2012:

- Company training: training which presents the company to new graduates, new recruits with professional experience and trainee Train Service Managers (*Capi Servizio Treno*) when they join the FS Italiane Group.
- Managerial training: training on typical managerial, behavioural and relational skills. It is aimed at managers and at other roles that need support or accompaniment in moments of growth.
- Technical/vocational training: training measures aimed at giving staff the technical/vocational skills, both practical and theoretical, that are essential to be able to carry out their working activity, such as technical and vocational qualifications and updates for train driving, checking, accompanying and training staff, training of Instructors and Tutors and training for workplace safety with particular reference to certification of managers and the staff in the prevention and protection service.

### ***Safety at work***

The Company's objective of reducing the number and rates of accidents at work entailed a range of activities performed at central and local level:

- integrated safety at work, environment and quality certification for the whole of Trenitalia since December 2011 according to OHSAS 18001, ISO 14001 and ISO 9001 Standards;

- particular focus on events nearly leading to an accident, referred to as near misses;
- preparation and periodic circulation of accident reports using the Company's computerised media;
- Work Accident Database (BDIL, *Banca Dati Infortuni sul Lavoro*) and computerised procedure for reporting accidents to INAIL;
- setting work accident indicators as specific corporate and divisional targets (absolute number of accidents, incidence rate, severity rate) and monitoring them;
- safety at work communication campaign, *Lavoriamo in sicurezza 2012* ("Let's work safely 2012"), an awareness project to remind everyone that there is someone waiting at home and that it is always necessary to keep up a high level of attention to safety, even in customary working activities.

The work done led to the targets for the reduction in the number of accidents (-5% down) and incidence rate (-2% less) being well beaten, as shown in the table below.

Type	2012	2011	Change
Number of accidents (>3 days, indemnified by INAIL or still to be defined, excluding accidents while commuting)	1,494	1,806	- 17.28 %
Incidence (Number of accidents X 1000 / average number)	41.64	47.95	-13.16 %
Number of fatal accidents	1	0	n.s.

Due to the fault of third parties, a fatal accident occurred in 2012, which involved the driver of the FA 9351 train on the Rome-Lecce route.

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## ENVIRONMENTAL POLICY AND SAFETY

### Integrated system for quality, environment and safety at work

During 2012, the activities concerning safety and environmental protection were mainly aimed at the following:

- A Master's Specialisation Course for Environment Experts was designed, organised and given for experts and other employees dealing with environmental issues for the Company. The aim of the Master's course was to train experts to be able to handle environmental issues autonomously. This entails applying the regulations governing the sector, acquiring the necessary technical and legal environmental expertise, specifically with regard to environmental law, emissions into the atmosphere, ozone-depleting substances, the greenhouse gas effect, the defence of the soil, water protection and water discharges, waste management, reclamation, environmental damage, energy, noise and electro-smog, offences against the environment, hazardous substances and fire prevention.
- Emission Trading System: at the end of 2012 Trenitalia had 21,051 emission rights filed with the EU Registry of Quotas and Emissions. The unit value of a quota was Euro 6.37 as of 31 December 2012. No emission rights were purchased in 2012 because the power stations released a lower number of tons of CO<sub>2</sub> into the atmosphere than they were allowed (emission rights).
- Noise pollution management. This issue, increasingly critical over the whole of Italy, was followed extremely carefully. Some of the main industrial sites were monitored and analysed and were the objects of various activities. Further acoustic climate measurements were made on some of the main railway stations by the Turin Polytechnic after mitigation action had been taken. Noise from the ETR500 trains: when parked (stationary with both locomotives under power in order to carry out essential maintenance and cleaning services on board), auto mode is enabled, optimising the train's electricity consumption and thus regulating the use of the fans on the cooling towers, which are the main source of noise emissions.

### Operational safety

The corporate Operational Safety Policy contains themes that commit the Company to observe the binding requirements that are specific to the sector and, at the same time, the findings of the internal Operational Safety Management System (*Sistema di Gestione della Sicurezza di Esercizio*, SGSE) evaluation process in a process of continuous improvement. Appropriate safety macro-objectives are taken from among the issues referred to in the Policy, and prevention and mitigation action and measures are selected each year that are introduced into the Company's annual Safety Plan, in which the Policy is also published. In accordance with the SGSE procedures, the Policy is reviewed every year on the basis of developments inside and outside the Company. The 2013 Policy, recently published by the top management, confirms the general principles and the commitments already contained in the 2012 Policy, and, in fact, considers the developments that have occurred in the process of the reorganisation of the regulatory framework governing operational safety, promoted and coordinated by the National Railway Safety Agency. In Decree 4/2012, ANSF laid down rules for railway operators' activities and responsibilities in this process of reframing operational regulations in the light

of regulatory, technical and scientific progress. Considering the scope of this new law and the commitment it requires, the Company's management included, among the commitments that it declares in the Policy, that of fostering, "... the implementation of procedures, instructions and requirements with the aim of regulating the adoption of mandatory rules and standards by operating units in line with the safety guidelines issued by ANSF, also in the light of Decree 4/2012" (regulatory reorganisation).

In the view of the Company, the safety of railway operations is the binding and fundamental basis for all its activities and is therefore a strategic area for its business development.

The safety of railway operations is mainly assured by conformity to mandatory standards and rules. The scrupulous observance of rules is, above all, a cultural value underlying the activities of the Company's personnel, who have always seen safety as their ethical duty in their day-to-day work.

The compliance model that has been adopted requires all Executives, Middle Managers and operational personnel, at their different levels, to assume their responsibilities in order to ensure the safety of travellers, personnel and third parties in addition to that of things and the environment.

Specifically, the Company deems it indispensable:

- to see that the human resources responsible for the SGSE system work in close contact with resources responsible for operational processes with the objective of the continuous improvement of their respective parts of the system, "...in order to tend towards achieving zero accidents, considering the evolution of regulations, technical and scientific progress and giving priority to the prevention of serious accidents" (ANSF Decree 4/2012, Article 2). For this purpose safety information is managed transparently, completely and promptly, unequivocally stating the level at which instances of non-compliance have been ascertained, establishing the causes, putting the appropriate corrective action and measures in hand and verifying that they are effective, ensuring that all action taken is traceable by all those concerned;
- exploit the human factor as a vehicle to spread the awareness among the personnel of their own roles in the safety process and of the need to prepare for the mission they are to undertake, using the following means:
  - ensure that the Policy is circulated among all personnel as widely and efficiently as possible;
  - plan continuous training and refresher sessions for all the personnel and all those involved in performing the service by means of a constant process, managed and organised in such a way as to make the best possible use of the operators' own know-how;
  - involve personnel at all levels, in addition to their representatives, with a view to the acceptance of all suggestions that help to create a virtuous circle of operators' experience in order to attain the corporate and Policy safety targets;
  - see that the greatest possible attention is paid to the awareness and growth of the Company's human resources as a decisive factor in providing transport safety;
- foster investments in technology that meets the highest international standards;
- ensure that rolling stock is correctly and promptly serviced through the coordinated supervision of all the operational, technological and logistic variables of the maintenance process;

- promote the implementation of procedures, instructions and directions to regulate the adoption of mandatory rules and standards by operating units according to the guidelines laid down in this matter by ANSF, also in the light of Decree 4/2012 (regulatory reorganisation) and also to foster a cycle of the continuous improvement of safety performance;
- stimulate the risk assessment culture:
  - when substantial changes (operational, organisational or technical) are made to the railway system;
  - when the risks attached to operational activities are periodically monitored in order to take appropriate mitigation measures, if necessary;
  - encourage the development of IT systems to support operational safety processes and activities in order to simplify their operational procedures and cause them to be more effectively traceable.

The Company's commitment to safety also envisages cooperation with the Infrastructure Manager and the other railway operators (railway companies, suppliers, entities in charge of maintenance, keepers, etc.) in conformity to the Italian and European regulatory framework and its evolution.

### **Safety on board trains**

The FS Italiane-Polfer (*Polizia Ferroviaria*, Railway Police) agreement, now fully implemented, has allowed increased Police presence and checks on board trains and in stations in order to guarantee customers and workers a safe trip that is free, as far as possible, from petty crime.

Prevention measures also involved the most critical trains, i.e. night trains and very busy urban trains.

From the point of view of technology, simple video surveillance appliances are being installed on rolling stock; these were in any event envisaged when the material was first built.

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## INVESTMENTS

The investment plan, which is contained in the Business Plan of Trenitalia, reports the commitments to be undertaken in the 2013-2017 period, equal to about Euro 3,750 million.

These commitments do not include value-increasing maintenance capitalizations. Over the term of the plan the investments provide for capitalizations, for each year, equal to:

- 2013 Euro 780 million;
- 2014 Euro 1,087 million;
- 2015 Euro 974 million;
- 2016 Euro 775 million;
- 2017 Euro 139 million.

The overall value of the projects of National and International Passenger Division is equal to Euro 2.2 billion and includes Euro 1.5 billion for the purchase of the new High Speed trains, about Euro 50 million for the new service levels and for the new bistro coach of the current High Speed trains, Euro 102 million for the upgrading of the Intercity coaches to be used in the "Frecciabianca" product.

As regards the Regional Transport Division, the plan commitments are equal to Euro 1,160 million and mainly refer to the agreements that Trenitalia has undertaken in executing service contracts with the Italian Regional Governments. Specifically, investments relate to the purchase of new electrical complexes for about Euro 310 million, Euro 160 million for diesel-powered trains and Euro 281 million for new Double-Decker coaches.

In the Cargo Transport segment, investments are expected for Euro 14 million in relation to the purchase of low-deck "Twin" coaches for the development of the intermodal traffic.

Other investments refer to activities on the maintenance equipment and IT systems.

## 2012 accounting

The amounts entered in the accounts in relation to the investments made in 2012 were equal to about Euro 750 million, whose breakdown, compared to 2011, is reported in the following table:

<i>(amounts in millions of euro)</i>	2012	2011	Changes	
			Absolute	%
Purchasing *	436	294	142	33%
Revamping	138	95	43	31%
<b>Rolling Stock</b>	<b>573</b>	<b>389</b>	<b>184</b>	<b>32%</b>
On-board Technology	54	33	21	39%
Plants & other	45	28	17	38%
Development	1	0.1	1	88%
Information Technology	79	62	17	21%
<b>TOTAL</b>	<b>752</b>	<b>512</b>	<b>240</b>	<b>32%</b>
<b>Value-increasing Maintenance</b>	<b>369</b>	<b>349</b>	<b>20</b>	<b>5%</b>

(\*) the item "Purchasing" includes: contract advance payments equal to about Euro 59.4 million and recoveries of advances paid for about Euro 31.5 million in previous financial years. These changes mainly relate to advances paid out against purchases of new rolling stock.

Compared to 2011, note a general increase in the amounts entered in the accounts that mainly related to investments in rolling stock, on-board technology and IT systems.

Below is the breakdown of investments by Division/Management:

<i>(amounts in millions of euro)</i>	2012	2011	Changes	
			Absolute	%
National and International Passenger Division	333	147	186	56%
Regional Passenger Division	310	296	14	4%
Cargo Division	9	6	3	31%
Technical Management	73	44	29	40%
IT Systems Management	4	4	(0.2)	-5%
Staff	24	15	9	37%
<b>TOTAL</b>	<b>752</b>	<b>512</b>	<b>240</b>	<b>32%</b>
<b>Value-increasing Maintenance</b>	<b>369</b>	<b>349</b>	<b>20</b>	<b>5%</b>

In the National and International Passenger Division, investments included contract advance payments of about Euro 47 million for the purchase of new High Speed "ETR 1000" series trains.

The project to renovate the present High Speed trains, in accordance with the new product offer model based on four new levels of service, accounted for Euro 40 million.

A specific instrument named "Split and Assignment Agreement", which was signed on 16 July 2012, defined the aspects relating to the transfer of contract rights and obligations from Cisalpino to Trenitalia and SBB, as to the contract for the supply of the fleet of 14 ETR 610 trains. The ETR 610 trains were transferred to Trenitalia and SBB 7 in number for each of them. Specifically, Trenitalia received trains nos. 001, 002, 003, 004, 008, 011 and 012.

Work continued at the Milan Martesana facility and at the OMC (*Officina Manutenzione Ciclica*, Cyclical Maintenance Workshop) in Vicenza with the objective of reorganising and developing maintenance sites to ensure first-level maintenance activities on the High Speed fleet.

Procedures are being carried out for the construction of the new shunting yard in Turin, the "IMC Torino Smistamento"; this involves the rationalisation of the overall set-up of the facility by reallocating maintenance activities to a single site for both the National – International Passenger Division and Regional Transport according to efficacy and efficiency criteria.

The amounts entered in the accounts in relation to the upgrading of coaches and locomotives for the offering relating to the "Frecciabianca" trains were equal to Euro 25 million.

Within the context of regional transport, new electrical trains are being purchased, while 2013 has seen the award of the tender for the new diesel-fuelled trains.

Purchase orders are being completed in relation to the 24 E464 locomotives, which have reported final costs of Euro 142 million. Activities continued for the purchase of the new Double-Decker coaches, despite some critical issues concerning the supplier; in 2012 about Euro 109 million was accounted for and about 77 coaches were delivered against 120 expected coaches.

The renovation of 243 low-deck coaches is continuing, with the objective of improving the internal fixtures and installing air-conditioning systems. The transformation of 30 UIC-X carriages with a driving van trailer continued in order to guarantee the full reversibility of trains used for regional transport and the face-lift of Medium-Distance carriages for the purpose of increasing comfort and ensuring compliance with safety regulations.

In the Liguria Region work is in progress for strengthening the maintenance network in accordance with the new organisational model which envisages freight train measures, which will allow the reduction in the activities of shunting and putting together trains.

In Cargo Transport, activities are on-going in relation to the process of adapting the fleet of wagons to the technical regulations concerning "coupling parts" of rolling stock which must comply with the requirements of interoperability.

As regards technology on board, during 2012 amounts were entered in the accounts for Euro 54 million and all the installations were completed in relation to the SCMT system (*Sistema Controllo Marcia Treno*, Train March Control System) and SSC (*Sistema di Supporto alla Condotta*, Train Driving Support System). Activities are being defined in relation to the completion of the STB System (*Sistema Tecnologico di Bordo*, On-Board Technologic System) to complete the equipment of the Regional Transport Division fleet.

As regards ITC investments, work is in progress on phase 2 of the new PICO integrated sales platform for Basic Services and Regional Passenger Transport. The creation of an integrated platform continues in the Cargo Information System (SIM, *Sistema Informativo Merci*), to support the sales and distribution cycle and Cargo Division traffic. The platform is expected to start up completely by the end of 2013. Work also continues on the improvement of production processes, on streamlining sales channels and making them more efficient and on the new Customer Relations Management system to offer customers a high level of service from a multi-channel point of view.

Below is reported the number of vehicles purchased and those that are the object of the main revamping actions:

	<b>New rolling stock</b>	<b>Revamping</b>
	<b>no. of vehicles</b>	<b>no. of vehicles</b>
<b>Locomotives</b>	<b>70</b>	<b>38</b>
<b>National and International Transport</b>	8	-
<b>Regional Transport</b>	62	38
<b>Cargo Transport</b>	-	-
<b>Coaches/Wagons</b>	<b>77</b>	<b>764</b>
<b>National and International Transport</b>		
• ES* City	-	114
• Night trains	-	-
<b>Regional Transport</b>		
• Low-deck	-	49
• Double-Decker	77	-
• MD Medium Distance	-	140
• UIC-X with a driving van trailer	-	8
• Light Vehicles	-	-
<b>Cargo Transport</b>		
• Wagons	-	453
<b>Trains</b>	<b>7</b>	<b>184</b>
<b>National and International Transport</b>		
• Frecciarossa (ETR 500)	-	86
• ETR 610	7	-
<b>Regional Transport</b>		
• TAF Trains	-	98

The following work was done in the National and International Passenger Division:  
 - the control units of the train door control systems of 105 electric locomotives were upgraded;  
 - the doors of 378 carriages were fitted with a CSDE (Correct Side Door Enable) system.

The following work was done in the Regional Transport Division:

- the train door control system of 404 light vehicles was upgraded.

## THE TRENITALIA FLEET

The Trenitalia fleet, following investments and disposals made in 2012, is made up as follows:

### Rolling Stock Fleet operating as of 31.12.2012

Category	Description	Unit
Driving material	Electric Locomotives	1,528
Driving material	Diesel Locomotives	203
<b>Total driving material</b>		<b>1,731</b>
light vehicles	Electric vehicles (Ale, Le)	933
light vehicles	Diesel (Aln, Ln)	614
<b>Total light vehicles</b>		<b>1,547</b>
Complexes	TAF	99
Complexes	Minuetto Trains	195
Complexes	Electric trains	121
<b>Total complexes</b>		<b>415</b>
Handling vehicles	Locomotives/Diesel Power Cars	610
<b>Total handling vehicles</b>		<b>610</b>
Driven material	Passenger Coaches	6,288
Driven material	Wagons	25,665
Driven material	Wagons and car vehicles	10
Driven material	Other	40
<b>Total driven material</b>		<b>32,003</b>

## **RISK FACTORS**

No significant risks and uncertainties were expected as at the reporting date of the current report on operations, which could have caused significant effects on the Company's economic and financial position in the short term, in addition to those that will be mentioned in the notes to the financial statements to which reference is made. The crisis in public finance, which is taking a particular serious form with regard to local authorities, could lead to uncertainties regarding compliance with contractual deadlines for the collection of payments on service contracts. The operational risks deriving from the new operator's entry into the High Speed sector were assessed in the Company's Business Plan and contemplated in its 2013 budget. At the moment these risks still appear to be consistent with the assumptions made. Whether the assumptions are confirmed depends on the performance of the mobility market and the extent to which it undergoes pressure as a result of exploiting the price factor: if this is done there could be effects on profit levels. Any effects of a failure to renew the service contracts with the Regional Governments would emerge after 2014 and cannot be forecast at the moment; in any case, they are considered risks attributable to a company which operates on a free market. During 2013 there could be more requests from certain Regional Governments to reorganise services in order to tailor them to the funds available: this could also affect profitability levels. In executing the service contracts, the Company has included suitable safeguarding clauses to protect the investments it has made and counter the risk of agreements not being renewed.

## **RELATIONS WITH RELATED PARTIES**

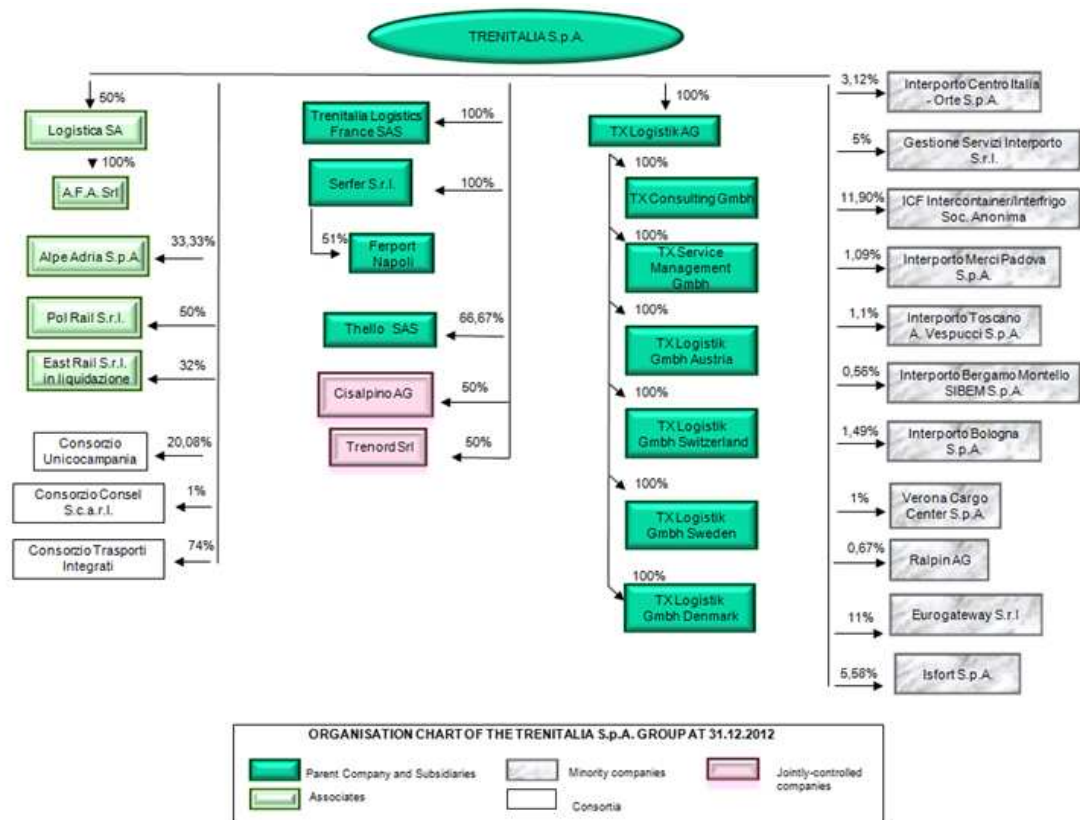
The interrelationships between the Group companies, and between them and any other related parties are maintained according to criteria of material correctness with a view to mutual economic convenience, at arm's length, for the identification of which – if required – they also make use of external professionals.

Intercompany transactions pursue the common objective of creating value for the entire Group. In this regard, it should be pointed out that, in accordance with the Business Plan of the Ferrovie dello Stato Italiane Group, a more rational allocation of assets has been implemented and is being completed within the Group itself, in order to concentrate the focus of each company on its core business, providing each company with the assets considered essential for the regular performance of its business activities. To date, this objective has been carried out through a number of demergers which the company reported in its previous financial years. These processes and transactions take place in compliance with the specific regulations governing the sector, statutory and tax regulations, in accordance with the policies set out by the supervising Ministries and taking account of the features and peculiarities of the activities carried out by many Group companies.

Credit and debit relationships maintained with controlling companies and any other affiliated companies during the year and any information on relations with related parties are reported in the notes to the financial statements, to which reference is made.

## TRENITALIA GROUP

At 31 December 2012 the Trenitalia Group was made up as follows:



In 2012 the investment portfolio of Trenitalia recorded the following changes:

- On 26 July Trenitalia acquired an additional percentage of shares equal to 16.7% of the company incorporated under French law, Thello S.a.s (former Trenitalia Veolia Transdev S.a.s.; the change in the name was resolved upon by the company's shareholders' meeting held on 5 October and was registered on 17 December), through the payment of an amount of Euro 256 thousand.
- 28 September 2012 saw the winding up of FS Formazione S.p.A..

## ECONOMIC PERFORMANCE OF SUBSIDIARIES

Below are reported the 2012 economic results of Serfer S.r.l., TX Logistik AG, Cisalpino AG, Trenord S.r.l. and Thello S.a.s..

### SERFER S.r.l.

*(amounts in €/000)*

	<b>2012</b>	<b>2011</b>
Operating revenues	62,542	56,125
Costs	(58,774)	(52,950)
<b>EBITDA</b>	<b>3,768</b>	<b>3,175</b>
Amortisation and depreciation	(1,096)	(1,142)
Write-downs, impairment losses / value write-backs	(622)	(49)
<b>EBIT</b>	<b>2,050</b>	<b>1,984</b>
Finance income and costs	(241)	(286)
<b>Pre-tax result</b>	<b>1,809</b>	<b>1,698</b>
Income taxes	(1,286)	(1,685)
<b>Net profit (loss) for the year</b>	<b>523</b>	<b>13</b>

The company is active in the railway business and provides handling, railway traction, rolling stock maintenance services, as well as services for the design, construction and maintenance of railway sidings. The 2012 financial year recorded an increase in operating revenues of about 11.5% thanks to a significant increase in business volumes, both in the traction and handling sectors.

Specifically, it should be noted that this increase is the direct consequence of the development of railway business acting in synergy with Group companies and the opening of new worksites for handling services for Regional Transport, the Trenitalia Cargo Division and with Trenord.

Furthermore, it should be noted that the growth in operating revenues also reflects the increase in vehicle maintenance activities that was achieved on the Trenitalia and RFI maintenance sites and in the new Udine workshop, as well as in activities for the construction of railway sidings.

As regards costs, within the more general increase in operating costs following the higher business activity developed, a significant increase was recorded in the cost of labour, which was mainly due to the higher number of resources employed (+12%) and to the contract increases arising from the entry into force of the CCNL on Mobility.

The economic performance of operations allowed the consolidation of the positive results already achieved in the previous financial year both at gross profit level (EBITDA Margin 6%) and operating result (EBIT Margin

3.3%) in spite of the fact that higher provisions for bad debts were set aside in the year in order to counter the risks of uncollectibility.

The balance of financial operations showed a slight improvement, which was in any case in line with that recorded in 2011.

The net profit for the year benefitted from the performance of operations and was also positively affected by the tax management. Even if income taxes showed an increase compared to the previous year in consideration of the higher pre-tax result, they benefitted from the positive effect arising from the application of the rule under Decree Law no. 201/2011 concerning the deduction of IRAP tax concerning labour costs incurred from 2007 to 2011 from the IRES tax.

## TX Logistik AG

*(amounts in €/000)*

	<b>2012</b>	<b>2011</b>
Operating revenues	186,595	173,579
Costs	(180,156)	(167,997)
<b>EBITDA</b>	<b>6,439</b>	<b>5,582</b>
Amortisation and depreciation	(663)	(666)
Write-downs, impairment losses/ value write-backs	65	91
<b>EBIT</b>	<b>5,841</b>	<b>5,007</b>
Finance income and costs	143	126
<b>Pre-tax result</b>	<b>5,985</b>	<b>5,133</b>
Income taxes	(1,549)	(2,379)
<b>Net profit (loss) for the year</b>	<b>4,436</b>	<b>2,754</b>

The company is active in the sector of international logistics and is specifically specialised in railway transport. The most important relations concerned the interchange line "North-South", which mainly relates to transport carried out between the following geographical areas: Norway, Sweden, Denmark, Holland, Germany, Switzerland, Austria, France and Italy. The substantial fall in the European market economies continued to be seen during 2012, above all during the last four months of 2012; in this scenario, TX Logistik managed to increase its market shares and neutralise certain cost increases, such as, in particular, those connected to the use of the infrastructure, by taking suitable measures to raise productivity. The 2012 net profit was positive for Euro 4.4 million with an increase in operating revenues of 7.5%, notwithstanding the abovementioned effects of the financial crisis that affected the main sectors in which the company is active (car, steel and intermodal transport). Costs only rose proportionally to revenues (+7.3%) thanks to firm spending control measures, with an effect on EBITDA that passed from Euro 5.6 million in 2011 to Euro 6.4 million in 2012. EBIT from the company's Ordinary Operations were equal to Euro 5.8 million, recording an increase compared to the result of the previous financial year (+16%).

The company's ability to offer to the market a high-quality service for the cargo transport by rail extending over 9 European countries within a single management system is a great opportunity for the future. The conditions of a market crisis and growing competition act as a stimulus for TX Logistik to improve quality and service capacity.

## Cisalpino AG

(amounts in €/000)

	2012	2011
Operating revenues	36,905	28,149
Costs	(6,972)	(5,139)
<b>EBITDA</b>	<b>29,933</b>	<b>23,010</b>
Amortisation and depreciation/write-downs/provisions	(65,088)	(13,323)
<b>EBIT</b>	<b>(35,155)</b>	<b>9,687</b>
Finance income and costs	13,997	(7,884)
<b>Pre-tax result</b>	<b>(21,158)</b>	<b>1,803</b>
Income taxes	23	(551)
<b>Net profit (loss) for the year</b>	<b>(21,135)</b>	<b>1,252</b>

The company closed the financial year with a negative net result of Euro 21.1 million. During the 2012 financial year, after the rolling stock delivery programme related to the supply agreement with Alstom was completed, the company made arrangements to transfer the 14 trains (ETR 610) equally to the respective shareholder companies (SBB and Trenitalia), assigning the agreement, the supply payables and the loan taken out with Eurofima at the same time. The net result for the year was adversely affected by the capital loss of about Euro 53.6 million resulting from the transfer of this rolling stock. This capital loss was attributable to the pronounced rise in the value of the Swiss franc against the euro during the past years, which resulted in a nominal overvaluation of the trains in Swiss francs compared with their market value and the original purchase price in euro. This negative effect was partially neutralised by the foreign exchange gain for about Euro 21.1 million resulting from the assignment to the shareholder companies of the loan in euro from Eurofima after the pronounced rise in the value of the Swiss franc, referred to above, compared with its value when the loan was taken out. After the above transactions, which, in practice, emptied the company of any operational components, the Shareholders' Meeting also resolved to decrease the share capital by Euro 134.7 million, and this was done in 2013. On the basis of the above and of the expected winding-up of the company during the next twelve months, the grounds for considering it a going concern no longer exist. The financial statements, however, were prepared on the basis of the assumption that it was in fact a going concern, since most of the items in its balance sheet consist of liquid assets and there would be no substantial difference if the other criterion were adopted.

**Trenord S.r.l.***(amounts in €/000)*

	<b>2012</b>	<b>2011</b>
Operating revenues	733,054	673,149
Costs	(673,223)	(624,495)
<b>EBITDA</b>	<b>59,831</b>	<b>48,654</b>
Amortisation and depreciation/write-downs/provisions	(41,058)	(17,868)
<b>EBIT</b>	<b>18,773</b>	<b>30,786</b>
Balance of financial income and costs	(4,451)	(6,658)
<b>Pre-tax result</b>	<b>14,322</b>	<b>24,128</b>
Income taxes	(11,139)	(16,440)
<b>Net profit (loss) for the year</b>	<b>3,183</b>	<b>7,688</b>

The company, which was established between Trenitalia and Ferrovie Nord Milano on 4 August 2009, became operational on 15 November 2009 following the execution of the agreement for the lease of the branch of business that allows the company to carry out regional transport activities in the Lombardy Region.

The leasing of the branches of business represented a transitional phase as the two shareholders carried out a check, in 2011, of the actual practicality of the partnership on the basis of objective criteria such as the quality of services performed and the cost savings achieved by the operation. The result allowed, on 3 May 2011, the implementation of the contribution, in favour of Trenord, of the Trenitalia operating unit intended for performing local public railway transport services in Lombardy. At the same time, FNM SpA contributed its entire stake in Le Nord Srl, a company which was then merged by incorporation into Trenord, with accounting effects from 1 January 2011.

Trenord carries more than 650,000 people a day on a network of around 1,900 km which covers the whole of the Lombardy region, calling at 425 stations on 37 main routes and with 2,200 services a day carried out by more than 380 trains.

On 15 November 2009 the Company took over the management of the service contracts executed with the Lombardy Region by Trenitalia and Le Nord on 13 November 2009. Immediately after the assignment of the agreement, Trenord and the Lombardy Region started joint discussions to prepare the New Single Service Contract (*Nuovo Contratto di Servizio Unico*), which was then signed on 1 October 2012, will become effective on 1 January 2012 and will expire on 31 December 2014.

The new contract, which is based on the prerequisite of its economic and financial equilibrium, consists of an hourly "catalogue" component applying to production, which takes the type of service provided into account, diversifying cost according to commercial speed and the number of seats provided; and an exact cost component which acknowledges the costs incurred by Trenord, including, but not limited to, tolls and hiring rolling stock.

On 4 July 2012 Trenord and the trade unions signed the new "second level" labour agreement, thus applying the same conditions of service to all Trenord employees.

In 2012 Trenord reinforced its operating programme, increasing from 37.6 to 38.2 million trains/km, with a new increase of about 2% of the service offered. The performance indicators for the quality of service were in line with the challenging targets that were in being for 2012 up to the change of timetable on 9 December 2012. In fact, as a result of this change in the timetable, the new shift scheduling system came into effect: in addition to introducing the new timetable, this system envisaged a rise in productivity and the application of the new conditions of contract. The fact that these changes occurred at the same time gave rise to a crisis in the timetable/shift arrangements which led to a sudden serious deterioration in service performance that entailed a substantial financial loss of about Euro 8.1 million. Specifically, Euro 1.9 million was deducted from the consideration of the service contract owing to the reduction in the services rendered, while Euro 6.1 million related to provisions for penalties relating to cancelled trains and the lower quality of the service rendered, as well as to vouchers and special refunds during the early months of 2013. In 2012 the company recorded a positive Net Profit of Euro 3.2 million, with EBITDA equal to Euro 59.8 million, up compared to 2011 (+22.9%), while EBIT came to Euro 18.8 million, down compared to 2011 (Euro 30.8 million). At the end of the 2012 financial year, the company's staff members came to 4,227 people employed under the CCNL on Mobility/Railway Activities sector dated 20 July 2012 and the Company Agreement of Trenord in force from 1 December 2012.

## Thello S.a.s.

*(amounts in €/000)*

	<b>2012</b>	<b>2011</b>
Operating revenues	28,736	1,307
Costs	(30,672)	(3,103)
<b>EBITDA</b>	<b>(1,936)</b>	<b>(1,797)</b>
Amortisation and depreciation/write-downs/provisions	(190)	(13)
<b>EBIT</b>	<b>(2,126)</b>	<b>(1,810)</b>
Income taxes	(439)	(2)
<b>Net profit for the year</b>	<b>(2,565)</b>	<b>(1,812)</b>

2012 was the first year of the full operation of this service: the Paris to Rome service took its place beside the original Venice to Paris line.

The company closed its second financial year with a loss of Euro 2.6 million. The negative result does not represent the company's actual profitability prospects, as the company was able to start operations on the new Paris-Rome line only at the end of 2012.

## OWN SHARES

As at 31 December 2012 Trenitalia S.p.A. did not own, nor did it buy or sell, during the year, own shares and/or shares of the controlling company, neither directly, nor through trustee companies or third parties.

## OTHER INFORMATION

### Investigations and proceedings in progress

As regards the investigations and proceedings in progress at the end of the financial year, it should be pointed out that:

- Criminal proceedings no. 78261/2007 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) of the Public Prosecutor's Office of Rome: the legal advisor to the company has been notified of the fact that the Public Prosecutor has submitted a request to dismiss the proceedings. The proceedings concerned the safety of door opening, closing and control systems of coaches.
- Criminal proceedings no. 7829/2006 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) – no. 2617/2007 R.G. (*Ruolo Generale*, General Register), the Judge in charge of Preliminary Investigations (GIP, *Giudice per le Indagini Preliminari*) of the Court of Lecce, against some former employees and executives of the company and trusted physicians in relation to the death of an employee that occurred on 31 August 2004 due to "secondary acute respiratory failure and spontaneous pneumothorax". The proceedings concluded on 26 January 2012, and some former employees were sentenced to one year imprisonment, in addition to pay costs, as well as, jointly and severally with the Company as person liable for damages, to compensate for any non-pecuniary damage *iure proprio* in favour of the aggrieved parties.
- In relation to criminal proceedings no. 6305/09 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) - which are pending before the Public Prosecutor's Office of Lucca, as a result of the railway accident that occurred in Viareggio on 29 June 2009 –, in February 2013 the Court of Lucca took steps, following the notice of conclusion of preliminary investigations served by the Public Prosecutor's Office in June 2012, to serve a decree setting the date of start of the preliminary hearing, on 25 March 2013, following the request for committal for trial submitted by the Public Prosecutor.

As regards individuals, the request for committal for trial was submitted against the same persons and for the same offences as already specified in the notice of conclusion of preliminary investigations and, specifically, against 32 indicted persons (compared to 38 persons specified in the notice of investigation (*informazione di garanzia*) dated December 2010), 18 of which belong to the Group, including the CEOs of Ferrovie dello Stato Italiane SpA, RFI SpA, Trenitalia SpA and FS Logistica SpA, for the offences of culpable fire (articles 423 and 449 of the Italian Criminal Code), culpable railway disaster (articles 430 and 449 of the Italian Criminal Code), manslaughter and serious and very serious accidental injuries, aggravated by the fact of having committed the act in breach of the rules governing prevention of accidents at work (articles 589 and 590 of the Italian Criminal Code).

Furthermore, the Public Prosecutor submitted a request for committal for trial against the Companies already specified in the notice of conclusion of preliminary investigations, i.e. Ferrovie dello Stato Italiane SpA, RFI SpA, Trenitalia SpA, FS Logistica SpA and, outside of the FS Italiane Group, Cima Riparazioni

SpA, GATX Rail Austria GmbH, GATX Rail Germania GmbH and Officina Jungenthal Waggon GmbH, as well as against GATX RAIL Europa GmbH (which has been served with a separate notice of conclusion of preliminary investigations), confirming, in relation to all of them, the accusation of administrative unlawful act as provided for in article 25-*septies*, paragraphs 2 and 3, of Legislative Decree no. 231/2001, in relation to offences of manslaughter (article 589 of the Italian Criminal Code) and serious and very serious injuries (article 590 of the Italian Criminal Code) committed in breach of the rules governing protection of health and safety at work.

Currently, no liabilities can be surmised that are payable by the Companies in the FS Italiane Group, which are covered by suitable insurance policies.

- Criminal proceedings no. 3723/2012 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) at the Public Prosecutor's Office of Bergamo, against the CEO. This procedure was initiated after an accident on 18 August 2010 while the R 2098 train was leaving Treviglio Station, when two travellers, in spite of the fact that the Guard had closed the doors automatically, left the moving train forcing a carriage door. One traveller managed to get down and tried to prevent the door from closing again in order to allow the second traveller to come out, but he was pinned between the two parts of the door, which was closing because the tachometer device had started to operate. Both travellers lost their balance owing to the movement of the train and fell between the platform and the carriages. The first died and the second was injured. The CEO is under investigation on the grounds that he did not take all the appropriate measures to avert this accident, from the points of view of safety at work, safety of the environment and of operations.
- Criminal proceedings no. 491/2012 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) no. 956/2012, Court of Mondovì. The event that gave rise to this procedure was an accident to a guard who was the victim of an attack by an unidentified traveller. This event took place in Ceva Station, in the Province of Cuneo, while the guard was on duty on train 4480 of 25 January 2012. The CEO is under investigation in connection with the offence of causing serious bodily harm, committed in breach of the rules governing the prevention of accidents at work.
- Criminal proceedings no. 3168/2011 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) no. 1056/2012, Court of Avezzano. The origin of this procedure is an accident that happened to an employee on duty at the Abruzzo Directorate-General. The matter was dismissed by the Judge in charge of Preliminary Investigations (GIP, *Giudice per le Indagini Preliminari*) of the Court of Avezzano, who accepted the Public Prosecutor's plea of an unfounded charge: it emerged that the injury had been caused accidentally and that the employer could not, therefore, be considered liable.
- Preliminary investigation procedure started by the Competition Authority (*Autorità Garante della Concorrenza e del Mercato*, AGCM) no. A436: Arenaways – impeding access to the market of transport services. By an order dated 25 July 2012, the AGCM resolved to impose a sanction of Euro 200 thousand, jointly and severally with the Parent Company. This procedure, which is described in the 2011 financial statements, was launched by the AGCM in December 2010 in order to verify an alleged abuse of dominant position by the FS Italiane Group. Trenitalia paid the fine to the AGCM, but filed an appeal against the ruling before the Lazio Regional Administrative Court on 22 November 2012, asking for it to be quashed. Subordinately, Trenitalia requested that the fine be cancelled or substantially reduced.

For any other pending investigations and judicial proceedings, there are no significant changes to be reported with respect to the information reported in the 2011 financial statements.

## **Legislative Decree no. 231/2001**

In 2012, the Company's Supervisory Board carried out supervisory activity with regard to the compliance with and effectiveness of the Company's "Organisational, Management and Control Model" by analysing and monitoring information flows sent by corporate units and the results of checks carried out in the areas considered at risk of crime.

The process of updating the Model, with the aim of adapting it as a result of the organisational changes and the new crimes introduced by the legislator, concluded on 7 June 2012, with the approval of the new Model of Trenitalia on the part of the Board of Directors. The Model has acknowledged all the new crimes introduced by the Legislator up to December 2011.

After the renewal of the National Collective Labour Agreement on Mobility/Railway Activities sector, signed by the parties on 20 July 2012, the Model 231 had to be revised in order to change the numbering of the articles regarding the system of penalties. The CEO was empowered to make these formal changes and he completed this task on 25 October 2012.

Information regarding the changes was published both on the Company website and in the periodic Trenitalia newsletters.

Following the approval of the Model, a training programme was also started which will be intended for the staff operating in the activities exposed to the risk of commission of crimes under Decree 231/2001.

The Supervisory Board began to make the changes to the Model that were rendered necessary following the issue of Legislative Decree no. 109 of 16 July 2012 and Law no. 190 of 6 November 2012. Legislative Decree no. 109/2012 introduced Article 25-*duodecies* into Legislative Decree no. 231/2001, which extended the liability of legal persons in connection with the offence of employment of illegally staying third country nationals, while Law no. 190/2012 made some changes to corruption offences, extending the sphere of corporate administrative liability to corruption between private persons, amending article 2635 of the Italian Civil Code.

## **Disclosures relating to article 2497-*ter* of the Italian Civil Code**

Any activities carried out for extraordinary transactions, such as demergers and purchases of equity investments, originate from the strategies adopted by the Parent Company. As regards operating activities, the company complied with the provisions laid down in the Corporate Governance regulations.

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## OUTLOOK

The 2012 results confirm the path outlined in the previous 2007-2011 Business Plan on which the going concern assumption is based. The results are also in line with the 2011-2015 Business Plan.

Operating cash flows (before investments) show a positive balance, despite some significant delays in the receipts from some Italian regional governments. The compliance with the payments would allow the Company to further improve its operating cash flow, thus being able to limit finance costs.

As described in the risk factors to which the Company is exposed, it should be remembered that medium- and long-distance passenger transport services are conditional on consumption levels, employment levels and the overall development of the main economic factors. The High-Speed segment of the "Market" sector was affected, starting from 2012, by changes in market equilibrium resulting from the entry of new private operators. The risks resulting from the entry of the new operator were assessed in the Company's Business Plan and were taken into account in the 2013 budget. Whether the assumptions behind the Company's plans are correct depends on trends in the mobility market and the extent to which the market is attracted by means of further pricing mechanisms. If this happens, profitability margins could be affected.

Market risks are especially plain to see in the Cargo sector, which is particularly affected by the poor performance of the country's economy. The price lever could be a factor leading customers to discriminate between one operator and another and this policy would enable the company to defend the market share that is open to competition, while of course impacting on its Cargo Division's profit margins. From a more general point of view, the above scenario, a typical situation in view of the market trend, could take a turn for the better if there were signs of recovery or particular energy price trends that made rail transport more competitive.

The Company is also engaged in completing the challenging Cargo sector reorganisation plan in accordance with the guidelines that were marked out in the second half of 2009, whose aim is to lead this sector towards a position of overall financial stability.

The possible effects arising from the failure to renew service contracts with the Regional Governments will report effects, if any, in the periods after 2014. In 2013 some regions could still make requests for a reorganisation of services in order to bring them into line with the sources of financing: this could also affect profitability levels.

It is appropriate to point out that the maintenance of the investment plan resolved in previous years entails considerable financial commitments for the company. The recapitalization transactions resolved by the Board of Directors of Trenitalia in September 2009, and partly already implemented, represent a decisive support which allows a gradual re-equilibrium of the equity structure towards more acceptable indicators.

The investments in the market sector will not materially create problems for the Company, with regard to meeting obligations that have been undertaken.

In the light of these remarks, in 2013 there might be a change in the Company's results, since during 2012 its income statement was affected by non-recurring revenues. Performance might also be affected by the developments to which attention has been drawn above.

## **Time limit for approval of the financial statements pursuant to article 2364 of the Italian Civil Code**

In order to take account of the needs linked to the approval of the results of the investee companies, the Company has decided to make use, as required by article 9 of the Bylaws, of the right to approve the financial statements within 152 days from the end of the financial year.

## **PROPOSED ALLOCATION OF THE RESULT FOR THE YEAR**

The Company's financial statements for the year ended 31 December 2012 showed a net profit of Euro 206,424,332 that is proposed to be allocated as follows:

- Euro 10,321,217 to Legal Reserve
- Euro 196,103,115 to the Reserve for Profits Carried Forward.

The Board of Directors

The Chairman

# **Financial Statements: accounting statements and notes**

## Statement of financial position

(Euro)	Notes	31.12.2012	31.12.2011
<b>Assets</b>			
Property, plant and equipment	(6)	8,964,110,287	8,810,719,419
Intangible assets	(7)	89,562,341	82,269,556
Deferred tax assets	(8)	152,135,321	65,754,793
Equity investments	(9)	195,670,815	195,599,602
Non-current financial assets (including derivatives)	(10)	23,922,569	23,202,578
Other non-current assets	(11)	28,933,006	107,768,880
<b>Total non-current assets</b>		<b>9,454,334,339</b>	<b>9,285,314,827</b>
Inventories	(12)	660,905,867	654,657,540
Current trade receivables	(13)	2,098,490,405	1,683,656,476
Current financial assets (including derivatives)	(10)	2,352,173	703,072
Cash and cash equivalents	(14)	61,511,053	607,842,314
Tax receivables	(15)	2,746,133	177,477
Other current assets	(11)	194,100,362	48,582,446
<b>Total current assets</b>		<b>3,020,105,993</b>	<b>2,995,619,325</b>
<b>Total assets</b>		<b>12,474,440,332</b>	<b>12,280,934,152</b>
<b>Equity</b>			
Share capital	(16)	1,654,464,000	1,654,464,000
Valuation reserve	(16)(17)	(343,416,330)	(177,863,830)
Other reserves	(16)	189,537,922	181,719,463
Profits (Losses) carried forward	(16)	(89,629,556)	(238,180,293)
Profits (Losses) for the year	(16)	206,424,332	156,369,196
<b>Total Equity</b>		<b>1,617,380,368</b>	<b>1,576,508,537</b>
<b>Liabilities</b>			
Medium/long term loans	(18)	4,884,697,416	5,450,733,334
Severance pay and other employee benefits	(19)	1,094,217,685	987,527,469
Provisions for risks and charges	(20)	278,448,713	392,362,145
Deferred tax liabilities	(8)	107,361,364	156,921,578
Non-current financial liabilities (including derivatives)	(21)	248,874,260	242,070,198
Other non-current liabilities	(22)	25,916,808	69,798,818
<b>Total non-current liabilities</b>		<b>6,639,516,246</b>	<b>7,299,413,542</b>
Short-term loans and current portion of medium-long term loans	(18)	740,870,121	146,612,969
Short-term portion of Provisions for risks and charges	(20)	1,549,147	6,584,024
Current trade payables	(23)	1,989,329,908	1,782,477,063
Income tax payables	(24)	-	17,681,203
Current financial liabilities (including derivatives)	(21)	870,755,565	916,667,020
Other current liabilities	(22)	615,038,977	534,989,795
<b>Total current liabilities</b>		<b>4,217,543,718</b>	<b>3,405,012,074</b>
<b>Total liabilities</b>		<b>10,857,059,964</b>	<b>10,704,425,616</b>
<b>Total equity and liabilities</b>		<b>12,474,440,332</b>	<b>12,280,934,152</b>

## Income Statement

<b>(Euro)</b>	<b>Notes</b>	<b>2012</b>	<b>2011</b>
<b>Revenue and income</b>			
Revenues from sales and services	(25)	5,279,323,113	5,406,383,291
Other income	(26)	218,665,431	301,665,081
<b>Total revenues</b>		<b>5,497,988,544</b>	<b>5,708,048,372</b>
<b>Operating costs</b>			
Personnel costs	(27)	1,979,140,642	2,086,392,881
Raw and secondary materials, consumables and good for sale	(28)	382,770,989	410,490,899
Costs for services	(29)	2,010,685,170	2,000,241,843
Leases and rentals	(30)	151,468,450	161,141,671
Other operating costs	(31)	33,910,555	31,345,730
Capitalization of internal construction costs	(32)	(410,185,222)	(372,661,801)
<b>Total costs</b>		<b>4,147,790,584</b>	<b>4,316,951,222</b>
<b>Amortisation and depreciation</b>	(33)	924,642,671	859,556,972
<b>Write-downs, impairment losses (reversals)</b>	(34)	7,324,533	35,294,282
Write-down of property, plant and equipment		6,674,434	33,063,829
Value adjustments and write-backs on receivables		650,099	2,230,453
<b>Provisions for risks and charges</b>		-	-
<b>Operating result</b>		<b>418,230,756</b>	<b>496,245,896</b>
<b>Finance income and costs</b>			
Financial income	(35) (37)	14,548,962	13,538,463
Financial costs	(36) (37)	216,781,574	247,153,387
<b>Pre-tax result</b>		<b>215,998,144</b>	<b>262,630,971</b>
Income taxes	(38)	9,573,812	106,261,775
<b>Profit for the Year from continuing operations</b>		<b>206,424,332</b>	<b>156,369,196</b>
<b>Net profit for the year</b>		<b>206,424,332</b>	<b>156,369,196</b>

## Statement of comprehensive income

<b>(Euro)</b>	<b>Notes</b>	<b>2012</b>	<b>2011</b>
<b>Net profit for the year</b>		<b>206,424,332</b>	<b>156,369,196</b>
<b>Other comprehensive income</b>			
Effective portion of changes in fair value of cash flow hedge	(16)(17)	(52,292,829)	(40,999,955)
Gains (losses) relating to actuarial benefits	(16)(17)	(174,612,481)	(18,528,060)
Tax effect	(16)(17)	61,352,809	16,443,131
<b>Other comprehensive income, net of tax</b>		<b>(165,552,501)</b>	<b>(43,084,884)</b>
<b>Total comprehensive income for the year</b>		<b>40,871,831</b>	<b>113,284,312</b>

## Statement of Changes in Equity

Equity									
(Euro)	Share capital	Reserves				Total Reserves	Profits (losses) carried forward	Profits (losses) for the year	Total Equity
		Reserves		Valuation reserves					
		Legal reserve	Extraordinary reserve	Reserve for change in FV on derivatives - Cash Flow Hedge	Reserve for Actuarial gains (losses) for employee benefits				
<b>Balance as at 1 January 2011</b>	<b>1,654,464,000</b>	<b>982,063</b>	<b>177,084,324</b>	<b>(143,628,574)</b>	<b>8,849,628</b>	<b>43,287,441</b>	<b>(307,588,731)</b>	<b>73,061,513</b>	<b>1,463,224,224</b>
Capital increase									
Distribution of dividends									
Allocation of the net profit for the previous year		3,653,076				<b>3,653,076</b>	69,408,437	(73,061,513)	-
Recognised comprehensive Profit/(Loss) of which:									
<i>Profit/(Loss) recognised directly in equity</i>				(29,724,967)	(13,359,917)	<b>(43,084,884)</b>			<b>(43,084,884)</b>
<i>Profit (Loss) for the year</i>								156,369,196	<b>156,369,196</b>
<b>Balance as at 31 December 2011</b>	<b>1,654,464,000</b>	<b>4,635,139</b>	<b>177,084,324</b>	<b>(173,353,541)</b>	<b>(4,510,289)</b>	<b>3,855,633</b>	<b>(238,180,293)</b>	<b>156,369,196</b>	<b>1,576,508,537</b>
Capital increase									
Distribution of dividends									
Allocation of the net profit for the previous year		7,818,460				<b>7,818,460</b>	148,550,736	(156,369,196)	-
Recognised comprehensive Profit/(Loss) of which:									
<i>Profit/(Loss) recognised directly in equity</i>				(37,912,301)	(127,640,200)	<b>(165,552,501)</b>			<b>(165,552,501)</b>
<i>Profit (Loss) for the year</i>								206,424,332	<b>206,424,332</b>
<b>Balance as at 31 December 2012</b>	<b>1,654,464,000</b>	<b>12,453,599</b>	<b>177,084,324</b>	<b>(211,265,842)</b>	<b>(132,150,489)</b>	<b>(153,878,408)</b>	<b>(89,629,557)</b>	<b>206,424,332</b>	<b>1,617,380,368</b>

## Statement of cash flows

	<i>(values in €/thousands)</i>	
	<b>2012</b>	<b>2011</b>
<b>Net profit for the year</b>	<b>206,424</b>	<b>156,369</b>
Amortisation and depreciation	924,643	859,557
<i>Write-downs</i>	<i>6,687</i>	<i>33,863</i>
<i>Provision for risks and charges</i>	<i>175,262</i>	<i>132,024</i>
<i>Provision for employee benefits</i>	<i>85,623</i>	<i>50,432</i>
<b>Provisions and write-downs</b>	<b>267,572</b>	<b>216,319</b>
(Capital gains)/Losses from disposal	-	(22,194)
Change in inventories	(6,248)	5,663
Change in trade receivables	(414,834)	589,117
Change in trade payables	206,853	(30,020)
Change in deferred tax assets and liabilities	(135,941)	(18,764)
Change in tax payables and receivables	(20,250)	17,907
Change in other liabilities	36,167	(284,310)
Change in other assets	(66,682)	81,801
Uses of provisions for risks and charges	(294,209)	(181,649)
Payment of employee benefits	(106,573)	(163,823)
<b>Cash flow generated from (used by) operating activities</b>	<b>596,922</b>	<b>1,225,973</b>
<i>Investments in property, plant and equipment</i>	<i>(1,080,117)</i>	<i>(828,639)</i>
<i>Investments in intangible assets</i>	<i>(40,432)</i>	<i>(32,651)</i>
<i>Investments valued at equity</i>	<i>(296)</i>	<i>(36,200)</i>
<b>Investments, including grants</b>	<b>(1,120,845)</b>	<b>(897,490)</b>
<i>Grants in property, plant and equipment</i>	<i>9,082</i>	<i>203</i>
<b>Grants</b>	<b>9,082</b>	<b>203</b>
<i>Disinvestments in Property, plant and equipment</i>	<i>13,658</i>	<i>132,247</i>
<i>Disinvestments in Intangible assets</i>	<i>5,832</i>	<i>1,666</i>
<i>Disinvestments in Equities</i>	<i>187</i>	<i>859</i>
<b>Disinvestments</b>	<b>19,677</b>	<b>134,772</b>
<b>Cash flow used by investing activities</b>	<b>(1,092,086)</b>	<b>(762,515)</b>
Use and repayment of medium/long term loans	32,857	(83,333)
Use and repayment of short-term loans	(4,636)	(74,410)
Change in financial liabilities	19,476	18,221
Changes in financial assets	(2,369)	19,207
<b>Cash flow generated from financing activities</b>	<b>45,328</b>	<b>(120,315)</b>
<b>Total cash flows generated/(used) in the year</b>	<b>(449,835)</b>	<b>343,143</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>(289,584)</b>	<b>(632,727)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>(739,419)</b>	<b>(289,584)</b>
<b>Intercompany current account</b>	<b>(800,930)</b>	<b>(897,426)</b>
<b>Cash and cash equivalents</b>	<b>61,511</b>	<b>607,842</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Preamble

These financial statements for the year ended 31 December 2012 (hereinafter also referred to as the "financial statements") were prepared in accordance with the International Financial Reporting Standards, issued by the International Accounting Standards Board and adopted by the European Union ("EU-IFRS"). Specifically it should be noted that Trenitalia S.p.A. made use of the right provided for in Legislative Decree no. 38 of 28 February 2005, which regulates the exercise of the options under article 5 of Regulation (EC) no. 1606/2002 on the application of international accounting standards. Specifically, pursuant to articles 3 and 4 of the abovementioned legislative decree, the Company applied the EU-IFRS to the preparation of the Separate Financial Statements starting from the financial year ended 31 December 2010. Up to the financial year ended 31 December 2009, the Company prepared its separate financial statements in accordance with the relevant provisions laid down under Legislative Decree no. 127 of 9 April 1991, as interpreted by the accounting standards issued by the Italian Accounting Board (*Organismo Italiano di Contabilità*) (the "Italian GAAPs").

The Company has opted for the exemption from the obligation to prepare consolidated financial statements, even if there are controlling interests, making use of the exemption provided for in paragraph 10 of IAS 27. The consolidated financial statements for public use have been prepared by the controlling company Ferrovie dello Stato Italiane S.p.A., with registered office in Rome, Piazza della Croce Rossa no. 1, the address at which it is possible to obtain them within the time limits and according to the methods set out in the current regulations.

### 2. Company

Trenitalia S.p.A. (hereinafter also referred to as the "Company" or "Trenitalia") is a company incorporated and domiciled in Italy and is organised according to the Italian legal system of the Italian Republic. The Company has its registered office in Rome, at Piazza della Croce Rossa no. 1.

The Company provides services relating to passenger transport, cargo transport and logistics.

The Company is subject to the direction and coordination activities of the Parent Company Ferrovie dello Stato Italiane S.p.A..

On 15 April 2013 the Directors approved the draft annual accounts as at 31 December 2012, which were made available, from said date, to the Shareholder within the time limits set out in article 2429 of the Italian Civil Code. These financial statements will be submitted to the Shareholders' Meeting for approval on 22 May 2013, within the time limits set out in article 2364 of the Italian Civil Code, and will be filed within the time limits set out in article 2435 of the Italian Civil Code. The Shareholders' Meeting is entitled to make amendments to these financial statements. For the purposes of paragraph 17 of IAS 10, the date taken into

consideration by the Directors in preparing the financial statements is 15 April 2013, the date of approval of these financial statements by the Board of Directors.

PricewaterhouseCoopers S.p.A. has been appointed to carry out the statutory audit of accounts, pursuant to article 14 of Legislative Decree no. 39/2010 and articles 2409-*bis* and ff. of the Italian Civil Code.

### **3. Criteria for the preparation of financial statements**

Below are reported the main criteria and accounting standards applied to the preparation of the financial statements.

As previously specified, the financial statements were prepared in accordance with EU-IFRS, including all International Financial Reporting Standards, all International Accounting Standards (IAS), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which was previously named Standing Interpretations Committee (SIC), as adopted by the European Union and contained in the related EU Regulations published until 15 April 2013, i.e. the date when the Company's Board of Directors approved this document. Specifically, the EU-IFRS were consistently applied to all the periods presented herein. Furthermore, it should be pointed out that these financial statements were prepared on the basis of the best knowledge of EU-IFRS and taking account of the best relevant doctrine; future interpretation guidelines and updates (if any) will be reflected in subsequent financial years, according to the procedures set out in the relevant accounting standards from time to time.

The financial statements were prepared and presented in Euro, which represents the Company's functional currency, i.e. the current money of the countries where the Company mainly operates; all amounts included in the tables of the following notes, except as otherwise specified, are expressed in thousands of euros.

Below are specified the schedules used in the financial statements and the related classification criteria adopted by the Company within the options provided for in IAS 1 "Presentation of Financial Statements":

- The statement of financial position was prepared by recognising assets and liabilities according to the "current/non-current" classification;
- The income statement was prepared by classifying operating costs by nature;
- The statement of comprehensive income includes the profit for the year resulting from the income statement, as well as any other changes in equity items attributable to transactions that have not been carried out with the Company's shareholders;
- The statement of cash flows was prepared by reporting cash flows arising from operating activities according to the "indirect method".

These financial statements were prepared on a going-concern basis, as the directors established the non-existence of indicators of a financial, operational or any other nature that could report criticalities about the Company's capacity to meet its obligations in the foreseeable future and specifically in the next 12 months.

The description of the procedures through which the Company manages financial risks is contained in note 4 "Financial and operating risk management" below.

The financial statements were prepared on the basis of the conventional historical cost principle, except for the valuation of financial assets and liabilities, including derivative instruments, in the cases which require the application of the fair value criterion.

#### **4. Accounting standards applied**

Below are reported the most significant accounting standards and accounting policies used for the preparation of financial statements.

##### **Property, plant and equipment**

Property, plant and equipment are entered 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 charges that are directly attributable to the acquisition, construction or production of qualified assets are capitalized and depreciated on the basis of the useful life of the asset to which they refer. Any costs for value-increasing improvement, upgrade and transformation of property, plant and equipment are recognized under balance sheet assets.

Any charges incurred for ordinary maintenance and repairs are directly charged to the income statement at the time they are incurred. The capitalization of costs concerning the expansion, upgrade or improvement of the structural elements owned or used by third parties is made within the limits in which they meet the requirements to be separately classified as assets or part of an asset, applying the component approach method, according to which each component that is capable of an independent valuation of the useful life and of the related value must be treated individually.

Depreciation is calculated systematically and on a straight-line basis on the basis of the rates that are deemed to represent the estimated economic and technical useful life of the assets.

The useful life of property, plant and equipment and their residual value are reviewed and updated, where necessary, at least at the end of every financial year. Land is not depreciated. In 2012, with the new control procedures in place for accurate monitoring also of maintenance conducted on buildings and plants, the useful life of this work was recalculated: even if production capacity and/or safety is increased, the useful life of maintained parts is not as long as that of the principal component.

Below are the depreciation rates used:

**Rolling stock**

- Components to be restored	15.4% - 20%
- Components subject to wear and tear	15.4% - 20%
- Restyling/Safety of Driving Material	8%
- Restyling/Safety of Driven Material	10%
- Basic component	4.3% - 3.3%
- Capitalised second-level maintenance	15.4% - 20%
- Value-increasing maintenance (large revamping)	5.5%

**Land and buildings**

- Property land	-
- Land for auxiliary uses	-
- Industrial buildings and light construction	2%
- Value-increasing maintenance of Industrial Buildings	5%
- Leasehold improvements	20%

**Industrial systems**

- Workshop systems	5%
- Value-increasing maintenance of Workshop systems	10%

**Industrial equipment**

- Vehicles circulating on road and rail	7.5%
- Machinery and equipment	10%
- Loading vehicles	10%
- Communication systems	25%

**Other assets**

- Motor vehicles	20% - 25%
- Furniture and fittings	12%
- Ordinary office machines	12%
- Electronic office machines	20%
- Mobile phones	20%
- Specific systems	12%
- General systems	8%

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- Sundry and small equipment	12%
- Health equipment	12.5%
- Leasehold improvements	20%

### **Intangible assets**

Intangible assets are made up of non-monetary elements that are identifiable and without physical substance, that can be controlled and are aimed at generating future economic benefits. These elements are recognized at purchase and/or production cost, including any directly-attributable expenses incurred to make the asset available for use, net of accumulated amortization and impairment losses (if any). Interest expense (if any), which accrue during and for the development of intangible assets, are considered to form part of the purchase cost. Amortisation begins when the asset is available for use and is distributed systematically in relation to the residual possible use of the same, i.e. on the basis of its estimated useful life. Specifically, the following main intangible assets can be identified within the Company:

*(a) Concessions, licences and trademarks*

Concessions, licences and trademarks are amortised on a straight-line basis and on the basis of the related 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 related term.

Any costs relating to the maintenance of software programmes are expensed at the time when they are incurred.

*(b) Research and development costs*

Costs relating to the research activity are charged to the income statement of the year at the time they are incurred, while development costs are entered under intangible assets where all the following conditions are fulfilled:

- the project is clearly identified and any costs referred thereto are identifiable and can be measured reliably;
- it has been demonstrated that the project is technically feasible;
- it has been demonstrated that there is the intention to complete the project and to sell the intangible assets generated by the project;
- 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 costs (if any) entered 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 5 years.

If the research phase of an identified internal project to create an intangible asset cannot be distinguished from the development phase, the cost arising from this project is fully charged to the income statement as if it were incurred in the research phase only.

Profits and losses arising from the sale of an intangible asset are determined as the difference between the value of disposal, net of selling costs, and the book value of the asset and are recognised in the income statement at the time of the disposal.

Below are reported the amortisation rates used with reference to the intangible assets with a definite useful life:

**Rates**

Development costs	20%
Software	20%

**Impairment of intangible assets and property, plant and equipment**

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

At each balance sheet date, a review is carried out which is aimed at establishing if there is any evidence that the property, plant and equipment and intangible assets may be impaired. For this purpose, account is taken of both external and internal indicators of impairment. In relation to the first ones (internal indicators) the following must be considered: the obsolescence of or physical damage to the asset, significant changes (if any) in the use of the asset and the economic performance of the asset with respect to what is expected. As regards external indicators, 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 there is an indication that an asset may be impaired, it is necessary to estimate the recoverable amount of the abovementioned assets, charging the write-down (if any) compared to the related book value in the income statement. The recoverable amount of an asset is represented by the higher of an asset's fair value less additional costs to sell and its value in use, the latter being the current value of the future cash flows estimated for this asset. In determining the value in use, the expected future cash flows are discounted using a discount rate, including taxes, which reflects the current market valuations of the cost of money, compared to the period of investment and to the specific risks of the asset. The recoverable amount of an asset that does not generate largely independent cash flows is determined in relation to the cash generating unit to which this asset belongs.

An impairment loss is recognised in the income statement in the event that the entry value of the asset, or of the related cash generating unit to which the same is allocated, is higher than its recoverable amount. The impairment of cash generating units is charged firstly as a reduction in the carrying amount of the goodwill (if any) assigned to the same and therefore as a reduction in the other assets, proportionally to their carrying

amount and within the limits of the related recoverable amount. If the reasons for a write-down previously carried out no longer apply, the carrying amount of the asset is restored and charged to the income statement, within the limits of the net book value that the asset in question would have had had the write-down not been carried out and had the related amortization or depreciation been made.

## **Financial Instruments**

### **Equity investments in subsidiaries, associates and companies subject to joint control**

Equity investments in subsidiaries, associates and companies subject to joint control are valued at their cost as adjusted for any impairment losses. When the reasons that determined an impairment loss no longer apply, the carrying amount of the equity investment is increased up to the amount of the related initial cost. This reinstatement is entered in the income statement.

### **Financial assets and trade receivables**

Financial assets are initially measured at fair value and classified under loans and receivables, available-for-sale financial assets or financial assets at fair value through profit or loss, depending on the related nature and the purposes for which they have been acquired.

Financial assets are accounted for at the trade date of the acquisition/sale and are derecognised from the accounts when the right to receive the related cash flows is extinguished and the company has substantially transferred all risks and rewards relating to the financial instrument and the related control.

#### *Loans and receivables*

Loans and receivables are non-derivative instruments with fixed or determinable payments that are not quoted in an active market. Specifically, this category classifies the following items of the statement of financial position: "Non-current financial assets (including derivatives)", "Current financial assets (including derivatives)" and "Current trade receivables".

Loans and receivables are initially accounted for at fair value and subsequently measured at amortised cost using the effective interest rate, net of the provision for write-down. Loans and receivables are included under current assets, except for those having a contractual term exceeding twelve months compared to the balance sheet date, which are classified under non-current assets.

Any losses on loans and receivables are recognised when there is any objective evidence that the company will not be able to collect the due amount from the counterparty on the basis of the contractual terms. The objective evidence includes events such as:

- significant financial difficulties of the issuer or debtor;
- legal disputes pending with the debtor in relation to receivables;

- the probability of the debtor being declared bankrupt or of other financial reorganisation procedures being started.

The amount of the write-down is measured as the difference between the carrying amount of the asset and the present value of the expected future financial flows and recognized in the income statement under the item "Write-downs and impairment losses (reversals)". Unrecoverable loans and receivables are recognised in the statement of financial position, net of the provision for write-down. If the reasons for the write-downs previously carried out no longer apply in the subsequent periods, the value of the assets is reinstated up to the amount of the value that would be derived from the application of the amortised cost method.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are any non-derivative financial assets expressly designated as available for sale and are included under non-current assets, except for those assets which the directors intend to transfer in the twelve months subsequent to the balance sheet date.

Available-for-sale financial assets are initially measured at fair value, as increased by any additional charges and are subsequently always measured at fair value, charging the subsequent profits or losses from measurement to an equity reserve. Their recognition in the income statement is made only at the time when the financial asset is actually transferred, or, in the case of accumulated negative changes, at the time when the same are considered to be durable and significant.

Any dividends arising from equity investments entered under the category in object are charged to the income statement, at the time when the Company becomes entitled to receive the related payment.

At each balance sheet date the Company assesses whether there is any objective evidence of an impairment loss of the financial assets. In the case of equity investments classified as available for sale, a reduction in the fair value of the equity investment to below the initial cost is considered to be an impairment loss. If this evidence exists for available-for-sale financial assets, the cumulative loss – which is calculated as the difference between the acquisition cost and the fair value at the balance sheet date, net of impairment losses (if any) previously accounted for in the income statement – is transferred from equity and recognised in the income statement. These losses crystallise and therefore they cannot be subsequently reinstated in the income statement. Any changes in the exchange rates relating to the equity investments entered under available-for-sale financial assets are recognised under the specific equity reserve.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are represented by securities held for trading, as they are acquired for the purpose of being transferred in the short-term. Derivatives are measured as securities held for trading, unless they are designated as hedging financial instruments.

Financial assets at fair value through profit or loss are initially recognized at fair value and the related additional charges are immediately expensed in the income statement. Subsequently, these assets are measured at fair value with changes in profit or loss.

***Cash and cash equivalents***

Cash and cash equivalents include 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 balance sheet date, current account overdrafts are classified as borrowings under current liabilities in the statement of financial position. The elements included in cash and cash equivalents are measured at fair value with changes recognized in profit or loss.

***Loans, trade payables and other financial liabilities***

Loans, trade payables and other financial liabilities are initially entered at fair value, net of directly-attributable additional costs, and are subsequently valued at amortised cost, applying the effective interest rate method. If there is a change in the estimated expected cash flows, the value 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 compared to the balance sheet 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 derecognized at the time of their repayment and when the company has transferred all risks and charges related to the instrument itself.

***Derivative financial instruments***

Derivative financial instruments entered into by the Company are aimed at coping with the exposure to the foreign exchange and interest rate risks and a diversification of the indebtedness parameters that may allow a reduction in their cost and volatility. At the date of execution of the contract, derivative instruments are initially accounted for at fair value and, if the derivative instruments are not accounted for as hedging instruments, the subsequent fair value changes are treated as components of the income statement.

Hedging derivative financial instruments are accounted for according to the procedures set out for hedge accounting only when:

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship itself;
- hedge is expected to be highly effective;
- effectiveness can be measured reliably;
- the hedge itself is highly effective during the different accounting periods for which it is designated.

*Fair value hedge*

If a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of an asset or a liability that is attributable to a particular risk, any gain or loss from the change in fair value of the hedging instrument is recognized in profit or loss. Any gain or loss arising from any adjustment of the hedged item at fair value, for the portion attributable to the hedged item, changes the book value of this item and is recognized in profit or loss.

*Cash flow hedge*

If a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows of a recognized asset or liability or of a highly probable forecast transaction, the effective portion of profits or losses arising from the fair value adjustment to the derivative instrument is recognized under a specific equity reserve. The cumulative profit or loss is reversed from the equity reserve and accounted for in the income statement in the same financial years in which the effects of the transaction being hedged are recognised in the income statement. The profit or loss associated with the ineffective portion of the hedge is immediately entered in the income statement. If the transaction being hedged is no longer considered to be probable, the profits or losses that have not yet been realised, accounted for in the equity reserve, are immediately recognized in the income statement.

Derivative financial instruments are accounted for at the trade date.

***Estimate of the fair value***

The fair value of the financial instruments listed in an active market is based on the market prices at the balance sheet date. Instead, the fair value of the financial instruments that are not listed in an active market is determined by using valuation techniques based on a series of methods and assumptions linked to market conditions at the balance sheet date.

Given the short-term features of trade receivables and payables, it is deemed that the book values represent a good approximation of the fair value.

**Inventories**

Inventories, which are mainly made up of spare parts for the maintenance of rolling stock, are entered at the lower of purchase and/or production cost and net realizable value. The cost is determined according to the weighted average cost method.

The accounting management of inventories provides for the increase in the same as a result of purchases and the decrease as a result of consumption, charging the latter to the income statement.

The net realisable value corresponds, for finished products to the selling price estimated in the ordinary course of business, net of estimated selling costs. For raw and secondary materials and consumables, the net realisable value is represented by the replacement cost.

The purchase cost includes additional charges; the production cost includes directly-attributable costs and a portion of indirect costs, which are reasonably attributable to the products.

The obsolete and/or slow-moving inventories are written down in relation to their alleged possible use or future sale, through the recognition of a special provision adjusting the value of inventories. The write-down is derecognised in the subsequent financial years if the reasons for the same no longer apply.

### **Employee benefits**

Short-term benefits are represented by salaries, wages, related social security contributions, paid vacation and incentives paid out in the form of bonuses payable in the twelve months of the balance sheet date. These benefits are accounted for as personnel cost components in the period in which the working activity is performed.

### **Severance pay and other employee benefits**

The Company has in place both defined contribution and defined benefit plans. Defined contribution plans are managed by third parties that manage funds, 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 undertaken to employees. For defined contribution plans, the Company pays contributions, either voluntary or set out as per contract, into public and private insurance pension funds. Contributions are entered as personnel costs on an accruals basis. Advance payments of contributions are entered as an asset that will be repaid or entered as an offset of future payments, if they are 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 out 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. Profits and losses arising from the actuarial calculation are fully charged to equity, in the reporting year, taking account of the related deferred tax effect.

Specifically, it should be pointed out that the Company manages a defined benefit plan that is represented by the provision for Severance Pay (*Trattamento di Fine Rapporto*, TFR). The Italian Companies are required to set aside this provision pursuant to article 2120 of the Italian Civil Code; it is treated as a deferred remuneration and is correlated to the duration of the working life of the employees and to the remuneration received in the period of service performed. Starting from 1 January 2007, law no. 296 of 27 December 2006, "2007 Finance Act" and subsequent Decrees and Regulations, introduced significant amendments to the TFR regulations, including the worker's right to choose to allocate its accruing TFR being accrued either to

supplementary pension funds or to the "Treasury Fund" managed by the INPS (*Istituto Nazionale di Previdenza Sociale*, National Social Security Institute). Therefore, this has entailed that the obligation to the INPS and the contributions paid into supplementary pension funds are now treated, pursuant to IAS 19 "Employee benefits", as defined contribution plans, while the quotas entered in the provision for TFR at 1 January 2007 are still treated as defined benefit plans. The provision for TFR also includes the retirement allowance due to the personnel for the period of service rendered up to 31 December 1995.

The Company also has in place a defined benefit pension plan referred to the "Free Travel Card" (*Carta di Libera Circolazione*, CLC) that grants the employees, even if they are retired employees, and to their relatives, the right to travel – free of charge or, in some cases, through the payment of a contribution (the right of admission).

Therefore, a provision has been set aside in the accounts, on the basis of the actuarial techniques previously mentioned, which includes the discounted charge relating to retired employees who are entitled to the benefit, as well as the portion of benefit accrued for the employees in service and to be paid out after the termination of the employment relationship. The accounting treatment of the benefits produced by the Free Travel Card and the effects arising from the actuarial measurement are the same as those envisaged for the provision for Severance Pay.

### **Provisions for risks and charges**

Provisions for risks and charges are entered against certain or probable losses and charges, whose amount and/or date of occurrence cannot be determined. The provision is recognized only when a current obligation (legal or constructive) exists as a result of past events and it is probable that a future outflow of financial resources will be required to settle the obligation. This amount represents the best estimate of the charge to fulfil 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.

When the financial effect of time is significant and the dates of payment of the liabilities can be estimated reliably, provisions are measured at the present value of the outlay expected by using a rate that reflects market conditions, any change in the cost of money over time and the specific risk inherent in the obligation. The increase in the value of the provision determined by changes in the cost of money over time is accounted for as an interest expense.

The risks for which the emergence of a liability is only possible are specified in the special section on contingent liabilities and no provision has been made for them.

### **Translation of currency items**

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 exchange rate prevailing at the closing date of the financial year.

Non-monetary assets and liabilities denominated in a currency other than the Euro are entered at historical cost using the exchange rate prevailing at the date of initial recognition of the transaction. Any exchange differences that may arise are reflected in the income statement.

### **Revenues**

Revenues are recognised insofar as it is probable that economic benefits will flow to the Company and their amount can be determined reliably, taking account of the value of returns, rebates, trade discounts and premiums concerning quantity (if any).

Revenues from performance of services are recognised in the income statement with reference to the state of completion of the service and only when the result of the service can be estimated reliably.

Revenues from sales of goods are measured at the fair value of the consideration received or due. Revenues from sales of goods are recognized when the significant risks and the rewards of ownership of the assets are transferred to the purchaser and the related costs can be estimated reliably.

Interest income is recorded in the income statement on the basis of the effective rate of return.

### **Government grants**

Government grants, in the presence of a formal resolution assigning them and, in any case, when the right to their payment is deemed final as there is reasonable certainty 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) Set-up grants*

Government set-up grants refer to sums paid out by the Government and by any other Public Bodies to the Company for the implementation of initiatives aimed at the construction, reactivation and expansion of property, plant and equipment. Set-up grants are accounted for as a direct reduction in the assets to which they refer and contribute, as a reduction, to the calculation of the depreciation rates.

#### *ii) Operating grants*

Operating grants refer to sums paid out by the Government or by any other Public Bodies to the Company by way of reduction in costs and charges incurred. Operating grants are charged to the income statement under "Revenues from sales and services", as a positive component of the income statement.

### **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 determined on the basis of the estimated taxable income and in accordance with the regulations in force for the businesses of the Company.

Deferred tax assets and liabilities are calculated against all differences that arise between the taxable base of an asset or liability and the related carrying amount, except for those relating to differences arising from equity investments in subsidiaries, when the time limit for the reversal of these differences is subject to control by the Company and they are expected not to be reversed in a reasonable foreseeable period of time. Deferred tax assets, including those relating to previous tax losses, for the portion that is not offset by deferred tax liabilities, are recognized insofar as it is probable that a future taxable income will be available against which the same may be recovered. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applied in the financial years in which the differences will be realized or discharged.

Current taxes, deferred tax assets and liabilities are recognised in the income statement, except for those relating to items recognised under other components in the comprehensive income or directly debited or credited to equity. In the latter cases, deferred tax liabilities are recognised under the item "Tax effect" relating to the other components of the comprehensive income and directly in equity, respectively. Deferred tax assets and liabilities are offset when the same are applied by the tax authorities themselves, there is a legal right of setoff and a settlement of the net balance is expected.

Any other taxes that are not correlated to income, such as indirect taxes and duties, are included in the income statement item "Other operating costs".

**Assets and liabilities held for sale and discontinued operations**

Non-current assets (or disposal groups) whose carrying amount will be recovered mainly through the sale rather than through their continuous use are classified as held for sale and are entered separately from any other assets and liabilities in the statement of financial position. The corresponding equity values of the previous year are not reclassified. A Discontinued Operation is a component of the entity that has been disposed of or classified as held for sale; and:

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

The results from discontinued operations – either disposed of or classified as held for sale and being divested – are recognized separately in the income statement, net of tax effects. The corresponding values relating to the previous financial year, where present, are reclassified and recognized separately in the separate income statement, net of tax effects, for comparative purposes. Non-current assets (or disposal groups) classified as

held for sale, are firstly recognized in accordance with the specific relevant IFRS applicable to each asset and liability and, subsequently, are recognised at the lower of carrying amount and the related fair value, net of selling costs. Subsequent impairment losses (if any) are recognised directly as an adjustment to non-current assets (or disposal groups) classified as held for sale through profit or loss.

Instead, a reinstatement of value is recognised for each subsequent increase in the fair value of an asset, net of selling costs, but only up to the amount of the total impairment loss previously recognized.

## Recently-issued accounting standards

### Accounting standards endorsed by the European Union and not relevant for the Company

The EU legislator has adopted some accounting standards and interpretations, whose application became compulsory on 1 January 2012, which regulate cases and case studies that were not present within the Company at the date of this annual financial report, but which could have accounting effects on future transactions and agreements:

- On 7 October 2010 the IASB published some amendments to **IFRS 7 – “Financial Instruments: Disclosures”**. The amendments were issued with the intention to improve disclosures on transactions for the transfer (derecognition) of financial assets. Specifically, the amendments require greater transparency regarding the exposure to risks attached to transactions in which a financial asset has been transferred but the transferor retains some form of continuing involvement in the asset. The amendments also require more information if a disproportionate amount of such transactions is carried out towards the end of an accounting period. The adoption of this amendment has not entailed any effect on the disclosures in the financial statements;
- On 20 December 2010 the IASB issued a minor amendment to **IAS 12 – “Income taxes”**, which requires the company to measure deferred taxes arising from investment properties measured at fair value according to the method by which the book value of this asset will be recovered (through continuous use or through the sale). Specifically, the amendment introduces a rebuttable presumption that the carrying amount of an investment property measured at fair value according to IAS 40 is entirely recoverable through sale and that the measurement of deferred tax, in jurisdictions in which tax rates are different, should be based on the rate applied to the sale. The adoption of this amendment has not entailed any effect on the measurement of deferred taxes as at 31 December 2012.

### Accounting standards endorsed by the European Union and not applied by the Company in advance

- On 12 May 2011 the IASB issued **IFRS 10 – Consolidated Financial Statements**, which will replace SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 - Consolidated and Separate Financial Statements, which will be renamed “Separate Financial Statements” and will regulate the accounting treatment of equity investments in separate financial statements. The main amendments set out by the new standard are the following:
  - according to IFRS 10, there is only one fundamental principle for the consolidation of all types of entity, and this principle is based on control. This change removes the

inconsistency that was perceived between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and rewards);

- a firmer definition of control has been introduced with respect to the past, based on three elements on the part of the investor: (a) power over the acquired enterprise; (b) exposure or rights to variable returns from the investor's involvement with the investee; and (c) the ability of the investor to use its power over the investee to affect the amount of the investor's returns;
- IFRS 10 requires an investor, if it wishes to assess whether it has control over the acquired enterprise, to focus on the activities that significantly affect its returns;
- IFRS 10 states that only substantive rights should be considered in assessing the existence of control, namely those that can be exercised in practice when important decisions are to be taken concerning the acquired enterprise;
- IFRS 10 gives practical guidance in order to help in the assessment of whether there is control in complex situations, such as *de facto* control, potential voting rights, situations in which it has to be established whether the decision-maker is acting as agent or principal, etc. .

In general, the application of IFRS 10 requires a significant degree of judgment on a certain number of application aspects.

The standard will be applicable on a retrospective basis from 1 January 2014 (or starting from the financial statements of the financial years commencing on 1 January 2013). This standard has no effects on the Company's financial statements as no consolidated accounts are prepared.

- On 12 May 2011 the IASB issued **IFRS 11 – Joint Arrangements**, which will replace IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. Without prejudice to the criteria to identify joint control, the new standard provides criteria for the accounting treatment of joint arrangements based on rights and obligations arising from agreements rather than on the legal form of the same and provides for the equity method as the only method of accounting for interests in joint ventures in the consolidated financial statements. According to IFRS 11, the existence of a separate vehicle is not a sufficient condition to classify a joint arrangement as a joint venture. The new standard will be applicable on a retrospective basis from 1 January 2014 (or starting from the financial statements of the financial years commencing on 1 January 2013). Following the issue of the standard, IAS 28 – *Investments in Associates* was amended in order to also include interests in joint ventures within its scope of application from the effective date of the standard. This standard has no effects on the Company's financial statements as no consolidated accounts are prepared.
- On 12 May 2011 the IASB issued **IFRS 12 – Disclosure of Interests in Other Entities**, which is a new and complete standard on the additional information to be provided in the consolidated financial statements on any type of equity investment, including those held in subsidiaries, joint

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arrangements, associates, unconsolidated special purpose entities and any other vehicle company. The standard will be applicable on a retrospective basis from 1 January 2014 (or starting from the financial statements of the financial years commencing on 1 January 2013).

- On 12 May 2011 the IASB issued **IFRS 13 – Fair value measurement** which illustrates the procedures for determining the fair value for the purposes of the financial statements and will be applicable to all the cases in which the standards that require or allow fair value measurement or the presentation of information based on the fair value, with some limited exclusions. Furthermore, the standard requires more extensive information on the fair value measurement (fair value hierarchy) than that currently required by IFRS 7. The standard will be applicable on a prospective basis from 1 January 2013.
- On 16 December 2011 the IASB issued some amendments to **IAS 32 – Financial Instruments: presentation**, in order to clarify the application of some criteria for the setoff of financial assets and liabilities governed by IAS 32, thus actually making it more difficult. The amendments will be applicable on a retrospective basis for the financial years commencing on or after 1 January 2014.
- On 16 December 2011 the IASB issued some amendments to **IFRS 7 – Financial Instruments: disclosures**. The amendment requires information on the effects or potential effects of the setoff of financial assets and liabilities on the statement of financial position of an enterprise. The amendments will be applicable for the financial years commencing on or after 1 January 2013. The information must be provided on a retrospective basis
- On 16 June 2011 the IASB issued an amendment to **IAS 1 – Presentation of financial statements** to require the companies to group all the components reported in the “Other comprehensive income” depending on whether or not they can be subsequently reclassified to the income statement. The amendment will be applicable from the financial years commencing after or from 1 July 2012.
- On 16 June 2011 the IASB issued an amendment to **IAS 19 – Employee benefits**, which eliminates the option to defer the recognition of actuarial gains and losses according to the corridor method, providing for all actuarial gains or losses to be recognised immediately in the “Other comprehensive income”, so that the entire net amount of provisions for defined benefits (net of assets serving the plan) is entered in the consolidated statement of financial position. The amendments also provide for any changes in the provision for defined benefits and of any assets serving the plan, between a financial year and the subsequent one, to be divided into three components: the cost components linked to the working activity of the financial year must be recognised as “service costs” in the income statement; net financial charges, which are calculated by applying the appropriate discount rate to the net balance of the provision for defined benefits, net of

assets arising at the beginning of the financial year, must be recognised in the income statement as such, actuarial gains and losses that arise from the re-measurement of liabilities and assets must be entered in the "Other comprehensive income". Furthermore, the return of the assets included under net financial charges, as specified above, shall be calculated on the basis of the discount rate of the liabilities and no longer on the basis of the expected return of the assets. Finally, the amendment introduces new additional information to be provided in the notes to the financial statements. The amendment will be applicable on a retrospective basis from the financial year commencing on or after 1 January 2013. This standard does not produce any effects, as the employee benefits are always treated by recognizing them in the "Statement of other comprehensive income" and the Company does not hold assets serving the plan, and, therefore, the value entered under liabilities remains the same.

### **Accounting standards not endorsed by the European Union**

As at the date of these Financial Statements, the competent bodies of the European Union had not yet concluded the necessary process of endorsement for the adoption of the amendments and of the standards described below.

- On 12 November 2009 the IASB published **IFRS 9 – *Financial instruments***: the standard was then amended on 28 October 2010. The standard, which will be applicable on a retrospective basis from 1 January 2015, represents the first stage of a phased process that is aimed at fully replacing IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities. Specifically, the new standard applies, for financial assets, a single approach based on the procedures to manage financial instruments and on the characteristics of contractual cash flows of the financial assets themselves in order to determine their accounting policy, replacing the different rules laid down in IAS 39. On the contrary, as to financial liabilities, the main amendment concerns the accounting treatment of changes in fair value of a financial liability designated as financial liability at fair value through profit and loss, in the event that they are due to the change in the credit rating of the liability itself. According to the new standard, these changes must be recognized in the "Statement of Other comprehensive income" and will no longer be taken through profit or loss. The second and third phases of the project on financial instruments, which relate to the impairment of financial assets and hedge accounting, respectively, are still in progress. Furthermore, the IASB is considering limited improvements to IFRS 9 for the part relating to the Classification and measurement of financial assets.
- On 17 May 2012 the IASB published a document named ***Annual Improvements to IFRS: 2009-2011 Cycle***, adopts the changes to the standards in the framework of their annual improvement process, concentrating on changes that are deemed necessary but not urgent. After this it refers to those that will entail a change in the presentation, reporting and measurement of the items in the accounts, setting aside, on the other hand, those that will only entail changes in terminology or

editing changes with very little effect in terms of accounting, or those that have an impact on the standards or interpretations not applicable by the Company:

- IAS 1 Presentation of financial statements – Comparative information: it is clarified that, in the event that additional comparative information is provided, it must be presented in accordance with IAS/IFRS. Furthermore, it is clarified that in the event that an entity changes an accounting standard or makes a retrospective adjustment/reclassification, the entity itself shall also present a balance sheet at the beginning of the comparative period (“third statement of financial position” in the financial statements), while no comparative disclosures are required to be reported in the notes to the financial statements in relation to this “third statement of financial position”, except for any relevant items.
- IAS 16 Property, plant and equipment – Classification of servicing equipment: it is clarified that any servicing equipment shall be classified under “Property, plant and equipment” if it is used for more than one financial year; otherwise, under “Inventories”.
- IAS 32 Financial instruments: presentation – Direct taxes on distributions to holders of equity instruments and transaction costs on equity instruments: it is clarified that any direct taxes relating to these cases will apply IAS 12.

The effective date of the proposed amendments is expected to apply for financial years commencing on 1 January 2013 or subsequently, an early application being permitted.

### **Use of estimates and valuations**

The preparation of the financial statements requires the directors to apply accounting standards and methods, which are based, in some circumstances, on difficult and subjective valuations and estimates based on historical experience and assumptions that are from time to time considered to be reasonable and realistic depending on the related circumstances. Therefore, the final results of the items in the financial statements for which the abovementioned estimates and assumptions have been used may differ, even significantly, from those reported in the financial statements, because of the uncertainty that characterizes the assumptions and conditions on which the estimates are based. The estimates and assumptions are reviewed periodically and the effects of any change are recognized in the income statement, if the same affects the financial year only. In the event that the review affects financial years, both current and future, the change is recognized in the financial year when the review is carried out and in the related future financial years.

The final results may differ, even significantly, from these estimates following possible changes in the factors considered in the determination of these estimates.

Below are briefly summarised the accounting standards that require, more than others, a major subjectivity by the directors in the preparation of estimates and for which a change in the conditions behind the assumptions used could have a significant impact on the financial data:

***i) Impairment of assets***

In accordance with the accounting standards applied by the Company, property, plant and equipment and intangible assets with a definite life are subject to a test aimed at establishing whether there is an impairment loss, which must be recognized through a write-down, when there is evidence that difficulties will arise for the recovery of the related net book value through the use. The test to check the existence of the abovementioned evidence requires the directors to make subjective valuations based in the information available within the Company and in the market, as well as from the historical experience. Furthermore, should it be established that there is a potential impairment loss, the Company determines the same using valuation techniques that are considered to be suitable. The correct identification of the elements indicating the existence of a potential impairment loss, as well as any estimates for the determination of the same depend on factors that may vary over time, thus affecting valuations and estimates made by the directors.

***ii) Depreciation of Property, plant and equipment and amortisation of intangible assets***

The amortisation and depreciation of fixed assets constitute a significant cost for the Company. The cost of property, plant and equipment and intangible assets is amortised and depreciated on a straight-line basis over the estimated useful life of the related assets. The useful economic life of the Company's fixed assets is determined by the directors at the time when the fixed asset has been purchased; it is based on the historical experience for similar fixed 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 the residual useful life on a periodical basis. This periodical update may entail a change in the period of amortisation and depreciation and then also in the amortisation and depreciation rates of future financial years. The residual value is determined as the estimated value that the entity could receive at that time from its disposal, net of estimated costs for the disposal itself.

***iii) Provisions for risks and charges***

Provisions are set aside against legal and tax risks which represent the risk of a negative outcome. The value of recognised provisions relating to these risks represents 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***

The recognition of deferred tax assets is made on the basis of the forecast income expected in future financial 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 derivative financial instruments***

The fair value of derivative financial instruments that are not listed in active markets is determined using valuation techniques. The Company uses valuation techniques that use inputs that can be observed in the

market, either directly or indirectly, at the end of the financial year, and that are connected to the assets and liabilities being measured. Even if the estimates of the abovementioned fair values are considered to be reasonable, any possible changes in the estimate factors on which the calculation of the aforesaid values is based may produce different valuations.

## **5. Financial risk management and other risk factors**

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

This section provides information relating to 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 the management of the capital. These financial statements also include additional quantitative information. The Company's risk management focuses on the volatility of financial markets and is aimed at minimizing potential side effects on the Company's economic and financial performance.

### **Credit risk**

The credit risk is the risk that a customer or one of the counterparties of a financial instrument may cause a financial loss in not complying with an obligation. The credit risk mainly arises from trade receivables, receivables from the public administration, the company's financial investments and cash and cash equivalents. For financial institutions and banks, the company will only accept counterparties with an independent rating.

The Company has issued organisational procedures for credit management in order to define strategies and guidelines of the commercial credit policy, to assign credit limits for customers, to split credit risk, to check customers' solvency and to start debt collection operations.

The forecast recoverability of credits is valued position by position, taking account of the instructions given by the heads of department and by the internal and external legal counsels who deal with the recovery procedure (if any). Accordingly, any credits for which as at the balance sheet date it is probable that a loss will arise are written down.

In relation to derivative financial instruments which are 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 by class of rating.

The table below reports the Company's exposure to credit risks:

	<b>31.12.2012</b>	<b>31.12.2011</b>
Current trade receivables	2,318,843	1,903,241
Provision for bad debts	(220,353)	(219,584)
<b>Current trade receivables, net of provision for bad debts</b>	<b>2,098,490</b>	<b>1,683,656</b>
Other current assets	175,593	46,536
Provision for bad debts	(2,027)	(995)
<b>Other current assets, net of provision for bad debts</b>	<b>173,566</b>	<b>45,541</b>
Non-current financial assets (including derivatives)	23,923	23,203
Provision for bad debts		
<b>Non-current financial assets (including derivatives), net of provision for bad debts</b>	<b>23,923</b>	<b>23,203</b>
Other non-current assets	24,079	23,584
Provision for bad debts		
<b>Other non-current assets, net of provision for bad debts</b>	<b>24,079</b>	<b>23,584</b>
<b>Cash and cash equivalents</b>	<b>61,511</b>	<b>607,842</b>
Current financial assets (including derivatives)	2,352	703
Provision for bad debts		
<b>Current financial assets (including derivatives), net of provision for bad debts</b>	<b>2,352</b>	<b>703</b>
<b>Total exposure, excluding provision for bad debts</b>	<b>2,383,922</b>	<b>2,384,529</b>

The table below reports the exposure to credit risks by counterparty:

	<b>31.12.2012</b>	<b>31.12.2011</b>
Public Administration, Italian Government, Regions	1,529,979	1,047,913
Ordinary customers	259,983	256,607
Financial institutions	22,750	22,750
Other debtors	509,699	449,417
<b>Total exposure, excluding provision for bad debts</b>	<b>2,322,411</b>	<b>1,776,687</b>

	<b>31.12.2012</b>	<b>31.12.2011</b>
Public Administration, Italian Government, Regions	65.88%	58.98%
Ordinary customers	11.19%	14.44%
Financial institutions	0.98%	1.28%
Other debtors	21.95%	25.30%
<b>Total exposure, excluding provision for bad debts</b>	<b>100%</b>	<b>100%</b>

Owing to the activities that the Company performs, among its receivables are the sums due to it in accordance with service contracts with the Regional Governments and the Government and its trade receivables, which are mainly related to its work for Cargo customers. Therefore, the type of receivables claimed by the Company is largely attributable to government and public bodies, such as the Ministry of Economy and Finance and Regional Governments. Special procedures are followed that tend to minimise the risk of creditors' insolvency by assessing their degree of reliability, especially big Cargo customers. Only companies that issue satisfactory guarantees are allowed to exceed the credit limit. Therefore, the credit risk, which is represented by the Company's exposure to potential losses arising from the failure by its own debtors to comply with their obligations is significantly reduced.

The table below provides a distribution of financial assets at 31 December 2012, as broken down by overdue items, net of provision for bad debts:

31.12.2012						
	Not expired	Overdue by				Total
		0-180	180-360	360-720	beyond 720	
Public Administration, Italian Government, Regions (gross)	724,708	435,859	164,766	217,629		1,542,963
Provision for bad debts	(3,901)			(9,084)		(12,984)
<b>Public Administration, Italian Government, Regions (net)</b>	<b>720,808</b>	<b>435,859</b>	<b>164,766</b>	<b>208,545</b>	-	<b>1,529,979</b>
Ordinary customers (gross)	179,769	47,238		48,643		440,972
Provision for bad debts	(1,086)		(155,844)	(24,059)		(180,988)
<b>Ordinary customers (net)</b>	<b>178,683</b>	<b>47,238</b>	<b>9,478</b>	<b>24,584</b>	-	<b>259,983</b>
<b>Financial institutions</b>				<b>22,750</b>		<b>22,750</b>
Other debtors (gross)	393,545	58,489	12,504	73,568		538,106
Provision for bad debts	(2,272)			(26,135)		(28,407)
<b>Other debtors (net)</b>	<b>391,273</b>	<b>58,489</b>	<b>12,504</b>	<b>47,433</b>	-	<b>509,699</b>
<b>Total exposure, net of the provision for bad debts</b>	<b>1,290,763</b>	<b>541,587</b>	<b>186,748</b>	<b>303,313</b>	<b>0</b>	<b>2,322,411</b>

31.12.2011						
	Not expired	Overdue by				Total
		0-180	180-360	360-720	beyond 720	
Public Administration, Italian Government, Regions (gross)	555,546	260,768	51,949	193,965		1,062,228
Provision for bad debts	(3,901)			(10,415)		(14,315)
<b>Public Administration, Italian Government, Regions (net)</b>	<b>551,646</b>	<b>260,768</b>	<b>51,949</b>	<b>183,550</b>	-	<b>1,047,913</b>
Ordinary customers (gross)	181,642	50,997		40,051		431,543
Provision for bad debts	(793)		(146,402)	(27,740)		(174,936)
<b>Ordinary customers (net)</b>	<b>180,849</b>	<b>50,997</b>	<b>12,450</b>	<b>12,311</b>	-	<b>256,607</b>
<b>Financial institutions</b>				<b>22,750</b>		<b>22,750</b>
Other debtors (gross)	277,260	103,648	28,906	70,924		480,738
Provision for bad debts	(1,870)		(1,133)	(28,318)		(31,321)
<b>Other debtors (net)</b>	<b>275,391</b>	<b>103,648</b>	<b>27,773</b>	<b>42,605</b>	-	<b>449,417</b>
<b>Total exposure, net of the provision for bad debts</b>	<b>1,007,886</b>	<b>415,413</b>	<b>114,922</b>	<b>238,466</b>	<b>0</b>	<b>1,776,687</b>

Receivables from Public Administrations mainly related to receivables from regions and from the Ministry of Economy and Finance for Service contracts, equal to about Euro 1,127 million and Euro 398 million, respectively, of which about 77% has already expired. Particular importance is attached to expired receivables from Regions: Lazio (about Euro 276 million), Campania (about Euro 181 million) and Piedmont (about Euro 138 million).

## Liquidity risk

The liquidity risk is the risk that an entity may have difficulties in complying with the obligations associated with financial liabilities to be settled delivering cash on hand or any other financial asset. As stated in the previous paragraph, the Company claims considerable receivables from the Government and the Regional Governments, which are not collected within the due time limits. However, the payment of the same by the Government and the Regional Governments, even if slow, allows the Company to manage any financial requirements arising from the need to meet the first expiry dates of medium-long terms debts envisaged in the 2013 financial year. For this purpose, the Company has access to credit facilities on committed and uncommitted terms that are held by the Parent Company, specifically earmarked for Trenitalia in order to meet temporary cash requirements, and it also belongs to the Ferrovie dello Stato Italiane Group's cash pooling system for the optimisation of liquidity. The committed and uncommitted credit lines amount to about Euro 30 million.

The table below reports the contractual expiry dates of financial liabilities, including interest to be paid:

31/12/2012	Book value	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years	
<b>Non-derivative financial liabilities</b>								
Loans from banks	2,160,296	2,290,154	47,604	47,653	286,493	1,112,225	796,179	
Borrowings from Group companies	4,266,202	4,594,000	861,936	607,585	22,214	888,739	2,213,526	
	<i>in Euro</i>	<i>4,198,976</i>	<i>4,515,288</i>	<i>861,120</i>	<i>606,595</i>	<i>20,383</i>	<i>853,693</i>	<i>2,173,497</i>
	<i>in CHF (values expressed in Euro)</i>	<i>67,226</i>	<i>78,712</i>	<i>816</i>	<i>990</i>	<i>1,831</i>	<i>35,046</i>	<i>40,030</i>
Trade payables	1,989,330	1,989,330	1,989,330	-	-	-	-	
<b>Total</b>	<b>8,415,828</b>	<b>8,873,484</b>	<b>2,898,869</b>	<b>655,238</b>	<b>308,707</b>	<b>2,000,964</b>	<b>3,009,706</b>	
<b>Derivative financial liabilities</b>								
Derivatives on interest rate	318,288	311,689	57,304	62,534	83,834	103,375	4,642	
<b>Total</b>	<b>318,288</b>	<b>311,689</b>	<b>57,304</b>	<b>62,534</b>	<b>83,834</b>	<b>103,375</b>	<b>4,642</b>	

31/12/2011	Book value	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
<b>Non-derivative financial liabilities</b>							
Loans from banks	2,244,055	2,241,667	41,667	41,667	83,333	983,125	1,091,875
Borrowings from Group companies	4,271,150	4,189,826	897,426	-	600,000	784,600	1,907,800
Trade payables	1,782,477	1,782,477	1,782,477	-	-	-	-
<b>Total</b>	<b>8,297,682</b>	<b>8,213,970</b>	<b>2,721,570</b>	<b>41,667</b>	<b>683,333</b>	<b>1,767,725</b>	<b>2,999,675</b>
<b>Derivative financial liabilities</b>							
Derivatives on interest rate	259,266	262,609	29,911	40,825	85,161	102,291	4,422
<b>Total</b>	<b>259,266</b>	<b>262,609</b>	<b>29,911</b>	<b>40,825</b>	<b>85,161</b>	<b>102,291</b>	<b>4,422</b>

31/12/2012	Book value	Within 12 months	1-5 years	Beyond 5 years
<b>Non-derivative financial liabilities</b>				
Loans from banks	2,160,296	85,296	1,337,708	737,292
Borrowings from Group companies	4,266,202	1,456,505	822,121	1,987,576
	<i>in Euro</i>	<i>4,198,976</i>	<i>1,456,376</i>	<i>792,300</i>
	<i>in CHF (values expressed in Euro)</i>	<i>67,226</i>	<i>129</i>	<i>29,821</i>
Trade payables	1,989,330	1,989,330	-	-
<b>Total</b>	<b>8,415,828</b>	<b>3,531,131</b>	<b>2,159,829</b>	<b>2,724,868</b>

31/12/2011	Book value	Within 12 months	1-5 years	Beyond 5 years
<b>Non-derivative financial liabilities</b>				
Loans from banks	2,244,055	85,722	1,067,458	1,091,875
Borrowings from Group companies	4,271,150	81,324	1,384,600	1,907,800
Trade payables	1,782,477	1,782,477	-	-
<b>Total</b>	<b>8,297,682</b>	<b>1,949,523</b>	<b>2,452,058</b>	<b>2,999,675</b>

The contractual flows from variable-rate loans have been calculated by using the forward rates estimated at the closing date of the financial statements. The item "Borrowings from Group companies" includes the balance of the intercompany current account and short-term loans payable disbursed by the Parent Company that are classified, due to their nature, under the shorter maturity ("6 months or less") set out in the disclosure table.

### Market risk

The market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate following changes in market prices, due to changes in exchange rates, interest rates or quotations of equity instruments. The objective of the market risk management is the management and control of the Company's exposure to this risk within acceptable levels, while optimizing returns on investments. The Company uses hedging transactions for the purpose of managing the volatility of the results.

### Interest rate risk

The company is mainly exposed to the interest rate risk relating to medium/long-term loans payable. For the purposes of optimising interest rate risk, the company has opted to benchmark its own long-term financial debt only to the most liquid market index (6-month Euribor).

Following the resolution passed by the Board of Directors of Trenitalia starting from 2005 and with subsequent resolutions the Company has defined an interest rate risk management policy. The policy, which was updated in 2011, provides for:

- a hedge of up to 50% of the medium/long-term debt through plain vanilla derivative instruments on interest rates that have a term equal to that of the transaction;
- constant monitoring of the residual 50% in order to seize further hedging opportunities in a short period.

To date, the entire debt has been covered consistently with the defined policy.

Hedging transactions that are more limited in time, effective until the second half of 2013, are at present in being with regard to the portion of debt that is not covered until maturity. 70% of this debt has been further hedged through optional instruments effective from between the second half of 2013 and the second half of 2015.

The objective of the strategy, as a whole, is to limit changes in cash flows relating to financing operations in place (Cash Flow Hedge) in order to meet the borrowing cost objectives laid down 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 the strategy has allowed the Company to define borrowing costs, including the credit spread, below 3% in the last 2 financial years.

The tables below report the indebtedness of Trenitalia and the related hedges:

	Book value	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	beyond 5 years
Variable rate	5,493,824	5,493,233	683,333	273,958	1,848,350	2,687,592
Fixed rate	74,927	74,797	-	7,700	29,821	37,276
<b>Balance at 31 December 2012</b>	<b>5,568,751</b>	<b>5,568,031</b>	<b>683,333</b>	<b>281,658</b>	<b>1,878,171</b>	<b>2,724,868</b>
Variable rate	5,535,893	5,534,067	83,333	683,333	1,767,725	2,999,675
Fixed rate	-	-	-	-	-	-
<b>Balance at 31 December 2011</b>	<b>5,535,893</b>	<b>5,534,067</b>	<b>83,333</b>	<b>683,333</b>	<b>1,767,725</b>	<b>2,999,675</b>

	<b>31.12.2012</b>	<b>31.12.2011</b>
<b>Before hedging with derivative instruments</b>		
Variable rate	98.66%	100.00%
Fixed rate	1.34%	0.00%
<b>After hedging with derivative instruments</b>		
Variable rate	0.76%	0.00%
Protected variable rate	52.98%	53.84%
Fixed rate	46.26%	46.16%

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 (interest rate swaps) as hedging instruments according to the fair value hedging model. Accordingly, any changes in interest rates at the closing date of the financial statements would have no effects on the income statement.

Below is reported a sensitivity analysis that shows the effects that would have been recorded in terms of changes in financial charges had a change arisen, either as an increase or a decrease, of 50 basis points in the Euribor interest rates applied to loans payable in the course of 2012:

	<b>Shift + 50 bps</b>	<b>Shift - 50 bps</b>
Interest expense on variable-rate debt	28,007	(27,581)
Net Cash Flow from hedging transactions	(19,359)	21,137
<b>Total</b>	<b>8,648</b>	<b>(6,444)</b>

It should be noted that an increase in financial charges on the variable-rate debt is partially offset by a reduction in net flows from hedging derivatives (and vice versa).

Below is also reported a sensitivity analysis that shows the effects of a parallel shift of 50 basis points, either as an increase or a decrease, in the swap rate curve recorded as at 31 December 2012 on the fair value of hedging derivative instruments:

	<b>Shift + 50 bps</b>	<b>Shift - 50 bps</b>
Fair value of hedging derivatives	58,131	(65,724)
<b>Total</b>	<b>58,131</b>	<b>(65,724)</b>

### Exchange risk

The company is mainly active in the Italian market, and in any way in countries of the Euro zone and, therefore, the risk arising from the different currencies in which it operates is very limited.

It should be noted that the Company has loans in place which are denominated in Swiss francs for an overall amount of CHF 81 million, as reported in the table below:

	31/12/2012		31/12/2011	
	Counter-value in EUR	CHF	Counter-value in EUR	CHF
Payables to Group companies	67,097	81,000	-	-
<b>Gross exposure in the Balance Sheet</b>	<b>67,097</b>	<b>81,000</b>	-	-
Forward contracts on foreign exchange rates	-	-	-	-
<b>Net exposure</b>	<b>67,097</b>	<b>81,000</b>	-	-

### Capital management

The Company's main objective within the capital risk management is that of safeguarding the going-concern basis of the business so as to ensure the protection and the increase in the value for shareholder and benefits to the other stakeholders.

### Financial assets and liabilities by category

To complete information on financial risks, the table below reports a reconciliation between financial assets and liabilities as reported in the statement of financial position and category of financial assets and liabilities identified on the basis of the requirements of IFRS 7:

31 December 2012	Receivables and loans disbursed	Payables and loans received	Hedging derivatives
Non-current financial assets (including derivatives)	23,923		
Current financial assets (including derivatives)	2,352		
Other non-current assets	28,933		
Current trade receivables	2,098,490		
Other current assets	194,100		
Medium/long-term loans		4,884,697	
Non-current financial liabilities (including derivatives)			248,874
Other non-current liabilities		25,917	
Short-term loans and current portion of medium/long-term loans		740,870	
Current trade payables		1,989,330	
Current financial liabilities (including derivatives)		801,342	69,414
Other current liabilities		615,039	

<b>31 December 2011</b>	<b>Receivables and loans disbursed</b>	<b>Payables and loans received</b>	<b>Hedging derivatives</b>
Non-current financial assets (including derivatives)	23,203		
Current financial assets (including derivatives)	703		
Other non-current assets	107,769		
Current trade receivables	1,683,656		
Other current assets	48,582		
Medium/long-term loans		5,450,733	
Non-current financial liabilities (including derivatives)			242,070
Other non-current liabilities		69,799	
Short-term loans and current portion of medium/long-term loans		146,613	
Current trade payables		1,782,477	
Current financial liabilities (including derivatives)		899,471	17,196
Other current liabilities		534,990	

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## Other risk factors:

### ***Business risks***

The medium- and long-distance Passenger Transport is conditional on consumption levels, employment levels and the overall development of the main economic factors. The competition in the means of transport is a decisive factor to be successful in the railway transport market.

High Speed lines and related accessory services allowed the railway sector in question to start competition with the other means of transport (airplane-car), above all through the reduction in travel times, the comfort of the journey and the arrival to the urban centres of major cities. In this market segment the successful crucial factor will increasingly be the maintenance of and improvement in the quality of the service offered and of the rapid adaptation to the trend in market demand. For this reason the Company has taken important actions that will allow it to respond to the expectations of its customers, including: renewal of the fleet starting from 2014 with the new High Speed trains, the expansion of the High Speed offer, the diversification of service levels in lieu of classes, the improvement in the Frecciarossa services (WiFi, multi-media services, etc.) and the new sales platform via Web and on the traditional channels.

Starting from 2012 the "market" sector was also affected by the change in market equilibriums resulting from the entry of new private operators which began to run a gradually increasing number of services on the High Speed sections. Operating risks arising from the entrance of the new operator in the High Speed sector have been assessed in the Company's Business Plan and contemplated in its 2013 budget. At the moment these risks appear to be consistent with the assumptions made. Whether the assumptions are confirmed depends on the performance of the mobility market and the extent to which it undergoes pressure as a result of exploiting the price factor: if this is done there could be effects on profit levels.

In the regional transport sector, the formalisation of service contracts with an initial term of 6 years, which can be renewed for additional 6 years, has allowed a planning of medium/long-term resources which could allow, *inter alia*, the start of a plan for the renewal of the rolling stock functional to the improvement of regional transport services.

2012 saw continuous developments in the legislative framework, and we cannot rule out further future legislative amendments. In fact, by judgment 199/2012 of the end of July, the Constitutional Court declared the constitutional illegality of article 4 of law 148/2011, converting Legislative Decree no. 138/2011, which provided for the Regional Government's obligation to launch tenders for the Regional transport service upon the expiry of the contracts in place with Trenitalia, which is expected in 2014 in most cases. It is absolutely evident that this uncertainty reflects on the company plans and on the commitments undertaken by the Company with the Regional Governments in the definition of the service contracts, with specific regard to the sums to be destined to investments.

Trenitalia has signed contracts with the Italian Regional Governments which do not depend on the procedures through which the Regional Governments themselves may find the necessary sources of financing; nevertheless, the uncertainty that dominates the entire sector is such as to induce the Regional Governments

to possibly reduce the offer permitted by the contracts themselves. These processes, even if included within the company's capacity to adapt, are in clear conflict with the mobility needs expressed by local areas on one hand, and on the other with a planning criterion, even if minimum, which is imposed by the railway sector in relation to the time required for the implementation of any investment plans which could accompany the offer development.

The possible effects should the service contracts with the Regional Governments not be renewed will come into play in financial years following 2014; they are not foreseeable at the moment and are, in any case, to be considered as risks run by a company operating on the free market. During 2013 there could be more requests from certain Regional Governments to reorganise services in order to tailor them to the funds available: this could also affect profitability levels. In executing the service contracts, the Company has included suitable safeguarding clauses to protect the investments it has made in order and counter the risk of agreements not being renewed.

The market risks are particularly evident in the Cargo transport sector. In fact, this sector is particularly affected by the negative trend in the economy with a sharply reduced industrial production. The price lever is a factor that discriminates between the different operators and the different forms of transport in a significantly shrinking market.

### ***Operational risks***

The Company makes use of outside suppliers to do maintenance work and construct new rolling stock and also always for the provision of spare parts for maintenance. During the past few years Trenitalia has put a substantial change to procurement policies in hand by reformulating its internal procedures and, in compliance with public contracts legislation, has made even stronger efforts to buy all components connected with safety only from original manufacturers, while it has always called public tenders for all other components. The staying power of some suppliers in the maintenance and construction sector of rolling stock was severely strained by the financial crisis, followed by a severe credit squeeze, owing to their intrinsically weak position in the business financing structure. Trenitalia drew up even more rigorous specifications for supplies and for the control of the services rendered. The major operational risks may arise from criticalities relating to the failure to comply with the contractual functional specifications of new rolling stock being delivered by the manufacturers or of the rolling stock subject to maintenance at Private Garages. The Company continues to monitor the different issues reported on important job orders that have generated disputes, but above all operational difficulties and heavy disservices in some cases. In this regard, particularly severe actions have been taken against suppliers and in some cases the Company has used completely different procedures for the entry into service of rolling stock, providing for a full involvement of the manufacturer for long trial periods, without taking delivery of the rolling stock. In other cases, contracts were terminated due to the non-compliance by the suppliers themselves, activating the enforcement of the sureties given to secure contracts. It is absolutely evident that the general crisis of the credit market also affected heavily railway sub-suppliers, thus creating, in some cases, strong tensions on the manufacturers, which are also small/medium-sized businesses.

An additional risk may arise from the management of cleaning service contracts that could have an impact on the quality of the service.

### ***Legal and contractual risks***

Legal risks arise from the disputes pending between the company and various parties, such as suppliers, customers and personnel.

Instructions are given and provisions are set aside after having estimated the respective probability of contractual and legal risks arising. The current utilization of these provisions depends on when the risk materializes and to the extent that it was estimated.

In this regard, note in particular:

- (i) the numerous actions brought by the former cleaning service contractors following the termination of contracts decided by the company as a result of the serious defaults reported in the performance of the contracts;
- (ii) a litigation brought by the company responsible for the building of the *Impianto Dinamico Polifunzionale* (IDP) plant in Naples for objections that were raised during the performance of the work;
- (iii) some disputes brought by a manufacturing company of rolling stock with reference to objections raised by the Customer for delays or disservices that occurred within the supplies which have been subjected to the penalties set out as per contract, a portion of which has been deducted from the payments made;
- (iv) the recourse to legal actions by the former employees of the cleaning firms that have not been awarded contracts, in order to seek enforcement actions to recover, against the company (joint liability), portions of remuneration and/or TFR not paid out by their employers at the end of the employment relationship;
- (v) the payment order against the Regional Governments of Campania, Calabria and Lazio for the collection of expired receivables.

## Information on the Balance Sheet

### 6. Property, plant and equipment

Below is reported the statement of amounts of property, plant and equipment at 31 December 2012 with the related changes of the financial year.

PROPERTY, PLANT AND EQUIPMENT						
	Land, buildings, railway and port infrastructure	Plant and machinery	Industrial and business equipment	Other assets	Fixed assets under construction and advances	Total
Historical cost	1,949,733	13,373,174	162,583	338,507	592,881	16,416,878
Depreciation and impairment losses	(581,433)	(6,102,980)	(100,131)	(294,476)	(3,595)	(7,082,615)
Grants	0	(394,563)	0	(759)	(7,368)	(402,690)
<b>Balance as at 01.01.2011</b>	<b>1,368,300</b>	<b>6,875,631</b>	<b>62,452</b>	<b>43,272</b>	<b>581,918</b>	<b>8,931,573</b>
Investments		108		51	828,480	828,639
Entries into service	27,072	538,034	4,932	44,023	(613,739)	322
Depreciation	(14,136)	(771,203)	(12,701)	(23,816)		(821,856)
Impairment losses		(24,153)			(8,853)	(33,006)
Disposals and divestments		(279)	(16)			(295)
Other changes	(23)	(101,577)	(2,018)	(4,870)	(3,009)	(111,497)
Change in grants		(3,888)		683	4,522	1,317
Other reclassifications	(312)	1,359	(165)	(1,857)	16,497	15,522
<b>Total changes</b>	<b>12,601</b>	<b>(361,599)</b>	<b>(9,968)</b>	<b>14,214</b>	<b>223,898</b>	<b>(120,854)</b>
Historical cost	1,976,470	13,810,819	165,316	375,854	821,110	17,149,569
Depreciation and impairment losses	(595,569)	(6,898,336)	(112,832)	(318,292)	(12,448)	(7,937,477)
Grants	0	(398,451)	0	(76)	(2,846)	(401,373)
<b>Balance as at 31.12.2011</b>	<b>1,380,901</b>	<b>6,514,032</b>	<b>52,484</b>	<b>57,486</b>	<b>805,816</b>	<b>8,810,719</b>
Investments				64	1,080,053	1,080,117
Entries into service	28,950	938,391	6,457	38,366	(1,010,604)	1,560
Depreciation	(22,900)	(842,900)	(11,720)	(20,275)		(897,795)
Impairment losses		(6,190)				(6,190)
Disposals and divestments		(11,331)	(8)	(16)	(4,971)	(16,326)
Other changes						0
Change in grants		(3,981)			(5,101)	(9,082)
Other reclassifications	23,518	(23,518)		1,107		1,107
<b>Total changes</b>	<b>29,568</b>	<b>50,471</b>	<b>(5,271)</b>	<b>19,246</b>	<b>59,377</b>	<b>153,391</b>
Historical cost	2,028,938	14,714,361	171,765	415,375	885,588	18,216,027
Depreciation and impairment losses	(618,469)	(7,747,426)	(124,552)	(338,567)	(12,448)	(8,841,462)
Grants	0	(402,432)	0	(76)	(7,947)	(410,455)
<b>Balance as at 31.12.2012</b>	<b>1,410,469</b>	<b>6,564,503</b>	<b>47,213</b>	<b>76,732</b>	<b>865,193</b>	<b>8,964,110</b>

The most significant changes recorded in the financial year related to:

- Investments of Euro 1,080,117 thousand mainly relate to rolling stock for Euro 994,874 thousand (including advances for the purchase of rolling stock) and to other investments in workshop systems and buildings and technical equipment for Euro 85,178 thousand. Specifically, for investments in rolling stock, note that the project is being completed for the purchase of light E464 locomotives, and work continued for the purchase of Double-Decker coaches and of the new "ETR 1000" series trains. Furthermore, work continued on the restructuring of High Speed trains in accordance with the new offer model based on four new levels of service, the installation of on-board technology SCMT (*Sistema Controllo Marcia Treno*, Train March Control System), SCC (*Sistema di Comando e*

*Controllo*, Command and Control System) and STB (*Sistema Tecnologico di Bordo*, On-Board Technologic System) and the restructuring on low-deck coaches aimed at increasing comfort and at regulatory safety amendments. Furthermore, work continued on actions to reorganize the Milan Martesana facility and to adapt the OMC in Vicenza, to ensure maintenance activities on the High Speed fleet, and the construction commenced on the new "IMC Torino Smistamento", in order to reallocate maintenance activities to a single site for both the National – International Passenger Division and Regional Transport according to efficiency criteria. As regards investments in rolling stock, note the transfer of 7 ETR 610 trains from Cisalpino to Trenitalia, as specified in the "Split Assignment Agreement".

- Entries into service for Euro 1,011 million, specifically concerning the rolling stock, both for new acquisitions, such as E464 and E403 locomotives (Euro 216 million); Double Decker coaches (Euro 108 million); ETR 610 (Euro 147 million) and value-increasing maintenance (Euro 388 million).
- Depreciation and write-downs that show the portion recognised in the income statement in the financial year according to the rates defined for property, plant and equipment. Write-downs made in the year for Euro 6,190 thousand related to two ETR 450 trains which will be no longer used in 2013. 2012 saw the review of the useful life of extraordinary maintenance actions on buildings and plants, as indicated in the standards; the change entailed higher depreciation of about Euro 3,652 thousand.
- Disposals and divestments, equal to Euro 16,326 thousand, attributable to sales of fixed assets for Euro 10,120 thousand, of which Euro 5,043 thousand for rolling stock transferred to the MIT, and disposals of fixed assets that can no longer be used in the production cycle, equal to about Euro 6,255 thousand.

Any guarantees on the rolling stock issued in favour of Eurofima for the medium- and long-term loans raised through the Controlling Company Ferrovie dello Stato Italiane amounted to Euro 3,409,660 thousand. In 2012 they increased by Euro 117,260 thousand against the guarantee issued on the rolling stock purchased by Cisalpino for the takeover by the same of the Eurofima loan.

Below is reported the information on the statutory revaluation by type of fixed assets, including and excluding depreciation.

TYPE OF ASSET	Revaluation pursuant to Law no. 2 of 28/01/2009	
	Revaluation including depreciation	
	2008	2012
Land	50,878	50,878
Buildings	139,100	127,416
	<b>189,978</b>	<b>178,294</b>

The above revaluation, according to article 5 of Ministerial Decree no. 162/2001, was applied only to historical cost, against an entry under a revaluation reserve subject to tax relief, excluding the value of the provision for deferred tax liabilities, a provision that is taken to the income statement in relation to the taxation of non-deductible depreciation.

## 7. Intangible assets

Below is reported the statement of amounts of intangible assets at 31 December 2012 with the related changes. In 2012 no changes were recorded in the estimated useful life of said assets.

<b>INTANGIBLE ASSETS</b>				
	<b>Development costs</b>	<b>Concessions, licences, trademarks and similar rights</b>	<b>Fixed assets under development and advances</b>	<b>Total</b>
Historical cost	12,464	371,891	35,110	419,465
Amortisation and impairment losses	(9,968)	(302,414)	(26)	(312,408)
Grants	(1,959)	(428)		(2,387)
<b>Balance as at 01.01.2011</b>	<b>537</b>	<b>69,049</b>	<b>35,084</b>	<b>104,670</b>
Investments		398	32,253	32,651
Entries into service	444	42,319	(43,085)	(322)
Amortisation	(299)	(37,402)		(37,701)
Impairment losses				
Disposals and divestments				
Other changes		(833)	(827)	(1,660)
Change in grants				
Other reclassifications	(5)	1,134	(16,497)	(15,368)
<b>Total changes</b>	<b>140</b>	<b>5,616</b>	<b>(28,156)</b>	<b>(22,400)</b>
Historical cost	12,908	413,775	6,954	433,637
Amortisation and impairment losses	(10,272)	(338,682)	(26)	(348,980)
Grants	(1,959)	(428)		(2,387)
<b>Balance as at 31.12.2011</b>	<b>677</b>	<b>74,665</b>	<b>6,928</b>	<b>82,270</b>
Investments			40,432	40,432
Entries into service	217	38,285	(40,062)	(1,560)
Amortisation	(190)	(26,658)		(26,848)
Impairment losses			(460)	(460)
Disposals and divestments			(3,164)	(3,164)
Other changes				
Change in grants				
Other reclassifications		(1,108)		(1,108)
<b>Total changes</b>	<b>27</b>	<b>10,519</b>	<b>(3,254)</b>	<b>7,292</b>
Historical cost	13,125	452,060	4,160	469,345
Amortisation and impairment losses	(10,462)	(366,448)	(486)	(377,396)
Grants	(1,959)	(428)	0	(2,387)
<b>Balance as at 31.12.2012</b>	<b>704</b>	<b>85,184</b>	<b>3,674</b>	<b>89,562</b>

The changes recorded in 2012 both in "Investments" (Euro 40,432 thousand) and "Entries into service" (Euro 40,062 thousand) were essentially attributable to "Software". The investments in this sphere were made in order to continue with the work involved in phase 2 of the new PICO integrated sales platform for Basic Services and Regional Passenger Transport. The creation of an integrated platform continues in the Cargo Information System (SIM, *Sistema Informativo Merc*), to support the sales and distribution cycle and Cargo Division traffic. Furthermore, work continued on actions aimed at improving efficiency of production processes, the streamlining and efficiency improvement of sales channels and the new "Customer Relationship Management" system to offer to the customers a high service level on a multi-channel basis.

The increases in Amortisation, equal to Euro 26,848 thousand, show the portion recognised in the income statement in the financial year according to the rates defined for intangible assets.

Disposals and divestments, equal to Euro 3,164 thousand, show the values of the fixed assets transferred to the investee company Trenord.

Other reclassifications, equal to Euro 1,108 thousand, show the exact allocation of some projects from property, plant and equipment to intangible assets.

#### **Impairment test for cash generating units**

For the purposes of the impairment test, the Company had already identified the Cash Generating Units (CGUs) that represent independent business units, which can be clearly identified within the company's organisation and which are able to generate cash flows that are largely independent within the company itself. The CGUs have been identified consistently with the business, and therefore organisational and operating, structure of the company, as the three operating business segments:

- Medium- and Long-Distance Passengers;
- Regional Passenger Transport;
- Cargo Transport.

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 already allocated to the income statements of the various CGUs; on the contrary, the balance sheet items referred to the cross-company divisions have been allocated to the CGUs by using appropriate drivers.

Cash flows were determined on the basis of the best information to hand at the time of their preparation in accordance with the 2013 budget forecasts and the figures in the last version of the 2014 and 2015 Business Plans: as no Plan figures are available for 2016, the 2015 data were extrapolated.

In determining cash flows, however, it was necessary to make some changes to the 2014 and 2015 Business Plan data in order to take into account some operating phenomena that occurred at times that differed from those assumed in the Plans, particularly as regards human resources leaving the Company and investments. Specifically, some changes were made to the results of the Cargo and Regional Passenger CGUs to take it into account that some human resources left the Company much earlier than was envisaged in the Plan, with a

favourable effect on the Plan itself. The Value in Use was estimated by applying the method of the unlimited capitalization of the prospective cash flow of the last year of explicit forecast, making reference to normalized growth rates. The calculation of the Value in Use also made reference to "normalised" investments as defined by assuming stable conditions for each CGU on the basis of long-term forecasts. For the purposes of the determination of the value in use defined on the basis of the prospective cash flow of the last year of forecast, average growth rates were considered which were equal to the rates inferable from the long-term forecasts of the inflation rate equal to 2%.

The discount rate used is the "WACC" (Weighted Average Cost of Capital) rate measured for each CGU.

Below are reported the results obtained from comparing the invested capital of the individual CGUs and the discounted value of cash flows, plus their Value in Use:

<b>CGU</b>	<b>2012 Net invested capital (€/mil.)</b>	<b>2012 Discount rate (WACC)</b>	<b>2011 Net invested capital (€/mil.)</b>	<b>2011 Discount rate (WACC)</b>	<b>Growth Rate</b>
Medium/Long- Distance Passengers	3,086	7.1 %	2,945	7.1 %	2%
Regional Passenger Transport	4,556	7.1 %	4,149	7.1 %	2%
Cargo transport	628	9.0 %	578	9.0 %	2%
<b>Totals</b>	<b>8,270</b>		<b>7,673</b>		

The analyses conducted did not report any impairment losses.

## **8. Deferred tax assets and deferred tax liabilities**

The statements below report the amounts of deferred tax assets and deferred tax liabilities at 31 December 2012, with the related changes.

	31.12.2011	Increase (decrease) through P&L	Other changes	31.12.2012
<b>Deferred tax assets</b>				
- Measurement of financial instruments	65,755	-	14,380	80,135
- Deferred tax assets on past losses	-	72,000	-	72,000
<b>Total</b>	<b>65,755</b>	<b>72,000</b>	<b>14,380</b>	<b>152,135</b>
<b>Deferred tax liabilities</b>				
- Value differences on property, plant and equipment and intangible assets	122,105	(820)	-	121,285
- Severance pay and other employee benefits	34,402	(1,861)	(46,973)	(14,432)
- Other items: Provision for Charges for Workshops	415	93	-	508
<b>Total</b>	<b>156,922</b>	<b>(2,588)</b>	<b>(46,973)</b>	<b>107,361</b>
<b>Balance</b>	<b>91,167</b>	<b>(74,588)</b>	<b>(61,353)</b>	<b>(44,774)</b>

Deferred tax assets recorded an overall increase of Euro 86,380 thousand due to: Euro 14,380 thousand to be referred to the measurement at fair value of the hedging of any risks of changes in interest rates against an entry under equity, Euro 72,000 thousand relating to the recognition of deferred tax assets on past losses, which have already been transferred to the Group's tax consolidation system and which are considered to be recoverable in the 2013 and 2014 financial years, on the basis of the expected positive results.

The tax losses that have already been transferred to the Group's consolidated accounts, which Trenitalia still has the right to offset financially as envisaged in Group procedure (up to 80% of the taxable income) and which was not yet utilised as of 31 December 2012, amount to about Euro 1,478,000 thousand. This value includes tax losses for which the effect of the recognition of deferred tax assets has been determined as specified above.

The overall amount of tax losses currently transferred to the Group's consolidated accounts does not take account of the recalculation of the tax losses for the period arising from the application for the refund of IRES tax, for the higher deduction of IRAP tax, relating to costs for subordinate employees and employees treated as such (Article 2, paragraph 1-*quater*, of Decree Law 201/2011), as explained in Note 11 to "Other non-current and current assets".

Deferred tax liabilities, equal to Euro 107,361 thousand, recorded a decrease of Euro 49,561 thousand. This decrease was essentially due to the adjustment to the provision following the recognition of the actuarial loss on employee benefits (TFR and CLC) to be charged to equity (Euro 46,973 thousand), to which must be added the release of deferred taxes in the income statement, which were entered in previous financial years, for Euro 2,588 thousand, as detailed in the table.

Furthermore, it should be noted that the value of deferred tax assets and liabilities was determined by applying rates of 27.5% for IRES and 4.27% for IRAP taxes (taking account of regional additional taxes).

## 9. Equity investments

The tables below report the amounts of the equity investments in question at the beginning and at the end of the year, as broken down by category, and of the related changes that were recorded in 2012.

	Net value as at 31.12.2011	Net value as at 31.12.2012	Accumulated provision for write-down
<b>Equity investments in</b>			
Subsidiaries	98,535	99,542	6
Companies subject to joint control	94,319	93,569	-
Associates	1,789	1,607	642
Other companies	957	953	3,470
	<b>195,600</b>	<b>195,671</b>	<b>4,118</b>

Below are the changes reported in 2011:

	Net value as at 31.12.2010	Acquisitions / subscriptions	Write-downs / write-backs	Other changes	Net value as at 31.12.2011	Accumulated provision for write-down
<b>Equity investments in subsidiaries</b>	<b>98,535</b>				<b>98,535</b>	<b>6</b>
Serfer Srl	7,088				7,088	
TX Logistik AG	91,410				91,410	
Trenitalia Logistik France S.a.S.	37				37	6
<b>Equity investments in companies subject to joint control</b>	<b>58,569</b>	<b>35,750</b>			<b>94,319</b>	<b>-</b>
Cisalpine AG	55,509				55,509	
Trenord Srl	3,060	35,000			38,060	
Trenitalia Veolia Transdev S.a.S.		750			750	
<b>Equity investments in associates</b>	<b>2,898</b>	<b>450</b>	<b>(799)</b>	<b>(760)</b>	<b>1,789</b>	<b>625</b>
Pol Rail Srl	1,891		(369)		1,522	569
East Rail Srl in liquidation	25		(7)		18	39
Alpe Adria SpA	-	450	(406)		44	
Artesia S.a.s in liquidation	110			(110)	-	
Logistica S.A.	19				19	
Tilo SA	650			(650)	-	
FS Formazione SpA in liquidation	204		(17)		187	17
<b>Other companies</b>	<b>1,056</b>			<b>(99)</b>	<b>957</b>	<b>3,467</b>
Eurogateway S.r.l.	75				75	
Centro Mercati Orte	24				24	28
Consorzio Unico Campania	28				28	
Gestione Servizi Interporto	78				78	
ICF Intercontainer Interfrigo in liquidation	-				-	3,329
Interporto Padova	316				316	
Interporto Amerigo Vespucci	129				129	
Interporto Bergamo Montello-Sibem	35				35	89
Interporto Bologna	204				204	
Verona Cargo Center in liquidation	3				3	7
Consel S.c.a.r.l.	1				1	
Ralpin AG	20				20	
Consorzio Trasporti Integrati	10				10	
Isfort	34				34	14
Consorzio Acquario in liquidation	100			(99)	-	
	<b>161,058</b>	<b>36,200</b>	<b>(799)</b>	<b>(859)</b>	<b>195,600</b>	<b>4,098</b>

Below are the changes reported in 2012:

	Net value as at 31.12.2011	Acquisitions / subscriptions	Write-downs / write-backs	Reclassifications	Other changes	Net value as at 31.12.2012	Accumulated provision for write-down
<b>Equity investments in subsidiaries</b>	<b>98,535</b>	<b>256</b>		<b>751</b>		<b>99,542</b>	<b>6</b>
Serfer Srl	7,088					7,088	
TX Logistik AG	91,410					91,410	
Trenitalia Logistik France S.a.S.	37					37	6
Thello S.a.S.		256		751		1,007	
<b>Equity investments in companies subject to joint control</b>	<b>94,319</b>			<b>(751)</b>		<b>93,569</b>	<b>-</b>
Cisalpino AG	55,509					55,509	
Trenord Srl	38,060					38,060	
Trenitalia Veolia Transdev S.a.S.	750			(751)			
<b>Equity investments in associates</b>	<b>1,789</b>	<b>40</b>	<b>(35)</b>		<b>(187)</b>	<b>1,607</b>	<b>642</b>
Pol Rail Srl	1,522					1,522	568
East Rail Srl in liquidation	18	40	(35)			23	74
Alpe Adria SpA	44					44	
Logistica S.A.	19					19	
FS Formazione SpA in liquidation	187				(187)		
<b>Other companies</b>	<b>957</b>		<b>(4)</b>			<b>953</b>	<b>3,470</b>
Eurogateway S.r.l.	75					75	
Centro Mercè 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	
Verona Cargo Center in liquidation	4		(4)				10
Consel S.c.a.r.l.	1					1	
Ralpin AG	20					20	
Consorzio Trasporti Integrati	10					10	
Isfort	34					34	14
	<b>195,600</b>	<b>296</b>	<b>(39)</b>		<b>(187)</b>	<b>195,671</b>	<b>4,118</b>

Note the following:

- the increase in the value of the equity investment in Thello S.a.s. (formerly Trenitalia Veolia Transdev S.a.s.) on 5 October 2012, through the acquisition of 16.67% of shares at a price corresponding to their par value for an overall amount of Euro 256 thousand. Accordingly, the stake held by Trenitalia increased from 50% to 66.67%, entailing the change of the investing relationship to a subsidiary company;
- the final winding up, on 18 October 2012, of FS Formazione S.p.A. This transaction entailed proceeds of Euro 10 thousand;
- the alignment of the value of some equity investments with their Equity, taking account of the negative operating results.

Below is reported the list of equity investments in subsidiaries, companies subject to joint control and associates and the related comparison between book values and the corresponding portion of equity for the period.

HQ	Share capital	Profit (loss) for the year	Equity as at 31.12.2012	Ownership %	Accrued equity (a)	Carrying amount as at 31.12.2012 (b)	Difference (b) - (a)	
<b>Equity investments in subsidiaries</b>								
Serfer Srl	Genoa, Via Rolla 22r	5,000	523	9,108	100%	9,108	7,088	(2,020)
TX Logistik AG	Bad Honnef, Rhondarfer Str. 85	286	4,436	18,556	100%	18,556	91,409	72,853
Trenitalia Logistik France S.a.S.	Paris, 182 rue Lafayette	43	14	45	100%	45	38	(7)
Thello S.a.S.	Paris, 15 rue des Sablons	1,500	(2,565)	(2,879)	67%	(1,919)	1,007	2,926
						<b>99,542</b>		
<b>Equity investments in companies subject to joint control</b>								
Cisalpine AG (*)	Bern, Fabrikstrasse 35	134,609	(21,135)	173,264	50%	86,632	55,509	(31,123)
Trenord S.r.l.	Milan, Via Pietro Paleocapa 6	76,120	3,183	73,749	50%	36,875	38,060	1,186
						<b>93,569</b>		
<b>Equity investments in associates</b>								
Pol Rail Srl (**)	Rome, Via Mantova 1	2,000	486	3,571	50%	1,786	1,522	(264)
East Rail Srl in liquidation	Trieste, Via Ghega 1	130	(16)	72	32%	23	23	0
Alpe Adria SpA (**)	Trieste, Via S.Caterina da Siena 1	120	15	152	33%	51	44	(7)
Logistica S.A.	Clichy la Garenne Cedex, Cap West 7/9 Allées d l'Europe	37	(317)	2,794	50%	1,397	18	(1,379)
						<b>1,607</b>		
<b>TOTAL</b>						<b>194,718</b>		

(\*)2012 average Swiss France exchange rate: 1.2053; as at 31/12/2012: 1.2072

As regards the equity investment in TX Logistik AG the positive difference is to be considered to be fully recoverable as it reflects the company's ability to generate income, which is estimated on the business plan of the same. For the equity investment in Thello S.a.s the value was not adjusted as the result for the period does not represent the actual company's profitability prospects, as it is still to be considered in a start-up phase, taking account of delays in the start of full operations.

Below is the schedule according to IAS 28.37 letter b), which summarises the economic and financial data, including the total assets, liabilities, revenues, costs and the result for the year of jointly-controlled companies and associated companies.

	Ownership %	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenues	Costs	Profit/(loss)
<b>Equity investments in companies subject to joint control</b>										
Cisalpine AG (**)	50%	183,818	389,065	572,883	379,859	193,023	572,882	28,149	26,897	1,252
Trenord S.r.l.	50%	321,748	182,288	504,036	281,269	143,729	424,998	673,149	665,461	7,688
Trenitalia Veolia Transdev	50%	5,000	420	5,420	4,118	1,616	5,734	1,306	3,118	(1,812)
<b>Equity investments in associates</b>										
Pol Rail Srl	50%	6,658	183	6,841	3,684	73	3,757	14,695	14,675	20
East Rail Srl in liquidation	32%	52	1	53	38	15	53	14	71	(57)
Alpe Adria SpA	33.33%	9,088	59	9,147	8,957	53	9,010	37,428	37,422	6
Logistica S.A.	50%	1,468	3,081	4,549	1,438	3,111	4,549	165	(87)	78
<b>31.12.2011</b>										
<b>Equity investments in companies subject to joint control</b>										
Cisalpine AG (**)	50%	172,015	5,741	177,756	4,492	-	4,492	63,965	85,100	(21,135)
Trenord S.r.l.	50%	299,558	187,709	487,267	319,011	94,508	413,519	737,107	733,924	3,183
<b>Equity investments in associates</b>										
Pol Rail Srl	50%	8,709	365	9,074	5,402	100	5,502	19,711	19,225	486
East Rail Srl in liquidation	32%	96	1	97	25	72	97	10	26	(16)
Alpe Adria SpA	33.33%	9,957	56	10,013	9,799	62	9,861	37,425	37,410	15
Logistica S.A.	50%	788	2,762	3,550	755	2,795	3,550	247	564	(317)
<b>31.12.2012</b>										

## 10. Current and non-current financial assets (including derivatives)

The table below reports the breakdown of financial assets compared to the previous financial year:

	31.12.2012			Book value 31.12.2011			Differences		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
	<b>Financial assets</b>								
- Receivables for loans	23,923	2,352	26,275	23,203	703	23,906	720	1,649	2,369
	<b>23,923</b>	<b>2,352</b>	<b>26,275</b>	<b>23,923</b>	<b>703</b>	<b>23,906</b>	<b>720</b>	<b>1,649</b>	<b>2,369</b>

The increase in current and non-current financial assets was essentially attributable to prepaid expenses calculated on fees (Upfront fees) paid in advance for the credit line of Euro 600,000 thousand granted by the Parent Company, which will expire on 4 March 2014, equal to Euro 2,339 thousand (of which a current portion of Euro 1,999 thousand and a non-current portion of Euro 340 thousand), an increase that was partially offset by the repayment of a portion of the loan granted to Logistica SA (Euro 350 thousand).

The table below summarises the breakdown of the receivables for loans:

	Residual Receivable					
	31.12.2012			31.12.2011		
	Non-current	Current	Total	Non-current	Current	Total
From Banks	833	-	833	453	-	453
Trenord Srl	22,750	3	22,753	22,750	3	22,753
Ferrovie dello Stato Italiane SpA	340	1,999	2,339	-	-	-
Logistica SA	-	350	350	-	700	700
<b>Total</b>	<b>23,923</b>	<b>2,352</b>	<b>26,275</b>	<b>23,203</b>	<b>703</b>	<b>23,906</b>

## 11. Other non-current and current assets

This item is broken down as follows:

	31.12.2012			31.12.2011			Differences		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Other receivables from group companies		136,054	136,054		20,099	20,099		115,955	115,955
VAT receivables from the controlling company	4,851	6,593	11,444	84,185	127	84,312	(79,334)	6,466	(72,868)
Receivables for the consolidated tax base		13,926	13,926		2,904	2,904		11,022	11,022
Other VAT receivables	3	7	10		1	1	3	6	9
Other State administrations	23,098	5,729	28,827	22,836	3,839	26,675	262	1,890	2,152
Sundry receivables and accruals /deferrals	981	33,818	34,799	748	22,607	23,355	233	11,211	11,444
<b>Total</b>	<b>28,933</b>	<b>196,127</b>	<b>225,060</b>	<b>107,769</b>	<b>49,577</b>	<b>157,346</b>	<b>(78,836)</b>	<b>146,550</b>	<b>67,714</b>
Provision for write-downs		(2,027)	(2,027)		(995)	(995)		(1,032)	(1,032)
<b>Total, net of Provision for write-down</b>	<b>28,933</b>	<b>194,100</b>	<b>223,033</b>	<b>107,769</b>	<b>48,582</b>	<b>156,351</b>	<b>(78,836)</b>	<b>145,518</b>	<b>66,682</b>

The item "Other non-current and current assets" mainly includes:

- non-trade receivables from group companies, equal to Euro 136,054 thousand; for detailed disclosures on transactions with the same, reference is made to the paragraph on related parties;
- VAT receivables from the controlling company, equal to Euro 11,444 thousand, which mainly decreased as a result of the refund by the controlling company of the VAT relating to 2008-2009;
- the receivable from the controlling company for tax consolidation, equal to Euro 13,926 thousand, includes: a receivable of Euro 2,476 thousand, which originated in the application for IRES tax refund, provided for in article 2 of decree law no. 201/2011 (Monti Decree), as supplemented by decree law no. 16 of 2012, for the higher deduction of IRAP tax, relating to costs for subordinate employees and employees treated as such for 2011. The application was submitted, together with the consolidating company, and showed a recalculation of tax losses for the period, which had already been recognized in the Group's Consolidated accounts, for more than Euro 300 million; a receivable for 2012 IRES tax advances (Euro 12,993 thousand), net of the IRES tax due in the financial year (Euro 8,113 thousand);
- receivables from Other State administrations, equal to Euro 28,827 thousand, relating to receivables from the Ministry of Infrastructures and Transport, for grants correlated to the Autostrada Ferroviaria Alpina project (of which a non-current portion of Euro 23,098 thousand and a current portion of Euro 5,729 thousand);
- other receivables, equal to Euro 34,799 thousand, which include: receivables from social security institutions (Euro 5,809 thousand); receivables from personnel (Euro 4,214 thousand), sundry receivables from the distributors of tickets for regional traffic (Euro 4,688 thousand); receivables for recovery of VAT on transactions with other countries (Euro 4,868 thousand) and advances to suppliers (Euro 11,042 thousand).

The increase in "Other non-current and current assets", equal to Euro 67,714 thousand, is essentially due to the increase in the receivables from the subsidiary Cisalpino as a result of the Split and Assignment

Agreement whereby Trenitalia took over the debt to Eurofima in order to allow the loan for the purchase of the rolling stock to remain in being (Euro 117,260 thousand), as largely detailed in the report on operations to which reference is made, which was partially offset by the effect of the reduction in the VAT receivables from the controlling company (Euro 72,868 thousand).

It should be noted that the recoverable value of receivables from third parties was adjusted by the corresponding provision for bad debts (Euro 2,027 thousand).

The maximum exposure to credit risk, as broken down by geographical area, is the following one:

	31.12.2012			31.12.2011			Differences		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
National	28,933	68,005	96,938	107,769	31,335	139,104	(78,836)	36,670	(42,166)
Eurozone countries		7,315	7,315		14,843	14,843		(7,528)	(7,528)
United Kingdom		26	26		13	13		13	13
Other European countries (non-euro EU)		7	7		489	489		(482)	(482)
Other non-EU European countries		120,773	120,773		2,897	2,897		117,876	117,876
Other countries		1	1					1	1
	<b>28,933</b>	<b>196,127</b>	<b>225,060</b>	<b>107,769</b>	<b>49,577</b>	<b>157,346</b>	<b>(78,836)</b>	<b>146,549</b>	<b>67,713</b>

## 12. Inventories

Inventories are broken down as follows:

	31.12.2012	31.12.2011	Differences
Raw and secondary materials, and consumables	873,152	875,604	(2,452)
Provision for write-down	(218,601)	(223,220)	4,619
<b>Net value</b>	<b>654,551</b>	<b>652,384</b>	<b>2,167</b>
Written-off assets to be disposed of	16,496	15,709	787
Provision for write-down	(10,141)	(13,435)	3,294
<b>Net value</b>	<b>6,355</b>	<b>2,274</b>	<b>4,081</b>
<b>Total Inventories</b>	<b>660,906</b>	<b>654,658</b>	<b>6,248</b>

Inventories of Raw and secondary materials and consumables compared to the previous financial year remained almost unchanged (a decrease of Euro 2,452 thousand). Against the reduction in inventories, their net value increased as a result of the reduction in the provision for write-down, as it was used for Euro 16 million in 2012, to cover the scrapping of stock materials and replenished for Euro 12 million according to the procedures adopted by the company. Written-off assets to be disposed of, net of the related provision, represent the presumed realisable value estimated by the competent structures for the rolling stock which has come back to railway operation.

### 13. Current trade receivables

Trade receivables are broken down as follows:

	31.12.2012	31.12.2011	Differences
Ordinary customers			
- Customers	287,307	292,515	(5,208)
- Receivables for travel irregularities	153,666	139,035	14,631
State Administrations and other Public Administrations	61,664	52,516	9,148
Foreign Railways	27,604	34,173	(6,569)
Railways under concession	9,004	9,133	(129)
Agencies and other transport agencies	26,698	34,407	(7,709)
Receivables from Service Contracts:			
- Service Contract with Regional Governments	1,077,448	620,163	457,285
- Service Contract with the Government	398,121	385,710	12,411
Receivables from Group companies	277,332	335,588	(58,256)
<b>Total</b>	<b>2,318,844</b>	<b>1,903,240</b>	<b>415,604</b>
Provision for write-down	(220,353)	(219,584)	(769)
<b>Total net provision</b>	<b>2,098,491</b>	<b>1,683,656</b>	<b>414,835</b>

The increase in receivables compared to the previous financial year, equal to Euro 414,835 thousand, was substantially attributable to the combined effect of:

- an increase in receivables from Regional Governments (Euro 457,285 thousand) for local passenger transport service contracts, following the extension of the periods of time for the payment of considerations;
- a decrease in receivables from Group companies for Euro 58,256 thousand, following a better financial settlement that took place in the year.

It should be noted that, excluding the Ministry of Economy and Finance and Regional Governments, transactions with individual ordinary customers did not exceed 10% of revenues of Trenitalia.

For detailed disclosures on trade receivables from related parties, reference is made to the specific note of this document.

Below is reported the maximum exposure to the credit risk, as broken down by geographical region:

	31.12.2012	31.12.2011	Differences
National regions	2,250,044	1,850,040	400,004
Eurozone countries	52,339	33,489	18,850
United Kingdom	193	56	137
Other European countries (non-Euro EU)	712	6,505	(5,793)
Other non-EU European Countries	15,449	10,996	4,453
United States		204	(204)
Other countries	107	1,950	(1,843)
<b>Total</b>	<b>2,318,844</b>	<b>1,903,240</b>	<b>415,604</b>

The provision for bad debts recorded an increase, compared to the previous financial year, whose change is reported below:

<b>Provision for write-down of trade receivables</b>	<b>31.12.2011</b>	<b>Provisions</b>	<b>Uses</b>	<b>Reclassifications</b>	<b>31.12.2012</b>
Ordinary customers					
- Customers	39,412	1,306	(9,639)	(252)	30,827
- Receivables for travel irregularities	135,531	27,531	(12,900)		150,162
State Administrations and other Public Administrations	14,316		(1,015)	(316)	12,985
Foreign Railways	1,133			(1,133)	0
Railways under concession	6				6
Agencies and other transport agencies	19,250		(3,521)	306	16,035
Receivables from Group companies	9,936	39		363	10,338
<b>Total</b>	<b>219,584</b>	<b>28,876</b>	<b>(27,075)</b>	<b>(1,032)</b>	<b>220,353</b>

The provision for 2012 is almost fully referred to the increase recorded in the provision for the coverage of travel irregularities (Euro 27,531 thousand).

## 14. Cash and cash equivalents

The item is broken down as follows:

<b>Description</b>	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>Differences</b>
Bank and postal accounts	1,587	811	776
Cheques	2	2	0
Cash and cash on hand	49,579	37,577	12,002
Treasury current accounts	10,343	569,452	(559,109)
<b>Total</b>	<b>61,511</b>	<b>607,842</b>	<b>(546,331)</b>

The reduction in cash and cash equivalents, equal to Euro 546,331 thousand, was mainly correlated to the reduction in the item "treasury current accounts" (Euro 559,109 thousand), as a result of the crediting on the inter-company current account of the portion of the fees relating to the service contract with the Regional Governments (Euro 569,452 thousand) which the Ministry of Economy and Finance paid at the end of 2011 on the treasury current account registered in the name of Ferrovie dello Stato Italiane. This was cleared for collection on the banking system at the beginning of 2012 and it was partly offset by the Ministry's payment, at the end of 2012, of the portion of the AFA contribution and the sale of rolling stock to the Ministry for Infrastructures and Transport, amounting to Euro 10,343 thousand, which was to be cleared by the banking system at the beginning of 2013.

The positive balance of "bank and postal accounts" relates to receipts and payments in transit that have been settled by the banks on a date after the end of the financial year and that, therefore, have not passed through the daily cash pooling system operating between the Controlling Company and the Company.

The item "cash and cash on hand" represents the share of receipts from ticket offices paid into the current bank accounts of the Company by 31 December 2012, but that the credit institutions credited on a subsequent date of transaction.

## **15. Tax receivables**

Tax receivables, equal to Euro 2,746 thousand, showing an increase of Euro 2,569 thousand compared to 2011, represent the IRAP tax credit for self-taxation on account for 2012 (Euro 85,257 thousand), net of IRAP tax payable in the year (Euro 82,688 thousand).

## **16. Equity**

The changes recorded in 2011 and 2012 for the equity items are reported analytically in the statement reported after the financial statement schedules.

### **Share capital**

At 31 December 2012 the share capital of the Company, which was fully subscribed and paid up, was made up of 3,308,928 ordinary shares, with a par value of Euro 500 each, for a total of Euro 1,654,464 thousand.

### **Reserve for change in fair value on derivatives (Cash Flow Hedge)**

The cash flow hedge reserve, which includes the effective portion of the cumulative net change in the fair value of cash flow hedge instruments derivatives relating to related transactions that have not yet taken place. This Reserve as at 31 December 2012 showed a negative balance of Euro 211,266 thousand; this amount increased, compared to 31 December 2011, for an amount equal to Euro 37,912 thousand.

### **Reserve for actuarial gains (losses) for employee benefits**

The reserve for actuarial gains (losses) for employee benefits includes the effects of the actuarial changes in the Severance Pay and in the Free Travel Card. The actuarial loss for the 2012 financial year was equal to Euro 127,640 thousand, compared to the actuarial loss of Euro 13,360 thousand reported as at 31 December 2011. This increase was essentially connected to the reduction in the discount rate of liabilities for employee benefits considered as at 31 December 2012 compared to 31 December 2011.

### **Legal reserve**

The legal reserve, which aims at covering share capital against any losses that may arise, is set up through the allocation of 5% of annual net profits, up to an amount equal to the fifth of the share capital. At 31 December 2012 it was equal to Euro 12,454 thousand, following the attribution of the share of profit of the 2011 financial year, equal to Euro 7,818 thousand.

### **Sundry reserves**

This item includes the revaluation reserve that was set up in 2008, pursuant to article 15, paragraphs 16 and 23, of Decree Law no. 185/2008 (so-called Anti-Crisis Decree Law), as converted by Law no. 2 of 28 January 2009, following the revaluation of some workshop complexes deriving from the FRE demerger, on the basis of the surplus values specified in the expert's report. The revaluation, as required by paragraph 18 of the abovementioned Decree, was set up net of the Provision for deferred taxes and, at 31 December 2012, it amounted to Euro 177,084 thousand.

## Profits (losses) carried forward

Losses carried forward, equal to Euro 89,630 thousand, showed a decrease of Euro 148,551 thousand in the 2012 financial year, as a result of the allocation of 2011 profit, equal to Euro 156,369 thousand, net of the portion allocated to Legal Reserve equal to Euro 7,818 thousand.

## Profit for the year

The 2012 financial year reported a net profit equal to Euro 206,424 thousand.

## Availability of Reserves

The table below specifies the origin, availability and distributability of Equity items, as well as their use in the three previous years:

Origin	Amounts as at 31.12.2012 (a+b)	Unavailable share (a)	Available share (b)	Distributable share of b	Summary of uses in the three previous years			
					Capital increase	Coverage of losses	Distribution to shareholders	Other
<b>Share Capital</b>	1,654,464	1,654,464	-	-	-	-	-	-
<b>Capital reserves:</b>								
Revaluation Reserve (L.D. 185/2008)	177,084	-	177,084	-	-	-	-	-
Reserve for FV change on CHF Derivatives	(211,266)	(211,266)	-	-	-	-	-	-
Reserve for actuarial gains (losses) for employee benefits	(132,150)	(132,150)	-	-	-	-	-	-
<b>Retained earnings:</b>								
Legal reserve	12,454	12,454	-	-	-	-	-	-
Profits (losses) carried forward	(89,630)	(89,630)	-	-	-	-	-	-
<b>TOTAL</b>	<b>1,410,956</b>	<b>1,233,872</b>	<b>177,084</b>	-	-	-	-	-

## 17. Other comprehensive income

The section of the financial statement schedules reports the Statement of comprehensive income that shows the other components of the comprehensive income, net of the tax effect. These components of the statement of comprehensive income summarise the effects of the reserve for change in fair value of hedging derivatives of interest rate risk (cash flow hedge) and of the reserve for actuarial gains/(losses) for employee benefits.

Below are reported the related changes, specifying the related tax effect:

	31.12.2012			31.12.2011		
	Gross amount	Tax effect	Net amount	Gross amount	Tax effect	Net amount
Effective portion of changes in fair value of cash flow hedges	(52,293)	14,381	<b>(37,912)</b>	(41,000)	11,275	<b>(29,725)</b>
Profits (Losses) relating to actuarial benefits	(174,612)	46,972	<b>(127,640)</b>	(18,528)	5,168	<b>(13,360)</b>
<b>Other comprehensive income for the year</b>	<b>(226,905)</b>	<b>61,353</b>	<b>(165,552)</b>	<b>(59,528)</b>	<b>16,443</b>	<b>(43,085)</b>

The cash flow hedge reserve recorded a gross negative change of Euro 52,293 thousand as a result of the changes in the fair value of derivative financial instruments hedging the risk of fluctuations in interest rates (IRS and Collars) held in the portfolio at 31 December 2012, which was offset by a positive change of Euro 14,381 thousand concerning the corresponding deferred tax assets generated.

The actuarial valuation of liabilities for employee benefits (TFR and CLC) determined an overall negative change (equal to Euro 127,640 thousand), relating to the recognition of actuarial losses of Euro 174,612 thousand and of the corresponding tax effect of an opposite sign equal to Euro 46,972 thousand.

## 18. Medium/long-term and short-term loans

	Book value		
<b>Medium/ long term loans</b>	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>Differences</b>
Loans from banks	2,075,000	2,158,333	(83,333)
Payables to shareholders for group loans	2,809,697	3,292,400	(482,703)
<b>Total</b>	<b>4,884,697</b>	<b>5,450,733</b>	<b>(566,036)</b>
<b>Short-term loans</b>	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>Differences</b>
Loans from banks (short-term)	1,370	-	1,370
Payables to shareholders for group loans (short-term)	55,447	61,453	(6,006)
<b>Total</b>	<b>56,817</b>	<b>61,453</b>	<b>(4,636)</b>
<b>Current portion of medium / long term loans</b>	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>Differences</b>
Loans from banks (short-term)	83,926	85,079	(1,153)
Payables to shareholders for group loans (short-term)	600,127	81	600,046
<b>Total</b>	<b>684,053</b>	<b>85,160</b>	<b>598,893</b>
<b>Total</b>	<b>5,625,567</b>	<b>5,597,346</b>	<b>28,221</b>

This item includes medium/long-term and short-term loans from the Controlling Company and the Banks. The overall increase, equal to Euro 28,221 thousand, was mainly due to the replacement of Cisalpino in the Eurofima loan, through FSI S.p.A., for the purchase of rolling stock, following the transaction referred to in the Report; this loan, obtained through the Parent Company, was equal to Euro 117,297 thousand, which was partially offset by the repayment of Euro 83,334 thousand against the bank loan granted by Banca Infrastrutture Innovazione e Sviluppo (former Opi).

In particular, the medium/long-term portion of loans was equal to Euro 4,884,697 thousand (Euro 5,450,733 thousand as at 31 December 2011), showing a reduction of Euro 566,036 thousand, mainly as a result of the short-term reclassification of the loan of Euro 600,000 thousand from the parent company expiring on 5 September 2013, which was partially offset by the new loans of Cisalpino for CHF 81,000 thousand and Euro 50,200 thousand (Euro 117,297 thousand) and for the short-term reclassification of the two capital quotas, each of which is equal to Euro 41,667 thousand, which, in May and November 2013, will be repaid relating to the bank loan granted by Banca Infrastrutture Innovazione e Sviluppo (former Opi).

Short-term loans, equal to Euro 56,817 thousand (Euro 61,453 thousand as at 31 December 2011) decreased by Euro 4,636 thousand, mainly as a result of the reduction in the short-term bank withdrawal towards the Parent Company.

This item also includes the accruals calculated on the loans themselves.

The table below summarises the terms and conditions of all medium/long-term loans:

Creditor	Currency	Nominal Interest Rate	Year of expiry	31.12.2012		31.12.2011	
				Nominal value	Nominal value	Nominal value	Nominal value
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2013	€ 600,000	€	600,000	
FERROVIE DELLO STATO ITALIANE	EUR	3.885%	2014	€ 7,700	€	-	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2015	€ 165,300	€	165,300	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2015	€ 83,000	€	83,000	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2016	€ 310,000	€	310,000	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2016	€ 194,000	€	194,000	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2016	€ 32,300	€	32,300	
EUROPEAN INVESTMENT BANK	EUR	6-month Euribor +/- Spread	2017	€ 600,000	€	600,000	
EUROPEAN INVESTMENT BANK	EUR	6-month Euribor +/- Spread	2018	€ 325,000	€	325,000	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2018	€ 200,000	€	200,000	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2018	€ 200,000	€	200,000	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2018	€ 149,400	€	149,400	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2018	€ 62,700	€	62,700	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2019	€ 160,000	€	160,000	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2019	€ 183,000	€	183,000	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2020	€ 62,700	€	62,700	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2020	€ 47,400	€	47,400	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2022	€ 120,000	€	120,000	
BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO	EUR	6-month Euribor +/- Spread	2022	€ 533,333	€	586,667	
BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO	EUR	6-month Euribor +/- Spread	2022	€ 300,000	€	330,000	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2024	€ 122,200	€	122,200	
BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO	EUR	6-month Euribor +/- Spread	2024	€ 400,000	€	400,000	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2025	€ 42,500	€	-	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2026	€ 190,000	€	190,000	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2026	€ 100,000	€	100,000	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2026	€ 116,000	€	116,000	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2027	€ 128,700	€	128,700	
FERROVIE DELLO STATO ITALIANE	EUR	6-month Euribor +/- Spread	2027	€ 65,700	€	65,700	
<b>Totale EUR loans</b>				<b>€ 5,500,933</b>	<b>€</b>	<b>5,534,067</b>	
FERROVIE DELLO STATO ITALIANE	CHF	2.606%	2016	CHF 12,500	CHF	-	
FERROVIE DELLO STATO ITALIANE	CHF	2.900%	2017	CHF 23,500	CHF	-	
FERROVIE DELLO STATO ITALIANE	CHF	2.675%	2020	CHF 45,000	CHF	-	
<b>Total CHF loans</b>				<b>CHF 81,000</b>	<b>CHF</b>	<b>-</b>	
<b>Counter-value in Euro</b>				<b>€ 67,097</b>	<b>€</b>	<b>-</b>	
<b>Total loans</b>				<b>€ 5,568,030</b>	<b>€</b>	<b>5,534,067</b>	

## 19. Severance pay and other employee benefits

	31.12.2012	31.12.2011
Present value of severance pay obligations	1,077,427	974,469
Present value of Free Travel Card obligations	16,676	12,928
<b>Total present value of severance pay and FTC obligations</b>	<b>1,094,103</b>	<b>987,397</b>
Other employee Benefits	115	130
<b>Total severance pay and other employee benefits</b>	<b>1,094,218</b>	<b>987,527</b>

The table below illustrates the changes that were recorded in the present value of liabilities for defined benefit obligations for TFR and CLC:

<b>Severance pay (TFR)</b>	<b>2012</b>	<b>2011</b>
Defined benefit obligations at 1 January	974,469	1,074,354
Interest cost (*)	37,961	44,469
Actuarial (gains) losses recognised in equity	170,809	18,793
Advances and uses	(105,812)	(163,147)
<b>Severance pay liabilities at 31 December</b>	<b>1,077,427</b>	<b>974,469</b>
<b>Free travel card (CLC)</b>		
Defined benefit obligations at 1 January	12,928	13,067
Service cost (**)	119	165
Interest cost (*)	586	636
Actuarial (gains) losses recognised in equity	3,804	(265)
Advances and uses	(761)	(676)
<b>Free Travel Card liabilities at 31 December</b>	<b>16,676</b>	<b>12,928</b>

(\*) with recognition through P & L

(\*\*) expected present value of benefits payables in the future

The use of the provision for TFR, equal to Euro 105,812 thousand, was generated from benefits paid to the personnel leaving the Company in the course of the financial year, advances and transfers of employees from or to other Group companies. The difference between the value of the expected allocations at the end of the period of observation 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 regular staff resulting at that date and of the new valuation assumptions, constitutes the amount of actuarial gains/(losses).

In the current financial year, this item generated, for the provision for TFR, actuarial losses of Euro 170,809 thousand compared to the actuarial loss of Euro 18,793 thousand in 2011. This change was mainly due to the reduction in the discount rate of the TFR liability (2.05% at 31 December 2012 compared to 4.05% at 31 December 2011).

The Free Travel Card constitutes a defined benefit plan for the employees of the Company and consists of the possibility of making use, free of charge, of the railway services provided by the Company, except for the payment of the right of admission for some additional products or services. The present value of the benefit was determined by using actuarial techniques and was equal to Euro 16,676 thousand at 31 December 2012, compared to Euro 12,928 thousand at 31 December 2011. The Free Travel Card also generated actuarial losses of Euro 3,804 thousand compared to actuarial gains of Euro 265 thousand in 2011. This change was mainly due to the reduction in the discount rate of the CLC liability (2.7% at 31 December 2012 compared to 4.6% at 31 December 2011).

Other employee benefits at 31 December 2012, equal to Euro 115 thousand (Euro 130 thousand at 31 December 2011), are made up of a supplementary insurance policy towards the staff.

## Actuarial assumptions

Below are reported the main assumptions made for the actuarial estimate process:

	31.12.2012	31.12.2011
Discount rate of Severance Pay	2.05%	4.05%
Discount rate of Free Travel Card	2.7%	4.6%
Annual increase rate of Severance Pay	3%	3%
Rate of inflation	2%	2%
Expected turnover rate of employees	3%	2%
Expected rate of advances	2%	2%
Mortality	Mortality tables RG48 published by the General Accounting Office	
Disability	INPS tables broken down by age and gender	
Retirement age	100% subject to meeting the Compulsory General Insurance requirements	

The assumptions relating to the expected mortality are based on statistics published by the General Accounting Office (*Ragioneria Generale dello Stato*), while the assumptions relating to disability are based on the INPS tables broken down by age and gender.

## 20. Provision for risks and charges

The table below reports the amounts at the beginning and at the end of the year and the changes recorded in provisions for risks and charges for 2012, showing the short-term portion.

Description	31.12.2011	Provisions	Uses and other changes	Release of excess provisions	Reclassifications	31.12.2012
Provision for industrial reorganisation	28,794	162,839			(20,443)	171,190
Other provisions:						
Other Provisions for Personnel	236,738		(106,375)	(128,977)	(1,386)	0
Provision for Charges for Workshops:	18,523		(701)			17,822
<i>of which short-term portion</i>	<i>6,584</i>		<i>(364)</i>		<i>(4,671)</i>	<i>1,549</i>
Provisions for risks and charges	114,890	12,423	(29,412)	(6,915)		90,986
<b>Total non-current and current portions</b>	<b>398,945</b>	<b>175,262</b>	<b>(136,488)</b>	<b>(135,892)</b>	<b>(21,829)</b>	<b>279,998</b>

The Provision for Industrial reorganisation (Euro 171,190 thousand) recognises the forecast expenditure necessary to implement income support policies. This provision is provided for under law 449/97 and the subsequent agreements that have made the "Fund for the pursuit of active policies in support of income and employment for the personnel of the Companies in the Ferrovie dello Stato Italiane Group" operational. This Fund constitutes for the Group, in the absence of traditional social shock absorbers, a fundamental instrument for managing the further phase of business restructuring and reorganisation. During the 2012 financial year an amount of Euro 162,839 thousand was set aside in relation to the required commitments, both relating to the completion of the 2012 projects and to the 2013 projects to be started. Euro 20,443 thousand was also reclassified as payables to INPS: this amount resulted both from the updating of the pensions positions of the former employees that had access to the Fund during 2011 in accordance with the new pensions regulations and the special benefits to pay in coming years to the personnel that had access to the Fund during 2012.

The other provisions for staff costs were zeroed as of 31 December 2012, after the new company collective agreement was signed on 20 July 2012. Euro 106,375 thousand of the amount in the provision, equal to Euro 236,738 thousand, was used to cover actual staff costs after the renewal, Euro 128,977 thousand was recognised in the income statement and Euro 1,386 thousand was paid to Trenord for personnel that moved to this company after the contribution of the branch of business.

The Provision for Charges for Workshops (Euro 17,822 thousand) did not report significant changes in the financial year; it should be noted that the short-term portion was equal to Euro 1,549 thousand.

At 31 December 2012 the Provision for Risks and Charges was equal to Euro 90,986 (Euro 114,890 thousand at 31 December 2011) and was broken down as follows:

- labour litigation for Euro 15,745 thousand (Euro 21,982 thousand as at 31 December 2011) concerning charges estimated against disputes before or out of court concerning labour issues pertaining to the company; specifically, this item includes disputes in the current financial year, which mainly involved the

following cases: subcontract of workers, higher duties, on-the-job training contract (CFL, *Contratto di formazione lavoro*) and length of service;

- any possible penalties to Regional Governments for Euro 14,192 thousand (Euro 18,037 thousand as at 31 December 2011) as to the quality of the transport services rendered in relation to the Service Contract;
- civil litigation for disputes and other risks connected to customer relations and towards third parties for Euro 61,049 thousand (Euro 74,871 thousand as at 31 December 2011), which could have an unfavourable outcome for the company.

The Provision for Risks and Charges was adjusted by Euro 12,423 thousand in 2012, relating to: (a) labour litigation for Euro 6,900 thousand; (b) any possible objections by the Regional Governments for Euro 5,500 thousand; (c) disputes and any other risks connected to customer relations and towards third parties for Euro 23 thousand.

Finally, this provision was used for Euro 36,327 thousand: penalties payable in relation to the cargo sector (Euro 1,839 thousand), the penalties acknowledged to the Regional Governments for Service Contracts (Euro 9,345 thousand), the charges incurred against disputes in court or out of court concerning labour issues pertaining to the Company (Euro 13,137 thousand), the disputes with other third parties that have been settled unfavourably for the company (Euro 5,091 thousand), while it was released for surpluses for Euro 6,915 thousand against risks that had been assessed in previous periods and that no longer existed.

## 21. Non-current and current financial liabilities (including derivatives)

	31.12.2012			31.12.2011			Differences		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
<b>Financial liabilities</b>									
Hedging derivatives financial instruments	248,874	69,414	318,288	242,070	17,196	259,266	6,804	52,218	59,022
Other financial liabilities	-	801,342	801,342	-	899,471	899,471	-	(98,129)	(98,129)
	<b>248,874</b>	<b>870,756</b>	<b>1,119,630</b>	<b>242,070</b>	<b>916,667</b>	<b>1,158,737</b>	<b>6,804</b>	<b>(45,911)</b>	<b>(39,107)</b>

The item "Hedging derivative financial instruments" reports the overall value of the transactions of Interest Rate Swaps (IRS) and Interest Rate Collars, as calculated according to the standard market valuation formulas (fair value) entered into by the Company to cover fluctuations in interest rates on medium/long-term loans at variable rate. The overall fair value, equal to Euro 318,288 thousand, was calculated in relation to all the transactions in place as at 31 December 2012 and showed an increase of Euro 59,022 thousand compared to the previous year.

The fair value of hedging derivatives is attributable to level 2 on the basis of the fair value hierarchy laid down in IFRS 7.

During 2012 all the exchange risk hedges matured. These were forwards that had been bought in order to hedge payables denominated in YEN.

The item "Other financial liabilities" mainly reports the debit balance of the intercompany current account, equal to Euro 800,930 thousand (Euro 897,426 as at 31 December 2011), which showed a decrease of Euro 96,496 thousand compared to the previous year as a result of the fact that on the reporting date less cash in hand was required than on the previous year's reporting date.

## 22. Other non-current and current liabilities

Other non-current and current liabilities were broken down as follows:

	31.12.2012			31.12.2011			Differences		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Payables to Social Security Institutions		132,273	132,273		122,741	122,741		9,532	9,532
VAT payables		79,190	79,190		45,101	45,101		34,089	34,089
Other payables to Group companies		38,192	38,192		29,598	29,598		8,594	8,594
Payables for the consolidated tax base		0	0		16,930	16,930		(16,930)	(16,930)
Other payables and accrued expenses and deferred income	25,917	365,384	391,301	69,799	320,620	390,419	(43,882)	44,764	882
<b>Total</b>	<b>25,917</b>	<b>615,039</b>	<b>640,956</b>	<b>69,799</b>	<b>534,990</b>	<b>604,789</b>	<b>(43,882)</b>	<b>80,049</b>	<b>36,167</b>

Other current liabilities showed an increase of Euro 80,049 thousand compared to 2011, which was essentially attributable to the changes in the following items:

- the increase in the item "Payables to Social Security Institutions" includes the payable for social security deductions to be charged by the personnel and by the employer that are still to be paid, the amount of contributions calculated on the wages due to personnel that have been assessed, but not yet paid, as well as payables for early retirements pursuant to law no. 141/1990 relating to charges for extraordinary contributions to the INPS Special Fund;
- the increase recorded in "VAT payables", equal to Euro 34,089 thousand, is attributable to the increase in the deferred VAT payable on the invoices issued to the Public Administration that becomes payable only at the time of the collection;
- the settlement of "Payables for consolidated tax base" of Euro 16,930 thousand to the Parent Company;
- the increase in "Payables to group companies (Euro 8,594 thousand) is essentially attributable to the transfer of some staff members to RFI.

For an analysis of relations with Group companies, reference is made to the annex on related parties.

"Other payables and accrued expenses and deferred income" include:

- payables to the bilateral management Fund equal to Euro 65,605 thousand (of which Euro 25,917 thousand beyond the year), which decreased by Euro 33,797 thousand compared to the previous year as a result of the difference between the settlement of 2012 cheques (Euro 54,240 thousand) and the activation of the 2012 projects to be paid for in coming years (Euro 20,443 thousand);
- payables to personnel for Euro 188,203 thousand; the increase of Euro 36,440 thousand is mainly due to extra payments to staff during the year after the renewal of the collective labour agreement, particularly the performance bonus, which is to be distributed in 2013;
- payables for withholding taxes for IRPEF purposes for Euro 51,831 thousand;
- deferred income of Euro 36,051 thousand, which essentially related to deferred revenues related to the customer loyalty campaign and advance sales of tickets.

## 23. Current trade payables

The item is broken down as follows:

	31.12.2012	31.12.2011	Differences
Payables to suppliers	868,751	781,665	87,086
Commercial advances	343	271	72
Trade payables to Group companies	1,120,236	1,000,541	119,695
<b>Total</b>	<b>1,989,330</b>	<b>1,782,477</b>	<b>206,853</b>

As regards trade payables to Group companies, reference is made to the paragraph on related parties.

The increase in the item "trade payables", compared to the previous financial year, equal to Euro 206,853 thousand, is mainly attributable to the transaction with Cisalpino for the purchase of rolling stock (ETR 610) for Euro 147,581 thousand which is being settled.

The remaining difference is attributable to the ordinary dynamics of the payables arising from contracts executed for supplies and provisions of goods and services.

## **24. Income tax payables**

This item recognises the IRAP tax debt, which was set to zero at 31 December 2012 following the payment, in February 2012, of the payable for the consent to the assessment (*adesione al contraddittorio*) issued by the Regional Head Office pursuant to article 5, paragraph 1-*bis* of legislative decree no. 218/1997 (Euro 11,464 thousand), and of the payment, in June, of the 2011 IRAP tax balance (Euro 6,218 thousand).

## Information on the Income Statement

### 25. Revenues from sales and services

The tables and comments below report the breakdown of the items that make up revenues from sales and services.

	2012	2011	Changes
<b>Revenues from the Transport Services</b>	<b>5,129,307</b>	<b>5,277,097</b>	<b>(147,790)</b>
Market revenues	3,107,115	3,226,133	(119,018)
<i>Passenger traffic products</i>	<i>2,613,165</i>	<i>2,701,305</i>	<i>(88,140)</i>
<i>Cargo traffic products</i>	<i>493,950</i>	<i>524,829</i>	<i>(30,879)</i>
Fees for the Public Service Contract	2,022,192	2,050,964	(28,772)
<i>Fees from the Government</i>	<i>514,263</i>	<i>537,514</i>	<i>(23,251)</i>
<i>Fees from Regional Governments</i>	<i>1,507,929</i>	<i>1,513,450</i>	<i>(5,521)</i>
<b>Revenues from Services to Railway Companies and Additional Traffic Services</b>	<b>150,016</b>	<b>129,286</b>	<b>20,730</b>
<b>Total</b>	<b>5,279,323</b>	<b>5,406,383</b>	<b>(127,060)</b>

The item amounted to Euro 5,279,323 thousand, showing a decrease of Euro 127,060 thousand compared to the previous financial year.

The negative change in market revenues for Euro 119,018 thousand is attributable to:

- a decrease in revenues from the medium- and long-distance sector for Euro 133,204 thousand, which was offset by an increase in the regional transport sector for Euro 45,283 thousand, mainly connected to increased fares;
- a decrease of 5.9% in revenues from traffic for the Cargo sector, which passed from Euro 524,829 thousand in 2011 to Euro 493,950 thousand in 2012, attributable to the reduction in volumes on the international traffic.

Revenues arising from fees for public service contracts (Regional Governments and the Government) showed a decrease of Euro 28,772 thousand compared to 2011. The reduction in fees was mainly concentrated in the sphere of services purchased by the Government for Special Regions (Sicily, Sardinia, Valle d'Aosta and "joint services" (*servizi indivisi*) in the Northern-East Area). Public expenditure constraints also led to a reduction in fees from Ordinary Regions, partly offset on one hand by a significant rationalisation of the services (-1.9%) and on the other hand by increases in fares, which enabled these Regional Governments to meet their commitments under the contracts. On the other hand revenues from service contracts with the Government for the medium- and long-distance Universal Service and the Cargo sector remained almost unchanged.

The table below reports the breakdown of fees for the Public Service Contract with the Government:

	2012	2011	Changes
<b>Fees for the Public Service Contract with the Government</b>			
For passenger transport	408,174	431,425	(23,251)
For cargo transport	106,089	106,089	0
<b>Total</b>	<b>514,263</b>	<b>537,514</b>	<b>(23,251)</b>

Revenues from other transport-related services showed an overall increase of Euro 20,730 thousand compared to 2011. The main components of this increase are the costs of the rolling stock maintenance service provided for Trenord srl by the Company's Engineering Division: more services were provided and invoicing methods changed. In fact until the maintenance service agreement came into being at the beginning of 2012, such services were recognised under "Other revenues".

## 26. Other income

The table below reports the breakdown of other income:

	2012	2011	Changes
<b>Revenues from Property Management</b>	<b>9,722</b>	<b>20,180</b>	<b>(10,458)</b>
Lease rentals	9,367	19,710	(10,343)
Charge-back of service charges and IRE	136	10	126
Sale of advertising spaces	219	460	(241)
<b>Sundry income</b>	<b>208,943</b>	<b>281,485</b>	<b>(72,542)</b>
<b>Total</b>	<b>218,665</b>	<b>301,665</b>	<b>(83,000)</b>

Other income recorded an overall reduction of Euro 83,000 thousand compared to the 2011 financial year. The most significant changes in other income included:

- under Property Management, the reduction in the lease rental of the "Lombardy Regional Transport" branch of business equal to Euro 12,529 thousand. This rental had been recognised in the first 4 months of 2011, while it was not recognized in 2012;
- Sundry Income recorded lower charge-backs for about Euro 67,243 thousand, mainly attributable to the reduction in charge-backs following the transfer of the title to the purchase contracts as a result of the contribution to Trenord s.r.l. that took place on 3 May 2011.

## 27. Personnel cost

The table below reports personnel cost:

	2012	2011	Changes
<b>Permanent staff</b>	<b>1,923,448</b>	<b>2,028,829</b>	<b>(105,381)</b>
Wages and salaries	1,410,324	1,407,338	2,986
Social security contributions	375,269	383,236	(7,967)
Other permanent staff costs	5,054	18,733	(13,679)
Severance pay	92,355	94,909	(2,554)
Provisions/Releases	40,446	124,614	(84,168)
<b>Self-Employed Staff and Collaborators</b>	<b>239</b>	<b>199</b>	<b>40</b>
Wages and salaries	214	183	31
Social security contributions	25	15	10
<b>Other costs</b>	<b>55,454</b>	<b>57,365</b>	<b>(1,911)</b>
Service costs TFR/CLC	(643)	(510)	(133)
Other costs	56,097	57,875	(1,778)
<b>Total</b>	<b>1,979,141</b>	<b>2,086,393</b>	<b>(107,252)</b>

Personnel costs, which totalled Euro 1,979,141 thousand, showed a decrease of Euro 107,252 thousand compared to the previous financial year, as a result of the reduction in the staff under the renewal of the CCNL.

The Severance Pay represents the social security cost for the personnel who have opted for supplementary and complementary pension funds as required by the regulations on Complementary Pension Funds under Legislative Decree no. 252/2005.

Provisions and releases included provisions for labour disputes for Euro 6,900 thousand, provisions for the staff income support fund for Euro 162,839 thousand and the release of the provision for personnel costs for Euro 128,977 thousand.

In 2011 this item included the reclassification of the Provision for litigation classified under "Provisions for risks and charges" and the Provisions for contract renewal previously classified under "Wages and salaries".

"Other costs" includes Euro 31,028 thousand for luncheon vouchers and canteens, Euro 18,491 thousand for staff medical examinations, Euro 1,752 thousand for staff training and Euro 5,309 thousand for clothing.

The table below reports the average number of permanent staff of the company broken down by category:

<b>PERSONNEL</b>	<b>2012</b>	<b>2011</b>	<b>Change</b>
Executives	273	295	(22)
Middle managers	4,177	4,370	(193)
Other staff	31,426	32,997	(1,571)
<b>TOTAL</b>	<b>35,876</b>	<b>37,662</b>	<b>(1,786)</b>

## 28. Raw and secondary materials, consumables and goods for resale

The item is broken down as follows:

	<b>2012</b>	<b>2011</b>	<b>Changes</b>
Raw materials and consumables	310,056	332,114	(22,058)
Electricity and drive fuels	60,913	68,524	(7,611)
Lighting and driving force	11,802	9,853	1,949
<b>Total</b>	<b>382,771</b>	<b>410,491</b>	<b>(27,720)</b>

"Raw materials and consumables", equal to Euro 310,056 thousand, related to the consumption of stock materials for Euro 292,890 thousand, to the purchase of heating fuel for Euro 5,344 thousand and to the consumption of materials bought locally for the remaining amount.

## 29. Costs for services

The balance is broken down in the table below:

	2012	2011	Changes
<b>Transport services</b>	<b>1,062,337</b>	<b>1,102,755</b>	<b>(40,418)</b>
Other services linked to Transport	55,003	55,024	(21)
Toll	832,660	867,502	(34,842)
Handling services	49,581	55,458	(5,877)
Ferrying services	20,503	22,217	(1,714)
Cargo transport services	104,590	102,555	2,035
<b>Maintenance, cleaning and other contracted services</b>	<b>513,681</b>	<b>444,280</b>	<b>69,401</b>
<b>Real estate services and utilities</b>	<b>34,137</b>	<b>35,005</b>	<b>(868)</b>
<b>Administrative and IT services</b>	<b>89,264</b>	<b>96,122</b>	<b>(6,858)</b>
<b>External communication and advertising costs</b>	<b>14,237</b>	<b>9,018</b>	<b>5,219</b>
<b>Sundry services</b>	<b>297,029</b>	<b>313,061</b>	<b>(16,032)</b>
Professional services	6,102	6,019	83
Tenders and fees to other Railway Companies	15,362	14,860	502
Group common costs	2,133	4,355	(2,222)
Insurance	30,492	30,664	(172)
Night train services	23,571	42,115	(18,544)
Catering	50,746	38,215	12,531
Consultancy	399	210	189
Commissions to agencies	41,050	41,729	(679)
Engineering services	284	66	218
Other	126,867	132,512	(5,645)
Provisions/Releases	23	2,316	(2,293)
<b>Total</b>	<b>2,010,685</b>	<b>2,000,242</b>	<b>10,443</b>

The trend in costs for services shows a decrease equal to Euro 10,443 thousand (-0.5%)

The most significant changes included:

- transport services, which reduced by Euro 40,418 thousand. The main factors in this result are lower toll costs (Euro -34,842 thousand) partly due to the reduction in services and partly to the toll paid during the first four months of 2011 for the operating branch of the Lombardy Regional Head Office under the agreement for the lease of the branch;
- the increase in costs for maintenance, cleaning and other contracted services, which recorded an increase of Euro 69,401 thousand, mainly due to the maintenance costs of rolling stock; costs for sundry services, which decreased by about Euro 16,032 thousand; this change was mainly due to the combined effect of the reduction in the night train steward service (Euro -18,544 thousand) owing to the decrease in the number of trains and a decrease in integrated logistics services (Euro -3,824 thousand); these falls were offset by higher catering costs (Euro +12,531 thousand), which were mainly due to the introduction of the four levels of service on *Frecce* in place of the previous classes.

### 30. Leases and rentals

The table below reports the breakdown of costs for leases and rentals.

	2012	2011	Changes
Operating lease rentals	2	1	1
Lease rentals, service charges and IRE	77,071	72,803	4,269
Rentals and indemnities of rolling stock and other	49,912	62,150	(12,238)
IT services and other	24,483	26,188	(1,705)
<b>Total</b>	<b>151,468</b>	<b>161,142</b>	<b>(9,673)</b>

Leases and rentals, which totalled Euro 151,468 thousand, recorded a reduction of Euro 9,673 thousand. This decrease was due to the combined effect of:

- an increase in costs for lease rentals and service charges (Euro +4,269 thousand), essentially due to the lease of new handheld devices for on-board staff;
- a reduction in costs for rentals and indemnities of rolling stock (Euro 12,238 thousand) mainly attributable to the reduction for about Euro 8 million for IWR (International Wagon Regulations; *RIV, Regolamento Internazionale Veicoli*) rentals.

### 31. Other operating costs

The table below reports the breakdown of other operating costs:

	2012	2011	Changes
Other costs	26,936	24,213	2,723
Capital losses	2,790	2,038	752
Provisions/Releases	4,185	5,094	(909)
<b>Total</b>	<b>33,911</b>	<b>31,346</b>	<b>2,565</b>

The increase in other operating costs, equal to Euro 2,565 thousand, was essentially attributable to costs for the single municipal tax (*Imposta Municipale Unica, IMU*) (Euro +2,253 thousand compared to 2011).

### 32. Capitalization of internal construction costs

Capitalization of internal construction costs mainly related to the value of costs of materials, personnel and transport costs capitalised in 2012 against value-increasing maintenance actions of rolling stock carried out at the workshops owned by the Company.

The amount of the item (Euro 410,185 thousand) is almost fully attributable to the capitalization of second-level maintenance.

### 33. Amortisation and depreciation

The item, which totalled Euro 924,643 thousand, is broken down as follows:

	2012	2011	Changes
<b>Amortisation of intangible assets and depreciation of property, plant and equipment</b>	<b>924,643</b>	<b>859,557</b>	<b>65,086</b>
Amortisation of intangible assets	26,848	37,701	(10,853)
Depreciation of property, plant and equipment	897,795	821,856	75,939
<b>Total</b>	<b>924,643</b>	<b>859,557</b>	<b>65,086</b>

The overall increase of Euro 65.1 million in this item was due to the entry into operation of new assets and to the ordinary course of the process of amortisation/depreciation of any assets already in operation.

### 34. Write-downs and impairment losses (reversals)

The item is broken down as follows:

	2012	2011	Changes
Write-downs of property, plant and equipment	6,674	33,064	(26,390)
Value adjustments and write-backs on receivables	650	2,230	(1,580)
<b>Total</b>	<b>7,324</b>	<b>35,294</b>	<b>(27,970)</b>

Impairment losses decreased by Euro 27,970 thousand. This reduction was attributable to the item "Write-downs of property, plant and equipment" (Euro 26,390 thousand) and was essentially due to the fact that in 2011 the company made the write-down of the fleet of coaches dedicated to the Universal Service following the streamlining of this service (Euro 24,153 thousand).

### 35. Finance income

The table below reports the breakdown of finance income:

	2012	2011	Changes
Finance income from non-current receivables and securities	1,054	738	316
Sundry finance income	2,997	9,691	(6,694)
Dividends	10,012	2,456	7,556
Foreign exchange gains	485	653	(168)
<b>Total</b>	<b>14,548</b>	<b>13,538</b>	<b>1,010</b>

The balance of finance income was equal to Euro 14,548 thousand, showing an increase of Euro 1,010 thousand. This increase was due to the higher dividends received from TX Logistik AG (Euro 10,012 thousand in 2012 against Euro 2,385 thousand in 2011) and was offset by a reduction in sundry finance income, essentially attributable to lower interest income on the transaction account with Trenord (Euro -3,342 thousand).

### 36. Finance costs

The table below reports the breakdown of finance costs:

	<b>2012</b>	<b>2011</b>	<b>Changes</b>
Finance costs on payables	171,997	187,265	(15,268)
Finance costs for employee benefits (TFR and CLC)	42,410	49,946	(7,536)
Finance costs on derivatives (CAPS and COLLARS)	1,056	7,164	(6,108)
Write-downs of financial assets	38	762	(724)
Foreign exchange losses	1,280	2,017	(737)
<b>Total</b>	<b>216,781</b>	<b>247,153</b>	<b>(30,372)</b>

Finance costs on payables showed a decrease, compared to 2011, equal to Euro 15,268 thousand, which was mainly attributable to the combined effect of the reduction in interest rates recorded in international markets and in particular of the Euribor rate to which charges from debt service are linked and of the reduction in the average debt for the year. This item, which totalled Euro 171,997 thousand, is essentially made up of:

- interest expense on medium- and long-term loans for Euro 33,082 thousand;
- interest expense on IRS derivative instruments for Euro 58,194 thousand;
- interest expense and premiums on Cap and Collar derivatives for Euro 26,541 thousand;
- interest and other charges to the controlling company for Euro 49,298 thousand.

Finance costs on derivatives recorded an overall negative impact equal to Euro 1,056 thousand relating to the Time Value component of derivatives (Caps and Collars).

Finance costs for employee benefits, amounting to Euro 42,410 thousand, are attributable to the discounting of provisions for TFR (Euro 41,824 thousand, of which Euro 3,863 related to the portion of the revaluation paid to the Tax Office) and Free Travel Card (Euro 586 thousand) determined by the actuarial valuation of the two balance sheet items. Write-downs of financial assets related to the adjustment to the book value of the equity investments in East Rail S.r.l. (Euro 35 thousand) and Verona Cargo Center (Euro 3 thousand). For more information, reference is made to the note on equity investments.

### 37. Foreign exchange gains (losses)

Foreign exchange losses, which amounted to Euro 795 thousand, showed a decrease, compared to 2011, of Euro 569 thousand, which was attributable to the Euro/Swiss Franc exchange rate which was more favourable than in 2011 on payables/receivables outstanding with the subsidiary Cisalpino AG.

### 38. Current, deferred tax assets and liabilities for the year

The table below reports the breakdown of income taxes:

	2012	2011	Changes
IRAP tax	82,688	86,366	(3,678)
IRES tax	40,564	84,652	(44,088)
Income from participation in the consolidated tax base	(32,451)	(67,722)	35,271
Deferred tax assets and liabilities	(74,588)	(2,321)	(72,267)
Adjustments to income taxes relating to previous years	(6,639)	5,287	(11,926)
<b>Total</b>	<b>9,574</b>	<b>106,262</b>	<b>(96,688)</b>

The tax burden for the period decreased by Euro 96,688 thousand as a result of the following movements:

- a reduced impact of income taxes for Euro 12,495 thousand (-11.7%) as a result of a lower taxable base for IRAP and IRES purposes;
- a positive change in adjustments to income taxes relating to previous years, essentially owing to the fact that 2011 saw the recognition of the financial effects of the acceptance of the tax assessment notice relating to improper use of the IRAP tax deduction, required by article 11, paragraph 1, letter a), numbers 2, 3, 4 of Legislative Decree no. 446/1997 (so-called "tax wedge") for Euro 11,464 thousand;
- a positive change for Euro 72.2 million, essentially arising from the recognition of deferred tax assets as described in the specific asset item, to which reference is made.

### 39. Contingent assets and liabilities

As at the balance sheet date, there were no contingent assets or liabilities to be reported.

### 40. Fees due to Directors and Statutory Auditors

Below are reported, in Euro, the fees due to the Directors and to the members of the Board of Statutory Auditors for the performance of their duties:

RECIPIENTS	2012	2011	Change
Directors	498,844	513,056	(14,212)
Statutory Auditors	62,775	63,910	(1,135)
	<b>561,619</b>	<b>576,966</b>	<b>(15,347)</b>

Fees due to Directors include emoluments envisaged for the positions of Chairman and Chief Executive Officer, as well as any emoluments envisaged for the remaining Board members.

To the above fees must be added the fees due to the external member (Chairman) of the Supervisory Board for about Euro 40 thousand.

## 41. Fees due to the Independent Auditors

It should be noted that – pursuant to article 37, paragraph 16, of Legislative Decree no. 39/2010 and letter 16-*bis* of article 2427 of the Italian Civil Code, the total amount of fees due to the Independent Auditors is equal to Euro 536 thousand, including the relevant fees paid to them in the financial year for other auditing services other than statutory audit (Euro 163 thousand).

## 42. Information on the direction and coordination activity

The essential data of the controlling company Ferrovie dello Stato Italiane S.p.A., which are reported in the summary statement required by article 2497-*bis* of the Italian Civil Code, have been taken from the related financial statements for the financial year ended 31 December 2011. For an adequate and full understanding of the equity and financial position of Ferrovie dello Stato Italiane S.p.A. (controlling company) at 31 December 2011, as well as of the result of operations achieved by the company in the financial year ended on that date, reference is made to the financial statements that are available, together with the report of the independent auditors, in the forms and according to the manners prescribed by law.

	<i>amounts in thousands of euro</i>	
<b>(Euro)</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
<b>Assets</b>		
Total non-current assets	43,084,969	43,630,684
Total current assets	2,534,679	2,229,404
<b>Total assets</b>	<b>45,619,648</b>	<b>45,860,088</b>
<b>Equity</b>		
Share capital	38,790,425	38,790,425
Reserves	298,231	297,168
Profits (losses) carried forward	(3,026,753)	(3,046,628)
Profits (loss) for the year	41,305	20,921
<b>Total Equity</b>	<b>36,103,209</b>	<b>36,061,887</b>
<b>Liabilities</b>		
Total non-current liabilities	7,601,630	8,079,315
Total current liabilities	1,914,808	1,718,886
<b>Total liabilities</b>	<b>9,516,439</b>	<b>9,798,201</b>
<b>Total equity and liabilities</b>	<b>45,619,648</b>	<b>45,860,087</b>
<hr/>		
	<b>2011</b>	<b>2010</b>
Operating revenues	145,781	152,684
Operating costs	151,973	156,999
Amortisation and depreciation	18,902	19,941
Write-downs and impairment losses (reversals)	1,552	1,573
Provisions for risks and charges	3,191	5,041
Finance income and costs	13,237	(29,008)
Income taxes	57,904	80,800
<b>Profit (loss) for the year</b>	<b>41,305</b>	<b>20,921</b>

It should be noted that Ferrovie dello Stato Italiane S.p.A. prepares consolidated accounts.

### 43. Related parties

#### Transactions with executives with strategic responsibilities

Below are reported the fees due to positions with strategic responsibilities:

	<b>31.12.2012</b>	<b>31.12.2011</b>
Short-term benefits	3,785	3,865
Post-employment benefits	218	235
	<b>4,003</b>	<b>4,100</b>

The benefits relate to the fees paid to the same, plus MBO fees (if any). In addition to short-term benefits of Euro 3,785 thousand paid out in 2012, note a variable part to be paid in 2013, for an amount not exceeding Euro 740 thousand (Euro 830 thousand in 2011).

It should be noted that the executives with strategic responsibilities did not receive benefits for the termination of the employment relationship, nor any other long-term benefits.

#### Other transactions with related parties

Below are described the main relations with related parties maintained by the Ferrovie dello Stato Italiane Group, which are all regulated at arm's length:

<b>Name</b>	<b>Credit relationships</b>	<b>Debt relationships</b>
<b>Subsidiaries</b>		
Serfer S.r.l.	Cargo Transport service Rolling stock maintenance and hire Hire of carriages Secondment of staff	Handling services Railway transport terminalisation services Rolling stock maintenance Rolling stock hire
Ferport Napoli Srl in liquidation		Training activity
Trenitalia Logistik France S.a.s.	International cargo transport service	PDM support services
Thello S.a.s.	Rolling stock maintenance and hire Sale of railway tickets Sales commissions Secondment of staff	
Tx Logistik AG	International cargo transport service Rolling stock maintenance and hire Secondment of staff	Subcontracts Handlings, terminalisation services
<b>Companies subject to joint control</b>		
Cisalpino AG	Corporate positions	Rolling stock hire Purchase of materials <b>Financial relationships:</b> Interest expense
Trenord S.r.l.	Rolling stock hire Rolling stock maintenance Integrated services Sales commissions Secondment of staff <b>Financial relationships:</b> Interest income on loans	Toll- Electricity for train drive Cleaning services Commissions expense Integrated services for traffic management
<b>Associates</b>		
Pol Rail S.r.l.	Cargo transport service Corporate positions	Subcontracts Rolling stock hire
Alpe Adria S.p.A.	International cargo transport service	
Logistica SA	<b>Financial relationships:</b> Interest on loans	
<b>Controlling companies</b>		
Ferrovie dello Stato Italiane S.p.A. (a)	Transport of employees for service travel Transport of holders of Free Travel Cards Financing of training activities Train hire Secondment of staff Tickets <b>Financial relationships:</b> Interest income	Service supply and management contract Secondment of staff Corporate positions Rentals for lease of properties Licence for use of the Brand <b>Financial relationships:</b> Intercompany current account Interest expense on loans Guarantees
<b>Other affiliates</b>		
Rete Ferroviaria Italiana S.p.A.	Transport of employees for service travel Cargo transport service Rolling stock maintenance Rolling stock hire Maintenance engineering Transport of holders of Free Travel Cards Secondment of staff	Toll Electricity for train drive Handling service Ferrying service Additional traffic services Maintenance Railway Police services Health services Reimbursement of common operating costs Seconded staff Rentals for lease of properties

Netinera Deutschland GmbH	Secondment of staff	
SGT S.p.A.	Rolling stock hire	Handling service
Cemat S.p.A.	Cargo transport service	Integrated logistics
	Rolling stock maintenance and testing	
Terminali Italia S.r.l.	Hire of carriages	Railway transport terminalisation
	Tickets	
FS Logistica S.p.A. (b)	Cargo transport service	Transport and shipment
	Operation of cargo terminals	Contracted station services
	Rolling stock hire	Railway transport terminalisation services
	Corporate positions	Manual labourers for portorage
	Secondment of staff	Rolling stock hires
	Tickets	Leases of areas
	<b>Financial relationships:</b>	
	Interest income	
NET in liquidation		Railway transport terminalisation
Ferservizi S.p.A. (b)	Transport of employees for service travel	Personnel administration
	Transport of holders of	
	Free Travel Cards	Accounting and treasury
	Corporate positions	Facilities management
	Reimbursement of common operating costs	Ferrotel
		Catering administrative management
		Operation and development of
		Management/Economic system
		Building management
		Group purchasing services
Metropark S.p.A.	Management of parking areas	Parking agreements
Grandi Stazioni S.p.A. (b)	Tickets	Rentals for lease of properties
		Sponsorships
		Advertising campaigns at stations
		Service charges
Centostazioni S.p.A. (b)	Tickets	Maintenance of properties
	Advertising at stations	System cleaning service
		Rentals for lease of properties
		Service charges
Busitalia - Sita Nord	Rental for parking areas	Replacement bus services
		Seconded staff
Fercredit S.p.A. (b)	Corporate positions	Customer assessment
		Factoring
		<b>Financial relationships:</b>
		Interest expense
Italferr S.p.A. (b)	Transport of employees for service travel	
	Transport of holders of	
	Free Travel Cards	
	Rentals for lease	
Sita S.p.S. in liquidation		Replacement bus services
Italcertifer Soc.Cons.p.A.	Tests	Testing activities
	Secondment of staff	Certifications
		Rolling stock maintenance
FS Sistemi urbani S.r.l.		Rentals for lease of properties

<b>Other related parties</b>		
Pension funds	Secondment of staff Tickets	Complementary pension funds
CDP Group	Tickets	Purchase of materials
Enel Group	Transport of material Lease rentals	Lighting and driving force Electricity utilities
Eni Group	Transport of material Tickets	Drive diesel Gas utilities
Finmeccanica Group	National and international cargo transport Rolling stock hire	Rolling stock maintenance Purchase of materials
GSE Group	Tickets	
Invitalia Group	Tickets	
IPZS Group	Tickets	
Poste Group	National cargo transport	Ticket printing, publications Transport and shipment Postal charges
Rai Group		Subscriptions
Sogin Group	Tickets	

- (a) The company that carries out direction and coordination activities.  
(b) Company subject to joint control.

The table below summarises the financial and economic values of the financial year ended 31 December 2012 for transactions with related parties.

## Business and other relations

(in thousand of euro)

Name	31.12.2012					2012	
	Receivables	Payables	Purchases for investments	Guarantees	Commitments	Costs	Revenues
<b>Subsidiaries</b>	<b>15,247</b>	<b>16,894</b>	-	-	-	<b>38,042</b>	<b>26,410</b>
Serfer S.r.l.	4,362	9,325				25,976	4,122
Ferport Napoli Srl in liquidation	-	14					
Trenitalia Logistik France S.a.s.	1,272	18				67	3,569
Thello S.a.s.	5,569	1,834				372	8,856
Tx Logistik AG	4,045	5,731				11,627	9,863
<b>Companies subject to joint control</b>	<b>191,942</b>	<b>233,299</b>	<b>149,241</b>	-	-	<b>28,512</b>	<b>137,752</b>
Cisalpino AG	118,647	197,246	149,241			14,625	100
Trenord S.r.l.	73,296	36,053				13,886	137,651
<b>Associates</b>	<b>3,749</b>	<b>1,732</b>	-	-	-	<b>4,592</b>	<b>9,057</b>
Pol Rail S.r.l.	2,244	1,732				4,577	5,628
Alpe Adria S.p.A.	1,504					15	3,429
<b>Controlling companies</b>	<b>27,618</b>	<b>23,520</b>	-	-	-	<b>49,803</b>	<b>2,301</b>
Ferrovie dello Stato Italiane S.p.A. (a)	27,618	23,520				49,803	2,301
<b>Other Affiliates</b>	<b>200,530</b>	<b>882,983</b>	<b>12,139</b>	-	-	<b>1,210,943</b>	<b>177,768</b>
Rete Ferroviaria Italiana S.p.A. (b)	124,697	547,590	5,964			1,015,826	117,819
Fs Formazione wound up						8	
Netinera Deutschland GmbH	479						517
SGT S.p.A.	107	165				166	52
Cemat S.p.A.	16,808	6,072				4,004	38,373
Terminali Italia S.r.l.	37	109				1	29
FS Logistica S.p.A. (b)	42,296	13,865				33,147	10,513
NET in liquidation	1	7					
Italia Logistica							5,107
Ferservizi S.p.A. (b)	1,110	41,065	399			86,806	1,956
Metropark S.p.A.	13	78				143	
Grandi Stazioni S.p.A. (b)	106	10,705	591			29,396	258
Centostazioni S.p.A. (b)	350	5,633	250			11,410	417
Busitalia - Sita Nord	316	16,405				29,150	281
Fercredit S.p.A. (b)	31	236,347				228	10
Italferr S.p.A. (b)	1,068	3,511	4,810			3	1,401
Sita S.p.S. in liquidation	10,269	79					
Italcertifer Soc.Cons.p.A.	2,841	1,125	126			144	1,035
FS Sistemi Urbani S.r.l.		229				512	

<b>Other related parties</b>	<b>12,158</b>	<b>95,691</b>	<b>65,675</b>	<b>-</b>	<b>-</b>	<b>111,285</b>	<b>44,394</b>
Pension Funds	105	6,477					290
CDP Group	50	179				782	159
Enel Group	1,573	5,118				17,799	3,540
Eni Group	3,045	2,780				26,627	18,684
Finmeccanica Group	488	79,142	65,675			63,954	15,994
GSE Group	3						29
Invitalia Group	18						84
IPZS Group	12					1	59
Poste Group	6,860	1,758				2,063	5,412
Rai Group		236				60	
Sogin Group	2						144
<b>TOTAL</b>	<b>451,243</b>	<b>1,254,120</b>	<b>227,056</b>	<b>-</b>	<b>-</b>	<b>1,443,176</b>	<b>397,682</b>

## Financial relations

(in thousand of euro)

<b>Name</b>	<b>31.12.2012</b>				<b>2012</b>	
	Receivables	Payables	Guarantees	Commitments	Charges	Income
<b>Subsidiaries</b>	-	-	-	-	-	<b>10,012</b>
Tx Logistik AG						10,012
<b>Companies subject to joint control</b>	<b>22,753</b>	<b>412</b>	<b>-</b>	<b>-</b>	<b>1,600</b>	<b>1,027</b>
Trenord S.r.l.	22,753	412			383	1,027
Cisalpino AG					1,217	
<b>Associates</b>	<b>350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>
Logistica SA	350					4
<b>Controlling companies</b>	<b>2,339</b>	<b>4,266,202</b>	<b>-</b>	<b>-</b>	<b>49,297</b>	<b>674</b>
Ferrovie dello Stato Italiane S.p.A.	2,339	4,266,202			49,297	674
<b>Other affiliates</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>384</b>	<b>39</b>
FS Logistica S.p.A. (b)						39
Fercredit S.p.A.					384	
<b>Other related parties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>
Eni Group						8
<b>TOTAL</b>	<b>25,442</b>	<b>4,266,614</b>	<b>-</b>	<b>-</b>	<b>51,280</b>	<b>11,765</b>

#### 44. Guarantees

The overall value of guarantees given is Euro 3,579,945 thousand and essentially relates to:

- guarantees issued in favour of the Regional Governments for the Service contract and to other Entities on the part of Credit Institutions and Poste (Euro 170,285 thousand);
- collaterals on pledges on the Company-owned rolling stock, issued by the company in favour of Eurofima to secure medium- and long-term loans raised through Ferrovie dello Stato Italiane (Euro 3,409,660 thousand).

#### 45. Events after the balance sheet date

- On 16 January 2013 the Share Capital of Cisalpino was reduced to CHF 100,750 (a decrease of CHF 162,399,250), thus applying the resolution passed by the Shareholders' Meeting at the end of 2012. This decision was due to the Shareholders' intention to start the dissolution of the Company.
- From 1 February to 31 May there is a promotion for Trenitalia customers going to the Bardonecchia ski resort by train: an attractive reduction in the price of the daily skipass. There are 19 connections a day on the SFM3 line from Turin to Bardonecchia and a free shuttle that takes passengers from the railway station to the ski slopes in 5 minutes.
- CartaFRECCIA members going to the capital by Trenitalia *Frecce* trains can obtain discounts at and free admission to Rome Fair events scheduled up to April.
- On 5 February 2013 Trenitalia and ECTAA (the European Travel Agents and Tour Operators' Associations) signed a strategic partnership for the promotion and distribution of Trenitalia tickets and the entire range of its services through all European travel agencies and tour operators. Trenitalia is the first railway company to have concluded an agreement with ECTAA, the association founded in 1961 which combines more than 30 national travel agents and tour operators' associations.
- On 6 February the Trenitalia Board of Directors decided that Trenitalia, in the capacity of Founder, would be a party to the establishment of the FS Italiane Foundation together with Ferrovie dello Stato Italiane and Rete Ferroviaria Italiana, authorising the payment of a contribution of Euro 300 thousand and the contribution of 196 items of rolling stock and endowing the Foundation with the library and archives, respectively, of the Library and Archives of the former Materials and Traction Service in Florence. The aims of the Foundation are to ensure the safeguarding – "not the dispersion" – and enhancement of the rich heritage composed of historic rolling stock and the massive numbers of objects and documents related to the history of the Italian railways that have been put together by railway museums, archives and libraries, to preserve the historical memory and identity of Italian railways and to create an instrument for the diffusion of railway culture.
- On 14 February a letter of intent was signed by Trenitalia and Expo 2015 SpA in view of the Milan Universal Exhibition. There will be "train and admission" packages, connections will be boosted and there will be a vast campaign to promote the offer. The shared aim of Expo 2015 and Trenitalia is to make journeys along the peninsula by the Frecce trains and the other Trenitalia trains for the over 20 million visitors to the event that are expected to come to Milan increasingly competitive, efficient and easy. The

projects envisaged in the letter of intent will help to show that trains are the most ecological means of transport in the world, thus taking up one of the most important challenges of the Milan Universal Exhibition: sustainable mobility.

- During February Dusmann Service won the Trenitalia tender for the High-Speed *Frecce* trains cleaning services. Features of the contract are the introduction of best practices and innovative technologies that are absolutely the latest in the whole of Europe, the reorganisation of the cleaning service on the train, quality certification of all operational phases and constant attention to customer satisfaction.

**Annex 1****Reclassified Balance Sheet of the cargo transport segment**

*(in thousand of euro)*

	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>Differences</b>
<b>NET ASSETS</b>			
Net current operating assets	219,970	123,720	96,250
Other net assets	(72,925)	(82,510)	9,585
<b>Net working capital</b>	<b>147,045</b>	<b>41,210</b>	<b>105,835</b>
Property, plant and equipment	697,297	805,850	(108,553)
<b>Net fixed assets</b>	<b>697,297</b>	<b>805,850</b>	<b>(108,553)</b>
Other provisions	(220,404)	(281,940)	61,536
<b>Total provisions</b>	<b>(220,404)</b>	<b>(281,940)</b>	<b>61,536</b>
<b>TOTAL NET INVESTED CAPITAL</b>	<b>623,938</b>	<b>565,120</b>	<b>58,818</b>

**Full-cost Reclassified Income Statement of the cargo transport segment**

*(in thousand of euro)*

	<b>2012</b>	<b>2011</b>	<b>Differences</b>
<b>Operating risks</b>	<b>665,660</b>	<b>707,586</b>	<b>(41,926)</b>
- Revenues from sales and services	610,211	669,400	(59,189)
- Other revenues	55,449	38,186	17,263
<b>Operating costs</b>	<b>(686,405)</b>	<b>(754,329)</b>	<b>67,924</b>
<b>EBITDA</b>	<b>(20,745)</b>	<b>(46,743)</b>	<b>25,998</b>
<b>Amortisation and depreciation</b>	<b>(74,218)</b>	<b>(71,450)</b>	<b>(2,768)</b>
<b>Write-downs and impairment losses (reversals)</b>	<b>(8)</b>	<b>(1,966)</b>	<b>1,959</b>
<b>Provisions for risks and charges</b>			<b>0</b>
<b>EBIT</b>	<b>(94,971)</b>	<b>(120,159)</b>	<b>25,188</b>

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF  
LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010**

**TRENITALIA SPA**

**FINANCIAL STATEMENTS AS OF 31 DECEMBER 2012**

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE  
No. 39 OF 27 JANUARY 2010**

To the Shareholder of  
Trenitalia SpA

- 1 We have audited the financial statements of Trenitalia SpA as of 31 December 2012, which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related explanatory notes. The directors of Trenitalia SpA are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.  
  
For the opinion on the financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 27 April 2012.
- 3 In our opinion, the financial statements of Trenitalia SpA as of 31 December 2012 comply with International Financial Reporting Standards as adopted by the European Union; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Trenitalia SpA for the year then ended.
- 4 The directors of Trenitalia SpA are responsible for the preparation of a report on operations in compliance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard no. 001 issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili and recommended by Consob. In our opinion the report on operations is consistent with the financial statements of Trenitalia SpA as of 31 December 2012.

Rome, 7 May 2013

PricewaterhouseCoopers SpA

*Signed by*

Luciano Festa  
(Partner)

*This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.*