

»» Financial statements
Financial statements 2014
2014





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

TRENITALIA S.p.A.
2014
ANNUAL REPORT

Trenitalia S.p.A.

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

Share capital: €1,654,464,000.00

Registered office: Piazza della Croce Rossa 1, 00161 Rome

fiscal code and Company register of companies.: 05403151003

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

VAT number: 05403151003

Website: www.trenitalia.com

COMPANY MISSION

Trenitalia provides passenger and cargo transport services domestically and internationally.

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

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

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

COMPANY OFFICERS AND INDEPENDENT AUDITORS**Board of directors:**

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

Board of statutory auditors in office since 24 April 2014:

Chairman	Maria Laura PRISLEI
Regular members	Alessandro ALESSANDRINI Gianfranco ZANDA
Substitute members	Margherita BONITATIBUS Gianpaolo Davide ROSSETTI

Board of statutory auditors in office until 23 April 2014:

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

Independent auditors: KPMG S.p.A.

(*) In office until 15 June 2014

(**) In office since 12 March 2015

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

Report on Operations

MAIN INDICATORS

	Actual 2014	Actual 2013	Actual 2012	Actual 2011	Actual 2010
INCOME STATEMENT HIGHLIGHTS <i>(millions of Euros)</i>					
Revenue	5,576.7	5,497.8	5,498.0	5,708.0	5,707.8
Operating costs	(4,120.9)	(4,112.5)	(4,147.8)	(4,317.0)	(4,458.4)
EBITDA	1,455.8	1,385.3	1,350.2	1,391.1	1,249.4
EBIT	288.0	431.7	418.3	496.2	341.9
Profit for the year	59.5	181.5	206.5	156.4	73.1
PERFORMANCE INDICATORS					
ROI	3.6%	5.2%	5.1%	6.5%	4.3%
ROS	5.2%	7.9%	7.6%	8.7%	6.0%
NAT	0.69	0.66	0.67	0.74	0.71
PROFITABILITY INDICATORS					
Employees (FTE)	32,007	33,665	35,770	37,549	40,924
Train-km/Employee (thousands)	8.24	7.88	7.27	7.19	6.76
Revenue/Employee	174,232	163,307	153,704	152,018	139,473
Gross operating profit margin	26.1%	25.2%	24.6%	24.4%	21.9%
FINANCIAL INDICATORS <i>(millions of Euros)</i>					
Net financial debt	5,951	6,241	6,339	5,854	6,337
D/E	2.87	2.98	3.31	3.22	3.82
Operating cash flows	967	544	242	1,054	342
Investments (excluding routine investments)	(694)	(552)	(752)	(509)	(497)
Amort. and depreciation (excl. routine inv.)/Investments	1.0	1.2	0.9	1.2	1.4
Financial requirements	(290)	(98)	481	(483)	39

MAIN EVENTS OF THE YEAR

January

- In January, the cost of energy for traction rose following the Electricity and Gas Regulator's resolution no. 641/2013/R/COM of 27 December 2013. Specifically, as part of a progressive revision of the costs incurred by large consumers of electrical energy, this resolution substantially modified the application of the additional tariff components (system charges), significantly reducing the tariff subsidies previously granted to railway companies, among others.

February

- On 17 February 2014, a ruling was lodged disallowing the class action taken by certain users and municipalities in Calabria petitioning for, in the appeal filed with the Lazio regional administrative court in October 2012, the resumption of certain night trains on the south-north route. In its ruling, the regional administrative court noted that it had not found Trenitalia's conduct to include any "breaches of its obligations under the service charters or the quality and economic standards established for public service providers" and described the company's decisions as "consistent with both general legislation and the provisions of the public service contract". Indeed, the railway services subject to the appeal fall within the scope of the universal services that Trenitalia provides on behalf of the government, which is responsible for planning the volume and characteristics of such services when it defines the service in the specific public service contract.
- On 24 February 2014, the IC 660 train that had been diverted to Andora on 17 January 2014 due to a landslide, was removed. Railway service resumed on the entire line a few days later.

March

- On 12 March 2014, the Anti-Trust Authority notified the company of the measure concluding the "A/443 - NTV/FS/Obstacles procedure for access to the high-speed passenger railway transport market". The procedure was closed without assessing any violations by Trenitalia and, consequently, without the application of any sanctions.
- On 19 March 2014, the company was informed of the lodging of the Council of State's decision and the favourable outcome of the appeal filed in 2007 by a railway group - in which Trenitalia had participated - concerning the application of the access charge calculation criterion called K2 for the use of the railway infrastructure. The company is currently waiting to see how the charge will be calculated and, accordingly, how to quantify the discount for the years subject to appeal.

June

On 24 June 2014, Decree Law no. 91 was published in the Official Journal, containing "Emergency measures for the farming sector, environmental protection and energy efficiency, containment of electricity tariff costs and adjustments to European legislation". This Decree law was then converted into law with amendments on 11 August 2014 (Law no. 116/14 published in Official Journal no. 192 of 20 August 2014). The Decree introduced significant changes to the electricity tariff subsidies reserved for Rete Ferroviaria Italiana (art. 29). This article provided for the application of, as from 1 January 2015, special subsidised tariffs applicable to RFI's consumption, pursuant to the Presidential decree no. 730 of 22 May 1963, only to the electrical energy used for transport falling within the scope of the universal

service and railway transport of cargo. Pending the implementation of the decree of the Ministry of Industry and Economic Development, which will define how to identify consumption to which the legislation applies, the annual compensation component of the tariff was reduced by a total of €80 million for consumption over 3300 GWh. The new tariff adjustment will be applied gradually over the next three years, at a rate equal to or less than 50% in 2015, 70% in 2016 and 80% in 2017.

September

- Federmobilità awarded the "Green Express" Cargo Division for environmentally sustainable combined cargo transport (rail/road). Through this project, roughly 3500 trucks were taken off the roads in one year of operation, saving over 2600 tonnes of CO₂.

October

- On 31 October 2014, the Italian Transport Regulator ("ART") published adjustment measures to ensure fair and non-discriminatory access to railway infrastructures. The aim of these measures is to create a new system of transparent rules to encourage competition, efficiency and the containment of costs to the benefit of users, companies and consumers, while increasing certainty for investors. These measures affected:
 1. the agreements between the network operator (RFI) and railway companies for the use of cargo and passenger transport infrastructures;
 2. the network capacity management criteria and methods;
 3. access to the services and related plant;
 4. the allocation of costs incurred to assist the disabled between the operator and the railway companies;
 5. the criteria used to calculate tolls on the high speed sections, which should decrease by over 37% in 2015 from €12.80 to €8.20 per train-km.

In 2014, the latter has already generated a reduction in toll costs of approximately €15 million.

- On 17 October 2014, the fourth edition of Frecciarosa was held. It is an awareness and prevention initiative for women's diseases, organised in partnership with the Associazione IncontraDonna Onlus. As in previous years, the Frecciarosa 2014 programme included medical consultations on-board the train and the distribution of a manual filled with useful advice and recommendations for women in general, with the aim of prioritising women, their health and their rights.

December

- On 14 December 2014, the ETR Voltage Maintenance Workshop in Vicenza celebrated its 100th anniversary by opening its doors to over 4,000 residents.
- With the 2015 Finance Act (Law no. 190 of 23 December 2014), the public service contract for cargo transport by rail in place between Trenitalia and the Ministry of Infrastructure and Transport expired. Beginning in 2015, resources earmarked for public service obligations (€100 million) will be allocated to the national railway network operator (RFI), which will use them to offset the costs charged for the ferrying of railway cargo, related services and the charge to use infrastructure, which railway companies must pay in order to transport cargo, including across borders, that originates or terminates in the regions in Central and Southern Italy, including Sardinia and Sicily. This reduction is calculated in proportion to the train/km generated by the railway companies.

MACROECONOMIC SCENARIO

In 2014, the general global macroeconomic context showed a slow, unsteady trend. Faster growth in certain countries offset the slowdown in others, limiting the reduction in the overall growth rate. After a gradual decline in the first few months of the year, global economic activity resumed slow growth, mainly due to the sound performance of the US economy, which had already taken its first steps towards recovery. On the other hand, emerging economies remained weak, with growth rates down further on the levels reached in recent years, although they continue to provide a significant contribution to the world's economy. Prometeia's most recent estimates (January 2015) show global GDP up by 3.1%, in line with the previous year and below forecasts.

Among advanced economies, the US reported that, after a decline in GDP growth in the first half of 2014, mostly due to the adverse weather conditions, the indicator began growing again, benefiting from accommodating monetary policies, rallying consumption and investments in production and the sharp drop in the unemployment rate. The average annual growth rate of 2.5% shows that the US economy has grown at the highest rate since the start of the crisis. In Japan, annual economic growth of 0.2%, although positive, is below expectations. After getting off to an encouraging start in the first few months of 2014, when the expected increase in indirect taxes boosted demand by anticipating expenditure, the economic cycle slowed in the second half of the year, as the fall in investments was only partially offset by the modest recovery in spending.

Economic growth in emerging countries slowed marginally, presenting fragmented trends throughout the various areas. The drop in raw material prices and high inflation hindered development in Latin American countries, particularly Brazil. As the geopolitical situation deteriorated, sanctions and counter-sanctions were imposed, further weakening the Russian economy, with significant repercussions on Eurozone countries. Growth in emerging countries in Asia was mainly sustained by domestic demand and certain governments' willingness to implement reforms, such as India. In China, GDP rose by 7.4%, one tenth of a point less than the government's target. The government is committed to, among other things, charting a course for sustainable and balanced development through structural reforms based on expanding public investments (high speed railways, motorways and metros) and domestic consumption, rather than the traditional route of exports.

International trade data	2014	2013
GDP	(change on previous year)	
World	3.1	3.1
Advanced countries	1.7	1.3
US	2.5	2.2
Japan	0.2	1.6
Eurozone	0.8	-0.4
Emerging countries	4.4	4.7
China	7.4	7.7
India	5.8	4.7
Latin America	0.6	2.5
International trade	2.4	2.7
Oil	(US\$ per barrel)	
Brent	99.4	108.6

Source: Prometeia forecast, January 2015

Despite the global economic recovery in the second half of the year, growth in international trade remained weak at just +2.4%, lower than GDP growth.

After trading at high prices for a long period of time, in the first half of 2014, the price of oil fell more swiftly and dramatically than other raw materials. This sudden fall was due to the continued growth in the crude oil supply in Arab countries on one hand and the increase in US oil production by over 50% (thanks to the use of innovative fracking techniques to release shale oil) on one hand and, on the other, to the reduction in demand following the disappointing growth seen in Japan and the Eurozone and China's economic slowdown.

In the Eurozone, growth was extremely limited and discontinuous with large differences between the various countries, due to weak domestic demand, particularly weak investments, historically low inflation rates and high unemployment.

To counteract these trends and, especially, to mitigate the risks of falling into a spiral of deflation, the European Central Bank ("ECB") adopted a series of extraordinary measures in the year to encourage the flow of credit to the real economy, so as to fuel a recovery in investments, consumption and exports.

Eurozone economic data	2014	2013
GDP	(change on previous year)	
Eurozone	0.8	-0.4
Germany	1.4	0.2
France	0.4	0.4
Italy	-0.4	-1.9
Spain	1.4	-1.3
Inflation	(change on previous year)	
Eurozone	0.4	1.3
Germany	0.8	1.6
France	0.6	1.0
Italy	0.2	1.2
Spain	-0.2	1.5
Domestic demand	(change on previous year)	
Eurozone	0.8	-0.9
Germany	1.6	0.8
France	0.5	0.3
Italy	-0.9	-2.9
Spain	2.2	-2.7

Source: Prometeia forecast, January 2015

Based on recent economic data, the Eurozone shows average annual GDP growth of 0.8%, with the various members contributing much differently: while the largest economies (France and Italy) show declines, peripheral countries, like Spain, boast growth. GDP growth in Germany is 1.4%, two tenths of a percentage point above the government's predictions. Although it was affected by the Russian-Ukraine conflict more than expected, the German economy was still able to benefit from strong domestic demand and the sound performance of exports. After getting off to a vibrant start in the first half of the year (+0.8% in the first quarter) and experiencing a weak summer (-0.1% in the second quarter), the German economy positively stabilised in the second half of 2014 (+0.1% in the third and fourth quarters).

As the Eurozone undergoes a modest recovery, economic activity in Italy remains flat, although it showed some very hesitant positive signs near the end of the year, mainly in connection with the sharp drop in the price of oil (which is progressively translating into production costs and, most recently, end prices for energy products), the depreciation of the Euro (with its much hoped-for positive effect on growth in exports) and expansive monetary policy.

In 2014, this cyclical phase showed growth in GDP of around zero in the first and fourth quarters, dipping into the negatives in the second and third quarters, influenced by heightened geopolitical tension. The year-on-year decrease in GDP was 0.4%, reflecting the negative contribution of domestic demand (-0.9%) exacerbated by the sharp fall in investments (-1.1%) and modest growth in foreign demand (exports +2.0%; imports +0.5%).

GDP and main components	Q1	Q2	Q3	Q4
<i>Change %</i>				
GDP	0	-0.2	-0.1	0
Domestic demand	-0.3	-0.4	-0.3	0
Spending by households and private not-for-profit organisations	0.1	0.2	0.1	0.1
Public administration spending	-0.3	0.1	-0.3	-0.3
Gross fixed investments	-1.1	-0.8	-1	-0.5
<i>Construction</i>	-1.1	-1.1	-0.9	-0.7
<i>other durable goods</i>	-1.1	-0.5	-1.1	-0.3
Imports of goods and services	-0.7	0.9	-0.3	0.9
Exports of goods and services	0.2	1.3	0.2	1.1

Source: Prometeia forecast, January 2015

MARKET PERFORMANCE

Despite the difficult context for an Italian economic recovery, the transport sector performed moderately well with respect to both passengers and cargo.

Demand for passenger transport also showed an upwards trend. After two years of decline, air passenger traffic resumed growth, with approximately 150 travellers passing through the 35 Italian airports monitored by Assaeroporti explain (+4.5% on the previous year). Both domestic passenger traffic, up by 2.5%, and the net growth in international traffic contributed to the overall result. Indeed, international traffic grew by 5.9% on the previous year, particularly influenced by the 7.5% increase in traffic from EU countries on 2013. Italy's top domestic hub remains the Roma Fiumicino international airport, with its total of 38.5 million transiting passengers in the year. Milano Malpensa is next, with roughly 19 million passengers (+5% on 2013), including approximately 16 million international passengers, despite the "Linate decree" deregulating traffic from the Milano Linate airport to non-capital cities in Europe. With respect to road transport, after decreasing over the past three years, light vehicles ended the year with a 1.0% gain on 2013, corresponding to roughly 59 billion light vehicle-km in terms of volume. Even the automotive industry showed recovery, with some 1.4 million new cars registered in 2014 (+4.2% on the previous year), substantially due to growth in the rental sector, rather than private ownership. On the other hand, the cruise ship sector declined: according to Cemar (port agent tour operator network) forecasts, cruise ships at Italian ports lost approximately 10% on an annual basis.

The cargo transport sector saw a slight rise, although industrial production is down (-0.8%). The air transport sector continued to boast growth in traffic, which had already recovered in 2013, with an annual increase of around 5% in tonnes of cargo handled. Milano Malpensa remains the top airport for cargo handling, with

approximately 460 thousand tonnes, equal to roughly 51% of the country's total. Cargo traffic on motorways generated around 17 billion heavy vehicle-km, corresponding to an increase of 0.7% on the previous year. Sound signs of recovery were also seen in the registration of freight trucks (+16.4% on an annual basis). The sea transport of containers at major Italian ports performed well, up by approximately 1% in the first half of the year compared to the same period of 2013, mainly boosted by the Genoa port's sound performance. The logistics segment, bolstered by the growth in exports, posted a 1.1% increase in revenue.

Traffic figures of major European railway companies

Weak economic growth in the EU countries had an overall impact on the demand for transport met by railway companies: according to provisional International Union of Railways (UIC) data, there was a slightly decline in passenger volumes (-0.3% in passenger-km) and growth in cargo volumes (+0.9% in tonne-km).

In the passenger transport sector, with the exception of RENFE (Spain), which saw a surge in demand, up by approximately 5%, other railway companies reported flat trends. HS services grew especially in France, Germany, Italy and Spain.

SNCF (France) was a top performer in the railway cargo transport sector, which is more closely tied to economic trends and heightened competition, posting an increase of approximately 2% in traffic, while other European railway companies reported no change in volumes. Considering all domestic and international traffic, DB AG (Germany) continued to report the highest volumes of cargo transported, accounting for roughly 38% of all European UIC members' total tonne-km. SNCF's share was much smaller (9%), while PKP (Poland) stands out among Eastern European countries with about 11% of traffic.

RELATIONSHIPS WITH CUSTOMERS

Passenger transport - Market

2014 saw the consolidation of the product offer in the market segment in the highly competitive HS market. The pricing policy for all products in this segment continued in line with the previous year, offering passengers the longstanding fare structure: Standard, Economy and Super Economy, i.e., a combination of flexibility and discounts.

In addition to this range, Trenitalia confirmed its special offers: Two for the price of one every Saturday and on certain holidays ; Children travel free, for families, allowing children under 15 years of age to travel for free; and the CartaFreccia Special card for loyal customers, who can travel on Freccie trains with a 50% discount off the Standard fare on Tuesdays, Wednesdays and Thursdays from 11 am to 2 pm. In addition, the company has confirmed special same-day and same-weekend roundtrip fares.

Two new CartaFreccia sales offers were launched in the second half of the year for frequent travellers with travel passes: CartaFreccia Young and CartaFreccia Senior, entailing discounts of 20% off the Standard fare for domestic trains. CartaFreccia Young is the new card for loyal customers who are under 26, while CartaFreccia Senior is for loyal customers who are over 60.

In 2014, campaigns were organised to incentivise purchases using e-vouchers: Happy Day on 6 January for purchases on Trenitalia.com, the discount for Women's Day, CartaFreccia birthday discounts and Renew consent and the summer discount.

At the end of 2014, the company counted over 4 million Cartafreccia customers, and the Cartafreccia offer was expanded to include exclusive benefits, like airfare in the rewards catalogue and the launch of the new "Pass it on" programme.

In 2014, in the wake of the previous year's positive results, the sports marketing campaigns were confirmed, with the addition of Sassuolo to the football teams that already partner with Frecciarossa network, bringing the total list to: Juventus, Torino, Milan, Inter, Bologna, Fiorentina, Roma, Lazio, Napoli and Sassuolo.

At year end, 97.2% of long haul trains in the market service segment arrived on time or, in any case, 0 to 15 minutes late, compared to 96.0% in 2013. Customer satisfaction data, based on a third party survey, show overall satisfaction with the journey of 94.1%, up on the findings of the previous year (93.6%).

On 30 August 2014, an agreement was signed with Milan 2015 Expo, whereby Trenitalia was named Official Global Rail Carrier for the event. Under this agreement, the ExpoExpress train initiative was launched from Venezia Santa Lucia, a travelling expo that will cross Italy, promoting the universal expo with conferences and events for the public. There are three carriages in transit: Live Expo, Food Expo and Casa Expo, with conferences held on health, well-being and a healthy diet and information provided through interactive features about the environment and sustainability. In addition, since 2015, the Freccia train exteriors will feature the Expo logo.

The Milan 2015 Expo organisers expect over 20 million visitors, around 32% of whom will reach the universal expo site by train. To meet the transport needs of Italians and foreigners in a competitive, sustainable way, over the six months of this major world event, the main Frecciarossa and Frecciabianca trains will make 37 stops per day in Rho-Fiera Milano, the station serving the Expo, and the entire HS network schedule will be increased to make the most of the accommodations in Italy's leading tourist destinations. In addition, the number of foreign connections will also increase. In particular, passengers from France will be able to reach the Expo directly on the trains operated by Trenitalia's subsidiary, Thello (Paris - Venice), while visitors from Switzerland will have eight new trains departing from Geneva, Basel and Lugano. Moreover, the Frecciarossa 1000, the new train in Trenitalia's fleet, will make its debut for the Milan 2015 Expo, with the first runs between Rome and Turin. Passengers may purchase tickets to the Expo together with their train tickets in one single transaction. Through partnerships and synergies, the travel offer will also include intermodal solutions with other means of transport.

The following main developments were introduced in 2014:

- **Frecciarossa**

The restyling of the new Bistrò carriages is nearing completion, with the progressive replacement of the traditional restaurant carriage on the entire Frecciarossa fleet. Featuring an innovative design, the new Bistrò carriage will enable the company to improve its service, thanks to the modern equipment and expanded space to display food. The bar area has been completely updated and the restaurant area has been equipped with business-class seating. Passengers in these seats can enjoy restaurant services on trains running at lunch or

dinner time, while on other trains, the seats are available by reservation. Around 80% of the restaurant carriages have been restyled as part of this project and it is expected to be completed in the first half of 2015.

The company continued to consolidate WIFI and 3G services and is developing the schedule of information broadcast on screens in carriages, expanding content throughout the entire ETR500 fleet (WhereRU/News/Info Travel/Entertainment and sales offers/agreements) and kicking off a new project to fine-tune the way in which content is displayed on the screens (georeferencing, updates at given times and customised update schedules for commercial journeys). The project is slated for completion in the first half of 2015.

97.6% of Frecciarossa trains arrived on time or, in any case 0 to 15 minutes late, compared to 98.2% in 2013. Customer satisfaction data, based on a third party survey, show overall satisfaction with the journey of 96.1% at year end, in line with 2013.

- **Frecciargento**

Completing the outfitting of the ETR 600, ETR 610 and ETR 485 fleet with the necessary devices to provide multimedia services on board, the Frecciargento portal was launched, offering the same services already provided on the Frecciarossa portal: free WIFI, multimedia entertainment and travel updates.

Development continued on the schedule of information broadcast on screens on board ETR 600 and ETR610 trains, in perfect keeping with Frecciarossa trains. The Frecciargento website is available on touch screen monitor in the vestibules of ETR600 and 610 trains, describing the offer, product, fares and services for Frecciargento customers.

At year end, 98.5% of Frecciargento trains arrived on time or, in any case, 0 to 15 minutes late, compared to 98.4% in 2013. Customer satisfaction with the overall journey came to 93.2% at year end, up on the 92.5% of 2013.

- **Frecciabianca**

With respect to Frecciabianca trains, the company focused on reducing the amount of time between connections, to further reduce travel times. Passengers travelling on the connection launched with a new fast pair of trains running between Trieste Centrale and Milano Centrale arrive in only 3 hours and 44 minutes.

The standardisation of the new look for Frecciabianca continued, and improvements were made to the scheduled on-board announcements, in perfect keeping with Frecciarossa and Frecciargento trains.

Over 96% of Frecciabianca trains arrived on time or, in any case, 0 to 15 minutes late, compared to 95.8% in 2013. Customer satisfaction with the overall journey came to 92.5% at year end, in line with 2013 data.

- **International service**

Since the timetable was changed in June 2014, the Italy - Switzerland service offer was expanded with a new afternoon pair on the Milan – Zurich route, entailing the rescheduling of the Milan – Zurich timetable from June due to work to reinforce the Gotthard tunnel.

A variety of campaigns were launched to promote Italy - Switzerland connections on the holiday weekends in May and June for travellers in first class and for the Christmas markets.

The Thello promotional sale continues, offering passengers on Thello night trains leaving from or arriving in Venice, Padua, Vicenza, Verona, Brescia and Milan for or from Paris and Dijon discounts on Frecciarossa, Frecciargento and Frecciabianca trains.

This Frecce-Thello combination more effectively and now, at reduced prices, connects France with most of Italy's major cities and top tourist and business destinations. Furthermore, on 14 December 2014, service on the new Milan - Nice route began.

Finally, the international offer saw the partial resumption of ordinary routes that had been reduced in 2012 and 2013, on night trains to and from Germany, to complete the revision of the carriage door opening and closure system. In addition, the reserved seating service on the Rome/Bologna - Munich/Vienna route was reinstated.

Universal passenger service

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

Again in 2014, passengers on night trains were offered the Night + HS discount, entailing a special price for travel on HS Frecciarossa and Frecciargento trains leaving from or arriving in Naples, Rome or Bologna in combination with a night connection to or from Sicily, Calabria or Puglia to improve efficiency and connect Southern Italy to the north. In addition, in May, the Economy and Super Economy fares were launched for night trains with a special price point, and a communications campaign called "Night travel starting from €39" was launched for journeys in couchettes (€49 for the sleeper carriage).

Over 94.5% of long haul trains falling under the universal service and other services reached their destination on time or less than 15 minutes late, showing a significant improvement on the previous year (90%).

Regional transport

Most of the public service contracts in place with the regions expired on 31 December 2014. Negotiations are underway and various understandings are being reached for the renewal of these agreements. In most cases, bridge agreements are being negotiated in view of upcoming tenders, through which the regions have expressed their plans to sign new contracts.

The public service contract for the Emilia Romagna region was extended to 30 June 2016, while the company presented its bid in the tender for transport services on 20 October 2014.

New trains continue to be delivered in accordance with the public service contracts with the regions. In particular, 29 "Jazz" electric trains and 167 double decker "Vivalto" carriages were delivered. The contract for "Swing" diesel systems is progressing in accordance with the commitments made with the regions, with the activation of the first trains by March 2015.

In general, most of the regions, although each to a different extent, are excellent customers and none have requested significant cuts in services. They make regular payments so that the contractually-agreed cash flows are available to support the investments needed to renew the fleet. Certain regions have even contributed with their own funds to purchase new trains and play a very important part in the continuous improvement of the range of services offered.

In certain cases, which are, fortunately, limited, considerable cuts have been made in the services requested due to budget issues and delays in payments that are so significant that they hinder investments in new trains.

The Public service contract with the Ministry of Infrastructure and Transport for the special-status regions expired in 2009 and has not been renewed. However, the company has continued to provide its services on the basis of instructions that the Ministry has provided each year. At the same time, the progressive transfer of responsibility to the special-status regions continues. Indeed, following the programme agreement dated 7 June 2012 between Sardinia and the relevant ministries, the transfer of financial resources from the Ministry of Infrastructure and Transport to the region was completed and negotiations began to directly award the services to Trenitalia. A similar procedure is underway for Sicily.

The percentage of regional transport trains that arrived within 0 to 5 minutes of the scheduled time was 93%, showing a slight improvement on the previous year (92%).

Customer satisfaction data have improved as well. In particular, overall passenger satisfaction reached 74.1% in 2014, compared to 73.8% in 2013. Moreover, the perceived quality of cleanliness on board regional trains improved considerably, rising from 54.8% in 2013 to 58.8% in 2014. Just a few years ago it came to only 33%. This improvement was achieved by completely revising the entire cleaning process and through many changes in contracts in previous years.

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

- the project to eliminate paper tickets, making them mere reminders, has reached an advanced stage. This project will save printing, warehousing and distribution costs. It will be completed in 2015.
- the project to replace the old self service ticketing machines was completed, with the installation of 1,280 new devices at the main traffic hubs and crowded areas, such as universities and trade fair grounds. The new self service machines meet far superior technical and security standards than the previous ones and are much easier to use, enabling customers to buy any product in the company's domestic offer using cash, credit cards or direct debit cards.
- In addition new ticket punchers have been installed, making it possible, inter alia, to use new ticket recognition technologies, such as barcodes and microchips.
- In Piedmont, the e-ticketing system was completed based on cards equipped with microchip. The project will be completed in 2015 for the issue of regular tickets. This new form of ticketing will also be extended to other regions in 2015 as well. Indeed, the sales network continues to expand and through agreements signed with the authorised ticketing agents Lottomatica, Federazione Italiana Tabaccai and Sisal, in 2014 the number of points of sale where passengers can buy regional tickets and travel passes grew to 70 thousand, scattered throughout Italy.

Cargo

The economic situation in the Italian market affected railway traffic with drops in domestic traffic volumes (conventional and sea and road intermodal transport), while international traffic grew, especially due to the growth in flows to and from Germany, Austria, Holland, Hungary and Poland.

The product sectors presenting the deepest declines are concentrated in the steel and chemical transport segments, due to the Italian steel's industry's severe crisis and the closure of many chemical sites in Italy, while the transport of raw materials, consumer goods (imports of timber and grain) and the automotive segment are holding strong.

In this scenario, the Cargo Division's position has remained more or less in line with 2013, as it continues to focus on maintaining a constant offer for full-train transport with the same production volumes. It has achieved these results by fostering loyalty among its customers, ensuring that its agreements in place in Italy are extended over time and taking steps to boost international traffic abroad. On the other hand, the discrepant trend in domestic combined sea/land traffic has not helped its drastic steps to regain shares of traffic from its inter-/intra-modal competitors.

PERFORMANCE

Income statement

In addition to the ordinary effects of operations, the profit for 2014 reflects the impact on results of new legislation/regulations that have affected the cost of electrical energy for traction and charges to use HS infrastructure in the Long Haul Passenger Transport Service Division on the market. In addition, it was affected by the termination of the Cargo Public Service Contract with the government in 2015.

The measures passed relating to electrical energy for traction (Electricity and Gas Regulator's resolution of December 2013 and Decree law no. 91, converted into Law no. 116/14 on 11 August 2014, published in the Italian Official Journal no. 192 of 20 August 2014) led to an estimated €19 million increase in the cost of energy, with an impact of over €70 million once it is fully implemented. With respect to the charges to use the HS infrastructure, the Italian Transport Regulator's ("ART") regulation reduced the HS toll from €12.8 to €8.2 per train-km (-37%) as from November, with an estimated impact of roughly €15 million on profit or loss for the year, and lower costs of approximately €70 million as from 2015.

The government's decision to not renew the Cargo Public Service Contract generated a reduction of roughly €105 million in Trenitalia S.p.A.'s considerations. Beginning in 2015, the costs to use infrastructure in Southern Italy and ferry costs, which are calculated in proportion to train-km generated by the railway companies, for transport services originating and/or terminating in Central and Southern Italy, will be eliminated, but this will only partly offset the impact of the non-renewal. These developments entailed a revision of the Cargo Division's business plan in order to check - through impairment testing - whether the amount of capital invested in this division is recoverable. The results of the impairment test showed the need to recognise impairment losses of €185.2 million.

It follows that the profit for the year and operating profit reflect the negative impact of this non-recurring caption, which is due solely to a change in the scenario in which the company operates.

millions of Euros

	2014	2013	Change
Revenue	5,576.7	5,497.8	78.9
- Revenue from sales and services	5,366.9	5,272.8	94.2
- Other income	209.8	225.0	(15.2)
Operating costs	(4,120.9)	(4,112.5)	(8.4)
EBITDA	1,455.8	1,385.3	70.5
Amortisation and depreciation	(958.3)	(932.7)	(25.6)
Net impairment losses	(209.5)	(20.8)	(188.6)
EBIT	288.0	431.7	(143.7)
Net financial expense	(160.7)	(169.3)	8.6
PRE-TAX PROFIT	127.3	262.4	(135.1)
Income taxes	(67.8)	(80.9)	13.1
PROFIT FOR THE YEAR	59.5	181.5	(122.0)

The profit for 2014 amounts to €59.5 million, compared to €181.5 million for 2013. As noted earlier, the 2014 income statement includes the significant impairment losses (€185.2 million) on the Cargo Division's assets considering the results of the impairment test. The profit for the year consequently benefited from the recognition of additional deferred tax assets of approximately €19.2 million.

The gross operating profit, which is unaffected by these non-recurring captions, increased considerably in 2014, rising by 5.1% from €1,385.3 million in 2013 to €1,455.8 million, while the gross operating profit as a percentage of revenue in 2014 came to 26.1%, showing further growth on the 25.2% posted in 2013 and therefore highlighting an additional improvement in the company's business performance.

The operating profit amounts to €288.0 million, down on the previous year (€431.7 million). As noted previously, it was significantly affected by the recognition of impairment losses on the Cargo Division's assets. Not considering these non-recurring captions, the operating profit would have been €473.2 million, showing growth of 3.2% on the previous year, and accounting for 8.5% of revenue (7.9% in 2013).

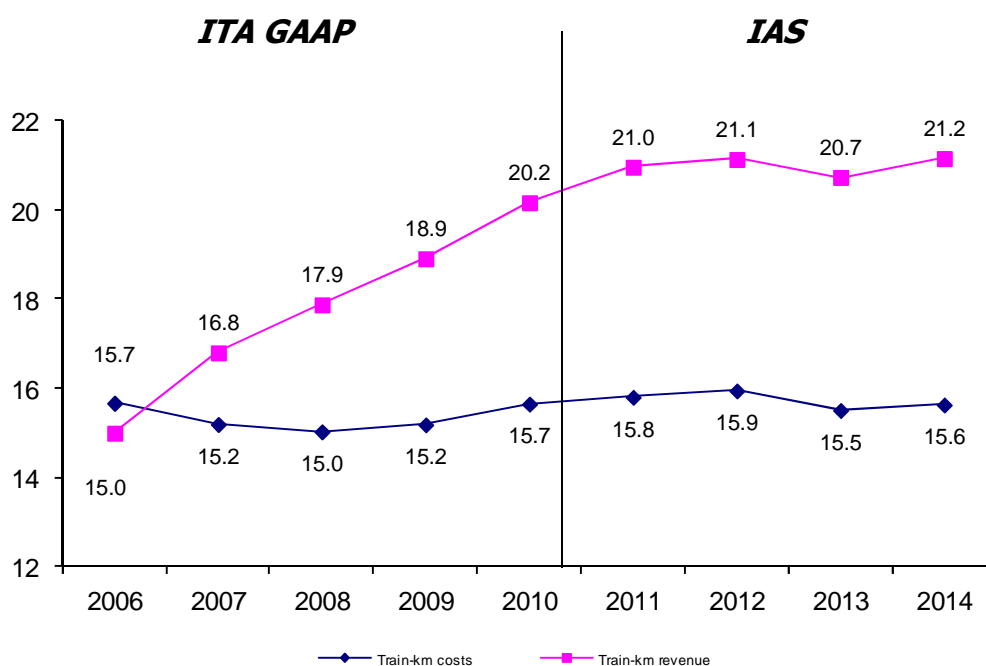
Despite the volatile economic context, the company has achieved important milestones, not only in terms of the quality of its offer but in maintaining and improving its economic fundamentals on previous periods, excluding the impact of the Cargo asset impairment losses.

The company is capable of taking action to maintain its leadership on the HS market through a particularly effective strategy. It has used all marketing mix levers, partly through significant market control innovations, with positive repercussions on customer satisfaction, market shares and product profitability. In the scope of

the long haul universal service and regional transport segments, it has continued to adjust its offer to meet the customers' requirements and reflect changes in demand, within the limits of the public service contracts.

Trenitalia's Cargo Division has continued to pursue the rationalisation/reorganisation of its operating structure, a process that began in previous years with the aim of adjusting it to meet market requirements. As the conditions of the regulatory context have changed (termination of the Cargo Public Service Contract from 2015), the company has defined a new Cargo Division Plan, in which it has laid the foundation, with updates, to achieve a new structural economic balance. On the market, the Cargo Division is the company's business segment most affected by the ongoing economic crisis and the restructuring underway at Italy's leading industrial companies.

The following table provides a summary of the trend in the company's two main performance indicators. To provide a clear understanding of the individual prior year figures, operating costs and revenue are shown net of recharges to Trenord (in 2010 and 2011), as they relate to giro accounts, which are substantially nil in the income statement. This approach enables readers to analyse the balances without the interference of costs that no longer relate to Trenitalia's production of train-km. These indicators show that the company is on the path to a steady economic balance despite the complex dynamics of its segments.



Total train-km includes train-km provided by other railway companies on foreign networks under sub-contracts with the Cargo Division.

To provide a clear comparison of 2013 and 2014 data, without the effects of the impairment losses recognised on the Cargo Division's assets, the main performance indicators are given below:

millions of Euros

	2014	2013	Change
Revenue	5,576.7	5,497.8	78.9
(EBITDA)	1,455.8	1,385.3	70.5
(EBIT)	473.2	431.7	41.5
PROFIT FOR THE YEAR	244.7	181.5	63.2
ROI	5.8%	5.2%	0.6%
ROS	8.5%	7.9%	0.6%

Revenue

The following table reports the main indicators for Trenitalia's three business divisions.

In the long haul passenger transport division, indicators are reported for market services, which relates to services for which no public grants are awarded, meaning there are no regulations pursuant to public service contracts, and for the universal service, which refers to trains under a specific service agreement with the government.

	2014	2013	Delta %
LH Passenger Transport Division			
Revenue (euro/million)	2,340	2,236	4.6%
Passenger-km (millions):	19,920	18,862	5.6%
- of which: market services	15,665	14,550	7.7%
- of which: universal service	4,255	4,312	-1.3%
Train-km (thousands)	77,976	77,531	0.6%
- of which: market services	54,498	53,888	1.1%
- of which: universal service	23,478	23,642	-0.7%
Regional Passenger Transport Division			
Revenue (€/million)	2,663	2,711	-1.8%
Passenger-km (millions)	18,691	18,890	-1.1%
Train-km (thousands)	151,905	154,531	-1.7%
Cargo Division			
Revenue (€/million)	623	637	-2.3%
Tonne-km (millions) (*)	14,694	14,953	-1.7%
Train-km (thousands) (**)	33,714	33,115	1.8%
Other revenue/Eliminations (***)	(49)	(86)	-43.2%
Trenitalia revenue	5,577	5,498	1.4%

(*) Includes foreign tonne-km.

(**) Includes train-km from other railway companies realised abroad.

(***) Eliminations are due to the offsetting of interdivisional items.

Revenue from sales and services

Revenue from sales and services grew by 1.8% to €5,366.9 million for 2014, compared to €5,272.8 million in the previous year. The changes in each type of revenue are summarised below:

	2014	2013	% change
Traffic revenue	3,234.3	3,121.6	3.6%
Revenue from public service contracts	1,992.6	2,021.7	-1.4%
Revenue from other transport-related services	140.0	129.5	8.1%
Total	5,366.9	5,272.8	1.8%

Traffic revenue

Long haul passenger transport revenue:

Traffic revenue in the long haul sector performed well, up by €111.6 million (+6.1%) on 2013 as a result of differing trends in the various types of services:

- **Market services:** Overall, these grew by 6.9%, or by €107.9 million due to the rise in revenue generated by "Freccia" trains (approximately €113.4 million), mainly resulting from the strengthening of the HS offer on the Turin-Milan-Naples-Salerno line. The positive performance of "Freccia" trains was partly offset by the reduction in revenue generated by transport presenting low frequency and negative profit margins, which required the company to make cuts. This rationalisation entailed, in particular, certain daytime InterCity trains (-€7.8 million). On the other hand, revenue generated by international train service grew (+€2.1 million) and revenue from church-related charter services remained in line with 2013.
- **Universal service:** this segment increased by €3.6 million (+1.3%), confirming the prior year trend.

Regional passenger transport:

In 2014, traffic revenue in the regional transport sector remained substantially in line with the previous year (+0.1%). The decrease in passenger-km (-1.1%) was offset by the higher fares (+0.9%). Production decreased by 1.7%, mainly due to the reduction in services requested by the regions, with a consequent decrease in fees and extraordinary suspensions of lines.

Cargo:

During the year, the Cargo Division posted traffic revenue of €477.8 million, in line with the previous year. It generated a total of 33.7 million train-km, slightly up on the previous year (+1.8%). These included 6.1 million train-km generated abroad, up by over 25% on the previous year, mainly due to the growth in international traffic to and from Germany. Transported tonne-km came to 14.7 billion in 2014, showing a slight drop on the previous year (-1.7%). The average load per train was 436 tonnes/train, slightly down on the previous year (-3.5%). The main business segments, which are consistent with the various products transported, showed the following trends:

- ***Conventional business***

Conventional business traffic volumes fell by 1.3% on 2013 in terms of train-km, while revenue decreased by 3.2% on the previous year.

The performance of the main conventional business segments is analysed below:

- **Steel:** this segment reflects the crisis that large industrial companies are undergoing. Accordingly, the segment showed an overall decline in train-km of 7.8% in 2014 compared to 2013 and a 6.5% decrease in revenue on the previous year. Railway traffic for the steel segment, most of which relates to steel production (flat and long steel products), was impacted by the drop in demand and the reduction in volumes produced.
- **Cars:** the Italian automotive industry is growing, supported by Fiat Chrysler Automobiles' relaunch on the domestic and international market and demand to replace vehicles. Railway transport also showed similar signs of recovery in this segment, with volumes, measured by train-km, up sharply (+27.5% on 2013), largely due to traffic generated by imports from Eastern European car making countries, while domestic traffic volumes relating to components and trucks are flat. Revenue increased by 3.4% on the previous year.
- **Chemicals:** this segment continued to indicate weakness throughout Europe, with railway transport of chemicals, which has always been linked to the production of basic chemicals only, showing a 12.7% drop in total train-km on 2013, largely due to domestic traffic volumes, and a consequent 10.9% decline in revenue. International traffic, for both imports and exports, is down due to the decrease in fuel oil traffic to and from Germany and Austria.
- **Other segments - Raw materials and consumer goods:** railway transport volumes, measured in terms of train-km, grew by 8.7% on 2013 in this segment, mainly in relation to international imports from Eastern European countries consisting of timber and grain, keeping revenue in line with the previous year(+0.1% on 2013).

- ***Combined transport business***

Combined business traffic volumes dropped by a total of 3.2% in terms of train-km in 2014, while total revenue rose by 5.9% due to traffic abroad under agreements entailing Trenitalia's management to destination.

The European container market, with respect to both Northern European ports (Hamburg, Rotterdam and Zeebrugge) and Mediterranean, Spanish and French ports (Algeiras, Barcelona, Valencia and Marseilles), saw growth in traffic volumes on 2013. Italian ports maintained steady volumes in terms of handled TEUs, especially in Liguria and Veneto.

Revenue from public service contracts

Revenue from public service contracts (with the regions and the government) decreased by approximately €29.1 million (-1.4%) on the previous year.

Revenue from public service contracts with special-status regions showed an overall decrease of €2.9 million, mainly due to the drop in production (-1.7%), partly offset by the increase in contractually-indexed fees.

Fees relating to long haul and cargo public service contracts showed no material changes with respect to the previous year.

Fees relating to local public transport services purchased by the government for special-status regions (Sicilia and Valle d'Aosta) and joint services in the Triveneto region decreased by roughly €24.5 million.

The public service contract with the Ministry of Infrastructure and Transport for the special-status regions expired in 2009 and has not been renewed. However, the company has continued to provide its services on the basis of instructions that the Ministry has provided each year, requesting Trenitalia provide the same number of train-km as in 2011. Trenitalia has reported this situation on multiple occasions to both the Ministry of Infrastructure and Transport and the Ministry of the Economy and Finance, sending exhaustive documentation demonstrating that the Ministry of the Economy and Finance has requested these services and reporting them. Again in 2014, there is a difference between accruals for services and the production of services, amounting to roughly €25 million, which the company has prudently measured. At the same time, the Ministry of Infrastructure and Transport is progressively transferring responsibility to the special-status regions. Indeed, following the programme agreement dated 7 June 2012 between Sardinia and the relevant ministries, the transfer of financial resources from the Ministry of Infrastructure and Transport to the region was completed. A similar procedure is underway for Sicily. Based on the most recent legislative measures, the government is still responsible for the joint services, while procedures are being defined for the transfer of financial resources to the Valle d'Aosta region for the services provided to it.

Revenue from other transport-related services

Revenue from other transport-related services increased by a total of €10.6 million on 2013, mainly the net effect of the trends in the following fees:

- increase of +€18.7 million in rolling stock maintenance services provided to third parties, mostly due to the growth in the maintenance services that the company's Technical Office provided to Trenord S.r.l.;
- decrease of €6.9 million in escorting, shunting and conduction services provided to Trenord S.r.l.;
- decrease of €1.9 million in fees for sidings.

Other revenue

Other revenue decreased by €15.2 million on 2013. The main changes with respect to 2013, which are mostly due to the change, from 2013 to 2014, in the management of certain non-core business items, are described below:

- reduction of €9.9 million in income from the scrapping of rolling stock;
- reduction of €14.8 million in fines charged to clients and suppliers for breach of contract;
- decrease of €1.6 million in ticketing fee income;
- reduction of €5.3 million in general service fees and recharges with Trenord S.r.l. (-€2.9 million), Thello Sas (-€4.8 million), partly offset by the increase in services provided to third parties (€2.6 million);
- increase of €13.1 million in insurance compensation;
- finally, a €1.6 million increase in non-recurring fees on the sale of energy certificates and compensation of €1 million for damages arising from an anti-trust violation.

Operating costs

Operating costs increased slightly on 2013, by €8.4 million (+0.2%).

This was due to the following trends:

Personnel expense improved by €19.2 million (-1%). The reduction was the net effect of certain positive and negative factors, such as:

- lower costs due to a reduction in the average number of employees (FTE), which decreased by 1,658, generating a positive effect of approximately €92.6 million;
- €44.7 million increase in costs due to the higher average cost per employee as the raises provided for by the national labour agreement took full effect;
- €8.9 million drop in revenue arising on recharges for personnel seconded to other group companies;
- €0.8 million increase in personnel-related expense;
- €6.5 million increase in "accruals and releases" of provisions, the effect of a 2013 release of €11.6 million (there were no releases in 2014), partly offset by lower accruals for labour litigation by €5.3 million;
- €12.9 million increase due to the integration of the fund for income assistance following the signing of the agreement with the trade unions on 23 May 2014, extending the term of the agreements signed in 2013 and entailing the allocation of fund benefits to another 82 employees;

Other costs, net of the capitalisation of routine maintenance and other revamping operations performed on rolling stock, increased by €27.6 million (1.3%). This caption was affected by the following changes:

- decrease of roughly €17.6 million in costs relating to transport services (production process and train operation), mainly due to the reduction in costs to access the infrastructure, which fell by €34.3 million following the decrease in the individual toll applicable to HS railway sections, and to the smaller regional transport offer. This drop in costs was partly offset by the €18.6 million increase in the cost of electrical energy for train traction resulting from the Electricity and Gas Regulator's resolution of December 2013. Finally, this caption reflects prior year income of €7 million on the adjustment of prior year energy costs, the €8 million drop in fuel purchase costs and lower consumption (€6 million) following the reduction in diesel traction on regional routes, coupled with the lower average purchase price of diesel (down by €2

million, -3.1%), offset by increase in rail replacement bus services (€7 million) and the rental of rolling stock (€6.4 million);

- €11.7 million increase in sub-contracting costs in the Cargo Division, following the growth in traffic sub-contracted to foreign operators for carriage to destination;
- €19.8 million increase in costs for the maintenance of rolling stock, substantially due to the rise in other services provided to other companies;
- increase of approximately €6.5 million in costs mainly relating to the growth in ticketing fees paid to travel agencies (€1.6 million), fees paid on international traffic (€2 million) and the cost of transport-related services, consisting of disabled passenger assistance and other information services (€1.4 million);
- €2.5 million increase in costs for on-board services due to the growth in catering and welcome drink costs as the number of passengers rose (+7.7% in passenger-km on market service trains compared to the previous year). The higher on-board service costs were partly offset by the reduction in the cost of security escorting services on night trains (-€0.7 million), mostly due to the reduction in the sales offer (-1.4% in night train-km on the previous year).

Amortisation and depreciation

Amortisation and depreciation increased by €25.6 million due to that applied to maintenance enhancing assets capitalised in the year, which accounted for approximately €40.7 million, while the residual difference (-€15.1 million) was the combined effect of new investments and the suspension of the amortisation/depreciation of certain assets.

Impairment losses

Impairment losses grew by €188.6 million, due to the impairment losses of €185.2 million on the Cargo Division's assets following the results of the impairment test described earlier, while the residual increase was due to the greater impairment losses on rolling stock (€10.4 million), partly offset by the reduction in impairment losses on workshop plants (-€2.3 million) and assets under construction (-€4.8 million).

Net financial expense

Net financial expense improved by a total of €8.6 million due to the €26.3 million decrease in financial expense, partly offset by the €17.7 million reduction in financial income.

This reduction in financial income was mainly due to the exchange rate gains of €16.7 million on Cisalpino AG's share capital decrease to CHF100,750 (entailing a decrease of CHF162,399,250), on 16 January 2013, the €1.7 million decrease in dividends from the subsidiary TX Logistik, partly offset by the recognition of interest income on the tax asset arising from the refund of prior year registration tax (approximately €2.5 million).

The trend in financial expense on the servicing of non-current loans and borrowings showed a total improvement of €14.6 million. Lower financial expense was due to the reduction in the average rate applied to non-current debt, down from 2.75% in 2013 to 2.58% in 2014, with an estimated positive effect on profit

or loss of roughly €9.5 million, and the reduction in average exposure, entailing a €5.1 million decrease in financial expense.

Furthermore, this caption benefited from the higher percentage of current debt, which is less expensive, and the opportunities offered by the drop in interest rates, including the gradual replacement of swaps with collars and caps to hedge interest rate risk, enabling the company to take advantage of the favourable trend in market rates. The cost of debt is also influenced by, inter alia, the increase in the interest cost on the €600 million loan agreed with the parent, following the issue of notes for the MTN programme in the second half of 2013, which presents an average all-in cost of 4.26%.

Hedges generated a positive impact on profit or loss as a result of the time value of derivatives (approximately €1.9 million).

The interest cost of post-employment benefits decreased by a total of €2.2 million, the net effect of the reduction in the interest cost of the residual liability at the start of the year (€935.4 million, compared to €1,077.4 million in the previous year), which generated an estimated positive effect of roughly €3.2 million, partly offset by the correlated increase in the rate applied, which rose from 2.05% in 2013 to 2.25% (average rate) in 2014, generating an estimated negative effect of around €1 million.

Lastly, the lower impairment losses recognised on the subsidiary Thello S.a.S. than in 2013, as the company posted a smaller loss for the year, had a positive effect. of €8.9 million.

Income taxes

The tax charge for the year shows a €13.1 million decrease due to the following trends:

- Income taxes of the year increased slightly on the previous year (+€2.7 million) although an analysis of income taxes shows that the IRAP (regional tax on productivity) charge is down by roughly €3.4 million, while the IRES (corporate income tax) charge rose by approximately €6.1 million, due to changes in the tax bases for these taxes;
- Income taxes decreased by €19.2 million following the adjustment of tax benefits calculated for subsequent years on the basis of forecast profits. As reported in previous years, as Trenitalia has significant prior year tax losses that the law enables it to carry forward without any time limits, it has recognised the corresponding deferred tax assets. In this respect, the company continues to adopt an extremely prudent criterion in the recognition of tax income, evaluating their potential recoverability on the basis of the 2015 budget and the 2016 plan only over the time period described.

Finally, income taxes increased by €6.4 million due to the updating of prior year tax estimates when the actual amounts were determined in 2014 when the related tax returns were filed.

Reclassified statement of financial position

<i>millions of Euros</i>	31.12.2014	31.12.2013	Change
ASSETS			
Net operating working capital	749.2	952.4	(203.2)
Other assets, net	(528.3)	(536.4)	8.1
Working capital	220.9	416.0	(195.1)
Property, plant and equipment	8,878.3	8,991.6	(113.3)
Non-current equity investments	144.2	144.2	(0.0)
Non-current assets	9,022.5	9,135.8	(113.3)
Post-employment benefits	(1,010.4)	(952.2)	(58.2)
Other provisions	(207.7)	(267.1)	59.4
Post-employment benefits and other provisions	(1,218.1)	(1,219.3)	1.2
NET INVESTED CAPITAL	8,025.3	8,332.5	(307.2)
COVERAGE			
Current net financial debt	1,356.8	1,068.8	287.9
Non-current net financial debt	4,594.4	5,172.2	(577.8)
Net financial debt	5,951.2	6,241.0	(289.9)
Equity	2,074.1	2,091.5	(17.4)
COVERAGE	8,025.3	8,332.5	(307.2)

Net invested capital

Net invested capital decreased by €307.2 million on 31 December 2013 due to the €195.1 million drop in working capital and the €113.3 million reduction in net non-current assets, partly offset by the €1.2 million decrease in post-employment benefits and other provisions.

Net operating working capital decreased by €203.2 million due to the following trends:

- reduction of approximately €166.2 million in trade receivables as a result of the drop in receivables from the regions (-€248.4 million), partly offset by the rise in receivables from the Ministry of the Economy and Finance (+€130.7 million). In addition, other trade receivables were down (-€48.6 million). The decrease in receivables from the regions consisted significantly of both overdue amounts (-€213.9 million) and amounts not yet due (-€34.5 million). Although the situation has improved, certain regions present long-

term levels of overdue amounts that have, at this point, reached the extreme. In addition to taking the appropriate measures to protect its assets and collect the receivables, the company has agreed collection plans with some of these regions and constantly monitors the regions' fulfilment;

- the receivable from the Ministry of the Economy and Finance has exceeded physiological levels (€432.7 million) due to its failure to pay for local public transport services;
- lastly, trade payables increased by €37.9 million, mainly due to the increase in payables from third party suppliers (+€42.2 million).

Other net liabilities increased by €8.1 million, mainly due to the following:

- €5.9 million increase in deferred tax assets, the net effect of the recognition of greater deferred tax assets (+€19.2 million), partly offset by the decrease following the fair value measurement of derivatives (-€13.3 million);
- €8.6 million decrease in payables to employee as a result of the reduction in payables to the bilateral fund for income assistance in connection with projects nearing completion (-€32.5 million), partly offset by the growth in payables to employees for accessory accruals and holidays accrued but not taken (+€23.9 million).

Non current assets decreased by a total of €113.3 million due to the impairment losses of €185.2 million on the Cargo Division's assets following the results of the impairment test conducted following the revision of the Cargo Division's business plan, offset by the €71.9 million increase in property, plant and equipment as a result of net investments in the year (approximately €1,054.0 million), after amortisation and depreciation of €958.3 million and other impairment losses of the year amounting to €23.8 million.

Post-employment benefits and other provisions decreased by €1.2 million on 2013, due to the following:

- €55.9 million increase in post-employment benefits, mainly due to the recognition of the interest cost of €19.6 million and the actuarial loss of €81.5 million, partly offset by the €45.1 million utilisation of post-employment benefits for employees who left the company and others who requested advances. The actuarial loss is mainly related to the change in the discount rate applied to these benefits, entailing an increase in the caption to more than the accrued liability at that date; a balancing entry for this adjustment was recognised in the actuarial reserve under equity;
- decrease in other provisions of roughly €59.4 million, mainly due to the reclassification of the portion of the restructuring provision for projects already underway (€34.7 million) to payables to employees and the decrease in deferred tax liabilities (€23.5 million).

Net financial debt

The company's net financial debt improved by €289.9 million, coming to €5,951.2 million at the reporting date. In 2014, ordinary operations generated cash flows of €983.6 million, positively affected by the partial recovery of receivables from the regions, which entailed a reduction in overdue amounts. On the other hand,

the accumulated delays in payments from the Ministry of the Economy and Finance for receivables under public service contracts had a negative effect on cash flows.

Investing and financing activities used cash flows of €558.8 million and €135.4 million, respectively, while grants related to assets generated €17.2 million.

Net financial debt includes the repayment of non-current loans (€256.4 million) and the €33.4 million decrease in current loans.

Equity

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

	2014	2013	Change
Reclassified equity	2,074.1	2,091.5	(17.4)
Derivative liabilities included under equity	(124.2)	(174.7)	50.5
Equity	1,949.9	1,916.8	33.1

Reclassified equity shows a €17.4 million decrease due to the following changes:

- decrease of €61.6 million in the actuarial reserve;
- net reduction of €15.3 million due to the decrease in derivative liabilities included under equity (€50.5 million, net of the hedging reserve of €35.2 million);
- recognition of the profit for the year of €59.5 million.

HUMAN RESOURCES

The company had 31,802 employees at year end. More detailed information is given the table below:

	Employees	Junior managers	Managers	Total
Balance at 31.12.2013	28,690	3,546	253	32,489
Increase	115	108	14	237
Decrease	(734)	(161)	(29)	(924)
Balance at 31.12.2014	28,071	3,493	238	31,802

New hires, not considering transfers between group companies, almost exclusively consisted of personnel assigned to maintenance for railway operations.

Decreases in the year were due to ordinary employee turnover, the use of the fund for income assistance and infragroup transfers.

The trend in personnel in the past few years is described below:

Trenitalia (*)	2006	2007	2008	2009	2010	2011	2012	2013	2014
FTE	50,183	49,243	46,273	43,737	40,925	37,549	35,770	33,665	32,139

(*) All the scenarios have been stated on a pro forma basis for comparability purposes, in particular:

- 2006: the scope was adjusted following the demerger of the shunting and facility units and the sale of the former Lombardy unit.
- 2007: the scope was adjusted following the demerger of the shunting unit and the sale of the former Lombardy unit.
- 2008/9/10: the scope was adjusted following the sale of the former Lombardy unit.

The purpose of the fund for income assistance – for the FS Italiane group companies not eligible for traditional welfare benefits – is to implement the procedures provided for by article 59.6 of the implementation law no. 449 of 1997, for the group's reorganisation and recovery as part of the railway transport system restructuring and development process.

As reported in previous annual reports, in November 2010, an agreement was reached with the national trade unions enabling the group to commence local trade union procedures in 2010 and 2011 and reach agreements identifying redundant workers who would receive the extraordinary benefits under the fund, beginning in March 2011.

In July 2013, the FS group and the trade unions signed another agreement to begin negotiations for the termination of employment and assignment of extraordinary benefits under the bilateral fund for income assistance and employment for FS group employees who meet the minimum contribution requirements. Once the agreement was reached with the trade unions, on 23 May 2014, whereby the parties agreed to ask the fund's steering committee to call an extraordinary meeting to extend the local agreements signed in 2013 for 2014, benefits were granted to another 83 resources.

In 2014, 281 resources in all company segments (excluding operations) received the extraordinary benefits under the fund in connection with the company's productive reorganisation. Of these, 199 resources were granted fund benefits as a result of the tail end of 2013 projects, and another 83 were granted benefits thanks to the extension of 2013 projects, as described above.

Intense activities continued with INPS (the Italian Social Security Institute) in relation to the functioning of the fund management procedures and the provision of extraordinary benefits according to schedule. The economic effects of the expected costs for these projects have been recognised.

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

Trenitalia training

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

Trenitalia's training plan for 2014 consisted of a total of approximately 147,470 main days (138,500 days/man in 2013), with roughly 130,350 participant days (128,000 days/participant in 2013). The aim of the plan is to support the achievement of business targets by focusing attention on the areas covered by the business plan, i.e. to:

- develop personnel's expertise in line with business process requirements: attention to internal and external customers and a focus on the market and competition;
- encourage the widespread awareness of rules and information on safety in the workplace and in operations;
- support workers' technical and professional growth;
- develop a culture of quality, in terms of an integrated process management system.

Training was provided with Fondimpresa grants totalling €4.3 million, which is the total amount disbursed by this body for training to be conducted by year end.

Specifically, Trenitalia training in 2014 related to the following areas:

- Institutional training about the company to guide fresh graduates, recently graduated professionals and train supervisor apprentices when they join the FS Italiane group.
- Managerial training on typically management, behaviour and interpersonal skills. This type of training is for managers and other personnel requiring support for their position or guidance at times of growth or following professional assessments.
- Technical/professional training to develop practical and theoretical technical/professional skills which are essential for work activities, such as technical/professional certification and updates for train conduction, testing, escorting and formation personnel training for instructors and tutors and workplace safety training with specific regard to the certification of prevention and protection managers and staff.

In 2014, particular attention was paid to training company protection personnel and on-board personnel to defuse aggression in a calm and direct manner; managerial training for maintenance personnel, engineers and junior managers and training on process optimisation methods (LSS, times and tools).

Safety in the workplace

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

- ongoing monitoring of company accidents with the preparation and distribution of reports on accidents, which are classified by seven macro causes and compared with the same period of the previous year;
- issue of various procedures concerning health and safety and the establishment of a role of Trenitalia workplace health and safety instructors;
- within the scope of the *International Union Railways* (UIC), the "*statistics on accidents at work*" task force, which Trenitalia coordinates, defined the criteria and methods for gathering and managing data on accidents in the workplace applicable to European railway companies. The work performed will lead to the creation of a database on accidents at work within the scope of the UIC beginning in 2015;
- training of coordinators to expand their knowledge of safety: Safety Leadership Project . This project to develop a culture of safety involved personnel responsible for coordinating human resources (coordinators) in all company areas (maintenance, production and sales);
- continued training with a specific focus on workplace health and safety management systems.

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

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

Unfortunately, in 2014 there was a fatality in Florence during a shunting operation. The accident was caused by human error. In any case, the company has commenced additional training on shunting and the related operational risks.

Type	2014	2013	Change
Number of accidents (> 3 days paid by INAIL [the Italian labour insurance institute] or to be defined, excluding accidents in transit)	1,137	1,307	- 13.01 %
Frequency (Number of accidents x 1000 / average number)	35.38	38.68	-8.53 %
Of which: fatal accidents	1	1	0

ENVIRONMENTAL AND SAFETY POLICY

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

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

- the company constantly and successfully managed the implementation, roll-out and improvement of its integrated management system for quality, the environment, health and safety in the workplace, renewing its system certification. In the fourth quarter of the year, it received an audit by the certifying body (accredited by ACCREDIA) on 25 of the company's 50 production units, carried out over the course of a total of 115 days of audit. Furthermore, the company updated and issued 22 operating procedures during the year in relation to the management of material environmental processes in which it is involved.
- In 2014, training was offered to workers on the environment in order to develop experts capable of autonomously managing environmental issues and the repercussions of environmental regulations, providing necessary technical and legal knowledge of environmental aspects, such as: environmental law, atmospheric emissions, substances that harm the ozone layer and greenhouses gases, soil protection and toxic substances (asbestos) and waste management. 11,650 hours of training were provided to 2,370 resources.
- *Emission Trading System*: as part of the integrated management system, senior management's representative redefined the company's 2014 targets for the reduction of greenhouse gases emitted by fixed plants and specific emissions created by traction. Actual results for 2013 show that the company consolidated its achievement of targets, reporting specific emissions below 36 gr CO₂/traffic unit. In April 2014, it returned 12,391 emission rights relating to 2013 to the Ministry of the Environment via access to the CO₂ and emission quota register. The company has reduced its emissions by 6% on 2013. By 30 April 2015, it expects to return a total of 6,500 emission rights to the Ministry of the Environment (an independent body will certify this calculation by 31 March 2015). On 1 January 2013 (when the third stage of the ET system implementation began), the National ET Committee reduced the volume of emission quotas assigned to each plant, and will progressively decrease these quotas over time. This is why, beginning in 2014, 2013 emissions will be compared with the prior year figure.
- In April, the Verona, Foggia and Foligno workshops obtained white certificates for energy efficiency. The purpose of these certificates, which are technically referred to as energy efficiency certificates, is to encourage end customers on the electricity and gas market to improve their energy efficiency. The number of certificates depends on the type of efficiency measures taken. To date, the company received approximately 22,000 energy efficiency certificates from the Electricity Service Manager. It has monetised 12,352 of these, generating roughly €1.6 million.
- As part of the integrated management system, the divisions have set specific targets for the protection of water resources and to reduce water consumption. The performance indicator for 2014 was changed with respect to 2013, to include the definition of typical consumption per hour of operation. Actual data to check whether the targets have been met will be available in the first half of 2015. During the year, the company took steps to optimise water consumption and rationalise the draining network, after mapping it.

- Specifications were prepared for the installation of the planned solar power systems at the pilot sites in the "Green Plant" project and tenders were called for the awarding of the contracts. The first solar power system was rolled out for the "IMC ETR 500" plant at the Milano Martesana site in the year.
- The installation of a remote energy consumption metering system was completed at 14 workshops, for subsequent monitoring via an IT system. This new system enables the company monitor any irregularities in real time and taken the necessary corrective measures.
- The sorting of special urban-equivalent waste was extended to all offices and all workshops, defining specific targets for each division in terms of the amount of special waste sent for disposal as a result of maintenance and operations.

Operational safety

The company's policy for the safety of operations includes commitments based on compliance with specific binding requirements in the sector and, concurrently, the outcome of the internal assessment process carried out as part of the Operational Safety Management System ("SGSE"), aimed at continuous improvement. The commitments in the policy are organised into adequate macro safety targets, each of which entails the annual definition of steps and projects to prevent and mitigate specific risks. Together, these form the company's annual safety plan, within which the policy is published. The SGSE procedures require that the company update the policy each year to reflect developments in scenarios inside and outside the company. In confirming the general principles and commitments in the policy for previous years, the 2014 policy also considered developments in the "reorganisation of legislation" process concerning operational safety promoted and coordinated by the National Agency for Railway Safety ("ANSF"), which, with its Decree no. 4/2012, has issued regulations governing railway operators' activities and responsibilities in this revision of operational rules to reflect legislative, technical and scientific advancements. Given its breadth and the commitment required by this new legislation, company management has expended its stated commitments in the policy to include promoting "...the implementation of procedures, provisions and requirements regulating the adoption of operating structures that meet mandatory standards in line with the safety guidelines issued by the National Agency for Railway Safety ("ANSF"), and in the light of Decree no. 4/2012 (reorganisation of legislation)....".

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

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

The company's organisational model empowers all managers, junior managers and operating personnel at all levels to take responsibility to ensure the safety of passengers, personnel and third parties, while also protecting things and the environment. In this scope, 2014 activities focused on defining and constantly updating SGSE procedures (COCS and DOCS) in line with developments in the applicable legislation and in the company's organisational structures. The most significant measures related to professional training offered to personnel responsible for safety and risk management activities, to include more stringent specifications for the company's risk assessment criteria with respect to operational safety. Finally, many activities were carried

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

In particular, the company believes it is essential to:

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

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

On-board safety

The agreement between FS Italiane and Polfer has led to more police patrolling and controls on board trains and at stations to ensure passengers and workers travel safely, as free from petty crime possible.

Preventions measures have also been taken on the more critical trains, i.e., night trains and crowded city trains.

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

The campaign promoted by the FS group, "Watch Out! Make a Difference!" was launched during the year, to inform passengers about safety measures using information, brochures, signs and stickers telling them how to recognise, prevent and avoid falling victim to the techniques most frequently used by petty criminals in crowded trains and stations with respect to luggage, illegal commerce, con artists and pick pockets, in situations when travellers are distracted.

INVESTMENTS

Investment planning for 2015-2018 provides for commitments of roughly €4 billion. 75% of these commitments (approximately €3 billion) relates to investments in progress, consisting of around 400 projects. Planned commitments do not include the capitalisation of maintenance that enhances assets.

2014 investments

Investments totalled €1,096 million in 2014 and are detailed below, in comparison with investments of the previous year:

<i>(millions of Euros)</i>	2014	2013	Change	
			Absolute	%
Purchasing*	450	310	139	45%
Revamping	120	113	7	6%
Rolling stock	569	423	146	35%
Onboard technologies	11	10	2	10%
Plant and other	49	46	3	8%
Development	0.004	0.03	(0.3)	-87%
IT	65	74	(9)	-12%
TOTAL	694	552	143	26%
Value – Increase Maintenance	402	398	4	1%

(*) "Purchasing" include contractual advances of €67.9 million and recoveries of advances paid in previous years, amounting to €72.9 million. These are mainly advances paid to purchase new rolling stock.

The increase in amounts recognised in relation to rolling stock purchases compared to 2013 is due, in particular, to the Regional Passenger Transport Division, as the fleet continues to be renewed. Indeed, new contracts have been rolled out to purchase "Vivalto" carriages, "Jazz" trains and new "Swing" diesel trains.

Investments are analysed by division/department below:

(millions of Euros)	2014	2013	Change	
			Absolute	%
Long Haul Passenger Transport Division	91	138	(47)	-34%
Universal Service Passenger Transport Division	15	51	(36)	-71%
Regional Passenger Transport Division	543	299	244	82%
Cargo Division	7	10	(3.4)	-30%
Technical Department	1	26	(25)	-95%
IT Department	20	6	15	250%
Staff	17	22	(5)	-21%
TOTAL	694	552	143	26%
Value - increase Maintenance	402	398	5	1%

The Long Haul Passenger Transport Division: investments included €15.5 million relating to the recognition of purchases of new HS "Frecciarossa 1000" electric trains on a percentage of completion basis. The first three of these trains are being certified for roll-out.

Approximately €15.6 million was invested in the reconditioning of the "Bistrò" carriage for Frecciarossa trains and another 30 carriages were delivered in the year.

The project for the reconditioning of current HS trains saw the delivery of the first completed trains, updated to the new sales offer consisting of four different classes. Their delivery entailed the recognition of approximately €3.9 million. In addition, roughly €2.5 million was recognised following the upgrading of signalling and power systems.

Work continued on the Milan Martesana plant (€2.5 million) and the Naples plant (€3.5 million) to reorganise and strengthen the maintenance sites, guaranteeing the maintenance of the HS fleet.

The tender for the construction of the new Turin ongoing maintenance plant was awarded. This site will enable the company to concentrate maintenance activities for both the Long Haul Passenger Transport Division and the Regional transport Division at one site (recognition of approximately €7.7 million).

Repairs were carried out on the ETR 485 trains, mainly involving the electrical circuits, to increase their reliability while operating (recognition of €3.4 million).

Approximately €13.2 million was recognised to reflect the upgrading of the fire prevention system on the E404 and E414 locomotives.

Universal Service: work mainly related to the renovation of Intercity carriages and the upgrading of the locomotive and carriage door closing commands (approximately €9 million). Roughly €6 million was invested in plants to strengthen and rationalise the various maintenance sites.

Regional Transport: the first 29 new electric "Jazz" trains were delivered, entailing the recognition of approximately €182 million. In addition, the contract for the new diesel "Swing" trains was assigned, entailing the recognition of €28.3 million in the year.

The purchase of double decker "Vivalto" carriages continued with the recognition of approximately €200 million and 167 carriages delivered. At the end of 2013, the company exercised the option to purchase another 29 E464 electric locomotives (recognition of €16.9 million).

The delivery of "FLIRT" trains to the autonomous province of Bolzano was completed, entailing the recognition of €7.3 million.

The face-lift of medium haul carriages to increase comfort and upgrade to safety standards is underway. This project has entailed the recognition of €55.5 million. To date, 737 carriages have been revamped, 332 of which in 2014.

The reconditioning of the low floor carriages was completed (€1.9 million), while other projects related to the upgrading of the brake system and A/C generator on light diesel railcars (roughly €3 million).

Approximately €5 million was recognised for the upgrading and rationalisation of plants.

Investments to make e-ticketing systems interoperable came to around €2 million. The pilot regions for this project are Piedmont and Emilia Romagna. In addition, €0.5 million was recognised to reinforce the washing platforms in Cassino and Formia and €0.7 million to renew equipment and maintain infrastructure for various plants.

Cargo: approximately €2.9 million was recognised in connection with the upgrading and maintenance of certain plans, including Marcianise, and the renewal of equipment.

IT investments entailed the integrated platform to support the invoicing process and traffic in the Cargo Division, which came to roughly €1.6 million.

Technical Division: projects mainly related to the technological upgrading of workshops, amounting to €8.2 million and renewing equipment, totalling approximately €1.5 million.

Investments involving various business areas: contracts to equip trains with the SCMT – train gear control system were completed, which also included all activities relating to the STB – on-board technology system. In addition, the STB was completed for regional transport vehicles as well. €11.3 million was recognised in the first half of the year.

IT investments saw the completion of projects to implement the integrated "PICO" sales platform by combining the various sales channels and Infomobilità development, totalling €4.2 million.

The production platform is being created and fine-tuned, entailing the modification and updating of the railway schedule, personnel assignment, ongoing plant maintenance planning and railway traffic management in the control rooms. Roughly €6.1 million was recognised.

Other IT projects in the Technical Division included investments of around €0.7 million for RSMS – Rolling Stock Management System developments and €1.7 million for WMS – Warehouse Management System developments.

Approximately €9.1 million was recognised in connection with the development and efficiency improvement of sales, reporting and administrative process management systems. Investments relating to the planning of production requirements totalled about €2 million and those for the creation of the MDM - Material Data Management system came to approximately €1.6 million.

The replacement of obsolete hardware, the data centre streamlining, the technical management of operating systems, the purchase of licences and the management of network infrastructure and applications required roughly €20 million.

Safety investments: approximately €10 million was invested in upgrading projects pursuant to Legislative decree no. 81 of 9 April 2008 concerning workplace protection and safety, allocated as follows: €4.1 million in the Passenger Transport Division; €4.6 million in the Regional Transport Division; and €1.1 million in the Technical Division.

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

	New rolling stock	Revamping
	no. of vehicles	no. of vehicles
Locomotives	2	27
Regional	2	27
Carriages	167	543
Long Haul Passenger Transport		
• InterCity		29
• Frecciarossa Bistrò carriage	-	30
Regional		
• Double decker	167	88
• Medium haul	-	332
• UIC-X semi-automated	-	2
Cargo		
• Carriages	-	62
Trains		
Regional		
• Jazz	29	-
• Flirt	2	-

In addition, in the Long Haul Passenger Transport Division:

- the carriage door commands on 101 carriages were updated;
- the fire prevention system on 120 E404 locomotives and 59 E414 locomotives was updated;
- the on-board signalling system was upgraded on 60 E404 locomotives.

In the Regional Transport Division:

- the lubrication plant on the brake system of 399 light diesel railcars was updated;
- the A/C plant generator was replaced on 84 light diesel railcars;
- the door system on 44 TAF trains was updated.

The Trenitalia fleet

As a result of investments and divestments in 2014, the Trenitalia fleet is composed as described below:

Operating rolling stock at 31.12.2014

		No. of vehicles
Driving Material	Electric locomotives	1,405
Driving Material	Diesel locomotives	175
Total driving vehicles		1,580
Light vehicles	Electric ("ALE" and "LE" models)	704
Light vehicles	Diesel ("ALN" and "LN" models)	518
Total light vehicles		1,222
Complexes	TAF	89
Complexes	Minuetto	204
Complexes	Jazz	29
Complexes	Flirt	3
Complexes	Electric trains	112
Total Complexes		437
Handling vehicles	Diesel locomotives/railcars	498
Total handling vehicles		498
Driven Material	Passenger carriages	6,259
Driven Material	Wagons	19,627
Driven Material	Other	10
Total driven Material		25,896

RISK FACTORS

Other than the changes described in the introduction to the income statement, which led to the analytical testing and impairment of certain assets in the Cargo Division, the company does not foresee any significant risks and uncertainties at the preparation date of this report that could have a material impact on the company's financial position and results of operations in the short term that are not mentioned in the notes to the financial statements to which reference is made.

Business risks

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

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

High speed railway transport and related services have enabled the railway sector to gain competitive edge against other means of transport (air and road), especially by shortening travel times, increasing comfort and arriving in the urban centre of major cities. In certain routes where airfare is comparable to train fare, the latter has gained significant market shares. The critical factor for success in this market segment will always be maintaining and improving service quality and rapidly adapting to changes in market demand. The progressive renewal of the fleet beginning in 2015 with new HS trains will undoubtedly be a key factor of innovation and attraction, progressively shortening travel time, with the support of the technological innovation of sales channels.

Resources allocated to local public transport have diminished, and this continues to be seen in local bodies, which could fuel uncertain situations in terms of contractual due dates for the collection of public service contract considerations. Trenitalia has signed contracts with Italian regions regardless of the ways in which the regions find the necessary funds for the service. The uncertainty dominating the entire sector has led regions to reduce their requests in recent years to the contractual minimums. Although these processes fall within the company's ability to adapt to changes, they are in stark contrast with local transport requirements and the time needed for a railway operator to plan its investments.

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

All investments downstream from the public service contracts in place with the regions have "put" clauses in favour of Trenitalia. Furthermore, the company is considering alternative possibilities for the management of its retired fleet. The potential effects of non-renewal of these public service contracts with the regions, the

repercussions of which will be seen in a few years, are not currently foreseeable and they are in any case considered risks attributable to any company operating on the free market.

The local public transport scenario could be affected (upon the outcome of tenders and, accordingly, in the management of changes from one operator to another) in certain ways relating to transfers of essential facilities to a new operator. A measure is being studied on the many different local public transport aspects and the effects on the incumbent could be material in terms of safeguarding the implicit value of this Division.

The ongoing weak economy in Italy and around the world and the government's decision to terminate the Cargo Public Service Contract in 2015 led to impairment losses of roughly €105 million for the Cargo Division, only partly offset by the elimination of costs to use infrastructure in Southern Italy and ferry costs. This decision required the total revision of Cargo Division's business plan to calculate the recoverable amount of assets through impairment testing.

The Cargo Division had commenced and nearly completed a rationalisation process to achieve overall breakeven. The changes made will have significant repercussions, with the Cargo Division reporting significant losses until it has completed the new measures described in the new plan.

Operational risks

As noted in the 2013 financial statements, the company outsources maintenance and the construction of new rolling stock, while it also uses third party manufacturers of spare parts for maintenance. In recent years, Trenitalia has substantially changed the way in which it procures materials, revising its internal procedures and, in accordance with public contracting regulations, has more significantly privileged purchase methods entailing the procurement of all parts relating to safety from original parts manufacturers only, while it always calls public tenders for all other parts.

The financial crisis has put suppliers in the rolling stock maintenance and construction sectors to the test, with the severe credit crunch affecting them significantly due to the intrinsic weakness of their funding structure.

The company is still monitoring myriad issues noted with respect to major contracts that have generated, especially in the past, litigation with suppliers, but which have, above all, created operational difficulties in operations and, sometimes, severe faults.

In certain cases, contracts were terminated due to cleaning service providers' breach, with the enforcement of surety policies that guaranteed contract performance. It is obvious that the general credit market crisis has had a dramatic impact on companies operating in the railway subcontracting market and that this has, in certain cases, created serious difficulties for contractors, which are often small and medium-size.

Another risk could arise from the management of cleaning service contracts, which can affect service quality.

Legal and contractual risks

There are no material legal or contractual risks in addition to those described in the 2013 annual report, which mainly relate to litigation pending with various suppliers, customers and employees. The company determines accruals for such risks after estimating the probability that liabilities will arise as a result of the contractual

and legal risks. The current utilisation of these provisions depends on when the risk arises and how much it was estimated to be.

In this respect:

- (i) there are many cases involving legal action taken by former cleaning service contractors following the company's termination of contracts due to their serious breaches in the performance of the contracts;
- (ii) a construction company involved in the dynamic poly-functional plant in Naples has taken legal action in relation to disputes that arose during the construction of the plant;
- (iii) a rolling stock construction company has taken legal action in relation to the customer's complaints concerning delays or faults in supplies, to which the contractually-agreed fines were applied, through their deduction from payments made;
- (iv) former employees of the cleaning companies that lost contracts have taken legal action to receive executive orders for the recovery from Trenitalia (as joint obligor) of remuneration and/or post-employment benefits not paid by their employer upon termination of employment;
- (v) there are orders against certain regions for the recovery of overdue receivables.

EU procedures

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

RELATED PARTY TRANSACTIONS

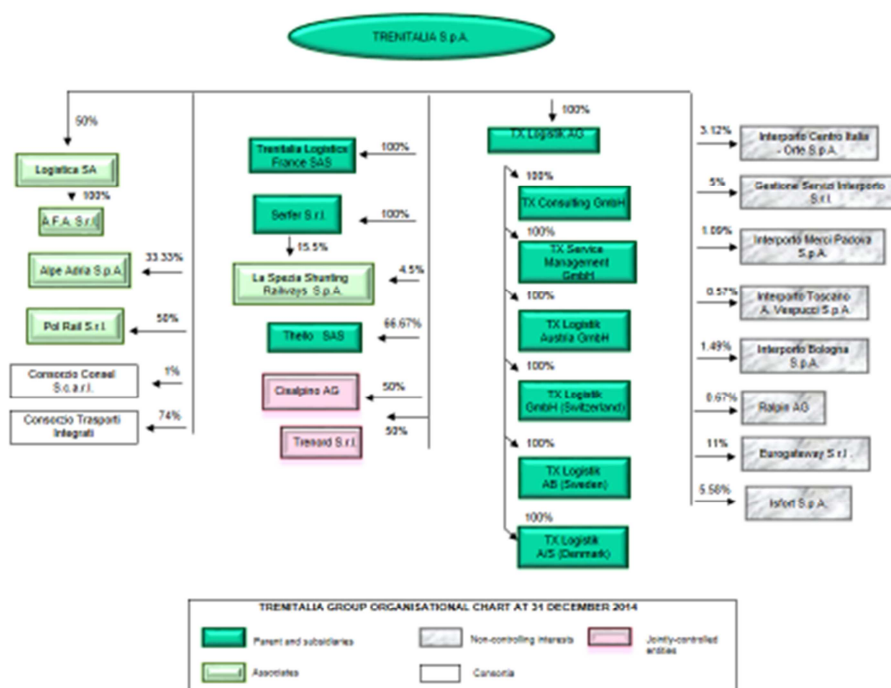
Transactions with the group companies and their transactions with other related parties are carried out properly in terms of substance and to the parties' mutual financial benefit on an arm's length basis, in accordance with conditions that are - where necessary - determined with the support of independent experts.

The shared objective of infragroup transactions is to create value for the entire group. To this end, in line with the Ferrovie dello Stato Italiane group's business plan, the more rational reallocation of group activities has begun and is nearing completion, to enable each company to focus on its core business, equipped with the assets deemed essential for it to correctly perform its business activities. The group is currently pursuing this objective through demergers, which it carried out in previous years. Such processes and transactions are performed in accordance with specific statutory and tax legislation applicable to the sector, in line with the guidelines set by the relevant Ministries and considering the characteristics and specific particularities of many of the group companies' activities.

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

THE TRENITALIA GROUP

The Trenitalia group is composed as follows at 31 December 2014:



In 2014, Trenitalia's portfolio of equity investments did not undergo any material changes. On 1 January 2014, the company withdrew from the Consorzio Unico Campania and on 28 October 2014, Verona Cargo Center S.p.A. was struck from the company register.

PERFORMANCE OF SUBSIDIARIES

The results for 2014 of Serfer S.r.l., TX Logistik AG, Trenord S.r.l. and Thello S.a.s. are presented below.

SERFER S.r.l.

(€'000)

	2014	2013
Revenue	71,392	60,643
Costs	(66,629)	(56,806)
EBITDA	4,763	3,837
Amortisation and depreciation	(1,107)	(1,106)
Net impairment losses (reversals of impairment losses)	0	(180)
EBIT	3,656	2,551
Net financial expense	(215)	(192)
Pre-tax profit	3,441	2,359
Income taxes	(2,451)	(2,007)
Profit for the year	990	352

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

Total revenue increased by roughly €17.72% in 2014, due to the larger business volumes in the company's main operating segments: railway shunting (+24.46%) and traction (+6.48%). The increase in shunting revenue is the direct result of synergies developed with group companies, which led to the start-up of new activities in Trenord's regional transport segment during the year and, following the sale of RFI's shunting activities at the end of 2013, Serfer S.r.l.'s succession as sole operator for shunting in the plants that RFI previously managed. Other operating segments also contributed positively to profitability, particularly the maintenance sector and the construction of connections, for which new contracts began in late 2014, with significant developments expected for 2015.

Operating costs increased by a total of approximately 17.29%, consisting of: the roughly 8.95% increase in personnel expense, due to the greater number of employees (increase of 38.4 full time equivalents ("FTE") on 2013) and the contractual increases provided for by the national labour agreement for redundancy, which took effect; the increase in the cost of temporary staff working at the recently taken over shunting service sites; the growth in other contracted services and the purchase of materials and diesel, considering greater

shunting and railway connection maintenance/construction activities carried out in the year, along with costs to lease engines.

The gross operating profit is up by €926 thousand, showing another increase in profitability (gross operating profit margin of 6.7%, compared to 6.3% in 2013).

Net financial expense is in line with 2013.

The operating profit of €3,656 thousand, compared to €2,551 thousand in 2013, reflects an improvement in the operating profit margin, which rose from 4.2% in 2013 to 5.1% in 2014.

The profit for the year also increased by €638 thousand, despite the increase in the tax charge due to the greater pre-tax profit.

TX Logistik AG

	(€'000)	
	2014	2013
Revenue	231,609	204,009
Costs	(221,918)	(199,198)
EBITDA	9,691	4,811
Amortisation and depreciation	(1,958)	(1,091)
Impairment losses	(842)	(405)
EBIT	6,891	3,316
Net financial expense	(598)	(73)
Pre-tax profit	6,293	3,243
Income taxes	(2,315)	(1,667)
Profit for the year	3,978	1,576

This company, which operates in the logistics throughout Europe, specialises in integrated railway transport and is a leading railway operator. The TX group is a licensed railway operator in Germany, Austria, Switzerland, Holland, Sweden, Norway, Denmark and Italy and offers high-quality integrated long haul logistics services on the market, developing reputable leadership in its sector. In 2014, the weak economic conditions significantly affected Europe's railway market, and Southern Europe in particular has shown no sign of recovery. GDP is flat or down due to the high unemployment rate. Despite these market conditions, in 2014, the TX group posted growth above the average of the market average, where competition partly prevented the redistribution of the increase in market costs. In this context, TX Logistik further strengthened its leadership position, proposing a new tool for the development of intermodal cargo transport: its "Nikrasa" system enables it to transport trailers even if they were not specifically designed for intermodal transport. The company has pursued its revenue growth targets, posting an overall increase of 13.5%, although this growth has been to the detriment of profit margins, given the significant rise in costs incurred for infrastructure and energy. The profit for the year of €3.9 million further consolidates the company's growth and lays the foundation for its continued development.

Trenord S.r.l.

	<i>(€'000)</i>	
	2014	2013
Revenue	747,477	759,770
Costs	(688,655)	(705,237)
EBIT	58,821	54,533
Amortisation and depreciation, impairment losses and provisions	(42,961)	(35,246)
EBITDA	15,861	19,287
Net financial expense	(3,495)	(5,113)
Pre-tax profit	12,365	14,174
Income taxes	(10,152)	(14,074)
Profit for the year	2,213	100

This company provides passenger transport services mainly in the Lombardy region and, specifically, in the various areas established under the public service contract signed with the Lombardy regional authorities, which expired on 31 December 2014.

During its meeting of 24 January 2014, the Lombardy regional council resolved to approve the framework for the "Integration and amendment to the 2012-2014 regional and local public railway transport service contract", integrating the contract in effect at that date. Furthermore, under the same resolution, the Lombardy regional authorities committed to directly awarding the regional and local public railway transport service contract for the period from 1 January 2015 to 31 December 2020 to the Trenord S.r.l. railway company on the basis of the terms set out in the public service contract in place at that time.

In 2014, Trenord S.r.l. substantially maintained the same operating schedule, with production rising from 39.9 million train-km to 40.0 train-km. The unavailability of rolling stock and the effects of work on the railway network in preparation for the Milan 2015 Expo had a negative impact on service quality performance indicators. With the replacement of senior management, a new task force was immediately set up within Trenord S.r.l. to resolve the service emergency, with the aim of recovering punctuality beginning with the most critical routes and subsequently extending it to all other routes, bringing the percentage of trains arriving on time from 72% in December to at least 82% by the time the Expo opens.

In 2014, the company reported a profit for the year of €2.2 million, with a gross operating profit of €59 million, up on 2013 (+7.9%), while the operating profit came to €16 million, down on the previous year (-17.8%). At the end of 2014, the company had 4,223 employees.

Thello S.a.s.

(€/000)

	2014	2013
Revenue	30,293	38,218
Costs	(30,990)	(47,752)
EBITDA	(697)	(9,534)
Amortisation and depreciation, impairment losses and provisions	(252)	(259)
EBIT	(949)	(9,793)
Net financial income (expense)	(64)	6
Pre-tax loss	(1,013)	(9,788)
Income taxes	(353)	(596)
Loss for the year	(1,366)	(10,384)

In 2014, Thello consolidated its market share with the Venice – Paris night route, focusing on providing high-quality service that runs on time, while boosting brand awareness. During the year, the company revised the scope of its activities, promoting the opening of a new Milan – Marseilles daytime route with one daytime pair, connecting Thello clients with the Freccie routes.

The company reported a loss for the year of €1.4 million, showing a clear improvement on the previous year.

Another two daytime train pairs were launched between Milan and Nice at the end of 2014.

TREASURY SHARES

At 31 December 2014, Trenitalia S.p.A. neither owns nor has acquired or sold any treasury shares or shares of its parent during the year, either directly or through trustees or nominees.

OTHER INFORMATION

Pending investigations and legal proceedings

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

- Criminal proceedings no. 51238/2013 in the general register of crimes with the Public Prosecutor's office with the Naples Court: the Chairman of Trenitalia S.p.A. is being investigated for the crimes covered by article 317 of the Italian Criminal Code in relation to the awarding of contracts (for cleaning services), and the proceedings are still at the preliminary investigation stage.
- Criminal proceedings no. 3937/2013 in the general register of crimes and no. 2046/2014 in the general register of preliminary investigations with the Verbania Court: these proceedings began following an accident on 10 November 2012 involving a Piedmont Regional Division train driver at the Domodossola station. The employee suffered injuries and was given 151 days of rest. The Managing Director is under investigation for injury due to negligence following the violation of workplace accident prevention regulations. The proceedings are still at the preliminary investigation stage and the Public Prosecutor's office asked for an extension of the term for the preliminary investigations on 12 June 2014.
- Criminal proceedings no. 646/2014 in the general register of crimes – no. 783/2014 in the general register of preliminary investigations with the Cuneo Court: these proceedings began against, inter alia, the Managing Director of Trenitalia S.p.A., in connection with an accident that occurred on 10 November 2011 between the Cavallermaggiore and Savigliano stations, when regional train 4447 hit two women (of which whom subsequently died) who were on the railway tracks, although they should not have been. The Preliminary Investigations Judge with the Cuneo Court issued a decision on 16 May 2014, ordering the proceedings to be dismissed, since the death was essentially the result of the victim's extremely imprudent conduct.
- Criminal proceedings no. 35874/13 in the general register of crimes with the Rome Public Prosecutor's Office with the Rome Court originated from presumed violations of Legislative decree no. 81/2008 in connection with measures taken from 3 August 2010 to 24 January 2011 following the introduction of the "single agent" conduct module to prevent risks relating to emergency and/or first aid situations that can arise when only one train driver is used. The Genoa Public Prosecutor's Office initially began the investigation, and then transferred it to the Rome Public Prosecutor's Office. The Territorial Labour Department assessed non-compliance with instructions and informed the Public Prosecutor's Office so the criminal proceedings could resume. The Managing Directors' lawyers have lodged a defence brief requesting immediate payment of the fine. As the Preliminary Investigation Judge denied this request, the Public Prosecutor has sent a notice of the conclusion of the preliminary investigation.

- Criminal proceedings no. 6517/2012 in the general register of crimes (formerly no. 6305/09 in the general register of crimes) pending before the Public Prosecutor's Office with the Lucca Court, following the railway accident that occurred in Viareggio on 29 June 2009. Remarks are being heard as all the accused parties and bodies pursuant to Legislative decree no. 231/2001 have been sent to trial, as ordered by the Judge at the preliminary hearing on 18 July 2013, admitting the Public Prosecutor's requests following the preliminary investigation. The Lucca Public Prosecutor's Office also requested the denial of arguments during trial for certain workplace safety violations (Legislative decree no. 81/2008) which allegedly occurred during the railway accident in question. At present, no liabilities for the company can be estimated, and it is, in any case, covered by adequate insurance policies.
- Criminal proceedings no. 491/2012 in the general register of crimes - no. 956/2012 in the general register of preliminary investigations with the Mondovì Court were dismissed. The proceedings were in connection with an accident involving a train supervisor at the Ceva (CN) station, who was attacked by an unidentified passenger while working.
- Criminal proceedings no. 0758/2011 in the general register of crimes with the Rome Public Prosecutor's Office (originally no. 78261/2007 in the general register of crimes): these proceedings originated with complaints filed by certain workers concerning the safety of opening, closing and control systems on carriage doors. The Preliminary Investigation Judge ordered the dismissal of the proceedings after the Public Prosecutor's Office reiterated its request for dismissal since, following additional investigation, no evidence was found that would enable it to pursue fruitful criminal action.
- Criminal proceedings no. 2709/2009 in the general register of crimes of the Massa Public Prosecutor's Office: on 25 March 2014, the dismissal of the proceedings was requested as they did "not show alleged crimes for which criminal action can be taken". The Preliminary Investigation Judge with the Massa Court allowed the Public Prosecutor's arguments and ordered the proceedings to be dismissed on 11 July 2014.
- Criminal proceedings no. 11126/2012 in the general register of crimes of the Rome Public Prosecutor's Office. On 12 March 2014, the Preliminary Investigation Judge with the Rome Court ordered the dismissal of the proceedings upon the Public Prosecutor's request, due to the fact that the circumstances were the result of a complex relationship falling within the scope of the civil law, making it impossible to pursue criminal action. The proceedings related to a claim of "bid-rigging in a public procurement process", following the actions taken by Trenitalia S.p.A. (termination of contracts and master agreements, as well as exclusion from future tenders) because it had found serious breaches of contract in the management of train cleaning services. The former Managing Director of FSI S.p.A. and the Managing Director and a manager of Trenitalia S.p.A. were accused in the proceedings.
- Criminal proceedings no. 9369/12 in the general register of crimes and no. 24461/13 in the general register of crimes. The Public Prosecutor's Office with the Turin Court took action against the Managing Director in the following criminal proceedings for the crimes covered by articles 29.1, 55.1.a and 299 of Legislative decree no. 81/2008, with particular respect to weaknesses noted in the risk assessment documents for work-related stress and first aid for train drivers. With respect to the latter proceedings, when it received the request to extend the term for the preliminary investigation, which was notified on 24 September 2014, the company learned that the Managing Director, along with the Managing Directors of the other two railway companies, was included in the general register of crimes also for the alleged crimes covered by articles 437 and 449 of the Italian Criminal Code.

- Criminal proceedings no. 20765/2014 in the general register of crimes of the Public Prosecutor's Office with the Florence Court. These criminal proceedings relate to the derailment that occurred on 12 January 2014, during rolling stock shunting operations. Unfortunately, this accident caused the death of an employee working as train diverter at the "Carriage Fleet Entrance Diverter" cabin. The preliminary investigation is still underway for these proceedings, which involve the Managing Director and five managers/employees, for the alleged crimes covered by article 589.2 of the Criminal Code.
- Criminal proceedings with the Milan Public Prosecutor's Office: on 12 December 2014, the administration received criminal information on an alleged violation of article 590 of the Italian Criminal Code (personal injury due to negligence) in connection with the accident that had occurred at the Milano Centrale station involving a passenger as she was boarding the IC 659 train on 8 May 2014. The criminal proceedings are at a stage of preliminary investigation.
- On 24 June 2014, Trenitalia was notified of the appeal by the Anti-Trust Authority before the Council of State to reform/nullify decision no. 3398 of 27 March 2014, in which the Lazio Regional Administrative Court, section I, revoked the fine imposed by the Authority at the outcome of the preliminary proceedings referred to as A/436-Arenaways/Blocking access to the railway passenger transport service market. Upon conclusion of the preliminary investigation, the Authority fined Trenitalia, jointly with its parent, €200 thousand. The appeal, which includes a request for suspension, was also taken against FS and RFI and Codacons, Altroconsumo, Arenaways S.p.A., Fallimento Arenaways S.p.A. and Go Concept.

At present, the date of the hearing to discuss the merits of the appeal has not yet been set. In any case, as Trenitalia has already paid the fine to the Anti-Trust Authority, there are no contingent liabilities.

- On 5 February 2014, the Anti-Trust Authority resolved to commence preliminary proceedings I/759 to verify whether there was an alleged understanding to limit competition, to the detriment of Trenitalia, in tenders called for the purchase of materials and electromechanical devices and for the provision of rehaul, maintenance and repair services. After requesting assistance as a victim of the alleged cartel and as recommended by the Anti-Trust Authority, Trenitalia provided its support in the preliminary investigation underway. On 4 March 2014, the Authority notified Trenitalia of the results of the preliminary investigation, confirming the allegation of anti-competition agreements in place to the company's detriment by 14 companies, in various tenders. Following the objective and subjective extension of the preliminary activities, the Authority extended the term for the conclusion of the proceedings, originally set for 31 March 2015, to 31 May 2015.
- On 5 March 2014, the Anti-Trust Authority resolved to commence preliminary proceedings PS/4848 - Indemnities and refunds for delays and other difficulties - against Trenitalia, claiming it had violated the Consumers' Rights Code with respect to unfair business practices. Concurrently with the start of the preliminary investigation, on 12 March 2014, the Anti-Trust Authority inspected Trenitalia's Bologna, Naples and Bari sites.

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

On 24 April 2014, Trenitalia filed its proposed commitments to overcome the disputes lodged at the start of the preliminary hearing with the Anti-Trust Authority.

During the hearing on 12 November 2014, the Anti-Trust Authority resolved to accept Trenitalia's proposed commitments, making them obligations and ending the proceedings without assessing any violations or imposing any administrative fines on the company (measure no. 25176 of 12 November 2014). These decisions will take effect in spring 2015. Taking these commitments, the company confirms that its general conduct is upstanding and it intends to improve client satisfaction.

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

The preliminary procedure was completed with the Authority's decision, during the hearing on 12 November 2014 that the commercial practices were non-compliant with articles 20, 24 and 25 of the Consumers' Rights Code, as they "could induce consumers to err as to the nature of the fines imposed and the reason for payment, making a passenger ticketing procedure regulated by the general terms of transport public" (measure no. 25175 of 12 November 2014). With this measure, the Authority prohibited Trenitalia from continuing the contested practice and imposed an administrative fine of €1 million, which Trenitalia paid on 9 December 2014. Trenitalia has appealed against this decision before the Lazio Regional Administrative Court.

There are no changes since the 2013 financial statements to report with respect to other pending investigations and legal procedures.

EU procedures

The European Commission has notified Italy of the following investigations:

- Case SA 32179 (Asset Allocation) and case SA 32953 (Offsetting of Cargo), on 28 March 2014, the European Commission's General Anti-Trust Department notified Italy of a decision to begin a formal investigation in connection with two potential government assistance programmes relating to:
 - certain infragroup asset allocation operations (case SA 32179)
 - the required offsetting of cargo services (SA 32953).

The first measure being investigated (case SA 32179) relates to four asset allocation operations within the FS Group, in which assets were allocated to Trenitalia and FS Logistica, respectively. In particular, these transfers include assets that do not constitute railway infrastructure (they are mainly workshops) and are, in any case, no longer functional for the infrastructure operator.

The second measure being investigated (case SA 32953) relates to the offsetting that Italy allowed Trenitalia to perform for the public transport of cargo from 2000 to 2014 under three consecutive public service contracts.

In response, the Italian authorities have argued that the operations and offsetting under the public service contracts are compliant and sent their remarks to the Commission on 20 June 2014. FS and

Trenitalia, in line with the Italian authorities' stance, responded on 23 July 2014 as third parties involved in the investigation. The Commission is currently considering the Italian authorities' and the FS group's various remarks.

- Case SA 39014 (request for information on HS charges), on 9 July 2014, the European Commission's General Anti-Trust Department sent the Italian authorities a request for information on an alleged discrimination in the calculation of HS charges between Trenitalia and NTV and a subsidy that RFI allegedly gave Trenitalia through dividends on profits from the management of the HS network or other infragroup agreements. The Italian authorities responded on 28 October 2014.
- Infraction procedure 2012/2213 relating to separate accounting treatment, from 2011; DG MOVE sent Italy a series of questionnaires, followed by three consecutive letters citing its default and contesting the incorrect application of provisions on the separate accounting treatment provided for by the first railway package. Italy argued that EU law does not require the separate publication of the accounts of individual public service contracts. The Commission is expected to issue a decision in the near future on the information provided. Italy recently intervened in a procedure commenced by the Commission against Germany to support the latter's arguments.

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

Legislative decree no. 231/2001

In 2014, the company's supervisory body monitored the functioning and compliance of the company's organisational, management and control model (the "231 model") by analysing and monitoring the information that the company structures sent and through targeted tests with the Audit Department's operational support for certain areas that are abstractly considered at risk for the committing of these crimes. The relevant structures readily considered the recommendations that arose following the tests, namely relating to the need to update procedures.

The supervisory body coordinated the updating of the 231 model to include the additional crimes added to those covered by Legislative decree no. 231 of 8 June 2001 and to update, with the support of process owners, the macro risk activities described in the special section in the light of the company's organisational changes and the changes in the external context affecting such activities. Following the results of these analyses, the company updated, where necessary, the crimes that could, abstractly, be committed and the possible mitigation measures were updated, procedures to prevent the risk of such crimes being committed, information flows to be sent to the supervisory body, the organisational structures involved in at-risk activities and, if the crimes were at risk of being committed with the public authorities, the public bodies involved in the process. During the meeting held on 22 July 2014, the board of directors approved the updated 231 model and distributed it widely via in-house information instruments. The 231 model is published on the company intranet.

During the year, the company held e-learning training sessions for all personnel assigned to activities that are abstractly considered at risk of the committing of crimes entailing administrative liability pursuant to

Legislative decree no. 231/2001. At the end of the training, employees take a test to certify that they effectively learned the material taught.

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

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

OUTLOOK

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

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

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

ALLOCATION OF PROFIT FOR THE YEAR

The company's financial statements as at and for the year ended 31 December 2014 show a profit of €59,509,237. The shareholders are invited to pass the consequent resolutions.

The board of directors

The Chairman

(signed on the original)

Financial statements and notes

Statement of financial position

(Euros)	Notes	31.12.2014	31.12.2013
Assets			
Property, plant and equipment	(6)	8,751,645,589	8,885,478,183
Intangible assets	(7)	126,660,320	106,130,521
Deferred tax assets	(8)	122,294,241	116,434,403
Equity investments	(9)	144,168,157	144,201,722
Non-current financial assets (including derivatives)	(10)	479,135	23,329,135
Other non-current assets	(11)	18,740,808	26,482,383
Total non-current assets		9,163,988,250	9,302,056,347
Inventories	(12)	687,818,959	686,857,910
Current trade receivables	(13)	1,716,274,691	1,880,905,804
Current financial assets (including derivatives)	(10)	9,209,279	16,609,354
Cash and cash equivalents	(14)	40,368,611	123,760,033
Tax assets	(15)	2,442,620	625,247
Other current assets	(11)	55,492,009	62,657,890
Total current assets		2,511,606,169	2,771,416,239
Total assets		11,675,594,419	12,073,472,586
Equity			
Share capital	(16)	1,654,464,000	1,654,464,000
Reserves for unrealised gains and losses	(16)	(251,893,733)	(225,465,493)
Other reserves	(16)	208,933,569	199,859,139
Retained earnings	(16)	278,887,744	106,473,559
Profit for the year	(16)	59,509,237	181,488,615
Total equity		1,949,900,817	1,916,819,820
Liabilities			
Non-current loans and borrowings	(17)	4,594,861,284	5,195,528,297
Post-employment benefits and other employee benefits	(18)	1,010,381,476	952,227,122
Provisions for risks and charges	(19)	108,657,261	144,605,997
Deferred tax liabilities	(8)	95,094,679	118,544,242
Non-current financial liabilities (including derivatives)	(20)	98,693,768	174,634,972
Other non-current liabilities	(21)	63,380,772	80,598,396
Total non-current liabilities		5,971,069,240	6,666,139,026
Current loans and borrowings and current portion of non-current loans and borrowings	(17)	814,724,224	423,594,686
Current portion of provisions for risks and charges	(19)	4,008,229	3,963,453
Current trade payables	(22)	1,660,005,482	1,622,122,560
Current financial liabilities (including derivatives)	(20)	636,177,107	804,339,208
Other current liabilities	(21)	639,709,320	636,493,832
Total current liabilities		3,754,624,362	3,490,513,740
Total liabilities		9,725,693,602	10,156,652,766
Total equity and liabilities		11,675,594,419	12,073,472,586

Income statement

(Euros)	Notes	2014	2013	
Revenue				
Revenue from sales and services	(23)	5,366,927,824	5,272,761,352	94,166,472
Other income	(24)	209,792,354	225,014,274	(15,221,920)
Total revenue		5,576,720,178	5,497,775,626	78,944,552
Operating costs				
Personnel expense	(25)	1,900,540,149	1,919,715,554	(19,175,405)
Raw materials, consumables, supplies and goods	(26)	402,053,691	385,907,241	16,146,450
Services	(27)	2,082,116,605	2,063,270,032	18,846,573
Use of third-party assets	(28)	134,881,022	129,521,162	5,359,860
Other operating costs	(29)	47,005,780	45,453,396	1,552,384
Internal work capitalised	(30)	(445,676,645)	(431,367,920)	(14,308,725)
Total cost		4,120,920,602	4,112,499,464	8,421,138
Amortisation and depreciation	(31)	958,294,938	932,740,417	25,554,521
Impairment losses	(32)	209,478,351	20,833,449	188,644,902
Impairment losses on property, plant and equipment		209,001,786	20,545,341	188,456,445
Impairment losses on receivables		476,565	288,107	188,458
Operating profit		288,026,287	431,702,297	(143,676,010)
Financial income and expense				
Financial income	(33)	8,602,973	26,324,883	(17,721,910)
Financial expense	(34)	169,336,608	195,605,715	(26,269,107)
Pre-tax profit		127,292,652	262,421,464	(135,128,812)
Income taxes	(35)	67,783,415	80,932,849	(13,149,434)
Profit from continuing operations		59,509,237	181,488,615	(121,979,378)
Profit for the year		59,509,237	181,488,615	(121,979,378)

Statement of comprehensive income

(Euros)	2014	2013
Profit for the year	59,509,237	181,488,615
Other comprehensive income		
Items that will not be reclassified to profit or loss, gross of the tax effect:		
Actuarial gains (losses)	(84,023,262)	43,867,123
Tax effect of actuarial gains/(losses)	22,425,504	(12,127,796)
Items that are or may be reclassified to profit or loss, gross of the tax effect:		
Cash flow hedges - effective portion of changes in fair value	48,509,681	118,912,428
Cash flow hedges - tax effect of the effective portion of changes in fair value	(13,340,162)	(32,700,918)
Total other comprehensive income/(expense), net of the tax effect	(26,428,240)	117,950,837
Comprehensive income	33,080,997	299,439,452

Statement of changes in equity

Equity										
(Euros)	Share capital	Reserves					Total reserves	Retained earnings (losses carried forward)	Profit for the year	Total equity
		Reserves		Unrealised gains and losses						
		Legal reserve	Extraordinary reserve	Hedging reserve	Actuarial reserve					
Balance at 31 December 2012	1,654,464,000	12,453,599	177,084,324	(211,265,842)	(132,150,489)	(153,878,408)	(89,629,557)	206,424,332	1,617,380,368	
Capital increase										
Dividend distribution										
Allocation of profit for the previous year		10,321,217				10,321,217	196,103,115	(206,424,332)	-	
Comprehensive income, of which:										
<i>recognised directly in equity</i>				86,211,510	31,739,327	117,950,837			117,950,837	
<i>Profit for the year</i>								181,488,615	181,488,615	
Balance at 31 December 2013	1,654,464,000	22,774,816	177,084,324	(125,054,332)	(100,411,162)	(25,606,354)	106,473,558	181,488,615	1,916,819,820	
Capital increase										
Dividend distribution										
Allocation of profit for the previous year		9,074,431				9,074,431	172,414,184	(181,488,615)	-	
Comprehensive income, of which:										
<i>recognised directly in equity</i>				35,169,518	(61,597,758)	(26,428,240)			(26,428,240)	
<i>Profit for the year</i>								59,509,237	59,509,237	
Balance at 31 December 2014	1,654,464,000	31,849,247	177,084,324	(89,884,814)	(162,008,920)	(42,960,163)	278,887,742	59,509,237	1,949,900,817	

Statement of cash flows

Euros	2014	2013
Profit for the year	59,509,237	181,488,615
Income taxes	67,783,415	80,932,849
Amortisation and depreciation	958,294,938	932,740,417
<i>Accruals to provisions for risks</i>	<i>21,281,701</i>	<i>27,961,307</i>
<i>Impairment losses</i>	<i>209,007,683</i>	<i>24,024,495</i>
<i>Accruals for employee benefits</i>	<i>20,336,033</i>	<i>21,780,069</i>
Accruals and impairment losses	250,625,417	73,765,871
Profits on sales	(16,463,262)	(23,464,564)
Change in inventories	(961,049)	(25,952,043)
Change in trade receivables	164,631,113	217,715,606
Change in trade payables	37,882,922	(367,207,348)
Change in other assets and liabilities	(21,136,112)	214,074,555
Utilisation of the provision for risks and charges	(57,185,661)	(159,389,717)
Payment of employee benefits	(46,204,942)	(119,903,508)
Income taxes paid	(88,007,474)	(78,877,767)
Change in tax assets/liabilities for taxes that do not generate cash flows	20,224,059	(2,055,082)
Net cash flows generated by operating activities	1,328,992,602	923,867,884
<i>Increase in property, plant and equipment</i>	<i>(1,040,836,336)</i>	<i>(901,009,913)</i>
<i>Increase in intangible assets</i>	<i>(56,029,142)</i>	<i>(49,535,553)</i>
<i>Increase in equity investments</i>	<i>-</i>	<i>(2,511,790)</i>
Investments, before grants	(1,096,865,478)	(953,057,256)
<i>Grants for property, plant and equipment</i>	<i>17,213,468</i>	<i>14,224,990</i>
Grants	17,213,468	14,224,990
<i>Divestments of property, plant and equipment</i>	<i>42,121,343</i>	<i>67,897,319</i>
<i>Divestments of intangible assets</i>	<i>-</i>	<i>665,830</i>
<i>Divestments of equity investments</i>	<i>27,668</i>	<i>50,501,729</i>
Divestments	42,149,011	119,064,878
Change in financial assets	30,250,074	(13,663,746)
Net cash flows used in investing activities	(1,007,252,925)	(833,431,134)
Disbursement and repayment of non-current loans	(279,463,160)	(90,885,901)
Disbursement and repayment of current loans	69,925,684	84,441,347
Changes in financial liabilities	(1,616,708)	(6,423,809)
Net cash flows generated used in financing activities	(211,154,183)	(12,868,363)
Total cash flows	110,585,494	77,568,387
Opening cash and cash equivalents	(661,850,573)	(739,418,960)
Closing cash and cash equivalents	(551,265,079)	(661,850,573)
Infragroup current account	(591,633,690)	(785,610,607)
Cash and cash equivalents	40,368,611	123,760,033

NOTES TO THE FINANCIAL STATEMENTS

1. Introduction

The financial statements as at and for the year ended 31 December 2014 have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union ("IFRS"). Trenitalia S.p.A. availed of its right under Legislative decree no. 38 of 28 February 2005, which regulates the exercise of the options under article 5 of Regulation (EC) no. 1606/2002 concerning the application of IFRS. Specifically, pursuant to articles 3 and 4 of the above Legislative decree, the company has prepared its financial statements in accordance with IFRS since the year ended 31 December 2010. Up to the year ended 31 December 2009, the company prepared its financial statements in accordance with the relevant provisions of Legislative decree no. 127 of 9 April 1991, as interpreted in the light of the accounting standards issued by the OIC, the Italian Accounting Standard Setter (the "Italian GAAP").

2. The company

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

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

On 31 March 2015, the directors approved the draft financial statements at 31 December 2014 which were submitted to the shareholder within the term set out in article 2429 of the Italian Civil Code. These financial statements will be presented for the shareholder's approval within the term set out in article 2364 of the Italian Civil Code, and will be filed within the term established by article 2435 of the Italian Civil Code. The shareholder is entitled to amend these financial statements. For the purposes of IAS 10.17, the directors authorised these financial statements for issue on 31 March 2015, which is the date when the board of directors approved these financial statements.

Despite holding controlling interests, the company has opted not to prepare consolidated financial statements and availed itself of the exemption permitted by IFRS 10.4(a). Consequently, it has only prepared separate financial statements. The consolidated financial statements for public use are prepared by Ferrovie dello Stato Italiane S.p.A. which is Trenitalia S.p.A.'s direct parent with registered office in Rome, Piazza della Croce Rossa 1. The consolidated financial statements can be obtained at the above address in accordance with the terms and methods set out in the current regulations.

KPMG S.p.A. has been appointed to carry out the legally-required audit of the company's financial statements pursuant to article 14 of Legislative Decree no. 39/2010.

3. Basis of preparation

As mentioned earlier, these financial statements have been prepared in accordance with IFRS, which include all the International Financial Reporting Standards, all the International Accounting Standards (IAS), all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), endorsed by the European Union and contained in the related EU Regulations ruling at the reporting date. Specifically, the company consistently applies the IFRS to all periods presented in these financial statements. Furthermore, these financial statements have been prepared on the basis of the best knowledge of IFRS and best practices. Any future interpretation guidelines and updates will be reflected in subsequent years, in accordance with the procedures provided for by the IFRS over time.

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

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

- The statement of financial position has been prepared by classifying assets and liabilities as "current/non-current";
- The income statement has been prepared by classifying operating costs by nature;
- The statement of comprehensive income includes the profit for the year, as well as any other changes in equity captions attributable to transactions that are not carried out with owners in their capacity as owners. Furthermore, as a result of amendment to IAS 1 - Presentation of Financial Statements - the company shows other comprehensive income separately, depending on whether it can be subsequently reclassified to profit or loss;
- The statement of cash flows has been prepared by reporting cash flows arising from operating activities using the indirect method.

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

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

4. Significant accounting policies

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

Property, plant and equipment

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

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

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

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

The following depreciation rates and useful lives are used:

Category	Depreciation rate	Useful life
Rolling stock		
- Components to be reconditioned	15.4% - 20%	6.5-5 years
- Components subject to wear and tear	15.4% - 20%	6.5-5 years
- Restyling/Safety of driving material	8%	12.5 years
- Restyling/Safety of driven material	10%	10 years
- Basic component	4.3% - 3.3%	23-30 years
- Capitalised second-level maintenance	15.4% - 20%	6.5-5 years
- Maintenance that enhances the asset (significant revamping)	5.5%	18 years
Land and buildings		
- Owned land	-	
- Owner-occupied land	-	
- Industrial buildings and light construction	2%	50 years
- Maintenance that enhances industrial buildings	5%	20 years
- Leasehold improvements	20%	5 years
Industrial plants		
- Workshop plants	5%	20 years
- Maintenance than enhances workshop plants	10%	10 years
Industrial equipment		
- Road and rail vehicles	7.5%	13 years
- Machinery and equipment	10%	10 years
- Loading vehicles	10%	10 years
- Communication systems	25%	4 years
Other assets		
- Motor vehicles	20% - 25%	5-4 years
- Furniture and fittings	12%	8 years
- Ordinary office machines	12%	8 years
- Electronic office machines	20%	5 years
- Mobile phones	20%	5 years
- Specific plants	12%	8 years
- Generic plants	8%	12.5-5 years

- Sundry and small equipment	12%	8 years
- Health equipment	12.5%	8 years
- Leasehold improvements	20%	5 years

Intangible assets

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

(a) Concessions, licenses and trademarks

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

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

Any costs relating to software maintenance are expensed when incurred.

(b) Research and development expenditure

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

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

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

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

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

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

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

Impairment losses on intangible assets and property, plant and equipment

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

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

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

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

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

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

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

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

Financial instruments**(a) 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 nature and purpose for which they have been acquired.

Financial assets are recognised at the trade date of the acquisition/sale and are derecognised 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.

(b) Loans and receivables

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

They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, net of the relevant allowance for impairment. Loans and receivables are included under current assets, except for those having a contractual term exceeding twelve months after the reporting date, which are classified under non-current assets.

Impairment losses on loans and receivables are recognised when there is objective evidence that the company will not be able to collect the amount due from the counterparty on the basis of the contractual terms. 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 impairment loss is calculated as the difference between the carrying amount of the asset and the present value of its expected future cash flows and recognised in profit or loss under “(Reversals of) impairment losses”. Unrecoverable loans and receivables are recognised in the statement of financial position, net of the relevant allowance for impairment. If the reasons for the previously recognised impairment losses no longer apply in the subsequent periods, the carrying amount of the asset is reversed without exceeding the carrying amount that would have been determined had the amortised cost method been applied.

(c) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale. They are included under non-current assets, except for those assets which the directors intend to transfer in the twelve months subsequent to the reporting date.

Available-for-sale financial assets are initially recognised at fair value, increased by any additional charges, and subsequently measured at fair value, taking the subsequent fair value measurement gains or losses to an equity reserve. They are recognised in profit or loss only when the financial asset is actually transferred, or, in the case of accumulated losses, when these losses are considered permanent and material.

Dividends on an available-for-sale equity investments are recognised in profit or loss when the company’s right to receive payment is established.

At each reporting date, the company checks whether there is any objective evidence of an impairment loss on the financial assets. A reduction in the fair value of available-for-sale equity investments to below the initial cost is considered an impairment loss. If this evidence is found, the cumulative loss on available-for-sale financial assets, calculated as the difference between the acquisition cost and the fair value at the reporting date, net of impairment losses, if any, previously recognised in profit or loss, is transferred from equity and recognised in profit or loss. These losses crystallise and therefore they cannot be subsequently reversed in profit or loss. Any changes in the exchange rates relating to equity investments included under available-for-sale financial assets are recognised in a specific equity reserve.

(d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise 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.

They are initially recognised at fair value and the related additional charges are immediately taken to profit or loss. They are subsequently measured at fair value through profit or loss.

Cash and cash equivalents

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

Loans, trade payables and other financial liabilities

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

Derivative financial instruments

The company enters into derivative financial instruments to hedge exposure to interest rate risk and diversify the interest rates applied to their debt, reducing borrowing costs and volatility. Derivative instruments are initially recognised at fair value and, if they are not recognised as hedging instruments, the subsequent fair value changes are treated as profit or loss items.

Hedging derivatives are recognised under hedge accounting criteria only when:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

When derivatives are eligible for hedge accounting, the following accounting treatments apply:

Cash flow hedges

When a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction, the effective portion of gain or loss arising from the fair value adjustment to the derivative instrument is recognised in a specific equity reserve. The cumulative gain or loss is reclassified from equity to profit or loss in the same years in which the effects of the hedged transaction are recognised in profit or loss. The gain or loss associated with the ineffective portion of the hedge is immediately recognised in profit or loss. When the hedged transaction is no longer probable, unrealised gains or losses recognised in an equity reserve are immediately recognised in profit or loss.

Derivatives are recognised at the trade date.

Fair value estimate

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

Given the short-term features of trade receivables and payables, it is deemed that the carrying amounts are a close approximation of the fair value.

The classification of the fair value of financial instruments based on the following hierarchy levels is given below:

Level 1: fair value calculated based on quoted prices (unadjusted) in active markets for identical financial instruments;

Level 2: fair value calculated based on valuation techniques that consider observable inputs on active markets;

Level 3: fair value calculated based on valuation techniques that consider unobservable inputs.

Inventories

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

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

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

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

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

Employee benefits

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

Post-employment benefits and other employee benefits

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

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

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

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

Therefore, a provision has been accrued, on the basis of the above actuarial techniques, which includes the discounted cost related to retired employees who are entitled to the benefit, as well as the portion of the benefit vested by employees in service and to be paid after termination of employment. The accounting

treatment of the Free Travel Card benefits and the effects arising from their actuarial valuation are the same as those envisaged for post-employment benefits.

Provisions for risks and charges

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

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

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

Translation of foreign currency amounts

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

Revenue

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

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

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

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

Government grants

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

i) Grants related to assets

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

ii) Grants related to income

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

Cost recognition

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

Income taxes

Current taxes are calculated based on estimated taxable income and in accordance with ruling tax legislation.

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

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

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

Assets and liabilities held for sale/distribution of non-cash assets to owners and discontinued operations

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

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

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

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

New standards**First-time adoption of standards, amendments and interpretations**

The following new standards are effective for annual periods beginning after 1 January 2014.

IFRS 10 – Consolidated financial statements

On 12 May 2011, the IASB issued IFRS 10 – Consolidated financial statements, which replaces SIC 12 Consolidation - Special purpose entities and IAS 27 - Consolidated and Separate financial statements, which will be renamed Separate financial statements and will govern the accounting treatment of equity investments in separate financial statements. The new standard identifies a single control model applicable to all companies. Below are the main developments:

- under IFRS 10, there is only one fundamental principle for the consolidation of all types of entities, and this principle is based on control. This change removes the inconsistency between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and rewards);

- a firmer definition of control was introduced, based on three elements: (a) the investor's 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 affect those returns through its power over the investee;
- 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 requires that only substantive rights 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..

This standard has no effects as Trenitalia availed of the option permitted by IFRS 10.4(a) and did not prepare consolidated financial statements.

IFRS 11 – Joint arrangements

On 12 May 2011, the IASB issued IFRS 11 – Joint arrangements which replaces SIC 13 – Jointly controlled entities – non-monetary contributions by venturers and IAS 31 – Interests in joint ventures. Following the issue of IFRS 11, IAS 28 - Investments in associates and joint ventures, was amended to include jointly controlled entities in its scope at the date the standard becomes effective. Without prejudice to the criteria to identify joint control, IFRS 11 provides that joint arrangements, whereby control over an asset is jointly attributed to one or more operators, be classified as a joint operation or a joint venture based on an analysis of the underlying contractual rights and obligations. Specifically, a joint venture is a joint arrangement whereby the parties, despite having control of main strategic and financial decisions through voting mechanisms which require unanimous decisions, have no legally relevant rights to the individual assets and liabilities of the joint venture. In this case, joint control refers to the net assets of the joint venture. This form of control is presented in separate financial statements using the cost method and in consolidated financial statements by applying the equity method. Conversely, joint operations are joint arrangements in which the participants have rights to the assets and are directly obliged with respect to liabilities. In this case, individual assets and liabilities and the related costs and revenue are recognised by the participant in the financial statements, including the separate financial statements, based on their rights and obligations, regardless of the percentage held. Subsequent to initial recognition, assets, liabilities and costs are measured in accordance with the accounting principles applicable to each category of asset/liability.

As they meet IFRS 11 requirements, Trenitalia's joint arrangements have been classified as joint ventures. Therefore, as in the previous year, the related investments continue to be recognised at the adjusted cost. Accordingly, the standard has no effects on the financial statements of Trenitalia at 31 December 2014.

IFRS 12 – Disclosure of interests in other entities

On 12 May 2011, the IASB issued IFRS 12 – Disclosure of interests in other entities, a new comprehensive standard applicable to the additional disclosure to be provided on any types of interests, including in subsidiaries, joint arrangements, associates, special purpose vehicles and other unconsolidated vehicles.

This standard has no effects as Trenitalia does not prepare consolidated financial statements.

IAS 32 – Financial instruments: presentation

On 16 December 2011, the IASB issued some amendments to IAS 32 – Financial instruments: presentation clarifying the application of some criteria to offset the financial assets against financial liabilities included in IAS 32. These amendments have no effect on the company's financial statements.

IFRS 10, 11 and 12 – Amendments: transition guidance

On 28 June 2012, the IASB issued some amendments to IFRS 10 – Consolidated financial statements, IFRS 11 – Joint arrangements and IFRS 12 – Disclosure of interests in other entities, as resulting from the proposals contained in the Exposure draft – Transition guidance issued in December 2011. The amendments substantially provide additional transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied.

This standard has no effects as Trenitalia does not prepare consolidated financial statements.

IFRS 10/IFRS 12/IAS 27/IAS 28 – Investment entity

On 31 October 2012, the IASB issued some amendments to IFRS 10 – Consolidated financial statements, IFRS 12 – Disclosure of interests in other entities and IAS 27 – Separate financial statements. These amendments clarify the definition of "investment entity" and introduce an exception to the consolidation requirements for such entities, allowing them to measure their subsidiaries at fair value. Furthermore, the amendments improve the definition of some disclosure requirements that the investment entities must provide in the notes.

This standard has no effects as Trenitalia does not prepare consolidated financial statements.

IAS 36 – Recoverable amount disclosures for non-financial assets

On 29 May 2013, the IASB issued an amendment to IAS 36 – "Recoverable amount disclosures for non-financial assets". The amendment governs recoverable disclosures for assets subject to impairment losses, provided that this amount is based on fair value less costs to sell.

The amendment applies for annual periods beginning on or after 1 January 2014

IAS 39 – Financial instruments: Recognition and measurement

On 27 June 2013, the IASB issued some amendments to IAS 39 – Financial instruments: recognition and measurement, named "Novation of derivatives and continuation of hedge accounting." Under these

amendments, there is no need to discontinue hedge accounting if a hedging derivative, designated as a hedge, is novated following the application of laws and regulations, to replace the original counterparty and ensure the success of the obligation, provided that certain conditions are met.

The same amendment will also be included in IFRS 9 - Financial instruments. These amendments apply to annual periods beginning on or after 1 January 2014.

Accounting standards, amendments and interpretations endorsed by the European Union, but not yet applied and adopted earlier by Trenitalia

IFRIC 21 – Levies

On 20 May 2013, the IASB issued IFRIC 21 – Levies, which is an interpretation of IAS 37 – Provisions, contingent liabilities and contingent assets. The EU endorsed this document with Regulation no. 634 of 13 June 2014. It provides guidance on when to recognise a liability for a levy imposed by a government, except for those already regulated by other standards (e.g. IAS 12 – Income taxes). One of the requirements laid down under IAS 37 for the recognition of a liability is that the entity must have a present obligation as a result of a past event (obligating event). The interpretation clarifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

IFRIC 21 applies for annual periods beginning on or after 17 June 2014.

Annual Improvements to IFRS: 2011-2013 Cycle

On 12 December 2013, the IASB issued the “Annual improvements to IFRS: 2011-2013 cycle”. This is a series of amendments to IFRS as part of the ordinary rationalisation and clarification process of the standards. The EU endorsed this document with Regulation no. 1361 of 18 December 2014. The following standards were amended: IFRS 3 - Business combinations, IFRS 13 - Fair value measurement, and IAS 40 - Investment Property. The amendment to IFRS 3 clarifies that this standard does not apply to joint ventures or joint operations when they are established. Prior to the amendment, the exception was limited to the set-up of joint ventures. The amendment to IFRS 13 clarifies that the “portfolio exception” applies to financial assets and financial liabilities managed on the basis of a net exposure to market and credit risks, although it does not meet the definition of IAS 32; indeed, it falls under the scope of IAS 39. Finally, the amendments to IAS 40 clarify that an entity shall determine whether the property acquired shall be classified as investment property or owner-occupied property under IAS 40 and subsequently separately establish whether the acquisition of the investment property constitutes the acquisition of a single asset or of a group of assets.

These amendments apply to annual periods beginning on or after 1 January 2015.

Annual Improvements to IFRS: 2010-2012 Cycle

On 12 December 2013, the IASB issued the “Annual improvements to IFRS: 2010-2012 cycle”. This is a series of amendments to IFRS as part of the ordinary rationalisation and clarification process of the standards. The EU endorsed this document with Regulation no. 2015/28 of 17 December 2014. The following standards were

amended: IFRS 2 - Share-based payment, IFRS 3 - Business combinations, IFRS 8 - Operating segments, IAS 16 - Property, plant and equipment, IAS 24 - Related party disclosures, IAS 38 - Intangible assets and, consequently, to the amendments to IFRS 3, IAS 37 - Provisions, contingent liabilities and contingent assets, and IAS 39 - Financial

instruments: recognition and measurement. The amendment to IFRS 2 clarifies the definition of "vesting condition", separately defining the concepts of "performance condition" and "service condition". The amendments to IFRS 3 clarify that the classification of a contingent consideration, which meets the definition of financial instruments, as a financial liability or as equity must be recognised in accordance with the definitions of financial liability and equity instruments under IAS 32: Financial instruments: presentation. Moreover, fair value gains and losses in a contingent consideration, which are not measurement period adjustments and which are not classified in equity, must be recognised in profit or loss. With respect to the amendments to IFRS 8, the IASB introduced a new disclosure requirement concerning the judgements made by management in applying the aggregation criteria set out in paragraph 12. Specifically, entities are required to briefly describe the operating segments combined, the criteria applied and the economic indicators that were considered in establishing that the combined operating sectors have similar financial characteristics. The amendment to 24 modifies the definition of "related party" to include "management entities", i.e., those entities (or any member of a group to which it belongs) which provide key management services to the reporting entity or its parent. With respect to "management entities", the reporting entity shall state the amount of the costs incurred to provide key management services. However, it is not required to state the fees paid or due by the "management entity" to its directors or employees, pursuant to IAS 24.17. The amendments to IAS 16 and 38 clarify that, when the revaluation model is applied, the adjustments to accumulated depreciation/amortisation are not always consistent with the adjustment to the gross carrying amount. Specifically, at the revaluation date, the asset's carrying amount can be adjusted to the revalued amount either as follows: a) the asset's gross carrying amount is adjusted in a manner that is consistent with the revaluation and the accumulated amortisation/depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset, net of accumulated impairment losses; b) accumulated amortisation/depreciation is offset against the asset's gross carrying amount.

These amendments apply to annual periods beginning on or after 1 February 2015.

IAS 19 – Employee benefits

On 21 November 2013, the IASB issued some amendments to IAS 19 – Employee benefits, named "Defined benefit plans: employee contributions". The EU endorsed these documents with Regulation no. 2015/29 of 17 December 2014, with aim of simplifying the accounting treatment of employees' or third-party contributions to defined benefit plans.

These amendments apply to annual periods beginning on or after 1 February 2015.

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

At the preparation date, the competent bodies of the European Union have not yet completed the endorsement process necessary to adopt the following accounting standards and amendments.

IFRS 14 - Regulatory deferral accounts

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

IFRS 11 - Amendments

On 6 May 2014, the IASB issued Accounting for acquisitions of interests in joint operations (Amendments to IFRS 11). The amendments provides new guidance on how to recognise the acquisition of an interest in a joint operation, specifying the most appropriate suitable accounting treatment for these acquisitions.

IAS 16/IAS 38 - Amendments

On 12 May 2014, the IASB issue Clarification of acceptable methods of depreciation and amortisation" (Amendments to IAS 16 and IAS 38), to clarify that the use of revenue-based methods to calculate the depreciation/amortisation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

IFRS 15 - Revenue from contracts with customers

On 28 May 2014, as part of the IFRS-US GAAP convergence project, the IASB and the FASB issued IFRS 15 - Revenue from contracts with customers. This standard is a unique and comprehensive framework for revenue recognition and sets out the provisions to be applied to all contracts with customers (except for those covered by other standards on leases, insurance contracts and financial instruments). IFRS 15 replaces the previous standards applicable to revenue: IAS 18 - Revenue and IAS 11 - Construction contracts, as well as the following interpretations: IFRIC 13 - Customer loyalty programmes, IFRIC 15 - Agreements for the construction of real estate, IFRIC 18 - Transfers of assets from customers and SIC 31 - Revenue—Barter transactions involving advertising services.

IFRS 9 – Financial instruments

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

IAS 27 – Amendments

On 12 August 2014, the IASB issued Equity method in separate financial statements (Amendments to IAS 27). Following these amendments, entities can recognise investments in subsidiaries, joint ventures and associates in the separate financial statements using the equity method.

IFRS 10/IAS 28 – Amendments

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

Annual Improvements to IFRS: 2012-2014 Cycle

On 25 September 2014, the IASB issued Annual Improvements to IFRS: 2012-2014 Cycle. The following standards were amended: IFRS 5 - Non-current assets held for sale and discontinued operations, IFRS 7 - Financial instruments: disclosure, IAS 19 - Employee benefits, IAS 34 - Interim financial reporting.

IFRS 10/IFRS 12/IAS 28 – Amendments

On 18 December 2014, the IASB issued Investment entities: applying the consolidation exception (Amendments to IFRS 10, IFRS 12 and IAS 28) with the aim of clarifying three issues related to the consolidation of investment entities.

IAS 1 – Amendments

On 18 December 2014, the IASB issued some amendments to IAS 1 - Presentation of financial statements to clarify some disclosure issues. The amendment is part of the Disclosure initiative which is aimed at improving the presentation and disclosure of financial information in financial reports and resolving some critical issues identified by operators.

IAS 16/IAS 41 – Amendments

On 30 June 2014, the IASB issued some amendments to IAS 16 and IAS 41 on bearer plants. Under these amendments, bearer plants can be recognised at cost instead of fair value. Conversely, crop continues to be recognised at fair value.

Use of estimates and valuations

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

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

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

i) Impairment losses

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

ii) Amortisation and depreciation

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

iii) Provisions for risks and charges

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

iv) Taxes

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

v) Fair value of derivatives

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

vi) Operating segments

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

5. Financial risk management

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

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

Credit risk

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

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

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

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

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

	31.12.2014	31.12.2013
Current trade receivables	1,976,490	2,111,791
Allowance for impairment	(260,216)	(230,886)
Current trade receivables, net of the allowance for impairment	1,716,275	1,880,906
Other current assets	56,046	51,413
Allowance for impairment	(2,015)	(1,671)
Other current assets, net of the allowance for impairment	54,031	49,742
Non-current financial assets (including derivatives)	479	23,329
Allowance for impairment		
Non-current financial assets (including derivatives), net of the allowance for impairment	479	23,329
Other non-current assets	18,176	21,629
Allowance for impairment		
Other non-current assets, net of the allowance for impairment	18,176	21,629
Cash and cash equivalents	40,369	123,760
Current financial assets (including derivatives)	9,209	16,609
Allowance for impairment		
Current financial assets (including derivatives), net of the allowance for impairment	9,209	16,609
Total exposure, net of the allowance for impairment	1,838,539	2,115,975

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

	31.12.2014	31.12.2013
Government and other public authorities	1,307,597	1,438,144
Ordinary customers	146,587	171,663
Financial institutions	-	22,750
Other debtors	343,987	359,659
Total exposure, net of the allowance for impairment	1,798,171	1,992,215
	31.12.2014	31.12.2013
Government and other public authorities	72.72%	72.19%
Ordinary customers	8.15%	8.62%
Financial institutions	0.00%	1.14%
Other debtors	19.13%	18.05%
Total exposure, net of the allowance for impairment	100.00%	100.00%

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

The table below gives a breakdown of financial assets at 31 December 2014 by overdue amounts, net of the allowance for impairment and excluding cash and cash equivalents:

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

31.12.2013						
	Not overdue	Overdue by				Total
		0-180	180-360	360-720	beyond 720	
Public administration, Italian government and regions (gross)	612,323	540,769	171,787	133,796		1,458,675
Allowance for impairment	(3,901)			(16,631)		(20,531)
Public administration, Italian government and regions (net)	608,423	540,769	171,787	117,165	-	1,438,144
Ordinary customers (gross)	137,288	23,367	172,741	26,887		360,283
Allowance for impairment	(1,144)		(164,051)	(23,426)		(188,620)
Ordinary customers (net)	136,145	23,367	8,690	3,461	-	171,663
Financial institutions				22,750		22,750
Other debtors (gross)	271,438	25,714	14,667	70,212	1,033	383,064
Allowance for impairment	(1,677)			(21,728)		(23,405)
Other debtors (net)	269,761	25,714	14,667	48,485	1,033	359,659
Total exposure, net of the allowance for impairment	1,014,328	589,849	195,144	191,861	1,033	1,992,215

Loans and receivables from the public administration mainly refer to amounts due from the regions and the Ministry of the Economy and Finance in connection with public services and total €1,219 million. Of this amount, approximately 47% is already overdue. Overdue receivables from the Calabria region (approximately €110 million), the Campania region (approximately €158 million) and the Ministry of the Economy and Finance (approximately €265 million) are particularly significant.

Liquidity risk

Liquidity risk is the risk that an entity may have difficulties in complying with the obligations associated with financial liabilities to be settled by delivering cash or another financial asset. As stated in the previous paragraph, the company holds considerable loans and receivables from the government and the regions, which are not settled on time. However, while they present lengthy payment terms, they enable the company to manage any financial requirements arising from the need to settle non-current liabilities as they fall due.

The company meets temporary cash requirements using the parent's liquidity and by participating in the Ferrovie dello Stato Italiane group's cash pooling system for the optimisation of liquidity.

The following table shows the due dates of financial liabilities, including interest to be paid:

31/12/2014	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
Non-derivative financial liabilities							
Bank loans and borrowings	1,801,480	1,846,402	181,395	180,853	361,165	659,037	463,952
Shareholder loans	3,608,106	3,877,439	452,371	28,460	578,869	1,079,149	1,738,590
Trade payables	1,660,005	1,660,005	1,660,005	-	-	-	-
Financial liabilities	591,634	591,634	591,634	-	-	-	-
Total	7,661,225	7,975,480	2,885,405	209,313	940,034	1,738,186	2,202,542
Derivative financial liabilities							
Interest rate derivatives	143,237	143,194	51,503	32,061	35,650	20,102	3,878
Total	143,237	143,194	51,503	32,061	35,650	20,102	3,878

31/12/2013	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
Non-derivative financial liabilities							
Bank loans and borrowings	2,075,596	2,209,943	122,805	163,568	368,799	930,576	624,195
Shareholder loans	3,543,527	4,078,812	144,476	31,280	291,557	1,362,779	2,248,720
Trade payables	1,622,123	1,622,123	1,622,123	-	-	-	-
Financial liabilities	785,611	785,611	785,611	-	-	-	-
Total	8,026,857	8,696,489	2,675,015	194,848	660,356	2,293,355	2,872,915
Derivative financial liabilities							
Interest rate derivatives	193,364	193,481	52,367	33,846	69,543	36,194	1,531
Total	193,364	193,481	52,367	33,846	69,543	36,194	1,531

The tables below show the repayments of financial liabilities at 31 December 2014 and 2013 by due date within one year, from 1 to 5 years and after 5 years:

31/12/2014	Carrying amount	Within one year	1-5 years	Beyond 5 years
Non-derivative financial liabilities				
Bank loans and borrowings	1,801,480	355,021	996,459	450,000
Shareholder loans	3,608,106	459,703	1,521,340	1,627,063
Trade payables	1,660,005	1,660,005	-	-
Financial liabilities	591,634	591,634	-	-
Total	7,661,225	3,066,363	2,517,799	2,077,063

31/12/2013	Carrying amount	Within one year	1-5 years	Beyond 5 years
Non-derivative financial liabilities				
Bank loans and borrowings	2,075,596	274,554	1,227,708	573,334
Shareholder loans	3,543,527	149,040	1,426,026	1,968,461
Trade payables	1,622,123	1,622,123	-	-
Financial liabilities	785,611	785,611	-	-
Total	8,026,857	2,831,328	2,653,734	2,541,795

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

Market risk

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 prices 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 optimising returns on investments. The company uses hedging transactions to manage the volatility of the results.

Interest rate risk

The company is mainly exposed to the interest rate risk relating to non-current loans.

Following the resolution passed by Trenitalia's board of directors, starting from 2005 and with subsequent resolutions, the company has defined an interest rate risk management policy. The policy, which was updated in 2013, provides for:

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

The objective of the strategy, as a whole, is to limit cash flow fluctuations in financing transactions in place (cash flow hedges) in order to ensure the company's meet its borrowing cost objectives in the long-term plan and/or annual budget. The company only uses interest rate swaps/plain vanilla collars/plain vanilla caps.

The implementation of this strategy has enabled the company to limit borrowing costs, including the credit spread, to below 3% in the past four years. At 31 December 2014, the portion of non-current debt was below 2.6%.

At 31 December 2014, nearly 47% of non-current debt presented fixed financial expense or costs covered until the maturity of the transaction.

Hedges with shorter terms, effective between the second half of 2013 and the second half of 2015, are in place with respect to the residual liabilities not covered until maturity. 70% of this amount is hedged through interest rate collars, while the remaining 30% is hedged through interest rate caps.

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

	Carrying amount	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	beyond 5 years
Variable rate	5,328,962	5,488,199	1,408,174	903,099	1,640,971	1,535,955
Fixed rate	672,258	827,275	26,539	36,935	97,214	666,587
Balance at 31 December 2014	6,001,220	6,315,474	1,434,713	940,034	1,738,185	2,202,542
Variable rate	5,727,505	6,214,910	1,214,011	633,855	2,185,613	2,181,431
Fixed rate	677,228	859,456	33,728	26,501	107,743	691,484
Balance at 31 December 2013	6,404,733	7,074,366	1,247,739	660,356	2,293,356	2,872,915

The table below shows the impact of non-current loans (including the current portion) and current and non-current financial liabilities, excluding hedging derivatives, which convert variable rates into fixed rates or which hedge against rises in variable rates beyond the maximum levels defined:

	31.12.2014	31.12.2013
Before hedging with derivatives		
Variable rate	88.80%	89.43%
Fixed rate	11.20%	10.57%
After hedging with derivatives		
Variable rate	13.19%	14.96%
Hedged variable rate	60.20%	57.68%
Fixed rate	26.61%	27.36%

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

The following sensitivity analysis shows the effects that would have been recorded in terms of changes in interest expense had an increase or a decrease of 50 basis points in the Euribor interest rates affected loans in 2013:

	+ 50 bps shift	- 50 bps shift
Interest expense on variable-rate debt	24,027	(24,027)
Net cash flow from hedges	(18,732)	20,168
Total	5,295	(3,859)

An increase in interest expense on the variable-rate debt is partially offset by a reduction in net cash flows from hedges (and vice versa).

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 at 31 December 2014 on the fair value of hedging derivatives is given below:

	+ 50 bps shift	- 50 bps shift
Fair value of hedging derivatives	18,410	(19,291)
Total	18,410	(19,291)

Currency risk

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

The company has loans and borrowings in Swiss francs totalling CHF81 million, as shown in the table below:

	31/12/2014		31/12/2013	
	Euro equivalent	CHF	Euro equivalent	CHF
Loans and borrowings with group companies	67,365	81,000	65,982	81,000
Gross exposure in the statement of financial position	67,365	81,000	65,982	81,000
Currency forwards	-	-	-	-
Net exposure	67,365	81,000	65,982	81,000

In January 2015, the Swiss Central Bank's decision to remove the Euro/CHF 1.20 floor space generated an appreciation of the Swiss Franc compared to the exchange rate at the end of 2014. Consequently, Trenitalia is exposed to potential currency losses due to an increase in the Euro equivalent amount of the above loans and borrowings.

At 28 February 2015, the company's debt amounted to €76,156 thousand, with potential currency losses of €8,791 thousand, compared to 31 December 2014.

Capital management

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

Financial assets and financial liabilities by category

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

31 December 2014	Loans and receivables	Loans and borrowings	of which: hedging derivatives
Non-current financial assets (including derivatives)	479		
Other non-current assets	18,741		
Current trade receivables	1,716,275		
Current financial assets (including derivatives)	9,209		
Cash and cash equivalents	40,369		
Tax assets	2,443		
Other current assets	55,492		
Non-current loans and borrowings		4,594,861	
Non-current financial liabilities (including derivatives)		98,694	98,694
Other non-current liabilities		63,381	
Current loans and borrowings and current portion of non-current-term loans and borrowings		814,724	
Current trade payables		1,660,005	
Current financial liabilities (including derivatives)		636,177	44,543
Other current liabilities		639,709	
<hr/>			
31 December 2013	Loans and receivables	Loans and borrowings	of which: hedging derivatives
Non-current financial assets (including derivatives)	23,329		
Other non-current assets	26,482		
Current trade receivables	1,880,906		
Current financial assets (including derivatives)	16,609		
Cash and cash equivalents	123,760		
Tax assets	625		
Other current assets	62,958		
Non-current loans and borrowings		5,195,528	
Non-current financial liabilities (including derivatives)		174,635	174,635
Other non-current liabilities		80,598	
Current loans and borrowings and current portion of non-current-term loans and borrowings		423,595	
Current trade payables		1,622,123	
Current financial liabilities (including derivatives)		804,339	18,729
Other current liabilities		636,494	

Statement of financial position

6. Property, plant and equipment

Property, plant and equipment at 31 December 2014 and changes therein are shown in the table below. The assets' estimated useful lives did not change during the year.

PROPERTY, PLANT AND EQUIPMENT						
	Land, buildings, railway and port infrastructure	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Historical cost	2,028,938	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	-	(402,432)	-	(76)	(7,947)	(410,455)
Balance at 31.12.2012	1,410,469	6,564,503	47,213	76,732	865,193	8,964,110
Investments				72	900,937	901,009
Roll-out	15,539	928,200	7,507	34,277	(986,405)	(882)
Depreciation	(23,736)	(841,351)	(11,478)	(22,857)		(899,422)
Impairment losses		(12,524)	(18)	(2)	(7,392)	(19,936)
Disposals and divestments		(8,014)	(1)	(1,117)		(9,132)
Increases in grants		(10,669)			(3,556)	(14,225)
Other changes					(35,853)	(35,853)
Other reclassifications					(191)	(191)
Total changes	(8,197)	55,642	(3,990)	10,373	(132,460)	(78,632)
Historical cost	2,044,477	15,634,547	179,271	448,607	764,076	19,070,978
Depreciation and impairment losses	(642,205)	(8,601,301)	(136,048)	(361,426)	(19,840)	(9,760,820)
Grants	-	(413,101)	-	(76)	(11,503)	(424,680)
Balance at 31.12.2013	1,402,272	6,620,145	43,223	87,105	732,733	8,885,478
Investments				35	1,040,801	1,040,836
Roll-out	14,514	943,340	5,458	8,286	(971,378)	220
Depreciation	(24,462)	(864,194)	(11,191)	(23,813)		(923,660)
Impairment losses		(206,113)			(1,937)	(208,050)
Disposals and divestments*	(4,181)	(3,576)	(1)	-	(4,449)	(12,207)
Increases in grants		(21,398)			4,184	(17,214)
Other changes		97			(13,854)	(13,757)
Other reclassifications**	(3,794)	2,006		1,788		-
Total changes	(17,923)	(149,838)	(5,734)	(13,704)	53,367	(133,832)
Historical cost	2,051,016	16,576,414	184,728	458,716	815,196	20,086,070
Depreciation and impairment losses	(666,667)	(9,671,608)	(147,239)	(385,239)	(21,777)	(10,892,530)
Grants	-	(434,499)	-	(76)	(7,319)	(441,894)
Balance at 31.12.2014	1,384,349	6,470,307	37,489	73,401	786,100	8,751,646
Disposals and divestments*						
Decreases in historical cost due to disposals and divestments	(4,181)	(68,987)	(138)	(1,400)	(4,449)	(79,155)
Decreases in accumulated depreciation due to divestments		65,010	137	1,400		66,547
Decreases in impairment losses due to divestments		401				401
Total disposals and divestments	(4,181)	(3,576)	(1)	-	(4,449)	(12,207)
Reclassifications**						
Change in historical cost due to reclassifications	(15,217)	(204)		15,421		-
Changes in accumulated depreciation due to reclassifications	13,714	25		(13,633)		106
Changes in impairment losses due to reclassifications	(2,291)	2,185				(106)
Total reclassifications	(3,794)	2,006	-	1,788	-	-

- Investments of €1,040,836 thousand mainly relate to rolling stock for €983,694 thousand (including advances for the purchase of rolling stock) and to other investments in workshop systems and buildings and technical equipment for €57,099 thousand. Specifically, investments in rolling stock related to the renewal of the Regional Transport fleet with new contracts to purchase "Vivalto" carriages, "Jazz" trains and the new "Swing" trains. Furthermore, work continued on the projects for the new *Frecciarossa 1000* high-speed electric trains, the refurbishment of low-floor carriages, the

upgrading the "Bistrot" carriage for Frecciarossa trains and the refurbishment of Intercity carriages. Other investments include, inter alia, the continuation of plant maintenance projects, and projects related to the updating required by Legislative decree no. 81/2008 on the protection of health and safety in the workplace (approximately €10 million).

- Roll-out relates to rolling stock (€934 million), specifically for Regional Transport, and included 167 Double Decker carriages (€233 million), 26 "Jazz" trains (€182 million), two ETR (electric high-speed) 170 trains (€17 million) and two 464 locomotives (€5 million), as well as maintenance that enhances assets and restyling and revamping (€484 million), land and buildings following the acquisition of areas around the Torino Lingotto plant (€4.2 million), maintenance that enhances industrial buildings (€6.5 million) and other assets mainly related to access control systems, replacement of obsolete hardware, etc. (€5 million);
- Depreciation is recognised in profit or loss in accordance with the rates applicable to property, plant and equipment;
- Impairment losses of €208,050 thousand include the impairment loss on the Cargo CGU as per the impairment test conducted (€185,200 thousand) which is discussed in the relevant section, and the impairment loss on rolling stock which is no longer used, specifically the ETR 450 trains (€13,043 thousand) and other investments that no longer meet the company's requirements (€1,937 thousand); and
- Disposals and divestments of €12,207 thousand, include the sale of certain areas of the Milan Rho plant (€4.2 million) to Rete Ferroviaria Italiana and investments for locomotive equipping (€2.8 million). The residual amount is mainly related to assets that can no longer be used in the production cycle and that were transferred to current assets as part of inventories;
- Grants related to assets of €17,214 thousand mainly relate to the amounts disbursed by the regions to purchase rolling stock in 2014;
- Other changes, of €13,757 thousand mainly relate to the reduction in assets under construction and payments on account following the settlement of the last items related to the conclusion of the "SCMT -Italian Rail Traffic Management System" equipment contracts, in 2013, and the settlement with the supplier of the related receivables and payables.

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

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

ASSET	Revaluation pursuant to Law no. 2 of 28 January 2009	
	Revaluation gross of depreciation	
	2008	2014
Land	50,878	50,878
Buildings	139,100	121,574
	189,978	172,452

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

7. Intangible assets

Intangible assets at 31 December 2014 and changes therein are shown in the table below. The assets' estimated useful lives did not change during the year.

INTANGIBLE ASSETS				
	Development expenditure	Concessions, licences, trademarks and similar rights	Assets under development and payments on account	Total
Historical cost	13,125	452,060	4,160	469,345
Amortisation and impairment losses	(10,462)	(366,448)	(486)	(377,396)
Grants	(1,959)	(428)		(2,387)
Balance at 31.12.2012	704	85,184	3,674	89,562
Investments			49,536	49,536
Roll-out	93	41,755	(40,966)	882
Amortisation	(222)	(33,096)		(33,318)
Impairment losses			(57)	(57)
Disposals and divestments		(666)		(666)
Other reclassifications			191	191
Total changes	(129)	7,993	8,704	16,568
Historical cost	13,218	493,149	12,921	519,288
Amortisation and impairment losses	(10,684)	(399,544)	(543)	(410,771)
Grants	(1,959)	(428)	0	(2,387)
Balance at 31.12.2013	575	93,177	12,378	106,130
Investments			56,029	56,029
Roll-out	1,696	51,909	(53,825)	(220)
Amortisation	(242)	(34,393)		(34,635)
Impairment losses			(644)	(644)
Disposals and divestments				0
Other reclassifications**				0
Total changes	1,454	17,516	1,560	20,530
Historical cost	14,914	545,058	15,125	575,097
Amortisation and impairment losses	(10,926)	(433,937)	(1,187)	(446,050)
Grants	(1,959)	(428)	-	(2,387)
Balance at 31.12.2014	2,029	110,693	13,938	126,660

The changes of the year relating to both "Investments" (€56,029 thousand) and "Roll-out" (€53,825 thousand) are mainly attributable to "Software". In this respect, investments related to the continuation of the following activities:

- the implementation of the *PICO* integrated sales platform to combine the different sales channels and the development of Infomobility;
- the development of an integrated SAP platform to support the sales cycle and the traffic of the Cargo Division;
- the development of a CRM (Customer Relationship Management) system to enable integrated management of customers and provide excellent multi-channel services;
- the development of an operating platform to edit and update the railway timetable, to manage the use of personnel, to schedule maintenance at the Current Maintenance plants and to manage railway traffic from control rooms;
- the streamlining of data centres, technical management of operating systems and management of application and networks.

Amortisation of €34,635 thousand is that recognised in profit or loss at the rates applicable to intangible assets.

Impairment testing of cash generating units

For impairment testing purposes, the company identified and confirmed the cash generating units (CGUs) that represent independent business units, which can be clearly identified within the company's structure and which can generate cash flows that are largely independent of those of the company. The CGUs have been identified consistently with the business structure, hence the company's organisational and operating structure, as the three operating business segments:

- Long-haul passenger transport;
- Regional passenger transport;
- Cargo.

In accordance with the company's control model, the cross-company divisions (Technical Head Office, Industrial Logistics Head Office, Industrial Planning Head Office and Staff) are already allocated to the income statements of the various CGUs. Conversely, the statement of financial position captions related to cross-company divisions have been allocated to the CGUs using the appropriate drivers.

Cash flows for 2014 were calculated based on the best information available during preparation, considering the 2015 budget and the figures of the most recent updated 2015-2017 Business Plan, whereas cash flows for 2018-2019 were projected on the basis of 2017 figures assuming 2% growth as plan data were unavailable for those years. The plan update considered the main changes in the financial performance of individual businesses in 2014 and reflected in the 2015 budgets, as well as the significant changes in some scenario trends which took place during the year. A specific business plan for the 2015-/2022 period was considered for the Cargo Division.

The government's decision not to renew the Cargo Service Contract with Trenitalia S.p.A. which reduced the company's considerations by approximately €105 million. This effect will only be partially offset starting from 2015 by eliminating the costs to use infrastructure in Southern Italy and ferry costs, which are calculated in proportion to the trains-km generated by the railway companies, for transport services originating and/or terminating in Central and Southern Italy. This was due to the approval of the 2015 Stability Act which required a revision of the Cargo Division's business plan in order to check, through an impairment test, whether the invested capital in this division is recoverable. The test identified the need to impair assets by €185.2 million.

The value in use was estimated using the perpetual capitalisation of prospective cash flows in the last year of the explicit projection period, using normalised growth rates. The calculation of value in use also considered "normalised" investments defined by assuming that the conditions of each CGU would remain stable on the basis of long-term forecasts. To determine the value in use defined on the basis of the prospective cash flows

in the last year of the projection period, the average growth rates used were those that could be inferred from the long-term forecasts of the inflation rate, equal to 2%.

The discount rate used is the Weighted Average Cost of Capital ("WACC"). The WACC for the current year reflects the situation of the financial markets which has progressively emerged over the past few years. The rates registered in 2015 necessitated a revision of the WACC.

The forecast growth rates of the three CGUs changed from 2% in previous years to 1.5%.

The amounts used for the purposes of the impairment test and the related results are shown below:

CGU	Net invested capital (millions of Euros)	Discount rate (WACC)	Growth rate	Impairment loss (millions of Euros)
Long-haul passenger transport	3,096	4.74 %	1.5%	-
Regional passenger transport	5,325	4.74 %	1.5%	-
Cargo	746	5.92 %	1.5%	185.2
Total	9,167			

The comparison between the invested capital of individual CGUs and the present value of cash flows, increased by value in use shows impairment losses of €185.2 million for the Cargo CGU. Conversely, no impairment losses were identified for the Long-haul passenger transport and the Regional transport CGUs.

The present value of the Cargo CGU amounts to €560.5 million, against total net invested capital of €745.7 million. The impairment loss identified by the impairment test was recognised against the carrying amount of the Cargo Division's plant and machinery.

The company performed a sensitivity analysis of the impairment test, analysing the effects of changes in the WACC (+20/-20 bps). This analysis did not identify any effect arising from the impairment test carried out for the Long-haul passenger transport and the Regional passenger transport CGUs. Conversely, with respect to the Cargo CGU, a 20bps increase/decrease in the WACC would cause impairment losses of €220 million and €147 million, respectively.

8. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2014 and changes of the year are shown below.

	31.12.2013	Incr.(decr.) through profit or loss	Other changes	31.12.2014
Deferred tax assets				
- Measurement of financial instruments	47,434		(13,340)	34,094
- Deferred tax assets on prior year losses	69,000	19,200		88,200
Total	116,434	19,200	(13,340)	122,294
Deferred tax liabilities				
- Differences related to intangible assets and PPE	120,466	(821)		119,645
- Post-employment benefits and other employee benefits	(2,304)		(22,426)	(24,730)
- Other items: Provision for workshop charges	382	(202)		180
Total	118,544	(1,023)	(22,426)	95,095
Balance	2,110	(20,223)	(9,086)	(27,199)

The €5,860 thousand increase in deferred tax assets is due to:

- The €19,200 thousand increase due to the adjustment of the tax benefits calculated for future years based on the expected positive results. As reported in Similarly to previous years, Trenitalia recognised deferred tax assets on considering its prior year tax losses the recoverability of which, as permitted by the law, is unlimited in time in accordance with the law. In this respect, the company continues to apply an extremely prudent approach to when recognising these assets considering their potential recoverability in the time period covered by the only based on the 2015 budget and the 2016 plan only. The increase on 2014 reflects the adjustments made in respect of IRES deductions.
- The €13,340 thousand decrease due to the fair value loss on interest rate risk hedging derivatives had no effect on profit or loss, but it affected the FTA reserves recognised under equity during the transition to IFRS.

The tax losses already transferred to the group's consolidation scheme and not yet used at 31 December 2014 amount to approximately €1,181,000 thousand. The €23,449 thousand decrease in deferred tax liabilities to €95,095 thousand is mainly due to the adjustment of the provision for post-employment benefits following its update to reflect the actuarial loss on employee benefits. This adjustment does not affect profit or loss, but has an impact on equity (€22,426 thousand), and specifically on FTA reserves.

9. Equity investments

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

	Carrying amount at 31.12.2013	Carrying amount at 31.12.2014	Cumulative allowance for impairment at 31.12.2014
Equity investments in			
Subsidiaries	98,535	98,535	1,013
Jointly controlled entities	43,101	43,101	-
Associates	1,613	1,607	654
Other companies	953	925	3,460
	144,202	144,168	5,127

Changes for 2013 are shown below:

	Carrying amount at 31.12.2012	Acquisitions/ Subscriptions	Acquisitions/ Decreases	Impairment losses/Reversals of impairment losses	Riclassifications	Other changes	Carrying amount at 31.12.2013	Cumulative allowance for impairment at 31.12.2013
Investments in subsidiaries	99,542	2,467	(2,467)	(1,007)			98,535	1,013
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.	1,007	2,467	(2,467)	(1,007)				1,007
Investments in jointly controlled entities	93,569		(50,468)				43,101	
Cisalpino AG	55,509		(50,468)				5,041	
Trenord S.r.l.	38,060						38,060	
Investments in associates	1,607	45	(34)	(5)			1,613	648
Pol Rail S.r.l.	1,522						1,522	569
Logistica S.A.	18						18	
Alpe Adria S.p.A.	44						44	
East Rail S.r.l. in liquidation	23				(5)		18	79
La Spezia Shunting Railways S.p.A.		45	(34)				11	
Other companies	953						953	3,470
Eurogateway S.r.l.	75						75	
Centro Merci Orte	24						24	28
Consorzio Unico Campania	28						28	
Gestione Servizi Interporto	77						77	
ICF intercontainer Interfrigo in liquidation	-						-	3,329
Interporto Padua	316						316	
Interporto Toscano Amerigo Vespucci	129						129	
Interporto Bergamo Montello-Sibem	35						35	89
Interporto Bologna	204						204	
Verona Cargo Center in liquidazione	-						-	10
Consel S.c.a.r.l.	1						1	
Ralpin AG	20						20	
Consorzio Trasporti Integrati	10						10	
Isfort	34						34	14
	195,671	2,512	(52,969)	(1,012)	-	-	144,202	5,131

Changes for 2014 are shown below:

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

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

	Registered office	Share/quota capital	Profit (loss) for the year	Equity at 31.12.2014	% of investment	Attributable equity (a)	Carrying amount at 31.12.2014 (b)	Difference (b) - (a)
Investments in subsidiaries								
Serfer S.r.l.	Geno, Via Rolla 22r	5,000	990	10,278	100%	10,278	7,088	(3,190)
TX Logistik AG	Bad Honnef, Rhondarfer Str. 85	286	3,978	20,820	100%	20,820	91,410	70,590
Trenitalia Logistik France S.a.S.	Paris, 182 rue Lafayette	43	25	81	100%	81	37	(44)
Thello S.a.S.	Paris, 15 rue des Sablons	1,500	(1,366)	(10,929)	67%	(7,286)	0	7,286
							98,535	
Investments in jointly controlled entities								
Cisalpine AG (*)	Bern, Fabrikstrasse 35	84	(1,103)	23,670	50%	11,835	5,041	(6,794)
Trenord S.r.l.(**)	Milano, Via P. Paleocapa 6	76,120	2,213	71,528	50%	35,764	38,060	2,296
							43,101	
Investments in associates								
La Spezia Shunting Railways S.p.A.	La Spezia, Via del Molo 1	1,000	191	421	4.5%	19	11	(8)
Pol Rail S.r.l (**)	Rome, Via Scalo S.Lorenzo 1	2,000	1,062	4,288	50%	2,144	1,522	(622)
East Rail S.r.l. in liquidation	Trieste, Via Ghega 1	130	(18)	36	32%	12	12	0
Alpe Adria S.p.A (**)	Trieste, Via S.Caterina da Siena 1	120	20	201	33%	67	44	(23)
Logistica S.A.	Clichy la Garenne Cedex, Cap West 7/9 Allées d l'Europe	37	5	3,111	50%	1,556	18	(1,538)
							1,607	
TOTAL							143,243	

(*) average 2014 Swiss Franc exchange rate: 1.2146; 31/12/2014: 1.2030
(**) amounts estimated at 31/12/2014

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

- with respect to TX Logistik AG, the increase is deemed fully recoverable as it reflects the company's income-generating ability based on its business plan. This is confirmed by the outcome of the impairment test carried out on the carrying amount of the investee. Specifically, the recoverable amount of TX Logistik AG was deemed equal to value in use calculated using the discounted cash flow method whereby estimated cash flows from operations are discounted using a 5.92% rate, being the company's current WACC. The application of this method reflected the subsidiary's 2015-2019 business plan. The impairment test did not identify the need to recognise any impairment losses on the investee. Moreover, the sensitivity analysis shows that a (+50/-50bps) change in the WACC would not significantly affect the amount of the estimate.
- with respect to Thello S.a.s., the Provisions for risks on equity investments was increased by €910 million compared to the balance at 2013 year end to bring the investee's carrying amount into line with the relevant portion of net deficit of €7,286 thousand.

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

	% of investment	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Costs	Profit/(loss)
Investments in jointly controlled entities										
Cisalpine AG (**)	50%	21,530	18,580	40,111	1,155	-	1,155	2,184	1,331	853
Trenord S.r.l.	50%	341,241	240,142	581,383	409,959	171,425	581,384	760,433	760,333	100
Investments in associates										
Pol Rail S.r.l.	50%	8,385	75	8,460	4,648	3,812	8,460	26,562	26,155	407
East Rail S.r.l. in liquidation	32%	77	-	77	23	54	77	2	19	(17)
Alpe Adria S.p.A.	33.33%	8,085	61	8,146	7,884	81	7,965	40,567	40,538	29
Logistica S.A.	50%	842	3,080	3,922	816	1	817	603	293	310
31.12.2013										
Investments in jointly controlled entities										
Cisalpine AG (**)	50%	23,678	508	24,186	516	-	516	241	1,344	(1,103)
Trenord S.r.l.	50%	392,314	234,811	627,125	455,610	99,987	555,597	747,477	745,264	2,213
Investments in associates										
La Spezia Shunting Railways S.p.A.	4.50%	2,110	0	2,110	1,689	-	1,689	4,524	4,333	191
Pol Rail S.r.l.	50%	8,971	77	9,048	4,634	126	4,760	23,707	22,645	1,062
East Rail S.r.l. in liquidation	32%	61	0	61	25	0	25	0	18	(18)
Alpe Adria S.p.A.	33.33%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Logistica S.A.	50%	815	3,080	3,895	784	-	784	276	271	5
31.12.2014										

(**) Euros

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

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

	Carrying amount									
	31.12.2014			31.12.2013			Differences			
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total	
Financial assets										
Loan assets	-	9,209	9,209	22,750	16,269	39,019	(22,750)	(7,060)	(29,810)	
Other loan assets	479	-	479	579	340	919	(100)	(340)	(440)	
	479	9,209	9,688	23,329	16,609	39,938	(22,850)	(7,400)	(30,250)	

The decrease in financial assets is mainly due to the reduction in loan assets, specifically the amount due from Trenord following the repayment of the €22,750 thousand loan, and the €13,091 thousand decrease in the intragroup current account which was partially offset by the opening of an intragroup current account with Thello of €6,031 thousand.

Loan assets can be analysed as follows

	Residual amount					
	31.12.2014			31.12.2013		
	Non-current	Current	Total	Non-current	Current	Total
Banks	479	-	479	579	-	579
Trenord S.r.l.	-	2,828	2,828	22,750	15,919	38,669
Thello S.p.A.	-	6,031	6,031	-	-	-
Ferrovie dello Stato Italiane S.p.A.	-	-	-	-	340	340
Logistica SA	-	350	350	-	350	350
Total	479	9,209	9,688	23,329	16,609	39,938

11. Other current and non-current assets

They can be analysed as follows:

	31.12.2014			31.12.2013			Differences		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Other receivables from group companies		17,430	17,430		16,111	16,111		1,319	1,319
VAT receivable from the parent	562		562	4,851	2,557	7,408	(4,289)	(2,557)	(6,846)
Receivables for tax consolidation		1,443	1,443		10,341	10,341		(8,898)	(8,898)
Other VAT receivables	3		3	3		3			
Loans and receivables from other government authorities	17,138	12,143	29,281	20,831	7,210	28,041	(3,693)	4,933	1,240
Sundry receivables and prepayments and accrued income	1,038	26,491	27,529	797	28,110	28,907	241	(1,619)	(1,378)
Total	18,741	57,507	76,248	26,482	64,329	90,811	(7,741)	(6,822)	(14,563)
Allowance for impairment		(2,015)	(2,015)		(1,671)	(1,671)		(344)	(344)
Total net of the allowance for impairment	18,741	55,492	74,233	26,482	62,658	89,140	(7,741)	(7,166)	(14,907)

Other current and non-current assets mainly include:

- VAT receivable from the parent of €562 thousand. These amounts decreased compared to the previous year (€6,846 thousand) following the parent's settlement of the prior year VAT credit balance arising from the tax consolidation scheme (€4,607 thousand) and the periodic VAT settlements of 2014 (€2,239 thousand);
- the receivable for tax consolidation, which is from the parent and amounts to €1,443 thousand. The balance decreased mainly as the combined effect of the reclassification of the credit for taxes paid abroad, previously due from the parent as part of the tax consolidation scheme, and now due from the German tax authorities (€4,770 thousand) and current taxes (€2,515 thousand);
- loans and receivables from other government authorities of €29,281 thousand, mainly related to the Ministry of Infrastructure and Transport for grants related to the Autostrada Ferroviaria Alpina project (non-current portion: €17,138 thousand and current portion: €11,643 thousand);
- other loans and receivables of €27,529 thousand which, in turn, include: receivables from social security institutions (€4,723 thousand); receivables from personnel (€2,498 thousand), sundry receivables from the distributors of regional transport tickets (€7,617 thousand), advances to suppliers (€5,121 thousand) and other sundry receivables (€7,570 thousand).

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

Amounts due from third parties were adjusted to their recoverable amount by the corresponding allowance for impairment (€2,015 thousand).

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

	31.12.2014			31.12.2013			Differences		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Italy	18,741	56,754	75,495	26,482	61,165	87,647	(7,741)	(4,411)	(12,152)
Eurozone countries		721	721		2,242	2,242		(1,521)	(1,521)
United Kingdom		14	14		12	12		2	2
Other European countries (EU, non-Euro)		1	1		199	199		(198)	(198)
Other non-EU European countries		17	17		711	711		(694)	(694)
Other countries									
	18,741	57,507	76,248	26,482	64,329	90,811	(7,741)	(6,822)	(14,563)

12. Inventories

They can be analysed as follows:

	31.12.2014	31.12.2013	Differences
Raw materials, consumables and supplies	877,165	893,995	(16,830)
Allowance for inventory write-down	(200,017)	(216,181)	16,164
Carrying amount	677,148	677,814	(666)
Derecognised assets to be disposed of	20,751	20,907	(156)
Allowance for inventory write-down	(10,080)	(11,863)	1,783
Carrying amount	10,671	9,044	1,627
Total inventories	687,819	686,858	961

Raw materials, consumables and supplies decreased by €16,830 thousand on the previous year mainly due to procurement efficiency programmes and the launch of a plan for the progressive decentralised scrapping of spare parts and components located at the Cyclical Maintenance Centres. Their obsolescence was assessed based on industrial maintenance needs, in line with the company's policies. The latter transaction was partly offset in profit or loss through the relevant allowance for inventory write-down. The allowance decreased by €16,164 thousand which reflects the combined effect of the utilisation of approximately €33 million in respect of spare parts scrapped, partly offset by the €17 million accrual in accordance with the company's write-down policies. The amount of derecognised assets to be disposed of, net of the relevant allowance for inventory write-down, reflects the estimated realisable value calculated by the departments in charge of these assets.

13. Current trade receivables

They can be analysed as follows:

	31.12.2014	31.12.2013	Differences
Ordinary customers			
- Customers	172,850	192,727	(19,877)
- Customers for travel irregularities	195,880	167,555	28,325
Government authorities and other public authorities	93,664	115,549	(21,885)
Foreign railways	15,903	29,344	(13,441)
Railways under concession	6,365	6,362	3
Agencies and other transport companies	24,565	24,760	(195)
Receivables for public service contracts from the government and the regions	1,218,223	1,335,916	(117,693)
Other receivables from group companies	249,041	239,579	9,462
Total	1,976,491	2,111,792	(135,301)
Allowance for impairment	(260,216)	(230,886)	(29,330)
Total net of the allowance for impairment	1,716,275	1,880,906	(164,631)

The €164,631 thousand decrease on the previous year is mainly due to the combined effect (€117,693 thousand) of:

- the decrease in receivables from the regions (€248,401 thousand) for public contracts for local passenger transport services, the net effect of improved collection times and the reduction in production volumes, as described in detail in the section on revenue from traffic;
- the increase in receivables from the Ministry of the Economy and Finance ("MEF") and the public contract (€130,708 thousand) following longer repayment times.

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

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

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

	31.12.2014	31.12.2013	Differences
Italy	1,944,314	2,053,913	(109,599)
Eurozone countries	28,392	48,608	(20,216)
United Kingdom	7	11	(4)
Other European countries (EU, non-Euro)	2,086	852	1,234
Other non-EU European countries	1,585	8,301	(6,716)
Other countries	107	107	-
Total	1,976,491	2,111,792	(135,301)

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

Allowance for impairment - trade receivables	31.12.2013	Accruals	Utilisations	Reclassifications	31.12.2014
Ordinary customers					
- Customers	24,570	481	(658)	5,374	29,767
- Customers for travel irregularities	164,051	41,817	(13,492)		192,376
Government and other public authorities	20,531		(284)	(3,814)	16,433
Railways under concession	6				6
Agencies and other transport companies	13,655		(20)	(74)	13,561
Other receivables from group companies	8,073				8,073
Total	230,886	42,298	(14,454)	1,486	260,216

The 2014 accrual is almost entirely related to the increase in the provision covering amounts receivable due to travel irregularities (€41,817 thousand).

14. Cash and cash equivalents

They can be analysed as follows:

	31.12.2014	31.12.2013	Differences
Bank and postal accounts	1,968	52,633	(50,665)
Cheques	2	2	0
Cash and cash on hand	38,399	38,332	67
Treasury current accounts	-	32,793	(32,793)
Total	40,369	123,760	(83,391)

The decrease in this caption (€83,391 thousand) refers to the reduction in "Bank and postal accounts" (€50,665 thousand) for deposits recorded by banks at 31 December 2013 and transferred to the cash pooling system in place between the parent and the company in January 2014, and the decrease in "treasury current accounts" (€32,793 thousand) after the payment for the public service contract for special-status regions and commuter transport on the Rosarno-Reggio Calabria-Melito section was credited to the intercompany current account. The MEF deposited this amount on the treasury current account at the end of 2013 and it was released for collection at the beginning of 2014.

15. Tax assets

Tax assets of €24,443 thousand rose by €1,818 thousand on 2013. They substantially represent the IRAP tax credit for self-taxation on account (€78,879 thousand), net of IRAP for the year (€76,614 thousand).

16. Equity

Changes in equity in 2013 and 2014 are shown in the statement of changes in equity.

Share capital

At 31 December 2014, the company's fully subscribed and paid-up share capital was made up of 3,308,928 ordinary shares, with a par value of €500 each, for a total of €1,654,464 thousand

Legal reserve

The legal reserve, which protects share capital from any losses that may arise, is set up through the allocation of 5% of profits for the year until it reaches one fifth of share capital. At 31 December 2014, it amounted to €31,849 thousand, following the allocation of 5% of the profit for 2013, equal to €9,074 thousand.

Extraordinary reserve

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

Hedging reserve

The hedging reserve includes the effective portion of the cumulative net change in the fair value of cash flow hedges relating to transactions that have not yet taken place. At 31 December 2014, this reserve was negative by €89,885 thousand. Compared to the previous year, it decreased by a gross amount of €48,510 thousand, as a result of the changes in the fair value of derivatives (IRSs and collars) held in portfolio at 31 December 2014, offset by a €13,340 thousand change in deferred tax assets of the opposite sign.

Actuarial reserve

The actuarial reserve, which includes the effects of actuarial gains and losses on post-employment benefits and the Free Travel Card, amounted to €162,009 at 31 December 2014. An actuarial loss of €84,023 thousand (net of a tax effect of €22,425 thousand) was recognised in 2014, compared to an actuarial gain of €43,867 thousand in 2013. The decrease mainly refers to the significant decrease in the discount rate applied to liabilities for employee benefits at 31 December 2014, compared to the previous year end.

Retained earnings

The increase in this caption is attributable to the allocation of the 2013 profit of €172,414 thousand, net of the portion allocated to the legal reserve (€9,074 thousand). At 31 December 2014, retained earnings amounted to €278,888 thousand, compared to €106,474 thousand at 31 December 2013.

Profit for the year

2014 ended with a profit of €59,509 thousand.

Availability of reserves

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

Origin	Balance at 31.12.2014 (a+b)	Unavailable portion (a)	Available portion (b)	Available portion of b	Summary of uses in the past three years			
					Capital increase	Coverage of losses	Dividends	Other
Share capital	1,654,464	1,654,464	-	-	-	-	-	-
Equity-related reserves:								
Revaluation reserve (Law Decree no. 185/2008)	177,084	-	177,084	-	-	-	-	-
Hedging reserve	(89,885)	(89,885)	-	-	-	-	-	-
Actuarial reserve	(162,009)	(162,009)	-	-	-	-	-	-
Income-related reserve:								
Legal reserve	31,849	31,849	-	-	-	-	-	-
Retained earnings	278,888	43,054	235,834	235,834	-	-	-	-
TOTAL	1,890,391	1,477,473	412,918	235,834	-	-	-	-

17. Non-current loans and borrowings

	Carrying amount		
Non-current loans and borrowings	31.12.2014	31.12.2013	Differences
Bank loans and borrowings	1,446,458	1,801,041	(354,583)
Shareholder loans	3,148,403	3,394,487	(246,084)
Total non-current loans and borrowings	4,594,861	5,195,528	(600,667)
Current portion of non-current loans and borrowings	31.12.2014	31.12.2013	Differences
Bank loans and borrowings	355,021	274,554	80,467
Shareholder loans	259,695	18,958	240,737
Total	614,716	293,512	321,204
Current loans and borrowings	31.12.2014	31.12.2013	Differences
Shareholder loans	200,008	130,082	69,926
Total	200,008	130,082	69,926
Total current loans and borrowings	814,724	423,594	391,130
Total non-current loans and borrowings	5,209,577	5,489,040	(279,463)
Total loans and borrowings	5,409,585	5,619,122	(209,537)

This caption comprises non-current loans and borrowings, their current portion and current loans and borrowings from the parent and banks.

Specifically, the non-current portion of loans and borrowings amounts to €4,594,861 thousand (31 December 2013: €5,195,528 thousand), down by €600,667 thousand, mainly as a result of the reclassification of the loans which will expire in 2015 to the current bracket, notably, the amounts disbursed by the parent for the Eurofima loan (€248,300 thousand), by Banca Infrastrutture Innovazione e Sviluppo (formerly Opi) (€123,333 thousand) and by European Investment Bank (€231,250 thousand).

The current portion of non-current loans and borrowings increased by €321,204 thousand as a result of the difference between the above reclassifications of portions of loans expiring in 2015 (€602,883 thousand) and the payment of the principal of the loans that expired in 2014, notably, the amounts disbursed by the parent for the Eurofima loan (€7,700 thousand), by Banca Infrastrutture Innovazione e Sviluppo (formerly Opi) (€83,333 thousand) and by the European Investment Bank (€190,625 thousand).

Current loans and borrowings of €200,008 thousand (31 December 2013: €130,082 thousand) increased by €69,926 thousand, mainly as a result of an increased use of current bank credit facilities with the parent.

This caption includes the accrued income on the above loans, amounting to €11,841 thousand at 31 December 2014 (31 December 2013: €11,936 thousand).

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

Creditor	Currency	Nominal interest rate	Year of maturity	31.12.2014		31.12.2013	
				Nominal amount	Carrying amount	Nominal amount	Carrying amount
FERROVIE DELLO STATO ITALIANE	€	3.885%	2014	€ -	€	7,700	€ 7,977
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2015	€ 165,300	€ 165,406	€ 165,300	€ 165,457
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2015	€ 83,000	€ 83,008	€ 83,000	€ 83,016
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2016	€ 310,000	€ 310,184	€ 310,000	€ 310,301
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2016	€ 194,000	€ 194,012	€ 194,000	€ 194,028
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2016	€ 32,300	€ 32,302	€ 32,300	€ 32,305
EUROPEAN INVESTMENT BANK	€	6 m Euribor +/- Spread	2017	€ 450,000	€ 450,012	€ 600,000	€ 600,034
EUROPEAN INVESTMENT BANK	€	6 m Euribor +/- Spread	2018	€ 284,375	€ 284,544	€ 325,000	€ 325,208
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2018	€ 200,000	€ 200,004	€ 200,000	€ 200,005
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2018	€ 200,000	€ 200,004	€ 200,000	€ 200,005
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2018	€ 149,400	€ 149,403	€ 149,400	€ 149,404
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2018	€ 62,700	€ 62,701	€ 62,700	€ 62,701
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2019	€ 160,000	€ 160,017	€ 160,000	€ 160,035
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2019	€ 183,000	€ 183,017	€ 183,000	€ 183,033
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2020	€ 62,700	€ 62,701	€ 62,700	€ 62,701
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2020	€ 47,400	€ 47,401	€ 47,400	€ 47,401
FERROVIE DELLO STATO ITALIANE	€	4.20%	2020	€ 500,000	€ 504,366	€ 500,000	€ 502,830
FERROVIE DELLO STATO ITALIANE	€	3.70%	2021	€ 100,000	€ 99,642	€ 100,000	€ 99,575
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2022	€ 120,000	€ 120,065	€ 120,000	€ 120,113
BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO	€	6 m Euribor +/- Spread	2022	€ 666,667	€ 666,838	€ 750,000	€ 750,242
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2024	€ 122,200	€ 122,231	€ 122,200	€ 122,252
BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO	€	6 m Euribor +/- Spread	2024	€ 400,000	€ 400,085	€ 400,000	€ 400,112
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2025	€ 42,500	€ 42,722	€ 42,500	€ 42,730
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2026	€ 190,000	€ 190,060	€ 190,000	€ 190,098
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2026	€ 100,000	€ 100,032	€ 100,000	€ 100,032
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2026	€ 116,000	€ 116,038	€ 116,000	€ 116,038
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2027	€ 128,700	€ 128,787	€ 128,700	€ 128,787
FERROVIE DELLO STATO ITALIANE	€	6 m Euribor +/- Spread	2027	€ 65,700	€ 65,746	€ 65,700	€ 65,772
Total non-current loans and borrowings - €				€ 5,135,942	€ 5,141,328	€ 5,417,600	€ 5,422,192
FERROVIE DELLO STATO ITALIANE	CHF	2.606%	2016	CHF 12,500	CHF 12,739	CHF 12,500	CHF 12,738
FERROVIE DELLO STATO ITALIANE	CHF	2.900%	2017	CHF 23,500	CHF 24,007	CHF 23,500	CHF 24,007
FERROVIE DELLO STATO ITALIANE	CHF	2.675%	2020	CHF 45,000	CHF 45,318	CHF 45,000	CHF 45,318
Total non-current loans and borrowings - CHF				CHF 81,000	CHF 82,064	CHF 81,000	CHF 82,063
Euro equivalent				€ 67,365	€ 68,249	€ 65,982	€ 66,848
Non-current loans and borrowings				€ 5,203,307	€ 5,209,577	€ 5,483,582	€ 5,489,040

18. Post-employment benefits and other employee benefits

	31.12.2014	31.12.2013
Present value of post-employment benefit obligations	991,393	935,439
Present value of Free Travel Card obligations	18,893	16,694
Total present value of post-employment benefit and Free Travel Card obligations	1,010,286	952,133
Other employee benefits	95	94
Total post-employment benefits and other employee benefits	1,010,381	952,227

Changes in the present value of liabilities for defined benefit obligations for post-employment benefits and the Free Travel Card are shown in the table below:

Post-employment benefits	2014	2013
Opening balance	935,439	1,077,427
Interest cost (*)	19,545	21,169
Actuarial (gains) losses recognised in equity	81,547	(44,101)
Advances and utilisations	(45,138)	(119,056)
Closing post-employment benefits liabilities	991,393	935,439
Free Travel Card		
Opening balance	16,694	16,676
Service cost (**)	171	172
Interest cost (*)	472	439
Actuarial (gains) losses recognised in equity	2,476	234
Advances and utilisations	(920)	(827)
Closing Free Travel Card liabilities	18,893	16,694

(*)(*) through profit or loss

(**) expected present value of services payable in future years

The use of the provision for post-employment benefits (€45,138 thousand) refers to the benefits paid to the personnel who left the company during the year, advances and transfers of employees to other group companies. The difference between the expected accrued amount at the end of the observation period and the expected present value of the benefits payable in the future as recalculated at the end of the period, on the basis of the actual workforce at that date and of the updated valuation assumptions, represents actuarial gains/(losses). This caption generated an actuarial loss on post-employment benefits of €81,547 thousand during the year, compared to the actuarial gain of €44,101 thousand in 2013. This change is mainly due to the decrease in the discount rate applied to the liability for post-employment benefits (0.91% at 31 December 2014, compared to 2,50% at 31 December 2013).

The Free Travel Card ("CLC") is a defined benefit plan for the company's employees who can use the company's railway services free of charge or by paying an admission fee for certain additional products or services. The present value of the benefit was calculated using actuarial techniques and amounted to €18,893 thousand at 31 December 2014, compared to €16,694 thousand at 31 December 2013. The Free Travel Card generated an actuarial loss of €2,476 thousand, compared to the actuarial loss of €234 thousand in 2013.

Other employee benefits at 31 December 2014 amount to €95 thousand (31 December 2013: €94 thousand and are made up of a supplementary insurance policy for employees.

Actuarial assumptions

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

	31.12.2014	31.12.2013
Discount rate (post-employment benefits)	0.91%	2.50%
Discount rate (Free Travel Card)	1.49%	3.17%
Annual increase rate of post-employment benefits	1.95% for 2015 2.40% for 2016 2.625% for 2017 3.00% from 2019 onwards	3%
Inflation rate	0.60% for 2015 1.20% for 2016 1.50% for 2017 2.00% from 2019 onwards	2%
Expected turnover rate for employees	3%	3%
Expected rate of advances	2%	2%
Mortality	RG48 mortality rate published by the General Accounting Office	
Disability	INPS tables broken down by gender and age	
Retirement age	100% upon meeting the Compulsory general insurance requirements	

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

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

	31.12.2014	Post-employment benefits	Free Travel Card
Turnover rate +1%		984,918	-
Turnover rate -1%		998,588	-
Inflation rate +0.25%		1,003,293	20,026
Inflation rate -0.25%		979,688	17,813
Discount rate +0.25%		972,546	18,328
Discount rate -0.25%		1,010,853	19,486

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

	31.12.2014	Post-employment benefits	Free Travel Card
Service cost		-	199
Term of the plan (years)		8.3	13.0
Estimated future payments			
First year		66,668	917
Second year		61,344	916
Third year		65,611	918
Forth year		74,550	921
Fifth year		42,581	936

19. Provisions for risks and charges

The opening and the closing balance of and changes in the provisions for risks and charges for 2014 are given below, indicating the current portion.

	31.12.2013	Accruals	Utilisations and other changes	Release of excess provisions	Reclassifications	31.12.2014
Provision for industrial reorganisation	34,742		(34,742)			0
Other provisions:						
Provision for workshop charges	14,213		736		(198)	14,751
Provision for risks and charges	95,651	20,545	(22,080)	(210)		93,906
Total non-current portion	144,606	20,545	(56,086)	(210)	(198)	108,657
Provision for workshop charges - current portion	3,963		(153)		198	4,008
Total current portion	3,963	-	(153)	-	198	4,008
Total provisions for risks and charges	148,569	20,545	(56,239)	(210)	-	112,665

The provision for industrial reorganisation was fully used during the year following the completion of the 2013 projects. An additional 199 employees received benefits through this provision (€34,742 thousand).

The provision for workshop charges (€18,759 thousand) is substantially unchanged from the previous year. The current portion amounts to €4,008 thousand.

At 31 December 2014, the provisions for risks and charges amount to €93,906 thousand (31 December 2013: €95,651 thousand) and can be analysed as follows:

- provisions for labour litigation of €18,456 thousand (31 December 2013: €18,709 thousand) relating to estimated charges for legal disputes concerning labour issues pertaining to the company. Specifically, this caption includes disputes of the year which mainly involved the following: subcontracting of workers, higher level duties, length of service and other issues;
- provisions for possible penalties to be paid to the regions of €8,301 thousand (31 December 2013: €9,623 thousand) in relation to the quality of the transport services rendered under the public service contract;
- provisions for civil litigation, disputes and other risks relating to relationships with customers and third parties of €59,863 thousand (31 December 2013: €60,943 thousand), the outcome of which could be unfavourable for the company;
- provisions for risks on equity investments of €7,286 thousand to cover the losses incurred by the investee Thello S.a.s, as described in the relevant note.

The provisions for risks and charges was increased by €20,545 thousand in 2014, with accruals for: (a) labour litigation (€6,562 thousand); (b) possible penalties to be paid to the regions (€6,788 thousand); (c) disputes and any other risks relating to relationships with customers and third parties (€6,284 thousand); and (d) risks on equity investments (€911 thousand).

Finally, the provisions decreased by €22,080 thousand, due to utilisations for penalties of the Cargo Division (€1,873 thousand), penalties due to the regions for public service contracts (€8,111 thousand), charges arising on disputes in court or out of court concerning labour issues pertaining to the company (€6,815 thousand) and disputes with other third parties with an unfavourable settlement for the company (€5,281 thousand).

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

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

	31.12.2014			31.12.2013			Differences		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Financial liabilities									
Hedging derivatives	98,694	44,543	143,237	174,635	18,729	193,364	(75,941)	25,814	(50,127)
Other financial liabilities	-	591,634	591,634	-	785,610	785,610	-	(193,976)	(193,976)
	98,694	636,177	734,871	174,635	804,339	978,974	(75,941)	(168,162)	(244,103)

Hedging derivatives reflect the total amount of interest rate swaps (IRS) and interest rate collars, calculated using standard market valuation methods (at fair value) in accordance with IFRS 13. They were entered into to cover fluctuations in interest rates on non-current loans and borrowings at variable rates. A total fair value of €143,237 thousand, was calculated for all transactions in place at 31 December 2014 and decreased by €50,127 thousand on the previous year.

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

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

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

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

Specifically, the swap vs. three-month Euribor curve figures were used, as well as those related to the swap vs. six-month Euribor curve, the Eur interest rate volatility curve and the credit default swap curve (CDS) of the parties to the derivative contract, which reflect the input widely accepted by market operators to calculate

non-performance risk. This risk is calculated using adequate financial valuation techniques and models which include, inter alia, the following factors:

- i) the risk exposure, being the potential mark-to-market exposure throughout the life of the financial instrument,
- ii) adequate CDS curves to reflect their probabilities of default (PD).

Other financial liabilities comprise the debit balance of the infragroup current account held with the parent, amounting to €591,634 thousand (31 December 2014: €785,610 thousand). This caption decreased on the previous year by €193,976 thousand following the reduced cash needs at year end compared to the previous year.

21. Other current and non-current liabilities

They can be analysed as follows:

	31.12.2014			31.12.2013			Differences		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Social security charges payable		136,244	136,244		133,204	133,204		3,040	3,040
VAT liabilities		89,936	89,936		93,462	93,462		(3,526)	(3,526)
VAT liabilities with the parent		5,964	5,964		-	-		5,964	5,964
Tax consolidation liabilities		4,966	4,966		-	-		4,966	4,966
Other liabilities with group companies		9,599	9,599		18,158	18,158		(8,559)	(8,559)
Other liabilities and accrued expenses and deferred income	63,381	393,000	456,381	80,598	391,670	472,268	(17,217)	1,330	(15,887)
Total	63,381	639,709	703,090	80,598	636,494	717,092	(17,217)	3,215	(14,002)

Other current liabilities rose by a total €3,215 thousand on 2013, mainly as a consequence of the changes in the following items:

- the decrease in VAT liabilities (€3,526 thousand) due to the reduction in the deferred VAT liability on the invoices issued to the public administration, which becomes payable only upon collection;
- the decrease in liabilities with group companies (€8,559 thousand), mainly due to the settlement of liabilities other than trade payables to group companies;
- the increase in VAT liabilities to the parent (€5,964 thousand) following the periodic VAT settlement for 2014;
- the increase in tax consolidation liabilities by €4,966 thousand due to the IRES liability of the year, net of advances paid;
- the increase in other liabilities and accrued expenses and deferred income amounting to €1,330 thousand.

Other non-current liabilities decreased by €17,217 thousand mainly as a result of the amount due to the bilateral fund of €113,714 thousand (of which €53,832 thousand is due within one year) which decreased by €32,116 thousand on the previous year following 2014 payments (€80,209 thousand). The decrease was

partly offset by the inclusion of additional resources in the fund related to residual 2013 projects and those who joined the fund following the May 2014 agreement (€47,589 thousand).

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

22. Current trade payables

They can be analysed as follows:

	31.12.2014	31.12.2013	Differences
Trade payables	851,220	809,046	42,174
Payments on account	225	222	3
Trade payables to group companies	808,560	812,854	(4,294)
Total	1,660,005	1,622,122	37,883

This caption increased by €37,883 thousand on the previous year mainly as a consequence of greater trade payables of €42,174 thousand related to investments to purchase new rolling stock:

For additional information on trade payables to group companies, reference should be made to the section on related parties.

Income statement

23. Revenue from sales and services

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

	2014	2013	Changes
Revenue from transport services	5,226,866	5,143,279	83,587
Market revenue	3,234,285	3,121,624	112,661
<i>Passenger traffic products</i>	<i>2,764,970</i>	<i>2,652,279</i>	<i>112,691</i>
<i>Cargo traffic products</i>	<i>469,315</i>	<i>469,345</i>	<i>(30)</i>
Public service contract fees	1,992,581	2,021,655	(29,074)
<i>Fees from the government</i>	<i>463,794</i>	<i>489,990</i>	<i>(26,196)</i>
<i>Fees from the regions</i>	<i>1,528,787</i>	<i>1,531,665</i>	<i>(2,878)</i>
Revenue from services to railway companies and transport-related services	140,062	129,482	10,580
Total	5,366,928	5,272,761	94,167

This caption amounts to €5,366,928 thousand and rose by €94,167 thousand on the previous year.

The increase in market revenue by €112,661 thousand is mainly attributable to the strengthening of high-speed transport offers. However, it was partially offset by the decrease recorded by InterCity products and freight traffic revenue.

Public service contract fees from the regions and the government decreased by €29,074 thousand, mainly as a result of the reduction in the local public transport services purchased by the government for special-status regions and joint services in the Triveneto region.

The table below gives a breakdown of fees by public service contracts with the government:

	2014	2013	Changes
Public service contract fees from the Government			
For passenger transport	365,457	386,800	(21,343)
For cargo transport	98,337	103,190	(4,853)
Total	463,794	489,990	(26,196)

Government not capitalised

Revenue from services to railway companies and transport-related services increased by a total of €10,580 thousand on 2013, mainly as a result of the combined effect of changes in the following fees:

- increase of +€18.7 million in rolling stock maintenance services provided to third parties, mostly due to the growth in the maintenance services that the company's Technical Office provided to Trenord S.r.l.;
- the decrease in train escorting, shunting and conduction services provided to Trenord S.r.l. (-€6,927 thousand);
- the decrease in fees for sidings (-€1,987 thousand).

24. Other revenue

This caption can be analysed as follows:

	2014	2013	Changes
Revenue from property management	10,148	10,120	28
Gains	17,065	27,328	(10,263)
Other sundry income	182,579	187,566	(4,987)
Total	209,792	225,014	(15,222)

Other revenue decreased by €15,222 thousand on 2013. The most significant changes in this caption include:

- reduction of €10,263 thousand in revenue from the scrapping of rolling stock;
- a decrease of €4,987 thousand in sundry income, mainly due to the reduction in ticketing fee income (€1,578 thousand) and in fines charged to clients and suppliers for breach of contract (€14,832 thousand), partially offset by an increase in insurance compensation (€13,146 thousand).

25. Personnel expense

This caption can be analysed as follows:

	2014	2013	Changes
Employees	1,835,518	1,855,262	(19,744)
Wages and salaries	1,346,822	1,381,962	(35,140)
Social security charges	370,132	378,863	(8,731)
Other expense for employees	22,953	1,537	21,416
Post-employment benefits	89,927	93,615	(3,688)
Accruals/Releases	6,433	(61)	6,494
Post-employment benefits/Free Travel Card service costs	(749)	(654)	(95)
Consultants and free lancers	36	92	(56)
Wages and salaries	11	75	(64)
Social security charges	25	17	8
Other costs	64,986	64,362	624
Temporary workers, seconded employees and trainees	1,879	1,206	673
Other costs	63,107	63,156	(49)
Total	1,900,540	1,919,716	(19,176)

Personnel expense, which totals €1,900,540 thousand, decreased by €19,176 thousand on the previous year.

The decrease is due to:

- a reduction in personnel expense for permanent employees (-€43,871 thousand) due to the 1,653 decrease in the average number of employees;
- an increase in other costs for permanent employees (+€21,416 thousand) due to greater costs to adjust the liability for the bilateral fund for income assistance (€12,846 thousand), following the agreement reached with the trade unions in May 2014 which extended the validity of the 2013 agreements, and smaller reimbursements to personnel seconded to other group companies (€8,985 thousand).

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

	2014	2013	Change
Managers	245	255	(10)
Junior managers	3,524	3,865	(341)
Other	28,370	29,672	(1,302)
TOTAL	32,139	33,792	(1,653)

26. Raw materials, consumables, supplies and goods

They can be analysed as follows:

	2014	2013	Changes
Raw materials and consumables	317,979	313,060	4,919
Electrical energy and fuel for traction	73,054	61,428	11,626
Lighting and driving force	11,021	11,419	(398)
Total	402,054	385,907	16,147

Raw materials and consumables amount to €317,979 thousand. They relate to the consumption of materials in stock (€314,593 thousand), to the purchase of heating fuel (€3,083 thousand) and the consumption of materials bought locally for the remaining amount.

Moreover, energy costs rose by €11,626 thousand following the increase resulting from the Electricity and Gas Regulator's resolution no. 12/2013 and partly offset by the positive adjustments for prior year energy costs.

27. Services

This caption can be analysed as follows:

	2014	2013	Changes
Transport services	1,071,719	1,082,340	(10,621)
Toll	823,324	857,097	(33,773)
Cargo transport services	115,632	103,956	11,676
Other transport-related services	72,149	60,210	11,939
Shunting services	42,576	42,943	(367)
Ferry services	18,038	18,134	(96)
Maintenance, cleaning and other contracted services	548,970	524,400	24,570
Contracted services and work	456	364	92
Contract cleaning and other services	219,556	224,925	(5,369)
Maintenance and repair of intangible assets and property, plant and equipment	328,958	299,111	29,847
Property services and utilities	35,417	36,392	(975)
Administrative and IT services	95,857	96,459	(602)
External communication and advertising expense	15,727	15,825	(98)
Other	314,427	307,854	6,573
Professional services	7,770	5,695	2,075
Prize competitions and fees to other railway companies	16,326	15,268	1,058
Group-wide costs	3,524	2,057	1,467
Insurance	26,909	28,758	(1,849)
Night-train escorting	20,188	20,923	(735)
Catering	68,568	65,370	3,198
Consultancies	229	693	(464)
Agencies' fees	46,104	44,521	1,583
Other	118,874	121,921	(3,047)
Accruals/Releases	5,935	2,648	3,287
Total	2,082,117	2,063,270	18,847

Costs for services rose by €18,847 thousand.

The most significant changes include:

- the decrease of €33,773 thousand attributable to the decrease in individual tolls on the high-speed sections and the reduced regional transport sales offer;
- the increase of €11,676 thousand in subcontracting for the Cargo Division;
- the increase of €11,939 thousand for other transport-related services (€5,002 thousand) and rail replacement bus services (€6,997 thousand);
- the increase in maintenance costs, mainly for rolling stock (€29,847 thousand);
- the increase in on-board train services, up by €2,463 thousand, due to the rise in catering services costs (€3,198 thousand), partially offset by lower costs for security escorting services on night trains (-€735 thousand);

28. Use of third-party assets

This caption can be analysed as follows:

	2014	2013	Changes
Operating lease payments	11	8	3
Lease payments, condominium expenses and IRE	76,334	77,624	(1,290)
Leases and indemnities for rolling stock and other	43,617	37,006	6,611
IT and other services	14,919	14,883	36
Total	134,881	129,521	5,360

These costs increased by €5,360 thousand mainly as a result of the rise in the lease of rolling stock from SBB (€6,309 thousand).

29. Other operating costs

This caption can be analysed as follows:

	2014	2013	Changes
Other costs	39,267	34,886	4,381
Losses	602	3,864	(3,262)
Accruals/Releases	7,137	6,703	434
Total	47,006	45,453	1,553

The €1,553 thousand increase in other operating costs is mainly due to the higher single municipal tax (IMU) (€276 thousand), the contribution to the Italian Transport Regulator (€2,199 thousand) and the contribution to Fondazione FS Italiane (€1,580 thousand), partially offset by lower estimated losses on the disposal of rolling stock from the production cycle (€3,262 thousand).

30. Internal work capitalised

Internal work capitalised mainly relates to the cost of materials, personnel and transport expense capitalised in 2014 against value-increasing maintenance of rolling stock carried out at the company's workshops.

The €445,677 thousand balance is almost entirely attributable to maintenance enhancing assets.

31. Amortisation and depreciation

This caption can be analysed as follows:

	2014	2013	Changes
Amortisation of intangible assets	34,635	33,318	1,317
Depreciation of property, plant and equipment	923,660	899,422	24,238
Total	958,295	932,740	25,555

The overall increase of €25,555 thousand is due to the roll-out of new assets and ordinary amortisation/depreciation of assets already in use.

32. Impairment losses

This caption can be analysed as follows:

	2014	2013	Changes
Impairment losses on property, plant and equipment	209,002	20,545	188,457
Impairment losses and reversals of impairment losses on receivables	476	288	188
Total	209,478	20,833	188,645

Impairment losses increased by €188,645 thousand mainly as a result of the impairment loss recognised on the Cargo CGU (€185,200 thousand) which was tested for impairment. For additional information, reference should be made to the relevant section.

33. Financial income

This caption can be analysed as follows:

	2014	2013	Changes
Financial income from non-current loans and receivables and securities	463	1,038	(575)
Other financial income	4,670	3,392	1,278
Financial income from derivatives	1,911	1,999	(88)
Dividends	983	2,683	(1,700)
Exchange rate gain	576	17,213	(16,637)
Total	8,603	26,325	(17,722)

Financial income amounted to €8,603 thousand, down by €17,722 thousand. The decrease is mainly due to lower exchange rate gains (€16,637 thousand) on the reduction of Cisalpino share capital which took place on 16 January 2013.

34. Financial expense

This caption can be analysed as follows:

	2014	2013	Changes
Interest on financial liabilities	145,043	161,924	(16,881)
Post-employment benefits and Free Travel Card	21,510	23,675	(2,165)
Impairment losses on financial assets	917	9,855	(8,938)
Exchange rate loss	1,867	152	1,715
Total	169,337	195,606	(26,269)

This caption decreased by €26,269 thousand on 2013, mainly as a result of the combined effect of the drop in interest rates in international markets, specifically the Euribor to which loans and borrowings are indexed, and the reduction in average debt for the year. This caption, which totals €144,778 thousand, is essentially made up of:

- interest expense on bank loans of €11,605 thousand;
- interest expense on IRSs of €39,958 thousand;
- interest expense and premiums on caps and collars of €47,437 thousand;
- interest expense on loans and other charges to the parent of €42,467 thousand.

Financial expense for employee benefits amounts to €22,246 thousand and relates to the discounting of post-employment benefits (€21,038 thousand) and the Free Travel Card (€472 thousand) as per the actuarial valuation of the two statement of financial position captions.

35. Current and deferred taxes

Income taxes can be analysed as follows:

	2014	2013	Changes
IRAP	73,427	73,019	408
IRES	14,580	5,859	8,721
Deferred taxes	(20,224)	2,055	(22,279)
Total	67,783	80,933	(13,150)

Current income taxes amount to €67,783 thousand, down €13,150 thousand on 2013.

The IRAP (regional tax on productivity) charge amounts to €73,427 thousand, while the IRES (corporate income tax) charge, pursuant to article 84. 1 and 2 of the TUIR (Consolidated income tax act), is €14,580 thousand.

For additional information about the negative impact of deferred taxes (totalling €20,224 thousand) on profit or loss, reference should be made to the note on "Deferred tax assets and deferred tax liabilities".

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

	2014	%	2013	%
Profit for the period	59,509		181,489	
Total income tax as per the financial statements	67,783		80,933	
Pre-tax profit	127,293		262,421	
IRES theoretical tax (27.50%)	35,005	27.5%	72,166	27.5%
Lower taxes:				
Utilisation of the provisions for risks and charges and company restructuring	(14,842)	-11.7%	(40,625)	-15.5%
IRAP portion related to personnel expense deductible from IRES	(14,237)	-11.2%	(15,385)	-5.9%
Dividends recognised in the income statement	(257)	-0.2%	(701)	-0.3%
Other changes	(32,192)	-25.3%	(17,396)	-6.6%
Higher taxes:				
Impairment losses and accruals that cannot be deducted in whole or in part	17,397	13.7%	18,455	7.0%
Other changes	94,711	74.4%	38,454	14.7%
Total current income taxes (IRES)	85,585	67.2%	54,968	20.9%
Income from participation in the tax consolidation scheme and other adjustments	(71,005)	-55.8%	(49,109)	-18.7%
IRES	14,580	11.5%	5,859	2.2%
IRAP	73,427	57.7%	73,018	27.8%
Total deferred taxes	(20,224)	-15.9%	2,055	0.8%
TOTAL INCOME TAXES	67,783	53.2%	80,933	30.8%

The change in the percentage impact on pre-tax profit for 2014 (53.2%) compared to 2013 (30.8%) is mainly due to the taxation of the impairment loss on rolling stock following the impairment test for IRES purposes (€185.2 million).

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

36. Contingent assets and contingent liabilities

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

37. Directors' and statutory auditors' fees

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

	2014	2013	Change
Directors	474	491	(17)
Statutory auditors	63	63	0
	537	554	(17)

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

In addition to the above fees, the chairman of the supervisory body received fees of approximately €40 thousand.

38. Audit fees

Pursuant to article 37.16 of Legislative Decree no. 39/2010 and letter 16-*bis* of article 2427 of the Italian Civil Code, the total fees due to the independent auditors amount to €652 thousand and include those paid during the year for other non-audit services (€183 thousand).

39. Management and coordination

The highlights of the parent, Ferrovie dello Stato Italiane S.p.A., shown in the summary schedule required by article 2497-*bis* of the Italian Civil Code, are derived from its financial statements at 31 December 2013. For an adequate and complete understanding of the financial position of Ferrovie dello Stato Italiane S.p.A. (the parent) at 31 December 2013 and its results of operations for the year then ended, reference should be made to the financial statements, accompanied by the report of the independent auditors, that are available as required by the law.

	thousands of Euros	
	31.12.2013	31.12.2012
Assets		
Total non-current assets	42,713,900	41,342,070
Total current assets	2,647,880	3,601,604
Assets held for sale and disposal groups		63,038
Total assets	45,361,780	45,006,712
Equity		
Share capital	38,790,425	38,790,425
Reserves	302,603	298,488
Losses carried forward	(2,917,869)	(2,987,495)
Profit for the year	76,770	73,291
Total equity	36,251,929	36,174,709
Liabilities		
Total non-current liabilities	6,998,251	5,663,086
Total current liabilities	2,111,600	3,168,917
Total liabilities	9,109,851	8,832,003
Total equity and liabilities	45,361,780	45,006,712
<hr/>		
	2013	2012
Revenue	160,410	157,256
Operating costs	181,233	146,360
Amortisation and depreciation	22,112	21,474
Net impairment losses	21,878	1,323
Accruals to provisions for risks and charges	-	-
Financial income and expense	109,270	72,770
Income taxes	(32,313)	(12,422)
Profit for the year	76,770	73,291

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

40. Related parties

Transactions with key managers

Key managers' fees are as follows:

	2014	2013
Short-term benefits	3,991	4,229
Post-employment benefits	222	214
	4,213	4,443

The benefits relate to the fees paid to key managers, plus MBOs, if any. In addition to short-term benefits of Euro 3,991 thousand paid out in 2014, a variable portion is to be paid in 2015, for an amount not exceeding €730 thousand (€730 thousand in 2013).

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

Related party transactions

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

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

Netinera Deutschland GmbH (b)	Seconded personnel	
SGT S.p.A.	Lease of rolling stock	Shunting
Cemat S.p.A.	Cargo transport service Rolling stock maintenance and testing	Integrated logistics
Terminali Italia S.r.l.	Lease of cars Tickets	Shunting
FS Logistica S.p.A. (b)	Cargo transport service Cargo terminal management Lease of rolling stock Seconded personnel Tickets	Transport and shipping Railway transport terminal services Porterage services Lease of rolling stock Area leases
FS JIT Italia S.r.l.		Cargo transport service Facilities management Area leases
Ferservizi S.p.A. (b)	Transport of employees and relatives	Personnel management Accounting and treasury Facilities management Ferrotel Catering administrative management Group purchase services
Metropark S.p.A.		Parking agreements
Grandi Stazioni S.p.A. (b)	Tickets	Property lease payments Sponsorships Stations' advertising campaigns Condominium expense
Centostazioni S.p.A. (b)	Tickets	Property maintenance Plant cleaning Property lease payments and charges
Busitalia - Sita Nord (b)	Parking area fee	Replacement bus services
Busitalia Rail Service	Parking area fee	Replacement bus services
Umbria Mobilità Esercizio	Tickets	Replacement bus services
Fercredit S.p.A. (b)	Tickets	Credit scoring services Trade payables Financial: Interest expense
Italferr S.p.A. (b)	Transport of employees and relatives	Engineering services
Infrastructure Engineering Services doo Beograd		Engineering services
Italcertifer Soc.Cons.p.A. (b)	Seconded personnel Certifications and tests	Test activities Certifications and tests
FS Sistemi urbani S.r.l. (b)		Property lease payments and charges

Other related parties		
Pension funds	Tickets	Supplementary pension funds
CDP Group		Purchase of materials
Enel Group	Transport of material Lease payments	Lighting and driving force Electricity
Eni Group	Transport of material Tickets	Drive diesel oil Gas utilities
EXPO 2015 Group	Area utilisation	
Finmeccanica Group	Domestic/international cargo transport Lease of rolling stock	Rolling stock maintenance Purchase of materials
GSE Group	Tickets	
Invitalia Group	Tickets	
IPZS Group	Tickets	
Poste Group		Printing of tickets, publications Transport and shipping Post charges
Sogin Group	Tickets	

(a) Company carrying out management and coordination activities

(b) Company under common control

The table below summarises statement of financial position and income statement amounts at 31 December 2014 for related party transactions.

Trade and other transactions

	(thousands of Euros)						
	31.12.2014			2014			
	Receivables	Payables	Purchases for investments	Guarantees	Commitments	Costs	Revenue
Subsidiaries	9,991	16,837	261	-	-	51,507	23,749
Serfer S.r.l.	4,771	9,480	261			28,162	5,023
Trenitalia Logistik France S.a.s.	1,232	23				151	4,491
Thello S.a.s.	3,008	(408)				218	9,330
Tx Logistik AG	980	7,742				22,976	4,905
Jointly controlled entities	78,163	27,949	518	-	-	9,790	127,934
Cisalpino AG	7	158	158				7
Trenord S.r.l.	78,156	27,791	360			9,790	127,927
Associates	1,911	2,432	-	-	-	8,247	11,375
Pol Rail S.r.l.	1,552	2,432				8,237	5,042
Alpe Adria S.p.A.	352					10	6,333
East-Rail S.r.l. in liquidation	7						
Parents	2,308	39,676	-	-	-	51,321	1,825
Ferrovie dello Stato Italiane S.p.A. (a)	2,308	39,676				51,321	1,825
Other related companies	174,835	735,791	13,647	-	-	1,196,622	174,297
Rete Ferroviaria Italiana S.p.A. (b)	95,786	409,957	7,200			1,002,608	117,988
Netinera Deutschland GmbH (b)	15						92
SGT S.p.A.	77	211				620	70
Cemat S.p.A.	26,032	2,368				244	42,536
Terminali Italia S.r.l.	16	1,644				1,508	47
FS Logistica S.p.A. (b)	36,889	5,914	44			10,940	8,634
FS JIT Italia S.r.l.		6,642				10,174	
NET in liquidation	1	1					
Ferservizi S.p.A. (b)	1,572	31,600	25			82,023	2,217
Metropark S.p.A.	2	68				140	
Grandi Stazioni S.p.A. (b)	83	3,362	54			30,481	540
Centostazioni S.p.A. (b)	121	4,064	77			11,582	135
Busitalia - Sita Nord (b)	191	1,628				13,224	126
Umbria Mobilità Esercizio S.r.l.	276	2,632				5,260	268
Busitalia Rail Service	29	14,885				26,894	44
Fercredit S.p.A. (b)	19	247,536				185	8
Italferr S.p.A. (b)	2,487	2,937	5,984			57	1,348
"Infrastructure Engineering Services" doo Beograd		54	54				
Sita S.p.A. in liquidation	10,204	28					
Italcertifer Soc.Cons.p.A. (b)	1,029	196	209			369	233
FS Sistemi Urbani S.r.l. (b)	6	64				313	11

Other related parties	10,793	65,696	148,591	-	-	87,305	41,384
Pension funds	17	1,521				7	681
CDP Group		1,603				500	120
Enel Group	465	2,272				10,040	1,950
Eni Group	5,469	7,230				3,634	14,824
EXPO 2015 Group		3					4
Finmeccanica Group	4,813	50,477	148,591			70,060	23,362
GSE Group	1						19
Invitalia Group	16						71
IPZS Group	6						44
Poste Group		2,414				3,064	
Rai Group		176					
Sogin Group	6						309
TOTAL	278,001	888,381	163,017	-	-	1,404,792	380,564

Financial transactions

(thousands of Euros)

	31.12.2014				2014	
	Receivables	Payables	Guarantees	Commitments	Expense	Income
Subsidiaries	6,031	-	-	-	-	790
Thello S.a.s.	6,031					
Tx Logistik AG						790
Jointly controlled entities	2,828	-	-	-	18	463
Trenord S.r.l.	2,828				18	463
Associates	350	-	-	-	-	194
Logistica SA	350					1
Pol Rail S.r.l.						193
Parents	-	4,199,738	-	-	42,467	-
Ferrovie dello Stato Italiane S.p.A.		4,199,738			42,467	
Other related companies	-	-	-	-	628	-
Fercredit S.p.A.					628	
TOTAL	9,209	4,199,738	-	-	43,113	1,447

41. Guarantees

Guarantees total €3,577,350 thousand and substantially relate to:

- collateral in the form of pledges on the company's rolling stock, issued by the company in favour of Eurofima to secure non-current loans raised through Ferrovie dello Stato Italiane (€3,409,660 thousand);
- guarantees issued in favour of the regions for public service contracts and other bodies by banks and the Post (€167,690 thousand).

42. Events after the reporting date

January

- On 15 January, with respect to the portfolio of rolling stock financial transactions in which Eurofima acts as the lender for the FS Group, following the implementation of a plan to scrap rolling stock, FSI, Trenitalia and Eurofima signed an "Amendment of amendment agreement of deeds of pledge over movables dated 30 October 2009" to replace part of the pledged rolling stock, specifically the series from 1 to 20, for a total amount of approximately €80 million.
- On 19 January, Trenitalia and GTT signed a letter of intent to consider the possibility of setting up a newco to manage the metropolitan network services of the Turin area.

February

- In February, the Emilia Romagna Regional Office participated in the "Industriamoci" project launched by Bologna Unindustria (the business and industrial association of Bologna). The aim of the project is to bring together local companies and local schools, spread awareness of company's professional skills and inform students about technical training, taking them to visit the places where the Regional Office mainly operates, notably: the Bologna Centrale railway traffic management and control room and the locomotive shed. Prior to the visit, Trenitalia provided students with classroom information about the activities carried out, the necessary skills and the company's organisational structure. Again in February, the Foggia Maintenance Workshop launched another "school/work" project which provides the students of the schools involved with 200 hours of training over two years.
- The new mobile ViaggiaTreno app for smartphones to assist Trenitalia customers was launched in February. This free app is available for all mobile devices with up to eight-inch screens and features a new layout and detailed information to plan journeys in time and receive constant updates on one's train.

March

- Starting from 1 March 2015, indemnities will be paid for delays of between 30 and 59 minutes on Trenitalia Freccie trains. This confirms Trenitalia's increased focus on customers, expands the rights currently provided by EU legislation, whereby indemnities are only paid for delays of over 60 minutes. The

indemnity is in the form of a voucher in the passenger's name and can be used to purchase another ticket within twelve months of the delay.

- The new Swing and Jazz trains became operative in March in Tuscany. These trains were designed and built using state-of-the-art engineering techniques and boast sophisticated accessories and equipment which will provide Tuscan commuters with a more punctual, comfortable and informative service.
- In March, Trenitalia and Explora entered into a partnership agreement to promote the tourist destinations for the Milan 2015 Expo. Trenitalia is Milan 2015 Expo's official global rail carrier, while Explora is the official tourism board for the expo. One of the main objectives of the agreement is to facilitate train reservations by booking and purchasing Trenitalia's tickets on the official Milan 2015 Expo portal (wonderfulexpo2015.info). This agreement goes hand-in-hand with the other promotions and to encourage the use of Freccie trains, with offers for students, tour operators and foreigners who will visit other parts of Italy in addition to the expo.

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

Reclassified statement of financial position of the Cargo Division

(thousands of Euros)

	31.12.2014	31.12.2013	Differences
Net working capital	165,068	159,122	5,946
Other net assets	(45,874)	(66,878)	21,004
Net working capital	119,194	92,244	26,950
Non-current assets	402,061	598,852	(196,791)
Equity investments	101,019	101,024	(5)
Net non-current assets	503,080	699,876	(196,796)
Post-employment benefits	(150,636)	(144,391)	(6,245)
Other provisions	(30,491)	(34,238)	3,747
Total provisions	(181,127)	(178,629)	(2,498)
TOTAL NET INVESTED CAPITAL	441,147	613,491	(172,344)

Full cost reclassified income statement of the Cargo Division

(thousands of Euros)

	2014	2013	Differences
Revenue	622,564	637,168	(14,604)
- Revenue from sales and services	575,427	578,885	(3,458)
- Other revenue	47,137	58,283	(11,146)
Operating costs	(616,841)	(626,006)	9,165
GROSS OPERATING PROFIT	5,723	11,162	(5,439)
Amortisation and depreciation	(65,691)	(67,213)	1,522
Impairment losses (reversals of impairment losses)	(185,515)	0	(185,515)
OPERATING LOSS	(245,483)	(56,051)	(189,432)



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