

TRENITALIA S.p.A.
FINANCIAL STATEMENTS
AT 31 DECEMBER 2011

Disclaimer

This Annual Report 2011 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

Trenitalia SpA

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

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

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

Fiscal code and Register of companies: 05403151003

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

VAT: 05403151003

OUR MISSION

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

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

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

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

CORPORATE BODIES AND INDEPENDENT AUDITORS**Board of Directors:**

Chairman	Marco ZANICHELLI
CEO	Vincenzo SOPRANO
Directors	Domenico BRACCIALARGHE Francesco ROSSI Enrico MOSCATI

Board of Statutory Auditors:

Chairman	Paolo VALLETTA (*) Silvana AMADORI (**)
Regular members	Enrico ROSSI Roberto SERRENTINO
Substitute members	Francesco ROSSI RAGAZZI Gianpaolo Davide ROSSETTI

Independent auditors: PRICEWATERHOUSECOOPERS S.p.A.

(*) Holding office until 28 April 2011

(**) Appointed by the Shareholders' Meeting of 28 April 2011

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Report on Operations

MAIN INDICATORS

	Final balance 2011	Final balance 2010	Final balance 2009
ECONOMIC HIGHLIGHTS <i>(amounts in millions of euros)</i>			
Operating revenues	5,708.0	5,707.8	5,780.1
Operating costs	(4,297.6)	(4,437.4)	(4,642.2)
EBITDA	1,410.5	1,270.4	1,138.0
EBIT	496.2	341.9	316.6
Net result	156.4	73.1	16.6
ECONOMIC AND FINANCIAL RATIOS			
ROI	6.5%	4.3%	4.0%
ROS	8.7%	6.0%	5.5%
NAT	0.74	0.71	0.78
PROFITABILITY RATIOS			
Personnel (FTE)	37,549	40,924	46,270
Train-Km/Employee (th.)	7.17	6.76	6.61
Operating revenue/Employee	152,018	139,473	124,921
EBITDA Margin	24.7%	22.3%	19.7%
EBIT Margin	8.7%	6.0%	5.5%
FINANCIAL RATIOS <i>(amounts in millions of euros)</i>			
Net financial position	5,854	6,337	6,298
D/E	3.22	3.82	4.09
Operating Cash Flow	1,054	342	151
Investments (excluding cyclical maintenance)	(509)	(497)	(687)
Amortisation and depreciation (excluding cyclical maintenance)/Investments	1.2	1.4	0.9
Financial requirements	(483)	39	(486)

MAIN EVENTS IN THE FINANCIAL YEAR

January

- On 19 January the partnership was made official between the Company and Veolia Transport in order to perform European High Speed services and international long-distance, cross-border and regional transport services.

March

- On 11 March the shareholders of Trenitalia-LeNord srl, Trenitalia and Ferrovie Nord Milano executed the master agreement for the contribution of two branches of business to Trenord.

April

- On 22 April, on the occasion of the initiatives promoted for the Earth Day, the Company presented the results obtained from the use of the High Speed lines: 500 thousand tonnes less of CO₂ in the environment. This was the result of the choice made by 20 million passengers which used the High Speed Freccie Trains of Trenitalia.
- During April the project to install 500 new automatic ticket machines was launched (there will be 620 at full capacity); as well as replacing the previous generation ones in stations, they will also be placed in a number of the busiest locations in the main cities, even on a temporary basis to coincide with very popular events. The first machines were installed at the university of Pisa and at the Verona Exhibition centre on the occasion of the Vinitaly wine fair.

May

- On 3 May the two branches of business were contributed to TRENORD Srl, the first large operator specialised in the local public rail transport, thus completing the process for the consolidation between Le Nord and the Lombardy Regional Head Office (*Direzione Regionale Lombardia*), which started at the end of 2009. The company runs 42 regional lines and 10 suburban lines in Lombardy, as well as the Malpensa Express services that connects the Milan Cadorna and Milan Centrale stations to the international airport station.
- On 24 May Trenitalia SpA submitted its new transport proposal in the Freccie trains which provides for a number of new offers, including the possibility of being able to travel on high speed trains at particularly interesting prices. Offers have been designed to meet various different needs and to allow customers and, in particular, families to access discount bands that allow them to travel at more reasonable prices. Children of up to 12 years of age travelled free of charge in July and August on all trains of the national network when accompanied by at least one adult. The "Sabato Italiano" offer continued until the end of August; this allowed two people to travel for the price of one to travel on Saturdays. Finally, a million seats a month can be purchased at the discounted 'mini' price, about half of which are available on the Frecciarossa and Frecciargento trains.

June

- On 15 June the Council of State rejected the appeal filed by Alstom in January against the order issued by the TAR (*Tribunale Amministrativo Regionale*, Regional Administrative Court) for the Lazio region on 9

December 2010. This judgment confirmed the performance of the Company on a final basis and, therefore, the result of the tender for the construction of 50 new trains for High-Speed lines awarded to the RTI Ansaldo-Breda/Bombardier Transportation Italy. The purchase value of the new trains will be equal to about Euro 1.5 billion.

July

- At 4.00 a.m. on 24 July 2011 a fire broke out in the equipment room of the Rome Tiburtina station, with heavy repercussions on local and medium/long-distance traffic which however was restored in the course of the same Sunday albeit to a reduced extent; as regards the Rome – Florence connections and urban links, a substantially regular service was gradually restored by 26 July.
- On 25 July 2011 the Company acquired 50% of the French company “TRENITALIA VEOLIA TRANSDEV SAS”(TVT), the new railway Company established by the partnership signed between Trenitalia and Veolia Transdev. In fact, the European Commission has given its go-ahead for the establishment of the joint company for the performance of international railway passenger transport services.

September

- During September, a “travelling start-up incubator” was held in the unlikely location of a Frecciarossa train and 450 young entrepreneurs discussed how to develop their business ideas in the presence of the representatives of managers of Venture Capital Funds. The best 5 ideas were awarded the prize of being supported in preparing the development plan of their business idea and in looking for potential sponsors.
- On 30 September the French Ministry of Transport granted the Railway Company (*Impresa Ferroviaria*) licence to TVT which then became the first private railway company authorized to operate in the passenger transport in France. TVT arrived on the international market with a new night service on the Paris-Milan-Venice stretch. The new service, operated under the Thello brand (“The train that says hello”), started in mid-December, while the related tickets were put on sale starting from October. Thello aims to challenge competition from air travel by playing on the price advantage, on comfort, on the quality of services and on the convenience of departing and arriving in the city centre.

November

- The first Frecciarossa trains with the new service levels to replace the old “classes” have been operating on the High-Speed network since 25 November. Instead of classes there are now four service levels and a variety of travel solutions aimed at meeting the various needs of customers. A single train offers, simultaneously, the possibility of travelling quickly and comfortably at reasonable prices in Standard, or indulging in a trip in Executive with all the optional extras and elegant and private surroundings. The choice also extends to the intermediate service levels: Premium and Business.

MACRO-ECONOMIC SCENARIO

During 2011, the international economic environment was characterized by a situation of growing uncertainty and by the deteriorating trend in development prospects. The economic activity was affected by events such as the ongoing financial crisis, the crisis of sovereign debt of some European countries and other events such as the revolts in North Africa, the armed intervention in Libya and the very strong earthquake in Japan.

Global Economic data		2010	2011
GDP		(% change over the previous year)	
	World	5.2	3.7
	Developed countries		
	USA	3	1.7
	United Kingdom	1.8	0.9
	Eurozone	1.8	1.5
	Emerging Countries		
	China	10.4	9.3
	India	10.4	7.6
	Latin America	6.6	4.4
World trade		15.5	6.5
Oil		(\$ per barrel)	
	Brent	79.9	111.6

Source: *Prometeia Rapporto di Previsione gennaio 2012* (Forecast Report of January 2012)

The economic situation that has emerged has led to a difference in the performances of different countries and regions, as has been happening for several years; the slowing down of economic activity in advanced economies contrasts with the growth in emerging and developing economies, even if this latter slowed down slightly towards the end of the year due to uncertainties in the international context and the reduction in domestic demand.

In view of this, the monetary authorities of countries with advanced economies adopted stimulus measures, whereas the approach was quite restrictive in emerging countries, with a gradual slackening during the year.

In terms of percentage changes, the world GDP increased by 3.7% (5.2% in 2010), with much higher rates for emerging economies (the highest being China 9.3% and India 7.6%) than advanced economies (USA 1.7%, Eurozone 1.5%, United Kingdom 0.9%). Barter trades also recorded a sharp deceleration (6.5% compared to 15.5% in 2010), while the Brent oil price recorded an increase of almost 40% compared to the previous year.

In the Euro zone, the economic situation, after a fairly positive start to the year, worsened because of the growing tensions on the markets caused by signs of crisis in the levels of sovereign debts.

Economic growth in the area was modest (1.5% of annual percentage change in the GDP) with different countries performing differently; on the one hand Germany, Europe's dominant economic power, grew at twice the rate (3.0%) with France recording a rate close to the average figure (1.6%) and at the other extreme Portugal (-1.7%) and Greece (-6.8%), whose enormous public debt has made it necessary to implement a number of actions aimed at avoiding default.

In terms of inflation, a considerable increase in rates was recorded in 2011 compared to the previous year; the overall figure for the Euro zone was equal to 2.7 per cent, which reflects slightly lower rates for some countries such as France and Germany (2.4%) and higher rates for others, including Italy (2.8%) and Spain (3.1%).

Internal demand grew significantly less than in the previous year in average terms of the entire area (0.6% in 2011 against 1.0% in 2010). Also in this case there is a distinction between countries with higher growth, including France (1.8%) and Germany (2.4%) and others which recorded negative growth, such as Italy (-1.1%) and Spain (-1.7%).

Eurozone Economic data		2010	2011
GDP		(% change over the previous year)	
Eurozone		1.8	1.5
Germany		3.6	3.0
France		1.4	1.6
Italy		1.4	0.3
Spain		-0.1	0.7
Inflation		(% change over the previous year)	
Eurozone		1.6	2.7
Germany		1.2	2.4
France		1.7	2.4
Italy		1.6	2.8
Spain		2.0	3.1
Domestic demand		(% change over the previous year)	
Eurozone		1.0	0.6
Germany		2.3	2.4
France		1.3	1.8
Italy		1.6	-1.1
Spain		-0.9	-1.7

Source: *Prometeia Rapporto di Previsione gennaio 2012* (Forecast Report of January 2012).

As regards Italy, the main causes of economic growth that is significantly slower than the average for the Euro zone are to be found in the slowdown in global economic activity and, from the second half of the year, in the strong tensions on the market triggered by the state of the national debt of Italy.

After a feeble growth in the 1st quarter (0.1%) and in the 2nd quarter (0.3%), the cyclical profile of the economic situation, as measured in terms of GDP growth, showed a decline in the 3rd quarter (-0.2%) and entered into recession in the 4th quarter (-0.6% according to the last national accounting data). On an annual basis, GDP grew only by 0.3%.

Inflation at the end of the year was 2.8 per cent in Italy, fuelled by the rise in oil products. On the other hand, the weak increases in salaries and the uncertain prospects on the employment market curbed consumption. Investments also declined as a result of uncertainties regarding the economic situation and on-going difficulties in the credit market. As already referred to, internal demand decreased by 1.1% on average per year.

Italy Economic data	1Q	2Q	3Q	4Q
(% changes)				
GDP	0.1	0.3	-0.2	-0.6
Domestic demand	-0.8	-0.3	-0.9	-0.9
Household spending	0.0	0.1	-0.2	-0,5
PA* and ISP** spending	0.4	0.0	-0.6	-0,3
Gross fixed capital formation	-0.5	0.1	-0.8	-1.3
Constructions	-0.4	-1.1	-1.2	-1,5
Other investment assets	-0.6	1.3	-0.5	-1,0
Imports of goods and services	-2.6	-1.2	-1.1	-1.4
Exports of goods and services	0.4	1.0	1.6	-0.4

Source: *Prometeia Rapporto di Previsione gennaio 2012* (Forecast Report of January 2012)

* PA = *Pubblica Amministrazione*, Public Administration

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

PERFORMANCE OF THE RELEVANT MARKETS

An analysis of trends in the land, sea and air transport of passengers and goods sector shows a picture of general uncertainty with strong signs of a slowdown towards the end of the year.

Passenger transport was characterised by uneven performance and fluctuating trends in the various sectors.

2011 recorded a total growth of 6.4% in the air traffic, with a higher performance for the national component (+7.1%) compared to the international one (+6.3%). In terms of value, passengers in transit through Italian airports amounted to more than 148 million (+9 million compared to 2010). The two major Italian hubs, Rome Fiumicino and Milan Malpensa, reported, in the year, limited increases compared to the average (+3.6% and +1.8%, respectively), while important growths were recorded for the airports of Milan Linate (+9.2%), Bergamo (+9.7%) and Venice (+24.9%, on which the traffic from the Treviso airport converged, which was closed for expansion works in the second half of the year).

Otherwise, road transport, as measured in light vehicles/km on the highway network, recorded a decline of 1.5% in the period from January to November 2011. In railway transport, the liberalization process, which is ahead of the European regulations, has allowed an increasing number of railway companies. In 2011 the National Railway Safety Agency (*Agenzia Nazionale per la Sicurezza Ferroviaria* – ANSF) issued 2 new certificates and 12 renewals/updates. As a whole, third-party operators realised, on the railway network run by Rete Ferroviaria Italiana, about 41.2 million trains/km.

In 2011 cargo transport was affected by a substantial stagnation (+0.1% compared to 2010) in industrial production and a reduction in barter trades (export +6.2%; import +0.7% compared to 2010). Air transport, which was affected by the phase of recession in the second half of the year, the growth in tonnes handled was limited to 3.5% compared to 2010. Milan Malpensa confirmed itself as the first cargo transport airport in Italy by volume of cargo handled (about 48% of the total), with a change of 4.2% compared to 2010. Highway traffic also showed worrying signs, above all at the end of the year. Flows, as measured in heavy vehicles/km, showed growth of just 0.3% in the period from January to November 2011. A slight growth was also recorded by maritime transport of containers in the main Italian ports, as demonstrated by the data in the first 9, 8 and 11 months of 2011, respectively: Genoa (+4.7%), La Spezia (+5.3%) and Taranto (+9.6%).

The traffic results of the main European railway companies

Despite the weakened state of the economy, the demand for rail transport in Europe shows faint signs of a recovery in passenger volumes, and to a greater extent, in volumes of goods.

The results show an overall steady trend in the recovery of cargo traffic (+5.1% compared to 2010, as measured in tons/km), which was higher than the change in industrial production (+3.5%, source: Eurostat) and a slight recovery in passenger traffic (+0.5% compared to 2010 in passengers/km).

As regards the main relevant European railway companies, the Spanish company RENFE recorded, in the passenger segment, the highest growth (+1.8%), followed by the French company SNCF (+1.5%) and the German DB AG (+0.8% in the period from January to November 2011).

In terms of traffic volumes achieved, the leading company in Europe was the German company DB AG, with an increase of 5.6% compared to 2010 (in the period from January to November 2011). In the Eastern Europe countries, the Polish company PKP continued its positive trend, with an increase of 8.3%.

RELATIONS WITH CUSTOMERS

“Market Service” – National and International Passenger Segment

2011 was characterised by an improvement in the offer in the Market Service segment and by the introduction of diversification in service levels; the segment’s offer accounted for +4 % of the overall offer. The percentage of medium/long-distance trains in the market Service segment that arrived at their destination in time or in any case with a delay of 0-15 minutes passed from 90.5% in 2010 to 95.2% in 2011. The improvement in the service rendered to customers is also confirmed by the customer satisfaction data recorded by entities outside the company, according to which the overall travel satisfaction level, at the end of the year, was equal to 93.6% (91.0% at the end of 2010), showing peaks of 96.1% for Frecciarossa trains (94.1% in 2010).

The main developments in 2011 were:

AV – Frecciarossa

- reorganisation of the system of Milan-Rome non-stop trains in order to provide better coverage of time bands, with trains now arriving before 9.00 a.m. in Milan and Rome, and to provide even coverage throughout the whole day with trains departing every hour between 6.00 a.m. and 7.00 p.m.;
- strengthening the Turin-Rome offer (+ 5 connections from the beginning of the year compared to the previous year) with the introduction of new direct connections to Naples (+2 from the beginning of the year, +4 additional connections from June 2011);
- the local presence was also improved by strengthening the “Gateway” stations of the High Speed service (Turin Porta Susa, Milan Porta Garibaldi, Milan Rogoredo, Rome Tiburtina);
- introduction of an incremental service package, on days with peak traffic demand only, with around 3,000 additional seats on “code red” days”, with the objective of satisfying unmet demand.

The resulting service model has been focused on three types of trains:

NON-STOP TRAINS Milan Centrale - Rome Termini: hourly scheduled timetables (from 6.00 a.m. to 7.00 p.m.) that connect the two cities with a 60-minute frequency, extending the spot service to Naples C.le or Turin P.S. / Turin P.N. The number of connections is equal to 28 + 6 on a periodical basis.

STANDARD TRAINS Milan Centrale - Rome Termini: they are the backbone of the Frecciarossa offer and connect Milan Centrale, Bologna Centrale, Florence Santa Maria Novella and Rome Termini with an hourly frequency (between 6 a.m. and 8 p.m.) and with systematic extensions of the from/to Naples Centrale and spot extension to Salerno and Turin Porta Nuova / Porta Susa. Two trains also stop in Piacenza, Parma, Reggio Emilia and Modena, thus also extending the speed-ups of the High-Speed

network to these important districts. The number of connections is 32 + 6 trains at the beginning/end of the day.

TRAINS Turin Porta Nuova – Milan P.G. - Rome Tiburtina: this is a type of service which connects Turin to Rome in the time bands with a higher mobility demand, making intermediate stops in Turin Porta Susa, Milan Garibaldi, Milan Rogoredo, Bologna Centrale and Florence Santa Maria Novella. Trains continue on to Rome Termini or Naples Centrale. The number of connections is equal to 12.

On the product/service innovation front, 2011 marked a major turning point as a result of the abolition of the traditional 1st and 2nd classes. They were replaced by the new Frecciarossa service levels which confirm the Ferrovie dello Stato Italiane Group as a pioneer of experimentation and innovation in Europe.

In fact, the first commercial trains made with completely renovated Frecciarossa carriages entered into service offering a tailor-made service for the various types of customers served; from the possibility of travelling quickly and comfortably at advantageous prices in Standard to the opportunity to indulge in a trip in Executive with all the optional extras and in elegant and highly refined surroundings, and with an even wider choice thanks to the intermediate Premium and Business service levels. This latter is characterised by the possibility of choosing the relaxation and privacy option offered by the two 4-seater loungers (renovated and with two large monitors) or a seat in the Silent Zone, where you can travel without the background noise of ringtones and telephone conversations.

The new Frecciarossa offers more technology, with a Wi-Fi system and 62 on-board monitors for all service levels, more comfort provided by large ergonomic seats (in leather for three of the four service levels), more baggage space, new LED lighting and a wide range of services to make the journey a pleasant and relaxing experience such as gourmet meals designed by famous chefs (Executive), welcome drinks (Executive, Business, Premium), magazines (Executive) and daily newspapers in the morning (executive, Business and Premium) and video entertainment for all levels of service.

AV Frecciargento

In 2011, the High Speed Frecciargento train offer, in continuing in the direction already defined in 2010, was characterised:

- by the strengthening of connections on the Rome-Venice route, extending the service from/to Naples, and on the Rome-Verona route;
- by the streamlining of stops on the Rome-Bari route, consistently with the market demand;
- by the review of the timetables of the existing connections for a better coverage of time bands and for enlarging the system of connections with the local offer.

Specifically, for any route served by High Speed Frecciargento trains:

Rome-Venice

The offer includes a system of standard trains with hourly scheduled timetables from 6.00 a.m. to 8.00 p.m., which make intermediate stops in Florence Santa Maria Novella, Bologna Centrale, Padova and Venice Mestre. 2 of them have Naples Centrale as their origin/destination, while 2 trains from Venice

Mestre continue on to/leave from Udine. The standard offer also includes 2 Fast trains, which only stop at the stations of Padua and Venice Mestre; June 2011 will also see a couple of additional trains in the bands with higher demand. The number of RM-VE connections is equal to 30, of which 2 fast trains (in 2010: 26, of which 2 fast trains).

Rome – Verona

In June 2011 the offer was increased with the introduction of 6 new trains; furthermore, all North-South timetables were remodulated to allow systematic arrival in Rome at minute 50.

From August 2011 the offer is made up of 10 trains distributed in time bands with higher mobility demand. 4 of them have Bolzano as their origin/destination, while 4 have Brescia as their origin/destination. The number of RM-VR connections is equal to 10 (6 in 2010).

Rome – Puglia

The number of stops served has been rationalised, above all by cancelling minor stops which are more appropriate for local transport, thereby providing advantages for journey times. The timetables of some connections have been changed to respond to market needs and to allow connections to the local transport. The number of RM-BA connections is equal to 8, 2 of which have LE as their origin/destination.

Rome -Reggio Calabria

The offer remained unchanged: two trains with intermediate stops in Naples centrale, Salerno, Paola, Lamezia Terme and Villa San Giovanni. The number of RM-RC connections is equal to 2.

Freccia Bianca

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

The frequency and regularity of the schedules for Frecciabianca trains suffered repercussions as regards punctuality rates as a result of the exceptional situations that occurred during 2011; in particular the Tirrenica Nord route had to deal with problems caused by changes in traffic flow following the fire that occurred at Rome Tiburtina station at the end of July and with flooding in the Cinque Terre region in October 2011.

“Universal Service” Passenger Segment and other services

The service contract for long-distance routes provided, under article 12, for a check of economical sustainability to be carried out at the end of 2010, with prices or products adapted as a consequence. As a result of this, the 2012 timetable launched the new model of products offered to the customer; this timetable sees all night trains from the South stopping at the Rome hub and trains from Puglia stopping at Bologna. Passengers travelling on from these two hubs towards the cities of northern Italy can continue their journey using High-Speed trains. The prices of these connections have remained unchanged even though High-Speed stretches of track are used.

The percentage of medium/long-distance trains in the Universal Service and other services that arrived at their destination in time or in any case with a delay of 0-15 minutes remained unchanged compared to the previous year (92.5%). On the contrary, the overall travel satisfaction level, at the end of the year, was equal to 80.9% (77.6% at the end of 2010).

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

Regional Transport

In 2011 the Regional Transport segment recorded a 4.4% increase in revenues from traffic, equal to Euro 31 million, compared to the previous financial year. This change was mainly linked to the increase in regional fares which increased by 5.5% on average, against a reduction in volumes equal to 0.8% linked to the reduction in the services offered (-3.4%) as required by the customer Regions.

The percentage of regional transport trains that arrived at their destination in the 0-15 minutes time bracket was in line with the same results obtained in 2010 (97.4%). With reference to the trains that arrived at their destination in the 0 – 5 minutes time bracket, the performance improved by 1.5 percentage points, passing from 92.6% in 2010 to 94.1% in 2011.

Customer satisfaction data also recorded improvements; specifically, overall travel customer satisfaction passed from 68.7% in 2010 to 71.6% in 2011; as regards the quality of cleanliness perceived on board regional trains, a 11.3% improvement was reported compared to 2010, passing from 40.9% in 2010 to 46.2% in 2011.

2011 saw the completion of the renewal of service contracts with Regional Governments; unlike in the past, these contracts now provide for fees correlated to services offered which are defined according to an approach of "Service Catalogue".

In 2011 service contracts were signed with the Regional Governments of Calabria and Piedmont, while the other contracts had already been signed in the previous two-year period. For Special Regions (*Regioni a Statuto Speciale*) Sicily, Sardinia, Valle d'Aosta and "joint services" (*servizi indivisi*) in the Northern-East Area, the negotiation of the Service Contract is still in progress with the Government.

The formalization of service contracts with an initial term of 6 years, plus 6 years, allowed the planning of medium-to-long term resources, which, *inter alia*, could allow the Company to start projects for the renewal of the rolling stock functional to the improvement of the regional transport service.

As regards the regional transport segment, it is appropriate to remember the situation that arose in the course of the year as a result of the various public finance acts. Only in the second half of 2011, the Government took steps to allocate the various financing sources, which had been assumed in the course of the previous months, in the National Budget, thus providing the necessary coverage of both funds to the regional governments and the funds to be destined directly to Trenitalia. To date, the criterion for allocation to the Ordinary Regions (*Regioni a Statuto Ordinario*) is still being defined for some resources.

The recent Legislative Decree no. 1 of 24 January 2012 bearing "Urgent measures for competition, development and competitiveness" (*Disposizioni urgenti per la concorrenza, lo sviluppo e la competitività*) provides, under article 25, for the Regional Government's obligation to launch tenders for the Regional transport service. This decree will be implemented upon the expiry of the contracts in place with Trenitalia. The contracts in question are expected to expire, in most cases, in 2014. In this regard, note that the service contract with Emilia Romagna will expire on 30 June 2012; in compliance with the abovementioned Decree, relating to liberalisations on the Local Public Transport, the tender formalities shall have to be fulfilled for this contract.

It is absolutely evident that the new legislative scenario could modify, as a result, the company's commitments undertaken with the regional governments in defining the service contracts, with specific regard to the amounts to be intended for investments.

Cargo Transport

2011 saw, at national level, a decline in industrial production of about 1.0% compared to the previous year. This context had an impact on the railway transport market in Italy through a weak demand for transport, notwithstanding a strong offer of services from rail and road transport operators, in order to defend their market shares, also through price leverage. The Cargo Division offered its customers conditions that could meet the difficult market situation, while continuing to pursue a strict policy for reduction of its operating costs and streamlining the range of services in the low-margin traffic relations.

The policy implemented has allowed the Company to maintain, despite the crisis, the share of volumes of traditional and combined traffic recorded in the previous year.

Below are the main actions taken in the various customer segments:

- *Traditional Traffic:*

Iron and steel sector: Direct intervention on the main international industrial customers for the purpose of acquiring the management of traffic. The export commercial offer has been targeted at services in which the market showed good performance, i.e. "special productions" intended for the German mechanical and automotive industry and at "heavy products" intended for North African markets (with use in public works and infrastructures).

Automotive sector: the commercial action has been driven by the extension of trade agreements, the definition of a global offering to the customer, while offering part of the services previously offered by third parties.

Raw Materials sector: new multimodal services have been proposed for the specific needs of the customers (in the Large Scale Retail Trade [*Grande Distribuzione Organizzata*]), offering daily connections between the main Terminals and the Central Italy area and reactivating some services directed to Sicily on a weekly basis. Furthermore, the traffic to France was consolidated for cereals, also offering train drive services abroad with Trenitalia staff.

Chemical sector: the commercial offer was also reorganised because of the changes made to the supplies by the companies in the energy sector, with a significant reduction in the use of coal. Furthermore, the

partnership was improved for the development of traffic abroad, through subsidiary companies operating on the North-Europe network (TX Logistik).

- *Combined Traffic*

Long-term trade agreements were entered into with the major customers, targeting the commercial action to a recovery of international traffic, which was also threatened by the scarce industrial production recorded in the neighbouring areas, in particular in Spain and Great Britain. The National offer was focused on the identification of the primary network of inland terminals and of ports, while focusing offer on round-trip trains in order to reduce its production costs and to generate a more competitive offer. Commercial synergies were also started with the subsidiary Serfer and with other railway companies operating at regional level.

As regards the "Universal Service", actions were aimed at maintaining planned volumes, for both cargo and multi-customer trains.

The Cargo sector of Trenitalia continues, with a gradual acceleration, the complex process for streamlining/reorganizing its operating structure in all sectors, which represents one of the basic elements to continue the reorganisation plan aimed at achieving the necessary competitiveness on the market over competitors.

INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION

Reclassified Income Statement

For the purpose of a correct comparison of the company's income statement data, it should be pointed out that, following the contribution of the "Lombardy Regional Transport" branch of business to Trenord S.r.l., effective from 3 May 2011, the items of operating revenues and costs contain a different perimeter, including in 2010, under a lease of the branch of business, for the entire year, all costs concerning the branch contributed, which have been recharged to Trenord in the revenues line. Revenues also include fixed and variable lease rentals for the branch, while for 2011 this configuration was limited to the first four-month period only, since, following the contribution, all credit and debit contractual relationships concerning the Branch disposed of were transferred and the lease rental income ceased to accrue. At EBITDA level, the effect of this change was equal to about Euro -18 million between 2011 and 2010: therefore, the effect of such change can be considered to be not very substantial in reading the results.

Amounts in millions of Euro

	2011	2010	Change
Operating revenues	5,708.0	5,707.8	0.2
- Revenues from sales and services	5,406.4	5,318.9	87.5
- Other revenues	301.7	388.9	(87.2)
Operating costs	(4,297.6)	(4,437.4)	139.8
EBITDA	1,410.5	1,270.4	140.1
Amortisation and depreciation	(859.6)	(847.7)	(11.8)
Write-downs, impairment losses (value write-backs)	(35.3)	(59.7)	24.4
Provisions for risks and charges	(19.4)	(21.0)	1.6
EBIT	496.2	341.9	154.3
Finance income and costs	(233.6)	(190.0)	(43.6)
PRE-TAX RESULT	262.6	151.9	110.7
Income taxes	(106.3)	(78.8)	(27.5)
NET PROFIT FOR THE YEAR	156.4	73.1	83.2

2011 recorded a substantial improvement in the Net Profit equal to Euro 83.2 million compared to 2010. In fact, the net profit for the 2011 financial year came to a positive value of Euro 156.4 million, compared to a profit of Euro 73.1 million in the previous financial year.

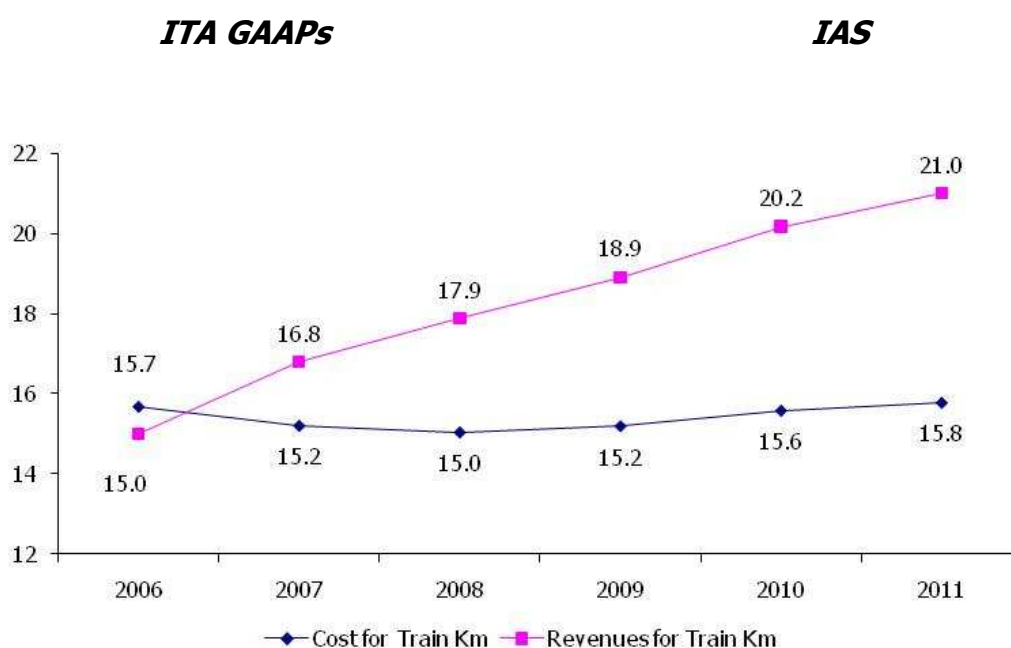
EBITDA passed from Euro 1,270.4 million in 2010 to 1,410.56 million in 2011 (+11.0%), with an impact of 24.7% on operating revenues in 2011 (22.3% in 2010).

EBIT recorded an improvement of 45.1%, coming to a positive result of Euro 496.2 million compared to Euro 341.9 million in the previous year, with an impact of 8.7% on operating revenues in 2011 (6.0% in 2010).

Although there is a highly critical national and international economic situation, Trenitalia has further strengthened and improved its fundamental economic data, consistently with the objectives of the Business Plan.

The strategic guidelines from which the managerial action was developed touched upon the basic points of the various sectors in which the company operates and produced for each one well-structured and specific areas of action. Within the market service passenger sector, initiatives were launched that were oriented towards a policy of segmenting the product offer both in terms of prices and the service offered in order to attract more new customers. Within the Universal Service of Medium/Long-Distance and Regional Transport, efforts continued to rationalise the product offer in order to make it compatible with both the needs deriving from the limited availability of public funds and the condition of financially balanced services. In the cargo sector, the reorganisation of the product offer also continued in 2011 with priority being given to freight transport carried in full train loads; for this a large restructuring of the organisation was necessary with the aim of increasing efficiency in the use of resources and therefore the production costs of the service.

The table below summarises the trend in the two main economic indicators of the company. It should be pointed out that, for a correct reading of the unit values, operating revenues and costs of the table reported below are net of charges-back to Trenord, as they relate to clearing entries, with a substantial zero balance on the income statement. This approach allows a reading that is not impaired by costs that no longer concern the production of Trains/Km of Trenitalia.



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

Operating revenues

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

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

	2011	2010	Delta %
National and International Passenger Transport Division			
Operating revenues (€/mil.)	2,334	2,273	2.7%
Passengers / km (million):	20,170	20,637	-2.3%
- of which: Market services	14,093	13,626	3.4%
- of which: contributed Universal Service	6,077	7,012	-13.3%
Trains / km (thousand)	76,634	78,097	-1.9%
- of which: Market services	48,721	47,725	2.1%
- of which: contributed Universal Service	27,913	30,372	-8.1%
Regional Transport			
Operating revenues (€/million (*))	2,630	2,670	-1.5%
Passengers / km (million):	19,198	19,358	-0.8%
Trains km (thousand)	157,746	163,300	-3.4%
Cargo transport			
Operating revenues (€/mil.)	708	689	2.7%
Tons / km (million) (**)	15,584	15,325	1.7%
Trains / km (thousand) (***)	34,886	35,130	-0.7%
Other revenues/Eliminations (*)	36	75	-52.0%
Trenitalia Operating revenues	5,708.0	5,707.8	0.0%

(*) Operating revenues are net of charge-backs to Trenord following the transfer of the title of passive contracts as a result of the contribution of the branch of business.

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

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

Revenues from sales and services

Revenues from sales and services recorded an increase of 1.6%, coming to Euro 5,406.4 million at the end of the financial year, compared to Euro 5,318.9 million in 2010. Below are summarized the changes that occurred by individual type of revenues:

Description	2011	2010	Change	%
Revenues from traffic	3,226.1	3,120.5		3.4%
Revenues from service contracts	2,051.0	2,096.9		-2.2%
Revenues from other services connected to transport	129.3	101.5		-2.7%
Total	5,406.4	5,318.9		1.6%

Revenues from traffic

Revenues from National and International Passenger Transport:

The medium- and long-distance passenger transport recorded an overall growth in revenues from traffic of Euro 48.0 million (+2.5%). This positive performance was characterised by different dynamics between the different types of service:

- Market Services Segment:** a +6.8% increase in the range of Frecciarossa, Frecciargento, Frecciabianca and Other ES services, that benefitted from the strengthening of the offer relating to the High Speed system on the Turin-Milan-Naples-Salerno line. On the contrary, a negative effect was due to a slight reduction in revenues of Euro 9.1 million, mainly due to the reduction of low-performance services and the streamlining of some InterCity trains for which the average load was particularly unfavourable and that therefore presented sharply negative margins. The Market Services segment showed a +3.4% increase in transported passengers/km, thanks to the positive response of customers with respect to the increase in the offering, which was also supported by a price policy based on the different types of service requested by the customer.
- Universal Service:** the segment showed a reduction of Euro 34.0 million (-8.3%); this reduction was affected by the gradual shifting of the share, on long-distance routes, to alternative means of transport in line with what has already occurred in Europe. The fall in traffic of the Universal Service segment (-13,3%) was higher than the reduction in the offering in terms of Trains/km according to the indications of the public customers.

Regional Passenger Transport:

Revenues from traffic in the regional transport segment recorded an increase of Euro 31.5 million (+4.4%), compared to 2010; this change was mainly linked to the increase in tariffs by 5.5% against a reduction in traffic volumes (passengers/km) equal to 0.8%, which mainly derives from the reduction in production (trains/km) equal to -3.4%, according to the indications given by the Regional Governments.

Cargo Transport:

In 2011 the Cargo Division recorded overall revenues from traffic equal to Euro 524.8 million, with an increase of 5.3% compared to 2010. The Company reported an overall amount of Euro 34.9 million trains/km, with a minimum decline (equal to -0.7%) compared to the corresponding period in 2010. Euro 4.9 million were produced abroad compared to Euro 3.3 million achieved in the previous year, confirming the development of the international share of traffic gained abroad with the direct and single management by the Division of the customers and awarding the train drive service both to its own subsidiary TX Logistik and to other railway operators. The Division continued its commercial streamlining and reorganisation started in previous years, aimed at improving efficiency of production units and acquiring competitiveness. The main business sectors, which follow the relevant product areas, recorded the following performance:

- ***Traditional Transport Business***

In 2011 forwarding through freight trains recorded similar volumes compared to 2010 in terms of trains/km, in line with the process for maintaining traffic and focusing on export services on the main international routes in North Europe and Eastern Countries.

The turnover recorded a good increase (+6.3%) compared to the previous year. Below is an analysis of the performance of the main traditional transport business segments:

- *Iron and steel segment:* the market context was very volatile with a decrease in demand for almost all production. Traditional traffic showed substantial holding power; this was accompanied by development projects concerning steel production, the only production in high growth, and by a recovery in volumes from Ports for the transfer of semi-finished products to production areas of the Veneto region. The railway freight train traffic in the iron and steel sector closed 2011 with an increase in trains/km produced compared to 2010 (+10.8%) and the consequent increase in revenues (+8.9%).
- *Automotive segment:* the economic crisis and the loss of market in Italy and in Europe of the main domestic manufacturer (Fiat) weighed heavily on the car sector in Italy. In this context, railway freight train traffic in the automotive sector closed 2011 with a limited growth (+3.2% of trains/km produced) thanks to the growth in the export. In terms of turnover, the significant increase of +28% was substantially due to the integration of services additional to railway transport into the commercial offer, which were previously sold by other operators.

- *Chemical segment:* the railway transport in the sector was heavily affected by the crisis, above all in the transport of propylene and LPG, recording a decline in trains/km of -8.1%, while revenues recorded an increase equal to +16.1% compared to the corresponding period in 2010, as a result of the inclusion of logistics services to the customer.
- *Other sectors - Raw Materials and Consumers' Goods:* the serious crisis and the resulting stagnation in consumption heaped its effects both on the field of construction and on that of large-scale retail. In particular, the railway transport reported a sharp decline both in the transport of timber, closely linked to the building sector, and in the food sector. Therefore, the railway freight train transport recorded a -7.0% reduction in revenues compared to 2010, and a reduction in trains/km equal to -8.6%.

- ***Combined Transport Business***

National/International Combined Transport: The overall railway traffic data of the Business came to the same levels as the previous year, in terms of both volumes and revenues. The overall data were affected by the suspension of some traffic on the part of the main intermodal operators in Spain and Great Britain and by the decline in the RO.LA (combined road-rail transport) traffic in Trento and Autostrada Ferroviaria Alpina from and to France. However, the growth in the international traffic of trains/km produced was able to offset losses from national traffic in which the operators themselves have become railway companies.

Revenues from Service Contracts

Revenues arising from fees for public service contracts (Regional Governments and the Government) showed a decrease, compared to 2010, of Euro 45.9 million. The reduction in fees mainly focused on the services acquired by the Regional Governments (Euro 37.8 million) as a result of public finance obligations, thus determining the significant streamlining of services (-3.4%), as well as the increase in fares that allowed the Regional Governments to meet the commitments undertaken under the new contracts. Revenues out of service contracts with the Government reduced by Euro 8.1 million; in particular, this reduction was recorded within the Medium- and Long-Distance Universal Service, which reported a decrease down to Euro 6.7 million, while fees for services of Special Regions and the Universal Service in the Cargo sector remained almost unchanged.

Revenues from Other Services Linked to Transport

Revenues for other services linked to transport recorded an overall increase of Euro 27.8 million compared 2010. This increase mainly derived from the increase in fees:

- for hires of rolling stock (Euro +1.8 million);
- for accompaniment, handling and drive services attributable to the services rendered to Trenord Srl (Euro +13.7 million), following the contracts entered into after the contribution of the "Lombardy Regional Transport" branch of business. During the term of lease of the branch of business, these services were managed through charge-backs of net costs;

- for maintenance of rolling stock on account of third parties, including work in progress (Euro +13.2 million).

Other Revenues

Other Revenues recorded an overall reduction of Euro 87.2 million compared to 2010. The difference is almost fully attributable to a reduction in 2011 in charges relating to the lease of the Lombardy branch of business for a differential equal to about Euro 98 million.

The reduction was also due to minor penalties charged to suppliers and customers for Euro 38.1 million.

The positive changes arise from the adjustment to the value of the Free Travel Cards (*Carte di Libera Circolazione*, CLC) used by the Group Companies, from income arising from the scrapping of wagons, from the increase in fees for lease of properties and from the capital gain arising from the contribution of the "Lombardy Regional Transport" branch of business to Trenord Srl, equal to Euro 18.9 million.

Operating costs

Operating costs recorded an overall improvement of Euro 139.8 million, compared to 2010. However, the overall change must take account of the different perimeter referable to the Branch contributed to Trenord, which transferred part of the costs previously charged-back to the same. Net of the change in the perimeter, the reduction in costs was equal to about Euro 60 million.

The main causes for the decrease in costs refer to the dynamics reported below:

Personnel cost recorded, compared to 2010, a reduction of Euro 109.8 million (-5%). This reduction was the combined effect of some factors of opposite sign such as:

- lower costs due to the reduction in average staff by 3,263 units, with a positive effect of Euro 175.1 million;
- higher costs for the increase in the average unit cost (+2.7%) with an overall effect of Euro 54.9 million;
- higher costs for the payment of incentives to early retirement for Euro 18 million;
- lower costs linked to personnel by Euro 7.6 million, correlated to a reduction in charges for new clothing and for health benefits, of which Euro 2.6 million referable to the perimeter of the branch transferred to Trenord.

Other costs recorded an overall decrease of Euro 30 million (-1.3%); this item was affected by:

- lower costs charged back to Trenord, equal to Euro 77.4 million, as a result of the transfer of passive contracts following the contribution of the operating branch of the Lombardy Regional Head Office (*Direzione Regionale Lombardia*);
- higher costs connected to transport services (production and circulation of trains) for about Euro 58.5 million of which the main changes are attributable as follows: Euro 25 million to increased charges of subcontract (*Sous-Traitance*) in the international cargo transport segment, whose effects were offset by revenues from traffic, Euro 3 million to higher costs for the hire of ETR 610 rolling stock of Cisalpino, following the entry into service of additional trains, Euro 11 million to the hire of wagons in

the Cargo Division segment in relation to car transport. These increases were partially offset by reduced costs of access to the infrastructure (toll and electricity) for Euro 5.6 million as a result of the reduction in the overall commercial offer for 7.3 million trains/km, in particular in the segment of Regional services arising from the policy of streamlining implemented by the regional Governments and for Euro 3.8 million from lower insurance premiums;

- higher costs for maintenance and cleaning of the rolling stock for Euro 8.6 million, aimed at ensuring the qualitative standards offered to customers in terms of punctuality and cleaning;
- lower costs relating to sale and distribution activities for about Euro 4 million, which were mostly attributable to commissions on sales due to travel agencies;
- other costs recorded an increase of about Euro 15.7 million compared to 2010. However, the analysis of the same reports that higher costs arose, for Euro 9.6 million, from the purchase of logistics services of the Cargo Division following the transfer of active contracts on the part of the companies in the FS Logistica group and Cemat, and for Euro 8 million from operating services received from Trenord.

Amortisation and depreciation

Amortisation, depreciation and impairment losses decreased by Euro 12.6 million. This change was determined by the dynamics reported below.

The item "Amortisation and depreciation" increased by a total of Euro 11.8 million, of which amortisation relating to the capitalization of second-level maintenance for the 2011 financial year accounted for about Euro 19.7 million, while the differential (Euro -7.9 million) was the result of the ordinary performance of the amortization and depreciation of the assets into service.

Impairment losses

Impairment losses decreased by Euro 24.4 million; this change was due to a reduction in the write-downs of second-level maintenance referred to rolling stock (Euro -22.2 million), which was essentially made following the transition to IAS in 2010 and of trade receivables (Euro -2.2 million).

Provisions

Provisions for risks and charges reduced by Euro 1.6 million. This decrease was mainly attributable to lower provisions for penalties towards Regional Governments and Third Parties for Euro 4.3 million, and for civil disputes and items being contested for Euro 4.3 and Euro 9.5 million, respectively, which were partially offset by higher provisions out of labour disputes for Euro 11.9 million.

Financial income and costs

The balance of the financial income and costs recorded a deterioration of Euro 43.6 million. This deterioration, as regards financial income (Euro -23.2 million), was substantially attributable to the non-

recurrent gain of Euro 11 million occurred in 2011 arising from the transfer of the Wisco equity investment, and of the distribution of dividends (Euro 14 million) on the part of Cisalpino AG.

As regards the performance of the component of financial charges, an overall increase was recorded for Euro 20.4 million. These higher charges are attributable to the trend in interest rates and specifically in the Euribor rate to which debt service charges are benchmarked for the short-term portion. In 2011 the average cost of debt was equal to 2.75% compared to 2.43% in 2010, determining a negative impact, the indebtedness being equal, that can be estimated at about Euro 20.9 million. Furthermore, the result from the financial management, despite an improvement in the final net financial position, negatively reflected the increased costs arising from a higher average level of financial debt in 2011 compared to 2010 mainly as a consequence of an increase in the average level of working capital as a result of the delay in collecting credits from the Ministry of Economy and Finance, pursuant to the service contracts for the years 2010 and 2011, whose financial settlement concentrated in the last part of the year near the end of the year.

The careful management of the company's treasury function allowed the negative effects caused by the delayed receipts to be limited, even if only partially. It should be noted that the total amount of the overdue receivable from the Ministry of Economy and Finance amounted to around Euro 1,100 million at the end of 2010. During 2011 the value of the exposure to the Ministry of Economy and Finance reached peaks of more than Euro 1,500 million. If we consider an average exposure equal to Euro 1.100 million at the average cost of money paid by the company (2.75%), the higher finance costs arising from the exposure affected the financial statements of Trenitalia for about Euro 30 million.

Finally, the result from the financial income and costs benefitted from a reduction in the negative impacts of foreign exchange differences compared to 2010 by about Euro 9.6 million, which was partially offset by the higher costs out of costs of hedging transactions at market value, specifically those correlated to the exercise of options, for Euro 7.6 million.

Income taxes

The tax burden for the period increased by Euro 27.5 million, equal to (+34.9%). This increase is correlated to the following dynamics:

- an increase in the impact of income taxes (IRES [*Imposta sul Reddito delle Società*, Corporate Income Tax] and IRAP [*Imposta Regionale sulle Attività Produttive*, Local Tax on Production Activities]) for Euro 23.6 million (+30%), both as a result of a higher taxable income linked to the improvement in the economic results and for the limitations introduced on the possibility of carrying forward the previous tax losses on the taxable income for IRES purposes;
- an assessment of the charge arising from tax litigation (the so-called "tax wedge") for Euro 11.5 million, which were paid in early 2012;
- a positive change for Euro 6.1 million mainly arising from adjustments to the tax burden at the time of preparing the final tax return relating to 2010.

Reclassified balance sheet

<i>Amounts in millions of Euro</i>	31.12.2011	31.12.2010	Change
ASSETS			
Net current operating assets	557	1,123	(566)
Other net assets	(430)	(626)	196
Current assets	127	498	(370)
Property, plant and equipment	8,893	9,036	(143)
Equity investments under non-current assets	196	161	35
Net fixed assets	9,089	9,197	(109)
Severance pay	(988)	(1,087)	100
Other provisions	(556)	(613)	57
Severance pay and other provisions	(1,543)	(1,701)	157
TOTAL NET INVESTED CAPITAL	7,673	7,994	(322)
COVERAGE			
Short-term net financial position	426	803	(377)
Medium/long-term net financial position	5,428	5,534	(106)
Net financial position	5,854	6,337	(483)
Equity capital	1,819	1,657	161
COVERAGE	7,673	7,994	(322)

Invested capital

Net Invested Capital reduced by Euro 322 million compared to 31 December 2010.

The reduction in the net current operating assets for Euro 566 million was almost fully attributable to the considerable reduction in trade receivables for Euro 590 million. The reduction mainly referred to receivables from the Ministry of Economy and Finance, which recorded a decrease of about Euro 669 million, following the collection, at the end of the financial year, of the fees arising from the service contracts relating to the years 2010 and 2011.

On the contrary, receivables from regional governments recorded an increase of about Euro 84 million arising from the extension of the terms of payment of the fees. At 31 December 2011 the overall value of receivables from the Ministry of Economy and Finance against service contracts and for amounts directly due to Trenitalia amounted to Euro 1.1 billion; during the year this receivable, before the financial settlements made in the second half of December 2011, reached peaks of more than Euro 1.5 billion.

As regards the performance of current assets, note a reduction in stock of about Euro 6 million, in particular with reference to the component of spare parts, while that referred to materials for repair remained substantially unchanged.

On the contrary, trade payables decreased by Euro 30 million.

The reduction in other net assets of Euro 196 million was mainly due to the following effects:

- payment of the payable to third parties for the exercise of the call option that was functional to the purchase of 49% of the stake held in TX Logistik (Euro - 82 million);
- discharge of the debt to Trenord Srl for Euro 164 million, following the closing of the lease of the Branch of Business and substantially referred to the value of the severance pay;
- increase in other payables, for Euro 99 million, to the INPS (*Istituto Nazionale di Previdenza Sociale*, National Social Security Institute) for the sums used in the implementation of the projects relating to the activation of the extraordinary benefits of the bilateral fund following the reclassification from the bilateral provision for corporate reorganisation;
- collection of the stamp tax credit for Euro 65 million paid by the company at the time of establishing the company (2001) and for which the reimbursement was required in the same year following the regulatory clarifications issued on that date;
- collection of the receivable from the Ministry of Infrastructure and Transport for grants correlated to the Autostrada Ferroviaria Alpina (AFA) project for Euro 11 million;
- a decrease in deferred income (Euro -129 million) that was almost fully correlated to the recognition in the income statement of the share accrued in the year for the early collection of the fee paid by the Ministry of Economy and Finance pursuant to the Service Contracts of the regional governments.

Fixed assets

Fixed assets recorded a net decrease of Euro 108.7 million due to:

- a net reduction in property, plant and equipment (Euro 143.2 million) attributable, on one hand, to the investments made in the period (Euro 861 million), and, on the other, to amortisation and depreciation (Euro 859.6 million) for the period; the net value was also affected by the disposals following the contribution of the assets to the investee company Trenord Srl (Euro 113.6 million) and, finally, impairment losses of fixed assets (Euro 33 million);
- the item "Equity investments under non-current financial assets" increased by Euro 34.5 million, following the capital increase of Trenord Srl for an overall value of Euro 35 million, which was implemented through the contribution of the "Lombardy Regional Transport" branch of business.

The performance of the Provisions recorded an overall decrease of Euro 157.1 million. In this regard, note the reduction in the provision for TFR (*Trattamento di Fine Rapporto*, Severance Pay) of Euro 99.9 million, arising from: the use of the provision for TFR for Euro 162.9 million, following the termination of employment relationships (no. 3,268) and for advances paid. This decrease was partially offset by the actuarial loss of Euro 18.5 million recorded under the actuarial equity reserve and by the recognition of the interest cost for Euro 44.5 million.

Finally, other Provisions other than the TFR, recorded an overall net decrease of about Euro 57.5 million; this change was due to:

- a reduction in the provision for corporate reorganisation (bilateral fund) of Euro 149.3 million, due to the payment of extraordinary benefits of about Euro 49.9 million and to the reclassification of the same to payables to the INPS for Euro 99.4 million, equal to the extraordinary benefits to be paid out in the next years;
- a decrease in the provision for deferred taxes, for Euro 7.5 million, due to the effects mainly arising from the actuarial recognitions of the debt for employee benefits;
- an increase of Euro 99.8 million in the other correlated provisions, mainly due to the allocation of personnel costs, which have not yet been fully quantified.

Net Financial Position

The net financial position recorded an overall improvement of Euro 483 million (- 7.7%). In 2011 current operations generated a positive cash flow of Euro 988 million. The performance of current operations benefitted from the financial settlement by the Ministry of Economy and Finance of receivables for fees under the 2010 Service Contracts and partially of those for 2011 for a total of Euro 1.6 billion (Euro 930 million in 2010), which was made in the last months of the year and which allowed the gap accrued in 2010 to be recovered.

The cash flow from current operations was used for Euro 312 million for investments and for Euro 181 million to serve the financial facilities, for Euro 60.4 million as the net effect of disinvestments linked to the scrapping of wagons. The net financial position was then affected by the payment of the debt relating to the purchase of the residual 49% of the stake in TX Logistik (Euro 82 million); it then benefitted from extraordinary receipts of Euro 63 million, in particular that relating to the stamp tax (Euro 65 million) which was paid at the time of the execution of the contract of sale of the Trenitalia Branch of Business and which subsequently appeared to be not due pursuant to Law no. 388/2000 (the so-called 2001 Finance Act); the reimbursement of this tax, which was requested on 26 February 2001, took place in September 2011.

Therefore, the treasury financial position closed with a generation of liquidity of Euro 498 million.

Finally, the net financial position reduced by Euro 15 million following the payment of the debt on the transaction account held with Trenord for Euro 43.9 million, which was partially offset by the financial loan granted in favour of Trenord within the contribution of the operating Lombardy Region branch for Euro 22.7 million and by an increased liquidity in the station's tills for Euro 6.2 million.

Equity

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

	2011	2010	Change
Reclassified Equity	1,819	1,657	162
Payables for derivatives included under equity	(242)	(194)	(48)
Statutory equity	1,577	1,463	114

Equity increased by Euro 161.5 million. This change was due to the economic result of the financial year, equal to Euro 156.4 million, to the net increase in the value of derivatives for Euro 18.3 million, which was partially offset by the reduction in the reserve for employee benefits for Euro 13.4 million.

HUMAN RESOURCES

The size of the company's workforce reached 36,700 units at the end of the period; the statement below reports the most important information:

	Employees	Middle managers	Managers	Total
Number as at 31.12.2010	34,680	4,677	311	39,668
Increases	206	76	18	300
Decreases	(2,687)	(535)	(46)	(3,268)
Number as at 31.12.2011	32,199	4,218	283	36,700

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

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

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

As highlighted in the comments on the operations of the previous period, a trade union agreement was reached nationally in November 2010 which allowed trade union procedures to be launched at local level and agreements to be reached for the identification of surplus workers to be made redundant from March 2011 through the activation of the special benefits of the Fund.

In parallel to this, an intense liaison activity was continued with INPS offices in order to implement the procedures for managing the Fund and to establish the necessary administrative procedures within the Group; this allowed the Fund to be accessed and the special benefits to be paid out on schedule.

To date, the special measures of the Fund for the Company involved 1,641 production reorganisation measures and concerned staff from all sectors of activity.

In order to enhance internal professional skills and limit recourse to the external market in order to recruit staff, extensive use of internal job posting has been made; furthermore, growth and development policies for staff with "high potential" focused on: the assessment and monitoring of targets of interest, the establishment of the evaluation system and the review of roles and skills.

Trenitalia training activities

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

The main objectives of the 2011 Trenitalia Training Plan, which gave rise to a total of 142,771 man/days of training and which recorded 110,331 participations, were the updating of technical and professional knowledge, providing awareness of the role of the high-speed train crew and the optimisation of maintenance processes.

As regards the areas of intervention, the range of training was focused on:

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

Safety at work

The group's objective to reduce the number and rates of accidents at work has entailed a number of activities implemented at central and local level.

- Definition of a new report on accidents at work that shows the company's data (number of accidents, incidence rate and severity rate), as well as the detail of the organizational units,
- Analysis and meetings at the units that have presented a particularly critical accident trend for the purpose of analysing the causes and identifying the most suitable measures and actions.

It is highlighted that during 2011 there was a reduction in the number of accidents compared to the previous year, as shown in the table below. Fortunately, no fatal accident was reported.

Type	2011	2010	Change
Number of accidents (> 3 days, indemnified by INAIL or still to be defined, excluding accidents while commuting)	1,848	1,987	(139)
Number of fatal accidents	0	2	(2)

In order to facilitate the meeting of objectives relating to accidents and enhance the practice of gaining “experience feedback” an initiative was promoted that aims to identify, select and present the best experience gained in the plants, thereby making a common denominator of any improvement solutions that have been introduced, whether of an organisational or technological nature.

The work of the Asbestos Technical Committee continued and included: filling in the employment records of staff to certify whether or not they have been exposed to asbestos; management of the dispute (occupational disease reports, judiciary authority investigations, obligatory attempts to settle, lawsuits); and coordination of relations between the various parties involved (Group companies and external parties such as INAIL (*Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro*, National Institute for Insurance against Accidents at Work)).

ENVIRONMENTAL POLICY AND SAFETY

Integrated system for quality, environment and safety at work

2011 saw the completion of the process of implementation of the Integrated Management System for Quality, Environment and Health and Safety at Work, which concluded with the certification by an Accredited Body. Furthermore, the certificate of compliance with the three standards UNI EN ISO 9001, UNI EN ISO 14001 and OHSAS 18001 has attested that the System is managed on an integrated basis.

Below are the main activities for the implementation of the system:

- Definition and dissemination of Objectives concerning Environment, Safety at Work and Quality for 2011, at central and divisional level, as well as at the level of the individual Production Units, in accordance with the defined Quality, Environment and Safety at Work Policies;
- Definition of an Organisational Model of the Integrated Management System for Quality, Environment and Health and Safety at Work, identifying roles and responsibilities;
- Development and upgrading of the IT systems in support of the Certified Integrated System, with specific reference to the application for the documentary management of the system in line with the Group’s business standard and to the application for the management and control of the company’s testing and calibration equipment;
- Provision of training and information courses on the Integrated Management System to adapt the approach to the system, which saw the involvement of about 1,500 resources.

During 2011, the activities concerning safety and environmental protection were mainly aimed at the following:

- Emission Trading System: in April 2011 a number of rights equal to 21,836 quotas were returned to the Ministry for the Environment, through access to the National Register of CO2 quotas and emissions. With regard to the amount the Company was authorised to emit for 2010 (23,030 quotas), the Company contained its emissions at a rate of around 5.2%. From 1 January 2011 the production sites subject to the scope of application of Directive 2003/87/CE are four workshops: Voghera, Rimini, Bologna and Foligno. The data analysis allows us to affirm that in 2011 the Company reduced its emissions by 6.6% compared to the amount it was authorised to emit in the same year, thus improving the 2010 performance.
- SISTRI (*Sistema informatico di tracciabilità dei rifiuti*, the Waste Traceability Control System set up by the Ministry for the Environment): in 2011, the main activities relating to SISTRI were as follows: monitoring changes in legislation and identifying the impact and criticalities created in the company by the SISTRI system in connection with delays in the official launch and amendments to the manuals, meetings, working groups, contact with the Confederation of Italian Industry, Confindustria, and contact with the Technical Office of the Minister for the Environment in order to complete the registration of the Cargo Division with the system, corporate registration of the registered office with SISTRI, analysis and identification of solutions from a technical and operational point of view for all anomalies and problems encountered in the system by company production units; operational updates on the system (through Assonime, Confindustria, etc.) and dissemination of these locally.

Operational safety

In 2011 the frequency of "typical UIC" (*Union Internationale des Chemins de Fer*, International Union of Railways) accidents fell to 5, against the 7 recorded in 2010. The company's commitment to safety concerned various areas of intervention and actions in the technological and organisational fields were included in the annual Safety Plan.

With reference to the Operational Safety Management System (SGSE, *Sistema di Gestione della Sicurezza dell'Esercizio*), note the continuation of the activities for updating and continuous improvement of the system, in accordance with the relevant national and international principles. In this perspective, taking account of the experience feedback, some SGSE procedures were changed and integrated in order to make them more suitable to the organizational changes that have occurred over time.

30 November 2011 saw the updating of the Safety Certificate, part A and part B, which had been obtained in March 2011, to carry out cargo and passenger traffic on the national railway infrastructure (IFN, *Infrastruttura Ferroviaria Nazionale*). Furthermore, December saw the updating of part B of the Safety Certificate on the French railway infrastructure (which was obtained in 2010) for the section of the Cuneo - Breil - Ventimiglia line in France, for the purposes of performing passenger transport services.

The activity continued for the processing of the Regulations relating to operational safety (Railway Company Operating Regulations - DEIF, *Disposizioni Esercizio Impresa Ferroviaria*) and Instructions

(Railway Company Operating Instructions – PEIF, *Prescrizioni Esercizio Impresa Ferroviaria*) to deal with particular aspects of safety.

Safety on board trains

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

Prevention measures have involved and will involve on a progressive basis the most critical trains, i.e. night trains and very busy urban trains.

INVESTMENTS

The investment plan, which is contained in the Business Plan of Trenitalia, reports the commitments to be undertaken in the 2012-2016 period, equal to about Euro 4,739 million.

The amounts of these commitments entered in the accounts do not include cyclical maintenance capitalizations. Over the term of the plan the portfolio investments, made up of about 400 projects, provide for capitalizations, for each year, equal to:

- 2012 Euro 942 million;
- 2013 Euro 1,033 million;
- 2014 Euro 766 million;
- 2015 Euro 1,025 million;
- 2016 Euro 923 million.

Beyond 2016, on the basis of current planning, amounts are still to be entered in the accounts of about Euro 49 million.

The Plan commitments as regards the National and International Passenger Division include Euro 1.5 billion for the purchase of the new High Speed trains, about Euro 130 million for completing the restructuring of Intercity coaches, Euro 62 million for the new service levels of the current High Speed trains. The overall value of the projects of the Regional Transport Division is equal to Euro 1,961 million; these projects mainly refer to the commitments that Trenitalia has undertaken in executing service contracts with the Italian Regional Governments. Regional transport investments include Euro 720 million for the purchase of new electrical complexes, Euro 160 million for diesel-powered trains, about Euro 430 million for Double-Decker coaches and Euro 120 million for E464 locos.

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

The entire investment plan of Trenitalia is based on self-financing and may be covered by the operating cash-flow without having to increase the structural component of medium/long-term debt.

2011 accounting

The amounts entered into the accounts in relation to the investments made in 2011 were equal to about Euro 861 million, whose breakdown, compared to 2010, is reported in the following table:

<i>(amounts in millions of euro)</i>	2011	2010	Changes	
			Absolute	%
Purchasing(*)	294	195	99	34%
Revamping	95	78	17	18%
Rolling Stock	389	273	116	30%
On-board Technology	33	114	(81)	-242%
Plants & other	28	50	(22)	-81%
Development	0.1	0.6	(0,5)	-376%
Information Technology	62	46	17	27%
TOTAL	512	483	29	6%
2nd level of Maintenance	349	315	33	10%

(*) amounts entered in the accounts under the Purchasing item include €125.7 million relating to advance payments broken down as follows:
 - €61.6 million for the purchase of new High Speed trains;
 - €31.1 million for the purchase of Double-Decker Coaches;
 - €33.0 million for the purchase of E464 locos.

Compared to 2010, it should be pointed out that major amounts were entered in the accounts mainly with reference to investments in rolling stock and IT, which were partially offset by the minor amounts entered in the accounts for On-Board Technology.

Below is the breakdown of investments for Division/Management:

<i>(amounts in millions of euro)</i>	2011	2010	Changes	
			Absolute	%
National and International Passenger Division	147	129	18	12%
Regional Passenger Division	296	192	104	35%
Cargo Division	6	10	(4)	-72%
Technical Management	44	130	(86)	-197%
IT Systems Management	4	10	(6)	-152%
STAFF	15	12	3	20%
TOTAL	512	483	29	6%
2nd level Maintenance	349	315	33	10%

National and International Passenger Division

In the National and International Passenger Division, investments included about Euro 62 million, as per the contract advance payments, for the purchase of new "1000" series electrical trains, advanced and environmentally friendly trains that will be able to travel on the railway network at 360 Km/hr.

The project to renovate the High Speed trains was authorised and launched; this involves the cosmetic and functional upgrading of the interior fittings in accordance with the new product offer model based on 4 (four) new levels of service; the amount accounted for is equal to about Euro 9 million.

The entering into operation of the new High Speed trains, from 2015, also requires the reorganisation and expansion of the sites necessary to carry out all the first-level maintenance activities on the new stock. For this purpose, measures were launched to reorganise the Milan Martesana facility and to adapt the OMC in Vicenza for the maintenance of the High Speed fleet.

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

About Euro 13 million were accounted for the activities relating to the implementation of information services and on-board internet by means of broadcasting a connection signal over the airwaves in each coach through the installation of Wi-Fi hotspots.

Activities continued for the restructuring of coaches and locomotives for the offering relating to the "Frecciabianca" trains that circulate on traditional lines and connect medium- and large-sized cities outside the High Speed network; in 2011 amounts entered in the accounts were equal to about Euro 9 million.

Regional Transport Division

Within the context of regional transport, in agreement with the Regional Governments and on the basis of the commitments undertaken in the service contracts, a product offer is being created based on three different segments of rolling stock: "urban" at the major railway junctions, "medium distance" between regional capitals and "mass" for local services.

The year saw the approval of the purchase of new electrical trains, new diesel-fuelled trains and the exercise of the option for the purchase of 50 additional E464 light locomotives for which contract advances have been paid for about Euro 32 million. The purchase orders relating to E464 locos accounted for about Euro 130 million.

Furthermore, an order is being implemented in relation to the expansion of the fleet of double-decker trains with the purchase of further 350 Double-Decker coaches in relation to which advances of Euro 29 million were recorded.

The renovation of 243 low-deck coaches is continuing, with the objective of improving the internal fixtures and installing air-conditioning systems. The transformation of 30 UIC-X carriages with a driving van trailer continued in order to guarantee the full reversibility of trains used for regional transport and the face-lift of around 1,300 Medium-Distance carriages for the purpose of increasing comfort and ensuring compliance with safety regulations.

Measures relating to the Regional Division facilities concern the adapting of the current configuration to the new "freight train" maintenance system. This objective authorised the development of the maintenance network for the Region of Liguria in accordance with the new organisational model which envisages, as already highlighted, freight train measures, with a reduction in the activities of shunting and putting together trains and the use of multi-functional teams able to carry out the necessary tasks in the facility and in the station.

Cargo Division

In Cargo Transport, activities are on-going in relation to the process of adapting the fleet of wagons to the technical regulations concerning "coupling parts" of rolling stock which must comply with the requirements of interoperability. The progressive strategy of segmenting the business sectors served has entailed the necessary specialisation of the rolling stock, a measure that leads, necessarily, to a further progressive specialisation of the industrial systems with regard to the "product" to which the rolling stock refers. No less importantly, the process of optimising the maintenance network was also pursued through the plan for the expansion and technological upgrading of industrial systems. During the year, the measure to adapt the current configuration of the Turin plant to the new "full train" maintenance system was authorised. Other investments mainly concerned IMC ETR Naples, IMC Milan Greco, IMC OMAV Rome San Lorenzo, OGR Foggia, IDP Milan Fiorenza, IMC Milan Martesana, OGR Osmannoro.

Other investments

As regards technology on board, during 2011 amounts were entered in the accounts for Euro 33 million and all the installations were completed in relation to the SCMT system (*Sistema Controllo Marcia Treno*, Train Movement Control System); activities continued for upgrading the STB system (*Sistema Tecnologico di Bordo*, On-Board Technology System) in order to complete the equipment of the rolling stock with the CAB RADIO and DIS (Driver Information System) (Black Box). Installation is being completed for the equipment of the SSC system – SSC BL3 (*Sistema di Supporto alla Condotta*, Train Driving Support System).

Within the ITC investments, measures are continuing for the improvement of customer front-end services where the first phase of PICO (*Piattaforma Commerciale*, Commercial Platform) was launched for the Freccia trains. The second phase of PICO was launched and it is expected to be completed for the end of 2012; in this phase the previous systems of selling will be finally abandoned, both for medium- and long-distances and for Regional Transport. Furthermore, new projects were launched aimed at Customer Relation Management.

Also in 2011, the replacement of the Self Service machines in the Passengers Division was launched. Then the equipment of all of the Trenitalia ticket offices was upgraded.

During 2011, the first phase of the project aimed at replacing the cargo IT system was launched and concluded.

On the production front, the first measures for the streamlining of the entire production platform were put into operation; the Crew Management system, which was launched on a progressive and experimental basis at a number of production sites, is part of this platform. It started to be used in the first months of 2011 and its spread and extensive use will have great effects on levels of effectiveness and efficiency in the driving and accompaniment processes as a whole. During 2011 the project for the development of the "hand-held device" platform continued, in order to equip on-board staff with a device that allows them to check tickets and settle amounts due.

Finally, projects continued for the **Development** with activities relating to driving simulators, Innovative Diagnostics Systems, High Speed Profile Aerodynamics and Wheel-Rail Interaction.

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

	New rolling stock	Revamping
	No. of vehicles	No. of vehicles
Locomotives	70	52
National and International	7	44
Regional Transport	63	8
Cargo Transport	-	-
Coaches/Wagons	-	1,614
<i>National and International</i>		
• ES* City	-	156
• Night trains	-	-
<i>Regional Transport</i>		
• Low-deck	-	77
• Vivalto	-	-
• MD Medium Distance	-	67
• UIC-X with a driving van trailer	-	17
• Light Vehicles	-	-
<i>Cargo Transport</i>		
• Wagons	-	1.297
Trains	-	17
<i>National and International Transport</i>		
• Frecciarossa (ETR 500)	-	4
<i>Regional</i>		
• TAF Trains	-	13

The Trenitalia fleet

The Trenitalia fleet, following investments and disposals made in 2011, is made up as follows:

Category	Description	Unit
Driving material	Electric Locomotives	1,606
Driving material	Diesel Locomotives	209
Total driving material		1,815
Light vehicles	Electric vehicles (Ale, Le)	967
Light vehicles	Diesel (Aln, Ln)	677
Total light vehicles		1,644
Complexes	TAF	99
Complexes	Minuetto Trains	204
Complexes	Electric trains	114
	Of which ETR 500 AV	55
Total complexes		417
Handling vehicles	Locomotives/Diesel Power Cars	673
Total handling vehicles		673
Driven material	Passenger Coaches	6,951
Driven material	Wagons	28,493
Driven material	Wagons and car vehicles	112
Driven material	Other	40
Total driven material		35,596

RISK FACTORS

No significant risks and uncertainties were expected as at the reporting date of the current report on operations, which could have caused significant effects on the Company's economic and financial position in the short term, in addition to those that will be mentioned in the notes to the financial statements to which reference is made. Operating risks deriving from the fact that a new operator has entered the High-Speed sector were evaluated in the Company Business Plan and are therefore reflected in the company's 2012 budget. Any effects of a failure to renew the service contracts with the regional governments would, possibly, emerge after 2014 and cannot be forecast at the moment; they are considered risks attributable to a company which operates on a free market. Regarding this specific risk, the company has implemented suitable protection measures in drawing up the service contracts in order to safeguard its investments.

RELATIONS WITH RELATED PARTIES

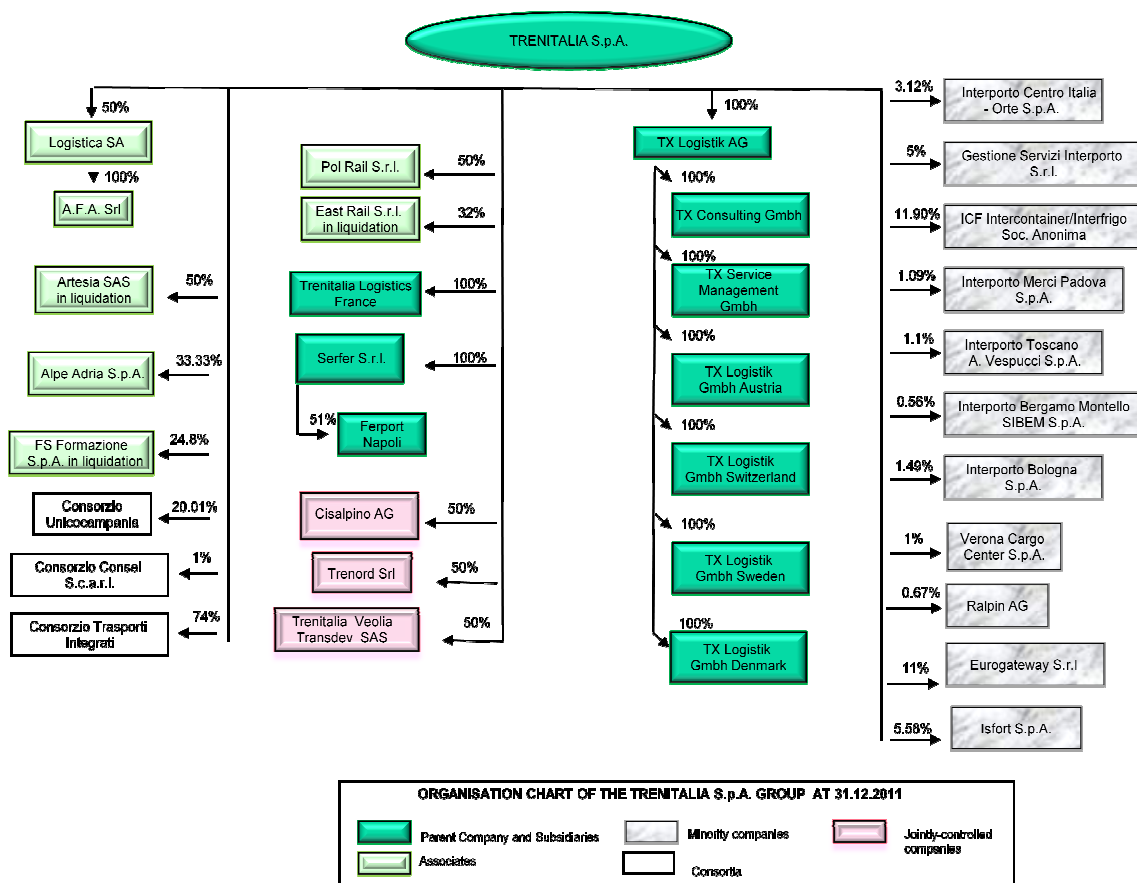
The interrelationships between the Group companies, and between them and any other related parties are maintained according to criteria of material correctness with a view to mutual economic convenience, at arm's length, for the identification of which – if required – they also make use of external professionals.

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

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

TRENITALIA GROUP

At 31 December 2011 the Trenitalia Group was made up as follows:



In 2011 the investment portfolio of Trenitalia recorded the following changes:

- 24 March saw the completion of the total control of the block of shares of the German company TX Logistik AG, thus strengthening the Italian presence on the German and European railway market. Therefore, in relation to the implementation of the agreement with the Old shareholders of Tx Logistik, the company took steps to pay out the overall amount of Euro 81,534,501, in two tranches, aimed at completing the transfer of the stock representing the additional 49% of the share capital of the subsidiary to the benefit of Trenitalia.
- 3 May saw the completion of the contribution of the Trenitalia-Lombardy Regional Head Office branch of business to Trenord Srl, including the stake held by Trenitalia in Tilo SA. Below is reported the financial position of the branch of business being contributed, showing the changes that occurred between 31 December 2010, on the basis of which the expert's report was prepared, and the effective date of the contribution on 3 May 2011.

ASSETS	Contribution values as at 3 May 2011	Expert's report at 31 December 2010	Change
Intangible assets	833,896	1,013,756	(179,860)
Assets under construction and advances	826,845	-	826,845
Intangible assets	1,660,741	1,013,756	646,985
Rolling Stock and Industrial plants	94,210,062	97,270,707	(3,060,645)
Industrial and business equipment	14,584,379	15,929,445	(1,345,066)
Other property, plant and equipment	376,874	520,140	(143,266)
Fixed assets under construction/development on Rolling Stock	2,808,704	-	2,808,704
Property, plant and equipment	111,980,019	113,720,292	(1,740,273)
Financial fixed assets	1,052,808	1,072,557	(19,749)
Inventories	9,901,416	9,498,067	403,349
Receivables	345,878	339,325	6,553
TOTAL ASSETS	124,940,862	125,643,997	(703,135)
LIABILITIES			
Provisions for risks and charges	7,521,088	5,685,745	1,835,343
Severance pay for subordinate employment	63,065,097	64,833,000	(1,767,903)
Payables to social security institutions	4,546,016	3,305,044	1,240,972
Financial payables	22,750,000	22,750,000	-
Payables to others	15,171,350	12,919,108	2,252,242
PAYABLES	42,467,366	38,974,152	3,493,214
TOTAL LIABILITIES	113,053,551	109,492,897	3,560,654
EQUITY	11,887,311	16,151,130	(4,263,819)

- On 25 July Trenitalia acquired 50% of the French company Trenitalia Veolia Transdev S.a.s. through the payment of Euro 19 thousand; subsequently, on 27 July, the company subscribed to the capital increase resolved by the Shareholders' Meeting for the relevant share of Euro 731.5 thousand.
- 13 December 2011 saw the final winding up of Consorzio Acquario.
- 22 December saw the final winding up of Artesia S.a.s., which entailed proceeds of Euro 285 thousand, as envisaged in the allocation plan.

ECONOMIC PERFORMANCE OF SUBSIDIARIES

Below are reported the 2011 economic results of Serfer S.r.l., TX Logistik AG , Cisalpino AG, Trenord S.r.l and Trenitalia Veolia Transdev S.a.s..

SERFER S.r.l.

(amounts in €/000)

	2011	2010
Operating revenues	56,125	48,854
Costs	(52,600)	(44,335)
EBITDA	3,525	4,519
Amortisation and depreciation	(1,142)	(1,276)
Write-downs, impairment losses (value write-backs)	(49)	(261)
Provisions for risks and charges	(350)	(420)
EBIT	1,984	2,562
Finance income and costs	(286)	(550)
Pre-tax result	1,698	2,012
Income taxes	(1,685)	(1,744)
Net profit for the year	13	268

The company is active in the railway business and provides handling, railway traction, rolling stock maintenance services. The 2011 financial year recorded an increase in operating revenues of about 14.9%, thanks to a significant increase in traffic volumes, both in the traction and handling sectors.

In particular, as regards the Railway Company business, we report increases in traffic carried out in collaboration with both TX Logistik AG and with Trenitalia, thus further consolidating traffic on international links and on traffic routes which provide connections to ports. Positive feedback is also indicated by the higher performance achieved in the "Autostrada Viaggiante" services.

The increase in operating revenues reflects the increase in vehicle maintenance activities that was achieved on the Trenitalia maintenance sites and in the new Udine workshop, which became fully operational during the period.

As regards costs, note a significant increase in the cost of labour, which was mainly due to the increase in the resources used to meet the new activities started. On the contrary, significant importance must be attached to the heavy negative impact caused by the increase in the prices of diesel.

The expansion of the activity described above allows the consolidation of the positive results already achieved at gross profit level in the previous financial year. EBITDA, which were affected by the effects referred to above, showed a decrease compared to the previous financial year; EBIT also decreased, even in the presence of lower amortization and depreciation, write-downs and provisions. The balance of the financial operations, even if it remained negative, improved as in the past financial year it included the write-down of the equity investment in the subsidiary Ferport Napoli S.r.l. in liquidation, made for Euro 245 thousand.

TX Logistik AG*(amounts in €/000)*

	2011	2010
Operating revenues	173,579	137,647
Costs	(167,997)	(127,645)
EBITDA	5,582	10,002
Amortisation and depreciation	(666)	(640)
Write-downs, impairment losses (value write-backs)	91	(155)
EBIT	5,007	9,207
Finance income and costs	126	259
Pre-tax result	5,133	9,466
Income taxes	(2,379)	(3,191)
Net profit for the year	2,754	6,275

The company is active in the sector of international logistics and is specifically specialised in railway transport. The most important relations concerned the interchange line "North-South", which mainly relates to transport carried out between the following geographical areas: Switzerland, Austria, Germany, Denmark, Sweden and Benelux. 2011 showed a significant slowdown in the economies of the European markets, above all in the last quarter: in this difficult economic climate, TX Logistik has been able to grow significantly and to report positive results, notwithstanding the significant increase in the prices for the use of the German railway infrastructure. The 2010 net profit was positive for Euro 2.8 million; note an increase in operating revenues of 26.1%, notwithstanding the abovementioned effects of the financial crisis that affected the sectors in which the Company is active (car, steel and intermodal transport). For the above reasons, costs suffered a more than proportional increase (+31.6%), with an effect on EBITDA that passed from Euro 10.0 million in 2010 to Euro 5.6 million in 2011. EBIT from the Company's ordinary operations were equal to Euro 5.1 million, recording a decline of Euro 4.2 million compared to the result of the previous financial year.

The company's ability to offer to the market a high-quality service for the rail cargo transport offers a great opportunity for the future, which could derive from the rapid increase in fuel costs in the road transport sector.

Cisalpino AG*(amounts in €/000)*

	2011	2010
Operating revenues	28,149	22,987
Costs	(5,139)	(9,129)
EBITDA	23,010	13,858
Amortisation and depreciation/write-downs/provisions	(13,323)	(9,052)
EBIT	9,687	4,806
Finance income and costs	(7,884)	(2,618)
Pre-tax result	1,803	2,188
Income taxes	(551)	(440)
Net profit for the year	1,252	1,748

The company closed the financial year with a positive net profit of Euro 1.2 million. In 2011 the plan for the purchase of 14 rolling stock (ETR 610) under the supply contract with Alstom was completed with the delivery of the last 3 rolling stock. This aspect caused an increase in both operating revenues for the leasing component and in depreciation and amortisation. Furthermore, the company continued the process of reducing operating costs as a result of the different business undertaken by the company, from the end of 2009, when it started operating as a company that leases the rolling stock it owns to the two shareholders. Financial management performed worse than 2010, which had, on the other hand, benefited significantly from receipts relating to exchange rate differences due to the considerable appreciation of the Swiss franc.

Trenord S.r.l.*(amounts in €/000)*

	2011	2010
Operating revenues	666,083	628,159
Costs	(624,931)	(612,591)
EBITDA	41,152	15,568
Amortisation and depreciation/write-downs/provisions	(15,830)	(2,762)
Balance of sundry income/charges	(3,883)	(543)
EBIT	21,439	12,262
Financial management balance	(2,861)	(281)
Extraordinary management balance	6,250	(759)
Income taxes	(16,373)	(11,013)
Net profit for the year	8,454	209

The company, which was established between Trenitalia and Ferrovie Nord Milano on 4 August 2009, became operational on 15 November 2009 following the execution of the agreement for the lease of the

branch of business that allows the company to carry out regional transport activities in the Lombardy Region.

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

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

During 2011, thanks above all to the results achieved from as early as 2010 in terms of safety, punctuality, service quality and communication, Trenord reinforced its operating programme, increasing from 35.1 to 37.6 million trains/km, with an increase of about 7% of the service offered. The number of passengers transported also rose, increasing from 4.5 to 4.7 million passengers/km, an increase of 4%; this is a clear sign that the partnership, which is strongly supported by Trenitalia, FNM and the Region of Lombardy, is achieving the desired results in terms of production growth and service quality provided.

In 2011 the company recorded a positive Net profit of Euro 8.4 million, with EBITDA equal to Euro 41.2 million, while EBIT came to Euro 21.4 million, after having deducted amortisation, depreciation and write-downs of Euro 14.9 million and after having set aside provisions for risks for possible penalties applied by customers for Euro 0.9 million.

Trenitalia Veolia Transdev S.a.s.

	<i>(amounts in €/000)</i>
	2011
Operating revenues	1,307
Costs	(3,103)
EBITDA	(1,797)
Amortisation and depreciation/write-downs/provisions	(13)
EBIT	(1,810)
Finance income and costs	-
Pre-tax result	(1,810)
Income taxes	(2)
Net profit (loss) for the year	(1,812)

The company was established after receiving the go-ahead from the European Commission to create a joint venture to provide international passenger rail services; it originated from the partnership between Trenitalia

and the private French operator Veolia Transport. The mission of the company is the provision of night services between France and Italy and the future development of competition on high-speed lines in France. The company aims to challenge competition from air travel by playing on the price advantage, on comfort, on the quality of services and on the convenience of departing and arriving in the city centre: from the extremely central Gare de Lyon in Paris to Milan Central and on to Venice Santa Lucia

The company closed its first financial year with a loss of Euro 1.8 million. The negative result does not represent the company's actual profitability prospects, as it has not yet entered into full operation and taking into account that the company became operational, with the first services on the Paris-Venice and Venice-Paris, in December 2011.

OWN SHARES

As at 31 December 2011 Trenitalia S.p.A. did not own, nor did it buy or sell, during the year, own shares and/or shares of the controlling company, neither directly, nor through trustee companies or third parties.

OTHER INFORMATION

Investigations and proceedings in progress

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

- Criminal proceedings no. 78261/2007 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) of the Public Prosecutor's Office of Rome, which were initially launched against unknown persons, originated from reports submitted by a number of workers after a series of incidents in which passengers and/or staff were involved and which occurred as a result of the alleged malfunctioning of the door opening, closing and control systems. The Public Prosecutor's Office, which found that the facts acquired led it to consider the crime report unfounded and that in any case they did not appear suitable to support the charge in court, submitted a request to dismiss the proceedings in February 2010. The Judge in charge of Preliminary Investigations (GIP, *Giudice per le Indagini Preliminari*), as a result of the objection to the dismissal request submitted by the complainants, ordered instead the continuation of the preliminary investigations.
- In relation to criminal proceedings no. 6305/09 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) - which are pending in the phase of preliminary investigations before the Public Prosecutor's Office at the Court of Lucca - for the railway accident that occurred in Viareggio on 29 June 2009 - which caused a devastating fire with significant consequences in terms of human lives and enormous damages to the assets of both third parties and the FS Italiane Group companies -, it should be pointed out that the hearings of 2, 3 and 4 November 2011 saw the conclusion of the pre-trial evidentiary hearing (*incidente probatorio*) relating to the expert's report on the questions submitted by the Judge in charge of Preliminary Investigations (GIP, *Giudice per le Indagini Preliminari*) at the previous hearing of 7 March 2011.

After having concluded the pre-trial evidentiary hearing, the investigating offices continued their investigations which concerned 38 indicted persons, including the employees of "GATX Rail Austria GmbH", "GATX Rail Germania GmbH", "GATX Rail Germania GmbH - Officina Jungenthal Waggon GmbH" and "Cima Riparazioni Spa", as well as executives of RFI, Trenitalia, FS Logistica, as well as Managing Directors of the aforesaid companies and of Ferrovie dello Stato Italiane.

Furthermore, FS Italiane, as well as RFI, Trenitalia and FS Logistica are still subject to investigation, together with "GATX Rail Austria GmbH", "GATX Rail Germania GmbH" and "Cima Riparazioni Spa", pursuant to Legislative Decree no. 231/01 that regulates the administrative liability of legal persons.

The indicted natural persons have been charged with, among others, the offences of homicide, injuries and culpable railway disaster and, in some cases, with breaches of legislative decree no. 81/08 regulating protection of health and safety at work. The involved companies have been charged with the

breach of articles 5 ("Responsibility of the entity") and 25-septies ("Manslaughter or serious or very serious injuries committed with the breach of the rules on protection of health and safety at work) of Legislative Decree no. 231/2001 referred to above.

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

- Criminal proceedings no. 11126/2011 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) of the Public Prosecutor's Office of Rome against the Chief Executive Officer of Trenitalia S.p.A. for alleged "bid rigging" (article 353 of the Italian Criminal Code.) originate from a report submitted by a supplier following measures adopted by the Company (termination of contracts and master agreements, as well as the exclusion from tender bids) after it ascertained serious breaches by the same supplier in its management of the cleaning of trains.
- Criminal proceedings 52371/10 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) - 34445/11 Rge (*Ruolo Generale*, General Register) of the Judge in charge of Preliminary Investigations (GIP, *Giudice per le Indagini Preliminari*) of the Court of Naples - The summary trial concluded with the sentencing of a former employee while two others that had opted for summary trial were acquitted. The hearing for the main trial (against the other indicted persons) will be held on 3 October 2012.
- Criminal proceedings no. 4222/2010 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes), Form 21 of the Public Prosecutor's Office of Florence in relation to "offences of criminal association, corruption, bid rigging and others" are against representatives and employees of a number of companies that were awarded contracts for the supply of stock and/or activities relating to the repair and servicing of equipment installed on the rolling stock of Trenitalia S.p.A., as well as employees of Trenitalia.
- Preliminary investigation proceedings no. A436 of AGCM (*Autorità Garante della Concorrenza e del Mercato*, the Italian Antitrust Authority): Arenaways - impeding access to the transport services market. These preliminary proceedings were launched by the AGCM in December 2010 in order to verify an alleged abuse of dominant position by Ferrovie dello Stato Italiane S.p.A. and RFI S.p.A. to the detriment of Arenaways S.p.A., a railway business that intends to operate on the Turin-Milan route and provide a passenger rail service with intermediate stops. In September 2011, the proceedings were extended to Trenitalia S.p.A., with charges of: (1) incorrect representation to the office of the Railway Services Supervisory Authority (*Ufficio di Regolazione dei Servizi Ferroviari*) regarding the impact of the new Arenaways S.p.A. services on the public service contract entered into with the Region of Piedmont; (ii) delaying tactics during the proceedings conducted by the supervisory body; (iii) an artificial increase in the range of services offered on the relevant routes. At the current point of the proceedings, any forecast regarding their outcome would appear premature.

Legislative Decree no. 231/2001

In 2011, the Company's Supervisory Board carried out supervisory activity with regard to the compliance with and effectiveness of the Company's "Organisational, Management and Control Model" by analysing and monitoring information flows sent by corporate units and the results of checks carried out in the areas considered at risk of crime.

The process of updating the Model, with the aim of adapting it as a result of the organisational changes and the new crimes introduced by the legislator, is being concluded and it is expected to issue the updated Model in early 2012.

The updated Model will adopt the regulatory developments introduced by the legislator in 2008, also including *article 25-undecies* of Legislative Decree 231/2001 "Environmental Crimes", which was introduced by Legislative Decree no. 121/2011 and which entered into force on 16 August 2011.

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

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

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

OUTLOOK

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

Operating cash flows (before investments) show a positive balance, even if they were still affected by the non-collection of some resources allocated by the Ministry of Economy and Finance out of the services rendered by Trenitalia for the Service Contracts with the Government (Medium and long distance, Cargo and Special Regions) both in 2009 and 2010; however, the last months of 2011 saw a high effort on the part of the Government to settle its debt positions to the company. Likewise, some delays must be reported to the Government in the receipts from some Italian regional governments. The compliance with the payments by the Government and by the Regional Governments would allow the company to improve its operating cash flow thus being able to further limit finance costs.

The company is implementing a demanding reorganisation plan of the Cargo sector according to the guidelines already outlined in the second half of 2009, which shall lead all the company's business sectors to be able to generate positive results or not to adversely affect the contribution from those sectors with a higher value.

The results achieved in 2011, considering the uncertainty in the market envisaged for 2012, the restructuring transactions of the cargo sector and of the Universal passenger service, as well as the entrance of new High Speed service operators in the market, could suffer a decline, even remaining positive. It is appropriate to point out that the maintenance of the investment plan resolved in previous years entails considerable financial commitments for the company. The recapitalization transactions resolved by the Board of Directors of Trenitalia in September 2009, and partly already implemented, represent a decisive support which allows a gradual re-equilibrium of the equity structure towards more acceptable indicators. The investments in the market sector will not create problems for the company with regard to meeting obligations that have been undertaken as these sectors are able to produce sufficient liquidity to support the necessary cash flow of the investment.

The investment commitments undertaken in accordance with the service contracts executed with the Italian Regional Governments are closely correlated to the compliance by the Regional Governments with the contractual conditions, including the levels of fees defined. If these commitments are not complied with, this would give rise to an imbalance in the conditions according to which these investments have been defined and on the basis of which the related economic sustainability has been assessed. The non-compliance with the commitments undertaken by the Regional Governments, even if protected by regular private law contracts, may also cause damage to the immediate economic equilibrium of the company. The amendments introduced by Decree Law 98/2011 about the possible failure to renew the service contracts upon their natural expiry could entail the review of the investment commitments that the company undertaken at the time of the execution of the service contracts.

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

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

PROPOSED ALLOCATION OF THE RESULT FOR THE YEAR

The Company's financial statements for the year ended 31 December 2011 showed a net profit of Euro 156,369,196 that is proposed to be allocated as follows:

- Euro 7,818,460 to Legal Reserve
- Euro 148,550,736 to the Reserve for Profit/(Loss) Carried Forward.

The Board of Directors
The Chairman

Financial Statements: accounting statements and notes

Statement of financial position

(Euro)	Notes	31.12.2011	31.12.2010
Assets			
Property, plant and equipment	(6)	8,810,719,419	8,931,572,244
Intangible assets	(7)	82,269,556	104,670,535
Deferred tax assets	(8)	65,754,793	54,479,805
Equity investments	(9)	195,599,602	161,057,990
Non-current financial assets (including derivatives)	(10)	23,202,578	452,578
Other non-current assets	(11)	107,768,880	108,468,190
Total non-current assets		9,285,314,827	9,360,701,342
Inventories	(12)	654,657,540	660,320,189
Current trade receivables	(13)	1,683,656,476	2,272,773,388
Current financial assets (including derivatives)	(10)	703,072	42,660,559
Cash and cash equivalents	(14)	607,842,314	32,547,308
Tax receivables	(15)	177,477	601,909
Other current assets	(11)	48,582,446	129,684,447
Total current assets		2,995,619,325	3,138,587,800
Total assets		12,280,934,152	12,499,289,142
Equity			
Share capital	(16)	1,654,464,000	1,654,464,000
Valuation reserve	(16)(17)	(177,863,830)	(134,778,946)
FTA reserve	(16)	(281,438,528)	(281,438,528)
Other reserves	(16)	181,719,463	178,066,387
Profits (Losses) carried forward	(16)	43,258,235	(26,150,201)
Profits (Losses) for the year	(16)	156,369,196	73,061,513
Total Equity		1,576,508,537	1,463,224,224
Liabilities			
Medium/long term loans	(18)	5,450,733,334	5,534,066,667
Severance payment and other employee benefits	(19)	987,527,469	1,087,559,231
Provisions for risks and charges	(20)	392,362,145	441,467,113
Deferred tax liabilities	(8)	156,921,578	164,410,945
Non-current financial liabilities (including derivatives)	(21)	242,070,198	194,034,117
Other non-current liabilities	(22)	69,798,818	(0)
Total non-current liabilities		7,299,413,542	7,421,538,073
Short-term loans	(18)	61,453,071	135,807,444
Current portion of medium-long term loans	(18)	85,159,898	85,215,748
Short-term Portion of Provisions for risks and charges	(20)	6,584,024	7,103,442
Current trade payables	(23)	1,782,477,063	1,812,497,184
Income tax payables	(24)	17,681,203	198,457
Current financial liabilities (including derivatives)	(21)	916,667,020	684,606,344
Other current liabilities	(22)	534,989,795	889,098,226
Total current liabilities		3,405,012,074	3,614,526,845
Total liabilities		10,704,425,616	11,036,064,918
Total equity and liabilities		12,280,934,152	12,499,289,142

Income Statement

(Euro)	Notes	2011	2010
Revenue and income			
Revenues from sales and services	(25)	5,406,383,291	5,318,874,100
Other income	(26)	309,920,569	404,870,717
Total revenues		5,716,303,860	5,723,744,816
Operating costs			
Personnel cost	(27)	2,074,422,254	2,184,217,100
Raw and secondary materials, consumables and good for sale	(28)	418,746,387	420,735,084
Costs for services	(29)	1,997,925,559	2,006,610,445
Leases and rentals	(30)	161,141,671	164,796,507
Other operating costs	(31)	26,251,538	30,678,722
Capitalization of internal construction costs	(32)	(372,661,801)	(354,154,582)
Total costs		4,305,825,608	4,452,883,276
Amortisation and depreciation	(33)	859,556,972	847,725,267
Write-downs, impairment losses (reversals)	(34)	35,294,282	60,165,797
Write-down of property, plant and equipment		33,063,829	55,694,967
Value adjustments and write-backs on receivables		2,230,453	4,470,829
Provisions for risks and charges	(35)	19,381,102	21,036,872
Operating result		496,245,896	341,933,605
Finance income and costs			
Financial income	(36) (38)	13,538,463	36,760,129
Financial costs	(37) (38)	247,153,387	226,794,498
Pre-tax result		262,630,971	151,899,236
Income taxes	(39)	106,261,775	78,837,723
Profit for the Year from continuing operations		156,369,196	73,061,513
Net profit for the year		156,369,196	73,061,513

Statement of comprehensive income

(Euro)	Notes	2011	2010
Net profit for the year		156,369,196	73,061,513
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedge	(16)(17)	(40,999,955)	(51,311,352)
Gains (losses) relating to actuarial benefits	(16)(17)	(18,528,060)	41,075,394
Tax effect	(16)(17)	16,443,131	2,969,561
Other comprehensive income, net of tax		(43,084,884)	(7,266,397)
Total comprehensive income for the year		113,284,312	65,795,116

Statement of Changes in Equity

(Euro)	Equity										
	Share capital	Reserves							Profits (losses) carried forward	Profits (losses) for the year	Total
		Reserve for change in FV on derivatives - Cash Flow Hedge	Reserve for Actuarial gains (losses) for employee benefits	Valuation Reserve	FTA reserve	Legal reserve	Sundry reserves	Other reserves			
Balance as at 31 December 2009	1,654,464,000	(106,427,844)	(21,084,705)	(127,512,549)	(281,438,528)	0	177,084,324	177,084,324	(41,589,920)	16,421,781	1,397,429,107
Allocation of the net profit for the previous year						982,063		982,063	15,439,718	(16,421,781)	-
Recognised comprehensive Profit/(Loss) of which:											
Effective portion of changes in fair value of cash flow hedge		(51,311,352)		(51,311,352)							(51,311,352)
Gains (losses) relating to actuarial benefits			41,075,394	41,075,394							41,075,394
Tax effect		14,110,622	(11,141,061)	2,969,561							2,969,561
Income/(Loss) recognised directly in equity		(37,200,730)	29,934,333	(7,266,397)							(7,266,397)
Profit (Loss) for the year										73,061,513	73,061,513
Balance as at 31 December 2010	1,654,464,000	(143,628,574)	8,849,628	(134,778,946)	(281,438,528)	982,063	177,084,324	178,066,387	(26,150,202)	73,061,513	1,463,224,224
Allocation of the net profit for the previous year						3,653,076		3,653,076	69,408,437	(73,061,513)	-
Recognised comprehensive Profit/(Loss) of which:											
Effective portion of changes in fair value of cash flow hedge		(40,999,955)		(40,999,955)							(40,999,955)
Gains (losses) relating to actuarial benefits			(18,528,060)	(18,528,060)							(18,528,060)
Tax effect		11,274,988	5,168,143	16,443,131							16,443,131
Income/(Loss) recognised directly in equity		(29,724,967)	(13,359,917)	(43,084,884)							(43,084,884)
Profit (Loss) for the year										156,369,196	156,369,196
Balance as at 31 December 2011	1,654,464,000	(173,353,541)	(4,510,289)	(177,863,830)	(281,438,528)	4,635,139	177,084,324	181,719,463	43,258,235	156,369,196	1,576,508,537

Statement of cash flows

	<i>(amounts in thousands of euro)</i>	
	2011	2010
Net profit for the year	156,369	73,062
Amortisation and depreciation	859,557	847,723
Write-downs and impairment losses (reversals)	33,064	55,540
Provisions for risks and charges	19,381	21,037
Capital Gains / Losses from disposal of fixed assets	(22,194)	(14,296)
Non-monetary revenues	-	(31,305)
Changes in Inventories	5,663	44,264
Change in trade receivables	589,117	(215,031)
Change in sundry receivables	70,251	77,768
Change in trade payables	(30,020)	(74,714)
Change in sundry payables	(275,512)	315,111
Payment of employee benefits	(162,890)	(158,802)
Cash flows generated from (used by) operating activities	1,242,786	940,357
Investments in property, plant and equipment	(32,651)	(41,557)
Set-up grants	203	13,209
Investments in intangible assets	(828,639)	(780,477)
Disinvestments in property, plant and equipment	132,247	19,059
Disinvestments in intangible assets	1,666	-
Change in receivables and in other financial assets	(14,635)	(191,996)
Cash flows generated from (used by) investing activities	(741,809)	(981,762)
Medium-long term loans repaid	(83,333)	-
Medium-long term loans received	-	-
Change in short term loans and financial liabilities	(74,501)	93,886
Cash flows generated from (used by) financing activities	(157,834)	93,886
Cash and cash equivalents at the beginning of the year	(632,727)	(685,208)
Cash and cash equivalents at the end of the year	(289,584)	(632,727)
Intercompany current account	(897,426)	(665,274)
Cash and cash equivalents	607,842	32,547

NOTES TO THE FINANCIAL STATEMENTS

1. Preamble

The financial statements for the year ended 31 December 2011 (hereinafter also referred to as the "financial statements") were prepared in accordance with the International Financial Reporting Standards, issued by the International Accounting Standards Board and adopted by the European Union ("EU-IFRS"). Specifically it should be noted that Trenitalia SpA made use of the right provided for in Legislative Decree no. 38 of 28 February 2005, which regulates the exercise of the options under article 5 of Regulation (EC) no. 1606/2002 on the application of international accounting standards.

The Company has not prepared consolidated financial statements, even if there are controlling interests, making use of the exemption provided for in paragraph 10 of IAS 27, as these financial statements will be prepared by the controlling company Ferrovie dello Stato Italiane S.p.A., with registered office in Rome, Piazza della Croce Rossa no. 1 and, furthermore, there are no debt or equity instruments listed on a regulated market.

Therefore, the Company has prepared these financial statements at 31 December 2011 in accordance with IFRS on a voluntary basis.

2. Company

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

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

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

On 4 April 2012 the Directors approved the annual accounts as at 31 December 2011, which were made available, from said date, to the Shareholder within the time limits set out in article 2429 of the Italian Civil Code. These financial statements will be submitted to the Shareholders' Meeting for approval on 14 May 2012, within the time limits set out in article 2364 of the Italian Civil Code, and will be filed within the time limits set out in article 2435 of the Italian Civil Code. The Shareholders' Meeting is entitled to make amendments to these financial statements. For the purposes of paragraph 17 of IAS 10, the date taken into consideration by the Directors in preparing the financial statements is 4 April 2012, the date of approval by the Board of Directors.

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

3. Criteria for the preparation of financial statements

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

As previously specified, the financial statements were prepared in accordance with EU-IFRS, including all International Financial Reporting Standards, all International Accounting Standards (IAS), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which was previously named Standing Interpretations Committee (SIC), as adopted by the European Union and contained in the related EU Regulations published until 4 April 2012, i.e. the date when the Company's Board of Directors approved this document. Specifically, the EU-IFRS were consistently applied to all the periods presented herein. Furthermore, it should be pointed out that these financial statements were prepared on the basis of the best knowledge of EU-IFRS and taking account of the best relevant doctrine; future interpretation guidelines and updates (if any) will be reflected in subsequent financial years, according to the procedures set out in the relevant accounting standards from time to time.

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

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

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

These financial statements were prepared on a going-concern basis, as the directors established the non-existence of indicators of a financial, operational or any other nature that could report criticalities about the Company's capacity to meet its obligations in the foreseeable future and specifically in the next 12 months. The description of the procedures through which the Company manages financial risks, including liquidity and capital risks, is contained in note 4 "Financial and operating risk management" below.

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

4. Accounting standards applied

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

Property, plant and equipment

Property, plant and equipment are entered at purchase or production cost, net of accumulated depreciation and impairment losses (if any). The purchase or production cost includes any charges that are directly incurred to make assets available for use, as well as dismantlement and removal charges (if any) that will be incurred as a result of contractual obligations that require the asset to be returned to its original conditions. Any financial charges that are directly attributable to the acquisition, construction or production of qualified assets are capitalized and depreciated on the basis of the useful life of the asset to which they refer. Any costs for value-increasing improvement, upgrade and transformation of property, plant and equipment are recognized under balance sheet assets.

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

Depreciation is charged on a straight line and monthly basis through rates that allow assets to be depreciated until the end of their useful life.

Below is the useful life estimated by the Company for the different categories of property, plant and equipment:

Rolling stock

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

Land and buildings

- Property land	-
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- Land for auxiliary uses	-
- Industrial buildings and light construction	2%

Industrial systems

- Workshop systems	5%
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Industrial equipment

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

Other assets

- Motor vehicles	20% - 25%
- Furniture and fittings	12%
- Ordinary office machines	12%
- Electronic office machines	20%
- Mobile phones	20%
- Specific systems	12%
- General systems	8%
- Sundry and small equipment	12%
- Health equipment	12.5%
- Leasehold improvements	20%

The useful life of property, plant and equipment and their residual value are reviewed and updated, where necessary, at least at the end of every financial year. Land is not depreciated.

Intangible assets

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

- (a) *Concessions, licenses and trademarks*

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

Costs of software licences, including any expenses incurred to make the software available for use, are amortised on a straight-line basis in 5 years.

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

(b) Research and development costs

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

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

The amortisation of development costs (if any) entered under intangible assets begins from the date when the result generated by the project can be marketed.

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

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

Rates

Development costs	20%
Software	20%

Impairment of intangible assets and property, plant and equipment

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

At each balance sheet date, a review is carried out which is aimed at establishing if there is any evidence that the property, plant and equipment and intangible assets may be impaired. For this purpose, account is taken of both external and internal indicators of impairment. In relation to the first ones (internal indicators) the following must be considered: the obsolescence of or physical damage to the asset, significant changes (if any) in the use of the asset and the economic performance of the asset with respect to what is expected. As regards external indicators, the following must be considered: the trend in the market prices of the assets, negative changes (if any) in technology, markets or laws, the trend in market interest rates or in the cost of capital used to measure investments.

If there is an indication that an asset may be impaired, it is necessary to estimate the recoverable amount of the abovementioned assets, charging the write-down (if any) compared to the related book value in the income statement. The recoverable amount of an asset is represented by the higher of an asset's fair value less additional costs to sell and its value in use, the latter being the current value of the future cash flows estimated for this asset. In determining the value in use, the expected future cash flows are discounted using a discount rate, including taxes, which reflects the current market valuations of the cost of money, compared to the period of investment and to the specific risks of the asset. The recoverable amount of an asset that does not generate largely independent cash flows is determined in relation to the cash generating unit to which this asset belongs.

An impairment loss is recognised in the income statement in the event that the entry value of the asset, or of the related cash generating unit to which the same is allocated, is higher than its recoverable amount. The impairment of cash generating units is charged firstly as a reduction in the carrying amount of the goodwill (if any) assigned to the same and therefore as a reduction in the other assets, proportionally to their carrying amount and within the limits of the related recoverable amount. If the reasons for a write-down previously carried out no longer apply, the carrying amount of the asset is restored and charged to the income statement, within the limits of the net book value that the asset in question would have had had the write-down not been carried out and had the related amortization or depreciation been made.

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

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

Financial instruments

Receivables and payables

Receivables are initially entered at fair value which, in general, coincides with the face value. Subsequently, they are measured at amortised cost and reduced, in case of impairment losses, to their presumed realisable

value through the recognition of an appropriate adjusting provision. The sums that are considered to be uncollectable are estimated on the basis of the value of the expected future cash flows. These flows take account of the expected recovery time, the presumed realisable value, any guarantees, as well as any costs that it is deemed shall be incurred for debt collection. In this case, the reinstatement of value is entered in the income statement and in no case may it exceed the amortised cost that the receivable would have had in the absence of previous adjustments.

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

- significant financial difficulties of the issuer or debtor;
- legal disputes pending with the debtor in relation to receivables;
- the probability of the debtor being declared bankrupt or of other financial reorganisation procedures being started.

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

Trade payables and any other payables are initially entered at fair value, net of directly-attributable additional costs, and are subsequently valued at amortised cost, applying the effective interest rate method.

Trade receivables and payables, whose maturity falls within the scope of the normal commercial terms, are not discounted back.

Cash and cash equivalents

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

Loans

Loans are initially entered at fair value, net of directly-attributable additional costs, and are subsequently valued at amortised cost, applying the effective interest rate method. If there is a change in the estimated expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the

present value of the new expected cash flows and of the effective internal rate as initially determined. Loans are classified under current liabilities, except for those with a contractual term beyond twelve months compared to the balance sheet date and those for which the Company has an unconditional right to defer their settlement for at least twelve months after the reporting date. Loans are derecognized at the time of their repayment and when the Company has transferred all risks and charges related to the instrument itself.

Purchases and sales of loans are accounted for at the trade date of the transaction and are derecognized at the time of their redemption and when the Company has transferred all risks and charges related to the instrument itself.

Financial assets and liabilities

Financial assets, for which the Company has the intention and capacity to hold to maturity as required by IAS 39, and financial liabilities are entered at cost, when the Company becomes a party to the contractual clauses of the instrument, represented by the fair value of the initial consideration, net of directly-attributable transactions costs (if any). After the initial recognition, financial assets and liabilities are measured at amortised cost, using the effective interest rate.

Financial assets and liabilities are no longer recognised in the accounts when, as a result of their transfer or redemption, the Company is no longer involved in their management, nor does it hold any longer the risks and rewards relating to such instruments that have been transferred/redeemed.

Derivative financial instruments

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

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

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

Cash flow hedge

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

Derivative financial instruments are accounted for at the trade date.

Estimate of the fair value

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

Below is reported the classification of the fair value of financial instruments on the basis of the following hierarchical levels:

Level 1: fair value determined with reference to (unadjusted) quoted prices in active markets for identical financial instruments;

Level 2: fair value determined by using valuation techniques with reference to variables that can be observed in active markets;

Level 3: fair value determined by using valuation techniques with reference to market variables that cannot be recorded.

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

Inventories

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

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

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

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

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

Employee benefits

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

Severance pay and other employee benefits

The Company has in place both defined contribution and defined benefit plans. Defined contribution plans are managed by third parties that manage funds, in relation to which there are no legal or any other obligations to pay additional contributions if the fund has no sufficient assets to meet the commitments undertaken to employees. For defined contribution plans, the Company pays contributions, either voluntary or set out as per contract, into public and private insurance pension funds. Contributions are entered as personnel costs on an accruals basis. Advance payments of contributions are entered as an asset that will be repaid or entered as an offset of future payments, if they are due.

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

Specifically, it should be pointed out that the Company manages a defined benefit plan that is represented by the provision for Severance Pay (*Trattamento di Fine Rapporto*, TFR). The Italian Companies are required to set aside this provision pursuant to article 2120 of the Italian Civil Code; it is treated as a deferred remuneration and is correlated to the duration of the working life of the employees and to the remuneration

received in the period of service performed. Starting from 1 January 2007, law no. 296 of 27 December 2006, "2007 Finance Act" and subsequent Decrees and Regulations, introduced significant amendments to the TFR regulations, including the worker's right to choose to allocate its accruing TFR being accrued either to supplementary pension funds or to the "Treasury Fund" managed by the INPS (*Istituto Nazionale di Previdenza Sociale*, National Social Security Institute). Therefore, this has entailed that the obligation to the INPS and the contributions paid into supplementary pension funds are now treated, pursuant to IAS 19 "Employee benefits", as defined contribution plans, while the quotas entered in the provision for TFR at 1 January 2007 are still treated as defined benefit plans. The provision for TFR also includes the retirement allowance due to the personnel for the period of service rendered up to 31 December 1995.

The Company has also in place a defined benefit pension plan (*Carta di Libera Circolazione*, CLC, Free Travel Card). The Free Travel Card represents a "defined benefit plan" for the Company's employees and consists of the possibility of benefitting, free of charge, from any railway services rendered by the Company, except for the payment of the right of admission for some service bands or auxiliary services.

Provisions for risks and charges

Provisions for risks and charges are entered against certain or probable losses and charges, whose amount and/or date of occurrence cannot be determined. The provision is recognized only when a current obligation (legal or constructive) exists as a result of past events and it is probable that a future outflow of financial resources will be required to settle the obligation. This amount represents the best estimate of the charge to fulfil the obligation. The rate used to determine the present value of the liability reflects the current market values and takes account of the specific risk that can be associated to each liability.

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

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

Translation of currency items

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

Revenues

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

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

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

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

Government grants

Government grants, in the presence of a formal resolution assigning them and, in any case, when the right to their payment is deemed final as there is reasonable certainty that the Company will comply with any conditions attached to the grant and that the grants will be received, are recognised on an accruals basis in direct correlation with the costs incurred.

i) Capital grants

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

ii) Operating grants

Operating grants refer to sums paid out by the Government or by any other Public Bodies to the Company by way of reduction in costs and charges incurred. Operating grants are charged to the income statement as a reduction in the cost item to which they refer.

Cost recognition

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

Income taxes

Current taxes are determined on the basis of the estimated taxable income and in accordance with the regulations in force for the businesses of the Company.

Deferred tax assets and liabilities are calculated against all differences that arise between the taxable base of an asset or liability and the related carrying amount, except for goodwill. Deferred tax assets, including those relating to previous tax losses, for the portion that is not offset by deferred tax liabilities, are recognized insofar as it is probable that a future taxable income will be available against which the same may be recovered. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applied in the financial years in which the differences will be realized or discharged.

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

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

Assets and liabilities held for sale and discontinued operations

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

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

The results from discontinued operations – either disposed of or classified as held for sale and being divested – are recognized separately in the income statement, net of tax effects. The corresponding values relating to the previous financial year, where present, are reclassified and recognized separately in the separate income statement, net of tax effects, for comparative purposes. Non-current assets (or disposal groups) classified as held for sale, are firstly recognized in accordance with the specific relevant IFRS applicable to each asset and liability and, subsequently, are recognised at the lower of carrying amount and the related fair value, net of

selling costs. Subsequent impairment losses (if any) are recognised directly as an adjustment to non-current assets (or disposal groups) classified as held for sale through profit or loss.

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

Recently-issued accounting standards

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

The EU legislator has adopted some accounting standards and interpretations, whose application became compulsory on 1 January 2011, which regulate cases and case studies that were not present within the company at the date of this annual financial report, but which could have accounting effects on future transactions and agreements.

- Amendments to IAS 32 - "Classification of the rights issues", in order to regulate accounting for the issue of rights denominated in a currency other than the functional currency of the issuer;
- Amendments to IFRIC 14 - "Prepayments of a Minimum Funding Requirement", which allows the companies that pay a minimum funding in advance to recognise it as an asset;
- Amendments to IFRIC 19 - "Extinguishing Financial Liabilities with Equity Instruments", which provides guidelines as to the recognition of the extinguishment of a financial liability through the issue of equity instruments.

Accounting standards not yet applicable as they have not been endorsed by the European Union

On 12 November 2009 the IASB issued the first part of the accounting standard IFRS 9 - "Financial instruments", which will replace IAS 39 - "Financial Instruments: recognition and measurement." This first publication concerns the classification of financial instruments and is included in a project structured into three phases, which will concern the procedures for determining the impairment of financial assets and the procedures for applying hedge accounting, respectively. The issue of the new standard, which has the objective of simplifying and reducing the complexity of the accounting for financial instruments, provides for the classification of financial instruments into three categories to be defined on the basis of the business model used, the contractual features and the related cash flows of the instruments in question.

On 19 October 2010 the IASB published an addition to IFRS 9 which, for the purpose of normalizing any effects relating to the volatility that arises from the decision to measure financial liabilities at the related fair value, provides for the recognition of the changes in question in the statement of comprehensive income, without any impacts on the net result of the period reported in the income statement.

On 7 October 2010 the IASB published some amendments to IFRS 7 - Financial Instruments: Disclosures, applicable for accounting periods that commence on or after 1 July 2011. The amendments were issued with the intention to improve understanding of the transactions for the transfer (derecognition) of financial assets, including the understanding of the possible effects arising from any risk that has remained with the company that has transferred these assets. It is believed that the adoption of this revised version will not entail any significant effect on the separate financial statements of the company.

On 20 December 2010 the IASB issued a minor amendment to IAS 12 – Income taxes, applicable on a retrospective basis from 1 January 2012, which clarifies the determination of deferred taxes on investment properties measured at fair value. This amendment introduces the presumption that deferred taxes relating to investment properties measured at fair value (IAS 40) must be determined by taking account that the book value of this asset will be recovered through the sale. Accordingly, SIC-21 - Income taxes - Recovery of Revalued Non-Depreciable Assets will no longer be applicable to this amendment. The company is assessing any impact arising from the application of the amendment.

On 12 May 2011 the IASB issued IFRS 10 - Consolidated Financial Statements, which will replace SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 - Consolidated and Separate Financial Statements, which will be renamed "Separate Financial Statements" and will regulate the accounting treatment of equity investments in separate financial statements. The new standard moves from the existing standards, identifying the concept of control as the decisive factor for the purpose of the consolidation of a company in the consolidated financial statements of the parent company. It also provides guidance to determine the existence of the control where it is difficult to be established. This standard will be applicable on a retrospective basis from 1 January 2013. The company is assessing any impacts arising from the application of the amendment.

On 12 May 2011 the IASB issued IFRS 12 – Disclosure of Interests in Other Entities, which will be applicable on a retrospective basis from 1 January 2013. This standard regulates the additional information to be provided on any type of equity investment, including those held in subsidiaries, joint arrangements, associates, unconsolidated special purpose entities and any other vehicle company. The company is assessing any impacts arising from the application of the amendment.

On 12 May 2011 the IASB issued IFRS 13 - Fair value measurement, which will be applicable on a prospective basis from 1 January 2013. This standard clarifies the procedures for determining the fair value for the purposes of the financial statements and will be applicable to all the IFRS that require or allow fair value measurement or the presentation of information based on the fair value. The company is assessing any impacts arising from the application of the amendment.

On 16 June 2011 the IASB issued an amendment to IAS 1 – Presentation of financial statements, which will be applicable from the financial years commencing after or from 1 July 2012. This standard regulates the recognition of all the components reported under Other comprehensive income/(losses), depending on whether or not they can be subsequently reclassified to the income statement.

No significant effects are expected for the company from the adoption of this standard.

On 16 June 2011 the IASB issued an amendment to IAS 19 – Employee benefits, which will be applicable on a retrospective basis from the financial year commencing on 1 January 2013. This standard eliminates the option to defer the recognition of actuarial gains and losses according to the corridor method, requiring the presentation of the deficit or surplus of the fund in its entirety in the statement of financial position, and the

separate recognition of the cost components linked to the working activity and net financial charges in the income statement, as well as the recognition of actuarial gains and losses that arise from the re-measurement of liabilities and assets under Other comprehensive income/(losses) in each financial year. Furthermore, the return of the assets included under net financial charges shall be calculated on the basis of the discount rate of the liabilities and no longer on the basis of the expected return of the same. Finally, the amendment introduces new additional information to be provided in the notes to the financial statements. The company is assessing any impacts arising from the application of the amendment.

On 16 December 2011 the IASB issued some amendments to IAS 32 - Financial Instruments: presentation, which will be applicable on a retrospective basis for the financial years commencing from or after 1 January 2014, to clarify the application of some criteria for the setoff of financial assets and liabilities under IAS 32. No significant effects are expected for the company from the adoption of this standard.

On 16 December 2011 the IASB issued some amendments to IFRS 7 - Financial Instruments: Disclosures. The amendment requires information on the effects or potential effects of the contracts for the setoff of financial assets and liabilities on the statement of financial position. The amendments will be applicable for the financial years commencing from or after 1 January 2013 and the interim periods after this date. The information shall be provided on a retrospective basis. It is believed that the adoption of this revised version will not entail any significant effect on the financial statements of the company.

Use of estimates and valuations

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

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

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

i) Impairment of assets

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

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

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

iii) Provisions for risks and charges

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

iv) Taxes

The recognition of deferred tax assets is made on the basis of the forecast income expected in future financial years. The valuation of any expected income for the purposes of the recognition of deferred taxes depends on factors that may vary over time and determine significant effects on the measurement of deferred tax assets.

v) Fair value of derivative financial instruments

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

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

5. Financial and operating risk management

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

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

Credit risk

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

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

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

In relation to derivative financial instruments which are used for hedging purposes and which can potentially generate credit exposure to counterparties, the company applies a policy that defines concentration limits by counterparty and by class of rating.

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

	31.12.2011	31.12.2010
Current trade receivables	1,903,240	2,469,146
Other current assets	49,577	132,391
Non-current financial assets (including derivatives)	23,203	453
Other non-current assets	107,769	108,469
Cash and cash equivalents	607,842	32,547
Current financial assets (including derivatives)	703	42,661
Total exposure, including provision for bad debts	2,692,334	2,785,667

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

	31.12.2011	31.12.2010
Public Administration, Italian Government, Regions	1,062,229	1,644,452
Ordinary customers	431,549	380,317
Other creditors	196,615	189,531
Total exposure, including provision for bad debts	1,690,393	2,214,300

The type of the Company's customers is largely attributable to government and public bodies, such as the Ministry of Economy and Finance and Regional Governments. For any other credits, specific procedures are in force which tend to minimise the risk of insolvency of the creditor through the adoption of appropriate guarantees, except for large Cargo customers for which the specific risk (if any) is specifically assessed. Therefore, the credit risk, which is represented by the Company's exposure to potential losses arising from the failure by its own debtors to comply with their obligations is significantly reduced.

The table below provides a distribution of financial assets at 31 December 2011, as broken down by overdue items, net of provision for bad debts:

	31.12.2011					Total
	Overdue by					
	Expiring	0-180	180-360	360-720	beyond 720	
Public Administration, Italian Government, Regions	52%	25%	5%	18%	0%	100%
Ordinary customers	72%	19%	6%	3%	0%	100%
Other creditors	94%	3%	3%	0%	0%	100%
Total						100%

Liquidity risk

The liquidity risk is the risk that an entity may have difficulties in complying with the obligations associated with financial liabilities to be settled delivering cash on hand or any other financial asset. As stated in the report on operations, the company claims considerable receivables from the Government, which are not collected within the due time limits. The payment of the same by the Government, even if slow, allows the Company to manage, in the medium-long term, any financial requirements that may arise from the need to meet the first expiry dates of medium-long terms debts. The Company is provided with credit lines made available by the Parent Company and by leading credit institutions to meet liquidity requirements.

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

31 December 2011	Book value	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
Non-derivatives financial liabilities							
Loans from banks	2,244,055	2,241,667	41,667	41,667	83,333	983,125	1,091,875
Borrowings from Group companies	3,373,724	4,189,826	897,426	0	600,000	784,600	1,907,800
Trade payables	1,782,477	1,782,477	1,782,477	0	0	0	0
	7,400,256	8,213,970	2,721,570	41,667	683,333	1,767,725	2,999,675
Derivative financial liabilities							
Hedging derivatives on interest rates and exchange rates	259,266	262,609	29,911	40,825	85,161	102,291	4,422
	259,266	262,609	29,911	40,825	85,161	102,291	4,422

31 December 2011	Book value	Within 12 months	1 - 5 years	Beyond 5 years
Non-derivatives financial liabilities				
Loans from banks	2,244,055	85,722	1,067,458	1,091,875
Borrowings from Group companies	3,373,724	81,324	1,384,600	1,907,800
Trade payables	1,782,477	1,782,477	0	0
	7,400,256	1,949,523	2,452,058	2,999,675
Derivative financial liabilities				
Derivatives on interest rates and exchange rates	259,266	0	259,266	0
	259,266	0	259,266	0

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

Market risk

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

Interest rate risk

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

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

- a hedge of up to 50% of the medium/long-term debt through plain vanilla derivative instruments on interest rates that have a term equal to that of the transaction;
- constant monitoring of the residual 50% in order to seize further hedging opportunities in a short period;
- to date, the entire residual debt has been covered by short-term transactions expiring between 2012 and 2013. Transactions have been started for the re-hedging of this debt portion, with expiry dates between 2014 and 2016 for a portion of 70% of the debt, whose hedges will expire in the next two years.

The objective of the strategy, as a whole, is to limit changes in cash flows relating to financing operations in place (Cash Flow Hedge).

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

	Book balance	Notional value	Current portion of notional value	Portion of notional value expiring between		
				1 and 2 years	3 - 5 years	beyond 5 years
- Variable rate	5,535,893	5,534,067	83,333	683,333	1,767,725	2,999,675
- Fixed rate						
Balance at 31 December 2011	5,535,893	5,534,067	83,333	683,333	1,767,725	2,999,675

	31.12.2011	31.12.2010
<i>Before hedging with derivative instruments</i>		
- variable rate	100%	100%
- fixed rate	0%	0%
<i>After hedging with derivative instruments</i>		
- variable rate	0%	14%
- protected variable rate	54%	40%
- fixed rate	46%	46%

The Company does not account for fixed-rate financial assets or liabilities at fair value through profit or loss and does not designate derivative instruments (interest rate swaps) as hedging instruments according to the fair value hedging model. Accordingly, any changes in interest rates at the closing date of the financial statements would have no effects on the income statement.

Below is reported a sensitivity analysis that shows the effects that would have been recorded in terms of changes in financial charges had a change arisen, either as an increase or a decrease, of 50 basis points in the Euribor interest rates applied to loans payable in the course of 2011:

Change	Shift +50 bps	Shift - 50bps
Interest on variable-rate debt	25,962	(25,962)
Net cash flow from hedging transactions	(14,554)	15,881
Total	11,408	(10,080)

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

Below is also reported a sensitivity analysis that shows the effects of a parallel shift of 50 basis points, either as an increase or a decrease, in the swap rate curve recorded as at 31 December 2011 on the fair value of hedging derivative instruments:

Change	Shift +50 bps	Shift - 50bps
Fair Value of hedging derivatives	71,865	(76,189)
Total	71,865	(76,189)

Exchange risk

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

Capital management

The Company's main objective within the capital risk management is that of safeguarding the going-concern basis of the business so as to ensure returns to the shareholder and benefits to the other stakeholders. Furthermore, the Company intends to maintain an optimal structure of the capital so as to reduce the cost of indebtedness.

Financial assets and liabilities by category

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

31 December 2011	Receivables and loans disbursed	Payables and loans received	Hedging derivatives
Non-current financial assets (including derivatives)	23,203		
Other non-current assets	107,769		
Current financial assets (including derivatives)	703		
Other current assets	48,582		
Medium-long term loans		5,450,733	
Non-current financial liabilities (including derivatives)			242,070
Other non-current liabilities		69,799	
Short-term loans and current portion of medium/long-term loans		146,613	
Current trade payables		1,782,477	
Current financial liabilities (including derivatives)		899,471	17,196
Other current liabilities		534,990	
31 December 2010	Receivables and loans disbursed	Payables and loans received	Hedging derivatives
Non-current financial assets (including derivatives)	453		
Other non-current assets	83,483		
Current trade receivables	2,272,773		
Current financial assets (including derivatives)	42,661		
Other current assets	154,670		
Medium-long term loans		5,534,067	
Non-current financial liabilities (including derivatives)			194,034
Short-term loans and current portion of medium/long-term loans		221,023	
Current trade payables		1,812,497	
Current financial liabilities (including derivatives)		665,274	19,332
Other current liabilities		889,101	

Other risk factors:

Business risks

The medium- and long-distance Passenger Transport is conditional on consumption levels, employment levels and the overall development of the main economic factors. The competition in the means of transport is a decisive factor to be successful in the railway transport market. High Speed lines and related accessory services allowed the railway sector in question to start competition with the other means of transport (airplane-car), above all through the reduction in travel times, the comfort of the journey and the arrival to the urban centres of major cities. In this market segment the successful crucial factor will increasingly be the maintenance of and improvement in the quality of the service offered and of the rapid adaptation to the trend in market demand. For this reason the Company has taken important actions that will allow it to respond to the expectations of its customers, including: the start of the renewal of the fleet starting from 2013, the expansion of the High Speed offer, the diversification of service levels in lieu of classes, the new Frecciarossa services (WiFi, multi-media services, etc.) and the new sales platform via Web and on the traditional channels.

Starting from 2012 the "market" sector will be also affected by the change in market equilibriums following the entry of new private operators that will operate on the most profitable component of the market itself to the detriment of the current shares held by the company.

Operating risks arising from the entrance of the new operator in the High Speed sector have been assessed in the Company's Business Plan and, therefore, they have been reflected in the 2012 budget. Any effects arising from the failure to renew service contracts with the regional governments will have repercussions (if any) on the periods after 2014 and, at present, they are not foreseeable; the same must be considered to be as risks attributable to a company that operates in the market on a free competition basis. Against this specific risk, the company has implemented, in executing service contracts, suitable protection measures to safeguard its investments.

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

For 2012 the funds that shall be transferred by the Government to the Regions for financing rail transport have been significantly reduced in a first phase and then partially replenished only through subsequent measures, with a visible applicability solely to the 2012 financial year. The agreements executed between the regional governments and the Government provide that, for 2012, the financial support by the Government for the Local Public Railway Transport will be equal to Euro 1,600 million, two thirds of which are covered by the funds envisaged under article 21, paragraph 3, of Legislative Decree 98/2011, while one third is covered by funds to be allocated by subsequent regulatory measures that also consider the effects of the "Agreement for Efficiency Improvement and Streamlining of the Italian Local Public Transport" (*Patto per l'Efficientamento e la Razionalizzazione del Trasporto Pubblico Locale Italiano*).

The recent Legislative Decree no. 1 of 24 January 2012 bearing "Urgent measures for competition, development and competitiveness" (*Disposizioni urgenti per la concorrenza, lo sviluppo e la competitività*) provides, under article 25, for the Regional Government's obligation to launch tenders for the Regional transport service. This decree will be implemented upon the expiry of the contracts in place with Trenitalia, which is expected in 2014 in most cases. It is absolutely evident that the new legislative scenario may amend, as a result, the commitments undertaken by the Company with the Regional Governments in the definition of the service contracts, with specific regard to the sums to be destined to investments.

Trenitalia has signed contracts with the Italian Regional Governments which do not depend on the procedures through which the Regional Governments themselves may find the necessary sources of financing; nevertheless, the uncertainty that dominates the entire sector is such as to induce the Regional Governments to possibly reduce the offer permitted by the contracts themselves. These processes, even if included within the company's capacity to adapt, are in clear conflict with the mobility needs expressed by local areas on one hand, and on the other with a planning criterion, even if minimum, which is imposed by the railway sector in relation to the time required for the implementation of any investment plans which could accompany the offer development.

The market risks are particularly evident in the Cargo transport sector. In fact, this sector is particularly affected by the negative trend in the economy in general, which entails a reduced industrial production and, accordingly, a reduced demand for transport, which is offset by the increased offer, both for road and rail transport, with the effect that below-cost services are also offered.

Therefore, the Company's policy is to contain prices for customers, together with the streamlining of the offer and costs, and to focus on relations with higher operating impact, even with limited margins.

Operational risks

The Company operates in the railway transport sector with the help of complex production and control systems. The major operational risks may arise from criticalities relating to the failure to comply with the contractual functional specifications of new rolling stock being delivered by the manufacturers or of the rolling stock subject to maintenance at Private Garages. The Company continues to monitor the different issues reported on important job orders that have generated disputes, but above all operational difficulties and heavy disservices in some cases. In this regard, particularly severe actions have been taken against suppliers and in some cases the Company has used completely different procedures for the entry into service of rolling stock, providing for a full involvement of the manufacturer for long trial periods, without taking delivery of the rolling stock. In other cases, contracts were terminated due to the non-compliance by the suppliers themselves, activating the enforcement of the sureties given to secure contracts. It is absolutely evident that the general crisis of the credit market also affected heavily railway sub-suppliers, thus creating, in some cases, strong tensions on the manufacturers, which are also small/medium-sized businesses.

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

Legal and contractual risks

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

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

In this regard, note in particular: (i) the numerous actions brought by the former cleaning service contractors following the termination of contracts decided by the company as a result of the serious defaults reported in the performance of the contracts, (ii) a litigation brought by the company responsible for the building of the *Impianto Dinamico Polifunzionale* (IDP) plant in Naples for objections that were raised during the performance of the work and (iii) some disputes brought by a manufacturing company of rolling stock with reference to objections raised by the Customer for delays or disservices that occurred within the supplies; (iv) the recourse to legal actions by the former employees of the cleaning firms that have not been awarded contracts, in order to seek enforcement actions to recover, against the company (joint liability), portions of remuneration and/or TFR not paid out by their employers at the end of the employment relationship.

Information on the Balance Sheet

6. Property, plant and equipment

Below is reported the statement of amounts of property, plant and equipment at 31 December 2011 with the related changes of the financial year. In 2011 no changes were recorded in the estimated useful life of the assets.

PROPERTY, PLANT AND EQUIPMENT						
	Land, buildings, railway and port infrastructure	Plant and machinery	Industrial and business equipment	Other assets	Fixed assets under construction and advances	Total
Historical cost	1,949,733	13,373,174	162,583	338,507	592,881	16,416,878
Depreciation and impairment	(581,433)	(6,102,980)	(100,131)	(294,476)	(3,595)	(7,082,615)
Grants	0	(394,563)	0	(759)	(7,368)	(402,690)
Balance as at 31.12.2010	1,368,300	6,875,631	62,452	43,272	581,918	8,931,573
Investments		108		51	828,480	828,639
Entries into service	27,072	538,034	4,932	44,023	(613,739)	322
Depreciation	(14,136)	(771,203)	(12,701)	(23,816)		(821,856)
Impairment losses		(24,153)			(8,853)	(33,006)
Disposals and divestments		(279)	(16)			(295)
Other changes	(23)	(101,577)	(2,018)	(4,870)	(3,009)	(111,497)
Change in grants		(3,888)		683	4,522	1,317
Other reclassifications	(312)	1,359	(165)	(1,857)	16,497	15,522
Total changes	12,601	(361,599)	(9,968)	14,214	223,898	(120,854)
Historical cost	1,976,470	13,810,819	165,316	375,854	821,110	17,149,569
Depreciation and impairment losses	(595,569)	(6,898,336)	(112,832)	(318,292)	(12,448)	(7,937,477)
Grants	0	(398,451)	0	(76)	(2,846)	(401,373)
Balance as at 31.12.2011	1,380,901	6,514,032	52,484	57,486	805,816	8,810,719

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

- Investments of Euro 828,639 thousand relating to rolling stock for Euro 644,455 thousand, other investments in workshop systems and buildings and technical equipment for Euro 58,419 thousand and to the increases in advances for the purchase of rolling stock for Euro 125,765 thousand. Specifically, for investments in rolling stock, note the purchase of light E464 locomotives, the restructuring of High Speed trains, with the cosmetic and functional upgrading of the interior fittings, in accordance with the new offer model based on four new levels of service, the installation of on-board technology SCMT (*Sistema Controllo Marcia Treno*, Train March Control System), SCC (*Sistema di Comando e Controllo*, Command and Control System) and STB (*Sistema Tecnologico di Bordo*, On-Board Technologic System) and the continuation of the activities for the restructuring on low-deck coaches aimed at increasing comfort and at regulatory safety amendments, as well as the start of new projects within the National and International Passenger Division for the purchase of new "1000" series electrical trains, which will be able to travel on the railway network at 360 Km/hr. Furthermore, note that with the entry into operation of the new High Speed trains, which is expected starting from 2015, it was necessary to reorganise and strengthen the sites for carrying out all 1st-level maintenance activities on the new materials. For this purpose, actions were started

to reorganize the Milan Martesana facility and to adapt the OMC in Vicenza; furthermore, construction commenced on the new "IMC Torino Smistamento", in order to reallocate maintenance activities to a single site for both the National – International Passenger Division and Regional Transport according to efficiency criteria.

- Entries into service specifically concerning the entry into service of new E464 and E403 locos (Euro 186 million), and value-increasing maintenance (Euro 350 million).
- Depreciation that shows the portion recognised in the income statement in the financial year according to the rates defined for property, plant and equipment.
- Impairment losses, which show both the write-down made on the fleet of coaches dedicated to the Universal Service which, following the streamlining of this service with the adoption of the 2011 timetable have appeared to be in excess and no longer usable for other services (Euro 24,153 thousand), and the write-down of work in progress (Euro 8,853 thousand) against contracts terminated for which the enforcement has been requested for the sureties received as security.
- Other changes, equal to Euro 111,497 thousand, essentially attributable to the reduction in fixed assets following the contribution of the Branch of Business of the Lombardy Regional Head Office to the investee company Trenord, on 3 May 2011.
- Reclassifications equal to Euro 15,522 thousand, essentially due to the definition and allocation of some projects from work in progress - intangible assets to property, plant and equipment.

It should be noted that the rolling stock continues to be secured, for a value of Euro 3,292,400 thousand, by the guarantee issued in favour of Eurofima for the medium- and long-term loans raised through the Controlling Company Ferrovie dello Stato Italiane.

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

TYPE OF ASSET	Revaluation pursuant to Law no. 2 of 28/01/2009	
	Revaluation including depreciation	
	2008	2011
Land	50,878	50,878
Buildings	139,100	130,337
	189,978	181,215

The above revaluation, according to article 5 of Ministerial Decree no. 162/2001, was applied only to historical cost, against an entry under a revaluation reserve subject to tax relief, excluding the value of the provision for

deferred tax liabilities, a provision that is taken to the income statement in relation to the taxation of non-deductible depreciation.

7. Intangible assets

Below is reported the statement of amounts of intangible assets at 31 December 2011 with the related changes. In 2011 no changes were recorded in the estimated useful life of said assets.

INTANGIBLE ASSETS				
	Development costs	Concess., licences, trademarks and similar rights	Fixed assets under development and advances	Total
Historical cost	12,464	371,891	35,110	419,465
Amortisation and impairment losses	(9,968)	(302,414)	(26)	(312,408)
Grants	(1,959)	(428)		(2,387)
Balance as at 31.12.2010	537	69,049	35,084	104,670
Investments		398	32,253	32,651
Entries into service	444	42,319	(43,085)	(322)
Amortisation	(299)	(37,402)		(37,701)
Impairment losses				
Disposal and divestments				
Other changes		(833)	(827)	(1,660)
Change in grants				
Other reclassifications	(5)	1,134	(16,497)	(15,368)
Total changes	140	5,616	(28,156)	(22,400)
Historical cost	12,908	413,775	6,954	433,637
Amortisation and impairment losses	(10,272)	(338,682)	(26)	(348,980)
Grants	(1,959)	(428)		(2,387)
Balance as at 31.12.2011	677	74,665	6,928	82,270

The changes recorded in 2011 both in "Investments" and "Entries into service" were essentially attributable to Software and concerned the actions aimed at improving efficiency of production processes, the streamlining and efficiency improvement of sales channels. Note the start of the project of the new "Customer Relationship Management" system to offer to the customers a high service level on a multi-channel basis; activities are being started in relation to "phase 2" on the new integrated commercial platform "PICO" (*Piattaforma Commerciale*, Commercial Platform) concerning the offer on "basic services" and the Regional Passenger Transport.

The increases in Amortisation show the portion recognised in the income statement in the financial year according to the rates defined for intangible assets.

Other changes show the values of the fixed assets transferred to the investee company Trenord following the contribution of the Branch of Business of the Lombardy Regional Head Office.

Other reclassifications show the definition and allocation of some projects from work in progress – intangible assets to property, plant and equipment.

Impairment test for cash generating units

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

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

In accordance with the company's control model, the cross-company divisions (Technical Head Office, Industrial Logistics Head Office, Industrial Planning Head Office and Staff) are already allocated to the income statements of the various CGUs; on the contrary, the balance sheet items referred to the cross-company divisions have been allocated to the CGUs by using appropriate drivers.

For the purposes of the valuation of the impairment test, cash flows were determined on the basis of the best information available at the time of the estimate and inferable from the business plans approved by the Board of Directors of Trenitalia. The Value in Use was estimated by applying the method of the unlimited capitalization of the prospective cash flow of the last year of explicit forecast, making reference to normalized growth rates. The calculation of the Value in Use also made reference to "normalised" investments as defined by assuming stable conditions for each CGU on the basis of long-term forecasts. For the purposes of the determination of the value in use defined on the basis of the prospective cash flow of the last year of forecast, average growth rates were considered which were equal to the rates inferable from the long-term forecasts of the inflation rate equal to 2%.

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

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

CGU	2011 Net invested capital (€/mil.)	2011 Discount rate (WACC)	2010 Net invested capital (€/mil.)	2010 Discount rate (WACC)	Growth Rate
Medium/Long-Distance Passengers	2,945	7.1 %	3,260	7.3 %	2%
Regional Passenger Transport	4,149	7.1 %	4,098	7.3 %	2%
Cargo transport	578	9.0 %	448	9.0 %	2%
Totals	7,673		7,806		

The analyses conducted did not report any impairment losses.

8. Deferred tax assets and deferred tax liabilities

The statements below report the amounts of deferred tax assets and deferred tax liabilities, as well as the changes that were recorded in 2011 in deferred taxes entered for the main temporary differences recognized between book values and the corresponding tax values.

	31.12.2010	Increase (decrease) through P&L	Other changes	31.12.2011
Deferred tax assets				
- Measurement of financial instruments	54,480		11,275	65,755
Total	54,480		11,275	65,755
Deferred tax liabilities				
- value differences on property, plant and equipment and intangible assets	122,924	(819)		122,105
- Severance pay and other employee benefits	41,094	(1,524)	(5,168)	34,402
- Other items: Provision for Reclamation	393	22		415
Total	164,411	(2,321)	(5,168)	156,922
Balance	109,931	(2,321)	(16,443)	91,167

Deferred tax assets recorded an increase of Euro 11,275 thousand compared to the previous financial year, to be referred to the measurement at fair value of the hedging of any risks of changes in interest rates and fluctuations in exchange rates to be charged to equity.

Deferred tax liabilities amounted to Euro 156,922 thousand, down by Euro 7,489 thousand. This decrease was essentially due to deferred taxes relating to the recognition of the actuarial loss on employee benefits (TFR and CLC [*Carta di Libera Circolazione*, Free Travel Card]) to be charged to equity (Euro 5,168 thousand), to which must be added the release of deferred taxes entered in previous financial years mainly in relation to the actuarial valuation of employee benefits (Euro 1,524 thousand) and to the difference of value of property, plant and equipment (Euro 819 thousand).

Unused tax losses amounted to about Euro 1,569 million, for which no deferred tax assets were recognised for about Euro 430 million. These losses were reported in the Group's consolidated financial statements due to the application of the national consolidated tax base. Furthermore, it should be noted that the Company did not recognize deferred tax assets for about Euro 178 million against FTA adjustments and provisions for risks set aside in the accounts. Deferred tax assets in question were not recognised as it was not deemed at all probable that they could be recovered in the future.

Furthermore, it should be noted that the value of deferred tax assets and liabilities was determined by applying rates of 27.5% for IRES (*Imposta sul Reddito delle Società*, Corporate Income Tax) and 4.23% for IRAP (*Imposta Regionale sulle Attività Produttive*, Local Tax on Production Activities) taxes (taking account of regional additional taxes).

9. Equity investments

The tables below report the amounts of the equity investments in question at the beginning and at the end of the year, as broken down by category, and of the related changes that were recorded in 2011 and 2010.

	Net value as at 31.12.2011	Net value as at 31.12.2010	Accumulated provision for write- down
Equity investments in			
Subsidiaries	98,535	98,535	6
Companies subject to joint control	94,319	58,569	-
Associates	1,789	2,898	625
Other companies	957	1,056	3,467
	195,600	161,058	4,098

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

Note the following:

- the increase in the value of the equity investment in Trenord Srl due to the subscription of the share capital increase of Euro 70 million, which was subscribed to for the relevant portion, through the contribution of the branch of business. Again in relation to this transaction, note the transfer of the entire equity investment in TILO SA for Euro 650 thousand;

- the acquisition on 25 July of the equity investment in Trenitalia Veolia Transdev S.a.s. for a portion of 50% through the payment of Euro 19 thousand; subsequently, on 27 July, the capital increase was subscribed, as resolved by the Shareholders' Meeting, for the relevant portion equal to Euro 731.5 thousand;
- the final winding up, on 22 December 2011, of Artesia S.a.s.. This transaction entailed a financial income of Euro 285 thousand;
- the final winding up, on 13 December 2011, of Consorzio Acquario;
- the alignment of the value of some equity investments with their Equity, taking account of the negative operating results.

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

HQ		Share Capital	Profit (loss) for the year	Equity as at 31.12.2011	Accrued equity (a)	Book value as at 31.12.2011 (b)	Difference (b) - (a)
Equity investments in subsidiaries							
Serfer Srl (*)	Genoa, Via Rolla 22r	5,000	90	8,621	8,621	7,088	(1,533)
TX Logistik AG	Bad Honnef, Rhondarfer Str. 85	286	2,754	24,132	24,132	91,409	67,277
Trenitalia Logistik France S.a.S.	Paris, 182 rue Lafayette	43	(12)	31	31	37	6
						98,535	
Equity investments in companies subject to joint control							
Cisalpine AG (**)	Bern, Fabrikstrasse 35	133,679	1,252	193,023	96,512	55,509	(41,003)
Trenord S.r.l.	Milan, Via Pietro Paleocapa 6	76,120	7,688	79,039	39,520	38,060	(1,460)
Trenitalia Veolia Transdev S.a.s.	Paris, 15 rue des Sablons	1,500	(1,812)	(315)	(158)	750	908
						94,319	
Equity investments in associates							
Pol Rail Srl	Rome, Via Mantova 1	2,000	20	3,085	1,543	1,522	(21)
East Rail Srl in liquidation	Trieste, Via Ghega 1	130	(9)	56	18	18	0
Alpe Adria SpA (***)	Trieste, Via S.Caterina da Siena 1	120	22	153	51	44	(7)
Logistica S.A.	Clichy la Garenne Cedex, Cap West 7/9 Allées d l'Europe	37	78	3,111	1,556	18	(1,538)
Artesia S.a.s. in liquidation (****)	Paris, 24 rue de Londres	220	316	790	395	0	(395)
FS Formazione SpA in liquidation(*****)	Rome, Pz. della Croce Rossa 1	637	(155)	752	186	187	1
						1,789	
TOTAL						194,643	

(*) financial statements based on Italian GAAPs

(**) 2011 average Swiss franc exchange rate: 1.2276; as at 31/12/2011: 1.2156

(***) data referred to estimated values

(****) data referred to the final liquidation accounts

(*****) data referred to the interim financial statements as at 30/11/2011

As regards the equity investment in TX Logistik AG, it should be noted that the positive difference is to be considered to be fully recoverable as it reflects the company's ability to generate income, which is estimated on the business plan of the same in relation to the next five years. Also as regards the equity investment in Trenitalia Veolia Transdev S.a.s, the value was not adjusted as the result for the period does not represent the actual company's profitability prospects, as it did not enter into full operation in the 2011 financial year.

10. Financial assets (including derivatives)

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

	31.12.2011		Book value 31.12.2010		Difference	
	Non-current	Current	Non-current	Current	Non-current	Current
	Financial assets					
- receivables for loans	23,203	703	453	42,661	22,750	(41,958)
	23,203	703	453	42,661	22,750	(41,958)

The increase recorded in non-current financial assets, equal to Euro 22,750 thousand, refers to the receivable for the loan granted to Trenord S.r.l. within the contribution of the Trenitalia branch of business. Said loan was granted at the fixed interest rate of 4.5%, it will expire on 31 December 2020, interest will be settled in six-monthly instalments starting from 20 June 2011 and the capital will be repaid, again in six-monthly instalments, starting from 30 June 2015.

The decrease recorded by receivables for current loans was mainly determined by the closing of loans granted in 2011 to Trenord S.r.l. for an amount of Euro 39,700 thousand and to TX Logistik AG for a value of Euro 2,040 thousand. As at 31 December 2011 the amount was essentially made up of the receivable for the loan granted to Logistica SA equal to Euro 700 thousand (Euro 920 thousand as at 31 December 2010).

The table below summarises the receivables for loans:

	Residual Receivable			
	31.12.2011		31.12.2010	
	Non-current	Current	Non-current	Current
From Banks	453	-	453	-
Trenord Srl	22,750	3	-	39,700
TX Logistik AG	-	-	-	2,040
Logistica SA	-	700	-	921
Total	23,203	703	453	42,661

11. Other non-current and current assets

This item is broken down as follows:

	31.12.2011			31.12.2010			Differences		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Other receivables from group companies	23,003		23,003	25,421		25,421	(2,418)		(2,418)
VAT receivables from the controlling companies	127	84,185	84,312	127	82,823	82,950		1,362	1,362
other VAT receivables	1		1	3		3	(2)		(2)
Sundry receivables and accruals /deferrals	26,446	23,584	50,030	106,840	25,645	132,485	(80,394)	(2,061)	(82,455)
Total	49,577	107,769	157,346	132,391	108,468	240,859	(82,814)	(699)	(83,513)
Provision for write-downs	(995)		(995)	(2,707)		(2,707)	1,712		1,712
Total, net of Provision for write-down	48,582	107,769	156,351	129,684	108,468	238,152	(81,102)	(699)	(81,801)

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

- non-trade receivables from group companies, equal to Euro 23,003 thousand; for detailed disclosures on transactions with the same, reference is made to the paragraph on related parties;
- VAT receivables from the controlling company, equal to Euro 84,312 thousand, which increased as a result of the interest accrued on receivable from Ferrovie dello Stato Italiane for the refund of the VAT requested from the Tax Authorities;
- other receivables, equal to Euro 50,030 thousand, which include: receivables from the Ministry of Infrastructures and Transport in relation to the grants correlated to the "Autostrada Ferroviaria Alpina" project (Euro 26,675 thousand, of which Euro 22,836 thousand of non-current portion and Euro 3,839 thousand of current portion); it should be pointed out that, for a uniform comparison, the 2010 receivable was also showed in a similar manner; receivables from welfare and social security institutions (Euro 4,742 thousand); receivables from personnel (Euro 4,937 thousand), sundry receivables from the distributors of tickets for regional traffic (Euro 2,847 thousand); receivables for recovery of VAT on transactions with other countries (Euro 7,076 thousand) and other minor receivables (Euro 3,753 thousand).

The decrease in "Other non-current and current assets", equal to Euro 83,513 thousand, is essentially attributable to the change in "Sundry receivables and accruals /deferrals" (Euro 82,455 thousand) and essentially derives from the refund by the Revenue Agency (*Agenzia delle Entrate*) of the stamp tax (Euro 64,808 thousand), which was paid at the time of execution of the contract of sale of the Trenitalia Branch of Business and which subsequently appeared to be not due pursuant to Law no. 388/2000 (the so-called 2001 Finance Act); the reimbursement of this tax, which was requested on 26 February 2001, took place in September 2011; and from the portion repaid in 2011 (Euro 11.800 thousand) of the receivable from the Ministry of Infrastructures and Transport for the grants relating to the AFA project.

It should be noted that the recoverable value of receivables from third parties was adjusted by the corresponding provision for bad debts (Euro 995 thousand).

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

	31.12.2011			31.12.2010			Differences		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
National	31,335	107,769	139,104	83,677	108,468	192,145	(52,342)	(699)	(53,041)
Eurozone countries	14,843		14,843	39,637		39,637	(24,794)		(24,794)
United Kingdom	13		13	35		35	(22)		(22)
Other European countries (non-euro EU)	489		489	1,306		1,306	(817)		(817)
Other non-EU European countries	2,897		2,897	7,736		7,736	(4,839)		(4,839)
	49,577	107,769	157,346	132,391	108,468	240,859	(82,814)	(699)	(83,513)

12. Inventories

Inventories are broken down as follows:

	31.12.2011	31.12.2010	Differences
Raw and secondary materials, and consumables	875,604	865,799	9,805
Provision for write-down	(223,220)	(210,218)	(13,002)
Net value	652,384	655,581	(3,197)
Written-off assets to be disposed of	15,709	32,149	(16,440)
Provision for write-down	(13,435)	(27,410)	13,975
Net value	2,274	4,739	(2,465)
Total Inventories	654,658	660,320	(5,662)

Inventories of Raw and secondary materials and consumables compared to the previous financial year show an increase of Euro 9,805 thousand. This increase is mainly attributable to the purchases of new repairable components, whose use is linked to maintenance needs. Against the increase in inventories, their net value decreased following the allocation of Euro 13,002 thousand to the related Provision for write-down according to both the divestment plan of rolling stock, and the stock turnover.

Written-off assets to be disposed of, net of the related provision, represent the presumed realisable value estimated by the competent structures for the rolling stock which has come back to railway operation.

13. Non-current and current trade receivables

Trade receivables are broken down as follows:

	31.12.2011			31.12.2010			Differences		
	Current	Non-current	TOT.	Current	Non-current	TOT.	Current	Non-current	TOT.
Ordinary customers	431,550		431,550	380,317		380,317	51,233		51,233
State Administrations and other Public Administrations	52,516		52,516	52,642		52,642	(126)		(126)
Foreign Railways	34,173		34,173	52,956		52,956	(18,783)		(18,783)
Railways under construction	9,133		9,133	5,859		5,859	3,274		3,274
Agencies and other transport companies	34,407		34,407	35,220		35,220	(813)		(813)
Receivables from Service Contracts:									
- Service Contract with Regional governments	620,163		620,163	535,985		535,985	84,178		84,178
- Service Contract with the Government	385,710		385,710	1,055,166		1,055,166	(669,456)		(669,456)
Receivables from group companies	335,588		335,588	351,001		351,001	(15,413)		(15,413)
Total	1,903,240		1,903,240	2,469,146		2,469,146	(565,906)		(565,906)
Provision for write-down	(219,584)		(219,584)	(196,373)		(196,373)	(23,211)		(23,211)
Total net of provision	1,683,656		1,683,656	2,272,773		2,272,773	(589,117)		(589,117)

The decrease in receivables compared to the previous financial year, equal to Euro 589,117 thousand, was substantially attributable to the combined effect of:

- Increase in receivables from Regional Governments (Euro 84,178 thousand) for local passenger transport service contracts, following the extension of the periods of time for the payment of considerations;
- Decrease in receivables from the Ministry of Economy and Finance for the public service contract by Euro 669,456 thousand, following the collection of 2010 – 2011 considerations that took place at the end of the financial year.

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

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

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

	31.12.2011	31.12.2010	Differences
National	1,850,040	2,398,300	(548,260)
Eurozone countries	33,489	51,466	(17,977)
United Kingdom	56	91	(35)
Other European countries (non-euro EU)	6,505	10,774	(4,269)
Other non-EU European countries	10,996	8,381	2,615
United States	204	0	204
Other countries	1,950	134	1,816
	1,903,240	2,469,146	(565,906)

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

Provisions for bad debts	31.12.2010	Provisions	Uses	Reclassifications	31.12.2011
Ordinary customers					
- Customers	28,642	2,850	(188)	8,108	39,412
- Receivables for travel irregularities	118,547	27,844	(10,860)		135,531
State Administrations and other Public Administrations	13,626		(25)	715	14,316
Foreign Railways	5,311			(4,178)	1,133
Railways under concessions	6				6
Agencies and other transport companies	20,251		(947)	(54)	19,250
Receivables from Group companies	9,990	273	(327)		9,936
Total	196,373	30,967	(12,347)	4,591	219,584

The provision for 2010 is almost fully referred to the increase recorded in the provision for the coverage of travel irregularities (Euro 27,844 thousand).

The uses of the provision for bad debts also essentially refer to the losses on receivables for travel irregularities (Euro 10,860 thousand).

14. Cash and cash equivalents

The item is broken down as follows:

Description	31.12.2011	31.12.2010	Differences
Bank and postal accounts	811	955	(144)
Cheques	2	2	0
Cash and cash on hand	37,577	31,590	5,987
Treasury current accounts	569,452		569,452
Total	607,842	32,547	575,295

The increase in cash and cash equivalents, equal to Euro 575,295 thousand, is mainly correlated to the balance of the Central State Treasury Office current account registered in the name of Ferrovie dello Stato Italiana, in the capacity as the agent of the collection, which includes the payment, by the Ministry of Economy and Finance, of the considerations relating to the Service Contracts with the Regional Governments that took place at the end of December.

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

The item "cash and cash on hand" represents the share of receipts from ticket offices paid into the current bank accounts of the Company by 31 December 2011, but that the credit institutions credited on a subsequent date of transaction.

15. Tax receivables

Tax receivables, equal to Euro 177 thousand, decreased by Euro 424 thousand, compared to the previous financial year. This reduction was due to the transfer of tax credits for withholdings to the controlling company within the group's consolidated tax base.

16. Shareholders' equity

The changes recorded in 2010 and 2011 for the equity items are reported analytically in the statement reported after the financial statement schedules.

Share capital

At 31 December 2011 the share capital of the Company, which was fully subscribed and paid up, was made up of 3,308,928 ordinary shares, with a par value of Euro 500 each, for a total of Euro 1,654,464 thousand.

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

The cash flow hedge reserve, which includes the effective portion of the cumulative net change in the fair value of cash flow hedge instruments derivatives relating to related transactions that have not yet taken place. This Reserve as at 31 December 2011 showed a negative balance of Euro 173,354 thousand; this amount increased, compared to 31 December 2010, for an amount equal to Euro 29,725 thousand.

Reserve for actuarial gains (losses) for employee benefits

The reserve for actuarial gains (losses) for employee benefits includes the effects of the actuarial changes in the Severance Pay and in the Free Travel Card. At 31 December 2011 the actuarial loss was equal to Euro 13,360 thousand, compared to the actuarial gain that was equal to Euro 29,934 thousand as at 31 December 2010.

Legal reserve

The legal reserve, which aims at covering share capital against any losses that may arise, is set up through the allocation of 5% of annual net profits, up to an amount equal to the fifth of the share capital. At 31 December 2011 it was equal to Euro 4,635 thousand, following the attribution of the share of profit of the 2010 financial year, equal to Euro 3,653 thousand.

Sundry reserves

This item includes the revaluation reserve that was set up in 2008, pursuant to article 15, paragraphs 16 and 23, of Decree Law no. 185/2008 (so-called Anti-Crisis Decree Law), as converted by Law no. 2 of 28 January 2009, following the revaluation of some workshop complexes deriving from the FRE demerger, on the basis of the surplus values specified in the expert's report. The revaluation, as required by paragraph 18 of the abovementioned Decree, was set up net of the Provision for deferred taxes and, at 31 December 2011, it amounted to Euro 177,084 thousand.

Profits (losses) carried forward

In 2011 profits (losses) carried forward increased by Euro 69,408 thousand, as a result of the allocation of 2010 profit, equal to Euro 73,061 thousand, net of the portion allocated to Legal Reserve equal to Euro 3,653 thousand.

Profit for the year

The 2011 financial year reported a net profit equal to Euro 156,369 thousand.

17. Other comprehensive income (tax effect)

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

Below are reported the related changes:

	31.12.2011			31.12.2010		
	Gross amount	Tax effect	Net amount	Gross amount	Tax effect	Net amount
Effective portion of changes in fair value of cash flow hedges	(41,000)	11,275	(29,725)	(51,311)	14,111	(37,200)
Profits (Losses) relating to actuarial benefits	(18,528)	5,168	(13,360)	41,075	(11,141)	29,934
Other comprehensive income for the year	(59,528)	16,443	(43,085)	(10,236)	2,970	(7,266)

The cash flow hedge reserve recorded a negative change of Euro 41,000 thousand, as a result of the changes in the fair value of derivative financial instruments held in the portfolio, which was offset by a positive change of Euro 11,275 thousand concerning the corresponding deferred tax assets generated.

The actuarial valuation of provisions for employee benefits (provisions for TFR and CLC) determined an overall negative change (equal to Euro 13,360 thousand), relating to the recognition of actuarial losses of Euro 18,528 thousand and of the corresponding tax effect of an opposite sign equal to Euro 5,168 thousand.

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

Medium/long term loans	Book value		
	31.12.2011	31.12.2010	differences
Loans from banks	2,158,333	2,241,667	(83,334)
Payables to shareholders for group loans	3,292,400	3,292,400	-
Total	5,450,733	5,534,067	(83,334)

Short-term loans	Book value		
	31.12.2011	31.12.2010	differences
Loans from banks (short-term)	-	-	-
Payables to shareholders for group loans (short-term)	61,453	135,807	(74,354)
Total	61,453	135,807	(74,354)

Total loans	5,512,186	5,669,874	(157,688)
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Current portion of medium / long term loans	Book value		
	31.12.2011	31.12.2010	differences
Loans from banks (short-term)	85,079	85,197	(118)
Payables to shareholders for group loans (short-term)	81	19	62
Total	85,160	85,216	(56)

Total	5,597,346	5,755,090	(157,744)
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This item includes medium/long-term loans from the Controlling Company and the Banks; the reduction in the medium/long-term portion is due to the short-term reclassification of the two capital quotas, each of which is

equal to Euro 41,667 thousand, which, in May and November 2012, will be repaid relating to the bank loan granted by Banca Infrastrutture Innovazione e Sviluppo (former Opi). The reduction in loans from banks was due to the repayment of the loan granted by the bank itself for Euro 83,334 thousand which accrued in the year.

The item "Payables to shareholders for group loans (short-term)", compared to the previous year, showed a decrease mainly due to the value of the bank withdrawal of Euro 130,000 thousand closed in 2011, which was partially offset by the new short-term loans equal to Euro 52,750 thousand.

The accruals calculated on medium/long-term loans from banks and shareholders are recognised under short-term loans.

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

Year of expiry	31.12.2011	31.12.2010
	Nominal value	Nominal value
05/09/2013	600,000	600,000
06/03/2015	165,300	165,300
08/06/2015	83,000	83,000
07/04/2016	310,000	310,000
15/06/2016	194,000	194,000
15/06/2016	32,300	32,300
27/12/2017	600,000	600,000
30/04/2018	325,000	325,000
28/12/2018	200,000	200,000
28/12/2018	200,000	200,000
28/12/2018	149,400	149,400
28/12/2018	62,700	62,700
13/12/2019	160,000	160,000
16/12/2019	183,000	183,000
30/06/2020	62,700	62,700
30/06/2020	47,400	47,400
30/03/2022	120,000	120,000
15/12/2022	586,667	640,000
15/12/2022	330,000	360,000
22/05/2024	122,200	122,200
15/12/2024	400,000	400,000
15/05/2026	190,000	190,000
15/05/2026	100,000	100,000
15/05/2026	116,000	116,000
30/03/2027	128,700	128,700
30/03/2027	65,700	65,700
Total loans	5,534,067	5,617,400

It should be noted that all Loans were entered into in euro and are settled at a nominal interest rate equal to the 6-month Euribor rate, plus the spread.

19. Severance pay and other employee benefits

	31.12.2011	31.12.2010
Present value of severance pay obligations	974,469	1,074,354
Present value of Free Travel Card obligations	12,928	13,067
Total present value of obligations	987,397	1,087,421
Other employee benefits	130	138
Total severance pay and other employee benefits	987,527	1,087,559

The table below illustrates the changes that were recorded in the present value of liabilities for defined benefit obligations.

Severance pay (TFR)	2011	2010
Defined benefit obligations at 1 January	1,074,354	1,227,094
Interest cost (*)	44,469	45,919
Actuarial (gains) losses recognised in equity	18,793	(40,512)
Advances and uses	(163,147)	(158,147)
Severance pay liabilities at 31 December	974,469	1,074,354
Free travel card (CLC)		
Defined benefit obligations at 1 January	13,067	13,503
Service cost (**)	165	170
Interest cost (*)	636	613
Actuarial (gains) losses recognised in equity	(265)	(562)
Advances and uses	(676)	(657)
Free Travel Card liabilities at 31 December	12,928	13,067

(*) with recognition through P&L

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

The use of the provision for TFR, equal to Euro 163,147 thousand, was generated from benefits paid to the personnel leaving the Company in the course of the financial year, advances and transfers of employees from or to other Group companies. The difference between the value of the expected allocations at the end of the period of observation and the expected present value of the benefits payable in the future as recalculated at the end of the period, on the basis of the regular staff resulting at that date and of the new valuation assumptions, constitutes the amount of actuarial gains/(losses).

In the current financial year, this item generated, for the provision for TFR, actuarial losses of Euro 18,793 thousand compared to an actuarial gain of Euro 40,512 thousand recorded in 2010.

The Free Travel Card (*Carta di libera di circolazione*, CLC) constitutes a defined benefit plan for the employees of the Company and consists of the possibility of making use, free of charge, of the railway services provided by the Company, except for the payment of the right of admission for some additional products or services. The present value of the benefit was determined by using actuarial techniques and is equal to Euro 12,928 thousand. The Free Travel Card also generated actuarial gains for an amount equal to Euro 265 thousand.

Other employee benefits, equal to Euro 130 thousand, are made up of a supplementary insurance policy towards the staff.

Actuarial assumptions

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

	31.12.2011	31.12.2010
Discount rate of Severance Pay	4.05%	4.5%
Discount rate of Free Travel Card	4.6%	5%
Annual increase rate of Severance Pay	3%	3%
Rate of inflation	2%	2%
Expected turnover rate of employees	2%	3%
Expected rate of advances	2%	2%
Mortality	Mortality tables RG48 published by the General Accounting Office	
Disability	INPS tables broken down by age and gender	
Retirement age	100% subject to meeting the Compulsory General Insurance requirements	

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

20. Provision for risks and charges

The table below reports the amounts at the beginning and at the end of the year and the changes recorded in provisions for risks and charges for 2011, showing the short-term portion.

Description	31.12.2010	Provisions	Uses	Reclassifications	31.12.2011
Provision for industrial reorganisation	178,147		(49,951)	(99,402)	28,794
Other provisions:					
Other Provisions for Personnel	129,595	112,643	(5,500)		236,738
Provision for Charges for Workshops:	18,852		(329)		18,523
<i>Of which short-term portion</i>	<i>7,103</i>		<i>(251)</i>	<i>(268)</i>	<i>6,584</i>
Provisions for risks and charges	121,976	19,381	(22,879)	(3,588)	114,890
Total non-current and current portions	448,570	132,024	(78,659)	(102,990)	398,945

The Provision for Industrial reorganisation (Euro 28,794 thousand) recognises the forecast expenditure necessary to implement income support policies. This provision is provided for under law 449/97 and the subsequent agreements that have made the Bilateral Income Support Fund (*Fondo Bilaterale di Sostegno al reddito*) operational. This Fund constitutes for the Ferrovie dello Stato Italiane Group, in the absence of

traditional social shock absorbers, a fundamental instrument for managing the further phase of business restructuring and reorganisation. During the 2011 financial year, it was used for Euro 49,951 thousand against the payments made to the INPS to cover the benefits paid out in favour of the staff that had access to the fund's benefits; again for said staff, the amount of Euro 99,402 thousand, equal to the benefits to be paid out in the next years, was reclassified to payables to INPS. This fund is made up in accordance with the plan of exits defined in the 2011 - 2015 Business Plan.

The other Provisions for Personnel (Euro 236,738 thousand) include the wages due to personnel to be defined, whose quantification appears not to have been fully defined. As regards changes recorded in the year, note the allocation of Euro 112,643 thousand.

The Provision for Charges for Workshops (Euro 18,523 thousand) did not report significant changes in the financial year; it should be noted that the short-term portion was equal to Euro 6,584 thousand.

The Provision for Risks and Charges (Euro 114,890 thousand) was adjusted, during the 2011 financial year, by Euro 19,381 thousand. This provision was set aside against:

- labour litigation (Euro 11,971 thousand) concerning charges estimated against disputes before or out of court concerning labour issues pertaining to the company; specifically, the increase was correlated to the opening of new disputes in the current financial year, which involved the following cases: subcontract of workers, higher duties, on-the-job training contract (CFL, *Contratto di formazione lavoro*) and length of service;
- any possible objections on the part of Regional Governments (Euro 5,094 thousand) as to the quality of the transport services rendered;
- disputes and other risks connected to customer relations and towards third parties (Euro 2,316 thousand), which could have an unfavourable outcome for the company.

This provision was used for Euro 22,879 thousand, attributable to the following: the settlement of a dispute with the Revenue Agency (Euro 4,050 thousand); the settlement of the dispute with SNCF (Euro 900 thousand); the penalties acknowledged to the Regional Governments for Service Contracts (Euro 5,553 thousand); the charges incurred against disputes in court or out of court concerning labour issues pertaining to the Company (Euro 8,077 thousand), and the disputes with other third parties that have been settled unfavourably for the company (Euro 4,299 thousand).

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

	31.12.2011			31.12.2010			Differences		
	Non-current	Current	TOT.	Non-current	Current	TOT.	Non-current	Current	TOT.
Financial liabilities									
Hedging derivatives financial instruments	242,070	17,196	259,266	194,034	19,332	213,366	48,036	(2,136)	45,900
Other financial liabilities		899,471	899,471		665,274	665,274		234,197	234,197
	242,070	916,667	1,158,737	194,034	684,606	878,640	48,036	232,061	280,097

The item "Hedging derivative financial instruments" reports the overall value of the transactions of Interest Rate Swaps and Interest Rate Collars, as calculated according to the standard market valuation formulas (fair value) entered into by the Company to cover medium/long-term loans, as well as, for an amount of Euro 127 thousand, the fair value relating to the currency forward purchase to hedge debts denominated in Yen.

The overall fair value, equal to Euro 259,266 thousand, was calculated in relation to all the transactions in place as at 31 December 2011.

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

The item "Other financial liabilities" mainly reports the balance of the intercompany current account, equal to Euro 897,426 thousand, which shows an increase of Euro 232,152 thousand compared to the previous year. During the 2011 financial year, the Company resorted, to cover major cash requirements, to the credit lines granted by various credit institutions to the Parent Company.

22. Other non-current and current liabilities

Other liabilities, which amounted to Euro 534,990 thousand and reported a decrease of Euro 354,111 thousand, compared to the previous financial year, are broken down as follows:

	31.12.2011		31.12.2010		Differences	
	Current	Non-current	Current	Non-current	Current	Non-current
Payables to Social Security Institutions	122,741		139,941		(17,200)	
VAT payables	64,890		62,478		2,413	
Other payables to Group companies	29,598		201,475		(171,877)	
Payables for consolidated tax base	16,930		0		16,930	
Other payables and accrued expenses/ deferred income	300,830	69,799	485,204		(184,374)	69,799
Total	534,990	69,799	889,098		(354,108)	69,799

The item "Payables to Social Security Institutions" includes the payable for social security deductions to be charged by the personnel and by the employer that are still to be paid, the amount of contributions calculated on the wages due to personnel that have been assessed, but not yet paid, as well as payables for early retirements pursuant to law no. 141/1990 relating to charges for extraordinary contributions to the INPS Special Fund.

The increase recorded in "VAT payables", equal to Euro 2,413 thousand, is due to the differential effect between the increase in the deferred VAT payable on the invoices issued to the Public Administration that becomes payable only at the time of the collection (Euro 10,314 thousand) and the reduction in the payable to the Controlling Company within the Group's VAT procedure (Euro 7,901 thousand).

Payables for consolidated tax base refer to the IRES tax burden in the application of article 84, paragraphs 1 and 2 of the TUIR (*Testo Unico delle Imposte sui Redditi*, Consolidated Act on Income Taxes), which originates a payable to the Controlling Company equal to Euro 16,930 thousand.

The decrease in payables to group companies (Euro 171,877 thousand) is essentially attributable to the payment of the payable to Trenord srl following the termination of the lease of the Lombardy Region transport branch of business.

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

The item "Other payables and accrued expenses/deferred income" includes:

- payables to the bilateral management Fund equal to Euro 99,402 thousand (of which Euro 48,564 thousand beyond the year); this item includes payables to INPS for benefits to be paid out in the next years to the personnel who have had access to said fund in the 2011 financial year;
- payables to personnel for fees accrued and not yet paid for Euro 151,763 thousand;
- guarantee deposits of Euro 3,818 thousand;
- payables for withholding taxes for IRPEF purposes for Euro 44,439 thousand;
- deferred income of Euro 38,148 thousand.

Deferred income recorded a decrease of Euro 130,688 thousand, compared to the previous financial year, above all as a result of the accrual of Euro 108,918 thousand, relating to the early receipt of the consideration paid out by the Ministry of Economy and Finance in the 2010 financial year for the Regional Governments' service contracts accrued in the financial year.

23. Current trade payables

The item is broken down as follows:

	31.12.2011	31.12.2010	Differences
Payables to suppliers	781,665	709,582	72,083
Commercial advances	271	801	(531)
Trade payables to Group companies	1,000,541	1,102,114	(101,573)
Total	1,782,477	1,812,497	(30,020)

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

The increase in the item "payables to suppliers", compared to the previous financial year, equal to Euro 72,083 thousand, is attributable to the ordinary dynamics of the payables arising from contracts executed for supplies and provisions of goods and services.

24. Income tax payables

The item is broken down as follows:

	31.12.2011	31.12.2010	Differences
IRAP tax	17,681	198	17,483
Total	17,681	198	17,483

The IRAP tax debt, equal to Euro 17,681 thousand, includes:

- the IRAP tax debt in the financial year (Euro 6,218 thousand) determined as the difference between the IRAP tax payable in the financial year (Euro 86,366 thousand) and the recovery of the receivables for advance payments (Euro 80,148 thousand);
- the payable for the consent to the assessment (*adesione al contraddittorio*) issued by the Regional Head Office pursuant to article 5, paragraph 1-bis of legislative decree no. 218/1997 for Euro 11,464 thousand; for more details, reference is made to note no. 39.

Information on the Income Statement

25. Revenues from sales and services

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

	2011	2010	Changes
Revenues from the Transport Services	5,277,097	5,217,371	59,726
Market revenues	3,226,134	3,120,450	105,684
<i>Passenger traffic products</i>	<i>2,701,305</i>	<i>2,621,814</i>	<i>79,491</i>
<i>Cargo traffic products</i>	<i>524,829</i>	<i>498,636</i>	<i>26,193</i>
Revenues from Services Contract	2,050,964	2,096,921	(45,957)
<i>Public Service Contract and other Contract</i>	<i>537,514</i>	<i>545,667</i>	<i>(8,153)</i>
<i>Revenues from Regional Governments</i>	<i>1,513,450</i>	<i>1,551,254</i>	<i>(37,804)</i>
Revenues from Services to Railway Companies and Additional Traffic Services	129,286	101,503	27,783
Total	5,406,383	5,318,874	87,509

The item amounted to Euro 5,406,383 thousand, showing an increase of Euro 87,509 thousand compared to the previous financial year.

The positive change in market revenues for Euro 105,684 thousand is attributable to:

- the increase in revenues from passenger traffic products for Euro 79,491 thousand (+3%) arises from the increase in both the medium- and long-distance traffic for Euro 47,982 thousand (+2.5%), and the regional traffic for Euro 31,524 thousand (+4.4%);
- the Cargo sector, even in the presence of an unfavourable market, recorded revenues equal to Euro 524,829 thousand, with an increase of Euro 26,193 thousand (+ 5.3%).

Revenues arising from considerations for public service contracts (Regional Governments and the Government) showed a decrease, compared to the 2010 financial year, of Euro 45,957 thousand; this decline is mainly referable to contracts with the Ordinary Regions (*Regioni a Statuto Ordinario*) as a result of the public finance obligations that have led to the streamlining of the services requested (-3.4%), as well as to an increase in tariffs.

“Revenues from Services to Railway Companies and Additional Traffic Services” showed an increase of Euro 27,783 thousand, compared to the previous financial year, which was essentially attributable to higher revenues from the hire of rolling stock, accompaniment, handling and drive services rendered to the investee company Trenord on the basis of the new contracts entered into with the same following the contribution of the “Lombardy Regional Transport” branch of business.

26. Other income

The table below reports the breakdown of other income:

	2011	2010	Changes
Revenues from Property Management	20,180	32,764	(12,584)
Lease rentals	19,710	31,666	(11,956)
Charge-back of service charges and IRE	10	2	8
Sale of advertising spaces	460	1,096	(636)
Sundry income	289,740	372,107	(82,367)
Total	309,921	404,871	(94,950)

Other income recorded an overall reduction of Euro 94,950 thousand compared to the 2010 financial year. The most significant changes in other income included:

- under Property Management, the reduction in the lease rental of the "Lombardy Regional Transport" branch of business equal to Euro 17,072 thousand. This reduction arises from the fact that the 2011 consideration refers to almost 4 months, while in 2010 the same lease rental affected the entire financial year;
- under Sundry Income, lower charge-backs to Trenord for Euro 106,913 thousand, following the final contribution that took place on 3 May, with the consequent transfer of the title to the purchase contracts;
- lower penalties charged to suppliers and customers for Euro 38,118 thousand;
- higher considerations arising from the adjustment to the value of the Free Travel Cards used by the Group Companies (+Euro 41,996 thousand);
- the capital gain equal to Euro 18,854 thousand arising from the contribution of the "Lombardy Regional Transport" branch of business to Trenord srl.

27. Personnel cost

The table below reports personnel cost:

	2011	2010	Changes
Permanent staff	2,016,859	2,119,091	(102,233)
Wages and salaries	1,491,602	1,572,885	(81,283)
Social security contributions	411,615	427,215	(15,601)
Other permanent staff costs	18,733	11,684	7,048
Severance pay	94,909	105,747	(10,838)
Reimbursement of retirement allowances	0	1,559	(1,559)
Self-Employed Staff and Collaborators	199	158	41
Wages and salaries	183	137	47
Social security contributions	15	21	(6)
Other costs	57,365	64,968	(7,603)
Total	2,074,422	2,184,217	(109,795)

The personnel costs, which totalled Euro 2,074,422 thousand, showed a decrease of Euro 109,795 thousand compared to the previous financial year, which was mainly attributable to the reduction in the average staff passed from 40,925 units in 2010 to 37,662 units in 2011.

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

In 2011 costs relating to additional/extraordinary benefits and costs for the transfers of the permanent staff were reclassified from "Other permanent staff costs" to "Wages and salaries". In order to make the amounts relating to 2011 comparable with those relating to 2010, the same reclassification was also made with reference to the values of the previous financial year for an amount equal to Euro 82,990 thousand.

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

PERSONNEL	2011	2010	Change
Executives	295	325	(30)
Middle managers	4,370	4,837	(467)
Other staff	32,997	35,763	(2,766)
TOTAL	37,662	40,925	(3,263)

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

The item is broken down as follows:

	2011	2010	Changes
Raw materials and consumables	340,370	337,721	2,649
Electricity and drive fuels	68,524	74,233	(5,709)
Lighting and driving force	9,853	8,781	1,072
Total	418,746	420,735	(1,989)

Raw materials and consumables, equal to Euro 340,370 thousand, mainly refer to the items listed below:

- consumption of stock materials for Euro 315,500 thousand;
- purchase of heating fuels for Euro 7,800 thousand;
- purchase of stationery materials for Euro 6,213 thousand.

29. Costs for services

The balance is broken down in the table below:

	2011	2010	Changes
Transport services	1,102,755	1,139,280	(36,525)
Other services linked to Transport	55,024	48,077	6,947
Toll	867,502	931,777	(64,275)
Handling services	55,458	55,236	222
Ferrying services	22,217	25,125	(2,908)
Cargo transport services	102,555	79,065	23,490
Maintenance, cleaning and other contracted services	444,280	434,248	10,032
Services and works contracted on behalf of Third Parties	155	149	6
Cleaning services and other contracted services	224,377	242,311	(17,934)
Maintenance and repair of intangible assets and property, plant and equipment	219,748	191,788	27,960
Real estate services and utilities	35,005	35,532	(527)
Administrative and IT services	96,122	94,528	1,594
External communication and advertising costs	9,018	10,703	(1,685)
Sundry	310,745	292,319	18,426
Professional services	6,019	5,807	212
Tenders and fees to other Railway Companies	14,860	11,698	3,162
Group common costs	4,355	3,672	683
Insurance	30,664	33,332	(2,668)
Sleeping cars and catering	80,330	78,347	1,983
Consultancy	210	621	(411)
Commissions to agencies	41,729	46,373	(4,644)
Engineering services	66	9	57
Other	132,512	112,460	20,052
Total	1,997,926	2,006,610	(8,684)

The trend in costs for services shows that the company is consolidating its efficiency processes in the use of all production factors; in fact, said costs recorded an overall decrease equal to Euro 8,684 thousand (-0.4%).

The most significant changes included:

- transport services which reduced by Euro 36,525 thousand; this trend mainly arises from the combined effect of lower toll costs (Euro -64,275 thousand), a decrease attributable to the interruption of the purchase of this service on behalf of Trenord following the assignment of the contract as a result of the contribution already referred to, which was partially offset by the increase in charges for Transport services (*Sous-traitance*) in the segment of international cargo transport (Euro 24,733 thousand);
- costs for maintenance, cleaning and other contracted services, which increased by Euro 10,032 thousand; this trend mainly arises from the increase in maintenance costs of rolling stock (Euro 27,960 thousand) which was partially offset by the decrease in cleaning costs (Euro 17,934 thousand);
- costs for sundry services which increased by about Euro 18.4 million; this change is mainly attributable to the increase in costs for international services by Euro 3,162 thousand (boundary sections, common costs for international connections, etc.) and other services by Euro 20,052

thousand, the latter being attributable to the increase in costs for integrated logistics services acquired by the Cargo segment from the FS Logistica and Cemat group (Euro 8,847 thousand), the higher services rendered by Polfer (*Polizia Ferroviaria*, Railway Police) for the police guard on-board and surveillance at stations (Euro 1,691 thousand), business security services (Euro 1,010 thousand) and costs for operating services rendered by the investee company Trenord (Euro 8,332 thousand). These increases were partially offset by the reduction in costs for insurance (Euro -2,668 thousand) and by the reduction in sales commissions to agencies (Euro -4,644 thousand) due to the new contractual conditions and to the reduction in volumes of sales through agencies.

30. Leases and rentals

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

	2011	2010	Changes
Operating lease rentals	1	17	(16)
Lease rentals, service charges and IRE	72,803	97,620	(24,817)
Rentals and indemnities of rolling stock and other	62,150	36,735	25,415
IT services and other	26,188	30,425	(4,237)
Total	161,142	164,797	(3,655)

The most significant changes in the item are attributable to:

- a reduction in charges for property lease rentals (Euro -24,817 thousand), which were affected in 2010 by the effect of higher costs acknowledged for 2009 to RFI following the definition of the spaces occupied by Trenitalia (Euro -17,487 thousand), as well as lower charges for rentals (Euro -4,237 thousand) and for service charges (Euro -1,554 thousand);
- higher costs for hire of rolling stock (Euro 25,416 thousand), due to the hire of carriages for car transport and to the entry into operation by Cisalpino of additional ETR 610 trains.

31. Other operating costs

The table below reports the breakdown of other operating costs:

	2011	2010	Changes
Other costs	24,213	26,978	(2,764)
Capital losses	2,038	3,701	(1,663)
Total	26,252	30,679	(4,427)

The most significant changes that make up the item "Other costs" are the membership fees and contributions payable to various entities (amounting to Euro 6,699 thousand), the penalties payable and indemnities (Euro 5,708 thousand), the local tax on properties (Euro 3,097 thousand), and taxes for waste collection (Euro 2,777 thousand) and other taxes and duties (Euro 2,136 thousand).

32. Capitalization of internal construction costs

Capitalization of internal construction costs mainly related to the value of costs of materials, personnel and transport costs capitalised in 2011 against value-increasing maintenance actions of rolling stock carried out at the workshops owned by the Company.

The amount of the item (Euro 372,662 thousand) is almost fully attributable to the capitalization of second-level maintenance.

33. Amortisation and depreciation

The item, which totalled Euro 859,557 thousand, is broken down as follows:

	2011	2010	Changes
Amortisation of intangible assets and depreciation of property, plant and equipment	859,557	847,725	11,832
Amortisation of intangible assets	37,701	45,642	(7,941)
Depreciation of property, plant and equipment	821,856	802,083	19,773
Total	859,557	847,725	11,832

The overall increase in amortisation and depreciation was equal to Euro 11,832 thousand, essentially due to the entry into operation of new assets in 2011.

34. Write-downs and impairment losses (reversals)

The item is broken down as follows:

	2011	2010	Changes
Write-downs of property, plant and equipment	33,064	55,695	(22,631)
Value adjustments and write-backs on receivables	2,230	4,471	(2,241)
Total	35,294	60,166	(24,872)

This item mainly refers to the write-down of trade receivables equal to Euro 2,230 and to the write-down of rolling stock for Euro 33,064 thousand.

The overall decrease of the item, compared to the same period of the previous financial year, attributable to the item "write-downs of property, plant and equipment" (Euro 22,631 thousand), is due to the fact that in 2010 the company made the write-down of second-level maintenance on the rolling stock subject to impairment following the transition to IAS. Detailed information on the said write-downs is reported in the comment on the corresponding Balance Sheet items.

35. Provisions for risks and charges

Provisions for risks and charges totalled Euro 19,381 thousand and decreased, compared to the 2010 financial year, by Euro 1,656 thousand. Additional information is reported in the comment on the corresponding Balance Sheet items.

36. Finance income

The table below reports the breakdown of finance income:

	2011	2010	Changes
Finance income from non-current receivables and securities	738	14	724
Finance income on derivatives	0	444	(444)
Sundry finance income	9,691	17,840	(8,149)
Dividends	2,456	16,712	(14,256)
Foreign exchange gains	653	1,750	(1,098)
Total	13,538	36,760	(23,222)

The decrease, equal to Euro 23,222 thousand, essentially arises from the reduction in "Sundry finance income" which in 2010 contained the capital gain from the transfer of the Wisco equity investment Wisco for Euro 11,061 thousand, and from the "Dividends" which, again in 2010, showed the dividend of the investee company Cisalpino for Euro 14,693 thousand. This reduction was partially offset by increased interest income accrued in 2011 on the contributions of the cargo sector (Euro 2,005 thousand).

Dividends recognised in 2011 related to the subsidiary company TX Logistik AG (Euro 2,385 thousand) and to the associated company Artesia SAS (Euro 72 thousand).

37. Finance costs

The table below reports the breakdown of finance costs:

	2011	2010	Changes
Finance costs on payables	187,265	168,160	19,105
Finance costs for employee benefits	49,946	46,532	3,414
Finance costs on derivatives	7,164	0	7,164
Write-downs of financial assets	762	446	316
Foreign exchange losses	2,017	11,656	(9,639)
Total	247,153	226,794	20,359

Finance costs on payables showed an increase, compared to 2010, which was mainly attributable to the significant increase in interest rates recorded in international markets and in particular of the Euribor rate to which charges from debt service are linked. This item, which totalled Euro 187,265 thousand, is essentially made up of:

- interest expense on loans for Euro 40,710 thousand;
- interest expense on IRS derivative instruments for Euro 51,894 thousand;

- interest expense and premiums on Cap and Collar derivatives for Euro 21,228 thousand;
- interest and other charges to the controlling company for Euro 69,000 thousand.

Financial charges on derivatives recorded an overall negative impact equal to Euro 7,164 thousand relating to the Time Value component of derivatives (Cap and Collar).

Finance costs for employee benefits, amounting to Euro 49,946 thousand, are attributable to the discounting of provisions for TFR (Euro 49,309 thousand) and Free Travel Card (Euro 637 thousand) determined by the actuarial valuation of the two balance sheet items.

Write-downs of financial assets related to the adjustment to the book value of the equity investments in Pol Rail S.r.l. (Euro 369 thousand) and Alpe Adria S.p.A. (Euro 369 thousand). For more information, reference is made to the note on equity investments.

38. Foreign exchange gains (losses)

Foreign exchange losses, which amounted to Euro 1,364 thousand, showed a decrease, compared to 2010, of Euro 8,542 thousand, which was attributable to the Euro/Swiss Franc exchange rate which was more favourable than in 2010 on payables/receivables outstanding with the subsidiary Cisalpino AG.

39. Current, deferred tax assets and liabilities for the year

The table below reports the breakdown of income taxes:

	2011	2010	Changes
IRAP tax	86,366	85,445	921
IRES tax	84,652	92,024	(7,372)
Income from participation in the consolidated tax base	(67,722)	(92,024)	24,302
Deferred tax assets and liabilities	(2,321)	(4,491)	2,170
Adjustments to income taxes relating to previous years	5,287	(2,116)	7,403
Total	106,262	78,838	27,424

Income taxes amounted to Euro 106,262 thousand, showing an increase of Euro 27,424 thousand compared to 2010.

The Company has exercised the option, pursuant to article 117, paragraph 1, and article 119, paragraph 1, letter B, of Presidential Decree no. 917/1986, for the participation in the national consolidated tax base with the controlling company Ferrovie dello Stato Italiane S.p.A.; therefore, starting from the 2004 tax year, any losses reported by the Company, which arise in any annual period, have been recognized in the Group's consolidated financial statements. The FS Group procedure provides that, in the event that a company has contributed tax losses to the consolidated accounts and the same realises a taxable income (on the assumption that should it not participate in the consolidated accounts, it would use these losses), it is entitled to obtain – from the Parent Company – a financial setoff equal to the taxes that it should have paid to it. Therefore, in addition to the receivable from the Controlling company for the financial setoff equal to the taxes that it should have paid to it in the absence of indemnifiable previous losses, the item reports the IRES payable due to the extent of 20% of the taxable income transferred and not offset.

The IRES tax burden in the application of the amendment to article 84, paragraphs 1 and 2 of the TUIR, originates a tax charge of Euro 16,930 thousand. In fact, the legislative amendment has limited the setoff of previous tax losses to the extent of 80% of the income achieved in the financial year and has acknowledged the possibility of carrying forward the unused residual amount to the next financial years without any time limit.

Accordingly, against the IRES tax charge (Euro 84,652 thousand), the item "current taxes" recognises the setoff amount (income from the participation in the consolidated tax base) acknowledged by the Controlling Company in favour of the Company, equal to Euro 67,722 thousand.

In early 2012, the company settled, with the Regional Head Office of the Revenue Agency – Large Taxpayers Office (*Direzione Regionale dell'Agenzia delle Entrate – Ufficio Grandi Contribuenti*), the assessment concerning the undue use of the IRAP deduction required by article 11, paragraph 1, letter a), numbers 2, 3, 4 of Legislative Decree no. 446/1997 (so-called "tax wedge"), which was the object of a report of findings served on Trenitalia on 22 December 2010, at the end of specific inspections.

Following interviews held in 2011 and the production of a specific additional brief (subsequent to that already submitted in 2011), accepted the invitation to the tax assessment issued, pursuant to article 5, paragraph 1-bis of legislative decree no. 218/1997, by the Regional Head Office itself, paying an overall amount equal to Euro 11,464 thousand, entered under the item "Adjustments to income taxes relating to previous years." The dispute must be considered to be settled on the merits on a final basis: in fact, the Revenue Agency has granted Trenitalia the full right to make use, by virtue of the current contractual pattern, of the tax wedge benefit for all the years subsequent to those being assessed (2007 and 2008). This item also reports the positive change of Euro 6,177 thousand, arising from the adjustment to the 2010 tax charge within the final tax return.

For more details on the use in the Provision for deferred tax liabilities (equal to Euro 2,321 thousand), reference is made to the explanatory notes to the balance sheet item "Deferred tax assets and deferred tax liabilities".

40. Contingent assets and liabilities

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

41. Fees due to Directors and Statutory Auditors

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

RECIPIENTS	2011	2010	Change
Directors	513,056	517,106	(4,050)
Statutory Auditors	63,910	82,343	(18,433)
	576,966	599,449	(22,483)

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

42. Fees due to the Independent Auditors

It should be noted that – pursuant to article 37, paragraph 16, of Legislative Decree no. 39/2010 and letter 16-*bis* of article 2427 of the Italian Civil Code, the total amount of fees due to the Independent Auditors is equal to Euro 588 thousand, including the relevant fees paid to them in the financial year for other auditing services other than statutory audit (Euro 189 thousand).

43. Information on the direction and coordination activity

The essential data of the controlling company Ferrovie dello Stato Italiane S.p.A., which are reported in the summary statement required by article 2497-*bis* of the Italian Civil Code, have been taken from the related financial statements for the financial year ended 31 December 2010. For an adequate and full understanding of the equity and financial position of Ferrovie dello Stato Italiane S.p.A. (controlling company) at 31 December 2010, as well as of the result of operations achieved by the company in the financial year ended on that date, reference is made to the financial statements that are available, together with the report of the independent auditors, in the forms and according to the manners prescribed by law.

	(amounts in thousands of euro)	
	31.12.2010	31.12.2009
Assets		
Total non-current assets	9,335,716	9,269,612
Total current assets	3,163,573	3,049,758
Total assets	12,499,289	12,319,370
Equity		
Share capital	1,654,464	1,654,464
Reserves	43,287	49,572
Profits (losses) carried forward	(307,589)	(323,028)
Profit (loss) for the year	73,061	16,421
Total Equity	1,463,223	1,397,429
Liabilities		
Total non-current liabilities	7,421,538	7,603,344
Total current liabilities	3,614,527	3,318,597
Total liabilities	11,036,065	10,921,941
Total equity and liabilities	12,499,288	12,319,370
(Euro)		
Revenues and income	5,723,745	5,759,452
Operating costs	4,453,313	4,623,822
Amortisation and depreciation	847,725	752,137
Write-downs and impairment losses (reversals)	59,736	43,233
Provisions for risks and charges	21,037	24,900
Finance income and costs	(190,034)	(231,788)
Income taxes	78,838	67,150
Profit (loss) for the year	73,062	16,422

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

44. Related parties

Transactions with executives with strategic responsibilities

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

	31.12.2011	31.12.2010
Short-term benefits	3,865	3,339
Post-employment benefits	235	240
	4,100	3,579

The benefits relate to the fees paid to the same, plus MBO fees (if any). In addition to short-term benefits of Euro 3,865 thousand paid out in 2011, note a variable part to be paid in 2012, for an amount not exceeding Euro 830 thousand (Euro 600 thousand in 2010).

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

Other transactions with related parties

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

Name	Credit relationships	Debt relationships
Subsidiaries		
Serfer S.r.l.	Cargo Transport service Rolling stock maintenance and hire Training activity Secondment of staff Corporate positions	Handling services Transport and shipment Railway transport terminalisation services Rolling stock maintenance Rolling stock hire
Ferport Napoli S.r.l. in liquidation	Corporate positions Training activity	Handling services
Trenitalia Logistik France S.a.s.	International cargo transport service	Monitoring of tmf trains
Tx Logistik AG	International cargo transport service Rolling stock maintenance and hire Secondment of staff Financial relationships: Interest income on loans	Subcontracts Rolling stock maintenance Rolling stock hire
Companies subject to joint control		
Cisalpino AG	Corporate positions	Rolling stock hire Purchase of materials Financial relationships: Interest expenses
Trenord S.r.l.	Lease of branch of business Rolling stock hire Secondment of staff Rolling stock maintenance Training activity Financial relationships: Interest income on loans	Secondment of staff Cleaning service Transfers and travels
Trenitalia Veolia Transdev S.a.s.	Rolling stock hire Handling services Secondment of staff	
Associates		
FS Formazione S.p.A. in liquidation	Corporate positions	Training activity
Pol Rail S.r.l.	Cargo transport service Rolling stock hire Corporate positions	Subcontracts
Alpe Adria S.p.A.	International cargo transport service Rolling stock hire Corporate positions Financial relationships: Interest income	Cargo transport
Logistica SA	Financial relationships: Interest on loans	
Controlling companies		
Ferrovie dello Stato Italiane S.p.A. (a)	Transport of employees for service travel Free transport of holders of Free Travel Cards (contribution) Eurostar Club services Train hire Secondment of staff Tickets on request Financial relationships: Interest income	Service supply and management contract Secondment of staff Corporate positions Rentals for lease of properties Licence for use of the Brand Financial relationships: Intercompany current account Interest expense on loans Guarantees

Other affiliates	Credit relationships	Debt relationships
Rete Ferroviaria Italiana S.p.A. (b)	Transport of employees for service travel Cargo transport service Rolling stock maintenance Rolling stock hire Maintenance engineering Free transport of holders of Free Travel Cards (contribution)	Electricity for train drive Operation of cargo terminals Handling service Toll Ferrying service Additional traffic services Maintenance Seconded staff Railway Police services Health services Rentals for lease of properties
SGT S.p.A.	Rolling stock hire	
Cemat S.p.A.	International cargo transport service Rolling stock maintenance and testing Rolling stock hire Corporate positions	Integrated logistics
Terminali Italia S.r.l.	Passenger transport	Railway transport terminalisation
FS Logistica S.p.A. (b)	Cargo transport service Rolling stock maintenance and hire Sundry leases Corporate positions Secondment of staff Financial relationships: Interest income	Transport and shipment Contracted station services Railway transport terminalisation services Rolling stock hire Leases of areas
NET in liquidation		Railway transport terminalisation
Italia Logistica S.r.l.	Cargo transport service Rolling stock hire Corporate positions Financial relationships: Interest income	Rolling stock hire
Ferservizi S.p.A. (b)	Transport of employees for service travel Free transport of holders of Free Travel Cards (contribution) Corporate positions Reimbursement of common operating costs	Personnel administration Accounting and treasury Facilities management Ferrotel hotel services Catering administrative management Training services Operation and development of Management/Economic system Building management Group purchasing services
Metropark S.p.A.	Management of parking areas	Parking agreements
Grandi Stazioni S.p.A. (b)	Tickets at request	Rentals for lease of properties Service charges
Centostazioni S.p.A. (b)	Tickets at request Advertising at stations	Maintenance of properties Rentals for lease of properties Service charges
Fercredit S.p.A. (b)	Corporate positions	Customer assessment Factoring Financial relationships: Interest expense

Italferr S.p.A. (b)	Transport of employees for service travel Free transport of holders of Free Travel Cards (contribution) Rentals for lease	Seconded staff
FS Sistemi urbani S.r.l.		Rentals for lease of properties
Italcertifer Soc.Cons.p.A.	Tests	Testing activities Rolling stock maintenance
Busitalia - Sita Nord		Substitute bus services Seconded staff
Associates of Subsidiaries		
Sideuropa in liquidation	Cargo transport	
Other related parties		
Pension funds	Complementary pension funds	
Enel Group	Transport of material	Lighting and driving force Electricity utilities
Eni Group	Transport of material	Drive diesel Gas utilities
Finmeccanica Group	National and international cargo transport Rolling stock hire	Rolling stock maintenance Purchase of materials
Fintecna Group	Sale of railway tickets	Purchase of materials
GSE Group	Sale of railway tickets	
Invitalia Group	Sale of railway tickets	
IPZS Group	Sale of railway tickets	
Poste Group		Postal charges
Rai Group		Subscriptions
Sogin Group	Sale of railway tickets	

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

The table below summarises the financial and economic values of the financial year ended 31 December 2011 for transactions with related parties.

Business and other relations

Name	31.12.2011					2011	
	Receivables	Payables	Purchases for investments	Guarantees	Commitments	Costs	Revenues
Subsidiaries	10,553	19,461	-	-	-	34,260	16,102
Serfer S.r.l.	4,340	7,685				19,998	4,071
Ferport Napoli S.r.l. in liquidation	47	34				58	55
Trenitalia Logistik France S.a.s.	1,225	5				250	3,481
Tx Logistik AG	4,941	11,737				13,954	8,495
Companies subject to joint control	108,199	112,312	-	-	-	29,699	189,805
Cisalpino AG	485	46,178				13,271	489
Trenord S.r.l.	107,251	65,169				16,428	188,853
Trenitalia Veolia Transdev S.a.s.	463	965					463
Associates	5,052	2,424	-	-	-	3,256	11,225
FS Formazione S.p.A. in liquidation	1	74				302	20
Pol Rail S.r.l.	2,568	2,135				2,736	5,533
Alpe Adria S.p.A.	2,095	215				218	5,672
Logistica SA	388						
Controlling companies	88,322	67,317	-	-	-	51,065	1,746
Ferrovie dello Stato Italiane S.p.A. (a)	88,322	67,317				51,065	1,746
Other Affiliates	230,354	1,018,597	7,215	-	-	1,261,481	186,105
Rete Ferroviaria Italiana S.p.A. (b)	121,136	574,061	3,911			1,066,379	121,974
SGT S.p.A.	32						31
Cemat S.p.A.	16,515	5,742				4,112	36,755
Terminali Italia S.r.l.	4	97				263	3
FS Logistica S.p.A. (b)	60,447	24,312				27,672	19,172
NET in liquidation		7					
Italia Logistica S.r.l.	16,076	20				22	4,061
Ferservizi S.p.A. (b)	1,103	37,366				91,355	1,981
Metropark S.p.A.	6	104				148	42
Grandi Stazioni S.p.A. (b)	94	15,444	1,573			28,217	347
Centostazioni S.p.A. (b)	124	5,447	177			11,460	283
Fercredit S.p.A. (b)	41	341,584				219	10
Italferr S.p.A. (b)	2,380	2,120	1,539			1,544	1,368
FS Sistemi urbani S.r.l.		1,933				836	
Italcertifer Soc.Cons.p.A.	1,931	172	15			143	44
Busitalia - Sita Nord	10,465	10,188				29,111	34
Associates of subsidiaries	10	-	-	-	-	-	-
Sideuropa in liquidation	10						

Other related parties	1,042	30,713	10,872	-	-	112,544	7,795
Pension funds	86	2					213
Enel Group	536	3,590				14,698	1,674
Eni Group	49	9,229				51,977	430
Finmeccanica Group	322	13,184	10,872			40,202	5,212
Fintecna Group	16	76				2,635	92
GSE Group	2						14
Invitalia Group	10						79
IPZS Group	21						57
Poste Group		4,456				3,032	9
Rai Group		176					
Sogin Group							15
TOTAL	443,532	1,250,824	18,087	-	-	1,492,305	412,778

Financial relations

(in thousand of euro)

Name	31.12.2011				2011	
	Receivables	Payables	Guarantees	Commitments	Charges	Income
Subsidiaries	-	-	-	-	-	9
Tx Logistik AG						9
Companies subject to joint control	22,753	2,045	-	-	1,226	4,012
Trenord S.r.l.	22,753	2,045				4,012
Cisalpino AG					1,226	
Associates	700	-	-	-	-	113
Alpe Adria S.p.A.						103
Logistica SA	700					10
Controlling companies	-	4,242,657	-	-	67,588	1,361
Ferrovie dello Stato Italiane S.p.A.		4,242,657			67,588	1,361
Other affiliates	-	-	-	-	1,412	418
FS Logistica S.p.A. (b)						25
Fercredit S.p.A.					1,412	
Italia Logistica S.r.l.						393
Other related parties	-	-	-	-	115	-
Eni Group					115	
TOTAL	23,453	4,244,702	-	-	70,341	5,913

45. Guarantees

The overall value of guarantees given is Euro 3,464,510 thousand and essentially relates to:

- guarantees issued in favour of the Regional Governments for the Service contract and to other Entities on the part of Credit Institutions and Poste (Euro 172,110 thousand);
- collaterals on pledges on the Company-owned rolling stock, issued by the company in favour of Eurofima to secure medium- and long-term loans raised through Ferrovie dello Stato Italiane (Euro 3,292,400 thousand).

46. Events after the balance sheet date

- Between the end of January and the beginning of February a wave of exceptionally bad weather hit the entire country with very low temperatures and heavy snow fall, in particular in the whole central-northern area. The weather warning, which was issued in the days preceding the event by the Civil Protection Agency, required the implementation of organisational measures necessary to deal with the emergency; the plans, drawn up beforehand at local level and sent in advance to the Civil Protection Centres, activated in all regions of Italy, and to the relevant Local Bodies, envisaged a reduction in the speed of trains and in the regularity of traffic, as well as a reduction in the service and the number of trains. On a commercial note, however, Trenitalia, given the exceptional weather conditions, adopted a commercial initiative that went beyond the requirements of the EU regulations in force. Indeed, as well as providing a full refund of the ticket price to customers who decided not to travel, it also provided compensation for delays even though this is not required in the event of adverse weather conditions.
- On 22 February, Trenitalia was certified by the SGS organisation – which is recognised by Accredia, the Italian accreditation body – for its integrated Quality, Environment and Health and Safety at Work management system. The certification awarded to Trenitalia certifies the full compliance of all systems and procedures with the many requirements laid down by national and local legislation, especially in the field of environmental protection, thereby providing value added to the assets of the company. Trenitalia is therefore the top transport company in Europe and the only major Italian firm to have the validity of its management system recognised and certified for all 50 production units and operational sites by obtaining the ISO 9001 certification for quality, ISO 14001 for environmental management and OHSAS 18001 for health and safety at work. The recognition follows a long process of checks and controls, involving 111 audits and a total of 171 days of assessment and analysis.
- From March, Trenitalia started to print its train tickets on environmentally-friendly paper certified as compliant with the standards of the Forest Stewardship Council. Thanks to the agreement between the National and International Passenger Division and Postel S.p.A. – the company that supplies the tickets – around 10 million tickets printed each month can boast this important certification.
- The new Frecciarossa Portal has been active since 1 March on all Trenitalia High-Speed trains on the Turin-Milan-Rome-Naples-Salerno route. The new entertainment service, created by Trenitalia and Telecom Italia, offers a wide selection of films, TV dramas, cartoons, documentaries and music supplied by Cubovision.

- During March, a three-year agreement was signed which will allow Trenitalia to sell its products in more than 5,500 travel agencies throughout Italy. The agreement with the Travel Associations, Fiavet, Assotrail and Assoviaggi, consolidates and strengthens the collaboration between Trenitalia and travel agencies and will allow customers to benefit from ever improving commercial conditions and purchasing procedures that are easy, fast and which offer value for money.
- On 12 March, the "Trenitalia.com" internet platform was voted the best "journey planner". The announcement was made by Sim Kallas, Vice President and European Commissioner for Mobility and Transport. The winner was decided by thousands of European citizens who expressed their opinion in an online poll.

Annex 1**Reclassified Balance Sheet and Income Statement of the cargo transport segment***(in thousand of euro)*

	31.12.2011	31.12.2010	Differences
NET ASSETS			
Net current operating assets	123,720	87,170	36,550
Other net assets	(82,510)	(106,618)	24,108
Net working capital	41,210	(19,448)	60,658
Property, plant and equipment	805,850	833,585	(27,735)
Net fixed assets	805,850	833,585	(27,735)
Other provisions	(281,940)	(332,668)	50,728
Total provisions	(281,940)	(332,668)	50,728
TOTAL NET INVESTED CAPITAL	565,120	481,469	83,651

Full-cost Reclassified Balance Sheet of the cargo transport segment*(in thousand of euro)*

	2011	2010	Differences
Operating risks	707,586	689,121	18,466
- Revenues from sales and services	669,400	654,795	14,606
- Other revenues	38,186	34,326	3,860
Operating costs	(751,798)	(790,072)	38,274
EBITDA	(44,212)	(100,951)	56,739
Amortisation and depreciation	(71,450)	(72,791)	1,341
Write-downs and impairment losses (reversals)	(1,966)	(18,112)	16,145
Provisions for risks and charges	(2,531)	(5,495)	2,963
EBIT	(120,159)	(197,348)	77,189

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

TRENITALIA SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

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

To the Shareholder of
Trenitalia SpA

- 1 We have audited the financial statements of Trenitalia SpA as of 31 December 2011, which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related explanatory notes. The directors of Trenitalia SpA are responsible for the preparation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian Accounting Profession) and recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 26 April 2011.
- 3 In our opinion, the financial statements of Trenitalia SpA as of 31 December 2011 comply with International Financial Reporting Standards as adopted by the European Union; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Trenitalia SpA for the year then ended.
- 4 The directors of Trenitalia SpA are responsible for the preparation of a report on operations in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard no. 001 issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili and recommended by Consob. In our opinion the report on operations is consistent with the financial statements of Trenitalia SpA as of 31 December 2011.

Rome, 27 April 2012

PricewaterhouseCoopers SpA

Signed by

Luciano Festa
(Partner)

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