

2017-2026 INDUSTRIAL PLAN

NINETY-FOUR BILLION INVESTMENTS AND A NEW MISSION FOR THE FS GROUP RELYING ON FIVE STRATEGIC AREAS

**INTEGRATED INFRASTRUCTURES, MOBILITY AND LOGISTICS
DIGITAL APPROACH AND INTERNATIONAL DEVELOPMENT**

- Unveiled today at the Tiburtina station
- It was attended by the Prime Minister, Mr. Matteo Renzi, and the Minister of Infrastructure and Transport, Mr. Graziano Delrio
- Revenue at 17.6 billion in 2026
- EBITDA in 10 years from 2.3 (last 2016 year-end forecast) to 4.6 billion
- 70% of the growth outside the current FS' perimeter

Investments for **ninety-four billion** and a turnover expected to double in **10 years**, as well as a deep transformation that will make Ferrovie dello Stato Italiane (FS) an international company in the field of global integrated mobility.

These are the targets of the 2017-2026 FS' Industrial Plan, relying on **five strategic pillars**: integrated mobility with the involvement of all operators in the industry; integrated logistics, with a deep reorganization of the freight business; integration between railway and road infrastructures; international development and digitalization as the enabler of the entire Plan. The details of the FS' new strategic lines were presented today at Tiburtina Station in Rome, by the CEO **Renato Mazzoncini** and the Chairwoman **Gioia Ghezzi**, to the institutions, analysts, media and financial community. The presentation was attended by the Prime Minister, Mr. **Matteo Renzi**, and the Minister of Infrastructure and Transport, Mr. **Graziano Delrio**.

The new Industrial Plan confirms FS Group as the leading company for investments in Italy: **94 billion** over a period of **10 years**. An extended time horizon, needed for the large infrastructure projects planned but also for the deep transformation of FS, that is projected to become a global integrated mobility company. Investments are split into 73 billion for infrastructures, 14 billion for rolling stock and 7 billion for technological development. More than half of these funds – 58 billion – is already available, of which **23 billion self-financed** and 35 billion already funded by *Contratti di Programma*.

FS will also become a gateway to the mobility ecosystem, in an integrated view aimed at a “**coopetition**” that gathers all the actors and ways of transport: buses, in addition to trains, not forgetting pooling and sharing services. A necessary transformation, made possible by the central role of the railway system combined with the FS' extensive experience and know-how, build in 111 years of history.

The new Industrial Plan forecasts an increase in revenues from 9 billion – expected at the end of 2016 – to **17.6 billion in 2026** and an **EBITDA** that aims at grow **from 2.3** (last 2016 year-end forecast) **to 4.6 billion in 10 years**. Profit for 2016 year-end is expected, as last forecast, at roughly 800 million, an increase due also to the capital gain from GS Retail sale.



These results can be achieved by going through an operational and cultural revolution and taking a more international profile. **More than 70% of the expected growth will be outside the current FS' perimeter**, carrying on the five strategic pillars, **while the risk profile of the business remains substantially unchanged throughout the period**. Between growth, integrations and new acquisitions, FS' **employees** could move from the current 69,000 to **100,000**.

INTEGRATED MOBILITY FOR TRAVELERS

FS aims at giving a unique, concrete and simple answer to the different mobility needs, by presenting itself as a point of access to the collective mobility, an operator capable of accompanying travelers from their house to their destination.

The current scenario is a mobility market where 80% of people move with private vehicles, 15% by using other shared and public ways, in particular with the large cities LPT companies, and only 5.2% with the railway transport. For the modal shift towards public transport solutions, the road LPT companies will play a key role and FS wants to be the leading player in this modal shift, **by rising from 6% market share in 2015 to 25% in 2026**. The main target is the LPT market, looking for opportunities across Italy, participating in tenders and, where possible, acquiring strategic operators, as already successfully happened in the past, for instance with ATAF and Umbria Mobilità.

With respect to **medium and long-haul transport**, the aim is at maintaining the high quality achieved, by extending these standards to the entire fleet thanks also to the delivery completion of Frecciarossa 1000. Today, there are 34 circulating trains of the 50 planned: any additional new ETR 1000 delivered will allow to use the ETR 500 and ETR 480 on other lines and, in this way, to increase the quality of all types of products, including Intercity.

In terms of **regional transport**, the real change is around the corner, thanks to the four-billion framework agreement already signed for the supply of **450 new regional trains** (300 with high capacity, 150 with medium capacity), in addition to 50 diesel trains. The forecasts provide an overall increase, by 2026, in the ratio seats/km between 8% and 10%. Today, however, already 20% of the circulating fleet is renewed, thanks to the deployment of new trains delivered from 2014.

Busitalia is ready to do its part: thanks to the good performance achieved in the recent years, with +450% of total revenue from 2011 (68 million) to 2015 (330 million), the FS' road transport company forecasts the delivery of 3,000 new buses.

Busitalia will also be engaged in the long-haul: it will tackle this new market, recently liberalized, with a customer base that prefers the ticket's low cost to the trip's duration. The entry in this market will also occur through the acquisition of well-established operators: FS will benefit from commercial sales platform that will give customers the opportunity to choose the best option between trains and buses. In this way, FS will be able to compete to the foreign newcomers.

The **FrecciaLink** will extend the High-Speed experience with both national (Gorizia-Udine, Bergamo-Milan) and international (Turin-Geneva, Milan-Monaco) connections that will be added to the existing ones (Siena-Florence, L'Aquila-Rome Tiburtina, Perugia-Florence,



Matera-Potenza-Salerno). To facilitate the use of public transport and make the modal integration easier, in 2026 there will be 30,000 new hub-parking.

NEW DIGITAL TRAVEL EXPERIENCE

FS will invite its customers to adopt a new *travel philosophy*, by offering comfortable tools to accompany them throughout the journey and providing real-time solutions to move in Italy and abroad: information and advices, with chances and opportunities to take wherever they are. This means, for example, to offer a useful *journey planner* from the planning of the journey until its conclusion, flexible and therefore able to change the choices made when necessary: an effective and reliable travel companion, who knows the customer and recommend him for the best solution. A goal achievable thanks to the big data and the advanced analysis tools associated with appropriate digital platforms.

The result is an *Extended Customer Experience*, able to participate to the daily life of people, with services such as the travel companion, the indoor station mapping, the electronic wallet, the notifications about delays, the video chat and the social seating.

INTEGRATED INFRASTRUCTURES

Sixty-two billion in railway investments, of which 33 billion for the conventional network, 24 billion for the HS/HC network and the European TEN-T corridors and 5 billion in technologies for infrastructure, enabling a modern and systemic mobility for people and freight: **Terzo Valico**, **Galleria di base del Brennero** and **Turin-Lyon** to complete the Italian part of the four TEN-T corridors that cross our country and link the European regions with the most dense population and the most industrial and productive vocation; **Milan-Venice HS/HC** which in December will step forward with the commercial activation of the Treviglio-Brescia line; infrastructure and technology upgrades in urban hubs of large cities (Milan, Genoa, Florence, Rome) to increase the traffic capacity and thus the number of trains during peak hours; in the South, the opening of the sites of **Naples-Bari HC/HS** line, over 6 billion to connect two areas reaching a share of more than 40% of market production in the Southern Italy; in Sicily, the **Palermo-Catania-Messina** corridor. Also fundamental the acceleration of the **Adriatic corridor**, between Bologna, Bari and Lecce (completion expected in 2018), with an overall time saving of about one hour, and the **Salerno-Reggio Calabria**, thanks to the technological upgrade and the improvement of the train path. Finally, synergies with the main Italian ports and logistics centers; strengthening the connections between the national rail network and the railway sidings of the main industrial plants in the area.

Transport efficiency also involves the integration of the former “**licensed railways**” with the national network Rete Ferroviaria Italiana - RFI (over 16,700 km), more than 2,500 km of tracks (out of 3,500) to achieve the extensiveness of the railway service in a *point-to-point* view; greater efficiency, thanks to a unique management of the national rail network; new pathways with reductions in travel time and, above all, more safety, ensured by the high technological standards adopted by RFI.

The infrastructure chapter also includes **ANAS’ operation**. The fact of not operating as two separate organizations in the infrastructure design and implementation will allow an exchange of useful ideas and synergies for a systemic policy in the development of the connection throughout our country, by establishing a more efficient management of the tenders and the investment projects. In a first step, the synergies will consist precisely in a common vision of investment in road and rail infrastructure and cost rationalization, which will bring **400 million in savings**. The use of technologies that RFI has installed on its network to develop “smart streets” will play a key role: an example can be provided by the Swedish *eHighway*, able



to host electrified vehicles with low environmental costs thanks to the advanced signaling, communication and security systems.

The planned investments for ANAS are equal to **15.5 billion** that, combined with the investments in the rail network, bring to over **78 billion the total amount for infrastructure**. The overall increase of the investments' annual expenditure is expected to generate over **21,000 new jobs**, especially among companies working with FS group.

Finally, the **stations** connecting the infrastructure level and the transport level, which are transformed into a place to live, where to stay in performing daily activities such as pick up a package, or pay a bill, by turning a possible waiting in a time spent profitably.

INTEGRATED LOGISTICS

The freight business will play a strategic role in the use of infrastructure: there are planned investments of **1.5 billion** (of which 1.1 billion for rolling stock, 300 million for terminal and logistics and 100 million for ICT) and revenues at 2.1 billion in 2026 (vs. 1 billion in 2016, as last forecast). The turnaround in the freight business has the objective to develop a **single pole of logistics** - the new **Mercitalia**, with the aim of restructuring the cargo business and rationalize the various freight operators active in the Group, in order to avoid overlapping and maximize efficiency. Mercitalia will operate through three companies – Mercitalia Rail, Mercitalia Logistica and Mercitalia Terminal – and will have 4,000 employees, all united by the same mission and the same company, also to recreate a suitable sense of belonging and the essential motivation.

The targets are the strengthening of the intermodality, the expansion into business with high added value, such as *freight forwarding* and, above all, treat the goods as travelers, by monitoring the transport service minute by minute, as established practice for all operators in the sector. Finally, thanks to the creation of a single center, customers will face a single partner, with saving of time and resources.

INTERNATIONAL DEVELOPMENT

In the 2017-2026 Industrial Plan the development of international activities is extremely important. Today, this business represents 13% of total revenues, the goal is to reach 23% in 2026, that – along with the doubling of total revenue – will bring to quadruple the current foreign sales of the Group, positioning FS to the level of the European competitors, with **4.2 billion in revenues in 2026**.

This growth will be realized by pursuing three main lines. The first is to act as **General Contractor**, with the ability to build railways, especially in countries with strong infrastructural gap. Worldwide, there are 200 railways companies but there are only seven countries with High-Speed lines. FS has the real opportunity to export its know-how, as will happen in Iran, where it is in charge for the construction of two new HS lines. The priority areas for international expansion are the Middle East (Iran, Saudi Arabia, Oman), India and Southeast Asia (Malaysia, Thailand, Singapore, Vietnam), the Americas (Brazil, Argentina, Colombia, Peru, US and Canada) and Africa (Ivory Coast, Congo and South Africa).

The second step aims at the growth of **rail market services abroad**. Trenitalia can export the high quality travel in other countries which now offers the HS system. In addition to strengthening existing cross-border relations (for example the *Thello* services with France, the Venice-Ljubljana-Belgrade line or the new traffic with Switzerland thanks to the Gottardo and



Ceneri openings) will target the most attractive European lines: Paris-Brussels, Paris-Bordeaux, Hamburg-Cologne, Milan-Zurich-Frankfurt (a link that will start at the end of 2017 crossing three countries), Athens-Thessaloniki (thanks to the acquisition of Trainose) and the London-Edinburgh line. All these international activities are possible thanks to the liberalization of the European railway area planned by the Fourth Railway Package, starting in 2020.

The last segment of this chapter concerns the **LPT' international development**, that will be mainly implemented by leveraging the Group's presence abroad. The goal is finding opportunities in the rail/road modal integration for passengers transport in the cities served by the infrastructure projects implemented by the Group.

FS IPO PLAN

FS plans to float a minimum 30% stake in the Passenger Long-Haul Division of Trenitalia, in agreement with the Ministry of Economy and Finance. Long-Haul operates the group's long-distance Freccie and Intercity train services. Its annual revenues are seen rising to 3 billion euros by 2026 from a current 2.4 billion (last 2016 year-end forecast) while EBITDA is seen climbing to 1 billion from 700 million (2016 year-end forecast). The expected timetable shall see the IPO during 2017.