

FS ITALIANE, 2017 RESULTS: TOP INDUSTRIAL GROUP IN TERMS OF INVESTMENTS IN ITALY

- investments in infrastructure and rolling stock for freight and passenger transport at 5.6 billion euros
- direct economic value distributed at 7.2 billion euros
- revamping of the regional fleet: 3 new *Jazz* and 6 *Swings trains*, 41 *Vivalto* carriages and 4 *Flirt* trains already delivered, with orders in place for 86 new *Pop* and *Rock* trains
- in January 2018, 9 new *Frecciarossa* 1000 trains completed the high speed fleet of 150 trains
- relaunch of the freight business with purchase orders for 125 new electric locomotives, 5 shunting locomotives, and 250 new state-of-the-art freight wagons
- 102 new buses for Busitalia and the creation of Busitalia *Fast*, a long haul bus company
- infrastructure: 4.4 billion euros invested; new tenders for 7.5 billion

- operating revenues at 9.3 billion euros
- EBITDA at 2.3 billion euros
- EBIT at 718 million euros
- net profit at 552 million euros
- excluding non-recurring items, all financial indicators up on 2016: operating revenues +9%, EBITDA +14%, EBIT +13%, net profit +10%

- subscribed to the UN Global Compact's 10 principles
- first *Green Bond* issued by a European railway company to finance rolling stock
- 10 FS Group subsidiaries awarded tender for the provision of electrical energy derived exclusively from renewable sources
- FS, Best Employer of Choice in Italy, continues the policy of hiring young talent, and launches *Women in Motion*, to encourage women to take on technical careers

Rome, 27 March 2018

The Board of the Ferrovie dello Stato Italiane, chaired by **Gioia Ghezzi**, approved today the Company's Annual Financial Report, including the consolidated financial statements of the Group as of 31st December 2017.

The FS Italiane Group remains the top industrial group in Italy in terms of investments, with **5.6 billion** euros invested in 2017, **indirectly** creating **100,000 jobs**, according to ISTAT guidelines. These investments contributed to the overall investment volume in the country, in line with the goals set out in the 2017-2026 Industrial Plan.

The **direct economic value distributed**, mainly the sum of operating costs and employee wages and benefits, amounts to **7.2 billion** euros (77% of the direct economic value generated).

The Group's transportation segment has registered an overall profit of 255 million euros (up 56% on 2016). FS Italiane carried out several initiatives towards the development of **integrated mobility**, such as agreements with other transport companies and the



introduction of integrated ticketing. The leading transport company is Trenitalia, followed by the Netinera Group, which is one of the FS Group's subsidiaries in Germany. Revenues from transportation services reached **7.1 billion** euros (with an overall growth, between the long and short haul segments, of 691 million euros over 2016).

REGIONAL TRANSPORT

Trenitalia launched the new *Rock* and *Pop* trains in 2017, which will start service on the Italian railway network in 2019. Trenitalia already signed orders for 86 new trains and more trains will be ordered in 2018, following agreements between Trenitalia and several Italian Regions. Meanwhile, 3 *Jazz*, 6 *Swing*, 4 *Flirt* trains and 41 *Viaggio* carriages already entered service, and 56 medium haul carriages were completely refurbished. Investments in regional rolling stock in 2017 amounted to **371 million** euros. Customer satisfaction on regional trains reached 83.2%, 3.6 percentage points higher than in 2016. For the second consecutive year, the level of cancellations of regional trains was 1.1%, making Trenitalia the leading company in Europe in terms of reliability.

LONG HAUL TRANSPORT

The Ministry of Infrastructure and Transport and Trenitalia signed a contract to relaunch the *InterCity* service. In terms of high speed, the delivery of further **9 new Frecciarossa 1000** trains completed the fleet of 150 trains. This allowed an increase in both frequency of trains and number of seats available on the Milan - Rome - Naples and Venice - Rome routes, thanks also to the coupling of *Frecciarossa 1000* trains that entered service in June 2017.

FREIGHT BUSINESS

In January 2017, the Mercitalia Group was created to relaunch the freight business. Simultaneously, Mercitalia Rail's operations began with the spin-off of Trenitalia's freight business. Contracts to supply 125 new electric locomotives, 5 shunting locomotives and over 250 state-of-the-art freight wagons were signed and agreements are in place to develop logistics in Italy and abroad. The Mercitalia Group is reaching the targets set out in the Industrial Plan, and in 2017 – for the first time in the history of the FS freight business – generated positive cash flow of 40 million euros.

ROAD TRANSPORT

Busitalia, a local public transport company operating in the Veneto, Tuscany, Umbria and Campania Regions, renewed its fleet with 102 new buses and increased its range of services with the creation of *Busitalia Fast*, which operates long-distance routes in Italy and Europe.

INFRASTRUCTURE

The performance of the infrastructure segment was also excellent (net profit of 263 million euros; up 51.1% on 2016). Rete Ferroviaria Italiana (RFI) is the leading company within the FS Group followed by Italferr in engineering. In 2017, RFI invested **4.4 billion** euros, and issued calls to tender for **about 7.5 billion** euros, ensuring important investments in infrastructure in the years to come. In 2017, Italferr took over as General Contractor the supervision of the Terzo Valico railway line and delivered more than 30 projects all over Italy.

Significant rail infrastructural investments have been made in the South of the country with the opening of the new Napoli Afragola station, and major progress has been made in the construction and authorisation process of important sections of **the Naples - Bari line**. Several infrastructure works were unblocked in **Sicily** as well, with the awarding of numerous construction contracts. The infrastructure business will play an increasingly important role in improving railway safety standards on railway lines,



which were formerly concessions, and are currently being included into its perimeter. It will also contribute significantly in developing metro networks in the main Italian cities. The acquisition of 36.7% of M5 Milano in June 2017 is in line with the latter goal.

Amongst former railway concessions, now under the FS Italiane Group, Ferrovie Sud Est (FSE) has started a restructuring process to bring its levels of service and safety, in both rail and road in Puglia, to the level of other regions in Italy.

SAFETY AND SECURITY

Significant **safety** investments (40% of the total amount in infrastructure) have been made in the railway sector with an increase in spending from one billion euros in 2012 to **1.8 billion** in 2017. These investments will ensure better management of railway traffic, and high levels of regularity.

Passenger **security** on trains and in stations further increased over recent years, with the goal of providing a better customer experience, for instance by expanding and updating the CCTV systems on board 600 trains, in 50 stations and at 25 traffic check points.

FINANCIAL RESULTS

The Group's **EBITDA** has grown to over **2.3 billion** euros with an EBITDA *Margin* of 24.9%, significantly higher than its peers (SNCF 13.7%, DB 9.9%). **EBIT** was at **718 million** euros in 2017 with EBIT *Margin* of 7.7%. Of particular note is that the 2016 EBIT included extraordinary items such as the profits from the sale of non-core retail activities at the main Italian stations for over 360 million euros. The 2017 EBIT on the other hand includes windfall profits (of around 128 million euros) deriving from the new regulations on electrical energy for traction and depreciation up of 72 million euros, in line with the forecasts on investment trends shown in the past few years. Excluding non-recurring operations net adjusted profits grew 10% in 2017 (424 million euros in 2017 and 385 million euros in 2016), the strongest over the last three years.

The Group's operating revenues rose to **9.3 billion** euros, with an overall increase of 371 million euros (up 4.2% on 2016, up 9.3% excluding non-recurring operations). This increase was also the result of M&A deals in 2017, in line with the goals set out in the Group's industrial plan, including the acquisition of the British company NXET (now called Trenitalia c2c), of Busitalia Simet and TrainOSE as well as Qbuzz. Operating costs grew less than revenues (increasing 351 million euros), supporting the growth of the overall business.

The Group maintains a high level of financial stability with an equity close to 38.7 billion euros at the end of 2017 (a 184 million euro increase on 2016).

The **Net Financial Position** (NFP) stands at **7.3 billion** euros up 8%, in line with the financial needs forecasted in the Group's Industrial Plan, keeping the NFP/EBITDA ratio at 3.1 and the NFP/Equity ratio at 0.19.

Fitch and Standard & Poor's recognized the Group's financial solidity in the BBB ratings in autumn 2017.

SUSTAINABILITY

With the issuance of a **600 million** euro **Green Bond** in November 2017, FS Italiane has, for the first time in Europe, financed new trains both for regional and high speed transport. The high demand for the bonds shows the strong credentials of the FS Italiane Group in international markets in terms of sustainability.

The FS Italiane Group is turning into an integrated mobility company, inspired by sustainability principles, as shown by the subscription to the UN Global Compact network in August 2017. FS is thus taking part in the process of creating an inclusive and sustainable global economy.



The FS Italiane Group companies support the development and promotion of **renewable energy sources**, both by adding specific clauses in calls to tender for energy supply and by utilizing proprietary photo-voltaic facilities. Rail transport has a strong relationship with renewable energy: the Italian railway network, which is now **80% electrified**, means that immediate and direct benefits are being gained from the renewable portion of the production mix of electrical energy that stands at around 40% of the total. In 2017, ten FS Group companies awarded a tender for the provision of electrical energy from 100% renewable sources (certified and produced in Italy).

The total number of employees has increased from 70,180 to 74,436 due to new hiring (4,379, of which 3,400 are in Italy) and company acquisitions (3,789). Average productivity per employee (average operating income) grew 4% at over 128,000 euros.

Best employer of choice in Italy for the third consecutive year, the FS Italiane Group is in the top spot in the rankings of companies that young graduates want to join. The Group started *Women in Motion*, a programme aimed at encouraging women to take on technical careers. The percentage of women in the company workforce actually grew in 2017 (to 15.2%).

The 2017 results mark a totally new vision of the business, which is progressively consolidating, aiming at making the FS Italiane Group one of the leaders in integrated mobility nationally and internationally. In 2017, the FS Company Board improved internal control and risk management in line with national and international best practices and corporate governance for quoted companies. Of particular note is the integration by FS Italiane with Anas, closed on 18th January 2018, to be consolidated in the financial accounts for the current year. In 2018, the Ferrovie dello Stato Italiane Group is committed to further implement the Industrial Plan 2017-2026, which is based on guidelines such as integration, internationalisation and digitalisation.

A summary document on the main results achieved by the Gruppo Ferrovie dello Stato Italiane in 2017 is available at the fsitaliane.it **Investor Relations** online section.

The Manager in charge of the Company's accounting documents preparation, Roberto Mannoizzi, declares, pursuant to article 154-bis, paragraph 2, of the Legislative Decree No. 58/1998, that the accounting information included in this press release correspond to the Company's evidence and accounting books and records.