

FS ITALIANE: APPROVED HALF YEAR 2020 FINANCIAL REPORT

RESULT FOR THE PERIOD WAS -419 MILLION EUROS DUE TO THE COVID-19 IMPACT OF AROUND 800 MILLION EUROS, PENDING THE POSITIVE EFFECT OF THE *DECRETO RILANCIO* FOR THE MARKET LONG-HAUL AND FREIGHT TRANSPORT, EXPECTED TO AMOUNT AT LEAST 350 MILLION

- Operating revenues of 4.75 billion euros (down 20.5% vs first half 2019, due to over 1.1 billion euros from the negative impact of COVID-19)
- EBITDA at 518 million euros (down 60.1% vs first half 2019, as a result of the negative effects of COVID-19 of 747 million euros)
- The net loss for the six months was 419 million euros (over 200% less vs first half 2019), with 796 million euros in effects of COVID-19
- 2.46 billion euros invested over the six months, 278 million less than during the same period in 2019, largely because of the impact of the pandemic
- Results do not include positive effect on revenues of at least 350 million euros, of the accounting of grants from the “*Decreto Rilancio*” (Relaunch Decree) relating to the “*Mercato e Mercè*” (Market and Freight) long-haul business, still subject to the EU approval.

Roma, 27th October 2020

The Ferrovie dello Stato Italiane Board of Directors approved today the half year financial report of the FS Italiane Group as of 30th June 2020.

The half year results **show the tangible impact of the negative effects linked to the COVID-19 virus (“*Coronavirus*”) spread that occurred in Italy, starting in the first months of the year**, which impacted the country’s entire production system, particularly the mobility of people and freight.

The Group’s **operating revenues**, compared with the first half of 2019, decreased to **4.75 billion euros** with an overall decline of 1.23 billion euros (down 20.5%), due to the *Coronavirus* effect. The fall in revenues was accompanied by a decrease in **Gross Operating Margin (EBITDA)** of 779 million euros, which reached 518 million euros, compared with the 1.3 billion euros of the previous six months (-60.1%), with around



750 million euros from the impact of COVID. EBITDA Margin has thus fallen from 21.7% to 10.9%.

As a consequence, **EBIT** also decreased from 454 million euros in the first six months of 2019 to a negative figure of 343 million euros in the first half of 2020 (down 175.6%), after the impact of the *Coronavirus* of 776 million euros. As well as the net result for the period, which fell to a loss of 419 million euros (against a 362-million-euro profit; -215.7%) due to 796 million euros of COVID impact.

Revenues from transport services, of around **2.5 billion euros**, decreased 1.26 billion euro compared with the first half of 2019. Specifically all the transport businesses are in negative territory, mainly as a result of the pandemic. Revenues of the long-haul and short-haul passenger rail services (a total decrease of 1.12 billion euros), revenues of the passenger transport by road (down 67 million euros) and rail freight revenues (down 69 million euros) all declined. However, revenues from fees for public service contracts with the state and regions, for passenger transport, have been stable.

Services relating to transport, have fallen above all because of the effect of the health emergency and the restrictions imposed on the transport sector by law, especially during the lockdown phase, with a loss in demand registered by Trenitalia of 66.4% in long-haul and a reduction in saleable passenger*kilometres of 56.3%. With respect to regional services, the reduction in traffic linked to the COVID emergency has seen a significant reduction in passenger-kilometres (down 57.5%) with a fall in train-kilometre production of 26.0% compared to the first six months of 2019.

Operating costs in the six-month period amounted to **4.2 billion euros**, a decrease of 445 million euros (down 9.5%) compared to the same period of the previous year, **thanks to the robust cost saving actions that were promptly put into place by the FS Group management during the lockdown and subsequent months.**

Investments, which are in line with the historic trend, continue to represent a central element in Group development policies. During the first six months of the year, the Group, despite the relevant and numerous difficulties encountered in managing the several investment projects currently in progress, reported outgoings of around **2.5 billion euros** on investments that, in over half of the cases, have involved maintenance to ensure the efficiency and safety of the rail infrastructure network, both conventional and high-speed/high-capacity lines.

Additionally, the Group's **overall staff numbers** went from 83,217 at the end of June 2019 to **81,532 employees**, mainly because of the effect of an average decrease in headcount.

Despite the strong impact of the *Coronavirus*, the Group nevertheless maintains a high level of financial strength with **equity at 41.9 billion euros** at 30th June 2020, and a **net financial position of 8.2 billion euros.**



With reference to the operating sectors, the transport area – led by the subgroup Trenitalia, followed by those headed up by the subholding companies Mercitalia and Busitalia, in the freight and road transport businesses respectively, and Netinera, which operates in Germany – has closed the period with a net loss of 544 million euros (against the profit of 163 million euros registered the previous year) bearing the most of the consequences from the COVID-19. Whereas the infrastructure area showed a profit of 50 million euros (vs 191 million profit in 2019).

Nonetheless, it is worth of notice that the financial effects deriving from COVID described above do not include the record of grants per article 214, paragraphs 3-6, of the “Decreto Rilancio” (Relaunch Decree, Legislative Decree 34/2020) relating to the Market and Freight Long-Haul Business, which would have mitigated - by at least a minimum amount of 350 million euros - the negative effects associated with the pandemic on the Group, according to the latest, conservative estimate. The process relating to these grants' accounting has not yet concluded, in light of the approval by the EU Commission.

Finally, we would like to highlight that COVID-19 unquestionably represents a disruption that is unprecedented at domestic, European and world level, with disruptive impact on the transport sector, which will thus see its value system and journey habits go through structural change. In this situation, the history of the FS Group is a solid base on which to produce leverage to gain new direction in its future development, so that it can respond resiliently to the change, and contribute to a collective mobility system that is increasingly safe and sustainable and which creates financial, social and environmental value.

In the **financial reports** section of the **fsitaliane.it** website there is a summary document with details of the main results achieved in the period by the Ferrovie dello Stato Italiane Group.

The Manager responsible for drawing up corporate accounting documents, Roberto Mannozi, declares in accordance with paragraph 2 of article 154-bis of the Consolidated Law on Finance that the accounting data contained in this document corresponds to corporate documents, books and accounts.