



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

## 2015 ANNUAL REPORT

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# Chairman's letter

Dear Shareholder,

2015 brought a host of new developments for Ferrovie dello Stato Italiane group and its stakeholders. In many ways, it was a year of transition as the Italian macroeconomic context stabilised, public investments in the country's strategic infrastructure resumed (with a total of €17 billion allocated to FS group for investments in railway transport over the next few years) and the tax burden was cut substantially. Furthermore, there were significant changes in FS group's regulatory framework and its leadership team.

The central issue for the board of directors was the focus on the group's core business, and this entailed the sale of RFI's electrical grid to Terna, a transaction that was successfully completed in December for a total of €757 million, as well as setting up the Grandi Stazioni deal, with the transfer of the retail business unit planned for the first half of 2016.

Data on demand for transport show growth, confirming the shift from private to collective mobility solutions and constituting an unequivocal sign of economic recovery for the country. In the year just ended, we transported 829 million people (+6.6% compared to 2014), 609 millions of whom on our trains (+3.3%) and 220 million by road (+16.9%). Customer satisfaction data are showing early signs of improvement.

2015 saw the launch of the new Frecciarossa 1000 high speed train (by December 2015, 18 new trains were already operating, out of a total of fleet of 50 to be rolled out by 2017) which will speed up service and lead to the upgrade of all high speed rolling stock. The arrival of the Frecciarossa 1000 marks the completion of a key stage in the investment plan for the domestic high speed service, and, beginning in 2016, it will give us more room to focus on local public and cargo transport. During the year, we continued implementing the plan to renew regional transport, with the roll-out of 62 new trains and 144 double decker carriages, which will provide a significant contribution to improving the group's service, in line with the relevant local bodies' plans. In local road transport, Busitalia Veneto was set up, making the group the country's third largest player, after the two large municipal companies in Rome and Milan: ATAC and ATM, respectively.

In the cargo and logistics transport sector, we have laid the foundation for a turnaround to create a strong new competitive and remunerative player on the European market.

In the infrastructure sector, thanks to the crucial role played by public grants, we invested over €3.5 billion (+25% on 2014) to maintain the efficiency of the infrastructure, innovate traditional network technologies (accounting for 54% of the total), strengthen the traditional network's infrastructure in corridors, metropolitan areas and regional lines (42%) and complete the Turin-Milan-Naples HS/HS network (4%). In 2015, work continued on our current large-scale projects according to schedule. These include, in particular, the Brennero railway tunnel, access lines to Gotthard, the Treviglio-Brescia HS line, the Naples-Bari section and the Turin-Lyon section.

During the year, the group confirmed its ability to leverage railway transport know-how internationally. For example, in the Ivory Coast, it designed the 1,000-km railway connecting the country's second largest port with Mali. It also reached an agreement with the Congo government to provide services (including personnel training, the supply of diagnostic material, restoration of the country's main railway line between Pointe Noire and Brazzaville and the construction of a business centre in Brazzaville) and, in the UK, Trenitalia was the only non-British European operator to be qualified for participation in tenders over the next four years.

In terms of economic and financial results, we are extremely satisfied with how the year ended. In line with our targets, revenue rose to €8.5 billion, up by an annual 2.3% on the macroeconomic context wherein the country shows growth of 1%. Thanks to the improvement in operating margins due to management actions, the group has convincingly countered the negative impact of regulatory and legislative measures, with a gross operating profit just below €2 billion.

2015 is the eighth year in a row in which we report a profit for the year and the sixth in which our profit to sales ratios outperform those of all our European competitors, and DB and SNCF in particular. The profit came to €464 million, up by

more than 50% on the previous year, in part thanks to the tax savings associated with the deductibility of personnel expense from the IRAP tax base and the expected cut in the IRES tax rate.

The group's net invested capital amounts to €44.7 billion (€29.3 billion attributable to railway infrastructure), with equity of €38 billion and net financial debt of €6.7 billion.

In 2015, FS' board of directors took important steps to strengthen group governance, and one specific step was the creation of a new position at group level, the Chief Risk Officer reporting directly to the CEO. It also continued efforts to constantly update the organisational model pursuant to Legislative decree no. 231/2001.

Investments and our collective focus on workers' safety have translated into an improvement in data on accidents (-15%).

For the second year in a row, the group was named "Best Employer of Choice", as it continues to invest in its relationship with universities.

With respect to gender equality, we carried out specific awareness and training programmes to support women's leadership. With our participation in the "30% Club", we have set the goal of assembling a management team that is 30% female by 2020 (compared to the current 16%), through new hires and promotions at various levels. The appointment of woman CEO of Trenitalia sent a strong message both inside and outside the company.

We are very proud of FS group's and all its employees' ongoing commitment to social responsibility. For example, this commitment includes the "Solidarity travels by train" campaign, which led to the reopening of the Caritas "Don Luigi Di Liegro" hostel in Via Marsala in Rome.

The group continued to pursue its social commitment in the year on a variety of fronts. In particular, by granting over 80,000 square metres for free use, we hosted a network of 15 help centres for disadvantaged people (470,000 projects in 2015) and 509 projects to put idle stations back to use for social purposes. As for our commitment to the environment, we organised the 27th annual Treno Verde event with Legambiente, a non-profit environmental association.

The change of group leadership was a turning point at the end of 2015 and gave rise to a number of expectations. The new business plan, which is at an advanced stage of preparation, will guide development in the future, providing considerable support to the entire board of directors as it moves forward on an ambitious path for the group - a group increasingly poised to become a customer-centric integrated mobility business.

These are the prospects for Ferrovie dello Stato Italiane's crucial role in contributing to the country's growth. These results would not be possible without our partners and collaborators, the support of our shareholder and, above all, the daily commitment of our 69,000+ employees and the pride they take in their work. We thank each and every one of you.

The Chairwoman

## FERROVIE DELLO STATO ITALIANE S.p.A. COMPANY OFFICERS

### Board of directors

	In office until 27 November 2015	Appointed on 27 November 2015 <sup>1</sup>
Chairperson	Marcello Messori	Gioia Maria Ghezzi
CEO	Michele Mario Elia	Renato Mazzoncini <sup>2</sup>
Directors	Daniela Carosio	Daniela Carosio
	Vittorio Belingardi Clusoni	Giuliano Frosini
	Giuliano Frosini	Simonetta Giordani
	Gioia Maria Ghezzi	Federico Lovadina
	Simonetta Giordani	Vanda Ternau
	Federico Lovadina	
	Vanda Ternau	

### Statutory auditors

Chairwoman	Alessandra dal Verme	
Standing statutory auditors	Tiziano Onesti	Roberto Ascoli <sup>4</sup>
	Claudia Cattani	
Alternate statutory auditors	Paolo Castaldi <sup>3</sup>	
	Cinzia Simeone	

### COURT OF AUDITORS' MAGISTRATE APPOINTED TO AUDIT FERROVIE DELLO STATO ITALIANE S.p.A.

Ernesto Basile	Angelo Canale <sup>5</sup>
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### MANAGER IN CHARGE OF FINANCIAL REPORTING

Roberto Mannozi

### INDEPENDENT AUDITORS

KPMG S.p.A. (2014-2022)

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<sup>1</sup> Following the shareholder's resolution on the same date

<sup>2</sup>Appointed by the board of directors on 1 December 2015, with the powers and duties of the General Manager as well

<sup>3</sup>Standing statutory auditor replacing Tiziano Onesti from 21 December 2015 to 11 March 2016

<sup>4</sup>Standing statutory auditor replacing Paolo Castaldi on 11 March 2016, when the latter returned to the position of alternate statutory auditor on the same date

<sup>5</sup>Court of Auditors' Magistrate appointed to audit Ferrovie dello Stato Italiane S.p.A. from 15 April 2015

## **GROUP HIGHLIGHTS**

## Disclaimer

This document and, in particular, the part titled "Outlook for the group and FS S.p.A." contains forward-looking statements based on current expectations and projections of future events. By their very nature, these statements present inherent risks and uncertainties. They refer to events and depend on circumstances that might, or might not, occur or arise in the future and, as such, cannot be considered reliable. Actual results could differ, even significantly, from the data in these statements following myriad factors, including but not limited to the volatility and decline of capital and financial markets, another European sovereign debt crisis, changes in raw material prices, changes in macroeconomic conditions and economic growth and other changes in business conditions, changes in legislation and the institutional context (both in Italy and abroad), difficulties in carrying out production and providing services, including restrictions to the use of the infrastructural railway network, the use of plants and supplies and many other risks and uncertainties, most of which are beyond the group's control.

## Key and glossary

Below is a description of the criteria used to determine the most frequently used performance indicators in this report, which differ from the criteria applied to the financial statements and which management finds useful in monitoring the group's performance and believes reflect the results of operations and financial trends of its business segments:

- **Gross operating profit:** this is an indicator of the performance of operations and reflects the group's core business only. It is calculated as the difference between revenue and operating costs.
- **Operating profit:** this is an indicator of the performance of operations and is calculated as the algebraic sum of gross operating profit and amortisation and depreciation, impairment losses (reversals of impairment losses) and provisions.
- **Net operating working capital:** this is the sum of inventories, construction contracts, current and non-current trade receivables and current and non-current trade payables.
- **Other assets, net:** these consist of receivables and advances from the Ministry of the Economy and Finance for grants, deferred tax assets, other current and non-current assets and other current and non-current liabilities.
- **Working capital:** this is the algebraic sum of net operating working capital and other assets, net.
- **Net non-current assets:** these consist of property, plant and equipment, investment property, intangible assets and equity investments.
- **Other provisions:** these comprise post-employment benefits and other employee benefits, the tax provision, the bilateral fund for income assistance, the provision for litigation with employees and third parties, the provision for other sundry risks and deferred tax liabilities.
- **Net assets held for sale:** these consist of assets whose carrying amount will be recovered principally through a sale transaction rather than through continuing use.
- **Net invested capital (NIC):** this is the algebraic sum of working capital, net non-current assets, other provisions and net assets held for sale.
- **Net financial debt (NFD):** this financial indicator consists of bonds, current and non-current bank loans and borrowings, the current portion of non-current bank loans and borrowings, current and non-current loans and borrowings from other financial backers, financial assets with the Ministry of the Economy and Finance for current fifteen-year grants, cash and cash equivalents and current and non-current financial assets.
- **Equity (E):** this is a financial statements indicator calculated as the algebraic sum of share capital, reserves, retained earnings (losses carried forward), current and non-current derivative liabilities and the profit (loss) for the year.
- **Gross operating profit margin:** this profitability indicator is calculated as the ratio of gross operating profit to operating revenue.
- **Operating profit margin – ROS (return on sales):** this sales profitability indicator is calculated as the ratio of operating profit to revenue.
- **Debt/equity ratio:** this indicator is used to measure the group's debt. It is calculated as the ratio between net financial debt and equity.

The following terms are frequently used in relation to the group's operations:

- **Computer-based interlocking system:** Central management system for control and signalling and station safety.



- **ARIS:** the all-relay interlocking system is a centralised device has one single button to control routes and routing and automatically shunts each individual body affected by the route.
- **ATC:** automatic train control is a system that automatically controls the train's speed. It is the technological and functional development of the automatic train protection (ATP).
- **HS/HC:** High speed/High capacity, the system of lines and means specifically developed for high speed transport and the consequent high capacity transport.
- **Average load:** (pkm/tkm) this ratio expresses the number of passenger-km per train-km, i.e., how many people a train can transport on average.
- **Government Programme Contract:** this is a long-term contract between the Ministry of Infrastructure and Transport ("MIT") and Rete Ferroviaria Italiana S.p.A. ("RFI") defining investment projects and other terms and conditions, such as network maintenance, to encourage the development of the railway system.
- **Public service contracts:** these are contracts between the Ministry of Infrastructure and Transport/Ministry of the Economy and Finance and Trenitalia S.p.A. whereby the former reimburses the latter for the cost of public passenger transport services that could not otherwise sufficiently self-fund.
- **Main line:** this is a particularly important series of railway lines in terms of traffic volumes and the transport role that it plays, as it joins major network centres or hubs.
- **ERA European Railway Agency:** this is the EU agency establishing the mandatory requirements for European railways and builders in the form of technical interoperability specifications applicable to the European railway system. The ERA sets common safety targets, along with the related methods and common safety indicators, in compliance with Directive 2004/49/EC, as amended.
- **European Rail Traffic Management System (ERTMS):** this is the system that integrates the various railway networks in the EU from a functional and operational standpoint and provides for the European Train Control System.
- **ETCS (European Train Control System):** this is the overall network of the various national automatic train control (ATC) systems. ATC systems consist of traditional and innovative signalling systems and can be based on continuous signal repetition (CSR) or continuous digital signal repetition (CDSR).
- **GSM-R (Global System for Mobile Communication):** this is the European standard for public digital mobile telephony system with a transmission speed of 9.6 Kbps.
- **Plant:** this is a railway company's production unit with a fixed location and identifiable area of jurisdiction on the railway network. It may belong to either the infrastructure operator or the transport companies.
- **Load factor** (pkm/seat-km): this indicator measures the saturation of the commercial offer, i.e., how much one seat is occupied, e.g., on a Rome-Milan train with intermediate stops (a passenger getting off at Florence only occupies the seat 50% of the distance compared to a passenger travelling to the terminal stop in Milan).
- **Hub:** this is a conventional term to define a railway area that generally coincides with major metropolitan destinations presenting highly dense and relatively complex medium-size to large stations and other railway plants that are interconnected by various lines, creating a continuation of the main routes into the same hub and other lines, built to manage various traffic flows and alternative routes, or service loops.
- **Doubling:** this is the transformation of a single track to a double track.
- **Terminal:** this is the intermodal transport infrastructure for the transfer of large load units between carriers, with or without warehouses of modest size.
- **CCS/CTC:** this command and control system/large network central traffic control system regulates traffic on the main lines and hubs, outperforming traditional centralised traffic control systems.

- **TSCS:** this train speed control system is the first functional stage of the ATC system for constant control over train speed, making it possible to activate the emergency brakes if the train exceeds the maximum speed allowed on the line or if it proceeds past stop signals.
- **Tonne-km:** this is the product of tonnes transported multiplied times kilometres travelled (tkm).
- **Combined transport:** this is intermodal transport mainly carried out by rail, river or sea, whereas the initial and terminal journeys are by road. Combined transport uses specific carriages and coded lines for the sections by rail.
- **Intermodal transport:** this is transport using two or more modes of transport (road, rail, sea or river) with the transfer of load units from one mode to another without breaking up the load, i.e., using a roadway vehicle or intermodal transport unit (containers, swap bodies and semitrailers).
- **Train-km:** this is the number of train events per kilometre travelled (tkm).
- **Passenger-km:** this is the number of passengers multiplied by km (pkm).

# THE FUTURE IS FOUNDED ON HISTORY



The Azienda Unitaria delle Ferrovie dello Stato is established on 1 July 1905, based on the unification of stations and a consistent style of carriages. The railway system is designed and built in accordance with one, unified national criterion.



The first Italian electric train is built: the ETR 200, paving the way for high speed transport.



The first electric tilting train is built: the ETR 401, more commonly known as the Pendolino. Designed by Ferrovie dello Stato and Fiat Ferroviaria to reach speeds of up to 250km/h, the Pendolino is a milestone in the path towards Italy's HS rails.



Ferrovie dello Stato becomes a company limited by shares.



The new HS Rome-Naples line is completed, and is the first to adopt the innovative ERTMS/ETCS. Engineers arrive from around the world, including Japan, the US, Russia and China, to study the Italian system, which boasts safe, quiet railway transport at 300km/h.



The Bologna-Florence line, almost entirely in tunnels, and the Novara-Milan lines are opened. The HS line from Turin to Salerno is completed. These lines add 1,000 km of HS rail to the country, changing Italians' way of life and how they get around.



Frecciarossa 1000, reaches speeds of 390,7km/h, setting new record



Together with the Napoli Mergellina station, the direct Rome-Naples line is inaugurated, the first designed to reach high speeds.



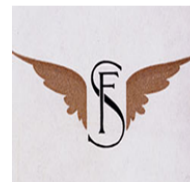
The ETR 300 arrives on the Rome-Milan line, and is immediately renamed the Settebello, after its seven carriages. Its innovative shape is emblematic of the Reconstruction period and Italian design.



On the direct Rome-Florence line, the ETR X 500 reaches speeds of 317km/h, setting Ferrovie dello Stato's official record. The ETR Y 400 breaks the record soon after when it hits 321km/h.



The company is divided into business segments, which will lead to the creation of the Ferrovie dello Stato group in the new millennium.



The Ferrovie dello Stato group opens the HS line connecting Milan and Bologna. The works include an extraordinary suspension bridge over the Po River. Trains running on the new line set a new record for Italian speed: 362km/h.



FS S.p.A. acquires the group, which then expands to include Deutschland, now known as Netinera, Germany's third largest operator in the passenger transport service sector.



# Consolidated highlights

millions of Euros

Main results and financial data	2015	2014	Change	%
Revenue	8,585	8,390	195	2.3
Operating costs	(6,610)	(6,276)	(334)	(5.3)
Gross operating profit	1,975	2,114	(139)	(6.6)
Operating profit	644	659	(15)	(2.3)
Profit for the year	464	303	161	53.1
	<b>31.12.2015</b>	<b>31.12.2014</b>	<b>Change</b>	<b>%</b>
Net invested capital (NIC)	44,695	43,715	980	2.2
Equity (E)	37,953	37,497	456	1.2
Net financial debt (NFD)	6,742	6,218	524	8.4
NFD/E	0.18	0.17	0.01	7.1
Investments of the year	5,497	4,261	1,236	29.0
Total cash flows of the year	(3)	(315)	312	99.0

Main performance indicators	2015	2014
GROSS OPERATING PROFIT/REVENUE	23.01%	25.20%
ROS (OPERATING PROFIT/REVENUE)	7.50%	7.85%
PERSONNEL EXPENSE/REVENUE	(45.82)%	(46.69)%

## **DIRECTORS' REPORT**

# Corporate governance and ownership structure report

## Introduction

This section of the directors' report provides a description of the corporate governance policies that Ferrovie dello Stato Italiane group ("FS Italiane group") follows and which the parent, Ferrovie dello Stato Italiane S.p.A. ("FS S.p.A.", the "company" or the "parent"), has defined. Furthermore, this section meets the specific disclosure requirements of article 123 *bis* of Legislative decree no. 58/1998 - Consolidated finance act (Report on corporate governance and ownership structure) with respect to the information required by paragraph 2.b<sup>1</sup>.

In addition, this section includes the information required by the directive of the Ministry of the Economy and Finance of 24 June 2013 *"regarding the adoption of the criteria and methods for the appointment of members of the board of directors and the remuneration policies for senior managers of companies directly or indirectly controlled by the Ministry of the Economy and Finance"* with specific respect to the request addressed to issuers of financial instruments listed on regulated markets to illustrate and justify the remuneration policies in place for directors with special powers in the *"Report on corporate governance and in the financial statements"*, based on the recommendations of the Treasury Department.

## The group and its values

The Ferrovie dello Stato Italiane group's structure is based on a corporate process that began in 2000, leading to the current multi-company group with a parent whose business purpose is to:

- build and manage railway transport infrastructure;
- carry out cargo and passenger transport activities, mainly by rail, including the promotion, implementation and management of initiatives and services in the field of transport;
- directly or indirectly carry out any other activity that is instrumental, complementary or connected to the above, expressly including customer services and activities aimed at enhancing the value of its assets used in the performance of the activities covered by its by-laws.

As explicitly provided for by the by-laws, business activities are mainly, but not exclusively, carried out through subsidiaries and associates.

Accordingly, the parent heads operating companies in various sectors along the chain and other service companies and companies supporting group functions. However, the companies have their own corporate characteristics and independently manage operations to achieve business targets.

Following the deregulation of the EU network market, the by-laws specify that certain subsidiaries are to oversee transport activities and the construction and management of the railway transport network.

In this context, the parent FS S.p.A., which is wholly owned by the state through the Ministry of the Economy and Finance (also referred to as "MEF") mainly handles the strictly corporate activities that are typical of a holding company (i.e., investment management, shareholding control, etc.) and other business activities, while its investees retain their independent legal responsibilities. In addition, FS S.p.A. steers and coordinates the group operating companies' business

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<sup>1</sup> FS S.p.A. has issued bonds listed on regulated markets in the EU, with Italy as the originating member state. Consequently, it is subject to regulatory obligations in place in Italy and the country where the bond is placed. However, FS S.p.A. has not issued shares traded on regulated markets or multi-lateral trading systems. Accordingly, it exercises its right under article 123-bis.5 to not publish the information required by article 123.1/2, except that required by article 123.2.b.

policies and strategies. It is organised into central divisions to ensure that processes function transversally throughout the group for the definition of strategies and sharing of decisions.

The corporate governance structure of FS S.p.A. and its main subsidiaries is organised according to the traditional system: the shareholder appoints a board of directors (which is responsible for management and is currently comprised of seven directors) and a board of statutory auditors (which is responsible for audits and is currently comprised of three standing statutory auditors and two alternate statutory auditors). The shareholder also appoints the independent auditors (currently KPMG S.p.A.), responsible for performing the legally-required audit. Pursuant to article 12 of Law no. 259/1958, the Court of Auditors' Magistrate appointed to audit FS S.p.A. attends the meetings of the board of directors and the board of statutory auditors, integrating the corporate governance system.

In accordance with the by-laws, the board of directors: (i) appoints the CEO; (ii) can delegate powers to the Chairwoman, following the shareholder's resolution in this respect and as permitted by law; (iii) establishes committees, if necessary, responsible for consultation and proposals; (iv) appoints the Manager in charge of financial reporting; and (v) appoints the General Manager.

At 31 December 2015, FS S.p.A.'s share capital amounted to €36,340,432,802.00 and was fully paid up.

#### The code of conduct

The code of conduct is a "charter of fundamental rights and responsibilities" whereby FS Italiane group establishes and clarifies its ethical and social responsibilities and commitments to all internal and external stakeholders.

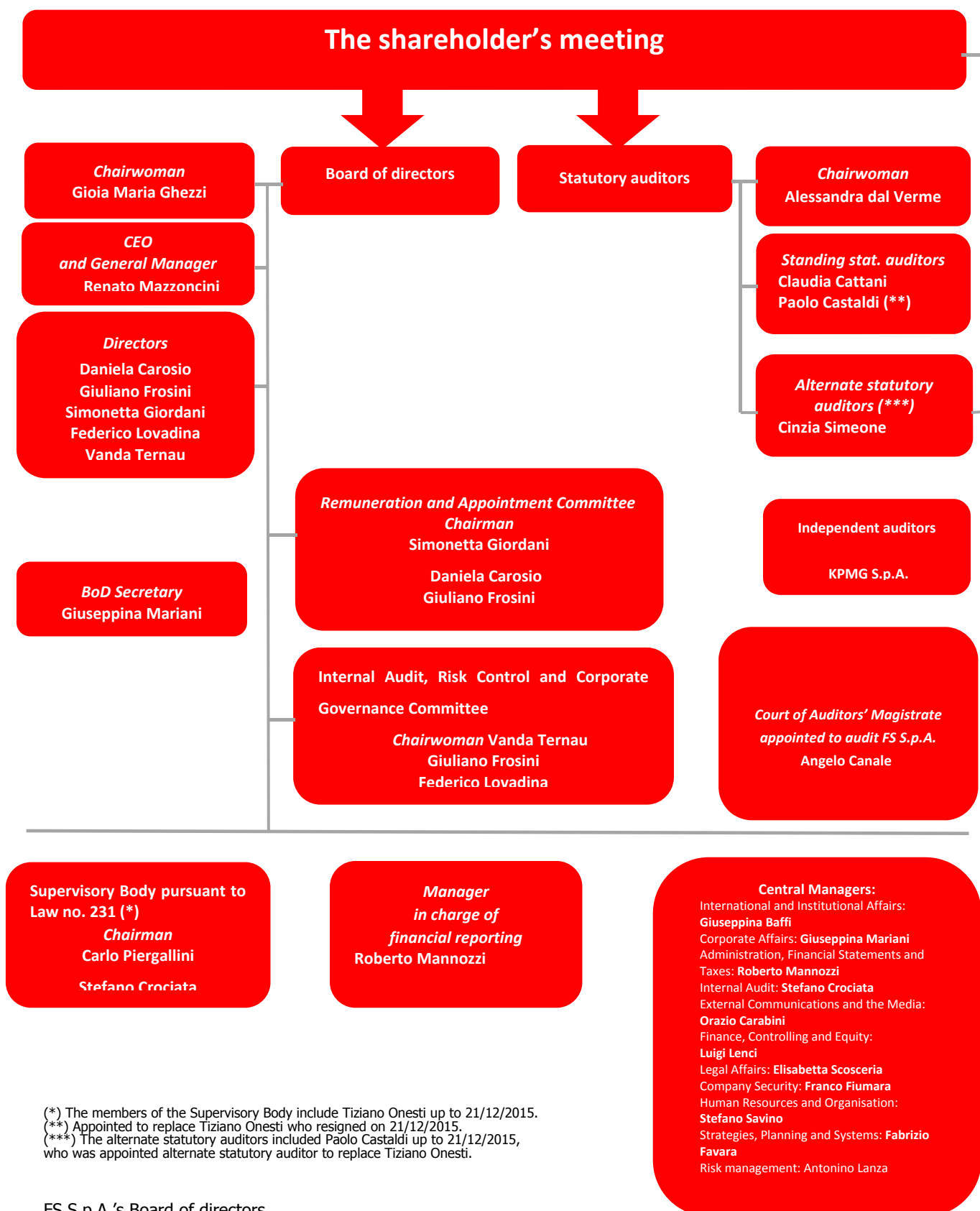
The code of conduct is approved by the group companies' boards of directors and applies to their corporate officers, managers, employees, freelancers, business partners, suppliers and all other parties involved in transactions with FS Italiane group.

The code defines general principles (e.g., the strategic value of human resources, product and service quality, minimum cost quality for the public, impartiality, etc.), in addition to specific rules and standards in terms of conduct.

The code prohibits the directors of each company (who are, in any case, subject to the requirements of article 2391 of the Italian Civil Code) and all FS Italiane group personnel from making decisions or carrying out actions in the performance of their duties that contrast with the company's interests or are inconsistent with their responsibilities. Any situations in violation of this rule must be reported to supervisors or the Ethics Committee (see the section on "Other committees").

The code of conduct has been widely published on FS Italiane group's intranet and internet sites and is referenced in all contracts signed by the group companies.

FS S.p.A.'s corporate governance structure at the reporting date is illustrated below.



#### FS S.p.A.'s Board of directors

#### Composition and appointment

Pursuant to article 10 by the by-laws, the board of directors (also referred to as the "BoD") is made up of three to nine members appointed by the shareholder.



In any event, the composition of the board of directors must be such that it ensures a balanced proportion of men and women, in accordance with the applicable regulations and the terms provided for thereby.

In accordance with a specific clause in the by-laws and regulations for state-owned companies, in order to accept directorship of FS S.p.A., candidates must meet specific professionalism and honourableness criteria. In 2013, these requirements were made more stringent, in line with the provisions of the directive of the Ministry of the Economy and Finance of 24 June 2013 *"regarding the adoption of the criteria and methods for the appointment of members of the board of directors and the remuneration policies for senior managers of companies directly or indirectly controlled by the Ministry of the Economy and Finance"*. Furthermore, the by-laws, as amended in the light of such directive, set forth specific reasons for ineligibility and forfeiture of office.

FS S.p.A.'s by-laws establish that directors assigned, on an ongoing basis, the BoD's operating duties, pursuant to article 2381.2 of the Italian Civil Code may not serve as directors on the boards of more than two other companies limited by shares (their offices held in subsidiaries or associates are not considered); whereas directors who have not been assigned such operating duties can serve as directors on the boards of not more than five other companies limited by shares.

On 27 November 2015, following the resignation of all members of the board of directors appointed by the shareholder on 29 May 2014 for the 2014/2016 term of office (Marcello Messori [Chairman], Michele Mario Elia [CEO], Vittorio Belingardi Clusoni, Daniela Carosio, Giuliano Frosini, Gioia Maria Ghezzi, Simonetta Giordani, Federico Lovadina and Vanda Ternau), in accordance with the aforementioned directive of the Ministry of the Economy and Finance of 24 June 2013, the shareholder appointed the following members of the board of directors - with a three-year term of office and, in any case, until the date of the shareholder's meeting called to approve the financial statements as at and for the year ending 31 December 2017 - Gioia Maria Ghezzi (Chairwoman), Renato Mazzoncini, Daniela Carosio, Giuliano Frosini, Simonetta Giordani, Federico Lovadina and Vanda Ternau.

During the meeting held on 1 December 2015, the new board of directors appointed Renato Mazzoncini as CEO and General Manager in order to align FS Italiane group corporate governance policies to those of other listed and unlisted groups in which the Ministry of the Economy and Finance holds an interest.

#### Duties and roles

As appointed by the shareholder, FS S.p.A.'s management body consists of seven directors operating as a board in the form of the board of directors appointed - pursuant to article 12 of the by-laws and in line with article 2380-bis of the Italian Civil Code - to carry out all operations necessary to achieve the business purpose.

The Chairwoman calls the meetings of FS S.p.A.'s BoD and presides over them. The BoD normally meets once a month and, in any case, whenever the Chairwoman or CEO believe a meeting is necessary or whenever the majority of its members or the board of statutory auditors present a justified written request. The board met 21 times in 2015.

During the meeting held on 1 December 2015, FS S.p.A.'s BoD decided to maintain the same assignment of powers as for the 2014/2016 term of office (which, as indicated above, began on 29 May 2014 and ended early when all the directors resigned), specifically listed the powers assigned exclusively to the BoD and - in accordance with the aforementioned shareholder's resolution of 27 November 2015 - those to be assigned to the Chairwoman, with all remaining powers assigned to the CEO.

In particular the BoD:

- retained exclusive responsibility for economic and strategic decisions such as defining - upon the CEO's proposal - the company's and the group's strategic guidelines; approving the company's and the group's annual and long-term business plans, which the CEO prepares; resolutions, upon the CEO's proposal, regarding financing agreements, non-recurring transactions (including those performed by the direct investees) and the purchase/sale of companies and equity investments. Furthermore, the BoD has also confirmed its exclusive responsibility for the appointment, upon the CEO's justified and documented proposal, of the main subsidiaries' boards of directors and boards of statutory

auditors (RFI S.p.A., Trenitalia S.p.A., Italferr S.p.A. and Ferservizi S.p.A.); in accordance with the by-laws, FS S.p.A.'s BoD is also responsible for resolving on certain aspects otherwise reserved for the extraordinary shareholder's meeting (such as mergers and partial demergers of companies that are at least 90% owned by FS S.p.A. to the latter, the opening and closing of branches and updating the by-laws to reflect new legislation), without prejudice to the shareholder's power to resolve on these matters (see article 2365 of the Italian Civil Code and article 12.2 of the by-laws); finally, in accordance with the provisions of article 2410 of the Italian Civil Code, FS S.p.A.'s BoD is also responsible for resolving on the issue of bonds;

- gave the Chairwoman, again within the limits of article 2381 of the Italian Civil Code and in accordance with article 12.3 of the by-laws, specific powers for external and institutional affairs in collaboration with the CEO and the coordination of internal audit activities; (do they mean the Chairwoman must coordinate the activities or is to execute her powers in coordination with?)
- entrusted the CEO with all powers to manage the company – except for those assigned to the Chairwoman and those that the BoD exclusively retained (in addition to the powers that cannot be delegated by law) – as indicated above, which were compiled in a specific list for informational purposes only; pursuant to the by-laws (article 12), the CEO also ensures that the organisational and accounting system is consistent with the nature and size of the business and reports to the BoD and to the board of statutory auditors at least once every three months on the general performance of operations and outlook and on the company's and its subsidiaries' most significant transactions in terms of size or characteristics.

The Chairman and CEO have separate powers of representation of FS S.p.A. pursuant to article 13 of the by-laws.

#### Committees

FS S.p.A. limits the establishment of advisory and proposing committees within the BoD to those that are necessary. Following the shareholder's appointment of the new board of directors on 27 November 2015 (for 2015-2017), during its meeting on 1 December 2015, FS S.p.A.'s new BoD resolved to confirm the committees that the previous BoD had established on 1 July 2014, and only changed their composition to consider the shareholder's resolutions:

- the Audit, Risk Control and Corporate Governance Committee (comprised of the following directors: Vanda Ternau [Chairwoman], Giuliano Frosini and Federico Lovadina), responsible for supporting, by presenting proposals and providing advisory activities, the BoD's internal control and risk management assessments, the company's and the group's corporate governance and social responsibility.
- the Remuneration and Appointment Committee (comprised of the following directors: Simonetta Giordani [Chairwoman], Daniela Carosio and Giuliano Frosini), responsible for presenting proposals and providing advisory activities to the BoD with respect to, inter alia, the remuneration, pursuant to article 2389.3 of the Italian Civil Code, of the CEO and Chairwoman (should the latter be assigned operating duties), any "co-options" and periodic checks that the directors of FS S.p.A. meet independence and honourableness requirements and are still eligible to hold their office.

The members of these committees receive additional fees equal to 30% of the fees determined by the shareholder for directors, in accordance with article 10.5 of the by-laws (for the 2015/2017 term of office, the Director Frosini waived his fees for serving on the Internal Audit, Risk Control and Corporate Governance Committee).

#### Directors' fees

Upon the proposal of the Remuneration and Appointment Committee and considering the opinion of the board of statutory auditors, the BoD determines the amount of the fees pursuant to article 2389.3 of the Italian Civil Code that the Chairwoman and CEO will receive (including fees due for their position as director), in line with the fee and remuneration

rules for state-owned companies and the results of analyses and comparisons with the practices of third party companies of a comparable size and complexity.

The approved fees for FS S.p.A.'s Chairwoman and the CEO for any duties they have on the BoD of FS Italiane group companies are paid to FS S.p.A. directly.

Finally, the by-laws prohibit the payment of amounts to the directors and statutory auditors for their participation in meetings and limit - where noted - the amount of fees that can be paid to members of the advisory and proposing committees that are set up within the board, where necessary.

For the 2014/2016 three-year term of office (which ended early, as described above, when all the directors resigned): (i) the shareholder established the fees for the directors and BoD Chairwoman on 29 May 2014; during the same meeting, the shareholder also informed the BoD of the total maximum fee (including meeting fees) that could be given to the Chairwoman pursuant to article 2389.3 of the Italian Civil Code in the event that she is assigned powers; (ii) at the BoD meeting on 24 October 2014, the board determined the CEO's salary (including his fee as director) pursuant to article 2389.3 of the Italian Civil Code for both his role as director and that as manager, each consisting of fixed and variable components; the variable components were linked to the achievement of objective and specific annual targets, which the BoD defined upon the proposal of the Remuneration and Appointment Committee; the total remuneration established for the CEO was less than the amount of the former CEO's remuneration, while the responsibilities of the position stayed the same.

For the 2015/2017 three-year term of office (which began, as indicated above, on 27 November 2015): (i) the shareholder established the fees for the directors and BoD Chairwoman during the aforementioned meeting of 27 November 2015; during the same meeting, the shareholder also informed the BoD of the total maximum fee (including meeting fees) that could be given to the Chairwoman pursuant to article 2389.3 of the Italian Civil Code in the event that she is assigned powers; (ii) at the BoD meeting on 1 December 2015, the board determined the Chairwoman's salary pursuant to article 2389.3 of the Italian Civil Code (including her fee as director) and resolved on Mr. Mazzoncini's fee for his duties as CEO (pursuant to article 2389.3 of the Italian Civil Code, including his fee as director) and the General Manager's salary. Both of the CEO's forms of remuneration include fixed and variable components; the variable components were linked to the achievement of objective and specific annual targets, which the BoD defined upon the proposal of the Remuneration and Appointment Committee.

#### Criteria and methods for the appointment of BoD members of FS S.p.A.'s direct and indirect subsidiaries

As described above, on 24 June 2013, the Ministry of the Economy and Finance issued a directive to the Treasury Department "*regarding the adoption of the criteria and methods for the appointment of members of the board of directors and the remuneration policies for senior managers of companies controlled by the Ministry of the Economy and Finance*".

In accordance with this directive, during the meeting of 12 September 2013, FS S.p.A.'s BoD drafted certain general criteria for the selection of candidates for the positions of director, chairman and CEO within its subsidiaries.

The board also decided that criteria similar to those drafted for the selection of candidates for the subsidiaries' management bodies should be applied, insofar as possible, to the selection of candidates for the position of statutory auditor, naturally considering the different particular expertise required.

#### Other committees

In terms of its internal organisational profile, FS S.p.A.'s CEO has set up other committees to steer and support his activities. Their members are appointed on a *pro tempore* basis from the company departments.

The Ethics Committee, which carries out advisory activities and sets guidelines within the framework of the principles and rules of FS Italiane group's code of conduct, was set up by group measure no. 50/AD of 30 January 2006 and is responsible for facilitating the integration of the ethical criteria implemented in relationships with the various stakeholders in decision-making processes, monitoring that the directors and employees act in compliance with the established rules of conduct, audit the company procedures in the light of the code of conduct and update it on an ongoing basis.

The Investment Committee, which was set up with group measure no. 89/AD on 8 February 2007 and subsequently changed with group measures no. 120/AD of 10 November 2008 and no. 186/AD of 24 December 2014 for the strategic oversight of the investment/divestment process, advises the CEO, offering guidance on investments and divestments and directing FS Italiane group's planning process, providing fairness opinions (strategic and financial) on group investments and divestments (except for those included in the GPC - Investments) and is responsible for validating the significant investments and divestments identified by the Central Strategies, Planning and Systems Department on basis of the group companies' proposals. In addition, it monitors the plan's development and proposes any corrective action to be taken in the implementation of the plan. The committee approves the list of programmes and investment/divestment projects that affect the group and tracks the development of the investment and divestment plan.

The group's Information and IT System Security Committee, established with group measure no. 168/AD of 25 November 2013, is an infragroup advisory body that monitors information and IT system initiatives, in accordance with group measure no. 167/AD of 25 November 2013. In particular, the committee steers FS Italiane group's information security strategies, formulates proposals to group companies for the mapping of critical business processes in terms of emerging risks inherent to the use and management of information resources, monitors IT projects and assesses and approves proposals concerning the regulation of information and IT system security evaluations and certification.

The SoD (Segregation of Duties) Committee, which was established with group measure no. 184/AD of 22 December 2014 and was updated with group measure no. 188/AD of 23 January 2015, carries out advisory activities and provides guidance on the segregation of duties. FS S.p.A.'s SoD Committee is responsible for defining, validating and overseeing the group's SoD risk matrix. In addition, this committee is responsible for analysing and monitoring the implementation of the appropriate remediation actions to take in the management/resolution of SoD risks that are detected throughout many group companies' staff processes.

FS Italiane group's Equal Opportunities Committee is a bilateral, joint body established pursuant to article 1.3.C) of the national labour agreement for redundancy in the railway sector and article 3 of the FS group's employment contract of 20 July 2012. The purpose of this committee is to promote initiatives and positive ways in which to offer women workers organisational conditions and a distribution of duties that are more favourable, with a view to facilitating the achievement of a work/family balance. It consists of a national committee and 15 local committees.

The Anti-trust Committee, which supports FS S.p.A.'s CEO, was set up with group measure no. 55/AD of 10 March 2006, amended with group measure no. 160/AD of 24 December 2012 to promote, by preparing anti-trust compliance guidelines, the spread of awareness about anti-trust legislation and to monitor that these guidelines are properly applied.

## The internal control and risk management system

### Internal audit

The main group companies have internal audit functions reporting to the Chairman of their BoD<sup>2</sup>. *For companies that do not have (or do not yet have) their own internal audit departments, the parent's Central Audit Department provides this service.*

If an Audit Committee has been set up, the internal audit department reports to it as well, as defined by the relevant company's internal procedures.

Internal group auditing at group level is independent and objective, provides assurance and serves an advisory purpose, helping the organisation to pursue its targets legally, morally and sustainably.

The professional and systematic audit approach generates added value as it is aimed at assessing and improving control, risk management and corporate governance processes.

The group's internal audit departments assess the adequacy of internal control systems (ICS) in relation to company objectives pursued on the basis of three pillars:

- effective, efficient operations;
- protecting company assets;
- compliance with laws, regulations (both inside and outside the company) and contracts.

The Central Internal Audit Department provides the subsidiaries' internal audit departments with planning guidelines, defines the group's internal audit guidelines, policies and methodologies and promotes the consistency of ICS assessments, the infragroup reach of expertise and professional updates.

This department carries out activities throughout all group companies, including those with their own internal audit departments.

It reports to the holding company's management on internal audit plans and results throughout the group and is exclusively and centrally responsible for investigations into suspected fraud.

It also provides FS S.p.A.'s supervisory body and the subsidiaries without their own internal audit department with operational technical support in the performance of the duties and functions assigned to them (e.g., checks that the organisational models are adequate and compliant, drafting of meeting minutes, document filing, examination of information flows from management, examination of reports from any source and reporting to the company officers).

The subsidiaries' internal audit departments provide a similar operational service to their supervisory bodies.

### Risk management

The "group's risk management model" was first formalised with group measure no. 169/AD of 21 January 2014 and defines the steps, method and roles in the assessment and management of risks.

The risk management process provides for the mapping of processes and related targets, the identification and assessment of risks and related controls and the proposal of any improvement action to contain risks. The group adopts the Control Risk Self Assessment (CRSA) risk management method, which actively involves the process owners and their close colleagues who carry out activities. The process owners are the risk owners: they identify the events related to the risk areas and classify them in the categories defined in the risk glossary, check that procedures, provisions and all other internal organisational aspects adequately mitigate the risks and limit their impact. They also propose or prepare, if these measures are inadequate, effective correction and improvement action to contain risks. The department contact and Risk Officer support the process owners in their activities. With group measure no. 178/AD of 6 October 2014, the model provided for the appointment of a Risk Officer for the main group companies, reporting directly to the CEO.

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<sup>2</sup> Fercredit S.p.A.'s internal audit department reports to the company's board of directors.

In line with this measure, with the related organisational communications, FS Italiane S.p.A., RFI S.p.A., Trenitalia S.p.A., Ferservizi S.p.A. and Italferr S.p.A. created the position of Risk Officer responsible for, in particular, managing and coordinating, on a periodic basis, the risk management process, collaborating with process owners in the identification of mitigation plans and monitoring their implementation. With organisational measure no. 116/AD FS of 22 January 2015, the group model was strengthened with the creation of the risk management structure, reporting directly to the CEO of FS S.p.A.. The structure's mission is to ensure the implementation of an integrated enterprise risk management model to support the optimisation of controls to improve company and group performance. In 2015, the parent decided to strengthen the model already in place with the aim of implementing an integrated enterprise risk management model to identify, classify, measure, evaluate and continuously monitor strategic and process risks.

#### Supervisory bodies and organisational, management and control models pursuant to Legislative decree no. 231/2001

All FS Italiane group companies (except for a few small and newly established companies) have adopted crime prevention systems in accordance with Legislative decree no. 231/2001, referred to as organisational, management and control models, and they have appointed supervisory bodies to evaluate – over time - that these models are adequate and compliant.

These bodies are set up as boards.<sup>3</sup>

The Chairmen of these bodies are professionals who are not a part of the group and who have demonstrated experience and expertise in this field, while at least one of the other two members of the supervisory bodies is a manager in the company's internal audit department, or in the parent's.

The third member of the supervisory bodies whose members were appointed after July 2014 is either from outside the group with legal expertise or is a member of the board of statutory auditors. FS S.p.A.'s supervisory body has two external members, the Chairman Carlo Piergallini and Claudia Cattani, a statutory auditor appointed on 11 March 2016 to replace Tiziano Onesti, and it has one internal member, Stefano Crociata, Central Manager of Internal Audit.

In order to maximise the independence of these bodies, their members may neither hold similar positions in subsidiaries or parents nor, in any case, carry out transactions with them. Furthermore, the term of office of members of the bodies does not coincide with that of the same company's board of directors.

The supervisory bodies provide classroom and/or online training on the content of Legislative decree no. 231/2001 and the companies' organisational models.

The Central Internal Audit Department organises annual training sessions for all of the group's internal auditors, which cover the key aspects of legislation concerning administrative liability arising from crimes. The purpose of this training is to develop the internal auditors' awareness in operating activities so they can detect specific crime risks.

#### Independent auditors

The engagement for the legally-required audit of the financial statements of the parent and its subsidiaries has been assigned to KPMG S.p.A. from 2014. In accordance with the special applicable provisions of Legislative decree no. 39/10 (article 16 and subsequent articles), after FS S.p.A.'s took on the status of a public interest entity following the 2013 issue of the listed bond, the term of the engagement for the legally-required audit is nine years (2014-2022).

#### The manager in charge of financial reporting of FS S.p.A.

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<sup>3</sup>Bodies consisting of one person from outside the group have been appointed in the "small" companies (in accordance with Confindustria [the federation of Italian industrial companies] guidelines for the creation of organisational, management and control models).

Since 2007, upon the specific request of the Ministry of the Economy and Finance and in order to adopt corporate governance systems that are increasingly in line with those of listed companies, the parent created the position of manager in charge of financial reporting pursuant to Law no. 262 of 28 December 2005 "*Provisions to protect asset management and regulate financial markets*" for companies listed on financial markets.

Accordingly, on 27 April 2007, FS S.p.A.'s shareholder amended the by-laws with the introduction of article 16 "*Manager in charge of financial reporting*".

Following the issue of the aforementioned bond (July 2013), FS S.p.A.'s status became that of a public interest entity pursuant to article 16 of Legislative decree no. 39/2010 because it had issued listed financial instruments. Accordingly, the position of manager in charge of financial reporting is now legally required as the company now completely falls within the scope of application of article 154-bis of the Consolidated finance act.

Considering FS Italiane group's organisational and operational complexity, due to the number of players and processes involved, and to strengthen and improve the efficiency of the application of this legislation, FS S.p.A.'s BoD deemed it appropriate, from the start, to have its main subsidiaries immediately appoint managers in charge of financial reporting as well (RFI S.p.A., Trenitalia S.p.A., Grandi Stazioni S.p.A., Centostazioni S.p.A., FS Logistica S.p.A. and Busitalia-Sita Nord S.r.l.).

Furthermore, in 2015, following the issue of FS S.p.A.'s Regulation for the manager in charge of financial reporting, which introduces specific quantitative thresholds which, once met, require the subsidiaries to create the position of manager in charge of financial reporting, a Manager in charge of financial reporting was also appointed at Ferservizi S.p.A..

FS S.p.A.'s BoD approved this regulation on 28 July 2015, with the aim of defining guidelines to establish the role, functions, powers and means and responsibilities of the manager in charge of financial reporting of Ferrovie dello Stato Italiane S.p.A. in accordance with the by-laws and the law, and governing this manager's relationships with the company officers, supervisory bodies, various functions and group companies.

FS S.p.A.'s current manager in charge of financial reporting is Roberto Mannozi, Director of the parent's Central Administration, Financial Statements and Tax Department, appointed by the BoD, upon the CEO's proposal and with the approval of the board of statutory auditors, on 1 December 2015. He will remain in office until the approval of the financial statements as at and for the year ending 31 December 2017.

*Main characteristics of the risk management and internal control systems in relation to the financial reporting process pursuant to article 123-bis.2.b of the Consolidated finance act (Report on corporate governance and the ownership structure)*

The purpose of the internal control system over financial reporting is to provide reasonable certainty about the reliability, accuracy and timeliness of financial reports, while also ensuring that the processes used to produce such reports comply with International Financial Reporting Standards (IFRS).

For the group, FS S.p.A.'s manager in charge of financial reporting has overseen the adoption of a financial reporting control model that meets the provisions of article 154-bis of the Consolidated finance act and is consistent with the relevant international standards (*CoSO Report "Internal Control – Integrated Framework"* published by the "*Committee of Sponsoring Organizations of the Treadway Commission*").

As described earlier, this model provides for a manager in charge of financial reporting within the parent and managers in charge of financial reporting in the main subsidiaries as well.

FS S.p.A.'s manager in charge of financial reporting defines and monitors the annual plan of activities for group compliance with Law no. 262/2005 and submits the plan to the parent's BoD for approval - and to the subsidiaries' BoD for their approval of the sections relating to them - issues guidelines for the preparation of control procedures and for monitoring that such procedures are adequate and operational and issues statements. The companies' managers in charge of financial reporting implement and maintain the financial reporting control system, constantly exchanging information with the parent's manager in charge of financial reporting. The stages and roles in the financial reporting control process are described below.

Following the Model 262 assessment conducted for the group to more closely align it with the best practices of listed companies, in 2015, a new Model 262 was defined, which FS S.p.A. implemented already supporting the 2015 certification.

In particular, the model was expanded to cover the following aspects:

- strengthening the role of process owners/control owners for certification purposes and to maintain an adequate internal control system on financial reporting;
- introduction of a specific "262 risk" assessment methodology, which is central to the process and based on impact and probability criteria for all stages of the process.

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In a nutshell, the new financial reporting control process consists of the following stages: identification of the company/process scope as a "262 scope"; process mapping; risk and control assessments; issue/revision of procedures; periodic certification of the adequacy and operations of 262 controls by control owners/process owners (i.e., the self-assessment process); independent tests; management of action plans; production on final reporting with an assessment of the internal control system on financial reporting and the issue of certification.

The aim of defining the risk assessment scope is to identify companies, processes and activities that could generate the risk of unintentional error and/or misstatements with a material impact on the financial statements.

The companies that fall within the scope of the financial reporting control system are identified:

- on the basis of the various companies' contribution to specific consolidated financial statements captions - Assets, Payables, Revenue from core business and Pre-tax profit (loss),
- in relation to qualitative considerations concerning the existence of processes that generate specific risks that could compromise the reliability of the financial reports.

Within the scope of relevant companies (known as "scope 262"), significant processes are then identified on the basis of an analysis of quantitative factors (processes that contribute to the financial statements captions with amounts exceeding a specific percentage of the pre-tax profit or aggregate equity) and qualitative factors.

A control system, described in the administrative/accounting procedures, is then defined for the processes that fall within this scope.

The processes are mapped by the office of the manager in charge of financial reporting or, if one has not been appointed, by the company's administration managers and their staff, in collaboration with the relevant process owners. The processes are mapped with reference to current organisational documents and/or any practices used within the company. The processes within the scope are mapped in the administrative/accounting procedures, consisting of a narrative (document describing the various steps in the process) and a control matrix.

During the risk and control assessment, when the administrative/accounting procedure is prepared and together with the process owners, the staff of the manager in charge of financial reporting assesses the 262 risks relating to the process



being mapped using a qualitative and quantitative methodology that is tied to the impact and probability parameters. The controls over such risks are assessed for adequacy. This is the stage in which the key and super key administrative/accounting procedure controls are identified - in line with the assessment of the underlying risks. The key and super key risks are those that could lead to a more significant risk of incorrect disclosure or financial statements fraud if they are missing or not operative.

The risk assessment is updated at least once a year, after the financial statements are published.

When the procedures are issued/revised, administrative/accounting procedures are formalised, which govern the information, data and administrative/accounting records and logically and chronologically describe the activities that must be carried out to produce or record them, the internal control system and how internal controls are conducted.

The administrative/accounting procedures may be group-wide, and if this is the case, they are issued by FS S.p.A.'s manager in charge of financial reporting for the parent, and by the managers in charge of financial reporting or administration managers of the companies within the 262 scope.

Before they are issued, corporate procedures are subject to quality assurance tests conducted by the staff of the parent's manager in charge of financial reporting to check that they are consistent and compliant with group standards.

At the reporting date, FS Italiane group had issued over 320 administrative/accounting procedures. They are sent to the main company departments/subsidiaries, senior management and all control bodies, and are systematically published on the group's web site.

During the self-assessment stage, the following certification is periodically requested using the information system:

- certification of the adequacy and operability of the individual 262 controls to the control owners, i.e., the people identified in the administrative/accounting procedures as the control owners;
- certification to the process owners of the procedure or a portion of the procedure for which they are responsible, downstream from the consolidation and validation of the control owners' responses.

Various company levels are involved in this mechanism on an ongoing basis through adequate flows of information, which make it increasingly reliable to trace back to the information and data used for financial disclosures.

In general, the new self-assessment process that was introduced better guarantees the internal control system, continuously update the system of rules, take the right corrective action and provide greater assurance in the financial statement attestation issue process.

During the independent testing, in particular, checks that these controls are efficient, on the basis of audit standards and methodologies and with the coordination of the parent's manager in charge of financial reporting, consist of the following steps: 1) preparation of a periodic plan of checks for the group, identifying a schedule and appointed teams; 2) definition of testing procedures (test scripts); 3) performance of tests and formalisation of system results; 4) analysis and evaluation of the critical results that arose. The staff of the parent's manager in charge of financial reporting also conduct quality assurance checks on the test scripts to check that they comply with group standards.

Teams of specialists consisting of resources from the staff of the managers in charge of financial reporting, internal audit resources and Ferservizi S.p.A. resources (with which the parent has signed a specific service agreement) carry out testing activities. Furthermore, the outcome of tests that the independent auditors perform as part of the broader audit process is also considered. Beginning this year, on the basis of the aforementioned regulation for the manager in charge of financial reporting, the checks for which the internal audit department is responsible, are coordinated directly with FS S.p.A.'s Central Internal Audit Department.

The action plan management stage consists of monitoring the improvement actions identified in the previous stages of the process, i.e., the process mapping stage, risk and control assessment, self assessment and independent testing. The remedies are implemented with the relevant company structures.

Once this process is completed, FS S.p.A.'s manager in charge of financial reporting prepares a report on the activities performed and the adequacy and effective application of the internal control system over financial reporting for the period, sends the report to the board of directors when the financial statements are approved and issues Attestations on the separate and consolidated financial statements pursuant to article 154-bis of Legislative decree no. 58/1998, which it signs jointly with the CEO. The content of the attestation is in accordance with the format defined by Consob (the Italian commission for listed companies and the stock exchange).

Similarly, the managers in charge of financial reporting, with joint signature with each company's CEOs, certify the financial statements and prepare their reports for the respective BoDs.

The administration managers of the other companies that fall within "scope 262" (which have not appointed a manager in charge of financial reporting) in any case issue similar statements on the financial statements with joint signature of their CEOs for internal purposes.

In addition to the statements described above, the group's model also provides for internal statements of the adequacy and functioning of the internal control system over the group's and the company's financial reporting control system which are issued by the administration managers and CEOs of the subsidiaries that do not fall within "scope 262", the managers of the parent's central departments and outsourcers of administrative and IT services and all other services that affect financial reporting.

The process to ensure compliance with Law no. 262/2005 is carried out with the support of a specific group information system. Beginning with the 2015 attestation for FS S.p.A. and to support the new self assessment process, the new MEGA – Hopex information system was introduced.

The companies that fall within the 262 scope will take the Model 262 improvement actions – particularly with respect to the introduction of the 262 risk assessment methodology and the self assessment mechanism described earlier, beginning with the next 2016 attestation and concurrently with the migration to the new information system mentioned above.

As for relationships between the manager in charge of financial reporting and the company officers (CEO and BoD) and the control officers and bodies (the board of statutory auditors, including in its role of the Internal Control and Audit Committee, the Audit, Risk Control and Governance committee, the Supervisory Body, the Court of Auditors' Magistrate, the independent auditors, the Internal Audit Department and the Risk Manager), the aforementioned regulation for the Manager in charge of financial reporting, to ensure the systematic and timely flow of information between the parties concerned, defines the inter-relationships and reporting flows between such bodies/functions in detail. In particular, this is with the aim of sharing the planned activities and outcome of such activities to create synergies and optimise the control process.

Finally, to complete the Law no. 262/2005 compliance model and, more in general, in order to strengthen the group's internal control system, the group has implemented models for "*SoD – Segregation of Duties*" and "*ITGC - Information Technology General Controls*".

The aim of the SoD model is to implement operational controls on processes with specific, priority focus on financial reporting processes, to ensure that responsibilities are well defined and assigned without functional overlapping or operational assignments that concentrate critical activities on one single operator. The SoD model is also aimed at gaining a consistent and coherent view of the entire authorisation system for the management of roles and users in the information systems.

The aim of the ITGC model is to define internal controls over IT processes to ensure the continuous and correct functioning of the business application systems that process the data used in financial reporting. The ITGC model includes controls on the stages of development and maintenance of application systems, the purchase of software, logical access security, etc.. Each year, the corporate IT functions - for the group's main subsidiaries where the ITGC model has been

implemented - issue specific IT certification to the managers in charge of financial reporting/administrative managers on the functioning of financial reporting systems.

FS Italiane group's controls over financial reporting are also extended through training activities, with the periodic involvement of resources operating within the 262 process. The parent's manager in charge of financial reporting organises these refresher courses on developments in the system of internal controls over financial reporting.

#### Planning and management control system

In line with the strategic guidelines and objectives that the board of directors has defined:

- the planning and management control system supports the group's long-term planning process, the operational implementation of strategies (budgeting process), the calculation of actual results and the analysis of such results;
- the Central Strategies, Planning and Systems Department (CSPSD) defines the group's business and market strategies and the related planning, monitoring and strategic control process.

More specifically, the CSPSD compiles the plan for the parent and FS Italiane group - normally every five years - by coordinating the development and consolidation of proposals/plans submitted by the individual structures/group companies, for subsequent definition by the CEO, who monitors plan implementation.

The Central Finance, Control and Assets Department (CFCAD) defines the guidelines for the preparation of the annual budget and management control process for the group.

In particular, the CFCAD prepares FS S.p.A.'s budget, supports subsidiaries in the preparation of their budgets and consolidates FS Italiane group's budget, with the exception of investments, which fall under the CSPSD's scope of responsibility.

Management control activities cover nearly all aspects of FS S.p.A. and group operations, encompassing various types of controls:

- strategic control, to check whether the strategies are implemented on the basis of guidelines arising from the planning process and whether results reflect the expectations in the strategic plans;
- management control, to check whether short-term targets have been reached and, accordingly, monitor the achievement of budget targets;
- operational control, to monitor operations and the efficiency of processes.

Control activities - which are based on analysing differences between actual and budgeted figures at the end of each month - make it possible to check, with specific focus at the end of each quarter, whether the actions that the structures/companies have taken are consistent with plans and to identify the causes of any changes to take the appropriate corrective action and evaluate the performance of those responsible as part of the management by objectives model.

#### Statutory auditors

During the meeting of 9 August 2013 and in line with the directive of the Ministry of the Economy and Finance of 24 June 2013, FS S.p.A.'s shareholder appointed the parent's board of directors for three years and, in any case, until the shareholder's meeting called to approve the financial statements as at and for the year ending 31 December 2015. The board of statutory auditors is comprised of three standing statutory auditors: Alessandra dal Verme (Chairwoman); Tiziano Onesti and Claudia Cattani (standing statutory auditors); and two alternates (Paolo Castadi and Cinzia Simeone). The members were appointed in accordance with regulations on maintaining a balance of genders.

On 21 December 2015, Tiziano Onesti resigned as standing statutory auditor of FS S.p.A. and took over, pursuant to article 2401 of the Italian Civil Code, for alternate auditor Paolo Castaldi.

On 11 March 2016, FS S.p.A.'s shareholder met again and appointed Roberto Ascoli as standing statutory auditor replacing Paolo Castaldi, who returned to act as alternate statutory auditor.

Along with the parent's other corporate officers, the statutory auditors systematically monitor that the corporate governance principles pursuant to the Italian Civil Code are applied, compliance with the law, the by-laws and the principles of correct administration, particularly with respect to the adequacy of the organisational, administrative and accounting system adopted by FS S.p.A. and that it is effectively working.

When FS S.p.A. was attributed the public interest entity status pursuant to article 16 of Legislative decree no. 39/2010, the parent's board of statutory auditors also became the "Internal Control and Audit Committee", with, under article 19 of the same decree, responsibility for monitoring financial reporting, the efficiency of the internal control, internal audit and risk management systems, the legally-required audit and the independence of the independent auditors, particularly with respect to the type of any non-audit services they provide to the audited company.

The board of statutory auditors meets at least once every three months. In 2015, FS S.p.A.'s board of statutory auditors met 16 times and the statutory auditors attended five shareholder's meetings and 21 BoD meetings.

#### *The Court of Auditors' Magistrate appointed to audit FS S.p.A.*

The Court of Auditors' Magistrate appointed to audit FS S.p.A., pursuant to article 12 of Law no. 259/195 attends the meetings of the BoD and the board of statutory auditors.

On 12 February 2013, the Court of Auditors appointed Section President Ernesto Basile to audit the parent as Court of Auditors' Magistrate. On 14-15 April 2015, the Court appointed Section President Angelo Canale to audit the parent as Court of Auditors' Magistrate.

#### *Related parties*

FS S.p.A.'s manager in charge of financial reporting has issued group-level administrative/accounting procedures to define the provisions concerning related party transactions which must be disclosed in the financial statements. These procedures, along with the other administrative/accounting procedures that were subsequently issued according to the parent's guidelines, also clarify that all transactions with FS S.p.A.'s and its subsidiaries' related parties must be carried out in accordance with criteria of substantial correctness from a financial and procedural standpoint. Furthermore, all such transactions must always be regulated by contracts and such contracts must establish the transfer pricing methods and explicitly evaluate the fairness of transfer prices with respect to market prices for similar transactions, or, otherwise, they must explicitly state how the terms of the transaction differ from market conditions (with justification for such difference); infragroup transactions must be carried out on the basis of mutual cost effectiveness and the conditions applied must be defined considering the common objective of creating value for the entire FS Italiane group.

Each FS Italian group company's key managers, directors, standing statutory auditors and external members of the internal control bodies periodically state, through a representation system defined in formal procedures, whether they have carried out transactions with the company for which they work and/or its direct and indirect subsidiaries, and whether such transactions were performed on an arm's length basis.

#### *The shareholder's meeting*

FS S.p.A.'s sole shareholder is the Ministry of the Economy and Finance. Seven shareholder's meetings were held in 2015.

## The group's performance

Main operating data	2015	2014	Change	%
Length of the railway network (km)	16,724	16,723	1	
Total track length (km)	24,286	24,278	8	
Long-haul passengers train-km (thousands)	80,795	78,782	2,013	2.6
Regional passengers train-km (thousands)	202,103	189,574	12,529	6.6
Rail passenger-km (millions)	43,570	42,471	1,099	2.6
Road passenger-km (millions)	2,200	2,117	83	3.9
Tonne-km (millions) <sup>(1)</sup>	23,370	23,188	182	0.8
Employees <sup>(2)</sup>	69,002	69,115	(113)	(0.2)

(1) Includes traffic abroad

(2) Year-end total

The Ferrovie dello Stato Italiane group's **consolidated income statement** is presented and discussed below.

	2015	2014	Change	%
millions of Euros				
<b>REVENUE</b>	<b>8,585</b>	<b>8,390</b>	<b>195</b>	<b>2.3</b>
Revenue from sales and services	7,881	7,734	147	1.9
Other income	704	656	48	7.3
<b>OPERATING COSTS</b>	<b>(6,610)</b>	<b>(6,276)</b>	<b>(334)</b>	<b>(5.3)</b>
<b>GROSS OPERATING PROFIT</b>	<b>1,975</b>	<b>2,114</b>	<b>(139)</b>	<b>(6.6)</b>
Amortisation, depreciation, provisions and impairment losses	(1,332)	(1,455)	123	8.5
<b>OPERATING PROFIT</b>	<b>644</b>	<b>659</b>	<b>(15)</b>	<b>(2.3)</b>
Net financial expense	(107)	(111)	4	3.6
<b>PRE-TAX PROFIT</b>	<b>537</b>	<b>548</b>	<b>(11)</b>	<b>(2.0)</b>
Income taxes	(73)	(245)	172	70.2
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>464</b>	<b>303</b>	<b>161</b>	<b>53.1</b>
Profit (loss) from assets held for sale, net of taxes				
<b>PROFIT FOR THE YEAR</b>	<b>464</b>	<b>303</b>	<b>161</b>	<b>53.1</b>
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT	448	292	156	53.4
PROFIT FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	16	11	5	45.5

2015 was affected by the significant changes in legislation that characterised the second half of 2014. However, the **profit for the year** came to €464 million, up by €161 million (+53.1%) on the previous year, bringing the group back to the profits earned in 2013, when no changes affected the performance for the year.

The negative impacts of the above changes in legislation on the group's performance of operations led to a decrease in both **gross operating profit** and **operating profit** which are down by €139 million (-6.6%) and €15 million (-2.3%),

respectively.

Specifically, the total negative impact of these external events, namely the above changes in legislation, on gross operating profit amounts to approximately €173 million and may be summarised as follows:

- the increase in the cost of energy following Law decree no. 91/2014 which entailed a significant reduction in the tariff subsidies previously granted to railway companies (+€72 million);
- the decrease in toll revenue from the most profitable lines, i.e., the HS (high speed) and HC (high capacity) lines, in accordance with the provisions of Ministerial decree no. 330/2013 and resolution no. 70/2014 of the Italian Transport Regulator ("ART") (-€29 million);
- the elimination of revenue from the Cargo Service Contract, partly offset by the decrease in the costs to use infrastructure and ferry costs to Southern Italy, following the "Patto di Stabilità" dated 23 December 2014, reducing net margins by €72 million.

However, these effects were partly mitigated by the positive operating performance, including, in particular:

- the increase in operating profit due to the operations detailed in the Directors' report (approximately +€138 million). The positive performance of the group businesses includes the strong contribution of the German group Netinera, with an impact of approximately €40 million on operating profit, the recognition of fines to suppliers approximating €39 million and the €18 million gain on the sale of the electricity transmission grid to Terna S.p.A.;
- greater net profits due to the change in the consolidation scope (approximately €7 million), as detailed further on in the notes;
- this performance was despite the smaller positive effects of the release of provisions compared to 2014 (€111 million). Indeed, 2014 benefited from the €111 million release of RFI S.p.A.'s provisions with a direct impact on gross operating profit.

**Revenue** increased by €195 million as a result of the rise in **revenue from sales and services** (+€147 million) and the increase in **other income** (+€48 million).

The increase (+1.9%) in **revenue from sales and services** is due to the **revenue from transport services** which grew 2.5% or €154 million, and the rise in **revenue from infrastructure services** (+€11 million). Conversely, the other residual items comprising revenue from sales and services are down by €18 million.

With respect to the main factors behind the increase in **revenue from transport services**, which comprise both market revenue (passengers and cargo +€122 million) and revenue from the **public service contract** (with the regions and the government +€32 million), a positive contribution (€153 million in terms of gross revenue from transport services) came from the Netinera group, in addition to the positive effects of the increase in long haul revenue and revenue from goods and logistics services (€77 million) along with the impact of the change in the consolidation scope on revenue (approximately €37 million). The negative impact of the "Legge di Stabilità" dated 23 December 2014 should also be considered as it caused a €106 million decrease in revenue from the cargo service contract. For additional information on the performance of revenue from transport services, reference should be made to the notes to Transport operating segment.

The increase in **revenue from infrastructure services**, up by €11 million on 2014, also includes the €29 million decrease in revenue due to the above-mentioned resolution no. 70/2014 of the ART, offset by the rise in the traffic volumes of third party railway companies, which had an impact of €20 million on toll revenue, the increase in revenue from the sale of electrical energy for traction due to Law decree no. 91/2014 (+€8 million) and other minor positive operating effects of €12 million.

**Other revenue** included in **revenue from sales and services** amounts to €242 million and is down by a total of €18 million mainly attributable to trends in operations, including the decrease in revenue from leases (-€17 million).

**Other income** of €704 million is up by €48 million on 2014 (+7.3%) mainly as a consequence of the fines applied to rolling stock suppliers (€39 million) and the gain on the sale of the electricity transmission grid to Terna S.p.A. (€18 million), partly offset by smaller net items, down by approximately €9 million.

**Operating costs** amount to €6,610 million, up by €334 million (5.3%) on 2014 (€6,276 million). They may be analysed as follows:

- the rise in personnel expense (€16 million) mainly due to the personnel hired by the Netinera group following the acquisition of new routes (+€20 million), offset by the overall reduction in the personnel expense of other FS group companies as a consequence of the average decrease in personnel and the human resources streamlining process;
- the €46 million decrease caused by the above changes in legislation introduced in 2014. Specifically, the reduction is due to greater electrical traction energy costs (€80 million of which €72 million attributable to Law decree no. 91/2014), and smaller costs to use the infrastructure and ferry to Southern Italy (€34 million);
- the increase in operating costs directly related to the rise in revenue described earlier and detailed below, up by approximately €154 million (+€93 million related to the Netinera group and +€61 million attributable to other FS group companies), in addition to the effects of the change in the consolidation scope of about €7 million;
- the reduced positive effects of the release of provisions for maintenance compared to 2014 (€111 million) related to RFI S.p.A., as mentioned earlier.

**Operating profit** amounts to €644 million. The €15 million decrease (-2.3%) on the previous year is due to that described above in respect of revenue and operating costs as well as greater amortisation/depreciation and provisions (+€75 million and €42 million, respectively), offset by smaller impairment losses (€241 million). The latter change is due to the effect of the impairment test conducted on Trenitalia S.p.A.'s Cargo Division and the impairment losses recognised on some real estate complexes, which had negatively impacted the prior year performance by €185 million and €56 million, respectively.

**Net financial expense** of €107 million is substantially in line with 2014 (+€4 million). The increase in the net balance is actually due to significant non-recurring income, including the recognition of financial income in 2015 (€75 million) related to the equity investment in Eurofima SA, which offset the approximately €63 million interest income on receivables, which was recognised in 2014 following the change in fair value, partly due to the revision of the discounting period applied to the receivable due from the Prime Minister's Office.

**Income taxes** amount to €73 million. The €172 million (70.2%) decrease is mainly attributable to the combined effect of the new tax provisions of the 2015 and 2016 "Legge di Stabilità", described later on, concerning the deductibility of personnel expense from the IRAP (regional tax on productive activities) base and the proposed reduction in the IRES (corporate income tax) rate (from 27.5% to 24% starting in 2017) with a net positive impact on deferred taxation for the year. Specifically, the total impact of the changes in the IRAP legislation set out in the 2015 "Legge di Stabilità" generated an improvement in the tax burden for a total of €224 million, being the sum of smaller current taxes (-€78 million) and, compared to 2014, smaller impairment losses on deferred tax assets (-€146 million).

## Reclassified statement of financial position

millions of Euros

	31.12.2015	31.12.2014	Change
<b>ASSETS</b>			
Net operating working capital	929	837	92
Other assets, net	(581)	(902)	321
<b>Working capital</b>	<b>348</b>	<b>(65)</b>	<b>413</b>
Net non-current assets	47,357	46,785	572
Other provisions	(3,010)	(3,008)	(2)
Net assets held for sale		3	(3)
<b>NET INVESTED CAPITAL</b>	<b>44,695</b>	<b>43,715</b>	<b>980</b>
<b>COVERAGE</b>			
Net current financial (position) debt	884	(181)	1,065
Net non-current financial debt	5,858	6,399	(541)
<b>Net financial debt</b>	<b>6,742</b>	<b>6,218</b>	<b>524</b>
<b>Equity</b>	<b>37,953</b>	<b>37,497</b>	<b>456</b>
<b>COVERAGE</b>	<b>44,695</b>	<b>43,715</b>	<b>980</b>

**Net invested capital** of €44,695 million rose by €980 million mainly as a consequence of the increase in **working capital** (+€413 million) and in **net non-current assets** (+€572 million).

**Net operating working capital** amounts to €929 million, up by €92 million as a result of:

- greater receivables arising from the public service contract with the Ministry of the Economy and Finance (also "MEF") (+€101 million) due to longer collection times for considerations during the year;
- greater receivables arising from the public service contract with the Regions (+€261 million) due to longer collection times for considerations. Given this trend and the increase in overdue amounts, the company has agreed collection plans with some of these regions and constantly monitors compliance;
- lower trade receivables (-€100 million) due to the improved settlement period, in addition to the transfer of the Basicstel contract and the related receivable as part of the sale of S.EL.F. S.r.l. in December 2015;
- greater inventories (+€16 million) mainly due to the increase in raw materials, consumables and supplies following the increase in production by the Officine Nazionali Armamento e Apparecchiature Elettriche (national armaments and electrical device workshops) in Pontassieve and Bologna, offset by the decrease in rolling stock parts. The latter decrease is the result of the implementation of improvement solutions and the introduction of new materials management procedures. The change in this caption was also due to the increase in receivables arising from construction contracts and the decrease in trading land and buildings included in the group's real estate properties to be sold;
- greater trade payables (-€196 million) due to the infrastructural investments of the year and the purchase of new rolling stock. The increase in payables for investments was relatively modest compared to the volumes generated thanks to the reduction in the average DPO with suppliers.
- greater other trade receivables (+€10 million).

**Other assets, net** decreased by €321 million, mainly as a result of the combination of the following factors:



- lower receivables from the Ministry of the Economy and Finance, the Ministry of Infrastructures and Transport ("MIT") and other bodies (-€1,560 million), particularly for grants related to assets to be used for infrastructural investments to complete HS/HC lines, works to improve the railway network and the design of the Turin-Lyon tunnel;
- the net decrease in other payables (+€209 million) due to the cancellation of the recognised obligation relating to the investee Eurofima SA's callable shares, following the analyses of Swiss company law, and the sale of the contract with Basicel involving the transfer of the rights to use the power lines for the passage of electric cables which took place as part of the sale to S.EL.F S.r.l.;
- the increase in the net VAT balance (+€628 million), mainly due to the effect of the new VAT management mechanism called split payment, introduced by the 2015 "Legge di Stabilità", applicable to transactions with government authorities and administrations;
- the decrease in advances on grants related to assets received by RFI S.p.A. (+€991 million);
- the increase in deferred tax assets (+€53 million).

**Net non-current assets** increased by €572 million mainly as a result of greater investments for the year (€5,497 million), partly offset by the grants related to assets recognised on an accruals basis (€3,044 million), amortisation and depreciation of the year (€1,228 million), impairment losses (€37 million) and sales and reclassifications (-€149 million). The increase was also negatively impacted by non-recurring transactions totalling €372 million, essentially related to the sale of FS group's electrical assets to Terna S.p.A. (-€386 million), only marginally offset by the acquisition of the business unit of APS Holding S.p.A. (approximately +€13 million).

**Other provisions** increased by €2 million as a consequence of opposite effects of the increase in the provisions for risks and the rise in deferred tax liabilities (+€74 million and +€94 million, respectively), offset by the decrease in post-employment benefits (-€166 million), mainly for utilisations and advances of the year. Specifically, the provisions for risks include an increase in the Bilateral fund for income assistance, following the launch of projects to streamline the group's production structure (+€37 million), an increase in the estimated charges related to the guarantees included in the agreement for the sale of electrical assets through the transfer of S.EL.F. S.r.l. to Terna S.p.A. (+€67 million) and a general decrease in other provisions for risks and charges (-€30 million). The provision for deferred tax liabilities was affected by the new temporary differences generated by the group companies during the year and their adjustment following the introduction, starting from 2017, of the reduction in the IRES rate from 27.5% to 24% in accordance with the 2016 "Legge di Stabilità" (Law no. 208 of 28 December 2015).

The net financial debt of €6,742 million worsened by €524 million on 31 December 2014, mainly due to the following:

- the reduction in the cash pooling balance (-€68 million), which comprises the payments made by the Ministry of the Economy and Finance during the year in relation to the Government Programme Contract and the European Commission's payments for other contributions to meet the group's operating requirements, essentially relating to RFI S.p.A.;
- the decrease in the financial receivable from the Ministry of the Economy and Finance (-€462 million) following the net reduction due to the collection of the annual portion of the grants related to the 2007 and the 2006 Finance Act;
- the increase in loans and borrowings from other financial backers and other financial liabilities (+€25 million);
- the decrease in bonds (-€239 million) mainly due to the repayment of two loans disbursed by Eurofima SA;
- the increase in bank loans and borrowings (+€208 million) mainly due to the new syndicated loans taken on to purchase new rolling stock for regional transport in the Lazio, Tuscany, Veneto, Piedmont and Liguria regions.

**Equity** rose from €37,497 million to €37,953 million, up by €456 million mainly as a result of the following:

- the increase in the profit for the year (+€464 million);
- the increase in the fair value reserve for derivatives and the reserve for actuarial gains (losses) for a total of €153 million;
- the creation of the reserve comprising the payments made by the parent on 9 January 2015 and 30 September 2015, pursuant to article 20 of Law no. 89 of 23 June 2014, subsequently amended by article 10.12, of Law decree no. 192/2014, converted into Law no. 11 of 27 February 2015, for the first (€40 million) and the second (€60 million) instalments to the shareholder, the Ministry of Finance and the Economy;
- the decrease in liabilities for derivatives (-€61 million).

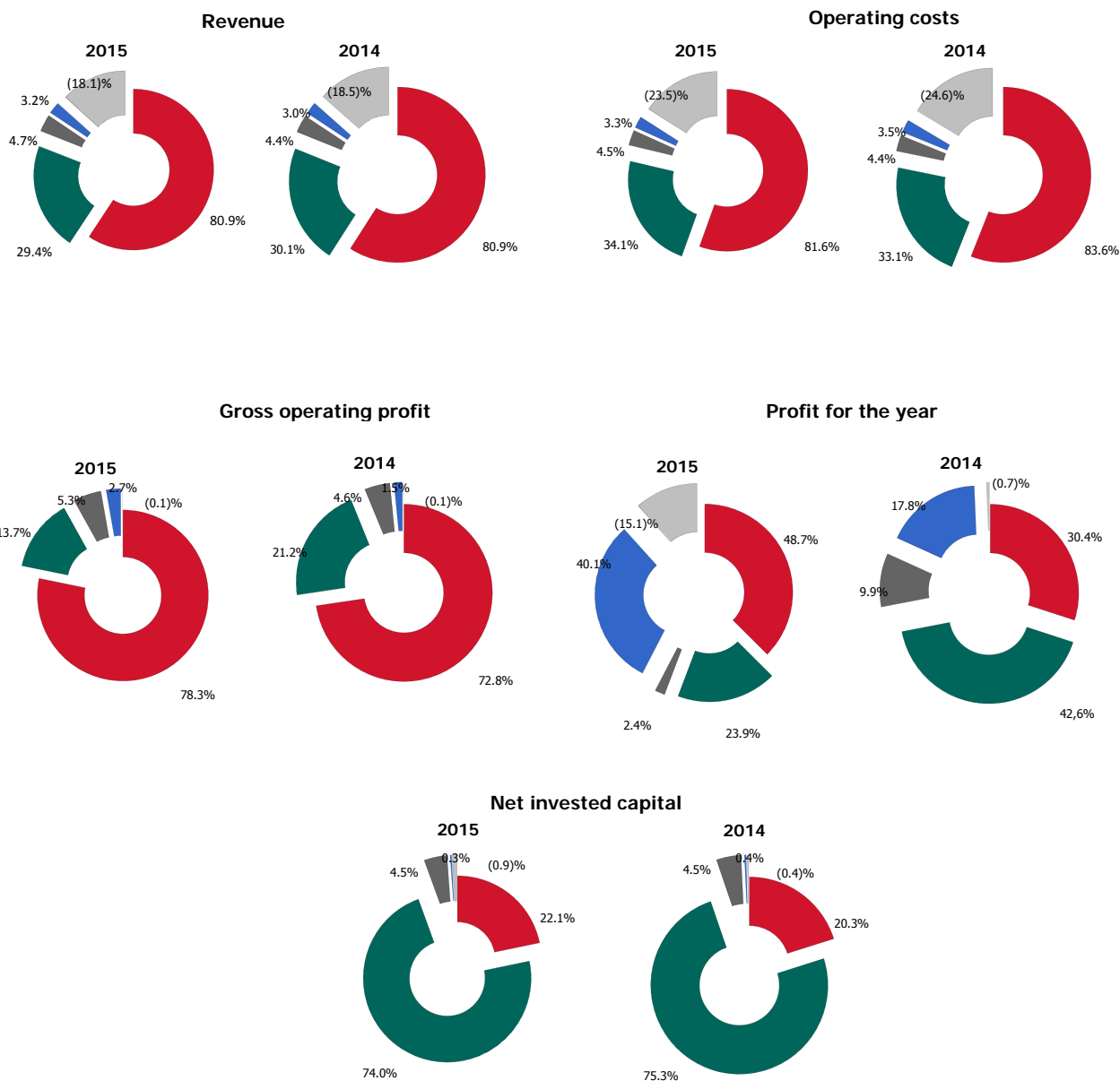
Furthermore, in accordance with the shareholder's resolution dated 28 May 2015 and filed on 1 June 2015, Ferrovie dello Stato Italiane S.p.A.'s share capital was aligned with the corresponding equity at the same date, after all existing reserves were used to cover losses. Consequently, share capital decreased by €2,450 million and the legal reserve, the extraordinary reserve and other reserves are fully used.

**RECONCILIATION as at 31.12.2015 and 31.12.2014 and for the years then ended between profit for the year and equity in the separate financial statements of Ferrovie dello Stato Italiane S.p.A. and the consolidated financial statements**

millions of Euros

	31 December 2015		31 December 2014	
	Equity	Profit for the year	Equity	Profit for the year
Separate financial statements of Ferrovie dello Stato Italiane S.p.A.	36,378	137	36,340	89
Profits (losses) of consolidated investees since acquisition, net of dividends and impairment losses:				
- portion of current and previous profits attributable to the owners of the parent	1,715	444	1,377	262
- elimination of impairment losses on equity investments	117	21	97	1
- reversal of dividends	(4)	(110)	(4)	(116)
<b>Total</b>	<b>1,828</b>	<b>355</b>	<b>1,470</b>	<b>147</b>
Other consolidation adjustments:				
- equity accounting of investments in unconsolidated subsidiaries and associates	32	(4)	53	23
- reversal of intragroup profits	(444)	(31)	(413)	(17)
- reversal of taxes arising on tax consolidation	273	(9)	282	49
- other	9	1	(4)	1
<b>Total</b>	<b>(130)</b>	<b>(43)</b>	<b>(82)</b>	<b>56</b>
- Reserves for unrealised gains and losses	(533)		(686)	
- Translation reserve	4		3	
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT</b>	<b>37,547</b>	<b>448</b>	<b>37,046</b>	<b>292</b>
- Equity attributable to non-controlling interests (excluding profit for the year)	273		261	
- Profit attributable to non-controlling interests	16	16	11	11
<b>EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>	<b>289</b>	<b>16</b>	<b>272</b>	<b>11</b>
<b>TOTAL CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>37,836</b>	<b>464</b>	<b>37,318</b>	<b>303</b>

The group's performance is analysed below with reference to each of the operating segments that make up FS Italiane group business (Transport, Infrastructure, Real Estate Services and Other Services). The charts below summarise the 2015 and 2014 performance with indication of the percentages of revenue and operating costs, gross operating profit, profit for the year and net invested capital attributable to each segment.



■ Transport
 ■ Infrastructure
 ■ Real Estate Services
 ■ Other Services
 ■ Adjustments and eliminations

## Transport

FS Italiane group companies operating in the transport of passengers and/or cargo/freight by rail, road or sea are part of the **Transport** segment - the group's primary segment. Trenitalia is, by far, the most important company in this segment, in which the Netinera Deutschland group, the TX Logistik group (both operating mainly in Germany), the FS Logistica group, the Busitalia group and other smaller companies also operate.

More specifically, Trenitalia S.p.A. mainly operates by rail, handling services for passenger and cargo transport both domestically and internationally. The German group, Netinera Deutschland, also contributes to the results of this segment, as it carries out transport activities by rail and road on the local and metropolitan transport market in Germany, through approximately 40 investees. The companies that mainly handle rail cargo transport are FS Logistica S.p.A. and its investees (in Italy) and the TX Logistik group (mainly operating in Germany, Austria, Switzerland and Denmark). The Transport segment also includes road passenger transport, which is mainly handled by Busitalia-Sita Nord S.r.l., Ataf Gestioni S.r.l., and, since 2015, Busitalia Veneto S.p.A. as well. Finally, the Transport segment also includes companies like Serfer S.r.l., which provides shunting and railway traction services and railway connection design/construction services, Cemat S.p.A., which handles combined, unaccompanied domestic and international transport, SGT S.p.A., which operates in the intermodal transport sector, and Blufferies S.r.l. which transports people, vehicles and goods by sea.

	millions of Euros			
	2015	2014	Change	%
Revenue from sales and services	6,617	6,480	137	2.1
Other income	324	307	17	5.5
<b>Revenue</b>	<b>6,941</b>	<b>6,787</b>	<b>154</b>	<b>2.3</b>
<b>Operating costs</b>	<b>(5,396)</b>	<b>(5,248)</b>	<b>(148)</b>	<b>(2.8)</b>
<b>Gross operating profit</b>	<b>1,546</b>	<b>1,539</b>	<b>7</b>	<b>0.5</b>
<b>Operating profit</b>	<b>417</b>	<b>251</b>	<b>166</b>	<b>66.1</b>
<b>Segment profit (attributable to the owners of the parent and non-controlling interests)</b>	<b>226</b>	<b>92</b>	<b>134</b>	<b>145.7</b>
	<b>31.12.2015</b>	<b>31.12.2014</b>	<b>Change</b>	
<b>Net invested capital</b>	<b>9,898</b>	<b>8,869</b>	<b>1,029</b>	

The Transport segment showed a **profit for the year** of €226 million, up by €134 million on 2014 and therefore presenting a significant increase of 145.7% on the previous year. The increase is mainly due to changes in legislation, as already discussed in the section on the economic performance of FS Italiane group as a whole. These changes had an impact on the cost of electrical energy for traction, the charges to use HS infrastructure and the revenue of the cargo division which decreased following the termination of the cargo service contract with the government, starting from 2015. Furthermore, again as a result of the termination of the above contract, the 2014 performance had been significantly affected by the impairment loss recognised on Trenitalia S.p.A.'s cargo division following the impairment test conducted thereon, for a total amount of €185 million. Accordingly, 2015 benefited from the lack of this impairment loss due to the legislative provisions in the 2016 "Legge di Stabilità" applicable to the cargo sector, which confirmed that forecast cash flows will sufficiently support current invested capital.

	2015	2014	Change	%
<b>Revenue from sales and services</b>	<b>6,617</b>	<b>6,480</b>	<b>137</b>	<b>2.1</b>
<b>Revenue from transport services</b>	<b>6,406</b>	<b>6,256</b>	<b>150</b>	<b>2.4</b>
Market revenue	4,107	3,989	118	3.0
Revenue from public service contracts	2,299	2,267	32	1.4
<b>Other service revenue</b>	<b>211</b>	<b>224</b>	<b>(13)</b>	<b>(5.8)</b>
<b>Other income</b>	<b>324</b>	<b>307</b>	<b>17</b>	<b>5.5</b>
<b>Revenue</b>	<b>6,941</b>	<b>6,787</b>	<b>154</b>	<b>2.3</b>

**Revenue** generated in the Transport segment amounts to €6,941 million, up by €154 million on 2014 (+2.3%), substantially due to revenue from sales and services (+€137 million), which includes revenue from transport services.

**Revenue from transport services**, which includes both **market revenue (passengers and cargo)** and **revenue from public service contracts (with the regions and the government)**, rose from €6,256 million to €6,406 million. This €150 million increase (+2.4%) applies inconsistently to the various operating segments of the group companies active in this segment.

The main factors that affected the changes are listed below:

- revenue from long-haul passenger transport services increased by a net €77 million, with the “Freccia” trains clearly accounting for the most revenue, showing growth of over €67 million. This performance is mainly due to the strengthening of the HS offer on the Turin-Milan-Naples-Salerno route and the EXPO Milan 2015 which contributed to the total number of passengers and is even more significant if compared against the highly competitive scenario in which Trenitalia operates. Conversely, revenue from the Euronight and Charter trains is down by €6 million. Internationally, Thello Sas’ revenue rose by €16 million;
- revenue from the long-haul passenger transport services under the “universal service” agreement decreased by approximately €22 million on 2014, with the performance of Night trains down by €3 million (-4.0%). The residual decrease of €19 million is mainly due to the reduction in demand met (passenger-km -9%), partly due to the mix of services offered in 2015;
- revenue from regional transport services increased by €63 million, €48 million of which due to the sound performance of the Netinera Deutschland group companies, mainly thanks to the new contracts signed with the German regions (*lander*), and €15 million due to Trenitalia’s regional passenger division which increased in terms of passenger-km (1.1%) and tariffs (+0.9%). Production increased by 2.0% in terms of train-km, mainly in the Tuscany, Veneto, Campania and Lazio regions and following the restoration of local lines interrupted in 2014;
- revenue from cargo transport services decreased by a total of €14 million (-1.5%), while Trenitalia S.p.A.’s revenue increased by €12 million, with the traditional business performing better than the combined transport business. Conversely, the other group companies operating in logistics (FS Logistica S.p.A., Cemat S.p.A., FS Jit Italia S.r.l., Trenitalia Logistic France Sas, TX and Netinera group companies) recorded a combined decrease in revenue of €26 million;

- revenue from road passenger transport services improved by €14 million, mainly benefiting from the general improvement recorded by the Busitalia group, including as a result of the expansion of road transport services in the Padua and Rovigo municipalities.

**Revenue from the public service contract** with the regions saw a €251 million increase, while revenue from the public service contract with the government decreased by €219 million. The growth (+€32 million) is mainly due to the Netinera group companies (€111 million) and Busitalia (€23 million). Trenitalia S.p.A. reported a decrease of €101 million mainly due to the non-renewal of the cargo service contract which, as mentioned earlier, generated a €106 million decrease in considerations.

**Other service revenue** amounts to €211 million, down by €13 million (-5.8%) on 2014, mainly due to the following:

- smaller revenue from services to railway companies, particularly in connection with the maintenance of rolling stock (-€18 million);
- lower revenue from the lease of rolling stock (-€15 million);
- greater revenue from the capitalisation of work and contract work in progress (+€8 million);
- greater revenue from shunting services (+€4 million);
- release of provisions of +€4 million.

**Other income** of €324 million increased by €17 million on 2014 (+5.5%), mainly due to smaller gains (-€15 million), more than offset by the increase in other income and mainly attributable to the greater fines imposed on suppliers by Trenitalia for breach of contract.

	millions of Euros			
	2015	2014	Change	%
<b>Personnel expense</b>	<b>2,290</b>	<b>2,248</b>	<b>42</b>	<b>1.9</b>
<b>Other costs, net</b>	<b>3,106</b>	<b>3,000</b>	<b>106</b>	<b>3.5</b>
Raw materials, consumables, supplies and goods	603	545	58	10.6
Services	2,648	2,604	44	1.7
Use of third-party assets	234	223	11	4.9
Other operating costs	87	88	(1)	(1.1)
Internal work capitalised	(466)	(460)	(6)	1.3
<b>Operating costs</b>	<b>5,396</b>	<b>5,248</b>	<b>148</b>	<b>2.8</b>

**Operating costs** in the Transport segment amounted to €5,396 million in 2015, up by €148 million on 2014 (+2.8%), due to the growth in both personnel expense and other costs, net.

**Personnel expense** of €2,290 million rose by €42 million (+1.9%), substantially due to the higher costs incurred by Netinera Deutschland group (+€20 million) and Busitalia group (+€20 million), against a larger business and company scope, partly offset by the decrease recorded by Trenitalia (-€6 million).

**Other costs, net** of €3,106 million increased by €106 million (+3.5%) The main changes are analysed below:

- raw materials, consumables, supplies and goods saw a €36 million increase in the cost of electrical energy for train traction, mainly related to Trenitalia S.p.A., resulting, above all, from the Electricity and Gas Regulator's resolution no. 641/2013 and the above-mentioned Law decree no. 91 (converted into Law no. 116/2014), which substantially cuts the tariff subsidies previously reserved for railway companies, with a consequent rise in costs. Costs for fuel and lubricants for traction also increased by €15 million;
- with respect to service costs, which are closely related to the increase in revenue from sales and services, the most significant changes relate to maintenance and repair for movable and immovable assets (+€22 million), administrative and IT services (+€12 million) and other services (-€13 million). Toll costs rose by a total of €23 million, mainly due as a consequence of:
  - greater toll costs attributable to Netinera group (€66 million) following the acquisition of new service routes on the German market;
  - lower toll costs attributable to Trenitalia (€44 million), following the decrease in the toll unit cost on HS routes, introduced by ART resolution no. 70/2014.
- internal work capitalised mainly related to materials, personnel expense and transport costs capitalised for maintenance increasing the value of rolling stock. During the year, it increased by approximately €6 million.

The **gross operating profit** in the Transport segment came to €1,546 million in 2015, up by €7 million (+0.5%) on 2014.

The **operating profit** amounts to €417 million, up by €166 million (+66.1%) on the previous year. This increase was due to the €66 million rise in amortisation and depreciation, the €249 million reduction in impairment losses and the €24 million increase in provisions.

Specifically, with respect to impairment losses, 2015 benefited from the absence of the significant impairment losses that marked 2014, as that recognised on Trenitalia S.p.A.'s cargo division CGU (following the impairment test) of over €185 million, and that recognised by FS Logistica (€56 million) on some real estate complexes to align the carrying amount with market value. Indeed, as mentioned earlier, the government's decision reached following the approval of Law no. 190/2014 (the 2015 "Legge di Stabilità"), not to renew the Cargo service contract generated a decrease of approximately €106 million per year in the annual consideration for the group's main transport company, necessitating the review of the cargo division's business plan in order to test the recoverability of the capital invested by said division. This review led to the recognition of an impairment loss at the end of 2014.

The provisions relate to the use of the extraordinary benefits under the Bilateral fund for income assistance.

**Net financial expense** of €169 million worsened by €89 million (-111.25%) on the previous year. The change is mainly due to the €71 million decrease in financial income, of which €65 million refers to FS Logistica, as in 2014 it also recognised a non-recurring gain generated by the update of the fair value estimate and discounting period of some receivables. Furthermore, profits from equity-accounted investees decreased by €19 million.

**Income taxes** for this segment amount to €22 million, down by €57 million (-72.2%). The IRAP tax decreased considerably (-€58 million), mainly because companies are permitted to deduct total personnel expense relating to employees hired under open-ended contracts from the IRAP tax base beginning in 2015, as permitted by the 2015 "Legge di Stabilità".



## Loans and borrowings

- **FS S.p.A., Trenitalia S.p.A. and Eurofima SA signed the Amendment of amendment agreement of deeds of pledge over movables**

On 15 January 2015, with respect to the portfolio of rolling stock financial transactions in which the associate Eurofima SA acts as the lender for FS Italiane group, following the implementation of a plan to scrap rolling stock, FS S.p.A., Trenitalia S.p.A. and Eurofima SA signed an "Amendment of amendment agreement of deeds of pledge over movables dated 30 October 2009" to replace part of the pledged rolling stock for a total amount of approximately €80 million.

- **Interest rate risk hedging**

In July 2015, 20 interest rate swaps were agreed to hedge Trenitalia S.p.A.'s interest rate risk. They have a notional amount of approximately €2.7 billion, became effective in the second half of 2015 and will expire in the second half of 2018, predetermining the cost of the hedged liability, including the credit spread, usually below 0.5% in three-year reference period.

- **€300 million loan agreement**

On 10 November 2015, following a tender among nine financial institutions launched in July, FS Italiane entered into a four-year loan agreement for an amount of €300 million, with the joint venture made up of BNL group, BNP Paribas, as the "agent" and UBI Banca S.p.A. and Banca Carige S.p.A. as the "principals". The proceeds from this transaction will be used to purchase rolling stock for long haul and regional transport services by signing an intercompany loan agreement between FS S.p.A. and Trenitalia S.p.A., using the above loan agreement, with of a substantially similar amount and characteristics and conditions in terms of restrictions and commitments for the parties.

- **Factoring of receivables from the Calabria region**

In November, following a tender, the FS group carried out the first without-recourse factoring of certified receivables using the electronic platform for the electronic issue of the certificates required by article 7.1 of Law decree no. 35 of 8 April 2013, converted, with amendments, by the Law of 6 June 2013. This transaction involved the receivables due to Trenitalia S.p.A. from the Calabria region with a nominal amount of €64 million.

## Infrastructure

The main group company operating in the **Infrastructure** segment is Rete Ferroviaria Italiana S.p.A. ("RFI") which, as the national railway network operator, maintains, develops and uses it and the related safety systems, in addition to managing research and development in the field of railway transport and ensuring connections to Italy's largest islands by sea. Moreover, RFI S.p.A. manages real estate assets that are not functional to railway operations as owner.

To a lesser extent, Italferr S.p.A., the group's engineering company, also contributes to the results of this segment, along with other group companies that handle infrastructure, such as Brenner Basis Tunnel ("BBT"), Tunnel Ferroviario del Brennero ("TFB") and Tunnel Euralpin Lyon Turin ("TELT"). The core business of all these companies is the construction of tunnels between Italy and Austria and Italy and France.

	millions of Euros			
	2015	2014	Change	%
Revenue from sales and services	2,222	2,218	4	0.2
Other income	305	309	(4)	(1.3)
<b>Revenue</b>	<b>2,527</b>	<b>2,527</b>		
<b>Operating costs</b>	<b>(2,256)</b>	<b>(2,079)</b>	<b>(177)</b>	<b>(8.5)</b>
<b>Gross operating profit</b>	<b>271</b>	<b>448</b>	<b>(177)</b>	<b>(39.5)</b>
<b>Operating profit</b>	<b>151</b>	<b>346</b>	<b>(195)</b>	<b>(56.4)</b>
<b>Segment profit (attributable to the owners of the parent and non-controlling interests)</b>	<b>111</b>	<b>129</b>	<b>(18)</b>	<b>(14.0)</b>

	31.12.2015	31.12.2014	Change
<b>Net invested capital</b>	<b>32,880</b>	<b>32,898</b>	<b>(18)</b>

The **Infrastructure** segment showed a **profit for 2015** of €111 million, down by €18 million (-14.0%) on the previous year.

	millions of Euros			
	2015	2014	Change	%
<b>Revenue from sales and services</b>	<b>2,222</b>	<b>2,218</b>	<b>4</b>	<b>0.2</b>
Revenue from infrastructure services	2,159	2,138	21	1.0
Other service revenue	63	80	(17)	(21.3)
<b>Other income</b>	<b>305</b>	<b>309</b>	<b>(4)</b>	<b>(1.3)</b>
<b>Revenue</b>	<b>2,527</b>	<b>2,527</b>		

**Revenue from sales and services** consists of revenue from infrastructure services and traffic-related services provided by RFI S.p.A. (€2,178 million) and revenue for engineering services provided by Italferr S.p.A. (€44 million). In particular, **revenue from infrastructure services** rose by €21 million from €2,138 million in 2014 to €2,159 million in 2015. Because RFI S.p.A. is the railway network operator, its revenue trend is closely related to and influenced by the legislative measures that regulate the sector. Specifically, the following changes were seen in the year:

- government grants of €975 million, unchanged on the previous year;
- a €45 million decrease in toll revenue, mainly due to greater revenue generated by the increase in trains-km that travelled on the national infrastructure, offset by the above-mentioned reduction in HS/HC network toll charge, following ART resolution no. 70 of 31 October 2014, which decreased the unit toll charge for the HS/HC network and required the recalculation of the toll for trains carrying rolling stock for HS services only. Specifically, the ART introduced regulatory measures that consolidate the HS railway market, immediately enforceable in relation to the toll charge for the use of the railway infrastructure. This led to a reorganisation of the toll system and of the HS/HC network unit toll charge which was reduced from €12.81/km to €8.2/km;
- a €66 million increase in revenue from the sale of electrical energy for traction due to the rise in the related purchase cost, in accordance with Law no. 116/2014, which led to the reorganisation of the electricity tariff system of Ferrovie dello Stato Italiane group. In this respect, it should be noted that, in addition to changing the tariff system, the law also prevented full recharging of the costs incurred by the Infrastructure operator to procure electrical energy for traction to railway companies.

**Other service revenue** of €63 million decreased (-€17 million) due to the combined effect of the reduction in revenue from traffic-related services generated by RFI S.p.A. (-€21 million) and the increase in Italferr S.p.A.'s revenue from engineering services (+€4 million). The decrease in traffic-related services is mainly due to the reduction in revenue from assistance services to people with reduced mobility (-€11 million), again as a consequence of above-mentioned ART resolution no. 70, and revenue from shunting services (-€7 million).

**Other income** almost entirely relates to RFI S.p.A. and decreased from €309 million to €305 (-€4 million) following ordinary infrastructure-related activities.

	millions of Euros			
	2015	2014	Change	%
<b>Personnel expense</b>	<b>1,502</b>	<b>1,517</b>	<b>(15)</b>	<b>(1.0)</b>
<b>Other costs, net</b>	<b>754</b>	<b>562</b>	<b>192</b>	<b>34.2</b>
Raw materials, consumables, supplies and goods	640	419	221	52.7
Services	656	552	104	18.8
Use of third-party assets	48	44	4	9.1
Other operating costs	120	118	2	1.7
Internal work capitalised	(710)	(571)	(139)	24.3
<b>Operating costs</b>	<b>2,256</b>	<b>2,079</b>	<b>177</b>	<b>8.5</b>

**Personnel expense** showed a total decrease of €15 million on 2014, mainly due to the reduction in RFI S.p.A.'s workforce following the streamlining of the company's organisational structure and its use of leaving incentives.

**Other costs, net** increased by €192 million, from €562 million in 2014 to €754 million in 2015; this increase was due to the general rise in costs, including those for raw materials, consumables and supplies (+€221 million with greater investments of €100 million and greater costs for electrical energy - mainly due to the effects of Law no. 116/2014 and the €107 million increase in costs of fuel for train traction, both of which were attributable to RFI S.p.A.) and costs for services (+€104 million). The change in the latter costs reflects the fact that the 2014 corresponding balance benefited

from the RFI S.p.A.'s release of the provision for maintenance risk (€111 million). Internal work capitalised rose by €139 million as a consequence of the increase in extraordinary maintenance mainly in relation to RFI.

**Operating profit** came to €151 million (-€195 million on 2014) and is affected not only by the weaker profit from the core business (-€177 million), but by the €8 million increase in amortisation and depreciation as well, due to the change in the HS/HC network toll which reflects the increase in train-km volumes, and the €15 million provision to the Bilateral fund for income assistance which will assist personnel leaving the company who meet specific requirements over the next few years.

**Net financial expense** improved by €6 million from €43 million to €37 million. This change relates to RFI S.p.A. and is mainly the result of the decrease in financial expense (-€7 million) mainly in connection with the interest cost on post-employment benefits.

**Income taxes** decreased by €171 million. In 2014, they were affected by the release of deferred tax assets (-€146 million) by RFI S.p.A. as a result of the new legislation introduced by article 1.20 of Law no. 190/2014 (the 2015 "Legge di Stabilità"- full deductibility of all personnel expense relating to employees hired under open-ended contracts from the IRAP tax base) which practically zeroed the IRAP cost for the company, thereby eliminating the basis for the recognition of deferred tax assets.

## **Loans and borrowings**

### **MEF-EIB reached an agreement to finance works for the upgrading of the traditional network**

On 30 January 2015, at the Ministry of the Economy and Finance (MEF), the MEF and the European Investment Bank (EIB) reached an agreement to finance RFI S.p.A.'s action plan. The agreement, which grants a loan worth €950 million to be used to upgrade traditional railway lines and the regional and local lines from northern to southern Italy, was signed by the EIB's deputy chairman and the Treasury's Director General. FS Italiane's and RFI's MDs were also present, including MIT's representatives.

## Real Estate Services

The main companies operating in the **Real Estate Services** segment are those that manage the main railway stations (Grandi Stazioni group and Centostazioni S.p.A.). In addition, this segment also includes FS Italiane group companies that develop real estate assets that are not functional to railway operations and handle the sale of land and buildings held for trading.

In particular, the Grandi Stazioni group manages and redevelops the 13 main Italian railway stations (Rome Termini, Milan Centrale, Turin Porta Nuova, Florence Santa Maria Novella, Bologna Centrale, Naples Centrale, Venice Mestre and Santa Lucia, Verona Porta Nuova, Genoa Piazza Principe, Genoa Brignole, Palermo Centrale and Bari Centrale), manages the Rome Tiburtina station and, through its subsidiary Grandi Stazioni Repubblica Ceca Sro, manages the Central Prague and Mariánské Lázně stations in the Czech Republic.

On the other hand, Centostazioni S.p.A. redevelops and oversees the optimal management of 103 station complexes throughout Italy, leveraging their use as commercial centres by developing various business opportunities within the stations.

The Real Estate Services segment also includes FS Sistemi Urbani S.r.l., which develops real estate assets not functional to railway operations through the integrated management, real estate service development and redevelopment of the areas that surround the stations and connect the adjacent cities with stations and transport hub infrastructures.

Furthermore, the parent FS S.p.A.'s real estate activities also contribute to the results of this segment, as it provides support/consultancy services to the group companies and handles the sale of the FS group's land and buildings held for trading.

Finally, this segment includes companies like Metropark S.p.A. which studies, designs and builds car parks and manages the car parks and depots for all types of private and public means of transport and, up until 23 December 2015, S.EL.F S.r.l. which manages the transport and dispatching of electrical energy. On this date, as described later on, Ferrovie dello Stato Italiane S.p.A. sold S.EL.F S.r.l.'s entire quota capital to Terna S.p.A., following the partial demerger of RFI S.p.A.'s electrical assets to S.EL.F S.r.l..

	millions of Euros			
	2015	2014	Change	%
Revenue from sales and services	16	15	1	6.7
Other income	384	357	27	7.6
<b>Revenue</b>	<b>400</b>	<b>372</b>	<b>28</b>	<b>7.5</b>
<b>Operating costs</b>	<b>(295)</b>	<b>(274)</b>	<b>(21)</b>	<b>(7.7)</b>
<b>Gross operating profit</b>	<b>105</b>	<b>98</b>	<b>7</b>	<b>7.1</b>
<b>Operating profit</b>	<b>49</b>	<b>58</b>	<b>(9)</b>	<b>(15.5)</b>
<b>Segment profit (attributable to the owners of the parent and non-controlling interests)</b>	<b>11</b>	<b>30</b>	<b>(19)</b>	<b>(63.3)</b>
	<b>31.12.2015</b>	<b>31.12.2014</b>	<b>Change</b>	
<b>Net invested capital</b>	<b>2,000</b>	<b>1,978</b>	<b>22</b>	

The Real Estate Services segment showed a **profit for the year** of €11 million, down by €19 million on 2014.

millions of Euros

	2015	2014	Change	%
<b>Revenue from sales and services</b>	<b>16</b>	<b>15</b>	<b>1</b>	<b>6.7</b>
Revenue from the sale of electrical energy for traction	8	7	1	14.3
Other service revenue	8	8		
<b>Other income</b>	<b>384</b>	<b>357</b>	<b>27</b>	<b>7.6</b>
<b>Revenue</b>	<b>400</b>	<b>372</b>	<b>28</b>	<b>7.5</b>

**Revenue** amounts to €400 million, up by €28 million on 2014 (+7.5%). Of this amount, €1 million is due to **revenue from the sale of electrical energy for traction** by S.EL.F. S.r.l. and the increase in **other income**, from €357 million in 2014 to €384 million (+7.6%) in 2015.

The latter increase (+€27 millions) is mainly due to the rise in revenue from real estate management by FS Sistemi Urbani S.r.l. (+€8 million), Grandi Stazioni S.p.A. (+€12 million), Centostazioni S.p.A. (+€1 million) and revenue from fines paid to Grandi Stazioni S.p.A. following the delay in dismantling some work sites and the compensation for damage suffered by the Rome Tiburtina railway stations (€6 million).

Moreover, the increase in revenue from property management earned by FS Sistemi Urbani S.r.l. is due exclusively to the revenue of approximately €8 million from the sale of trading land and buildings. Indeed, during the year, the company sold these assets for a total of over €10 million, generating gains exceeding €5 million.

millions of Euros

	2015	2014	Change	%
<b>Personnel expense</b>	<b>33</b>	<b>33</b>		
<b>Other costs, net</b>	<b>262</b>	<b>241</b>	<b>21</b>	<b>8.7</b>
Raw materials, consumables, supplies and goods	37	8	29	>200
Services	136	146	(10)	(6.8)
Use of third-party assets	64	62	2	3.2
Other operating costs	33	28	5	17.9
Internal work capitalised	(8)	(3)	(5)	166.7
<b>Operating costs</b>	<b>295</b>	<b>274</b>	<b>21</b>	<b>7.7</b>

**Operating costs** amount to €295 million, up by €21 million on 2014 (+7.7%), exclusively due to the increase in other costs, net.

The €21 million increase in **other costs, net** is mainly due to the rise in costs for raw materials, consumables, supplies and goods (+€29 million) and use of third party assets (+€2 million), offset in part by a drop in costs for services (-€10 million).

**Costs for raw materials, consumables, supplies and goods** amount to €37 million, up by €29 million. Of this amount, €17 million refers to the change in FS Sistemi Urbani S.r.l.'s trading land and buildings following the impairment losses on the real estate complexes of Cremona, Palermo Sanpolo, Turin Spina 2 – Porta Susa, Bologna Cave di Reno, Padua Via Crimea and Pistoia, and €8 million to the impairment losses recognised by the parent FS Italiane S.p.A. to align the assets' carrying amount with their market value, while €4 million is due to the greater cost of goods sold for 2015, compared to 2014.

**Services** amount to €136 million and are down by €10 million on 2014 following the combined effect of various factors, mainly of the release of a provision previously accrued by FS Sistemi Urbani S.r.l. for trading buildings that was in excess after the definitive transaction took place in 2015 (-€28 million) and the €15 million increase in advertising and promotion costs, costs for managing real estate complexes and Grandi Stazioni group's engineering services.

**Use of third-party assets** rose by €2 million on 2014 following the increase in repurchase instalments as a consequence of greater revenue from leases and media activities by Grandi Stazioni S.p.A..

The Real Estate segment's **gross operating profit** for 2015 is €105 million, up by €7 million on 2014 (+7.1%) due to the increase in revenue which was more than proportionate to the increase in operating costs.

During the year, amortisation and depreciation decreased by €1 million on 2014, while impairment losses (reversals of impairment losses) rose by €17 million, mainly as a consequence of greater impairment losses recognised by FS Sistemi Urbani S.r.l. and the parent FS Italiane S.p.A. on investment property.

The **operating profit** for this segment came to €49 million in 2015, showing a decrease of €9 million on 2014.

**Net financial expense** amounts to -€5 million and is substantially in line with the 2014 balance.

**Income taxes** increased by €11 million on 2014. This difference is mainly related to the negative net effect of the prospective change to the IRES rate from 27.5% to 24% starting from 2017 (+€9 million) on FS S.p.A.'s deferred taxes.

## Other Services

Ferrovie dello Stato Italiane S.p.A. operates in the **Other Services** segment in its role as the group's holding company, steering and coordinating the operating companies' business policies and strategies. The other companies that operate in this segment are: Ferservizi S.p.A., which manages the activities not directly related to railway operations as outsourcer for the group's main companies, mainly developing the credit factoring and lease business on the captive market and strives to expand the consumer credit business for Ferrovie dello Stato Italiane employees, and Italcertifer S.p.A. which carries out certification, validation and testing activities on transport and infrastructure systems.

	millions of Euros			
	2015	2014	Change	%
Revenue from sales and services	(1)	1	(2)	>200
Other income	275	252	23	9.1
<b>Revenue</b>	<b>274</b>	<b>253</b>	<b>21</b>	<b>8.3</b>
<b>Operating costs</b>	<b>(220)</b>	<b>(222)</b>	<b>2</b>	<b>(0.9)</b>
<b>Gross operating profit</b>	<b>54</b>	<b>31</b>	<b>23</b>	<b>74.2</b>
<b>Operating profit</b>	<b>28</b>	<b>5</b>	<b>23</b>	<b>&gt;200</b>
<b>Segment profit (attributable to the owners of the parent and non-controlling interests)</b>	<b>186</b>	<b>54</b>	<b>132</b>	<b>&gt;200</b>

	31.12.2015	31.12.2014	Change
<b>Net invested capital</b>	<b>160</b>	<b>155</b>	<b>5</b>

Other Services showed a **profit for 2015** of €186 million, up by €132 million on the previous year (increase of more than 200%).

	millions of Euros			
	2015	2014	Change	%
<b>Revenue from sales and services</b>	<b>(1)</b>	<b>1</b>	<b>(2)</b>	<b>&gt;200</b>
<b>Other income</b>	<b>275</b>	<b>252</b>	<b>23</b>	<b>9.1</b>
<b>Revenue</b>	<b>274</b>	<b>253</b>	<b>21</b>	<b>8.3</b>

**Revenue** of €274 million increased by €21 million (+8.3%) and almost exclusively consists of **other income** of €275 million, which includes revenue from the non-core business.

The main change of the year refers to the gain on the sale of the net assets relating to RFI's electrical grid to Terna S.p.A. (+€18 million), recognised considering the estimated charges related to the guarantees included in the sale agreement and the registration tax on the transaction. On 9 December 2015, Ferrovie dello Stato Italiane S.p.A. and Terna S.p.A. signed a contract for the sale of the equity investment in S.EL.F S.r.l., which received the HV electricity transmission grid through a demerger from RFI S.p.A.. The transaction became effective on 23 December 2015.

Other income consists of the following:

- revenue from real estate management generated by Ferservizi S.p.A. in connection with the management of spaces and offices for the group, totalling €32 million and showing no material changes in the year;



- revenue generated by Ferservizi S.p.A. from facility management and administrative services, amounting to approximately €138 million, up by €3 million;
- revenue generated by the parent from recharging group companies for services and consultancy provided under the service and consultancy agreement and for fee income from the use of trademarks, totalling €67 million, down by approximately €1 million;
- revenue generated by Italcertifer (€14 million) following the considerable increase in the order backlog (+€3 million) and the completion of a significant number of contracts, especially with third-party customers;
- revenue generated by Fercredit for the sale of its lease, factoring and consumer credit products, amounting to €4 million, with no material changes in 2015.

**Revenue from sales and services**, showing a negative balance of €1 million refers exclusively to the change in work in progress related to Italcertifer S.p.A.. During the year, the company completed the contracts it had begun in previous years, with a €2 million decrease in work in progress.

	millions of Euros			
	2015	2014	Change	%
<b>Personnel expense</b>	<b>135</b>	<b>144</b>	<b>(9)</b>	<b>(6.3)</b>
<b>Other costs, net</b>	<b>85</b>	<b>78</b>	<b>7</b>	<b>9.0</b>
Raw materials, consumables, supplies and goods				
Services	64	59	5	8.5
Use of third-party assets	6	6		
Other operating costs	15	13	2	15.4
Internal work capitalised				
<b>Operating costs</b>	<b>220</b>	<b>222</b>	<b>(2)</b>	<b>(0.9)</b>

**Personnel expense** of €135 million shows an overall decrease of €9 million (-6.3%) on the previous year. This change is the result of the reduction in the average number of employees following the gradual, ongoing reorganisation of production and labour at segment companies and the decrease in costs for leaving incentives following Ferrovie dello Stato Italiane S.p.A.'s completion of the reorganisation process.

**Other costs** of €85 million increased by €7 million (+9.0%) in the year. This change is mainly due to the increase in Other services segment companies' travelling personnel accommodation costs at hotels as an alternative to railway hotels and greater membership fees due as a contribution to Fondazione FS Italiane.

**Gross operating profit** amounts to €54 million (+€23 million on 2014), while **operating profit** of €28 million is up by €23 million on 2014 and is affected by a slight increase in amortisation and depreciation (+€1 million), a decrease in impairment losses (-€4 million) and greater amortisation of the charges related to the Bilateral fund for income assistance to launch production streamlining projects mainly attributable to the parent (+€3 million).

**Net financial income** rose from €17 million to €92 million in 2015. This change is mainly due to:

- €75 million increase in other financial income which was considerably affected by the gain generated by the recalculation of the carrying amount of the equity investment in Eurofima SA, based in Basel, with respect to the nature of the callable share-related bonds;

- €16 million decrease in interest income on the loans granted to Rete Ferroviaria Italiana S.p.A. and Trenitalia S.p.A.;
- €4 million decrease in exchange rate losses for 2014;
- €12 million decrease in borrowing costs.

The profit for the year benefited from a positive balance of **income taxes** of €66 million and includes the positive effects of the national tax consolidation scheme and those of the 2016 “Legge di Stabilità” (Law no. 208 of 28 December 2015) among the parent’s core operations. The “Legge di Stabilità” introduced a decrease in the IRES rate from 27.5% to 24% starting from 2017, thereby impacting deferred taxes.

## Loans and borrowings

### • FS Italiane’s board of directors approved the bond issue

On 25 February 2015, FS Italiane S.p.A.’s board of directors approved a bond issue as part of the EMTN Programme listed on the Irish stock exchange for a maximum total of €1.5 billion and a duration of between 4 to 12 years. The resources arising from the issue will be used to finance FS Italiane group’s needs, in line with the forecasts of the 2014-2017 Business plan, specifically with respect to RFI S.p.A.’s investments in the HS/HC infrastructural project and Trenitalia S.p.A.’s project to purchase rolling stock to be used in the HS and regional transport sectors.

### • Backup facility

On 22 May 2015, FS Italiane S.p.A. signed a backup facility agreement with a banking pool of ten leading Italian and international banks for a total of €1.5 billion and a three-year term. This transaction was completed following a selection process launched by the parent in February in which 16 banks participated. The backup facility is a revolving committed credit line and represents an important liquidity reserve for FS group’s numerous cash needs. The credit line is to be used for general purposes; consequently, the relevant income may be used for the FS group’s numerous operating needs, including investments in infrastructure and rolling stock.

Based on the above facility and substantially applying the same terms and conditions in terms of restrictions and commitments for the parties, FS granted two three-year intercompany credit lines (revolving and committed) to the subsidiaries Trenitalia (€800 million) and RFI (€400 million).

### • Fitch rating confirmed

On 5 November 2015, Fitch Ratings confirmed FS Italiane’s Long-Term Issuer Default Rating of “BBB+” and stable outlook in line with that of Italy. Furthermore, Fitch confirmed the “BBB+” rating of the Euro Medium Term Notes Programme and the notes issued as part of said Programme.

### • Standard & Poor’s rating confirmed

On 2 December 2015, Standard & Poor’s issued its annual credit rating of FS Italiane, confirming its Long-Term Corporate Credit Rating of “BBB-” and the Stand Alone Credit Profile of “bbb”.

The outlook remains stable in line with that of Italy.

- **Update of the Base Prospectus**

On 21 December 2015, the Central Bank of Ireland approved the update of the Base Prospectus for FS Italiane's Euro Medium Term Notes ("EMTN") Programme, which was listed on the Dublin stock exchange in July 2013. The update mainly affected the sections "Description of the Issuer", "Information incorporated by reference" and "Taxation" in order to include the 2014 financial statements and 2015 half year report data in the prospectus and to include relevant information about developments in legislation and corporate events that had a material impact on the FS group's business. No changes were made to the section "Terms and Conditions of the Notes". Furthermore, in conjunction with the update, a new Programme Manual and a new Dealer Agreement were signed.

The updating of this documentation was necessary as FS Italiane plans to issue additional notes.

- **EIB bond issue**

On 23 December 2015, the European Investment Bank fully subscribed the bond issued by FS Italiane as part of the EMTN Programme. It amounts to €300 million, bears interest at a floating rate and has a 10-year term. Settlement took place on 12 January 2016.

The rating agencies issued a rating in line with those assigned to FS Italiane and the EMTN Programme (S&P: BBB-; Fitch: BBB+ with stable outlook).

This bond will finance the purchase of new rolling stock for regional transport in the Lazio, Tuscany, Veneto, Piedmont and Liguria regions, entailing the agreement of an intercompany loan between FS Italiane and Trenitalia, using the issue funds, and substantially reflecting the contractual terms and conditions in terms of restrictions and commitments for the parties.

# Ferrovie dello Stato Italiane S.p.A.'s performance

## Income statement

	2015	2014	Change	%
millions of Euros				
<b>Revenue</b>	<b>147</b>	<b>148</b>	<b>(1)</b>	<b>(0.7)</b>
- Revenue from sales and services	140	142	(2)	(1.4)
- Other revenue	7	6	1	16.7
<b>Operating costs</b>	<b>(145)</b>	<b>(142)</b>	<b>(3)</b>	<b>(2.1)</b>
<b>GROSS OPERATING PROFIT</b>	<b>2</b>	<b>6</b>	<b>(4)</b>	<b>(66.7)</b>
Amortisation and depreciation	(24)	(22)	(2)	
Reversals of impairment losses	(13)	(6)	(7)	116.7
Provisions	(3)		(3)	N/A
<b>OPERATING LOSS</b>	<b>(38)</b>	<b>(22)</b>	<b>(16)</b>	<b>72.7</b>
Net financial income	177	115	62	53.9
<b>PRE-TAX PROFIT</b>	<b>139</b>	<b>93</b>	<b>46</b>	<b>49.5</b>
Income taxes	(2)	(4)	2	(50.0)
<b>PROFIT FOR THE YEAR</b>	<b>137</b>	<b>89</b>	<b>48</b>	<b>53.9</b>

The **profit for 2015** amounts to €137 million, showing an improvement of €48 million (+53.9%) on the previous year.

**Gross operating profit** decreased by €4 million, from a gross operating profit of €6 million to a gross operating profit of €2 million, the net result of the following factors:

- €1 million decrease in **revenue** (€147 million in 2015 compared to €148 million in 2014) mainly due to the effect of lower revenue from property management;
- €3 million increase in **operating costs** (€145 million in 2015 compared to €142 million in 2014), mainly due to the effect of greater impairment losses on trading land and buildings (+€8 million), following the continuation, also in 2015, of the appraisal-based analyses and checks of the carrying amount of the company's real estate assets against the performance of the real estate market, greater charges for membership fees paid to Fondazione FS (+€1 million) and greater non-deductible VAT accrued during the year (+€2 million), offset by the decrease in personnel expense (-€6 million), mainly as a consequence of lower costs for leaving incentives and use of third-party assets due to the reduction in property lease instalments (-€2 million).

The company reports another **operating loss** of €38 million (2014: a loss of €22 million) (+72.7%), mainly due to the increase in the impairment losses recognised during the year on investment property (-€7 million), amortisation and depreciation of the year (-€2 million) and the provision for the charges related to the Bilateral fund for income assistance (-€3 million).

**Net financial income** improved by €62 million, mainly due to the combined effect of:

- the decrease in dividends distributed by group companies, totalling €27 million, mainly the net effect of smaller dividends received by RFI (-€40 million) and greater dividends received by Trenitalia (+€11 million);
- greater other financial income, for a total of €99 million, which is considerably affected by the recalculation of the carrying amount of the equity investment in Eurofima SA, based in Basel, following the in-depth analysis of Swiss company law with respect to the nature of the obligations related to the callable shares, and the gain on the sale of S.EL.F S.r.l. to Terna S.p.A. (€18 million) calculated considering, pursuant to article 1.193, letter c) of the 2015

“Legge di Stabilità”, the recognition of the liability for grants related to assets to RFI (€272 million), the estimated charges related to the guarantees included in the sale agreement (€67 million) and the registration tax on the transaction (€13 million).

**Income taxes** are down by €2 million on the previous year mainly as a consequence of the combination of the increase in current taxes, net of the profits from the tax consolidation scheme (€16 million), the effect of the full use of prior year losses, the decrease in deferred tax assets and liabilities (€17 million), arising mostly from the recalculation of deferred tax assets and liabilities to reflect the decrease in the IRES rate from 27.5% to 24%, introduced by the 2016 “Legge di Stabilità” (Law no. 208 of 28 December 2015) and applicable starting from 2017, and the greater adjustments to prior year taxes (+€1 million).

#### Reclassified statement of financial position

	millions of Euros		
	31.12.2015	31.12.2014	Change
<b>ASSETS</b>			
Net operating working capital	537	543	(6)
Other assets, net	(232)	(173)	(59)
<b>Working capital</b>	<b>305</b>	<b>370</b>	<b>(65)</b>
Non-current assets	583	602	(19)
Equity investments	35,062	35,563	(501)
<b>Net non-current assets</b>	<b>35,645</b>	<b>36,165</b>	<b>(520)</b>
Post-employment benefits	(12)	(14)	2
Other provisions	(644)	(515)	(129)
<b>Post-employment benefits and other provisions</b>	<b>(656)</b>	<b>(529)</b>	<b>(127)</b>
<b>NET INVESTED CAPITAL</b>	<b>35,294</b>	<b>36,006</b>	<b>(712)</b>
<b>COVERAGE</b>			
Net current financial (position) debt	(1,084)	(334)	(750)
<b>Net financial debt</b>	<b>(1,084)</b>	<b>(334)</b>	<b>(750)</b>
<b>Equity</b>	<b>36,378</b>	<b>36,340</b>	<b>38</b>
<b>COVERAGE</b>	<b>35,294</b>	<b>36,006</b>	<b>(712)</b>

**Net invested capital** of €35,294 million decreased by €712 million in the year due to the reduction in **working capital** (€65 million) and **net non-current assets** (€520 million) and the increase in **post-employment benefits and other provisions** (€127 million).

**Net operating working capital** of €537 million decreased by €6 million in the year, mainly due to:

- the net decrease in trade receivables and payables (€5 million);
- the decrease in trading land and buildings (€1 million) mainly due to the purchase of the real estate complex in Treviso by the subsidiary FS Logistica (+€10 million) and extraordinary maintenance to buildings (+€3 million), offset by the sales of the year (–€6 million) and the impairment losses recognised (–€8 million) in order to align the assets’ carrying amount with the market value, following the above-mentioned continuation of the evaluation and analyses of the Company’s real estate assets.

**Other assets, net** decreased by €59 million following the net increase of €103 million in VAT assets and liabilities and the balance of current and non-current receivables and payables, that decreased by a net €162 million, mainly as a result of:

- the cancellation of the recognised obligation relating to the associate Eurofima SA's callable shares (€194 million), with the concurrent decrease in the investment's carrying amount, following the above-mentioned analyses of Swiss company law;
- the recognition of the liability for grants related to assets (€272 million), following the sale of S.EL.F S.r.l. to Terna S.p.A., in accordance with article 1.193, letter c) of the 2015 "Legge di Stabilità";
- the decrease in non-trade receivables from group companies following the collection of the 2013 dividends paid by the subsidiary RFI S.p.A. (€73 million).

**Net non-current assets** came to €35,645 million, down by €520 million on 2014, mainly due to the decrease in the carrying amount of the equity investment in Eurofima SA, as described earlier (-€118 million), and the sale of the equity investment in S.EL.F S.r.l. to Terna S.p.A. (-€387 million), as explained in detail in the notes to the income statement.

The increase in post-employment benefits and **other provisions** (€127 million) mainly reflects the net increase in the tax provision for tax consolidation (€74 million) and other sundry risks (€69 million), offset by the decrease in the provision for deferred tax liabilities (€14 million) and the provision for post-employment benefits and other employee benefits (€2 million).

**Net financial debt** increased by €750 million, with net cash rising from €334 million at 31 December 2014 to €1,084 million at 31 December 2015. This change is mainly due to Terna S.p.A.'s collection of 23 December 2015 (€757 million) for the above sale of the equity investment in S.EL.F S.r.l..

Finally, **equity** shows a €38 million increase, mainly due to the profit for the year, net of the €100 million paid to the Ministry of the Economy and Finance in two instalments pursuant to article 10 of Law decree no. 192/2014 (the so-called "Milleproroghe", converted into Law no. 11 of 7 February 2015).

## Macroeconomic context

In 2015, the slowdown in growth among the major emerging economies, which in recent years had led the world economy, the collapse of raw materials prices and rising volatility on financial markets weakened growth prospects for global economic activity.

Accordingly to Prometeia's most recent estimates, global GDP growth stands at 2.9% (-0.4% lower than in 2014), with the slowdown in emerging countries (+3.7% compared to +4.6% in 2014) partially offset by the modest improvement in industrialised nations (+2.0% compared to +1.7% on 2014). Growth forecasts for 2016 are +3.0%, underscoring the fact that dynamic, consistent global growth is not yet expected.

The US economy continued to improve in 2015, although at relatively low rates. After the first quarter got off to a modest start (GDP +0.2%), the second quarter ramped up the pace (GDP +1.0%) thanks to consumption, while the third and fourth quarters slowed (GDP +0.4 and +0.6%, respectively) due to the weak global economy and the appreciation of the dollar, which did not help exports. Average GDP growth for the year ultimately came to +2.5%. Overall, the economic cycle was sustained by the sound performance of domestic demand, positive labour market data - showing the unemployment is down to 5.0% - and the surge in consumer confidence. These elements led the Federal Reserve to begin normalising monetary policy after seven straight years of stimulus.

Although Japan is one of the industrialised countries most exposed to China's economic slowdown given its geographical location and trade ties, it showed positive, yet modest, economic growth. GDP grew by 0.8% (compared to zero growth in 2014) thanks to domestic demand, bolstered by a monetary and tax stimulus plan that offset the slump in exports.

The main emerging economies weakened considerably, with the different countries showing widely inconsistent trends. While Brazil and Russia suffer deep political and economic crises - the annual decline in Brazilian GDP is 3.4% and the country's rate of inflation is over 10%, and Russian GDP is down by 3.7% - India is enjoying positive economic development - GDP +7.3% - pushed by the manufacturing and service sectors. Although China has grown by 6.9%, in line with the government's forecasts, its economic slowdown reflects the process underway to adopt a development model that focuses more on consumption and services rather than exports and infrastructural investments.

<b>International trade data</b>	<b>2015</b>	<b>2014</b>
<b>GDP (% change on previous year)</b>		
<b>World</b>	<b>2.9</b>	<b>3.3</b>
<b>Advanced countries</b>		
US	2.5	2.4
Japan	0.8	
Eurozone	1.5	0.9
<b>Emerging countries</b>		
China	6.9	7.4
India	7.3	7.0
Latin America	(0.4)	1.1
<b>International trade</b>	<b>1.4</b>	<b>2.5</b>
<b>Oil (US\$ per barrel)</b>		
Brent	53.2	99.4

Source: Prometeia, December 2015

The trend in international trade continued in 2015, showing slower growth (+1.4%) than in 2014 (+2.5%), mainly due to the decline in commercial trade with emerging economies.

The price of oil fell further in the year, coming to an average annual price of US\$53.2 per barrel, and ending the year at US\$37.28 per barrel (Brent price at 31 December 2015). Global oil production remained extremely high, mainly due to the policies implemented by OPEC and the US, but also because of the gradual increase in supply from Iran after international sanctions were revoked. On the other hand, demand is down, also due to the slowdown in emerging countries.



<b>Eurozone economic data</b>	<b>2015</b>	<b>2014</b>
<b>GDP (% change on previous year)</b>		
Eurozone	1.5	0.9
Germany	1.5	1.6
France	1.1	0.2
Italy	0.7	(0.4)
Spain	3.1	1.4
<b>Inflation (HICP) (% change on previous year)</b>		
Eurozone	0.1	0.4
Germany	0.3	0.8
France	0.1	0.6
Italy	0.1	0.2
Spain	(0.6)	(0.2)
<b>Domestic demand (% change on previous year)</b>		
Eurozone	1.5	0.9
Germany	1.0	1.3
France	0.7	0.7
Italy	1.0	(0.5)
Spain	1.0	(0.5)

Source: Prometeia, December 2015

As in other industrialised countries, economic growth in the Eurozone resumed in 2015 at a moderate rate, amid uncertainty in terms of both the weak international context and heightening geographical tensions, especially in the Middle East. GDP grew by 1.5% due to the positive contribution of domestic demand, which was encouraged by the improvement in the labour market, rather than by foreign demand. Inflation remained very low (+0.1%), in part due to the effect of the aforementioned drop in the price of oil. During the year, the ECB implemented quantitative easing to mitigate the risks of falling prices - triggered by the drop in raw materials costs - from impacting forecast inflation in the medium term, which would exacerbate risks of deflation.

Standing out among the largest economies in Europe, Spain showed growth and Italy a recovery, with GDP and domestic demand rising dramatically and well above forecasts. The German economy, after the summer slowdown due to the issues resulting from the Volkswagen scandal and the flood of migrants requesting asylum (which has also affected other European countries), is again showing growth (GDP +1.5%), bolstered by domestic demand. The French economy has also ramped up its growth (GDP +1.1%), despite the negative impact of the terrorist attacks at the start and end of the year.

2015				
Italian economic data	Q1	Q2	Q3	Q4
<b>GDP (% change on previous year)</b>	<b>0.4</b>	<b>0.3</b>	<b>0.2</b>	<b>0.3</b>
Domestic demand	0.8	0.5	0.2	0.2
Spending by households and private not-for-profits	(0.1)	0.4	0.5	0.3
Public administration spending		(0.4)	(0.6)	(0.3)
Gross fixed investments	1.2	(0.4)	0.1	0.3
Construction	1.9	(0.2)	0.6	0.7
Other durable goods	0.4	(0.7)	(0.4)	(0.1)
<b>Imports of goods and services</b>	<b>2.1</b>	<b>1.8</b>	<b>1.3</b>	<b>0.7</b>
<b>Exports of goods and services</b>	<b>0.7</b>	<b>1.0</b>	<b>1.7</b>	<b>0.6</b>

Source: Prometeia, December 2015

The Italian economy has resumed growing. In 2015, domestic demand and a moderate rise in investments supported economic activity, also boosted by favourable events like the drop in the price of oil, an advantageous exchange rate, the effects of the ECB's monetary stimulus and the government's industrial and tax policy measures.

In more detail, after stabilising at the end of 2014, GDP grew by 0.4% and 0.3% in the first and second quarter, respectively. The economic context worsened slightly in the summer (GDP +0.2% in the third quarter) due to the drop in foreign demand. Indeed, the latter was affected by the slowdown in the main emerging economies, as in other European countries. The most recent available information shows that in the fourth quarter of the year, GDP grew by 0.3%. This means that, year-on-year, GDP increased by 0.7%, bolstered by growth in household spending (+1.0%) and the recovery in investments (+0.5%).

Industrial production also showed signs of recovery, with annual growth of 1.2%. The segments that grew the most significantly are vehicle manufacturing, coke production and the production of refined oil and chemical products. On the other hand, the most significant decreases were seen in the textile, clothing, leather and accessory segments, the production of computers, electronics and optical products and, finally, the food segments.

Prices rose at very low rates, mainly due to the direct and indirect effects of the reduction in the cost of energy. In 2015, inflation slowed for the third year in a row, now at +0.1% compared to +0.2% in 2014.

The labour market also showed positive signals, with the favourable trend seen in late 2014 continuing as the *Jobs Act* reform was fully implemented and economic activity improved. The unemployment rate fell to 12.1%, compared to 12.8% in 2014. Although it remains very high, the unemployment rate among those aged 15 to 24 fell to +38.1% (source: ISTAT, November 2015). Italian economic forecasts for 2016 and 2017 show higher steady growth (GDP +1.4%). The ECB's recent decision to extend quantitative easing and its non-restrictive stance to budget policies until 2017 should confirm growth forecasts for economic activity. While foreign trade could slip due to the global economic slump, domestic demand should surge thanks to consumer confidence, while demand throughout the Eurozone recovers too. In the next few months, a lot will depend on whether the reform process that the government has launched is completed, its consequent expansive effects, the trend in the price of oil, the geopolitical scenario and the impact of terrorism, the new unknown.

If these growth rates prove true for the Italian economy, Ferrovie dello Stato Italiane group will also reap the benefits, as its results are largely tied to the domestic market and, accordingly, it should continue to grow in line with the country.

# Customers

## Passenger transport - Market

2015 saw the consolidation of the passenger transport offer on the market, within the highly competitive HS context, in which competitors took dramatic action in terms of pricing, while also increasing their offer at the Milan Centrale and Rome Termini stations. Furthermore, EXPO Milan 2015 had a positive impact on the trend in transported passengers although, net of this impact, demand slowed considerably, in part due to the Paris terror attacks.

The pricing policy for all products in this segment continued in line with the previous year, offering passengers the long-standing fare structure: Standard, Economy and Super Economy, i.e., a combination of flexibility and discounts. In addition to this range, all the special offers continue: Two for the price of one every Saturday and on certain holidays; Children travel free, for families, allowing children under 15 years of age to travel for free; the CartaFreccia Special card for loyal customers, who can travel on Freccie trains with a 50% discount off the Standard fare on Tuesdays, Wednesdays and Thursdays from 11 am to 2 pm; and the CartaFreccia Young and Senior cards for travellers under 26 and over 60 who can travel with a 20% discount. In addition, the special same-day and same-weekend roundtrip fares are still being offered for Freccie trains.

In the second half of the year, two new discounts were introduced for specific tourist destinations with discounts of up to 50% off the standard fare: the "Special HS" to and from Naples, Salerno, Verona and Bolzano and the "Special FB" to and from Genoa, along with the new "three for the price of two HS package" giving loyal CartaFreccia customers the chance to buy three Frecciarossa and Frecciargento journeys on the same route for the price of two.

In 2015, sales campaigns were launched entailing the use of e-discounts for special events, holidays and specific travel periods, in addition to the "CartaFreccia Happy Birthday", "Renew your consent", "Word-of-mouth" and "Prepaid CartaFreccia" campaigns.

In 2015, in the wake of the previous year's positive results, the sports marketing campaigns were confirmed, with the addition of Sassuolo to the football teams that already partner with Frecciarossa network, bringing the total list to: Juventus, Torino, Milan, Inter, Bologna, Fiorentina, Roma, Lazio and Napoli.

The group's qualitative performance was excellent, and can be summarised as follows: 96.8% of long haul trains in the market service segment arrived on time or, in any case, no more than 0 to 15 minutes late, compared to 97.4% in 2014. Customer satisfaction data, based on a third party survey, show overall satisfaction with the journey of 93.4%, up on the findings of the previous year (94.1% in 2014).

The main developments in the 2015 offer were as follows:

- **Frecciarossa**

The restyling of the new Bistrò carriages continued, and they replaced traditional restaurant carriage on the entire Frecciarossa (ETR 500) fleet. Featuring an innovative design, the new Bistrò carriage will enable the company to improve its service, thanks to the modern equipment and expanded space to display food. The bar area has been completely updated and the restaurant area has been equipped with business-class seating. Passengers in these seats can enjoy restaurant services on trains running at lunch or dinner time. Activities continued to improve WiFi and 3G internet connectivity services, while the development project for the new on-board WiFi site was completed with the site's launch on 17 December 2015. The new, single site for all HS trains, named "Portale FRECCIE", is totally free for customers. In addition, the graphics were improved with a colour coding system for the various services offered, a simplified process for

accessing the services, new content including films, TV programmes, music, news on the main events of the day and free WiFi internet connections and travel updates.

The group finished developing the schedule of information broadcast on screens in carriages, continuously expanding content throughout the entire ETR500 fleet (WhereRU/News/Info Travel/Entertainment and sales offers/agreements) and kicking off a new project to fine-tune the ways in which content is displayed on the screens (georeferencing, updates at given times and customised update schedules for commercial journeys).

On 14 June 2015, the group launched a new commercial service on the new Frecciarossa 1000 trains, involving eight trains on the Milan-Rome route, with plans to expand this service to the Naples and Turin routes as well. The number of ETR 1000s will progressively increase, with 18 operating trains at the end of 2015 and 28 by the end of 2016. The Frecciarossa 1000 is Trenitalia's new HS train. It is comfortable, safe, environmentally friendly and has been designed so that each and every feature is at the cutting edge of the most advanced technology currently achievable. Capable of travelling on all HS networks throughout Europe at the maximum speed of 360km/h thanks to its 16 powerful motors on the different carriages, the Frecciarossa 1000 offers four seating classes like the Frecciarossa ETR 500 (*Executive, Business, Premium, Standard*), a quiet Business area for passengers who prefer to travel in tranquillity, a meeting room in the Executive section, and a baby changing table in every carriage.

97.55% of Frecciarossa trains arrived on time or, in any case no more than 0 to 15 minutes late, compared to 97.6% in 2014. Customer satisfaction data, based on a third party survey, show overall satisfaction with the journey of 95% at year end, slightly down on the previous year (96.1%).

- **Frecciargento**

The development of on-board technologies continued with the consolidation of *WiFi* and 3G services, while 4G modems were installed to manage on-board screen updates. The group completed the Frecciarossa development project for the new on-board WiFi site, launched on 17 December 2015 and continued developing the schedule of content displayed on the in-carriage screens. It also launched new functions (georeferencing, updates at given times and customised update schedules for commercial journeys). To make communications more effective, the touch screens in vestibules were upgraded to provide the same information as the in-carriage screens.

At year end, 98.6% of Frecciargento trains arrived on time or, in any case, no more than 0 to 15 minutes late, compared to 98.5% in 2014. Customer satisfaction with the overall journey came to 92.8% at year end, up on the 93.2% of 2014.

- **Frecciabianca**

As in 2014, the group focused on reducing Frecciabianca travel times. In particular, during the year, it shortened the Rome-Reggio Calabria route by 15 minutes.

The process continued to align the exterior of the new Frecciabianca trains with the rest of the fleet and improvements were made to the on-board announcement schedule, which is now the same as on the Frecciarossa and Frecciargento trains. In addition, work began to align the interior and exterior of the ETR470 (former Eurocity) fleet to the Frecciabianca.

Frecciabianca trains also performed well in terms of arrival times, with over 94.8% of Frecciabianca trains on time or, in any case, no more than 0 to 15 minutes late, compared to 96% in 2014. Similarly, customer satisfaction with the overall journey came to 91.5% at year end, compared to 93.2% in 2014.

- **International service**

The Italy - Switzerland offer was confirmed with the same frequency of trains as in 2014. On the other hand an additional train pair was added to the EuroCity Thello service between Milan and Marseilles via Nice.

The Rho Fiera EXPO stop was added to the routes of all international trains arriving from Switzerland, and, beginning on 1 May 2015, new Eurocity Expo trains were rolled out, without any in-between stops in Italy (for passengers from Switzerland).

The group continued offering passengers a promotion on service to France, operated in collaboration with its subsidiary Thello, which consists of discounts for Frecciarossa, Frecciargento and Frecciabianca journeys. The Frecce-Thello combination makes it possible to connect France with major Italian cities and the most popular tourist and business destinations efficiently and at even lower prices.

Commercial initiatives also include the continued offer for CartaFreccia cardholders on Italy-Austria night trains, the “*smart price*” rate for 1st class travellers, the new “*Mini*” and “*Family child*” offers and the ticketless service on international routes.

#### **Universal passenger service**

In line with the provisions of the long-haul service contract for 2009-2014, the 2015 addendum confirmed the offer model defined by the customer, the Ministry of Infrastructure and Transport (MIT).

Again in 2015, passengers on night trains were offered the Night + HS discount, entailing a special price for travel on HS Frecciarossa and Frecciargento trains leaving from or arriving in Naples and Rome in combination with a night connection to or from Sicily and Calabria.

In addition, the *Economy* and *Super Economy* fares were still active in 2015 for night trains with a special price point, and a communications campaign called “Night travel starting from €39” was launched for journeys in couchettes (€49 for the sleeper carriage). In the summer, the *Economy* and *Super Economy* fares for day trains were launched at special price points called “IC day travel starting at €9”.

Over 95.8% of long haul trains falling under the universal service and other services reached their destination on time or no more than 0-15 minutes late, showing a significant improvement on the previous year (94.6%).

#### **Regional transport**

On 31 December 2014, most of the contracts with the Regions expired. Some of these were renewed in 2015: Umbria, Sicily and the Autonomous Province of Bolzano. The contract with Friuli Venezia Giulia was extended to 31 December 2016. Contracts have commenced for the other Regions to define the new framework in forthcoming years.

The Emilia Romagna region awarded Trenitalia S.p.A.’s bid for the provision of railway services (15 years) as principal of the joint venture with the local public passenger transport company Emilia Romagna-TPER.

In general, most of the regions, although to different extents, are satisfactory customers and do not demand significant service cost discounts, as had occurred in previous years. Certain regions use their own funds to cover the cost of new trains and actively participate in continuously improving the offer.

However, in a few limited cases, regions have demanded service cuts due to critical local budget issues, while in other cases, late payments have inevitably led to delays or freezes in investments for new trains. The devolution of the public service contract with the Ministry of Infrastructure and Transport for the special-status regions is nearly complete and the contract now only covers the undivided services in the north-east (Verona-Brennero and Trieste-Venice).

95.4% of regional transport trains arrived on time or no more than 0 – 5 minutes late, showing a clear improvement on the previous year (93%). Customer satisfaction data also show substantial improvements, particularly in terms of customers' satisfaction with the overall journey reached 76.1% in 2015, compared to 74.1% in 2014. Furthermore, the perceived quality of cleanliness on board regional trains improved considerably on 2014, rising from 58.8% to 62.6% in 2015.

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

- paper tickets have been eliminated and e-tickets are now on sale, indicating the origin and destination of the journey. Tickets are valid for 60 days and the group is evaluating whether to shorten this term of validity to prevent potential ticket avoidance. Regional tickets are sold not only at ticketing offices and other retailers, but also online at Trenitalia.com and using the Trenitalia app four months before the journey and up to 20 minutes before train departure. In addition, tickets do not need to be printed. The end aim is the complete digitalisation of this service with no paper tickets using tools like smart cards to facilitate the integration, including fares, of the various modes of transport;
- all the old self-service machines have been replaced with 1,280 new machines installed at the main hubs, including a few points where traffic flows are particularly significant, such as universities and trade fairs. The new self-service machines are easy to use and enable customers to use cash and credit or debit cards to buy any tickets in Trenitalia S.p.A.'s complete range of routes in Italy;
- new ticket punchers have been installed, making it possible, inter alia, to use new ticket recognition technologies, such as barcodes and microchips.

## Cargo

Cargo transport continues to be affected by uncertainties and difficulties in all non-automotive operating segments. In particular, as in 2014, railway traffic has suffered from the near standstill on the domestic market, with one exception: clear signs of recovery in traditional traffic led by the automotive sector, while combined domestic traffic continues to show lower volumes to and from ports.

In this economic scenario, Trenitalia S.p.A.'s Cargo Division has been able to post slight increases on 2014, both in revenue and in traffic volumes. It has achieved these results by promoting customer loyalty, extending the term of agreements in place in Italy and taking targeted action to increase international traffic from Italy to abroad. However, the discontinuous trend in combined sea and land domestic traffic has not helped significantly recover traffic from intermodal and intramodal competition.

## Performance of markets and domestic railway traffic

In 2015, the Italian economic recovery had a positive impact on the transport market. Benefiting from the sound performance of GDP (+0.7%), industrial production (+1.0% after four years of negative rates) and foreign trade (export volumes +1.9% and import volumes +7.1%), total passenger and cargo traffic grew in all main segments.

Cargo transport by air rose, with transported cargo volumes up by 4.2%. The Milan Malpensa hub remained the largest in terms of cargo handling, reporting 500 thousand tonnes and accounting for approximately 54% of total air traffic. In 2015, even heavy vehicle motorway traffic trends confirmed the recovery seen in 2014, with some 13 billion vehicle-km, equal to an increase of 3.3% on the same period of the previous year (the data refer to September 2015). Clear signs of improvement are also seen in the number of cargo transport vehicles registered (+12.8%), thanks to the introduction of the tax benefits in the 2016 "Legge di Stabilità" to encourage businesses to invest.

In terms of transport by sea, container transport at Italy's main ports showed a steady trend, with roughly 5 million TEUs (twenty-foot equivalent units) transported in the first half of the year. In 2015, the consolidation of the logistics sector continued, with turnover up by 1.4% on the previous year.

The passenger transport segment also performed well. Indeed, there was growth in passenger transport by air, with around 157 million travellers passing through the 35 Italian airports monitored by Assaeroporti (the Italian association of airports), up by 4.5% on the previous year. This increase reflects the modest growth in domestic traffic (+1.2%) and the sharp rise in international service traffic (+6.8%), the latter supported by EU traffic, up by 8.3% year on year. In this context, the Rome Fiumicino airport remains the number one domestic passenger hub with some 40 million passengers per year, despite the smaller operations following the fire in Terminal 3 last May. Milan Malpensa is second with 18.6 million passengers.

In the motorway segment, light vehicle traffic increased by 3.2% in the first three quarters of the year compared to the same period of the previous year, an increase of roughly 47 billion vehicle-km. The car market also confirmed its recovery, registering roughly 1.6 million new registrations (approximately +16% on 2014). Finally, the cruise ship transport segment also performed well, with an annual forecast of around 11 million passengers and a rise of approximately 6.0% on 2014.

### Focus on the management of domestic railway infrastructure

At 31 December 2015, the network managed by Rete Ferroviaria Italiana S.p.A. covered 16,724 km throughout Italy and broken down into the following types of lines:

- fundamental lines with high traffic density, covering 6,442 km;
- complementary lines, which make up a dense network of regional connections and interconnections with the main lines, covering total distance of 9,339 km;
- hub lines, which are located in major metropolitan areas for a total distance of 943 km.

71.4% of the network, consisting of 11,941 km, has been electrified, while double tracks account for 45.2% of the total distance, or 7,559 km.

All network lines are equipped with one or more train speed protection systems, which makes the railway infrastructure managed by Rete Ferroviaria Italiana S.p.A. one of the safest in Europe. In particular, the lines on the new HS/HC network feature the ERTMS/ETCS (*European Rail Traffic Management System/European Train Control System*), the standard European signalling system.

At 24 July 2015, 32 railway companies had been authorised to carry out transport activities on the Rete Ferroviaria Italiana S.p.A. network with the necessary licence issued by the Ministry of Infrastructure and Transport, as provided for

by Ministerial decree no. 36/2011 and Legislative decree no. 112/2015. In addition, they had all received safety certification from ANSF, the National Agency for Railway Safety, as regulated by Legislative decree no. 162/2007 implementing Directives 2004/49/EC and 2004/51/EC on the safety and development of EU railways.

Train-km		2015	2014	% change
- passengers	thousands	286,590	279,532	2.5
long haul	thousands	93,405	91,324	2.3
regional	thousands	193,185	188,208	2.6
- cargo	thousands	42,673	41,271	3.4

Does not include "other" not attributable to a specific type of service.

Total production in 2015 on the network managed by Rete Ferroviaria Italiana S.p.A., including "other" not reported in the table, came to approximately 340 million train-km, up by 3.0% on the previous year. The portion of total traffic produced by railway companies that are not part of Ferrovie dello Stato Italiane group grew by some 8% on 2014.

### Focus on the group's passenger and cargo traffic

In the wake of the long recession of previous years, the Italian economy resumed growth in 2015. As a result, total demand for mobility services increased, also due to the rise in consumer confidence, the decrease in unemployment and the increase in household buying power, generating a prospective recovery in the transport sector.

In this context, FS Italiane group remained the country's largest mobility service provider, and strengthened its sound performance in the past two years. Indeed, in 2015, it posted additional growth in passenger and cargo transport volumes by group companies, bolstered by its dynamic commercial policy and the quality improvement in its offer. Considering international activities as well, the group's railway operations showed a 2.6% increase in the passenger segment and a 0.8% increase in cargo.

Total passenger volumes generated by FS Italiane group companies in 2015 came to 43.6 billion passenger-km (+2.6% on the previous year) - 22.8 billion of which from regional transport (+2.8% on 2014) - and 20.8 billion from all long haul services (+2.4% on the previous year).



		2015	2014	% change
<b>Long haul traffic data (*)</b>				
PASSENGER-KM - MARKET	millions	16,267	15,460	5.2
PASSENGER-KM - UNIVERSAL SERVICE	millions	4,518	4,839	(6.6)
<b>TOTAL</b>	<b>millions</b>	<b>20,785</b>	<b>20,299</b>	<b>2.4</b>
TRAIN-KM - MARKET	thousands	54,963	52,907	3.9
TRAIN-KM - UNIVERSAL SERVICE	thousands	25,832	25,875	(0.2)
<b>TOTAL</b>	<b>thousands</b>	<b>80,795</b>	<b>78,782</b>	<b>2.6</b>
<b>Regional transport traffic data (*)</b>				
PASSENGER-KM	millions	22,785	22,172	2.8
TRAIN-KM	thousands	202,103	189,574	6.6
<b>TOTAL PASSENGER TRAFFIC</b>				
<b>TOTAL PASSENGER-KM</b>	<b>millions</b>	<b>43,570</b>	<b>42,471</b>	<b>2.6</b>
<b>TOTAL TRAIN-KM</b>	<b>thousands</b>	<b>282,898</b>	<b>268,356</b>	<b>5.4</b>
<b>Road traffic data</b>				
ROAD PASSENGER-KM	millions	2,200	2,117	3.9
BUS-KM	thousands	117,263	115,567	1.5

(\*) Also includes traffic abroad managed by the group's subsidiaries

The positive trend continued in the long haul service market segment with satisfied demand up by 5.2 %, which was also boosted by the success of the EXPO Milan 2015, as it had a wide range of commercial offers for FS Italiane group consisting of both domestic and international connections. Trenitalia's *Frecce* market segment, which is mostly HS, has expanded its domestic coverage and continuously improved service quality in terms of the trains' frequency, speed, comfort and on-board services, which customers are increasingly appreciating, a distinguishing element for FS Italiane group in recent years. In 2015, there roughly 48 million travellers on *Frecce*, showing a 6% increase on 2014. Traffic volumes are also up for the Thello services between France and Italy, as the offer was expanded to include day connections between Milan and Marseilles via Genoa-Montecarlo.

The long haul passenger transport service segment also includes the universal service contract, based on an offer model which the customer, the Ministry of Infrastructure and Transport, has defined. Traffic volumes fell sharply for the universal service (-6.6%), partly due to services on the Milan-Ventimiglia route, which Thello uses.

Long haul service production generated approximately 80.8 million train-km, showing an increase of 2.6% on the previous year. The market services accounted for 55 million train-km of this total, while the universal service contracts made up 25.8 million. Market services include the *Frecce* trains, which hold roughly 95% of the total market, and the *Frecce* offer was expanded by 3.0% for EXPO Milan 2015, to ensure efficient and high-quality railway services during the six months of the Universal Expo. Throughout that period, FS Italiane group's entire HS system was strengthened with new connections stopping at the Rho-Fiera station serving the Expo. Moreover, the last generation *Frecciarossa 1000* was rolled out in 2015, with a summer 2015 schedule including eight connections between Rome and Milan per day, continuing on to Rho Fiera and Turin in the north, and Naples in the south. The group continued this expansion with the 2015-2016 winter schedule as well, adding four new *Frecciarossa* trains between Rome and Milan, which brings the number of daily connections between these two cities to 86, and adding two *Frecciargento* connections between Rome and Bolzano as well.

The punctuality of trains was confirmed again in 2015, with 93% of long haul passenger trains arriving within 0-15 minutes of the scheduled time. Considering the HS service only, this percentage is up to 94.5%.

The group's efforts continued in the regional transport segment to improve the synergy between the road and rail services so as to offer a more efficient, effective and inexpensive service that meets travellers' mobility needs. Regional railway transport volumes totalled approximately 22.8 billion passenger-km, up by 2.8% on 2014, and around 16% of these volumes was generated by the Netinera group in Germany. Service punctuality improved on the previous year, with 92.7% of trains reaching their destination within 5 minutes of the scheduled arrival time. In addition, regional transport volumes also grew, and now consist of 202 million train-km, an increase of 6.6%. The Netinera group's production accounts for roughly 23% of total regional transport volumes. For the special Jubilee year, the 2015-2016 winter schedule for the Rome area was expanded considerably, especially with respect to underground rail services, adding new connections to the Rome San Pietro station. Specific attention was also devoted to connections between the Rome Termini station and the Fiumicino airport, with 20 new connections per day. Moreover, customer satisfaction has improved in terms of comfort, cleanliness, punctuality, on-board information and security, with customer reporting overall satisfaction with the journey of 76.4%. In the local public road transport segment, FS Italiane group companies' urban and suburban passenger bus service covered approximately 100 million bus-km in 2015.

As for the cargo segment, in order to meet the challenges it faces on the market and compete against the growing threat of private railway companies which in late 2015 held over 30% of the market, FS Italiane group has begun reorganising this operating segment by rationalising costs and boosting productivity. It continued implementing its new organisational model, based on specialising by North/South East/West long haul services and short haul services, which led to continued growth in traffic in the year. Indeed, combined domestic and international volumes grew by 0.8% on 2014, with total traffic of more than 23 billion tonne-km. The growth rate for domestic traffic only came to roughly 4.0%, mainly due to traditional traffic.

Cargo traffic data (*)		2015	2014	% change
Tonne-km	millions	23,370	23,188	0.8
<i>of which: abroad</i>	<i>millions</i>	<i>10,686</i>	<i>10,999</i>	<i>(2.8)</i>
Train-km	thousands	46,685	47,470	(1.7)
<i>of which: abroad</i>	<i>thousands</i>	<i>18,134</i>	<i>19,025</i>	<i>(4.7)</i>

(\*) Includes traffic abroad

Total production reached approximately 46.7 million train-km, slightly down (-1.7%) on the previous year, mainly due to the decrease in distances abroad (-4.7%). The average annual train load was slightly higher than 500 tonnes per train.

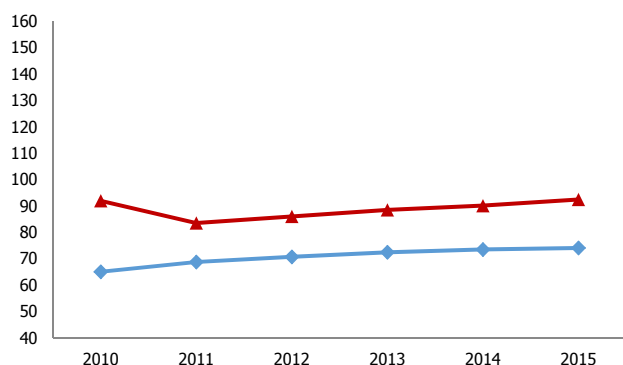
## Traffic figures of major European railway companies

In conjunction with a slow and gradual economic recovery, presenting GDP growth of 1.5%, industrial production up by 1.4% and the unemployment rate down to 11.0%, demand for railway mobility in Europe has reflected a contrast of trends between the passenger and cargo segments.

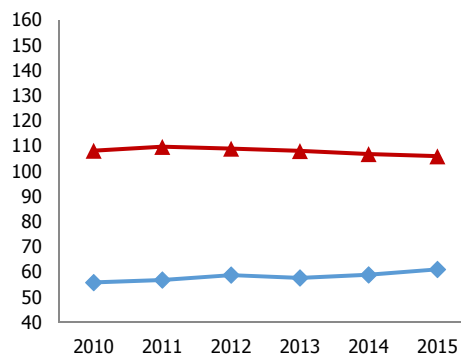
The main European railway companies' most recent provisional traffic data gathered by the International Union of Railways (*Union Internationale des Chemins de fer*, "UIC") show that cargo traffic has undergone an overall decline of 4.0% in terms of tonne-km. Except for the French SNCF, which reported a 3.0% rise in traffic, the other major railway companies have seen their volumes decrease: in particular, in Spain's Renfe -4.0%, Germany's DB AG -5.0% and Poland's PkP -3.0% in Eastern Europe.

On the other hand, there was moderate growth in passenger railway traffic in 2015. Compared to the previous year, passenger-km rose by 1.2% among the railway companies monitored by the UIC. However, only the Spanish railway company Renfe has remained in line with the European average, reporting +1.5%, while the French SNCF reported a very weak increase of 0.2% and German DB AG reported a drop in traffic (-1.4%).

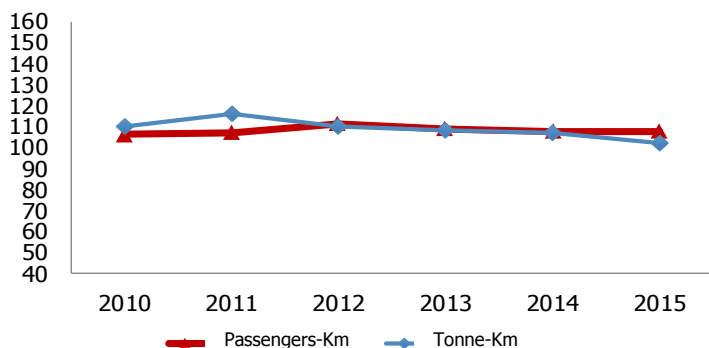
**FS ITALIANE GROUP**



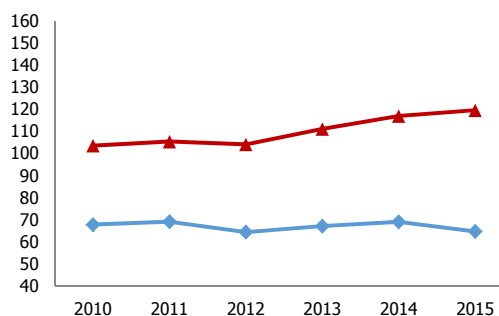
**SNCF**



**DBAG**



**Renfe**



## Safety in railway operations

The European Railway Agency ("ERA") oversees railway accident monitoring in Europe. It is the European body set up pursuant to EU Directive 2004/881 to create a European railway space without borders, increasing the interoperability of railway systems and to develop a common culture of railway safety. To monitor accidents, the ERA refers to the regulations under EU Directive 2004/49 and EU Directive 2014/88, which updated the common safety indicators and method used to calculate the costs of accidents, in accordance with Attachment I. In Italy, ANSF (the national agency for railway safety) performs the duties provided for by EU Directive 2004/49 for the entire domestic railway system. It was established by Legislative decree no. 162/2007, which implemented the aforementioned EU directive.

In accordance with the principles of the aforementioned EU directives, an accident is considered significant when at least one moving railway vehicle is involved and if it causes at least one death or serious injury or damage exceeding €150,000 to the tracks, plants or environment, or if it stops traffic for a prolonged period of six or more hours. Accidents that occur on tracks that have been taken out of service, even temporarily, accidents in traffic operations (depots, workshops) and those caused voluntarily (suicides or vandalism) are not considered serious.

There were 116 significant accidents on the railway lines managed by RFI in 2015 (+7 on 2014), of which only two were attributable to internal causes (derailment of the traction vehicle or rolling stock making up the train). In brief, according to the criteria established by the relevant EU legislation, there were:

- 4 train collisions, compared to 9 in 2014, all of which were due to hydro-geological instability (landslide, large objects and trees on the tracks);
- 3 derailments, compared to four in 2014, one of which was due to hydro-geological instability;
- 19 people hit at railroad crossings overall, i.e., including pedestrians hit at closed railroad crossings, compared to 16 in the previous year;
- 86 serious accidents to people caused by moving rolling stock, compared to 74 in the previous year. This type of accident includes: people falling from moving railway vehicles (either passengers or railway personnel) and people being hit by vehicles (railway personnel and third parties);
- 2 accidents which, as they do not fall into any of the other categories, are classified as "other", compared to six in 2014;
- 2 accidents due to fires involving rolling stock with serious consequences, while there were no accidents in 2014.

With respect to the consequences that these incidents had on people, the number of deaths and serious injuries rose to 104 (59 deaths and 45 injuries), compared to 94 in 2014. The most frequent causes of accidents (86%) related to people illicitly accessing and crossing the railway tracks: 34 deaths and 21 serious injuries, concentrated at the major hubs in Milan, Rome, Bologna and Genoa. Other causes of death include railroad crossings (8 deaths and 8 injuries), despite RFI S.p.A.'s commitment to eliminating roughly 20% of crossings in the past ten years.

# Sustainability

On 20 October 2015, the third annual FS Italiane group's stakeholder engagement event was held in Milan, with the participation of around 50 stakeholders representing companies, public administrations, research bodies, businesspeople, universities, the police, consumer and trade associations and resident users. Panellists were selected from the community, including people who had participated in previous panels and new participants with specific expertise in the issues to be discussed. The panel considered ten areas on the basis of a consultation with the community, in relation to five business areas:

Local public transport passenger mobility	<ul style="list-style-type: none"><li>- integrated regional transport</li><li>- perceived continuity in the hubs</li></ul>
Long haul passenger mobility	<ul style="list-style-type: none"><li>- on-board standards: personnel conduct</li><li>- service quality: catering services</li></ul>
The environment	<ul style="list-style-type: none"><li>- environmental impact of infrastructures</li><li>- involvement of the local area</li></ul>
Stations	<ul style="list-style-type: none"><li>- service and structure accessibility and quality: greater use of existing information channels</li><li>- lighting in stations and surrounding areas</li></ul>
Community	<ul style="list-style-type: none"><li>- inclusion and welcome: consolidate the group strategy for CSV (creating shared value)</li><li>- new proposals to reuse assets,</li></ul>

reaching 18 improvement proposals to which the group readily responded.

The development of an IT SuPM (Sustainability Performance Management) solution for sustainability planning, monitoring and reporting was completed in order to ensure the 2015 Sustainability Report's compliance with the G4 international standards promoted by the Global Reporting Initiative.

FS Italiane group's 2014 Sustainability Report received the highest compliance score in accordance with the GRI's international standard G3.1.

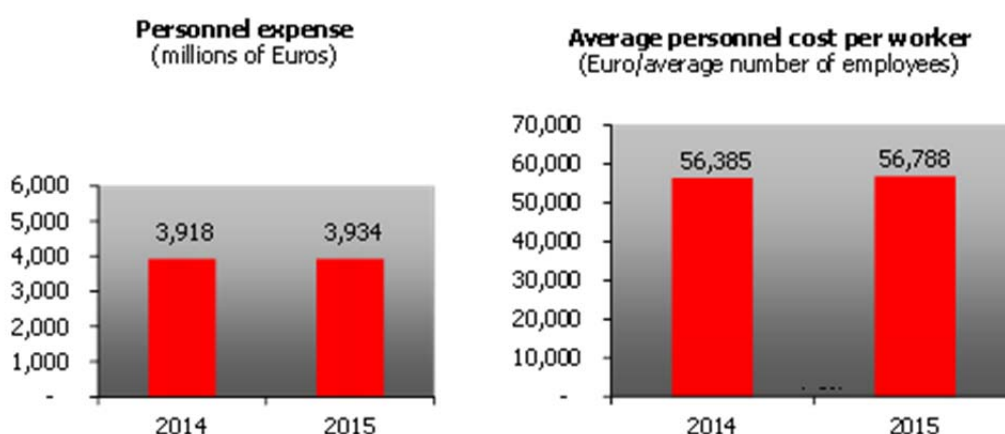
## Human resources

The group reported a net decrease of 113 in the number of employees from 69,115 at 31 December 2014 to 69,002 at 31 December 2014. A decrease was also seen in the average number of employees (-211 employees).

<b>NO. OF EMPLOYEES AT 31.12.2014</b>	<b>69,115</b>
Incoming (*) (**)	3,204
Outgoing (**)	3,317
<b>NO. OF EMPLOYEES AT 31.12.2015 (*)</b>	<b>69,002</b>
<b>2014 AVERAGE</b>	<b>69,487</b>
<b>2015 AVERAGE (*)</b>	<b>69,276</b>

(\*) 497 new employees arising from the acquisition of the business unit from APS in May 2015.

(\*\*) incoming and outgoing employees include employees with fixed-term contracts in the ferry ship sector.



### RELATIONSHIPS WITH TRADE UNIONS AND LABOUR LAW

#### FS Italiane group companies' bilateral fund for income assistance

Another 115 employees received extraordinary benefits under the bilateral fund for income assistance in January and February 2015, under the local agreements signed in 2014.

Interministerial decree no. 86984 of 9 January 2015, published in Italian Official Journal no. 55 of 7 March 2015 implemented, with amendments, the trade union agreement of 30 July 2013 between FS Italiane group and the trade unions that had signed the national labour agreement, to update the bilateral fund for income assistance and to support employment for FS Italiane group companies pursuant to the provisions of article 3 of Law no. 92/2012 (known as the "Legge Fornero"). Nevertheless, the issue of this decree does not alone make the fund operative, as for that to occur, additional requirements must be met and the relevant parties must initiate specific procedures, which are currently being defined.

After this update, the FS Fund (previously set up as a Foundation) lost its legal personality and a management scheme was set up under INPS (the Italian social security institute), with the consequent transfer of available resources to INPS.

As a result of this transfer, on 22 December 2015, based on resolution no. 1 of 13 November 2015 of the Fund's Management Committee, the Rome Prefecture issued a decree legally terminating the Foundation, establishing 7 March 2015 (when the Interministerial decree no. 86984 took effect) as the date when INPS took over the Fund's budget. For the purposes of transferring the resources to INPS, this document was sent to INPS, which has yet to provide instructions on how the transfer should take place.

Subsequently, the Labour Ministry's decree of 30 November 2015 appointed the Fund's new Management Committee, which officially took over on 14 January 2016. In turn, with circular no. 208 of 29 December 2015, INPS issued the necessary provisions for the implementation of the new Fund, providing for, inter alia, the resumption of the ordinary contribution to the Fund, equal to 0.20% of monthly remuneration considered in the tax base for social security purposes, 2/3 of which paid by companies (approximately €3 million per year for the group) and 1/3 of which paid by employees. This contribution accrues from March 2015 with payment beginning in February 2016.

Finally, Legislative decree no. 148 of 14 September 2015, which reorganised legislation concerning welfare benefits while workers are still employed, including provisions on the bilateral fund for income assistance, made it possible to adjust the Fund regulations already in place to more flexible legislation that has since been enacted. To take advantage of these opportunities, it is necessary to:

- amend the Fund regulation under Ministerial decree no. 86984/2015, which should then be implemented with a new Interministerial decree that supersedes the one currently in place;
- sign a new "procedure agreement" with the trade unions, regulating the arrangements for the identification of redundant personnel and establish the requirements for workers to receive Fund benefits.

In the light of the above, specific talks with the trade unions have already begun to redefine the trade union procedure agreement on the basis of which to begin disbursing the Fund benefits and to define another agreement which, by making use of the opportunities offered by Legislative decree no. 148/2015, expands the range of benefits covered by the Fund.

The first agreement will enable FS Italiane group companies that have substantially defined restructuring/reorganisation projects, including:

- boosting production efficiency and reorganising the overall cargo railway transport segment (the project is part of the "Cargo Transport and Logistics Hub" structuring process, the outline of which was presented to FS S.p.A.'s BoD on 28 January 2016),
- the closure of sites due to the introduction of technological innovation,
- the reorganisation of administrative, management and accounting processes following developments in IT technology,
- the streamlining of industrial assets to improve total system productivity,

to use, as early as the end of 2016, the extraordinary benefits (assistance up to pension) under the bilateral fund for income assistance, to manage the effects on employment described above. It is the only welfare scheme available to the group companies.

### National labour agreement for the mobility sector

Negotiations for the renewal of the 2012 national labour agreement for the mobility sector/contractual railway area, which officially began on July 2014 between AGENS (the main association representing manufacturing and service companies in Italy) and the trade unions party to the agreement continued during a single meeting held on 29 January 2015, did not move forward with respect to the debate still underway between Confindustria (the general confederation of Italian industry) and the CGIL, CISL and UIL trade unions on the issue of representation and the new bargaining model. Talks

are expected to resume in March 2016 and AGENS has been provided with the group companies' proposals for the revision of the contractual provisions.

On 31 July 2015, an agreement was signed with the trade unions party to the national labour agreement for the mobility sector/contractual railway area and FS Italiane group companies' contract dated 20 July 2012, for the renewal and functioning of the trade union representation units and to elect workers' safety representatives for the group companies, updating the role of representatives to the organisational and corporate changes after the previous agreement of 20 July 2004, implementing the provisions of the Consolidated act on trade union representation of 10 January 2014. The update enabled a reduction in the number of members of the representation units (equal to 37%, with 757 fewer members) and the workers' safety representatives (equal to 12%, with 65 fewer representatives), compared to the previous agreement. The supplementary healthcare plan for FS Italiane group employees, which was awarded in a tender to Società Nazionale di Mutuo Soccorso Cesare Pozzo, was extended to Busitalia Sita-Nord S.r.l., Busitalia Veneto S.p.A. and ATAF Gestioni S.r.l. employees in 2015 at the same terms and conditions.

Representation of FS Italiane group's interests among the business association industrial confederations was ensured, with the parent coordinating affairs with the central management of Confindustria and the local business associations.

As the *Jobs Act* has gone into effect, initial guidelines have been provided to companies for the application of the new legislation.

At international level, activities have continued within the scope of the European Social Dialogue project and the FIP work group ("*Groupement pour les facilités de circulation internationales du personnel des chemins de fer*") to encourage the international transfer of railway personnel.

### Personnel management and development policies

In 2015, employee turnover was managed using leaving incentives to encourage outflows (as the bilateral fund for income assistance for employees until they retire was not available, as mentioned above) and job posting in house and on the labour market for inflows, in accordance with the current company procedures.

Promoting personnel vetting and development policies aimed at making professionalism, expertise and motivation the key factors in tackling the challenges of an extremely competitive and constantly evolving market continued.

The initiatives under development include the map of competences, which was kicked off with the goal of enabling group resources to analyse its personal and professional expertise in order to enrich and develop personal awareness, which constitutes significant added value for the company.

A focus was placed on group training and coaching (24 coaches for 47 coaching projects in the second half of 2015 and 12 coaches in training) and the implementation of development plans for group resources to support professional growth through development levers like training, coaching and/or mentoring and ad hoc projects.

The group companies have developed active in-house job posting and intragroup mobility policies to strengthen and foster a sense of belonging. In addition, they have focused on designing an integrated information system that each company uses to search for employees within the group, to make personnel and in-house know-how development processes faster and more efficient.

Recruitment on the market outside the group has focused especially on finding specialised experts and recent graduates in Engineering, Law and Economics who make strong candidates. In this respect, over 12,000 CVs have been evaluated, about 600 phone interviews held, and 190 recent graduates have been hired, including 100 engineers, out of the over 300 candidates selected via the assessment centres. Recent graduates are found through intense and ongoing collaboration with universities, and this practice has led the group to meet over 8,000 young people in the year and carry out myriad activities, like level 2 master's programmes, business games, orientation seminars, company presentations at



leading universities, specialised workshops within university programmes, work experience, university theses and the development of web recruitment. Over 200,000 CVs were received on the "Work with us" online section, while the group recorded an average of 122,000 visitors to the site per month and a 160% increase in its followers on LinkedIn. These initiatives, through ongoing, fruitful contact with young people, have yielded significant returns for FS Italiane group in terms of its image and branding as an excellent employer, with recent graduates naming it the "*Best Employer of Choice*" among the Italian and international companies.

Significant attention has also been devoted to high school students with orientation projects, training and school/work programmes, involving over 2,000 students in their 3rd, 4th and 5th years, in order to "cultivate" young people, develop their expertise and create an excellent reserve of potential employees in view of future operating needs.

## Training

FS Italiane group training helps spread information on the company strategies and organise it into measurable actions and objectives. It provides all employees with the skills and expertise they need to achieve business targets and supports their performance and specialised roles.

In 2015, the group organised approximately 351 thousand training days to instil in everyone a fuller understanding of the company culture centred around the customer, safety, the continuous search for efficiency and operating quality and the rewarding of merit.

The group's total cost for training came to approximately €9 million and it raised roughly €8 million from inter-professional funds for training (Fondimpresa and Fondirigenti).

The group offered training in the areas described below, on the basis of the content developed in each course:

- institutional training: training and updates to present the group and its strategies, offered at specific times of employment with the company (hiring, professional growth and organisational change);
- behavioural/managerial training: courses and seminars to gain and/or develop typical managerial, behavioural and relationship skills;
- technical/professional training: courses to help employees gain and refresh their technical and professional expertise necessary to perform their duties, offered both in the classroom and through hands-on training;
- group-wide/transversal training: courses to help employees gain and/or refresh common expertise needed for their organisational level and professional family (languages, IT, etc.).

## Safety and health in the workplace

Again in 2015, FS Italiane group rigorously continued to spread, consolidate and update measures to prevent and promote responsible conduct by all personnel, by introducing new training tools and promoting best practices for prevention.

As part of benchmarking activities, the "Intercompany round table on health and safety at network companies", involving Italy's largest companies (ENI, Enel, Telecom, Poste Italiane, Terna, Anas, Autostrade per l'Italia, Vodafone, etc.), the "Italferr: Health & Safety in company development from the captive market" workshop was held in Rome in March. It focused on protecting workers' workplace health and safety when they are working abroad, either in Europe or outside the EU member countries.

In order to ensure the systematic extension of the efficient organisational solutions already in place in group companies, in late March, the first seminar on "The structures of the network companies' responsibilities: organisation, roles and responsibilities of the production units", was held in Rome, covering the organisational structures to ensure safety at companies consisting of several production units, comparing the peculiarities of major group companies.

The new health and safety legislation issued with the Legislative decrees implementing Law no. 183/2014 (i.e., the Jobs Act), were covered in a series of information and training initiatives. The new legislation introduced was discussed in the seminar titled "Workplace health and safety in the Jobs Act: impacts, simple actions and rationalisation", which was held in Rome in November for the heads of the personnel and organisation, workplace health and safety, audit, legal and legal/labour functions at the group companies. Speakers included the General Head of the Ministry of Labour's Secretarial Office and the Chairman of the Ministry of Labour's Consult Commission.

With respect to this issue, on 19 January 2016, the parent issued the necessary instructions to align and properly apply the new legislation applicable to each individual company.

The group's intranet, called "Linea Diretta", was expanded to include a section dedicated to promoting health. It is used as an information and training tool for personnel on health and to encourage healthy lifestyles at home and work, through news, investigations and articles on specific issues, particularly with respect to reducing the consumption of tobacco and alcohol and spreading awareness about the harm caused by psychotropic substances, to manage stress and promote a proper diet and regular exercise and sports activities.

The group companies' commitment to achieve certification for safety in the workplace, the environment and quality management systems and the operating processes in place continued. In 2015, FS Logistica S.p.A. and Busitalia Sita Nord S.r.l. received certification for their workplace safety systems in accordance with OHSAS 18001.

In 2015, data on compensated accidents provided by INAIL and data being definitively certified on the main group companies (Ferrovie dello Stato Italiane S.p.A., RFI S.p.A., Trenitalia S.p.A., Ferservizi S.p.A. and Italferr S.p.A.) show:

- a considerable decrease of over 15% in accidents, compared to 2014, compared to the target of 3%;
- an over 13% decrease in the frequency rate, compared to the target of 2%,

and the number of accidents in transit continued its improvement trend.

# The environment

## Management systems

The main group companies continued activities to improve the environmental management systems ("EMS") in order to extend the scope of application of these EMS to all processes and all operating sites. FS Logistica S.p.A. has extended its EMS certification to the Bologna San Donato and Catania Bicocca sites. Ferservizi S.p.A. has expanded its scope of certification to cover all production processes. Centostazioni S.p.A. has kicked off a process to extend the scope to its Rome Ostiense, Padua, Milan Porta Garibaldi, Naples Mergellina, Novara and Modena stations. FS Sistemi Urbani S.r.l. has extended the scope of its EMS to cover all management and operating processes in order to obtain certification for this extension by 31 December 2016. Finally, Grandi Stazioni S.p.A. has continued developing its EMS and expects to certify the first three stations in the network (Rome Termini, Milan Centrale and Venice Santa Lucia) by the end of 2016.

## Energy

In accordance with Legislative decree no. 102/14, the group carried out the activities necessary for the preparation of the energy audit of its production sites, identifying improvement areas for electrical and thermal energy efficiency. The corresponding projects will be evaluated during the year. The solar power station at the San Lorenzo di Roma hub generated 600 MWh in 2015, showing an increase in production of roughly 4% on the previous year. Renewable energy that FS Logistica S.p.A. generates and consumes itself totals approximately 264 MWh (+3.5% on 2014), while energy delivered to the grid amounts to 336 MWh (+4% on 2014). As part of the renovation of the new Genoa and Trieste sites, Ferservizi S.p.A. installed a led lighting system, heat-pump air conditioning systems and solar panels to produce electricity. Within the scope of specific redevelopment projects, Centostazioni S.p.A. installed led lighting systems in the tunnels at the Milan Porta Garibaldi, Milan Lambrate, Como San Giovanni, Alessandria, Novara and Piacenza stations and in the shopping galleries at the Padua and Milan Porta Garibaldi stations. Trenitalia S.p.A. switched over to a single energy provider for all its electricity contracts, which number some 1,600, and at the same time began using e-invoicing, with the implementation of an online tool to analyse consumption and electricity costs.

RFI S.p.A. began the bargaining procedure to acquire over 100,000 led units for walkways, platforms, tunnels, offices and light towers.

## Atmospheric emissions

In addition to the activities described above, which have also reduced atmospheric emissions, the group has carried out the following activities.

The Enjoy car sharing service managed by Eni S.p.A. in partnership with Trenitalia S.p.A. and Fiat S.p.A. was extended to the city of Turin with 400 cars, bringing the total number of Fiat 500s shared with the city for the purposes of providing this service to over 1,800. In Milan, the first scooter sharing project began through a partnership between Eni S.p.A., Trenitalia S.p.A. and Piaggio group. Moreover, Trenitalia S.p.A. and Clear Channel Communications Inc. renewed their agreement to promote bike sharing in Verona and Milan. In the latter city, 1,000 electric bikes have been added to the 3,600 traditional bikes already in use.

20 new Euro 6 buses were rolled out in Busitalia - Sita Nord S.r.l.'s vehicle fleet to replace old generation (Euro 0/Euro 2) buses. In addition, a plan was agreed to begin progressively installing remote monitoring systems for the fleet in 2016. This will enable the company to track drivers' driving performance and identify improvement areas.

Italferr S.p.A. has introduced contractual clauses to reduce greenhouse gas emissions in contracts for over €40 million in order to encourage contractors to take action to lessen the environmental impact of the work under construction and, more specifically, reduce greenhouse gases in the production and transport of construction materials (cement and steel).

In collaboration with Legambiente, the annual "Green train" campaign was held to inform residents about the importance of sustainable mobility and protecting the environment.

In the field of mobility management, the database for work/home commuting was updated with a new questionnaire distributed to over 35,000 FS Italiane group employees, 44% of whom responded. The information gathered enabled the group to update its commuter plans and will be used to design projects aimed at reducing atmospheric emissions through incentives to use more sustainable forms of transport.

Finally, an agreement was signed with ATAC S.p.A. to acquire discounted annual Metrebus Roma and Lazio passes for group employees.

## Waste

The group's commitment to sorting waste at its main operating sites and stations continues.

In particular, at the Milan Rogoredo, Bergamo, Gallarate, Bolzano, Treviso, Castelfranco Veneto, Trieste, Belluno, Mantua, Vicenza, Rovigo, Pisa, Ancona and Salerno stations in Centostazioni S.p.A.'s network, spaces were identified and adequately equipped for the sorting of waste. Furthermore, new waste bins were supplied for sorted waste collection and a study was created to set up/renovate the waste collection areas at the stations, particularly in the waste areas at the Rome Termini, Genoa Principe and Venice S. Lucia stations and the new equipped area under the Naples Piazza Garibaldi station.

## Water

During the year, Grandi Stazioni S.p.A. and Centostazioni S.p.A. continued ongoing monitoring activities to optimise water consumption by rationalising the sewage system and identifying and eliminating hidden leaks.

Busitalia - Sita Nord S.r.l. began designing a treated water recovery system in which the water is reused to wash buses.

## Noise

RFI S.p.A. continued designing and building sound barriers for the first four years of the noise recovery plan pursuant to the Ministerial decree of 29 November 2000.

Italferr S.p.A. also conducted eight sound and vibration studies for various railway hubs and sections.

## Land

With respect to the use of land, Italferr S.p.A. conducted:

- 4 environmental impact assessments;
- 17 environmental projects while sites were being set up for works;
- 11 environmental monitoring projects;
- archaeological studies and investigations for 32 projects;
- acoustic and vibration studies for 8 projects.

Furthermore, use plans were prepared in accordance with Ministerial decree no. 161/2012 to manage excavation material for eight projects and environmental monitoring is underway on 26 projects underway.

## Potentially contaminated sites

Italferr S.p.A. conducted specific activities to manage potentially contaminated sites in 10 work areas.

## Risk factors

At the presentation date of this report, no particular risks and uncertainties are foreseen that could have a material impact on the financial position or results of operations of the parent FS S.p.A. or the group, other than those mentioned further on and in the notes, which specific group functions currently monitor and mitigate using risk management policies created to protect the group, the parent and their assets, while ensuring their ability to continue as a going concern.

The nature of non-financial risks (credit, liquidity, market, currency and interest rate risks) is summarised below, along with the overall steps taken to monitor them, whereas financial risks are discussed in the notes to the separate and consolidated financial statements to which reference should be made.

### Business risks

The operational risks deriving from the new operator's entry into the HS sector were considered and updated in the group's business plan and, at present, no other particular risks have arisen. The risks included in the overall measurement are the result of transport market trends and price levels. If used to gain additional market shares, they could affect the HS division's profitability. The long and medium haul transport market is affected by domestic consumption trends, unemployment rates and the overall development of key economic factors. Modal transport competition and the proper regulating of such competition are also crucial factors in the group's success.

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

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

All investments downstream from the public service contracts in place with the regions have "put" clauses in favour of Trenitalia. Furthermore, the company is considering alternative solutions for the management of its retired fleet. The potential effects of non-renewal of these public service contracts with the regions, the repercussions of which will be seen in a few years, are not currently foreseeable and they are in any case considered risks attributable to any company operating on the free market. The local public transport scenario could be affected (upon the outcome of tenders and, accordingly, in the management of potential switches from one operator to another) in certain ways relating to transfers of essential facilities to a new operator. A measure is being studied on the many different local public transport aspects and the effects on the incumbent could be material in terms of safeguarding the implicit value of this segment.

The government's decision in the 2015 "Legge di Stabilità" to terminate the Cargo Public Service Contract generated a decrease of approximately €106 million in the considerations for Trenitalia S.p.A.'s cargo division, and this was only partially offset by the elimination of costs to access the infrastructures in Southern Italy and the ferry costs. This change made it necessary to completely revise the cargo division's business plan and concurrently test the recoverability of the division's assets. The changes had substantial repercussions on the management of the cargo division as it began a

rationalisation process to achieve an overall balance of its accounts. On the other hand, the legislation of 22 January 2016 ("Eco bonus") was a key mitigating factor, defining another measure to support cargo transport by reducing the toll by €2.5/train-km, and thereby re-establishing a sustainable framework for the division's invested capital.

On the other hand, as for regulatory and compliance risks, the group operates in highly regulated segments and when the rules, instructions and obligations change within the regulatory framework, these changes affect the performance of operations and impact expected results.

With respect to the risks that could arise from these factors, the group bases its relationships and information flows with the supervisory bodies and regulators (independent authorities), including in the event of any disputes, on dialogue, discussion, transparency, collaboration and pro-activeness. Its responsibility, transparency, integrity and compliance with the rules are the guiding principles for business processes, procedures, systems and conduct.

To uphold these principles, along with monitoring developments in legislation, which the group ensures through permanent work groups, it has specific structures conduct checks and offers training to personnel, with a particular focus on the most important compliance issues.

### Operational risks

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

The financial crisis has put suppliers in the maintenance and rolling stock construction sectors to the test, with the severe credit crunch affecting them significantly due to the intrinsic weakness of their funding structure. The group mitigates this risk by using well-structured vetting procedures for suppliers that must not only meet technical requirements but also pass financial assessments, ensuring that all entities are carefully and scrupulously vetted before becoming group suppliers.

In the field of safety, during the year, criminal action was taken against the top management of certain railway companies, including Trenitalia S.p.A., for alleged violations of workplace safety regulations concerning the adoption of the single train driver model. Trenitalia S.p.A.'s safety standards are consistent with those of the main European railway companies and are the result of extensive prior talks with the trade unions that, after having evaluated safety issues as well, all signed an integrative labour agreement in 2009 and the national labour agreement in 2012.

Top management and the relevant divisions and structures carefully monitor the aforementioned operational risk and, accordingly, it is believed to be mitigated. This is reinforced by the fact that Trenitalia S.p.A. has assessed and continues to do so on an ongoing basis, all aspects relating to such risk. Below are Trenitalia S.p.A.'s and the group's main considerations:

- the safety of employees and protection of work conditions have always been indispensable values set forth in FS Italiane group and Trenitalia S.p.A. code of ethics;
- the use of one driver is the customary practice for train driving throughout Europe. For example, this is the method used in the United Kingdom, France, Germany, Belgium, the Netherlands, the Czech Republic, Switzerland, Austria, Slovakia, Hungary and Poland;
- the European Railway Safety Agency, including ANSF (the Italian national railway safety agency) and CER (the European Railway Agency), finds this driving method to be safe;

- The highest safety standards are guaranteed in Italy because the railway network has for some time been completely equipped with train speed protection systems;
- Trenitalia uses a workplace safety management system, OHSAS 18001, that meets international standards and is certified by an independent body (SGS) that has stated the system is fully compliant with procedures and current regulations, including with respect to tangibly ensuring adequate safety levels for workers.

The use of one driver is a definitive and irreversible step forward in the railway transport efficiency improvement and modernisation process.

### Legal and contractual risks

There are no other legal or contractual risks in addition to those described further on, which mainly relate to litigation pending between group companies and various parties, such as suppliers, customers and employees. Specific company structures currently monitor and mitigate such risks and any necessary accruals are recognised after the risks are assessed in accordance with IFRS to determine the probability that they will occur. Residual risks, following monitoring and the recognition of any accruals, are within the ordinary limits of the business operations of a structured group similar to FS Italiane.

### Procurement risks

Prices for services, raw materials, energy and transport could vary as a result of market trends. Accordingly, it might not be possible - or only be possible to a limited extent – to transfer greater procurement costs to sales prices to customers, with a consequent impact on the profit margin of the group's products and services.

### Project risks

Investments in the railway system involve complex projects requiring substantial funds. Any changes in the legal context, delays in project deliveries or technical changes in long-term programmes often cause an increase in costs. Accordingly, any project changes could generate higher costs with an adverse effect on the group's business and results of operations.

### IT risks

The group's organisation is based on the use of the telecommunication network and IT systems for coordinating and planning, railway operation, the sale of train tickets to passengers, monitoring the delivery of cargo and many other functions, including the management of accounting processes. The group's hardware and software could be damaged by human error, natural disasters, the loss of power or other events. In order to ensure continuity in the availability of IT data, the group uses several different methods to back-up its data, combined with a fail-safe network. These measures to protect crucial operations and IT processes help prevent serious IT failure. However, there is no guarantee that the implementation of such measures is sufficient and/or capable of preventing any IT system errors that could have a negative impact on the group's business and results of operations, such as an increase in costs and/or a decrease in revenue. Specifically in order to continue minimising this risk in any case, to ensure service continuity or recovery in the shortest amount of time possible following potential IT infrastructure disaster, FS Italiane group is implementing business continuity solutions for business critical systems only. The maximum tolerance range for these systems to restore services and update the data is not more than 30 minutes, which is higher than the current disaster recovery limits.

### Environmental risks

FS Italiane group's activities are subject to extremely broad environmental legislation and regulations, particularly as it operates as a contractor for the construction of infrastructure and offers transport services for products that could be

hazardous to the environment. Accordingly, to meet its legal obligations under environmental legislation, the group must continuously update to comply with new laws and regulations. The application of increasingly severe and stringent requirements and new interpretations of environmental laws require the group to modify its activities, and this could generate unexpected costs necessary to remain in line with current regulations at all times and avoid fines or sanctions for environmental violations, which would have a negative impact on the group's profitability and results. To protect against environmental risks, the group has a specific structure that uses, if necessary, third party experts and complex procedures to monitor and mitigate factors related to this risk.

### Risk monitoring

As mentioned briefly earlier, in general, throughout the year, the group continued risk monitoring activities, which included projects by the parent's internal audit and corporate departments and involved the main operating macroprocesses and the macroprocesses that support group companies, for an ongoing, meticulous assessment of internal controls to mitigate risks.

The checks showed that FS Italiane group companies' internal control system (ICS) is substantially adequate in supporting the respective governance lines.

Given the size and complexity of the group companies, the assessment of the ICS must also consider a broader framework that goes beyond the elements arising in the scope of audit checks and extends to risk assessment activities and all types of control activities.

The main levers of the ICS include management's deep-rooted organisational culture, training and developing human resources, safety and environmental awareness, the widespread use of IT systems to support management processes and communications.

In particular, in this scope, the group's risk management project was carried forward. It is an effective tool for the group companies and related process owners to pursue their business targets.

Specifically, in a structured way, each process owner is enabled to:

- identify their processes and the objectives of each process;
- identify the risks of each process by describing the ways in which they could arise (undesired events) and potential opportunities;
- evaluate process risks in terms of the undesired events' probability of occurrence and the related impact;
- identify and evaluate the existing control system in place to minimise risks (rules, guidelines, procedures, proxies, IT systems, etc.).

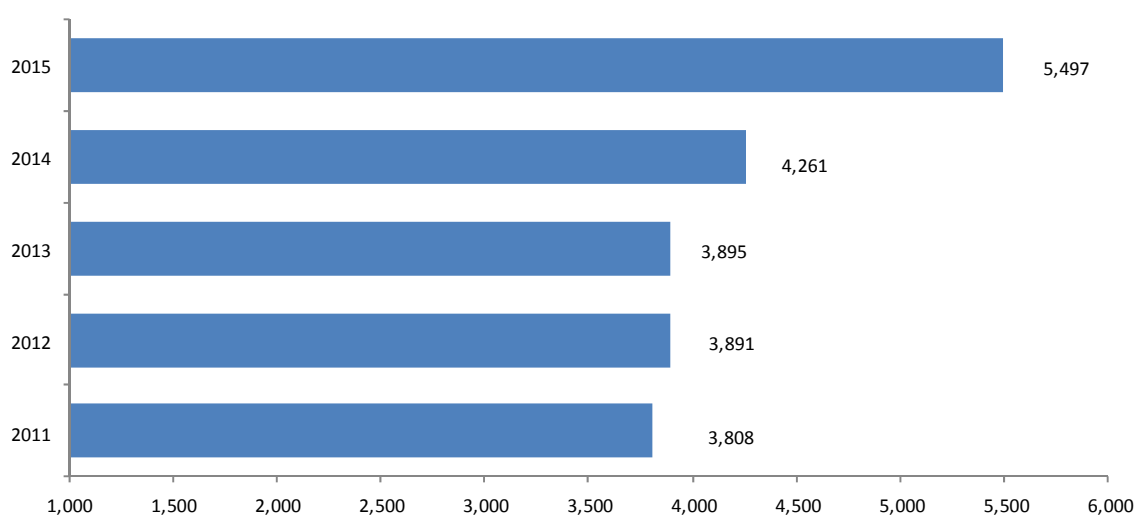
The results obtained are gathered together in a specific IT application that has been specifically customised to generate adequate reports, enabling process owners to identify and continuously monitor the areas and business processes most at risk.



# Investments

FS Italiane group has managed to continuously implement its investment plan and has maintained, since 2012, an average investment/depreciation ratio of above 1. Furthermore, it has shown, again in 2015, an upwards trend in investment expenditure, confirming its position as a major transport and logistics developer.

FS Italiane group's total spending for investments in 2015 came to €5,497 million (€2,453 million of which self-financed and €3,044 million through government grants) and continues its targeted trend of the past few years, showing significant growth (+29.0%) on the previous year.



This being said, FS Italiane group's technical investments totalled €5,236 million in 2015, up considerably (+32%) on 2014 due to new projects involving the infrastructural network and the purchase/renewal of road and rail transport vehicles.

Approximately 69% of investments targeted the infrastructure segment, with projects carried out by RFI S.p.A. totalling €3,553 million, distributed as follows: €3,408 million for the traditional network and €145 million for the HS/HC network between Turin, Milan and Naples. About 29% of investments went to the transport segment for projects devoted to the transport of passengers by road and rail, both in Italy and abroad, and to the transport of cargo. In particular, Trenitalia S.p.A. invested €1,432 million, Netinera Deutschland roughly €44 million and the Busitalia group companies, which operate in road transport in Italy, €38 million. The real estate segment received around 2% of the group's investments, which mainly related to Grandi Stazioni S.p.A. and Centostazioni S.p.A. to relaunch and redevelop the main railway stations, in their new design concept as major service hubs for the cities.

**RFI S.p.A.**, in line with the strategies agreed at EU level, carries out short- and medium-term projects that meet the requirements of transport demand and - following cost/benefit analyses - that are most capable of stimulating the productivity and competitiveness of railway transport.

Not only has the company invested considerably in maintaining the efficiency of the railway network, but it has also introduced innovative technologies to improve railway operating safety and management (TSCS, CCS, ERTMS, GSMR,

etc.), achieving excellent results in terms of safety, quality and operating efficiency. Along with technological developments, it pursues a strategy of boosting and reshaping the capacity of the railway system offer by developing new lines and by modernising and reinforcing major routes and hubs.

Investments in the traditional network total €3,408 million and consisted of the following:

- maintaining the efficiency of infrastructure and technologies, accounting for 58%;
- construction of works for large infrastructural development projects, making up 42% and including the strengthening of corridors, metropolitan areas and regional basins.

Approximately 9% of all investments in the traditional network went to cutting-edge technologies.

Investments in the HS/HC Turin-Milan-Naples network totalled €145 million, and the total percentage of project completion at roughly 94% at the end of 2015.

In 2015, the following projects were carried out:

#### Definitive projects

- Erzelli/Airport and Cornigliano Est stops and the new general land use plan for Sestri Ponente;
- technological upgrade of the Bologna-Polesella section;
- central computerised multi-station device for the Florence hub including the computerised central device at the Florence S. Maria Novella station;
- extension of the command and control system (CCS) for the Milan-Bologna-Florence HS line on the Florence-Rome section;
- technological upgrade to the Cesano-Montemario and Ostiense-Rome Tiburtina sections;
- Spoleto electric substation;
- laying of double tracks on the Ripalta-Lesina section;
- laying of double tracks on the Bicocca-Catenanuova and Catenanuova-Raddusa sections as part of the new Palermo-Catania connection;
- upgrading of the mobile switching centre (MSC) of the Global System for Mobile Communications – Railways (GSM-R).

The following table shows 2015 activation volumes, broken down by type and comparative data for the previous two years.

		2015	2014	2013
<b>HS/HC NETWORK</b>				
<b>New lines</b>	<b>km</b>	-	-	<b>3</b>
<b>TRADITIONAL NETWORK</b>				
<b>New infrastructure</b>	<b>km</b>	<b>11</b>	<b>20</b>	<b>17</b>
New lines	km	11	20	17
Double tracks	km	-	-	-
Variations	km	-	-	-
<b>Updating lines</b>		<b>78</b>	<b>103</b>	<b>70</b>
Electrification	km	-	-	28
Blocks	km	78	103	42
<b>Safety technology</b>	<b>km</b>	<b>426</b>	<b>552</b>	<b>343</b>
TSCS	km	23	35	42
SSC	km	-	-	-
CCS/CTC	km	403	322	45
ERTMS	km	-	-	3
GSM-R	km	-	195	253
<b>Station devices</b>	<b>no.</b>	<b>13</b>	<b>15</b>	<b>19</b>
ARIS	no.	10	11	7
Computer-based interlocking system	no.	3	4	12
<b>Train crossing elimination</b>	<b>no.</b>	<b>56</b>	<b>52</b>	<b>20</b>
<b>Train crossing automation</b>	<b>no.</b>	<b>-</b>	<b>-</b>	<b>3</b>

RFI S.p.A. also carries out the strengthening, redevelopment and restructuring of the real estate property it owns at about 2,300 stations. The commercial areas of some of these properties have been entrusted to various operators (Grandi Stazioni S.p.A. and Centostazioni S.p.A.) for use, which are also responsible for their maintenance within certain limits.

RFI S.p.A. has an investment plan for extraordinary maintenance (excluding commercial areas) and maintenance in accordance with legal obligations on the stations managed by Grandi Stazioni S.p.A., up to the expenditure limits provided for by the contract signed in 2000. The cumulative percentage of completion of investment spending up to 2015 for this maintenance was approximately 93% of RFI S.p.A.'s total amount.

On the other hand, the current percentage of completion of investment spending on Centostazioni S.p.A.'s network was roughly 77% of RFI S.p.A.'s total amount.

The other stations managed exclusively by RFI S.p.A. saw investments of around €62 million in 2015 for maintenance and safety, to improve public information and to upgrade areas most used by passengers to meet legal requirements (halls, walkways, platforms, tunnels, stairs and ramps) and interchange and access areas leading to passenger buildings.

In view of the development of the local public transport and in line with the objectives of the business plan, three projects to improve customer services were identified, totalling €132 million. In particular, the following projects were approved:

- raising walkways (to the 55 cm standard height);

- implementing an information system with computerised messages for the public;
- improving station accessibility (lighting, lifts, ramps, tactile walkways and maps, fixed signs, overhangs, etc.).

The traveller service has been rolled out at the following new HS stations: Turin Porta Susa, Reggio Emilia, Bologna Centrale and Rome Tiburtina. Below is the progress of related work (e.g., modal interchange car parks and access roads):

- Turin Porta Susa: this station opened to the public in 2013. Work is slated for completion by 2016.
- Reggio Emilia: the HS/HC station and the Mancasale stop, which will connect by rail to the new station and the city of Reggio Emilia, were opened in 2013. An agreement was signed with the Reggio Emilia municipal authorities to define the executive plans for the construction of the car park and access roads to/from the station (a portion of this work has already been completed);
- Bologna Centrale: work on the HS station is substantially complete. From February 2015, the kiss & ride level was opened to vehicle traffic (taxi, rental cars with drivers and private vehicles), which allow access to the station from via Fioravanti. The underground parking at the two ends of the underground station remains to be completed;
- Rome Tiburtina: the new HS station was opened on 28 November 2011. In 2015, all the local road work and urban finishing projects were delivered.

The new HS stations being designed and/or under construction are: Florence Belfiore, Naples Afragola and Vesuvio Est. The progress of work is as follows:

- Florence Belfiore: as part of the contract with the general contractor ("GC"), the railway bypass between Florence Castello and Florence Rifredi (Lot 1) was built and opened in 2011. On the other hand, the site to build the HS line is suspended pending the opinion of the Ministry of the Environment and Protection of the Land and Sea definitively classifying the excavation material produced in the construction of the bypass (dirt or waste). Another critical issue is the lack of landscape authorisation for the bypass (south section), which RFI S.p.A. applied for from the relevant bodies in December 2013 and asked for again in late 2015, but which it has not yet received;
- Naples Afragola: in 2014, the work to complete the station (construction contract only) was definitively awarded to the Astaldi-NBI joint venture. On 20 March 2015, the work was delivered. It is slated for completion in December 2016 and the station should open to HS commercial services in March 2017. The area of the station serving regional traffic will be made available when the "Naples-Cancello variation" section is rolled out, scheduled for 2021;
- Passenger building at the Vesuvio Est station: the schedule provides for definitive planning to commence in July 2019 with the structure opening to the public in the first quarter of 2024.

#### The "500 stations" project

As FS Italiane group's strategies have been given a central role in the local public transport sector, RFI S.p.A. has planned and already partly completed a series of projects that will involve over 500 stations in urban areas where passengers access local services every day.

The goal is to improve - in accordance with consistent, standardised criteria that are graduated on the basis of traffic flows and development potential - their accessibility, comfort, safety, passenger information and other services.

Resources have already been committed for projects on 37 stations to raise walkways to the standard height of 55 cm, for lighting and public information and standard extraordinary maintenance.

Furthermore, the following projects were kicked off:

- commercial development to enhance the stations involved in the projects and their association with businesses, including innovative businesses;
- improvement in comfort with the renewal of furniture (interior and exterior benches, waste bins, ashtrays, etc.) currently affecting 130 stations;

- raising the level of cleanliness and tidiness of stations with the introduction of a minimum work plan (medium-high level) beginning with the next cleaning contracts set to expire in the second half of 2016;
- facilitating modal exchanges (car parks): the stations involved in the project already have 23 operating car parks under management by Metropark S.p.A. and another eight car parks have been included in the same company's development plans. A joint round table has been set up (for technical and commercial issues) to discuss the feasibility and potential returns on another 25 new car parks.

In 2015, **Trenitalia S.p.A.** invested €1,432 million, 85% of which to purchase rolling stock, 6% to recondition material that was already operating and the remaining 9% to technologically update vehicles and IT systems and to maintain and develop maintenance plants.

The €738 million increase in the amounts recognised on 2014 (+106%) is concentrated in the purchase of rolling stock, due to the large projects in progress in the Long Haul Passenger Transport and Regional Transport Divisions.

The main investment projects are described below, broken down by business segment:

- Long Haul Passenger Transport: beginning in June 2015, the first 18 HS "Frecciarossa 1000" trains were gradually rolled out (€623 million). Two projects were substantially completed in the year: the reconditioning of the bistrot carriages for the Frecciarossa ETR 500 trains (approximately €5 million), with the delivery of another 11 carriages for roll-out, and the project to improve ETR 485 trains to increase their reliability while operating (€3 million), with the delivery of another 14 trains. The fleet was expanded with the roll-out of new "Frecciarossa 1000" trains starting in 2015, necessitating measures to reorganise and strengthen maintenance systems for integrated maintenance hubs to maintain and recondition the fleet used for "Frecce" journeys. In particular, work continues on the systems in Naples (roughly €2 million), Milan Martesana (€1.5 million) and Rome San Lorenzo (approximately €1 million). Work has begun on the construction of the new Turin shunting maintenance system, where maintenance work for the Long Haul and Regional Passenger Transport divisions will be based (approximately €3 million);
- Universal passenger transport service: work mainly consisted of reconditioning *Intercity* carriages (roughly €6 million) and the revamping of E402A locomotives (approximately €3 million). The maintenance sites are being improved and rationalised (around €4 million);
- Regional passenger transport: 41 new electric *Jazz* trains (roughly €250 million) and 144 Vivalto double decker carriages (some €205 million) were delivered. 29 electric E464 locomotives were purchased (approximately €55 million) and the contract for new diesel *Swing* trains began with 21 trains (around €65 million). The contract for 7 new electric *Flirt* trains for the autonomous province of Bolzano was awarded (approximately €15 million).

Revamping projects underway include the face-lift of medium haul carriages to improve comfort and updates to safety standards (roughly €47 million), along with changes to the door system on medium haul carriages, the low floor carriages and ALN 668/663 vehicles (about €10 million).

Finally, work was carried out to update and streamline the division's systems (approximately €12 million) and the on-board technological system was implemented on 68 semi-pilot carriages (roughly €6 million);

- Cargo transport: work was carried out to renew equipment and update/maintain certain plants, including those at Marcanise, Livorno and Milan (approximately €2 million).

In the IT field, activities were carried out on the integrated platform supporting the division's supply cycle and traffic (approximately €1 million) and the Railway Vehicle Management System project (around €2 million), which is part of one of the areas of the Network and Mobility National Operating Programme projects.

- in the scope of IT investments, activities are underway to implement the integrated commercial platform by integrating various sales channels and the Infomobility development (around €3 million). The production platform is being created and should ensure the integration of the following activities: change and update of the train schedule,

scheduling of personnel, planning of maintenance at the current maintenance plants and management of railway traffic from control rooms (some €7 million). Finally, investments were allocated to the Dynamic Maintenance Management System project to improve the efficiency of the maintenance process (approximately €2 million).

The table below shows deliveries of the main materials purchased and the roll-out of renovated rolling stock.

NEW MATERIAL	no. of vehicles	RECONDITIONED MATERIAL	no. of vehicles
<b>Locomotives</b>	<b>27</b>	<b>Locomotives</b>	<b>78</b>
Long Haul Passenger Transport	-	Long Haul Passenger Transport	-
Regional	27	Regional	78
<b>Carriages</b>	<b>144</b>	<b>Carriages</b>	<b>565</b>
Long Haul Passenger Transport	-	Long Haul Passenger Transport	-
Regional: double decker	144	ES <i>City</i>	-
		<i>InterCity</i> (Universal service)	20
		Frecciarossa Bistrò carriage	11
		Regional	
		Double decker	241
		Medium haul	281
		UIC-X semi-automated	1
		Cargo: Carriages	11
<b>Trains</b>	<b>80</b>		
Long Haul Passenger Transport			
Frecciarossa	18		
Regional			
Jazz	41		
Swing	21		

## Investment funding

### Government Programme Contracts to manage maintenance (GPC-S) and infrastructural investments (GPC-I)

In accordance with that established by the Interministerial economic planning committee ("CIPE") in resolution no. 4 of 2012, the railway infrastructure operator and the Ministry of Infrastructure and Transport signed two separate contracts, detailed as follows:

- Government Programme Contract – Services (GPC-S) to regulate all funding of ordinary and extraordinary maintenance of the network, to improve railway safety, security and train operation;
- Government Programme Contract – Investments (GPC-I) to regulate the planning of investments to develop infrastructure and investments relating to safety, legal obligations and technologies, in keeping with national and EU strategic guidelines for financial planning.

### **Government Programme Contract – Services (GPC-S)**

Pursuant to article 7 of Law decree no. 210 of 30 December 2015, containing the "Extension of terms provided for by legislative provisions", the current GPC-S for 2012-2014 was extended under the same terms and conditions, until the new Government Programme Contract is signed and, in any case, up to 31 December 2016.

Technical work groups are currently working with the relevant offices of the Ministry of Infrastructure and Transport to reach an agreement for the signing of the new contract and to conclude the authorisation process by the end of 2016.

### **The Government Programme Contract – Investments (GPC-I)**

The GPC-I for 2012-2016, signed on 8 August 2014, completed the approval process provided for by article 1.10 of Law decree no. 133/2014 (the "Sblocca Italia" decree), converted into Law no. 164 of 11 November 2014 and received the approval of the 9th Permanent Commission (Transport, Post and Telecommunications) of the Chamber of Deputies and the 8th Permanent Commission (Public Works and Communications) of the Senate on 25 February and 18 March 2015, respectively.

On 18 May 2015, the Interministerial decree of the Ministry of Infrastructure and Transport and the Ministry of the Economy and Finance ("MIT" and "MEF") approved the GPC-I for 2012-2016.

This Interministerial decree was registered with the Court of Auditors on 16 June 2015.

While examining the GPC-I for 2012-2016, the 9th Permanent Commission of the Chamber of Deputies expressed its approval provided that: *"(...) RFI and MIT proceed quickly and, in any case, by 30 June 2015, with the signing of the updated contract in order to implement the changes to the funds that occurred after the 2012-2016 Government Programme Contract - Investments was signed (...)".*

Accordingly, once this decree was registered with the Court of Auditors, the 2015 update to the contract was drawn up in accordance with article 3.1 of the GPC-I for 2012-2016, including the observations and instructions that the Permanent Commissions provided in their opinions. The instructions mainly refer to the priority of investments with respect to safety, work on the railway network in Sardinia, Calabria and the southern regions in general and investments in the Rome hub, as well as interconnections between the HS network and the regional and local networks.

RFI S.p.A. sent the contractual framework for the 2015 update to Ferrovie dello Stato Italiane S.p.A. and MIT on 23 and 24 June 2015, respectively. In order to implement a few of the Regions' investment requirements, another version of the update framework had to be prepared (which RFI S.p.A. sent with note no. 2766 dated 15 October 2015).

During its meeting on 23 December 2015, the CIPE passed resolution no. 112, approving the 2015 update to the GPC-I, which provides for the contractual agreement of additional funds of €9,976 million and the implementation of definancing of roughly €1,005 million.

This update also entailed the elimination of the "New Turin-Lyon line" project from RFI S.p.A.'s GPC, as the new Public Sponsor, Tunnel Euralpin Lyon Turin Sas (TELT) was created and will be responsible for the construction and management of the future infrastructure. The new shareholders Ferrovie dello Stato Italiane S.p.A. and the French government hold 50% stakes each.

Law no. 208 "2016 Legge di Stabilità" and the related Law no. 209 "Government budget for the 2016 fiscal year and three-year budget for 2016-2018" were issued on 28 December 2015, changing the financial framework for the 2016 update of the 2012-2016 GPC-I.

In particular, Table E showed additional financing of €8,600 million in the "refinancing" caption relating to amounts that had already been earmarked under current legislation. On the other hand, Table E included the "definancing" of resources previously earmarked under current legislation in chapter 7122, totalling €400 million, in the "reduction" caption.

### **The Institutional Development Contract (IDC)**

The Institutional Development Contract (IDC), established by article 6 of Legislative decree no. 88/2011 governs the additional funds and special projects to eliminate socio-economic disparity and is aimed at speeding up the completion of projects on the major lines in Southern Italy under the Government Programme Contract – Investments.

In 2012, IDCs were signed for the construction of the Naples-Bari-Lecce-Taranto railway line (including the Potenza-Foggia line) and for the completion of the Salerno-Reggio Calabria railway line.

On 28 February 2013, the third IDC was signed for the construction of the Messina-Catania-Palermo railway line.

In 2015, the specific “Project Management system” (PMS) monitoring scheme was updated.

The Implementation and Oversight Committee held meetings in February and July 2015 regarding the three IDCs, over the course of which the committee discussed the progress made in implementing the projects included in the contracts. In particular, during the July meeting, the committee examined and discussed the annual report on the implementation of the IDCs, which the single contract manager had prepared in accordance with the contract.

### **The “Objective” Law**

The main events in 2015 within the scope of the strategic infrastructures provided for by the “Objective” Law (Law no. 443/2001) were as follows:

- CIPE resolution no. 2/2015 was published in Official Journal no. 152 of 3 July 2015, whereby the CIPE approved (technical part only) the preliminary project for the “Pescara-Bari line works: laying of double tracks on the Termoli-Lesina section”; for lot 2 “Termoli-Campomarino” and lot 3 “Campomarino-Ripalta”;
- CIPE resolution no. 44/2015 was published in Official Journal no. 175 of 30 July 2015, whereby the CIPE authorised the building of construction lot 3 for the Brenner base tunnel, with a cost of €920 million to be borne by Italy, and also re-distributed the work into six lots;
- During its meeting on 6 August 2015, the CIPE:
  - authorised the construction of construction lot 3 for the Third Giovi pass, amounting to €607 million, and allocated resources to RFI S.p.A. to completely fund the same lot, re-distributing the construction lots for the railway works;
  - newly approved the definitive project for the new Arcisate-Stabio railway connection and authorised the new spending limit of €261 million for the project;
  - allocated €36 million to RFI S.p.A. for the Genoa and Trieste ports to compete the coverage of financial requirements of the definitive projects for the “Genoa Campasso railway system” (€14 million) and the “Railway projects for the development of the Trieste port and the improvement of the Campo Marzio station” (€22 million);
- CIPE resolution no. 1/2015 was published in Official Journal no. 184 on 10 August 2015, whereby the CIPE approved the definitive project for the Bari hub works: Bari Sud, variation of the Bari Centrale-Bari Torre a Mare section.

Furthermore, article 1 of Decree law no. 133/2014 (known as the “Sblocca Italia” decree), converted as amended into Law no. 144/2014, appointed the CEO of Ferrovie dello Stato Italiane S.p.A. as Commissioner for the construction of works on the Naples – Bari and Palermo-Catania-Messina railways for a two-year term, in order to rapidly establish the necessary conditions for the effective realisation of the works. Subsequently, the changes approved in the conversion of Law decree no. 210/2015, which was published in the Official Journal of 26 February 2016, included, in particular, replacing the Commissioner with such duties assigned to RFI S.p.A.’s CEO until 30 September 2017.

Accordingly, with ordinances no. 3 of 13 February 2015 and no. 5 of 11 March 2015, the Commissioner respectively defined the scope of the projects in his jurisdiction and approved the general plan for activities to be carried out for each project.



The Commissioner then approved the preliminary projects for the following works:

- “Naples - Bari route: section between Cancelli and Frasso Telesino and change to the historical Rome - Naples line via Cassino in the municipality of Maddaloni” with ordinance no. 7 of 31 March 2015;
- “New Palermo-Catania connection: laying of double tracks between Bicocca and Catenanuova” with ordinance no. 9 of 14 April 2015;
- “New Palermo-Catania connection: laying of double tracks between Catenanuova and Raddusa” with ordinance no. 13 of 5 August 2015.

#### GROUP PROJECTS/TRANSFERS OF PUBLIC FUNDS RELATING TO 2015

millions of Euros

	RFI	Trenitalia	Grandi Stazioni	FS Logistica	Cemat	Busitalia Ataf	Total
<b>Operations</b>							
Government Programme Contract	975.6						975.6
Other government grants		4.6		0.3	0.1		5.0
EU grants		0.2					0.2
From local public bodies						15.9	15.9
<b>Investments</b>							
Governments grants	2,371.2		14.0				2,385.2
From local public bodies		35.8				3.9	39.7
From the EU	(26.2)**	0.1					(26.1)
<b>Total</b>	<b>3,320.6</b>	<b>40.7</b>	<b>14.0</b>	<b>0.3</b>	<b>0.1</b>	<b>19.8</b>	<b>3,395.5</b>

\*\* This decrease mainly relates to the repayment of pre-financing previously collected in connection with discontinued financial decisions.

## Research and development

The group's investments in research and development totalled €64.4 million in 2015, almost entirely attributable to RFI S.p.A..

2015 spending was allocated to the main investment areas, with roughly 70% going to technologies for train operation safety, 1% to innovative diagnostics and the remaining 29% for studies and tests on new parts and systems.

Below is a summary of the main activities carried out in 2015 in connection with projects that began in both the year and previous years:

- in collaboration with Università di Napoli Federico II in Naples, an analysis was completed of the lateral stability of the reinforced track built with pre-compressed reinforced concrete sleepers and equipped with underlying sleeper pads to improve geometric track quality;
- monitoring systems: works were assigned for the integrated monitoring system (MISTRAL) which will provide objective support for the analysis of irregularities in the off-board and on-board ERTMS/ETCS systems;
- tunnels: the mechanised detection system for the condition of tunnel coverings was selected and preliminary work began to create a prototype of a system that will detect defects in the coverings of over 490 tunnels (for a total of roughly 420 km);
- Computer-based interlocking systems: fine-tuning activities continued on the Alstom SML 400 computer-based interlocking system, with the reconfiguration of this system in Bari Parco Nord and the design of another such system in Livorno;
- Visual Man-Machine Interface (VMMI): the analysis of requirements for the new VMMI for vital applications continued. This relates to the operator's work station for traffic safety devices, replacing the light board for the central electrical route device used by routing managers;
- safety systems: the preliminary design was completed for the new rapid landslide alarm systems (large objects falling, cave-ins, rapid landslides and sink holes) based on innovative "smart camera" technology;
- railroad crossing safety systems: prototype qualification for six types of railroad crossing PAILs, after which work began to install the new systems at 300 crossings; laboratory trials were concluded on the plastic aprons to stop pedestrians from going around barriers; and finally, the prototype for a high-tech "opening on demand" system was certified to be used at private railroad crossings that cannot be closed;
- transversal load measurement systems: in collaboration with the Università degli Studi di Roma La Sapienza the group completed the analysis for these measurement systems to be integrated in vertical load measurement systems;
- contact line conductors: as part of the development of techniques to prevent ice from forming on electrical traction line conductors and to monitor the applications implemented on HS lines, testing was completed on the simple track line;
- electrical laboratory: activities began to implement the electrical laboratory at the new Florence Osmannoro labs, with the primary goal of testing a tension regulator prototype for the rectifier units installed at the 3 kV electrical substations; the lab rooms at Rome Portonaccio were updated to new technologies in order to hold the work tables for the safety testing and measurement of new signalling systems to be built/implemented on RFI S.p.A.'s lines. This will enable the lab to test all the features of the new or already implemented ERTMS systems in both normal and deteriorated conditions without having to operate on the line, which will clearly save time and money on construction and roll-out;
- noise dampening systems: specific activities were planned and carried out to reduce the noise emitted by trains, particularly in terms of testing the rolling stock noise dampener known as "*Transrail*" at the Francavilla al Mare and the noise studies on the Adriatic line between Bologna and Lecce, to test the impact of increases in speed and to revise the noise recovery plan in accordance with the Ministerial decree of 29 November 2000.

Finally, in collaboration with the Politecnico University of Milan, testing continued on the light diagnostic system to check the quality of train/track quality, which connects with a central command station to dispatch in real time and alarms when certain thresholds are exceeded, which can lead to problems on or off board the train (infrastructure or contact lines).

# Main events of the year

## Legislation

### Fourth railway package

During the year, legislative activities continued with respect to the fourth railway package adopted by the European Commission on 30 January 2013.

The package consists of six legislative proposals aimed at: (i) amending Directive 2012/34/EU (Recast) which was passed in late 2012, to open domestic passenger railway transport to competition and introduce a series of measures to further break up integrated groups; (ii) amend Regulation no. 1370/2007 on the public service obligations, prioritising the awarding of service contracts through competitive procedures; (iii) updating the Safety and Interoperability Directives and the Regulation establishing the European Railway Agency ("ERA").

In the first half of 2015, the Board confirmed the agreement reached with the European Parliament on the technical part, in particular, on the fastest and least burdensome procedures for the authorisation of vehicles and the certification of safety for European railways, as well as to strengthen the ERA's role.

With respect to the political part, which encompasses sensitive issues such as the separation of network ownership from management, the Ministers voted on the European Council's common stance on 8 October 2015.

Parliament, Council and Commission began holding talks to reach a shared text in late October 2015.

### Recast of the first railway package

Legislative decree no. 112 of 15 July 2015, "Implementation of Directive 2012/34/EU, established single European railway space (remerger)". This decree implements Directive 2012/34/EU and fully replaces Legislative decree no. 188 of 2003, implementing the "first railway package". This did not change the previously applicable general principles whereby the railway companies remain autonomous and independent in their management, administration and accounting and the infrastructure operator remains independent with respect to its essential functions in determining and collecting fees and assigning infrastructure capacity, while free access to the railway transport market is ensured at fair, non-discriminatory and transparent conditions. However, the decree provided for, inter alia, the following:

- following consultation with the concerned parties, the Ministry of Infrastructure and Transport will adopt a railway infrastructure development strategy aimed at defining, for at least five years, future mobility needs in terms of infrastructure maintenance, updating and development on the basis of sustainable railway system funding. As part of the general governance policy and considering the aforementioned strategy and government financing, the railway infrastructure operator shall prepare and update a business plan, including the funding and investment plans;
- without any changes to the Ministry's general power of issuing guidance or the infrastructure operator's independence and considering the need to ensure the latter's financial balance, the decree defined the criteria by which the infrastructure operator calculates the fee for the use of the railway infrastructure and the service considerations. Based on ART's criteria, the infrastructure operator determines the fee;
- in order for the infrastructure operator to fully recover the costs connected with accessing and using the railway infrastructure and the connection with the service plants, the Ministry of Infrastructure and Transport, in collaboration with the Ministry of the Economy and Finance, can issue a decree providing for mark-up rates for the fees to use the railway infrastructure;
- the role of service plan operator was created and a distinction was made between the right to access service plant and the services provided in this scope. The plant operator must segregate the accounting for service plant, and this

should include grouping the plant that it manages in separate categories, with separate indication in the income statement and statement of financial position;

- the infrastructure operator (within one year of when the decree takes effect) prepares and annually updates a register of its assets and the assets that it is responsible for managing;
- ART may conduct audits at the premises of infrastructure operators, service plant operators and railway companies to verify compliance with the provisions of accounting segregation.

The measures implementing the recasting of the first package taken in 2015 are described below:

- The text of implementation regulation for the framework agreements provided for by article 42(8) of "Recast" directive no. 34/2012 was formerly adopted on 4 February 2015, governing the ways in which applicants can sign the framework agreement with infrastructure operators to ensure they receive the necessary capacity. The regulation also defines the procedures and criteria to coordinate the various requests for capacity.
- On 13 March 2015, the regulation implementing article 31.5 of "Recast" directive 2012/34 was published in the EU's Official Journal. It contains the methods for the charging of fees to cover the cost of the noise impact created by cargo trains.
- On 12 June 2015, in its "Implementing regulation (EU) 2015/909 on the calculation methods for costs directly attributable to the provision of railway services", the European Commission established how costs directly attributable to the provision of railway services would be calculated, in order to set the fees for the minimum package for access to the service plant connection infrastructure.
- With resolution no. 96 of 13 November 2015, ART adopted the regulation measures for the criteria to determine railway infrastructure access and use fees. In particular, it defined the new rates for railway infrastructure access, abandoning the distinction between traditional and HS infrastructure that arose due to the specific characteristics of the two lines in favour of a classification system based on the service level offered. In addition, it established the principles and criteria for the remuneration of railway plant and services and the related obligations of parties identified as "plant operators".

#### **Implementing regulation (EU) no. 10/2015 on criteria for applicants for rail infrastructure capacity, repealing implementing regulation (EU) no. 870/2014**

On 6 January 2015, in its "Implementing regulation (EU) no. 2015/10 on criteria for applicants for rail infrastructure capacity and repealing implementing regulation (EU) no. 870/2014", the European Commission set the requirements for the financial guarantees that infrastructure operators are entitled to ask the applicants to protect their legitimate expectations about future cash inflows and the use of the infrastructure.

#### **The regulation establishing the European fund for strategic investments**

A proposal for the regulation to establish the European Fund for Strategic Investments ("EFSI") was published in the EU's Official Journal on 1 July 2015. The fund is a new financial tool managed by the European Investment Bank and the European Commission to implement the "Juncker programme". It has already commenced operations and aims to generate up to €315 billion in new investments throughout the EU, including for transport, over three years.

#### **EU regulation no. 2015/171 of 4 February 2015 containing the "Implementing regulation on certain aspects of the procedure for licensing railway undertakings"**

In its "Implementing regulation 2015/171 of 4 February 2015 on certain aspects of the procedure of licensing railway undertakings", the European Commission set a common template for licences and certain aspects of the procedure for granting a licence.

**Law no. 11 of 27 February 2015 “Conversion of Law decree no. 192 of 31 December 2014 into law, with amendments, extending the terms under legislative provisions”**

The measure converting the Law decree provides for, inter alia, the introduction of article 20.7-ter for the pursuit of the efficiency and financial objectives established in Law decree no. 66 of 24 April 2014, converted, as amended, by Law no. 89 of 23 June 2014, which requires Ferrovie dello Stato Italiane S.p.A.’s subsidiaries compete for €40 million for 2014 and €60 million for 2015, to be paid when the government budget takes effect, respectively by 10 January 2015 and 30 September 2015.

**ART resolution no. 49 of 17 June 2015**

With resolution no. 49 of 17 June 2015, downstream from the consultation that began in March 2015 (resolution no. 26 of 12 March 2015), ART adopted a regulation containing the measures for the preparation of tenders and conventions for competitive procedures to exclusively award local public passenger transport services and define the criteria for appointing the judging panels. Furthermore, resolution no. 49/2015 also began a new procedure to define the method for identifying the public service scopes and the most efficient ways to finance them.

**Law no. 125 of 6 August 2015, “Conversion of Law decree no. 78 of 19 June 2015 into law, as amended, containing emergency measures for local bodies”**

Law no. 125 of 6 August 2015, converting Law decree no. 78 of 19 June 2015, contains provisions to ensure the continuity of land safety and control devices, rationalise national health service costs and regulate waste and industrial emissions.

This law provides for, inter alia, the following:

- Article 8-bis (provisions concerning the Valle d’Aosta region). Under this article, the Valle d’Aosta region took over relationships in connection with Trenitalia S.p.A.’s provision of the regional railway transport service, establishing that it would assume all charges as from 1 January 2011. In this respect, the law provided for the transfer of another €120 million for 2015;
- Article 13-quater (extension of the term in which sites may be set up). This article extended to 31 October 2015 the term for sites to be set up, such as the site for works on the Verona-Padua HS/HC line, that to upgrade the safety of the Cuneo-Ventimiglia railway line, the Third Giovi pass, the Naples metro line 1, work on the Brennero tunnel, the laying of quadruple tracks on the Lucca-Pistoia line (included in letters b) and c) of article 3 of Law decree no. 133/14, “Sblocca Italia”).

**Transfer of 40% of Ferrovie dello Stato shares. Prime Minister’s press release no. 94 of 23 November 2015**

On 23 November 2015, the Prime Minister’s office approved, after a preliminary examination, the Prime Minister’s decree prepared by the Ministry of the Economy and Finance in collaboration with the Ministry of Economic Development to transfer a maximum of 40% of shares in Ferrovie dello Stato Italiane S.p.A. pursuant to the privatisation legislation (Law 474/1994 e Law 481/1995). The decree will be sent to the relevant Parliamentary Commissions for the required opinions. The Prime Minister’s decree regulates the sale of a portion of no more than 40% of the company and requires that the transfer – which may be carried out in several instalments – occur through a public tender to the public of Italian investors, including employees of Ferrovie dello Stato group, and Italian and international institutional investors, and listed on the stock market. Furthermore, to encourage potential investor participation, the decree provides for incentives for Ferrovie dello Stato group employees, in line with market practice and previous privatisation transactions, with respect to the tranches of shares reserved for them (a tranche of the offer reserved with minimum guaranteed quantities), the

price (e.g., as in previous privatisation transactions, more bonus shares will be offered to shareholders meeting special requirements than those available to the general public) and financing.

#### **Law no. 208 of 28 December 2015 (the “2016 Legge di Stabilità”)**

Law no. 208 of 28 December 2015 (the “2016 Legge di Stabilità”) provided for, inter alia, the following:

- authorisation of total spending to cover the charges in connection with the operation of the Alpine railway motorway through the Fréjus tunnel of €29,026,383 from 1 January 2013 to 30 June 2018. The Ministry of Infrastructure and Transport will sign the programme agreement with Trenitalia S.p.A., beneficiary of the grant for the Alpine railway motorway, and amend the agreement signed with Cassa Depositi e Prestiti S.p.A. to release, at more advantageous conditions, the latter’s financing to the railway company Trenitalia S.p.A., as indicated by such Ministry in a specific addendum to the previously agreed agreement. Another grant of €10 million was authorised in each of the years from 2018 to 2022, to fully or partially offset the charges arising from the provision of railway services in the Alpine railway motorway, provided over the pass between Italy and France and in particular, through the Fréjus tunnel. These grants are disbursed to the companies that win the contracts for the Alpine railway motorway services in the public tender;
- authorisation of the Ministry of Infrastructure and Transport, for the development of the intermodal transport system, to disburse grants for intermodal railway transport services arriving at and departing from logistics and port hubs in Italy. To this end, it was authorised to grant €20 million per year in 2016, 2017 and 2018. A portion of the resources under article 1.150 of Law no. 190 of 23 December 2014 can be used for the same purposes (€250 million per year from 2015 for works in the road transport sector);
- authorisation of €45.4 million in expenditure for 2016, €44.1 million in 2017 and €48.9 million in 2018, for projects to improve the intermodal and roadway chain in connection with the creation of new sea services for combined cargo transport;
- privatisation of Ferrovie dello Stato Italiane: should the shares be sold by 2016, the Ministry of the Economy and Finance will be required to file a report to Parliament illustrating the impact on the economy, industry and employment;
- identification of the sponsor for the construction of the new Turin-Lyon railway line as TELT, a company owned by Ferrovie dello Stato Italiane S.p.A., and expected transfer of the related resources directly to Ferrovie dello Stato Italiane S.p.A., pending the signing of the Government Programme Contract with the Ministry of Infrastructure and Transport. This Government Programme Contract will need to regulate the allocation of funds, among other things.

#### **Other events**

##### **RFI - Swiss Federal Railway agreement**

On 12 February 2015, in Zurich, the CEO of RFI S.p.A. and Head of the Swiss Federal Railways’ Infrastructure Division signed a cooperation agreement involving RFI S.p.A. and the Swiss Federal Railways to ensure the full interoperability of the railway lines crossing the border between Italy and Switzerland with the use of the ERTMS/ETCS (European Rail Traffic Management System/European Train Control System), a last-generation technological system used to oversee and control safe distances between trains. The aim of this agreement is to roll out the ERTMS/ETCS on the Iselle - Domodossola and Ranzo-Sant’Abbondio (Switzerland) - Luino lines by the end of 2016. These railway lines are part of the European “Reno-Alpino” cargo corridor.

**Italferr S.p.A. is awarded coordination of the design, construction and testing of a metro line in Lima, Peru**  
In February 2015, the Metro Lima 2 consortium named Italferr S.p.A. the winner of the contract to coordinate the design, construction and testing of a metro line in the city of Lima, Peru. Following the awarding, on 1 April 2015, Italferr S.p.A. signed the contract with the customer.

#### **Trenitalia S.p.A. issues vouchers for 30 to 59 minutes delays**

Passengers will receive a voucher beginning on 1 March 2015 for delays of 30 to 59 minutes on Trenitalia S.p.A.'s Freccie trains. This voucher is part of the customer-centric activities and goes a step beyond the rights protected by current EU regulations, which require the payment of an indemnity in the event of delays exceeding 60 minutes. The voucher is for ticket holders only and can be used to purchase another journey within twelve months of the day when the delay occurred.

#### **Roll-out of new multi-function cards by CartaSi and Trenitalia S.p.A.**

In April, the new multi-function cards were issued. Created by CartaSi and Trenitalia S.p.A., they are the result of an agreement that aims to progressively arrive at a complete and interoperable digitalisation of payment options in the transport sector. This project integrates the payment functions that CartaSi manages for cartaFreccia, Trenitalia S.p.A. customer loyalty cards and the regional transport cards. In 2015, new cards will be issued to progressively replace those that were previously issued. As for local public transport, in the Piedmont region, customers will already be able to purchase passes and tickets issued by local public transport other than Trenitalia.

#### **Trenitalia S.p.A. signs a new agreement with travel agencies**

On 9 June 2015, Trenitalia S.p.A. signed a new agreement with travel agencies involving about 6,700 agencies and over 16 million customers. Negotiations with the trade associations, Astoi Confindustria Viaggi, Assoviaggi Confesercenti and Fiavet Confocommercio Imprese per l'Italia led to the renewal of the agreement, benefiting both the travel agencies and customers. The agencies may use streamlined procedures and fast-track activation, while customers will have a wider range of products and related services to choose from.

#### **Début of the "Frecciarossa 1000" train**

On 14 June 2015, the new HS "Frecciarossa 1000" train made its début. The six trains in Trenitalia S.p.A.'s new series of super trains run eight daily non-stop connections between Rome and Milan, seven of which begin or end in Turin and four of which in Naples.

#### **New Trenitalia app functions**

On 17 July 2015, the Prontotreno app, whose name was changed to Trenitalia app, became available for the iPhone and launched new features, created in part following customers' suggestions. The app is available in Italian and English.

#### **Trenitalia S.p.A. and Air France agreement for train + air travel packages**

On 24 July 2015, Trenitalia S.p.A. and Air France-KLM signed an agreement to offer discounts to travellers buying joint train+air travel packages. The agreement was effective up to 31 December 2015.



## **Demerger of Grandi Stazioni**

On 4 August 2015, the board of directors di Ferrovie dello Stato S.p.A. definitively approved the demerger of Grandi Stazioni S.p.A.. This transaction entails the division of the assets currently with Grandi Stazioni S.p.A. and the creation of two new companies, with a name change for Grandi Stazioni:

- Grandi Stazioni Retail, focused on typically commercial activities for the network stations - including the two stations in the Czech Republic - consisting, in particular, of commercial leases, media and advertising and passenger services, which is the company to be privatised;
- Grandi Stazioni Immobiliare, focused on developing the real estate currently owned by Grandi Stazioni S.p.A.;
- Grandi Stazioni Rail (presently named Grandi Stazioni S.p.A.), focused on infrastructural activities and completing the investment plan, in order to ensure coverage of the key station businesses for passengers and all those operating at stations: safety, cleaning and maintenance, railway operator ticketing, car park management, management leases and engineering activities.

During the meeting of 22 December 2015, the shareholder approved the demerger plan that the board of directors had prepared with the aim of increasing the efficiency and value of these activities by dividing them into genuine business units of the demerged company and assigning these units to the two new companies, whose equity, following the signing of the demerger agreement would be as follows (figures refer to the statement of financial position as at 31 December 2014):

- GS Retail: €73.3 million;
- GS Immobiliare: €30.8 million;
- GS Rail: €34.4 million.

Along the same lines, Grandi Stazioni S.p.A.'s shareholders began a competitive procedure to sell the entire investment in GS Retail, appointing Rothschild S.p.A. as financial advisor to provide the necessary assistance for setting up and managing the sale.

At the end of 2015, 17 joint ventures had expressed an interest in acquiring the investment. Furthermore, potential investors were sent invitations to submit non-binding bids.

## **Bilateral Italian-French meeting between Tunnel Euralpin Lyon Turin management and the French and Italian Ministries of Transport**

On 27 August 2015, the Chairman and General Manager of TELT (Tunnel Euralpin Lyon Turin Sas - the company responsible for carrying out the work and managing the future transborder infrastructure connecting Turin and Lyon by rail), welcomed the French and Italian government delegations at the company's Turin offices. At the end of the meeting, the Italian Minister of Infrastructure and Transport and the French Secretary of State Transport met with the personnel of the public sponsor appointed to build and manage the transborder section of the Turin-Lyon railway line.

## **Extension of the design for the Saudi Blue Land bridge, the railway line that runs from the Red Sea to the Arabian Sea**

In August, the Saudi Arabian Public Investment Fund (PIF) signed the amendment to the contract with Italferr S.p.A. to extend the preliminary and detailed design of the Saudi Blue Land bridge for the railway line stretching roughly 1,300 km from the Port of Jeddah on the Red Sea to Jubailsul on the Arabian Sea. The signed amendment nearly doubled the value of the original contract, which Italferr S.p.A. acquired in 2013, bringing it to €57 million.

### **Italferr S.p.A. will design the 1,000-km railway connecting the Ivory Coast to Mali**

On 15 October 2015, Italferr S.p.A. signed a memorandum of understanding with the Ivory Coast government. Italferr S.p.A., Ferrovie dello Stato Italiane group's engineering company, will design a 1,000-km railway in Africa to connect the Ivory Coast to Mali. The memorandum of understanding provides for the development of a railway corridor that will connect the Port of San Pedro on the Atlantic Ocean to the populous capital city of Mali, Bamako, on the Niger River. The railway line is a key project for the development of cargo and passenger traffic in the Ivory Coast, one of Western Africa's most vibrant countries. Indeed, the line connection to the Ivory Coast port will cross many farming zones and a rich mining area which is scheduled for exploitation over the next few years. The San Pedro port stands to become the regional hub for areas extending to Mali, Burkina Faso and Guinea.

### **14 million people transported to Milan for EXPO 2015**

Trenitalia S.p.A. posted record figures during the six-month period over which the Universal Expo in Milan was held. It carried 14 million travellers to Milan, including six millions on its Freccie trains, and one million passengers who, on the Freccie, Intercity and international trains, travelled directly to the Rho Fiera Expo Milan 2015 station. In the last few weeks of October, all seats were filled on the trains to and from Milan, notably the Frecciarossa. Similarly, there was full occupancy on regional trains travelling on the Turin - Milan line, even with the extra trains that the Piedmont regional authorities had requested to meet growing demand in the last few days of the Expo.

Trenitalia S.p.A.'s contribution to the success of Expo 2015 in terms of international and domestic mobility cannot be separated from that of the other FS Italiane group companies, beginning with Italferr S.p.A. which, having taken over supervision of the works in the summer of 2014 - which were successfully completed - received important recognition from all stakeholders, and RFI S.p.A., which managed the intense and unrelenting flow of Trenitalia S.p.A.'s, Trenord S.r.l.'s and other European companies' trains, ensuring information at stations and assistance to disabled passengers and those with reduced mobility at the Rho Fiera Expo Milan 2015 station and other Milanese stations.

In detail, Trenitalia S.p.A. was named Official Global Rail Carrier of the Expo and prepared a commercial offer to connect Milan to major traffic hubs in Italy and abroad, with 69 direct connections per day to and from the Rho Fiera EXPO station. For the entire duration of Expo 2015, 242 trains arrived in Milan every day from all over Italy, including 154 Freccie trains, offering a daily total of 130,000 seats.

Furthermore, a series of commercial offers were launched for travellers to Milan or Rho Fiera, including the Special EXPO round-trip offer with a discount ranging from 20% to 30% on the standard fare at the time of purchase and the offer for schools called *school group Italy* for the Expo with special prices depending on the journey and service. In addition, under a specific agreement with the Expo organiser, Expo entrance tickets were sold through Trenitalia S.p.A.'s main sales channels: ticket offices, travel agencies, group offices and on the Trenitalia.com website.

The company was also involved in transporting 45 delegations of the various countries participating in the Expo and the UN, including delegations accompanied by the President of Italy, the Prime Minister and many government ministers. The General Secretary of the UN, Ban Ki-Moon, also chose Trenitalia S.p.A. for his travel in Italy.

### **Railway hubs: the Milan municipal authorities, Lombardy regional authorities and Ferrovie dello Stato Italiane S.p.A. sign the programme agreement**

During the year, negotiations between FS Italiane group companies and representatives of the public administration continued for the development of the area referred to as the "former Milanese hubs". The significant events of the year are described below.

On 14 May 2015, a conference was convened for representatives of the "Former Milanese hub programme agreement" (also referred to as the "Agreement" further on) to define the activities and schedules to finish the procedure underway, informing the Technical Secretary of the July deadline to complete the documentation to submit for the approval of the municipal and regional councils and the boards of directors of FS Italiane group companies involved (FS S.p.A., RFI S.p.A. and FS Sistemi Urbani S.r.l.).

On 8 July 2015, the conference of representatives of the Agreement approved the final text of the agreement and its annexes to be submitted for the approval of the municipal and regional councils and the boards of directors of FS Italiane group companies, as mentioned above. Next, both the Milan municipal council and Lombardy regional council approved the Agreement on 22 September 2015 and in October 2015, respectively.

On 29 October 2015, FS Sistemi Urbani's board of directors approved the Agreement, and on 18 November 2015, in RFI S.p.A.'s name and on its behalf, the CEO of FS S.p.A. signed the Agreement with the Milan municipal and Lombardy regional authorities.

On 3 December 2015, the Milan municipal board met to ratify the Agreement but the meeting could not pass a valid resolution as the minimum legal number of members was not present. During the following meeting on 9 December 2015, the board voted against ratifying the Agreement. Subsequent meetings were called for 17 and 18 December 2015 to ratify the Agreement but ended without passing a resolution as the 30-day legal deadline from the date when the Agreement had been signed had passed without the completion of discussion on the approximately 560 amendments submitted by the opposing board members.

#### **Appointment of a new board of directors**

On 27 November, in agreement with the Ministry of Infrastructure and Transport and the Ministry of the Economy and Finance, Ferrovie dello Stato Italiane S.p.A.'s shareholder met and, as the company's former board of directors had resigned, appointed the new board as follows: Gioia Maria Ghezzi (Chairwoman), Daniela Carosio, Giuliano Frosini, Simonetta Giordani, Federico Lovadina, Renato Mazzoncini and Vanda Ternau. Next, on 1 December, during the first meeting, Ferrovie dello Stato Italiane S.p.A.'s new BoD appointed Renato Mazzoncini CEO and General Manager of the company. The BoD then gave the Managing Director all operating powers and the Chairwoman, Gioia Maria Ghezzi, responsibility for audit activities and handling, in coordination with the Managing Director, external and institutional affairs.

#### **The "Frecciarossa 1000" trains breaks a new record: 390.7 km/h**

On 30 November 2015, during testing, the Frecciarossa 1000 train hit a new speed record: 390.7 km/h, thereby consolidating and breaking its speed of 389.5 km/h recorded in the preceding weeks. Italcertifer S.p.A. performed the certification tests, while engineers representing RFI S.p.A., Trenitalia S.p.A. and the train builder (Bombardier-AnsaldoBreda) were on the train.

#### **FS Italiane group has prepared a specific plan to ensure an efficient mobility system to Rome for the Jubilee**

Through its operating companies, FS Italiane group has prepared a specific plan to ensure an efficient mobility system to Rome and its connections with the surrounding area and Italy's cultural capital cities in view of the upcoming Jubilee. The integrated road-rail transport system will play a crucial role during the year of the Jubilee, and the main hubs have been equipped with car parks and services to make travelling easier. The Rome Tiburtina station will serve as the city's main hub, with 96 domestic trains serving the station every day, including 64 Frecciarossa, 22 Frecciargento and 10 Intercity trains, in addition to the 307 regional connections per day.

### **Renato Mazzoncini is elected Vice President of the International Union of Railways**

On 1 December 2015, Renato Mazzoncini, Ferrovie dello Stato Italiane group's new CEO, was elected Vice President of the International Union of Railways (the "UIC") in Paris during the UIC's general assembly. The term of office is one year. Mazzoncini was also named a member of the European UIC's European Management Committee. This is the fifth time in a row that the office of Vice President of the UIC is assigned to FS S.p.A.'s CEO, proof of the group's extensive commitment in Europe and abroad and its ability to best represent the interests of the railway industry.

### **Trenitalia S.p.A. qualifies for railway tenders in Great Britain**

On 15 December 2015, the English government's Transport Department posted an announcement on its website that it had made Trenitalia S.p.A. the only company without an operating site in Great Britain a pre-qualified party eligible to take part in upcoming railway tenders. Trenitalia S.p.A. is also the only new entry on the list. Moreover, the publication specified that the company had been chosen because it met high standards of professionalism and excellent safety standards and offered experience on the Italian and international markets and significant technical capabilities. Having passed this initial vetting process along with a small number of other players, Trenitalia S.p.A. earned the PQQ (pre-qualification questionnaire) passport and may therefore participate in all tenders called in Great Britain for the next four years, without having to submit all the necessary documents each time to the benefit of both parties.

### **Acquisition of a business unit of Bari Fonderie Meridionali S.p.A.**

On 29 December 2015, RFI S.p.A. acquired the business unit of Bari Fonderie Meridionali S.p.A. (BFM S.p.A.). BFM S.p.A.'s production complex is located in Bari's industrial area. The site covers a surface area of roughly 130,000 square metres, approximately 45,000 of which are covered, and houses two plants: the foundry and mechanical division. BFM S.p.A. currently produces an annual total of over 1,800 "hearts" in manganese cast steel for rail reversal points. This acquisition makes it possible to bring the production of railway parts in house, expand the internal production chain by exploiting synergies with the other group workshops and ensure ongoing employment for the approximately 100 workers of this major industrial company in Southern Italy. The total investment was about €6.5 million and BFM S.p.A. (part of the Czech group DT - Výhybkárna a strojírna, a.s.), founded in 1961, has historically been Rete Ferroviaria Italiana S.p.A.'s supplier of manganese cast steel "hearts", which are a key component in rail reversal points. With the acquisition of BFM S.p.A., RFI S.p.A. has expanded its in-house production chain, optimised procurement costs and increased its know-how.

## Other information

### LITIGATION AND DISPUTES

This section details the most significant criminal proceedings that certain Public Prosecutor's offices have initiated against former or current company and/or group representatives. At present and unless otherwise specified, no information arose indicating that the company or the group are exposed to material liabilities or losses and no information is presently known with a material impact on their financial position or results. Accordingly, no accruals have been recognised. Furthermore, where the circumstances require, the relevant companies have appeared in civil court proceedings.

With respect to the latter, in 2015, no senior managers (company officers or general managers) were definitively found guilty of:

- particularly serious crimes with wilful intent entailing substantial damage to the group company or leading to the application of restrictive measures;;
- crimes with wilful intent that fall within the scope of Legislative decree no. 231/2001;
- other crimes with wilful intent that fall within the scope of Law no. 190/2012.

To meet disclosure requirements, the paragraph below includes information on criminal proceedings and contingent assets and liabilities arising from the most significant civil, administrative and arbitration proceedings and proceedings before the Italian and EU authorities.

The notes to the financial statements include a detail of litigation and disputes currently pending with employees, third party service providers and/or contractors, the tax authorities, the Regions (regarding complaints), etc. which were specifically provided for under provisions for risks and charges.

### LITIGATION PURSUANT TO LEGISLATIVE DECREE NO. 231/01

- Arguments are still being heard in criminal proceedings no. 6305/09 in the general register of crimes pending before the Public Prosecutor's Office with the Lucca Court, following the railway accident in Viareggio on 29 June 2009.
- In criminal proceedings no. 18772/2008 in the general register of crimes pending before the Florence Court following a workplace accident on 2 October 2008 at the Florence Castello site, the Preliminary Hearing Judge ordered the acquittal of RFI S.p.A. and its manager on 3 June 2015, and the acquittal become definitive on 31 July 2015.
- With respect to criminal proceedings no. 9592/2008 in the general register of crimes pending before the Milan Court in which RFI S.p.A. faces charges, pursuant to Legislative decree no. 231/01, in relation to the ATI CLF employee hit at the Milan Rho-Certosa site on 6 March 2008, on 24 November 2015, the Milan Court of Appeals upheld the first level Judge's acquittal of all defendants, and such judgement can no longer be reversed.
- Hearings are underway in criminal proceedings no. 2554/13 in the general register of crimes with the Foggia Public Prosecutor's office related to RFI S.p.A.'s administrative liability for the fatal workplace accident on 5

March 2010 at Agro di Cerignola, in which an employee of Fersalento S.r.l. died. In addition, arguments are being heard in the criminal proceedings no. 3253/2010 in the general register of crimes for manslaughter against an RFI S.p.A. employee and two Fersalento S.r.l. employees in relation to the same events, in which RFI S.p.A. received summons for third party liability.

- With respect to criminal proceedings no. 8374/2014 in the general register of crimes and no. 1677/2015 in the general register of the Preliminary Investigation Judge with the Ancona Public Prosecutor's office against RFI S.p.A. and Trenitalia S.p.A. for alleged administrative liability pursuant to Legislative decree no. 231/01, the Public Prosecutor with the Ancona Court began proceedings following the fatal workplace accident on 19 October 2013 at the Ancona station, in which a worker of the external firm ICFP S.r.l. died.

On 7 July 2015 and 16 July 2015, the Preliminary Investigation Judge issued two decrees to respectively drop the charges against the manager of the company involved and RFI S.p.A..

With reference to Trenitalia S.p.A., the former head of the Marche regional division and the head of the aforementioned cooperative ICFP were charged with negligent manslaughter, while Trenitalia and ICFP were charged with violations of article 25 *septies* of Legislative decree no. 231/2001, on the grounds that the crime covered by article 589 of the Italian Criminal Code had allegedly been committed in violation of labour health and workplace legislation and due to the company's actions to its advantage, consisting of faster work and a lack of accident prevention costs. On 9 February 2016, the court found that the case should not proceed as Trenitalia S.p.A.'s organisation was adequate under Legislative decree no. 231/2001, whereas the former head of the Marche regional division reached a settlement.

- Criminal proceedings no. 25816/10 with the general register of crimes relate to the contract assigned to a general contractor for the design and construction of the Florence hub HS station and bypass. With respect to this contract, the Florence Public Prosecutor's Office was investigating an RFI S.p.A. employee, certain Italferr S.p.A. employees, the pro-tempore Chairman and pro-tempore CEO of Italferr S.p.A. and members of other organisations and companies performing the work.

Following the Florence Public Prosecutor's request to prosecute all the people and companies under investigation, including Italferr S.p.A. for violations of Legislative decree no. 231/2001, on 10 March 2016, after the preliminary hearing, the Florence Court's Preliminary Hearing Judge decided the case could not proceed against Italferr S.p.A. and its former CEO, former Operating Manager and Project Manager, and against the RFI S.p.A. manager, while it admitted the proceedings against Italferr S.p.A.'s former Chairman and two officials, although it significantly reduced the scope and limited the Public Prosecutor's charges against them.

- The first level of criminal proceedings no. 1525/08 for negligent manslaughter of more than one person ("Truck Center") was concluded with the defendants, including personnel of FS Logistica S.p.A. and the company itself found guilty, for both third party liability and violations of Legislative decree no. 231/2001. The insurance company fully paid all parties, while an administrative fine applies - although it has not yet been enforced - for €1,400,000 on FS Logistica S.p.A.. An appeal has been lodged against the first-level ruling by both the lawyer for the defendants and FS Logistica S.p.A.'s lawyer. The court case is pending.

There were no developments in the following criminal court proceedings in 2015 with respect to those described in the 2014 financial statements:

- Arguments are being heard in criminal proceedings no. 5643/10 in the general register of crimes pending before the Sassari Court, following a fatal accident involving the driver of train 8921 when it hit an obstacle on the tracks after an exceptional, unexpectedly large mudslide. The charges are against three RFI S.p.A. employees and the company itself for third party and administrative liability.
- Arguments are being heard in criminal proceedings no. 7906/2009 in the general register of crimes Public Prosecutor's Office at the Latina Court concerning alleged injuries due to negligence in connection with alleged violations of anti-accident legislation (accident on 10 August 2009) during maintenance near Fondi, for which three of RFI S.p.A.'s managers are being investigated, in addition to the company itself pursuant to Legislative decree no. 231/01.
- Criminal proceedings no. 1933/2011 in the general register of crimes are pending before the Latina Public Prosecutor's office in connection with the fatal accident on 25 February 2011 involving an employee of an outside company who was cutting down trees on the Campoleone-Cisterna di Latina section. Preliminary hearings are being held against one manager and three employees of the company and the company itself pursuant to Legislative decree no. 231/01.
- Criminal proceedings no. 10095/2010 in the general register of crimes pending before the Catania Court for RFI S.p.A.'s alleged administrative liability in relation to the workplace accident that occurred on 1 September 2008 in Motta Sant'Anastasia, in which two RFI employees lost their lives. Arguments are being heard.
- Criminal proceedings no. 1758/2014 with the general register of crimes began before the Milan Court against the CEO and a manager of Trenitalia S.p.A. following the analytical assessments conducted by Amiacque S.r.l. on behalf of the Milan municipal authorities on the industrial waste water sent to the sewage system from the Milan Greco locomotive maintenance workshop showing that the waste water was non-compliant and exceeded legislative limits. Trenitalia S.p.A. and the defendants were also investigated for violations of Legislative decree no. 231/2001 and were charged with having violated article 137.5 of Legislative decree no. 152/2006. The Public Prosecutor substantially dropped the charges against Trenitalia S.p.A.'s CEO, and the Preliminary Investigation Judge closed the case. Consequently, on 6 October 2014, the Public Prosecutor filed a brief to end the preliminary investigations pursuant to article 415-bis against the Trenitalia S.p.A. manager and the company itself as liable under Legislative decree no. 231/01.

## **OTHER SIGNIFICANT CRIMINAL COURT PROCEEDINGS**

- The Public Prosecutor's Office with the Gela Court initiated criminal proceedings no. 1430/2014 in the general register of crimes against an employee of RFI S.p.A. as line manager for the Canicattì-Gela section with respect to the alleged crime pursuant to the last paragraph of article 589.1 and 2 (negligent manslaughter in violation of workplace safety regulations) after three RFI S.p.A. maintenance workers were fatally hit. The preliminary investigations are underway.
- Criminal proceedings no. 20765/2014 in the general register of crimes (previously no. 356/2014 in the general register of crimes against unknown persons) are pending before the Florence Public Prosecutor's office, in

reference to charges against an RFI S.p.A. manager and the former CEO of Trenitalia S.p.A., as well as against five other managers/employees of Trenitalia S.p.A., for negligent manslaughter of a shunting employee in violation of workplace safety regulations on 12 January 2014 at the Santa Maria Novella station in Florence. The preliminary investigations are underway.

- Criminal proceedings no. 3034/2012 with the general register of crimes with the Rossano Court, subsequently transferred to the Castrovillari Public Prosecutor's Office, relate to an accident in which a train hit a car with six people inside at the private railroad crossing on the Rossano C. - Mirto Crosia section. The preliminary investigations are underway.
- Criminal proceedings no. 6765/2012 with the general register of crimes are pending before the Lecce Court of Appeals in connection with a claim relating to an accident involving the Freccia Argento 9351 train and a lorry on 24 September 2012 at the railroad crossing on the Bari - Lecce section near the Cisternino (BR) station. In these proceedings, RFI S.p.A. is appearant along with Trenitalia S.p.A., with an appeal lodged against the Brindisi Court ruling of 21 October 2014.
- Criminal proceedings no. 35874/13 in the general register of crimes with the Public Prosecutor's Office with the Rome Court originated from alleged violations of Legislative decree no. 81/2008 in connection with measures taken from 3 August 2010 to 24 January 2011 following the introduction of the "single driver" module to prevent risks relating to emergency and/or first aid situations that can arise when only one train driver is used. The Territorial Labour Department assessed non-compliance with instructions and informed the Public Prosecutor's Office so the criminal proceedings could resume. The lawyers of Trenitalia S.p.A.'s CEO have lodged a defence brief requesting immediate payment of a fine. As the Preliminary Investigation Judge denied this request, the Public Prosecutor has sent a notice of the conclusion of the preliminary investigation. The Preliminary Investigation Judge (proceedings no. 27413/2014 of the general register) issued a measure on 18 June 2015 denying another request to settle the proceedings with payment of a fine given the generic and indeterminate nature of the charges, which make it impossible for the defendants to fully exercise their rights to defence and, accordingly, the legal authorities' ability to examine the request.

## **ARBITRATION PROCEEDINGS**

### **Arbitration proceedings with general contractors**

- In this respect, in the first arbitration proceedings that the general contractor FIAT, for the Turin-Milan HS/HC section – Novara-Milan sub-section, commenced in 2008 in connection with its claim for payment of additional charges and a longer term to build the Novara-Milan HS/HC subsection, RFI had already paid the amount claimed in previous years, amounting to €178.5 million, and appealed against the award, filing a concurrent petition to suspend the order on 1 October 2013 and subsequently lodging other petitions on 11 October 2013, which were denied in the Rome Court of Appeal ordinance of 4 November 2013. On 31 December 2013, FIAT lodged an appearance with cross-appeal. The first hearing was held on 24 January 2014 and conclusions were presented on 11 July 2014, after which the Court announced it would reach "a decision on the case within the ordinary term". The conclusive briefs and related replies were lodged and the Rome Court of Appeal filed decision no. 5276 on 23 September 2015, admitting RFI S.p.A.'s appeal and ordering FIAT (now FCA) to refund RFI S.p.A. for most of the amount, approximately €166 million, that it had paid to FIAT. RFI S.p.A. served the enforcement order in connection with this decision on 7 October 2015 and FCA lodged the following petitions with the court:



- revocatory action against the appeal decision pursuant to article 395.4 of the Criminal Procedural Code, filing for a precautionary measure, even before the other party could be heard;
- challenge against the enforcement order with another enforcement order, filing for a precautionary measure, even before the other party could be heard;
- appeal against the appeal decision and related petition for suspension of the same decision, even before the other party could be heard, pursuant to article 373 of the Criminal Procedural Code.

On 21 October 2015 RFI S.p.A. and FCA signed an agreement for the performance of the aforementioned Rome Court of Appeal decision until the final decision has been handed down, defining, including after any referral, the Cassation decision on FCA's appeal. In the agreement, RFI S.p.A. waived its appeal and FCA waived all the above petitions for suspension and challenges to the appeal. The first hearing in the revocation proceedings was held on 10 February 2016 and the Court scheduled the next hearing for 7 June 2017 for conclusions.

- With respect to the COCIV consortium's claims to the arbitration panel regarding the design activities that it had previously carried out, on 20 and 21 June 2013, the arbitration panel issued its award - which COCIV did not notify to RFI S.p.A. - assessing and declaring that, for the design activities subject to the proceedings, COCIV consortium was due a total of €91.1 million plus the individual cost-of-living components applicable to such amount in accordance with the ISTAT FOI cost-of-living index calculated as from the dates specified in the reasons for the award. It consequently ordered RFI S.p.A. to pay the consortium such amount - net of €80.0 million (which RFI S.p.A. had already paid to COCIV as a contractual advance under the 1991 agreement), plus the adjustment under the ISTAT FOI cost-of-living index calculated as from 6 December 2000 to the date of the award.

Pursuant to the provisions of the RFI-COCIV addendum of 11 November 2011, in July 2013, RFI S.p.A. acted in accordance with the award and paid the COCIV consortium €4.6 million. On 17 September 2014, RFI S.p.A. lodged an appeal against the arbitration award, requesting, in brief: i) for the award to be declared invalid; ii) for another decision on the dispute, with the admittance of RFI S.p.A.'s petitions in the arbitration proceedings and, accordingly, iii) for COCIV to be ordered to refund €91.1 million to RFI S.p.A. and therefore the €108.4 million that RFI S.p.A. was ordered to pay under the award against which it has appealed or, alternatively, for COCIV to be ordered to refund RFI S.p.A. for the difference between such amount (€108.4 million) and any amount that the Court of Appeals orders to be paid to COCIV for the same consortium's designs, plus monetary revaluation and interest; iv) for COCIV to be ordered to pay all arbitration expenses.

On 29 January 2015, COCIV lodged an appearance and responded with conditional cross-appeal. After the hearing on 3 April 2015, the Rome Court of Appeal scheduled another hearing for 23 October 2015, in the meantime gathering the arbitration records. The first hearing was held on 23 October 2015, and the Court adjourned until the hearing of conclusions on 17 March 2017.

### **Other arbitration proceedings**

- With respect to developments in the arbitration proceedings with Strabag (formerly ADANTI S.p.A., the parent of the joint venture consisting of Consorzio Nazionale Cooperative di Produzione e Lavoro CIRO MENOTTI and Impresa di Costruzioni Ing. R. Pellegrini S.r.l.), the hearing scheduled for 8 October 2013 to hear conclusions was postponed to 27 May 2014 and was postponed further to 20 January 2015, due to over-scheduling in the general register. During the hearing, the arbitration panel sent the case for decision, setting the deadline for filing of the conclusive brief (21 March 2015) and responses (10 April 2015).

At the same time, RFI S.p.A. decided to file a complaint pursuant to article 825 of the Civil Procedural Code against the award enforcement order issued by the Rome Court.

The hearing for this complaint was held before Civil Section I of the Court of Appeal on 24 October 2013, but the Court did not issue any measures and scheduled a hearing for discussion first for 26 June 2014, then 28 May 2015 and, finally, 28 January 2016 pending the decision regarding the appeal against the award.

With decision no. 5316, published on 25 September 2015 (notified to STRABAG and already made definitive), the Court of Appeal admitted RFI S.p.A.'s appeal and found the award completely invalid, accepting RFI S.p.A.'s arguments that the arbitration panel had been formed irregularly and did not have the right to know and decide on the dispute.

After the arbitration award was found invalid and the related decision was made definitive, during the 28 January 2016 hearing concerning the complaint against the award enforcement order issued by the Rome Court, the Court of Appeal issued a specific ordinance stating that the matter to be decided no longer applied, with the parties covering expenses in equal parts.

## CIVIL AND ADMINISTRATIVE PROCEEDINGS

K2 Discount pursuant to Ministerial decree no. 44T/2000. With respect to that indicated in the 2014 annual report, to which reference should be made for additional details, in relation to the two cases currently pending before the Lazio regional administrative court against URSF (the office that regulates railway service) decisions, a hearing was scheduled for 9 December 2014 and subsequently postponed per the request of the Ministry of Infrastructure and Transport. The same Ministry sent a note to RFI S.p.A. and the opposing railway companies (SBB Cargo Italy, Rail Traction Company, NordCargo and DB Schenker Rail Italia) and copied to the government's lawyers and head of the cabinet of the same ministry, requesting a specific meeting for talks. Accordingly, at the hearing on 9 December 2014, the government's lawyers, representing the Ministry of Infrastructure and Transport, and RFI S.p.A., asked the administrative judge to postpone the hearing. The judge admitted their request and the next hearing has not yet been scheduled. With respect to the appeal for compliance filed by the railway companies the *ad Acta* Commissioner filed a specific report with the Council of State, asking the latter to express an opinion on the matters subject to the appeal for compliance. The Council of State then scheduled the hearing for 2 July 2015. In the meanwhile, the railway companies notified all parties concerned with the order for compliance of its complaint pursuant to article 114.6 of the Administrative Procedural Code, claiming modification and/or cancellation of the "parties of interest" in the second report and other notes of the *ad Acta* Commissioner's delegate.

Following additional exchanges of information between RFI S.p.A. and the *ad Acta* Commissioner, in order to facilitate the checks and determinations of the *ad Acta* Commissioner's delegate, RFI S.p.A. provided the only information that it had for the period in question, i.e., information on the number of operating trains and toll paid by each of the four appellant railway companies. At the hearing on 2 July 2015, the Council of State issued ordinance no. 3318, finding the railway companies' complaint against the documents issued by the *ad Acta* Commissioner's delegate inadmissible, as it concerned a deed that had not been issued as a measure and, as such, did not cause damage and could not be complained against pursuant to article 114.6 of the Administrative Procedural Code. Moreover, the Council of State ordered the same railway companies to cover legal expenses – including for RFI S.p.A..

On 17 July 2015, considering the clarifications provided by the Council of State in the aforementioned ordinance no. 3318/2015 and in order to carry out the duties assigned to him, the *ad Acta* Commissioner in any event proceeded with an initial calculation of the K2 discount to be paid to the appellant railway companies. Therefore, with the noted

dated 17 July 2015 and addressed to RFI S.p.A., the appellant railway companies, the Ministry of Infrastructure and Transport, the Ministry of the Economy and Finance and CIPE, the *ad Acta* Commissioner asked the appellant railway companies and RFI S.p.A. to provide details for the estimate of the discount and information useful in calculating it. Furthermore, all parties in the case and the note's addressees were called for a hearing at ART's offices on 30 July 2015, during which the *ad Acta* Commissioner and the other appearants maintained that the information needed to estimate the amount agreed to be paid to the appellant railway companies for on-board equipment is not currently available.

For as far as it is concerned, RFI S.p.A. responded to the aforementioned request in a note dated 27 July 2015. In particular, in providing the details for the period from 1 January 2008 to June 2009 on the train/km operated by the appellant railway companies, RFI S.p.A. specified that the *ad Acta* Commissioner's delegate considered this period outside the scope of its activities and, accordingly, the period to be considered should be from 1 December 2005 to 31 December 2007, which is the period within which the completion of the ground sub-system was completed and the technical specifications were issued. Furthermore, the company highlighted that the calculation of the amounts of the K2 discount for this period should take into account the discounts that certain railway companies automatically applied.

The hearing was held on 30 July 2015 before the *ad Acta* Commissioner's delegate to examine the additional information submitted by the parties in the proceedings. To continue activities, the *ad Acta* Commissioner's delegate asked all the parties to provide "information on the CAB Radio technology" by September. Lastly, with a note dated 19 November 2015, the *ad Acta* Commissioner's delegate asked RFI S.p.A. for information on the K2 discount that it had actually applied from 1 January 2005 to 30 November 2005. RFI S.p.A. responded with the requested information on 27 November 2015.

At present, the *ad Acta* Commissioner's delegate is completing the necessary checks to calculate the amount of any sums to be repaid to the railway companies for the K2 discount.

In accordance with IFRS and in line with the treatment applied to previous financial statements, RFI S.p.A. has not recognised any costs or charges to the railway companies nor any corresponding revenue to be received from the government for 2015.

Moreover, in the 2014 financial statements, RFI S.p.A., recognised a provision to cover any charges to be incurred should it be ordered to refund the amounts that, in the first level decision, it might be ordered to pay rightful railway companies.

- Proceedings no. 5406/2015 in the general register pending before the Lazio regional administrative court. On 3 March 2015, RFI S.p.A. lodged an extraordinary appeal with the President of Italy for the cancellation of ART resolution no. 70/2014 ("Regulation for fair and equal access to railway infrastructures and commencement of proceedings to define the criteria for the definition of the toll to use railway infrastructures"), subsequent resolution no. 76/2014 (instructions for the procedure relating to the 2015 Network Prospectus) and related attachments and deeds. NTV, Trenitalia S.p.A., Grandi Stazioni S.p.A., Centostazioni S.p.A. and Associazione FerCargo were also notified of the appeal as they are concerned. With this appeal, RFI S.p.A. intends to argue that there is a series of errors relating to procedure, substance and preliminary procedures in ART's measures, namely the regulatory measures concerning the HS toll, clearing the infrastructure, assistance services for passengers with reduced mobility and the assignment of spaces at train stations. Upon the challenges lodged by NTV and ART, the appeal was transferred to the Lazio regional administrative court. Both RFI S.p.A. and NTV filed requests to schedule a hearing and such hearing was initially set for 18 November 2015 and then postponed to 4 May 2016. Subsequently, given the advisability of holding on hearing for all the appeals against the same ART Resolutions no. 70 and 76/2014

(i.e., the appeals of RFI S.p.A., NTV, Grandi Stazioni S.p.A. and Centostazioni S.p.A.), with Ordinance no. 13671 of 3 December 2015, the Lazio regional administrative court included Grandi Stazioni S.p.A.'s appeal in the scope of the hearing and set a public hearing for 9 March 2016 for all appeals against ART resolutions no. 70 and no. 76 of 2014, rescheduling the discussion of RFI S.p.A.'s appeal for that date as well, although it had originally been scheduled for 4 May 2016. This was also in order to consider the claim against its territorial jurisdiction, which the same panel had raised at the aforementioned hearing on 3 December 2015. After the 9 March 2016 hearing, the Lazio regional administrative court declined jurisdiction for all appeals, finding the Piedmont regional administrative court as the one with jurisdiction. To date, RFI S.p.A., NTV S.p.A. and Grandi Stazioni S.p.A. have already taken up their appeals before the Piedmont regional administrative court.

- Proceedings of the Piedmont Regional Public Prosecutor's Office with the Court of Auditors. On 8 July 2015, the Piedmont Regional Public Prosecutor's Office with the Court of Auditors served Italferr S.p.A. and certain members of Italferr S.p.A. and RFI S.p.A. with a notice of investigation pursuant to article 5.1 of Law decree no. 453 of 15 November 1993, no. 453 ("Provisions on the jurisdiction and control of the Court of Auditors"), with respect to the allegedly undue disbursement of approximately €25 million to ATI S.p.A., the winner of the contract for the construction of the Turin hub railway bypass. In particular, the Piedmont Regional Public Prosecutor's Office with the Court of Auditors claimed that the challenged amount was attributable to the following:

- undue recognition of charges for designs which the Works Manager demanded of the contractor in various service orders;
- undue recognition of charges for the Customer's partial withdrawal (in particular, for lost profits);
- failure to charge contractual penalties for allegedly missing the deadline for completion.

This situation is due to the events that followed the municipal authorities' request to substantially change the original plans of the project, which was already under construction, to build a tunnel under the Dora River. Italferr S.p.A. is taking all the necessary steps to defend its position, analysing the matter both in terms of the actual jurisdiction of the court of auditors' judge and from a purely substantial standpoint. Finally, RFI S.p.A.'s specific analyses with respect to the Court of Auditors' challenges on the contracts for the Turin hub railway bypass found that "the challenges put forth by the Court of Auditors are substantially without grounds and, consequently, no damage was suffered by RFI S.p.A. as a result of the procedures followed to manage the events" once the circumstances of the relevant contracts and had been reconstructed and the adequacy of the steps taken by Italferr S.p.A. to manage the challenged procedures had been checked. In short:

- the new designs were legitimately prepared by the contractor per the customer's orders following the changes to the original plans requested by the Turin municipal authorities after work was already underway: the resulting charges are therefore due;
- the recognition of the loss of profits is the direct consequence of the customer's obligation in accordance with the general terms of the contract following the customer's partial withdrawal;
- the penalties were not charged because the original deadline for completion in the contract was changed for reasons not attributable to the contractor.

Although the Public Prosecutor's claims were already legally challenged, maintaining the total inadmissibility of the demand against Italferr S.p.A., the Public Prosecutor summoned Italferr S.p.A. to court on 24 February 2016. The hearing is scheduled for 19 July 2016.

- Proceedings to appeal against ART resolution no. 96/2015 (containing the principles and criteria for determining the fees to access and use the railway infrastructure). With the extraordinary appeal before the head of government,

lodged on 17 March 2016, RFI S.p.A. appealed against ART resolution no. 96/2015 concerning the criteria for determining the fees to access and use the railway infrastructure. With this appeal, the company mainly meant to call attention to the overall illegitimacy of the new regulatory framework with specific regard to certain measures which could potentially disrupt the Operator's economic/financial balance. In particular, it challenged three specific provisions in Attachment 1 to resolution no. 96, which it deemed rendered the resolution illegitimate:

- the establishment of a minimum annual efficiency rate for the Operator's unit operating costs, which ART sets as 2% (before inflation);
- RFI S.p.A.'s exclusion from the ability to recover part of the costs for new self-financed infrastructural investments (e.g., using RFI S.p.A.'s share capital or debt);
- the introduction – for the entire fare period (2016 - 2021) - of a system of restrictions lying in the calculation algorithm and the establishment of a cap to the tolls applicable to certain railway services (i.e., the regional service, cargo service and all services provided on the network classified as "high service level" in such Resolution no. 96).

Trenitalia S.p.A. and Grandi Stazioni S.p.A. have lodged similar extraordinary appeals.

Furthermore, NTV S.p.A. has lodged an appeal against the same ART resolution no. 96/2015, and the case is pending before the Piedmont regional administrative court, in which RFI S.p.A. has formally appeared.

## PROCEEDINGS BEFORE THE ITALIAN AND EU AUTHORITIES

- Anti-Trust Authority proceedings: A/436. On 25 July 2012, the Anti-Trust Authority issued measure no. 23770, contesting FS S.p.A.'s adoption of a strategy, which it allegedly pursued through its subsidiaries RFI S.p.A. and Trenitalia S.p.A., to hinder and, de facto, prevent, a competitor, Arenaways, from accessing railway infrastructure. In its final decision, the Anti-Trust Authority fined FS S.p.A., jointly with Trenitalia S.p.A., €200,000.00, and, jointly with RFI S.p.A., €100,000.00. All group companies concerned appealed against the order before the Lazio regional administrative court. On 27 March 2014, the same court published decision no. 3398/2014, fully admitting the appeals and nullifying the decision against which they had appealed. On 24 June 2014, FS S.p.A., RFI S.p.A. and Trenitalia S.p.A. were notified of the appeal by the Anti-Trust Authority before the Council of State to reform/nullify the aforementioned decision. On 24 July 2014, FS S.p.A., Trenitalia S.p.A. and RFI S.p.A. lodged their brief in the appeal with the Council of State.
- Anti-Trust Authority proceedings: A/443. On 28 May 2013, the Anti-Trust Authority notified FS S.p.A., RFI S.p.A., Trenitalia S.p.A., Grandi Stazioni S.p.A., Centostazioni S.p.A. and FS Sistemi Urbani S.r.l. that it would begin a preliminary investigation pursuant to article 14 of Law no. 287/90 to ascertain whether there was a violation of article 102 of the Treaty on the Functioning of the European Union. Next, the Anti-Trust Authority published the measure on its website on 12 March 2014, accepting the commitments that Ferrovie dello Stato Italiane S.p.A., RFI S.p.A., Grandi Stazioni S.p.A. and Centostazioni S.p.A. proposed (rejecting only those that Trenitalia S.p.A. had presented), making them mandatory and thereby concluding the preliminary proceedings without assessing any violations by any of the companies involved. The same companies were also required to notify the Anti-Trust Authority of the steps they had taken to implement their commitments in two reports to be submitted by 31 August 2014 and 31 January 2015, respectively. In accordance with these provisions and on behalf of all FS group companies involved in these proceedings, FS Italiane S.p.A. provided the Anti-Trust Authority with the two reports about the progress of the commitments on 6 August 2014 and 30 January 2015, respectively. The Anti-Trust

Authority issued a note on 11 March 2016 notifying FS Italiane S.p.A. that the companies were in compliance and stating that “based on the information provided (in the aforementioned reports), the Authority finds that the companies’ conduct is in line with the provisions indicated in the definitive measure.”

- EU procedures SA32179/SA32953/SA40887.

On 28 March 2014, the European Commission’s General Anti-Trust Department notified Italy of a decision to begin a formal investigation in connection with two potential government assistance programmes relating to:

- a) certain infragroup asset allocation operations (case SA 32179); and
- b) the required offsetting of cargo services (case SA 32953).

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

The second measure being investigated relates to the offsetting that Italy allowed Trenitalia S.p.A. to perform for the public transport of cargo from 2000 to 2014 under three consecutive public service contracts.

As for EU case SA 40887 referring to the request for information on the new measures to support the cargo sector in 2015 to 2017 (case SA 40887), the Italian authorities replied on 4 August 2015, maintaining that these measures do not constitute a government bail-out and, in any case, can be considered assistance that is consistent with the guidelines for assistance to railway companies.

The risk analysis for the EU procedures detailed above shows that, to date, no direct action has been taken against FS Italiane group companies (as the EU proceedings are against the Italian government for potential government aid) and, accordingly, there are no actual disputes affecting the group at this time. In the light of the above and considering that this situation is still in a preliminary stage and is extremely complex, it is in any case impossible to objectively identify a potential liability or reliably estimate any amount that might be paid.

Following our reading of the above analyses and with the support of independent lawyers, we do not believe that the conditions established by IAS 37 have been met for the recognition of provisions.

- ART resolutions 24 and 25. With resolutions no. 24 and no. 25 of 12 March 2015, ART commenced two separate proceedings against RFI for sanctions respectively relating to:

- a) failure to meet immediately enforceable regulatory measures concerning fair and non-discriminatory access to the railway infrastructures pursuant to Resolution no. 70/2014;
- b) failure to comply with the instructions in Resolution no. 76/2014 relating to the 2015 Prospectus submitted by the national railway network operator, RFI S.p.A..

The risk of sanctions for RFI S.p.A. resulting from the two proceedings described above, which consist of 16 instances of alleged non-compliance, potentially totals an estimated €935 million. During the preliminary stage, RFI S.p.A. - for certain challenges formulated by ART - assumed a series of commitments that, with Resolutions nos. 66, 67 and 80, it approved and made mandatory without assessing any infractions by RFI S.p.A.. However, for the challenges for which RFI S.p.A. did not present any commitments, during its meeting on 23 October 2015, ART passed Resolutions nos. 89 and 90, admitting RFI S.p.A.’s arguments in its defence and dropping the relevant sanctions without assessing any infractions and therefore without imposing any sanctions.

- ART Resolution no. 64. On 31 July 2015, with resolution no. 64, ART notified RFI S.p.A. of the potential commencement of sanction proceedings for its alleged failure to comply with certain regulatory measures contained

in Resolution no. 70/2014. Specifically, the regulatory measures are those for which Resolution no. 70/2014 established an implementation date after the publication date. For some of ART's challenges (namely, those relating to measures 1.6.4, 3.6.1, 11.6.1 and 11.6.3), during the preliminary stage, RFI S.p.A. presented a series of commitments that ART admitted in Resolution no. 91 of 5 November 2015 and published on its website on 9 November 2015, thereby beginning the market testing stage, which was successfully completed on 9 December 2015. The only observations came from Ferrovie Emilia Romagna in response to which, in January 2016, RFI S.p.A. submitted certain "accessory changes to the commitments" to improve and perfect the content of the remedial measures that it had originally proposed. On 16 March 2016, ART published Resolution no. 24 on its website, approving such commitments and making them mandatory without assessing any infractions by RFI S.p.A.. On the other hand, RFI S.p.A. did not believe it necessary to present commitments for the other challenges and instead preferred to file defence briefs, presenting its arguments during the hearings, the last of which was held before the ART panel on 2 March 2016.

With Resolution no. 33, which ART notified to RFI S.p.A. on 24 March 2016, ART definitively ended the sanction proceedings with the assessment of two violations out of the five challenges, imposing a total sanction of €30,000. With respect to the violation of measure 5.6.1.d) "*organisation of the penalty/exemption clause system into tiers*" ART also required that RFI S.p.A. introduce a clause in the 2015 and 2017 Network Prospectuses - within 15 days of notification of the measure - establishing an exemption tier of 3% for the railway companies with network use contracts worth less than €6 million and publish the updated Network Prospectuses on its website with immediate notification to all concerned parties.

## Law no. 262/05

In 2007, following the specific instructions of the Ministry of the Economy and Finance, Ferrovie dello Stato Italiane S.p.A. created the position of "Manager in charge of financial reporting" pursuant to Law no. 262/05.

Subsequently, with the parent's issue of the bond listed on the Irish stock market (in July 2013), the Manager in charge of financial reporting is now legally required as the parent completely falls within the scope of application of article 154-bis of the Consolidated finance act.

In this respect, for a more thorough presentation of the corporate governance rules to which FS S.p.A.'s Manager in charge of financial reporting refers, reference should be made to the paragraph on Corporate Governance in this report and, in particular, to the section titled "*Manager in charge of financial reporting of FS S.p.A.*" where the characteristics, responsibilities, duties, powers and means of this position are clearly indicated, and to the section titled "*Main characteristics of the risk management and internal control systems in relation to the financial reporting process*" for a description of FS Italiane group's control model pursuant to Law no. 262/2005.

With respect to the attestation of the 2015 financial statements, the main group companies included in the "262 scope" continued to issue administrative/accounting procedures for processes that have not yet been formalised in procedures and to revise procedures in order to implement organisational changes or the results of tests performed in the scope of previous certification processes. Tests were also performed on operations with respect to corporate procedures, focusing on key controls, which show they are functioning well.

Furthermore, the main group companies have implemented the following:

- the Segregation of Duties (SoD) model to ensure that system and/or process responsibilities are defined and duly segregated to prevent the overlapping of functions or the concentration of critical activities on one single person in terms of possible errors and/or fraud in the financial statements;

- the IT General Computer Controls (ITGC) model defining all internal controls on the basis of international standards (COBIT for SOX) for IT processes, in order to ensure the continuous and correct functioning of the application systems that process the data used for financial reporting.

The activities performed to date, beginning with the appointment of FS S.p.A.'s manager in charge of financial reporting, have strengthened the internal control system over financial reporting within the group, creating a mechanism for the routine testing of how controls operate and the continuous updating of rules, and enabling the group to improve processes by promoting an internal control culture throughout FS Italiane group.



## Parent's treasury shares

At 31 December 2015, Ferrovie dello Stato Italiane S.p.A. neither owns treasury shares directly or through trustees or nominees nor has it acquired or sold treasury shares directly or through trustees or nominees in 2015.

## Related party transactions

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

The shared objective of infragroup transactions is to promote efficiency and, therefore, create value for the entire group. To this end, in line with Ferrovie dello Stato Italiane group's business plan for 2015-2018, a more rational reallocation of group assets and resources is underway, to enable each company to focus on its core business, to improve the use of assets not directly related to the core activities of the group companies, transferring these activities to specialised entities, including through demergers and contributions, and to increase infragroup synergies.

These processes and transactions are carried out in accordance with particular civil code and tax legislation that is specific to the sector, in line with the guidelines issued by the relevant ministries and the group's administrative/accounting procedures and considering the specific characteristics of the activities performed by many group companies.

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

## Events after the reporting date

Significant events that occurred after the reporting date and before the approval of this report are indicated in the specific section of the notes to the financial statements to which reference should be made.

## Outlook for the group

FS Italiane group continues on the virtuous path taken nearly a decade ago to optimise operating levers with the aim of making its services ever more effective and efficient.

Against such a complex macroeconomic background, it is this foundation, combined with the expectations of its customers and the larger public, that underpins the group's ability to continue to reach its business targets again in 2016, targets that not only include safety, punctuality, customer satisfaction and infrastructure availability, but also the complete economic and financial sustainability of its business. Indeed, the 2016 targets focus on satisfying demand for high-quality and punctual local public transport services with an ever greater and increasingly efficient road/rail integration and highly competitive long haul services - thanks in part to light upgrades to the existing network to support the growth in cargo segment volumes.

The 2015 and 2016 "Legge di Stabilità" provided the group, and RFI S.p.A. specifically, with total funding of €17 billion for investments to reinforce railway transport, referred to as the "rail therapy". This funding arrived thanks to the group's excellent credibility with the government institutions and the trust that they have in it, as a result of its capacity, demonstrated in the recent and less recent past, to transform assigned objectives into consistent actions, such as the HS/HC experience, which entailed innovative solutions to meet the requirements of a rapidly developing country. Similarly, Trenitalia S.p.A. also continues to implement its investment plan that is aimed at generally improving service in terms of quality, punctuality and comfort and includes purchasing new trains for the both the HS routes and universal service routes, maintaining the commitments it has made in previous years.

In this context, the group plays a key role in promoting Italy's economic recovery as public investments are an extraordinary engine for growth, with an exponential impact on potential economic development. In addition, in 2016, with respect to the "flexibility clause" (equal to 0.3% of Italian GDP, or €5 billion), RFI S.p.A. will be deeply committed to helping meet the national goal that the government is negotiating to receive from the EU for roughly €2 billion (equal to 40% of the government's commitment with the EU).

This is all against the background of a financial context characterised by the government's uncertain ability to meet its obligations resulting from the request for services and need to pay for them. Consequently, the group is forced to monitor and manage cash flows and the resulting business arrangements using levers that have, de facto, led to an improvement over time. The group expects to see additional improvements in the near future.

Nevertheless, 2015 was affected by the complete implementation of the financial effects of the regulatory changes that came about in 2014, which are discussed in detail in this report, and the negative repercussions that the higher cost of energy and lower revenue from tolls and considerations in connection with the cargo service contract had on actual 2015 results, and will continue to have in 2016 as well, as they are tied to factors beyond the scope of the group's business and operations. Moreover, it is foreseeable that these effects, which are in any event due to previous measures, will be compounded by more new legislation enacted in late 2015.

In detail, Legislative decree no. 112 of 15 July 2015 implementing the EU "Recast" directive and ART Resolution no. 96 of 13 November 2015 defining the "Principles and criteria for the determination of the fee to use the railway infrastructure", which require a greater commitment from the operator in terms of monitoring the results achieved to date and increasing its ability to offer high quality services and create value, bringing FS Italiane group into a regulated market. The group and, in particular, RFI S.p.A., is taking all necessary steps to maintain positive conditions in forthcoming years to at least ensure break-even and financial balance, as required by articles 16 and 17 of Legislative decree no. 112/2015 and in compliance with article 32 of Directive 2012/34/EU. In order to be able to maintain this balance, on 17 March 2016, it

lodged an extraordinary appeal with the President of Italy. The effects of the group's business management model and consequent economic and financial impact are still being examined.

Finally, additional increases will take effect in 2016 in the cost of electricity for services other than the universal service and cargo services, as a result of the Electricity, Gas and Water Regulator's resolutions no. 654/2015/R/EEL of 23 December 2015 and no. 668/2015/R/EEL of 28 December 2015.

The new business plan, which is currently being defined in consideration of the new regulatory framework, constitutes a crucial step forward and will reflect the strategic goals partly referred to above, setting forth the development of the network by business segment in specific directions for each: the long haul, local public transport and cargo businesses.

## Ferrovie dello Stato Italiane S.p.A.

Ferrovie dello Stato Italiane S.p.A. also reported sound results in 2015. Pending the achievement of its main operating targets for 2015, the parent, which will be busy managing and coordinating the group's strategic processes described above, confirms the forecast profit for 2016.

## Proposed allocation of the profit for the year of Ferrovie dello Stato Italiane S.p.A.

The parent's financial statements as at and for the year ended 31 December 2015 show a profit of €137,379,614.55.

Considering the fact that the legal reserve has not yet reaching the minimum provided for by article 2430 of the Italian Civil Code, we propose allocating the profit for the year as follows:

- 5%, equal to €6,868,980.73 to the legal reserve;
- €100,000,000.00 to the reserve pursuant to Law decree no. 192/2014;
- the remaining €30,510,633.82 to the extraordinary reserve, to subsequently utilised in whole or in part as an available reserve for any non-recurring transactions.

Rome, 15 April 2016

The board of directors

The Chairwoman

The CEO



## Consolidated financial statements of Ferrovie dello Stato Italiane group as at and for the year ended 31 December 2015

## Consolidated financial statements



## Statement of financial position

millions of Euros

	Notes	31.12.2015	31.12.2014
<b>Assets</b>			
Property, plant and equipment	8	44,692	44,002
Investment property	9	1,578	1,643
Intangible assets	10	713	647
Deferred tax assets	11	192	139
Equity-accounted investments	12	302	301
Non-current financial assets (including derivatives)	13	2,788	3,385
Non-current trade receivables	16	94	93
Other non-current assets	14	1,866	1,127
<b>Total non-current assets</b>		<b>52,225</b>	<b>51,337</b>
Construction contracts	15	46	43
Inventories	15	1,953	1,940
Current trade receivables	16	2,650	2,389
Current financial assets (including derivatives)	13	607	597
Cash and cash equivalents	17	1,305	1,308
Tax assets	18	122	101
Other current assets	14	4,069	5,809
<b>Total current assets</b>		<b>10,752</b>	<b>12,187</b>
<b>Assets held for sale and disposal groups</b>			<b>3</b>
<b>Total assets</b>		<b>62,977</b>	<b>63,527</b>
<b>Total equity and liabilities</b>			
Share capital	19	36,340	38,790
Reserves	19	(96)	311
Reserves for unrealised gains and losses	19	(533)	(686)
Retained earnings (losses carried forward)	19	1,388	(1,661)
Profit for the year	19	448	292
<b>Equity attributable to the owners of the parent</b>	<b>19</b>	<b>37,547</b>	<b>37,046</b>
Profit for the year	20	16	11
Share capital and reserves attributable to non-controlling interests	20	273	261
<b>Total equity attributable to non-controlling interests</b>	<b>20</b>	<b>289</b>	<b>272</b>
<b>Equity</b>		<b>37,836</b>	<b>37,318</b>
<b>Liabilities</b>			
Non-current loans and borrowings	21	8,571	9,591
Post-employment benefits and other employee benefits	22	1,799	1,964
Provisions for risks and charges	23	889	822
Deferred tax liabilities	11	293	199
Non-current financial liabilities (including derivatives)	24	112	155
Non-current trade payables	26	18	20
Other non-current liabilities	25	344	553
<b>Total non-current liabilities</b>		<b>12,026</b>	<b>13,304</b>
Current loans and borrowings and current portion of non-current loans and borrowings	21	2,572	1,498
Current portion of provisions for risks and charges	23	30	22
Current trade payables	26	3,826	3,628
Tax liabilities	27	7	5
Current financial liabilities (including derivatives)	24	244	272
Other current liabilities	25	6,436	7,480
<b>Total current liabilities</b>		<b>13,115</b>	<b>12,905</b>
<b>Total liabilities</b>		<b>25,141</b>	<b>26,209</b>
<b>Total equity and liabilities</b>		<b>62,977</b>	<b>63,527</b>

## Income statement

		millions of Euros	
	Notes	2015	2014
<b>Revenue</b>			
Revenue from sales and services	28	7,881	7,734
Other income	29	704	656
<b>Total revenue</b>		<b>8,585</b>	<b>8,390</b>
<b>Operating costs</b>			
Personnel expense	30	(3,934)	(3,918)
Raw materials, consumables, supplies and goods	31	(1,159)	(898)
Services	32	(2,386)	(2,185)
Use of third-party assets	33	(181)	(172)
Other operating costs	34	(165)	(161)
Internal work capitalised	35	1,215	1,058
<b>Total operating costs</b>		<b>(6,610)</b>	<b>(6,276)</b>
<b>Amortisation and depreciation</b>	<b>36</b>	<b>(1,228)</b>	<b>(1,153)</b>
<b>Reversals of impairment losses</b>	<b>37</b>	<b>(55)</b>	<b>(296)</b>
<b>Provisions</b>	<b>38</b>	<b>(48)</b>	<b>(6)</b>
<b>Operating profit</b>		<b>644</b>	<b>659</b>
<b>Financial income and expense</b>			
Financial income	39	116	107
Financial expense	40	(231)	(245)
<b>Net financial expense</b>		<b>(115)</b>	<b>(138)</b>
Share of profits of equity-accounted investees	41	8	27
<b>Pre-tax profit</b>		<b>537</b>	<b>548</b>
Income taxes	42	(73)	(245)
<b>Profit for the year (attributable to the owners of the parent and non-controlling interests)</b>		<b>464</b>	<b>303</b>
<i>Profit for the year attributable to the owners of the parent</i>		448	292
<i>Profit for the year attributable to non-controlling interests</i>		16	11

## Statement of comprehensive income

millions of Euros

	Notes	2015	2014
<b>Profit for the year (attributable to the owners of the parent and non-controlling interests)</b>		<b>464</b>	<b>303</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss, net of the tax effect:</b>			
Actuarial gains (losses)	19	72	(164)
attributable to the owners of the parent		72	(163)
attributable to non-controlling interests			(1)
<b>Items reclassified to profit or loss</b>	<b>19</b>	<b>24</b>	<b>27</b>
<b>Items that will or may be reclassified to profit or loss, net of the tax effect:</b>			
Cash flow hedges - effective portion of changes in fair value	19	56	8
attributable to the owners of the parent		55	8
attributable to non-controlling interests		1	
Net exchange rate losses	19	1	
<b>Total other comprehensive income (expense), net of the tax effect</b>		<b>153</b>	<b>(129)</b>
<b>Comprehensive income (attributable to the owners of the parent and non-controlling interests)</b>		<b>617</b>	<b>174</b>
<i>Comprehensive income attributable to:</i>			
Owners of the parent		600	165
Non-controlling interests		17	9

## Statement of changes in equity

millions of Euros

Equity														
	Reserves													
	Reserves					Reserve for unrealised gains and losses								
	Share capital	Legal reserve	Extraordinary reserve	Other reserves	Translation reserve	Hedging reserve	Actuarial reserve	Fair value reserve	Total reserves	Retained earnings (losses carried forward)	Profit for the year	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
<b>Balance at 1 January 2014</b>	<b>38,790</b>	<b>21</b>	<b>28</b>	<b>255</b>	<b>3</b>	<b>(326)</b>	<b>(232)</b>		<b>(251)</b>	<b>(2,106)</b>	<b>459</b>	<b>36,892</b>	<b>262</b>	<b>37,154</b>
Capital increase (capital decrease)													7	7
Dividend distribution													(6)	(6)
Allocation of profit for the previous year		4							4	455	(459)			
Change in consolidation scope										(12)		(12)		(12)
Other changes										2		2	(2)	
Recognised gains/(losses)						35	(163)		(128)		292	164	11	175
of which:														
Profit for the year											292	292	11	303
Gains/(losses) recognised directly in equity						35	(163)		(128)			(128)		(128)
<b>Balance at 31 December 2014</b>	<b>38,790</b>	<b>25</b>	<b>28</b>	<b>255</b>	<b>3</b>	<b>(291)</b>	<b>(395)</b>		<b>(375)</b>	<b>(1,661)</b>	<b>292</b>	<b>37,046</b>	<b>272</b>	<b>37,318</b>
Capital increase (capital decrease)	(2,450)	(25)	(28)	(255)			2		(306)	2,756			9	9
Dividend distribution													(8)	(8)
Allocation of profit for the previous year										292	(292)			
Change in consolidation scope													1	1
Other changes				(100)					(100)	1		(99)	(2)	(101)
Recognised gains/(losses)					1	79	72		152		448	600	17	617
of which:														
Profit for the year											448	448	16	464
Gains/(losses) recognised directly in equity					1	79	72		152			152	1	153
<b>Balance at 31 December 2015</b>	<b>36,340</b>			<b>(100)</b>	<b>4</b>	<b>(212)</b>	<b>(321)</b>		<b>(629)</b>	<b>1,388</b>	<b>448</b>	<b>37,547</b>	<b>289</b>	<b>37,836</b>

## Statement of cash flows

millions of Euros

	2015	2014
<b>Profit for the year</b>	<b>464</b>	<b>303</b>
Amortisation and depreciation	1,228	1,153
Share of losses of equity-accounted investees	(8)	(27)
Accruals to provisions and impairment losses	267	413
Profits on sales	(52)	(60)
Change in inventories	18	(36)
Change in trade receivables	(242)	86
Change in trade payables	191	133
Change in current and deferred taxes	15	124
Change in other liabilities	(1,139)	385
Change in other assets	1,005	(968)
Utilisation of the provisions for risks and charges	(153)	(271)
Payment of employee benefits	(126)	(133)
<b>Net cash flows generated by operating activities</b>	<b>1,468</b>	<b>1,102</b>
Increases in property, plant and equipment	(5,203)	(3,953)
Increases in investment property	(5)	(5)
Increases in intangible assets	(167)	(205)
Increases in equity investments	(144)	(57)
<b>Investments, before grants</b>	<b>(5,519)</b>	<b>(4,220)</b>
Grants for property, plant and equipment	2,884	2,481
Grants for investment property		2
Grants for intangible assets	161	1
Grants for equity investments	133	46
<b>Grants</b>	<b>3,178</b>	<b>2,530</b>
Divestments of property, plant and equipment	432	108
Divestments of investment property		
Divestments of intangible assets	1	
Divestments of equity investments and profits	30	3
<b>Divestments</b>	<b>463</b>	<b>111</b>
<b>Net cash flows used in investing activities</b>	<b>(1,878)</b>	<b>(1,579)</b>
Disbursement and repayment of non-current loans	(426)	(409)
Disbursement and repayment of current loans	457	55
Change in financial assets	468	469
Change in financial liabilities	12	48
Changes in equity	(104)	(1)
<b>Net cash flows generated by financing activities</b>	<b>407</b>	<b>163</b>
<b>Total cash flows</b>	<b>(3)</b>	<b>(315)</b>
<b>Opening cash and cash equivalents</b>	<b>1,308</b>	<b>1,622</b>
<b>Closing cash and cash equivalents</b>	<b>1,305</b>	<b>1,308</b>

## Notes to the consolidated financial statements

## 1. The business of FS Italiane group and structure of the consolidated financial statements

Ferrovie dello Stato Italiane S.p.A. was set up in accordance with Italian law and is based in Italy. Its registered office is in Piazza della Croce Rossa 1, Rome.

The parent and its subsidiaries ("Ferrovie dello Stato Italiane group", "FS Italiane group" or the "group") provide passenger transport, cargo transport and logistics services, both in Italy and abroad (mainly in Germany), and manage an extensive railway network. FS Italiane group's structure is shown in Annex 5.

## 2. Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS (which include International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Union pursuant to EC Regulation no. 1606/2002 and in effect at the reporting date ("IFRS"). Specifically, the group consistently applies the IFRS to all periods presented in these financial statements.

The consolidated financial statements have been prepared and presented in Euro, which is FS Italiane group's functional currency, i.e. the currency of the primary economic environment in which FS Italiane group operates. All amounts included in the financial statements and the tables and comments of the following notes are expressed in millions of Euros.

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

- the statement of financial position has been prepared by classifying assets and liabilities as "current/non-current";
- the income statement has been prepared by classifying operating costs by nature;
- the statement of comprehensive income includes the profit for the year, as well as any other changes in equity captions, specifically actuarial reserves, unrealised gain loss and exchange rate gains and losses from the translation of the financial statements of foreign operations;
- the statement of cash flows has been prepared by reporting cash flows arising from operating activities using the indirect method.

These consolidated financial statements have been prepared on a going-concern basis, as the directors established that there are no financial, operational or any other indications of critical issues about FS Italiane group's ability to meet its obligations in the foreseeable future and, specifically, in the next twelve months. Reference should be made to the note to "Financial and operational risk management" for a description of the group's financial risk management procedures, including those applicable to the liquidity risk.

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets and liabilities, including financial instruments, which are measured at fair value.

The group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

On 15 April 2016, the directors approved the separate financial statements at 31 December 2015 which were submitted to the shareholders pursuant to article 2429 of the Italian Civil Code. These consolidated financial statements will be subsequently presented for the shareholders' approval within the terms set by law and will be filed within the terms established by article 2435 of the Italian Civil Code. The shareholders are entitled to amend these consolidated financial statements. For the purposes of IAS 10.17, the directors authorised these consolidated financial statements for issue on 15 April 2016, which is the date when the board of directors approved these financial statements.

KPMG S.p.A. was assigned the engagement to carry out the legally-required audit for the 2014-2022 period pursuant to Legislative decree no. 39/2010.



### 3. Consolidation scope

The consolidation policies applied by FS Italiane group to define the consolidation scope and, specifically, subsidiaries, jointly controlled entities and associates, and the related consolidation criteria, are described below.

#### *i) Subsidiaries*

The consolidated financial statements comprise the financial statements of the parent and those of the companies directly and indirectly controlled by the parent, from the date it gains control until the date when control ceases. Control can be exercised through direct or indirect holding of the majority of voting rights or through the right to variable returns from its involvement with the investees and the ability to affect those returns through its power over the investee, including regardless of shareholding relationships. The existence of potential voting rights exercisable at the reporting date is considering when determining control.

When non-controlling interests are acquired, goodwill is recognised only to the extent attributable to the parent. Non-controlling interests are calculated based on the percentage of investment held by third parties in the identifiable net assets of the acquiree.

With respect to business combinations achieved in stages, when control is acquired, the previously held equity interest in the acquiree are remeasured at fair value, recognising the resulting gain or loss, if any, in profit or loss.

When non-controlling interests are acquired, once control is obtained, the positive difference between the acquisition cost and the carrying amount of the non-controlling interests acquired is recognised as a decrease in the parent's equity. Conversely, when control over an entity is retained despite the sale of a portion of equity interests, the difference between the consideration received and the carrying amount of the portions transferred is recognised directly as an increase in equity.

The reporting date of the financial statements of subsidiaries, jointly controlled entities and associates included in the consolidation scope is 31 December, which is the reporting date of the consolidated financial statements. These financial statements have been specifically prepared and approved by the boards of directors of each company and duly adjusted, where necessary, to comply with the accounting policies of FS Italiane group.

Subsidiaries have been consolidated as follows:

- the assets and liabilities, income and expense of these companies are consolidated on a line-by-line basis, allocating, where necessary, the relevant portion of equity and profit or loss for the year to non-controlling interests. Equity and profit or loss for the year attributable to non-controlling interests are presented separately in consolidated equity and the consolidated income statement;
- business combinations of entities not under common control, whereby control of an entity is acquired, are recognised using the purchase method. The acquisition cost is the acquisition-date fair value of transferred assets, liabilities assumed and equity instruments issued. Identifiable acquired assets and identifiable assumed liabilities are recognised at their acquisition-date fair value. If positive, the difference between the acquisition cost and the fair value of identifiable acquired assets and identifiable assumed liabilities is recognised under intangible assets as goodwill; if negative, after having remeasured the fair values of the above assets and liabilities and the acquisition cost, said difference is recognised directly in profit or loss, as income. When the fair value of the identifiable acquired assets and identifiable assumed liabilities assets can only be determined provisionally, the business combination is recognised

using such provisional amounts. Any adjustments related to the completion of the measurement process are recognised within twelve months of the acquisition date, recalculating comparative figures;

- profits and losses, including the related tax effects, from transactions among consolidated companies and not yet realised vis-à-vis third parties, are eliminated, except for unrealised losses when the transaction reflects an impairment loss on the transferred asset. Receivables and payables and costs and revenue are also eliminated, as well as financial income and expense;
- with respect to the acquisition of non-controlling interests in companies already controlled, any difference between the acquisition cost and the related portion of the acquiree's equity is recognised in equity.

All subsidiaries are consolidated from the date the group acquires control and are excluded from the consolidation scope on the date the group no longer retains control.

#### *ii) Joint arrangements and associates*

Joint arrangements can be classified as joint operations or joint ventures based on the underlying rights and contractual obligations. Specifically: (i) a joint operation is joint arrangement whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement. In this case, individual assets and liabilities and the related costs and revenue are recognised in the financial statements of the parties based on their individual rights and obligations, regardless of the interest held; (ii) a joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

Associates are those companies over which FS Italiane group exercises significant influence, being the power to govern the financial and operating policies of the investee, without having control or joint control thereof. When assessing the existence of significant influence, potential substantive voting rights are considered.

Interests in joint ventures and associates are initially recognised at cost and subsequently measured using the equity method, whereby:

- the carrying amount of interests in joint ventures and associates is aligned to their equity, adjusted, where necessary, to comply with the accounting policies of FS Italiane group; it includes the greater amounts allocated to assets and liabilities and goodwill, if any, identified upon acquisition;
- the associates' profits or losses attributable to FS Italiane group are recognised from the date significant influence begins to the moment it ceases, while those of joint ventures from the date the rights to the net assets of the arrangement begin to the moment they cease. If, because of the losses incurred, the companies have a net deficit, the carrying amount of the investment is eliminated and any excess amount pertaining to FS Italiane group, where the latter is committed to fulfil the investee's legal or constructive obligations, or to cover their losses, is recognised in a specific provision. The statement of comprehensive income items of equity-accounted investees are recognised in specific equity reserves;
- unrealised profits and losses on transactions between the parent/subsidiaries and the equity-accounted investee are eliminated based on the amount of the interest held by FS Italiane group in the investee. Unrealised losses are eliminated, except for impairment losses.

Interests in joint operations are accounted for by recognising the assets/liabilities and the costs/revenue related to the arrangement based on the relevant rights/obligations, regardless of the interest held.

Subsidiaries, jointly controlled entities and associates, whose consolidation or recognition in the consolidated financial statements using the equity method does not generate significant effects on the group's financial position and results of

operations, are excluded from the consolidation scope and recognised at fair value, where available, or at cost, net of any impairment losses.

#### 4. Change in consolidation scope

Busitalia Veneto S.p.A. was set up on 20 January 2015 and is held by Busitalia-Sita Nord S.r.l. and APS Holding S.p.A. with 55% and 45%, respectively. It was registered in the ordinary section of the Padua company register on 26 January 2015. On 1 April 2015, Busitalia – Sita Nord S.r.l. contributed the 'Veneto' business unit, while on 1 May, APS Holding S.p.A. contributed its business unit. The company's business object is to create and/or operate transport activities, of any kind and using any means, garages and workshops, tourism projects and activities and the sale of automotive and similar materials and oil products in the Veneto region. At 31 December 2015, the company's authorised share capital amounts to €5,500,000. The effects of the transaction on the consolidated financial statements at 31 December 2015 are described below.

On 7 May 2015, the Tuscany region sold 132 Italcertifer S.p.A. ordinary shares worth €400 each, for a total amount of €335,362. Following this transaction, Ferrovie dello Stato Italiane S.p.A. holds 668 ordinary shares worth €400 each for a total amount of €267,200. Consequently, the group's percentage of investment in Italcertifer S.p.A. decreased from 66.66% at 31 December 2014 to 55.66% at 31 December 2015.

On 3 July 2015, Busitalia – Sita Nord S.r.l. completed the acquisition of the 25% investment in City Boat S.r.l. which, in turn, holds 75% of Venezia City Sightseeing S.r.l.. The purchase price was set at €262 thousand, of which €212 thousand was paid upon completion of the purchase transaction and €51 thousand will be paid as quota premium when the contractually-agreed conditions related to the company's performance for 2016 and 2017 are met.

On 20 July 2015, Grandi Stazioni S.p.A. completed the acquisition of an additional 10% of Grandi Stazioni Čescá Republika Sro, from Società Italiana per le Imprese all'Estero - SIMEST S.p.A., against a consideration of €936 thousand. Following the transaction, FS Italiane group holds, through the subsidiary Grandi Stazioni S.p.A., 61% of Grandi Stazioni Čescá Republika Sro.

During the year, as part of the sixth capital increase of €195 million, the second, the third and the fourth instalments of Tunnel Ferroviario Brennero S.p.A.'s share capital increase were approved. Following the transactions, FS Italiane group holds, through the subsidiary RFI S.p.A., which also subscribed the shares unopted by non-controlling interests, 88.79% of Tunnel Ferroviario Brennero S.p.A., compared to the 86.09% investment held at 31 December 2014. The effects of the transaction on the consolidated financial statements at 31 December 2015 are described below.

On 25 November 2015, the deed for the merger of the company Umbria Mobilità Esercizio S.r.l. (already wholly owned by Busitalia) into Busitalia – Sita Nord S.r.l. was approved. The merger became effective on 1 December 2015, backdating accounting and tax effects to 1 January 2015.

On 23 December 2015, the transfer of Ferrovie dello Stato Italiane S.p.A.'s entire investment in S.EL.F. S.r.l. to Terna S.p.A. was completed, following the partial demerger of RFI S.p.A.'s electrical assets to S.EL.F S.r.l. on 17 December 2015.

The transaction, which qualifies as a transaction performed to align the group to the system envisaged by legislation following Law no. 190 of 23 December 2014 (the "2015 Legge di Stabilità") is mainly justified by the correct reallocation

of FS group's electrical assets to their own segment and involved approximately 8,400 km-long high and very high voltage power lines, including almost 900 km which already formed part of the National Transmission Grid (NTG), 350 electrical stations and a contract for the transfer of the rights to use the fibre-optic cable owned by BasicTel S.p.A.. The €757 million transfer price was agreed for the portion of the grid that does not constitute the NTG, based on the recognised net invested capital, including government grants, as defined by the Electricity, Gas and Water Regulator (AEEGSI) with resolution no. 517/2015.

The portion of the resulting gains that could be attributed to the financing received as part of grants related to assets were allocated to RFI S.p.A. pursuant to article 1.193, letter c) of Law no. 190 of 23 December 2014 (the "2015 Legge di Stabilità"), whereby "the financial resources generated by the transfer in letter a), limited to the amount of the government grants in letter b), are to be used to cover the investments in the national railway network set out in the contract agreed between the Ministry of Infrastructure and Transport and Rete Ferroviaria Italiana S.p.A.", in line with the above provision about the reallocation of public resources from the electricity to the railway sector; the remaining part has been allocated to Ferrovie dello Stato Italiane S.p.A.. For additional information about the financial effects of the transaction, reference should be made to the specific notes thereon (8. Property, plant and machinery, 25. Other non-current and current liabilities, 29. Other income).

Furthermore, the Netinera group was involved in the following transactions which had no effect on the consolidated financial statements at 31 December 2015:

- on 1 January 2015, Autobus Sippel GmbH merged its direct subsidiary Autobus Paproth GmbH;
- on 29 July 2015, Lausitzer Nahverkehrsgesellschaft mbH was sold by Südbrandenburger Nahverkehrs GmbH to Verkehrsbetriebe Bils GmbH and, on 23 September, changed its name to Sei Mobil Verkehrsgesellschaft mbH;
- on 16 September 2015, Vogtlandbahn-GmbH merged the related company Regental Bahnbetriebs-GmbH and on 27 November changed its name to Die Länderbahn GmbH DLB.

Reference should be made to annexes from 1 to 4 of these notes for a list of subsidiaries, jointly controlled entities and associates and other unconsolidated equity investments, including their registered office and percentage of investment.

## 5. Translation of foreign operations' financial statements

The financial statements of subsidiaries, jointly controlled entities and associates have been prepared using their functional currency, being the currency of the primary economic environment in which they operate. Foreign operations' financial statements expressed in a functional currency other than the Euro are translated as follows:

- assets and liabilities are translated using closing rates;
- goodwill and fair value adjustments related to the acquisition of a foreign operation are considered as assets and liabilities of the foreign operation and translated using closing rates;
- revenue and expense are translated at the average exchange rate of the year;
- the "translation reserve", recognised under consolidated equity captions, includes both exchange rate gains and losses arising from the translation of amounts, using rates other than closing rates, and those arising from the translation of opening equity applying a rate other than the closing rate. This reserve is released to profit or loss when the related equity investment is sold.

The following exchange rates were applied to translate the financial statements of foreign operations prepared in a functional currency other than the Euro:

Euros	Average exchange rate for		Closing rate at 31 December	
	2015	2014	2015	2014
Swiss Franc	1.07	1.21	1.08	1.20
Czech koruna	27.28	27.54	27.02	27.74
Danish krone	7.46	7.45	7.46	7.45
Swedish krona	9.35	9.10	9.19	9.39
Serbian dinar	120.72	117.23	121.52	121.12
Turkish lira	3.02		3.17	

### Translation of foreign currency amounts

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

## 6. Accounting policies

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

### Property, plant and equipment

#### General criteria

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

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

Depreciation is charged on a monthly straight-line basis using rates that reflect the assets' useful life. When the depreciable asset comprises separately identifiable items with a useful life that is significantly different from that of the other items comprising the asset, depreciation is charged separately using the component approach.

#### Trenitalia S.p.A.'s calculation of rolling stock depreciation

Under the component approach, rolling stock was broken down into similar clusters based on the relevant technology level.

Four classes of "parts" were identified for each cluster:

1. parts to be reconditioned: these are serialised items of a high economic value which are regularly reconditioned at set travelling/time intervals;
2. worn parts: these are fully replaced with the spare parts in stock;
3. parts to be restyled for obsolescence/technical ageing/safety reasons;
4. parts which are not altered throughout the life of the rolling stock.

These parts are depreciated over the following periods: 5/6.5 years for classes 1 and 2; 12.5 years for driving material and 10 years for hauled stock under class 3, and 23/30 years for class 4 parts.

Rolling stock maintenance over the asset's useful life can be broken down into three macro-types:

- ordinary maintenance which ensures rolling stock efficiency; it is recognised in profit or loss;
- second-level maintenance which mainly involves replacing/repairing rolling stock components subject to wear and tear (classes 1 and 2);
- revamping activities which mainly increase the asset's performance, efficiency or useful life (class 3).

Based on the current structure of the entire maintenance process, second-level maintenance usually takes place every 5/6.5 years. These activities mainly refer to parts subject to wear and tear and replacement thereof.

Investments in revamping activities, i.e., all activities which increase the asset's performance, efficiency or useful life, provide for three main types of activities:

- activities that dramatically change the characteristics of the rolling stock and require CESIFER's re-approval, resulting in a new serial number. In this case, the useful life of the rolling stock is generally around 18 years and the depreciation rate applied is equal to 5.5%;
- technological activities which, in accordance with the provisions of the Supervisory Authority, ensure safety by adjusting the operating fleet, or part thereof. Again, these activities take place approximately every 18 years and are depreciated using a 5.5% rate;
- all other revamping activities which are not part of the above categories fall under class 3 and are therefore depreciated using an 8% or 10% depreciation rate, depending on whether the asset is a driving or hauled part.

#### RFI S.p.A.'s calculation of depreciation of property, plant and equipment

Depreciation is calculated on a straight-line basis at variable rates based on train-km production volumes. "Train-km" means the total number of kilometres travelled by trains on a railway infrastructure expressed in millions/year. Specifically: depreciation is calculated based on the ratio of quantities generated in the year to total production expected throughout the concession term, applied to the depreciable cost of the infrastructure at the reporting date. On this point, with respect to the infrastructure, the circumstance in which future investments (limited to those which guarantee a sufficient efficiency and security level of the infrastructure equal to that of the current year, specifically, extraordinary maintenance and renewals) is considered. Indeed, they are fully covered by grants and are fully financed by the government and are considered when determining the infrastructure's total production capacity. Consequently, they contribute to confirming the infrastructure's current production over the term of the concession, its useful life, and because of this profile, have an impact on the calculation of the depreciation rate. If the government had not provided any grants, the depreciation would have been calculated based on the ratio of quantities generated in the year to total production expected throughout the concession term, without considering those related to the future costs necessary to ensure the infrastructure's efficiency in the same period (specifically, extraordinary maintenance and renewals), applied to the depreciable cost of the railway infrastructure at the reporting date.

The depreciable cost of investments is the sum of all costs incurred not yet amortised, including any interest expense accrued during or for the development of assets, net of grants related to assets, excluding the expected residual carrying amount of the railway infrastructure at the end of the Concession, in order to consider the related transferability against consideration.

Property, plant and equipment which, together with intangible assets and investment property, make up the railway infrastructure, comprise seven lines as shown in the table below.

For each line, RFI S.p.A. uses the number of train-km actually sold during the year and resulting from the company's specific monitoring system, as the indicator of the quantity generated during the year.

The depreciation rates applied in 2015 and 2014 are as follows:

Line	Production indicator	
	2015	2014
<b>HS/HC network</b>	<b>1.94%</b>	<b>1.80%</b>
<b>Traditional network</b>		
Padana cross-road and international transits	2.17%	2.06%
North Tyrrhenian line and confluent lines	2.12%	1.97%
Backbone and confluent lines	1.98%	1.86%
South Tyrrhenian line	1.98%	1.84%
Adriatic line and Apennines cross-roads	2.17%	2.11%
Complementary network	2.16%	2.37%

The useful life of property, plant and equipment and their residual value are updated, where necessary, at least at each reporting date. Land is amortised to the extent related to site reclamation costs. Property, plant and equipment are derecognised when they are sold or when no future economic benefit is expected to arise from use; any gain or loss (calculated as the difference between the sale price, less costs to sell, and the carrying amount) is recognised in profit or loss in the year the asset is derecognised.

The depreciation rates used by FS Italiane Group for any other categories of property, plant and equipment are as follows:

Category	Depreciation rate
Buildings	2%-5%
Plant and machinery	5%-10%
Rolling stock	3.3%-20%
Industrial and commercial equipment	7.5%-25%
Other assets	8%-25%

## Assets under finance lease

Assets under finance lease, through which the risks and rewards incidental to ownership are substantially transferred to FS Italiane group, are recognised as assets of FS Italiane group at their fair value on the date the lease was signed or, if lower, at the present value of minimum lease payments, including the amount to be paid to purchase the asset, if any. The corresponding liability to the lessor is recognised under financial liabilities. Assets are depreciated using the above rates and criteria, unless the term of the lease is below that of the useful life reflected by said rates and there is no reasonably certainty that ownership of the leased asset will be transferred at the natural expiry of the lease. In this case, depreciation reflects the lease term. Leases whereby the lessor substantially retains the risks and rewards associated to ownership of the assets are classified as operating leases. Operating lease costs are recognised on a straight-line basis in profit or loss over the term of the lease.

## Investment property

Investment property is property held to earn rentals and/or for capital appreciation rather than for sale in the ordinary course of business. Furthermore, investment property is not used in the production or supply of goods or services or for



administrative purposes. The accounting policies applied to recognise this caption comply with those applied to "Property, plant and equipment" described earlier.

When a development project for the future sale of a property begins, the property is reclassified to inventories following its change in use. The carrying amount at the date of change in use is the property's cost for subsequent accounting under inventories and depreciation ceases.

## Intangible assets

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

### *a) Concessions, licenses and trademarks*

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

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

Any costs relating to software maintenance are expensed when incurred.

### *b) Industrial patents and intellectual property rights*

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

### *c) Goodwill*

Goodwill is the difference between the cost incurred to acquire an asset and the fair value of the related identifiable assets and liabilities acquired. It is classified as an asset with an indefinite useful life and, consequently, is not amortised on a straight-line basis, but tested for impairment at least every year to identify any impairment losses. Impairment losses on goodwill are not reversed.

For impairment test purposes, goodwill acquired in a business combination is allocated to individual cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the combination, in line with the minimum level at which goodwill is monitored within the group. Goodwill related to unconsolidated subsidiaries or associates is included in the carrying amount of equity investment.

### *d) Research and development expenditure*

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

- the project is clearly identified and any costs referred thereto are identifiable and can be measured reliably;

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

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

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

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

## Impairment losses on intangible assets and property, plant and equipment

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

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

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

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

### *ii) Goodwill and intangible assets not yet available for use*

The recoverable amount of goodwill and intangible assets not yet available for use is tested for impairment every year or more frequently if there is an indication that the asset may be impaired. However, should the reasons behind the impairment loss cease to exist, the original amount of goodwill is not reversed.

## Financial instruments

### Financial assets and trade receivables

Financial assets can be classified as follows:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

Classification is decided by management upon initial recognition.

### Financial assets at fair value through profit or loss

This category includes financial assets held for trading, derivatives (see the paragraph below) and assets designated as such upon initial recognition. Their fair value is calculated based on the reporting date bid price. The fair value of unquoted derivatives is calculated by applying commonly used financial valuation techniques. Fair value changes of the instruments included in this category are immediately recognised in profit or loss.

Classification as current or non-current assets reflects management's trading expectations: those that are expected to be realised within 12 months or designated as held for trading are included under current assets.

### Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. If there is an objective evidence of impairment, their carrying amount is decreased to reflect the discounted value of future flows: the impairment losses identified by impairment tests are recognised in profit or loss. If, in a subsequent period, the reasons behind the impairment loss cease to exist, the carrying amount of the asset is reversed without exceeding what the amortised cost would have been had the impairment not been recognised. These assets are classified as current, except for the portions due after one year which are included under non-current assets.

### Held-to-maturity investments

These assets are measured at amortised cost and are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. They are classified under current assets when the term is within 12 months. If there is objective evidence of impairment, their carrying amount is decreased to reflect the discounted value of future flows: the impairment losses identified by impairment tests are recognised in profit or loss. If, in a subsequent period, the reasons behind the impairment loss cease to exist, the carrying amount of the asset is reversed without exceeding what the amortised cost would have been had the impairment not been recognised.

## Available-for-sale financial assets

This category includes financial assets, other than derivative financial assets, that are designated as available for sale or are not classified in any of the above categories. They are measured at fair value which is calculated based on market prices at annual or interim reporting dates or using financial valuation models and techniques. Fair value changes are recognised in a specific equity caption ("reserve for available-for-sale financial assets"). This reserve is released to profit or loss only when the asset is actually sold or, in case of decreases, when the significant and prolonged decrease in fair value already recognised in equity cannot be recovered. Classification under current or non-current assets depends on management's intention and the effective trading of the security: those assets which are expected to be realised within twelve months are classified under current assets.

If there is objective evidence of impairment, their carrying amount is decreased to reflect the discounted value of future flows: the decreases in fair value previously recognised in equity are reversed to profit or loss. The impairment losses recognised in prior years are reversed when the reasons behind their recognition cease to exist. This only applies to financial instruments other than equity instruments.

## Derivatives

Derivatives are considered as assets held for trading and are measured at fair value through profit or loss, unless they effectively hedge a specific risk underlying the group's assets or liabilities or commitments.

Specifically, the group uses derivatives as part of a hedging strategies which mitigate the risk of fair value changes of recognised assets or liabilities or assets or firm commitments (fair value hedges) or changes in cash flows expected from firm commitments or highly probable transactions (cash flow hedges). Reference should be made to note 24 for information about the recognition of hedges of the currency risk on long-term contracts.

The effectiveness of hedges is documented and tested since the inception of the transaction which is periodically (at least at each annual or interim reporting date) measured by comparing the fair value changes of the hedge to those of the hedged item (dollar offset ratio) or, with respect to more complex financial instruments, through statistical analyses based on risk changes.

## Fair value hedges

Fair value changes of derivatives designated as fair value hedges and which qualify as such, are recognised in profit or loss, similarly to fair value changes of hedged assets or liabilities attributable to the risk hedged.

## Cash flow hedges

Fair value gains or losses on derivatives designated as cash flow hedges which qualify as such, are recognised, only to the extent of the "effective" portion, in other comprehensive income in the hedging reserve. They are subsequently reclassified to profit or loss when the underlying hedged item affects profit or loss. Fair value gains or losses related to the ineffective portion are immediately recognised in profit or loss. Should the underlying transaction no longer be considered highly probable, the related portion of the "*hedging reserve*" is immediately reclassified to profit or loss. Conversely, should the derivative be sold, expire or no longer qualify as an effective hedge of the risk for which the transaction was created, the related portion of the "*hedging reserve*" is maintained until the underlying item affects profit or loss. Recognition of the hedge as a cash flow hedge is discontinued prospectively.

## Fair value estimate

The fair value of instruments quoted on an active market is calculated based on the bid price at the reporting date, while that of instruments not quoted on an active market is determined using financial valuation techniques: specifically, the fair value of interest rate swaps is calculated by discounting expected cash flows, while that of currency forwards considers closing rates and the expected differentials of the relevant currencies.

Financial assets and financial liabilities measured at fair value are classified using the following three levels of the fair value hierarchy, based on the relevance of the inputs used to determine fair value. Specifically:

- Level 1: financial assets and financial liabilities whose fair value is calculated based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at the measurement date;
- Level 2: financial assets and financial liabilities whose fair value is calculated based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: financial assets and financial liabilities whose fair value is calculated based on unobservable inputs for the asset or liability.

## Cash and cash equivalents

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

## Loans, trade payables and other financial liabilities

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

## Inventories

Inventories are recognised at the lower of purchase and/or production cost and net realisable value. Cost is calculated using the weighted average cost method.

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

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

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

Properties held for trading are recognised under this caption at the lower of purchase cost and fair value, calculated by an independent appraiser. They are recognised net of the allowance for inventory write-down, while costs that enhance the assets are capitalised. The write-down is reversed in subsequent years if the reasons therefor cease to exist.

## Construction contracts

Construction contracts (or "contracts") are recognised at the reasonably accrued contractually agreed fees in accordance with the percentage of completion method, considering the progress made and the expected contractual risks. Progress is measured by comparing the contract costs incurred at the reporting date to the total estimated costs for each contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the economic benefits associated with the contract will flow to the entity, revenue is recognised over the term of the contract. When it is probable that total contract costs exceed total contract revenue, the potential loss is immediately recognised in profit or loss, regardless of the contract progress.

Contracts are shown net of allowances, if any, losses to complete contracts and payments on account and advances related to the contract in progress. Differences are recognised under assets when positive, while negative differences are taken to the liability caption "Trade payables".

## Employee benefits

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

### Post-employment benefits and other employee benefits

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

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

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

Some FS Italiane group companies also have a defined benefit pension plan in place, the "Free Travel Card" (Carta di Libera Circolazione, CLC) that gives current and retired employees and their relatives, the right to use — free of charge or, in some cases, for an admission fee — the trains managed by Trenitalia.

Consequently, in accordance with the above-mentioned actuarial techniques, a provision is recognised which reflects the discounted charge for retired employees entitled to benefits, and the benefits accrued for employees in force to be disbursed at the end of the employment.

The Free Travel Card benefits and the effects arising from actuarial valuations are the same as those of post-employment benefits.

## Provisions for risks and charges

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

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

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

## Revenue

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

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

Similarly to that described in relation to construction contracts, revenue from contract work in progress is recognised using the percentage of completion method.

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

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

## Government grants

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

### *i) Grants related to assets*

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

### *ii) Grants related to income*

They refer to amounts paid by the government or other public authorities to FS Italiane group to offset costs and charges incurred. They are recognised under "Revenue from sales and services" and "Other income", as a positive component of income.

## Dividends

They are recognised in profit or loss when the shareholders' right to receive payment thereof arises. The latter usually coincides with the shareholders' resolution approving dividend distribution.

Dividends distributed to Ferrovie dello Stato Italiane S.p.A.'s shareholders are presented as a change in equity and recognised under liabilities when their distribution is approved by the shareholders.

## Cost recognition

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

## Income taxes

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

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

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



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

## Assets and liabilities held for sale and disposal groups

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

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

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

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

## New standards

### First-time adoption of standards, amendments and interpretations

The following new standards are effective for annual periods beginning after 1 January 2015.

#### IFRIC 21 – Levies

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

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

Because of its nature, the application of this interpretation had no material effects on these consolidated financial statements.

### **Annual Improvements to IFRS: 2011-2013 Cycle**

On 12 December 2013, the IASB issued the "Annual improvements to IFRS: 2011-2013 cycle". The EU endorsed this document with Regulation no. 1361 of 18 December 2014. The following standards were amended:

- The amendment to IFRS 3 clarifies that this standard does not apply to joint ventures or joint operations when they are established. Prior to the amendment, the exception was limited to the set-up of joint ventures;
- The amendment to IFRS 13 clarifies that the "portfolio exception" applies to financial assets and financial liabilities managed on the basis of a net exposure to market and credit risks, although it does not meet the definition of IAS 32; indeed, it falls under the scope of IAS 39;
- The amendments to IAS 40 clarify that an entity shall determine whether the property acquired shall be classified as investment property or owner-occupied property under IAS 40 and subsequently separately establish whether the acquisition of the investment property constitutes the acquisition of a single asset or of a group of assets.

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

The application of the improvements to IFRS, where relevant, had no material effects on these consolidated financial statements.

### **Accounting standards, amendments and interpretations recently endorsed by the European Union, but not yet adopted**

#### **IFRS 11 – Joint arrangements - Amendments**

On 6 May 2014, the IASB issued Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). This document was endorsed by the European Union with Regulation no. 2173 of 24 November 2015. The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business.

The amendments are effective for annual periods beginning on or after 1 January 2016. FS Italiane group is currently assessing the future impacts the amendments may have on the consolidated financial statements.

#### **IAS 16 - Property, plant and equipment - IAS 38 - Intangible assets - Amendments**

On 12 May 2014, the IASB issued Clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38). This document was endorsed by the European Union with Regulation no. 2231 of 2 December 2015. The amendments clarify that the use of revenue-based methods to calculate the depreciation/amortisation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments are effective for annual periods beginning on or after 1 January 2016. FS Italiane group is currently assessing the future impacts the amendments may have on the consolidated financial statements. However, no material impacts are expected.

#### **IAS 27 – Separate financial statements - Amendments**

On 12 August 2014, the IASB issued Equity method in separate financial statements (Amendments to IAS 27). This document was endorsed by the European Union with Regulation no. 2441 of 18 December 2015. The amendments restore the option to use the equity method, described in IAS 28 Investments in associates and joint ventures, to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

The amendments are effective for annual periods beginning on or after 1 January 2016. FS Italiane group is currently assessing the future impacts the amendments may have on the consolidated financial statements.

## **IAS 19 – Employee benefits**

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

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

The application of the amendments had no material effects on these consolidated financial statements.

## **Annual Improvements to IFRS: 2010-2012 Cycle**

On 12 December 2013, the IASB issued the Annual improvements to IFRS: 2010-2012 cycle. The EU endorsed this document with Regulation no. 2015/28 of 17 December 2014. The following standards were amended:

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

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

The application of the improvements to IFRS, where relevant, had no material effects on these consolidated financial statements.

## **Annual improvements to IFRS: 2012-2014 Cycle**

On 25 September 2014, the IASB issued the Annual improvements to IFRS: 2012-2014 Cycle. This document was endorsed by the European Union with Regulation no. 2343 of 15 December 2015. The amendments introduced are part of the ordinary streamlining and clarification process of IFRS. They refer to the following standards: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosure, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting.

The amendments are effective for annual periods beginning on or after 1 January 2016. FS Italiane group is currently assessing the future impacts the amendments may have on the consolidated financial statements.

### **IAS 1 – Presentation of financial statements - Amendments**

On 18 December 2014, the IASB issued Disclosure Initiative (Amendments to IAS 1). This document was endorsed by the European Union with Regulation no. 2406 of 18 December 2015. The amendments clarify some aspects related to disclosure. The initiative is part of the Disclosure Initiative project to improve the presentation of, and disclosures in, IFRS financial statements and resolve some of the critical issues reported by operators.

The amendments are effective for annual periods beginning on or after 1 January 2016. FS Italiane group is currently assessing the future impacts the amendments may have on the consolidated financial statements.

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

At the preparation date, the competent bodies of the European Union have not yet completed the endorsement process necessary to adopt the following accounting standards and amendments. FS Italiane group is currently assessing the future impacts these standards, amendments and interpretations may have on the consolidated financial statements.

### **IFRS 14 - Regulatory deferral accounts**

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

### **IFRS 9 – Financial instruments**

On 24 July 2014, the IASB issued the definitive version of IFRS 9 - Financial instruments. This standard reflects the various stages covering classification, measurement, derecognition, impairment and hedge accounting within the IASB project to replace IAS 39. The new standard supersedes the previous versions of IFRS 9. In 2008, the IASB began the process to replace IFRS 9 which involved a number of stages. In 2009, the first version of IFRS 9 was issued, covering the measurement and classification of financial assets. The provisions governing financial liabilities and derecognition were issued in 2010. In 2013, IFRS 9 was amended to include the general model of hedge accounting. In September 2015, the EFRAG completed the due process to issue the endorsement advice which was subsequently submitted to the European Commission.

The endorsement advice recommends that all companies apply IFRS 9 as of 2018 and provides for the early application in the insurance sector.

### **IFRS 10 – Consolidated financial statements - IAS 28 – Investments in associates and joint venture - Amendments**

On 11 September 2014, the IASB issued Sales or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) to resolve an inconsistency between IAS 28 and IFRS 10. Under IAS 28, the gain or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or an associate in exchange for an investment in the latter is recognised only to the extent of unrelated investors' interests in the associate or joint venture. Conversely, under IFRS 10, when control is lost, the full amount of the gain or loss is recognised, even if the entity maintains a non-controlling interest in the company, including the sale or contribution of an associate to a joint venture or an associate. The amendments establish that when an asset or subsidiary are transferred/contributed to a

joint venture or an associate, the amount of the relevant gain or loss to be recognised in the financial statements of the transferor depends on whether the transferred/contributed assets or subsidiary constitute a business, as defined in IFRS 3. When the transferred/contributed assets or subsidiary constitute a business, the entity shall recognise the gain or loss on the entire investment previously held. Conversely, it shall recognise the portion of gain or loss attributable to share of investment that it still holds.

In December 2015, the IASB issued the amendment that defers for an unlimited period of time the coming into force of the amendments to IFRS 10 and IAS 28.

#### **IFRS 10 – Consolidated financial statements - IFRS 12 – Disclosure of interests in other entities - IAS 28 – Investments in associates and joint venture - Amendments**

On 18 December 2014, the IASB issued Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The amendment clarifies three aspects related to the consolidation of an investment entity. In July 2015, the EFRAG completed the due process for the issue of the endorsement advice.

#### **IFRS 15 - Revenue from contracts with customers and amendments**

On 28 May 2014, as part of the IFRS-US GAAP convergence project, the IASB and the FASB published IFRS 15 - Revenue from contracts with customers. This standard is a unique and comprehensive framework for revenue recognition and sets out the provisions to be applied to all contracts with customers (except for those covered by other standards on leases, insurance contracts and financial instruments). IFRS 15 replaces the previous standards applicable to revenue: IAS 18 - Revenue and IAS 11 - Construction contracts, as well as the following interpretations: IFRIC 13 - Customer loyalty programmes, IFRIC 15 - Agreements for the construction of real estate, IFRIC 18 - Transfers of assets from customers and SIC 31 - Revenue—Barter transactions involving advertising services. On 11 September 2015, the IASB issued an amendment to IFRS 15, postponing the coming into force of the standard to 1 January 2018. However, early application is permitted. The EU endorsement is expected in the second quarter of 2016.

#### **IFRS 16 – Lease**

On 13 January 2016, the IASB issued IFRS 16 Leases, which replaces IAS 17. IFRS 16 is effective from 1 January 2019. The new standard eliminates the different recognition of operating and finance leases, while containing elements that simplify its application.

Early application is permitted to entities that also adopt IFRS 15 Revenue from Contracts with Customers. The EFRAG is expected to complete the due process mid 2016.

#### **IAS 12 – Income tax - Amendments**

On 19 January 2016, the IASB issued some amendments to IAS 12 Income tax. The document “Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12)” clarifies the accounting for deferred tax assets on debt instruments measured at fair value. The amendments are effective from 1 January 2017. Early application is permitted. The EU endorsement is expected by the end of 2016.

#### **IAS 7 – Statement of Cash flows - Amendments**

On 29 January 2016, the IASB issued some amendments to IAS 7 Statement of cash flows. The Disclosure initiative (Amendments to IAS 7) document is meant to improve the presentation and disclosure of the financial information provided to users of financial statements and to resolve some of the critical issues reported by operators. The amendments are effective from 1 January 2017. The EU endorsement is expected by the end of 2016.

## Use of estimates and valuations

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

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

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

### **i) Impairment losses**

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

### **ii) Amortisation and depreciation**

Amortisation and depreciation are a significant cost for the group. The cost of property, plant and equipment and intangible assets with a finite useful life and of investment property is depreciated and amortised, respectively, over the estimated useful lives of the assets, except for RFI S.p.A. which applies the product unit method. The directors determine the useful lives of the group's assets when the assets are purchased. They are based on past experience for similar assets, market conditions and forecasts concerning future events that may have an impact on the useful life. Therefore, the actual economic life may differ from the estimated useful life. FS Italiane group assesses any technological and sector changes to update residual useful lives on a regular basis. These updates may entail a change in the amortisation and depreciation period and in the amortisation and depreciation rates of future years.

### **iii) Provisions for risks and charges**

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

#### **iv) Taxes**

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

#### **v) Fair value of derivatives**

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

#### **vi) Residual value of the railway infrastructure**

Under IAS 16, 38 and 40, the depreciable cost of the railway infrastructure (including property, plant and equipment, intangible assets and investment property) is calculated by subtracting its residual value. The residual value of the railway infrastructure is calculated as the estimated amount that an entity would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of the concession. The subsidiary RFI S.p.A., which operates the railway infrastructure, periodically revises the residual value and measures its recoverability using the best information available at that date. Periodic updates may cause a change in the depreciation rate for future years.

### **7. Financial and operational risk management**

FS Italiane group is exposed to the following risks arising from the use of financial instruments:

- credit risk;
- liquidity risk;
- market risk, specifically, interest rate and currency risks.

This section provides information on the group's exposure to each of the risks listed above, the objectives, policies and processes for the management of these risks and the methods used to assess them, as well as capital management. These consolidated financial statements also include additional quantitative information.

FS Italiane group's risk management focuses on the volatility of financial markets and is aimed at minimising potential undesired effects on its financial position and results of operations.

#### **Credit risk**

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

With regard to credit risk deriving from investing activities, the group applies a liquidity investment policy which is centrally managed by the parent and which defines:

- the minimum requirements of the financing counterparty in terms of creditworthiness and the related concentration thresholds; and

- the types of financial products that can be used.

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

With respect to the assessment of customers' credit risk, each FS Italiane group company manages and analyses the risk of all new significant customers, regularly checks their commercial and financial exposure and monitors the collection of receivables from the public administration within the contractually agreed timeframe.

The following table shows FS Italiane group's exposure to credit risk at 31 December 2015, compared with that at 31 December 2014.

	millions of Euros	
	31.12.2015	31.12.2014
Current trade receivables	3,160	2,853
Allowance for impairment	(510)	(464)
<b>Current trade receivables, net of the allowance for impairment</b>	<b>2,650</b>	<b>2,389</b>
Other current assets	3,518	5,522
Allowance for impairment	(17)	(17)
<b>Other current assets, net of the allowance for impairment</b>	<b>3,501</b>	<b>5,505</b>
Non-current financial assets (including derivatives)	2,716	3,194
Allowance for impairment		
<b>Non-current financial assets (including derivatives), net of the allowance for impairment</b>	<b>2,716</b>	<b>3,194</b>
Other non-current assets	1,126	686
Allowance for impairment	(2)	(2)
<b>Other non-current assets, net of the allowance for impairment</b>	<b>1,123</b>	<b>684</b>
<b>Cash and cash equivalents</b>	<b>1,305</b>	<b>1,308</b>
Current financial assets (including derivatives)	608	598
Allowance for impairment	(1)	(1)
<b>Current financial assets (including derivatives), net of the allowance for impairment</b>	<b>607</b>	<b>597</b>
Non-current trade receivables	112	111
Allowance for impairment	(18)	(18)
<b>Non-current trade receivables, net of the allowance for impairment</b>	<b>94</b>	<b>93</b>
Construction contracts	47	44
Allowance for inventory write-down	(1)	(1)
<b>Construction contracts, net of the allowance for inventory write-down</b>	<b>46</b>	<b>43</b>
<b>Total exposure, net of the allowance for impairment (*)</b>	<b>12,042</b>	<b>13,813</b>

(\*) Tax assets and equity investments are not included

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



millions of Euros

	31.12.2015	31.12.2014
Public administration, Italian government and Regions	9,291	10,918
Ordinary customers	722	872
Financial institutions	34	27
Other debtors	690	688
<b>Total exposure, net of the allowance for impairment</b>	<b>10,737</b>	<b>12,505</b>

	31.12.2015	31.12.2014
Public administration, Italian government and Regions	86.5%	87.3%
Ordinary customers	6.7%	7.0%
Financial institutions	0.3%	0.2%
Other debtors	6.4%	5.5%
<b>Total exposure, net of the allowance for impairment</b>	<b>100%</b>	<b>100%</b>

A significant portion of trade receivables and loan assets relates to government and public authorities, such as the Ministry of the Economy and Finance ("MEF") and the Regions.

The amount of financial assets whose recoverability is uncertain is negligible. However, an adequate allowance for impairment was accrued in this respect.

The table below gives a breakdown of financial assets and trade receivables at 31 December 2015 by overdue amount, net of cash and cash equivalents.

millions of Euros

31.12.2015						
	Not overdue	Overdue by				Total
		0-180	180-360	360-720	beyond 720	
Public administration, Italian government and Regions (gross)	7,950	515	274	384	225	9,348
Allowance for impairment	(13)		(2)	(9)	(33)	(57)
<b>Public administration, Italian government and Regions (net)</b>	<b>7,937</b>	<b>515</b>	<b>272</b>	<b>375</b>	<b>192</b>	<b>9,291</b>
Ordinary customers (gross)	404	259	61	198	260	1,182
Allowance for impairment	(49)	(19)	(22)	(132)	(238)	(460)
<b>Ordinary customers (net)</b>	<b>355</b>	<b>240</b>	<b>39</b>	<b>66</b>	<b>22</b>	<b>722</b>
<b>Financial institutions</b>	<b>32</b>	<b>2</b>				<b>34</b>
Other debtors (gross)	539	66	29	33	55	722
Allowance for impairment	1	(1)		(13)	(19)	(32)
<b>Other debtors (net)</b>	<b>540</b>	<b>65</b>	<b>29</b>	<b>20</b>	<b>36</b>	<b>690</b>
<b>Total exposure, net of the allowance for impairment</b>	<b>8,864</b>	<b>822</b>	<b>340</b>	<b>461</b>	<b>250</b>	<b>10,737</b>

31.12.2014						
	Not overdue	Overdue by				Total
		0-180	180-360	360-720	beyond 720	
Public administration, Italian government and Regions (gross)	10,130	223	236	269	114	10,972
Allowance for impairment	(14)			(18)	(22)	(54)
<b>Public administration, Italian government and Regions (net)</b>	<b>10,116</b>	<b>223</b>	<b>236</b>	<b>251</b>	<b>92</b>	<b>10,918</b>
Ordinary customers (gross)	527	276	228	171	84	1,286
Allowance for impairment	(50)	(14)	(193)	(85)	(72)	(414)
<b>Ordinary customers (net)</b>	<b>477</b>	<b>262</b>	<b>35</b>	<b>86</b>	<b>12</b>	<b>872</b>
<b>Financial institutions</b>	<b>27</b>					<b>27</b>
Other debtors (gross)	596	32	15	30	45	718
Allowance for impairment	(3)	(1)	(1)	(20)	(5)	(30)
<b>Other debtors (net)</b>	<b>593</b>	<b>31</b>	<b>14</b>	<b>10</b>	<b>40</b>	<b>688</b>
<b>Total exposure, net of the allowance for impairment</b>	<b>11,213</b>	<b>516</b>	<b>285</b>	<b>347</b>	<b>144</b>	<b>12,505</b>

### Liquidity risk

Liquidity risk is the risk that an entity may have difficulties in complying with the obligations associated with financial liabilities to be settled by delivering cash or another financial asset. Cash flows, cash requirements and the liquidity of group companies are generally monitored and centrally managed by the parent to ensure efficient and effective management of financial resources.

The parent adopts asset liability management techniques in collecting debt and loan principal from the group companies.

The group's objective is the prudent management of the liquidity risk arising from ordinary operations.

Furthermore, the group has committed and uncommitted credit lines made available by the parent to meet temporary cash needs and optimises liquidity through Ferrovie dello Stato Italiane group's cash pooling system.

The following tables show the due dates of financial liabilities and trade payables at 31 December 2015 and 2014, including interest to be paid:

millions of Euros							
31 December 2015	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
<b>Non-derivative financial liabilities</b>							
Bonds	3,917	4,289	549	52	74	2,033	1,580
Bank loans and borrowings	5,419	5,958	1,129	498	738	1,858	1,736
Loans and borrowings from other financial backers	1,807	2,096	395	132	262	788	519
Financial liabilities	227	227	224		1	2	
<b>Non-derivative financial liabilities</b>	<b>11,370</b>	<b>12,570</b>	<b>2,297</b>	<b>682</b>	<b>1,075</b>	<b>4,681</b>	<b>3,835</b>
<b>Trade payables</b>	<b>3,844</b>	<b>3,844</b>	<b>3,743</b>	<b>96</b>	<b>1</b>	<b>3</b>	<b>1</b>
<b>Derivative financial liabilities</b>	<b>129</b>	<b>131</b>	<b>40</b>	<b>23</b>	<b>34</b>	<b>31</b>	<b>3</b>

millions of Euros							
31 December 2014	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
<b>Non-derivative financial liabilities</b>							
Bonds	4,157	4,816	252	61	625	1,245	2,634
Bank loans and borrowings	5,211	5,852	682	440	748	1,767	2,215
Loans and borrowings from other financial backers	1,721	2,067	132	131	261	783	760
Financial liabilities	228	228	225	1		1	
<b>Non-derivative financial liabilities</b>	<b>11,317</b>	<b>13,447</b>	<b>1,304</b>	<b>645</b>	<b>1,658</b>	<b>3,868</b>	<b>5,972</b>
<b>Trade payables</b>	<b>3,648</b>	<b>3,459</b>	<b>1,259</b>	<b>2,196</b>	<b>1</b>	<b>2</b>	<b>1</b>
<b>Derivative financial liabilities</b>	<b>200</b>	<b>201</b>	<b>59</b>	<b>39</b>	<b>49</b>	<b>43</b>	<b>11</b>

The contractual flows from variable-rate loans have been calculated using the forward rates estimated at the reporting date. The amounts include both principal and interest.

The following table shows the repayments of non-derivative financial liabilities and trade payables within one year, 1-5 years and beyond five years.

millions of Euros

31 December 2015	Carrying amount	Within one year	1-5 years	Beyond 5 years
<b>Non-derivative financial liabilities</b>				
Bonds	3,917	563	1,872	1,482
Bank loans and borrowings	5,419	1,553	2,321	1,545
Loans and borrowings from other financial backers	1,807	470	903	434
Financial liabilities	227	225	1	1
<b>Non-derivative financial liabilities</b>	<b>11,370</b>	<b>2,811</b>	<b>5,097</b>	<b>3,462</b>
<b>Trade payables</b>	<b>3,844</b>	<b>3,839</b>	<b>4</b>	<b>1</b>

millions of Euros

31 December 2014	Carrying amount	Within one year	1-5 years	Beyond 5 years
<b>Non-derivative financial liabilities</b>				
Bonds	4,157	264	1,521	2,372
Bank loans and borrowings	5,211	1,035	2,212	1,964
Loans and borrowings from other financial backers	1,721	199	865	657
Financial liabilities	228	226	1	1
<b>Non-derivative financial liabilities</b>	<b>11,317</b>	<b>1,736</b>	<b>4,645</b>	<b>5,270</b>
<b>Trade payables</b>	<b>3,648</b>	<b>3,591</b>	<b>56</b>	<b>1</b>

Amounts due within six months or less are mainly related to trade payables for HS/HC contracts and works which are mainly repaid through government grants. The residual part is repaid using cash flows from operations.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate following changes in market prices, due to changes in exchange rates, interest rates or prices of equity instruments.

As part of its operations, FS Italiane group is exposed to several market risks, specifically interest rate risk and, to a lesser extent, currency risk. The objective of market risk management is keeping the group companies' exposure to these risks within acceptable levels, while optimising returns on investments. FS Italiane group uses hedging transactions to manage the volatility of the results.

### Interest rate risk

The group is mainly exposed to interest rate risk relating to non-current loans indexed to variable rates. The group companies which are mainly exposed to this risk (including Trenitalia, RFI and Grandi Stazioni) decided to enter into hedging transactions based on specific risk management policies approved by the relevant boards of directors and implemented with the technical and operational support of the parent.

Despite the various customisations due to the financial and business characteristics of each company, the common objective of the applied policies is to limit cash flow fluctuations in financing transactions in place and, where possible, to exploit the cost of debt optimisation opportunities offered by the indexing of variable-rate debt.

In accordance with the above policies, the group only uses plain vanillas, such as interest rate swaps, interest rate collars and interest rate caps.

The table below shows variable and fixed rate loans and borrowings:

millions of Euros

	Carrying amount	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	beyond 5 years
Variable rate	6,163	6,928	2,232	544	2,286	1,866
Fixed rate	5,207	5,642	747	531	2,395	1,969
<b>Balance at 31 December 2015</b>	<b>11,370</b>	<b>12,570</b>	<b>2,979</b>	<b>1,075</b>	<b>4,681</b>	<b>3,835</b>
Variable rate	6,432	6,862	1,212	1,096	2,202	2,352
Fixed rate	4,885	6,101	712	538	1,594	3,257
<b>Balance at 31 December 2014</b>	<b>11,317</b>	<b>12,963</b>	<b>1,924</b>	<b>1,634</b>	<b>3,796</b>	<b>5,609</b>

The table below shows the impact of variable and fixed rate loans and borrowings, before and after hedging derivatives, which convert variable rates into fixed rates or which hedge against rises in variable rates beyond the maximum levels defined.

	31.12.2015	31.12.2014
<b>Before hedging with derivatives</b>		
Variable rate	54%	57%
Fixed rate	46%	43%
<b>After hedging with derivatives</b>		
Variable rate	16%	7%
Hedged variable rate	10%	35%
Fixed rate	74%	58%

The impact is in line with the above interest rate risk management policy.

The following sensitivity analysis shows the effects that would have been recorded in terms of changes in interest expense had an increase or a decrease of 50 basis points in the Euribor interest rates affected loans in 2015:

millions of Euros

	+ 50 bps shift	- 50 bps shift
Interest expense on variable-rate debt	39	(31)
Net cash flow from hedges	(22)	23
<b>Total</b>	<b>3</b>	<b>6</b>

This table shows the effects of an increase or a decrease of 50 basis points in the Euribor interest rates on the carrying amount of derivatives, represented by a net liability at 31 December 2015.

millions of Euros

	<b>+ 50 bps shift</b>	<b>- 50 bps shift</b>
Fair value of hedging derivatives	54	(55)
<b>Total</b>	<b>54</b>	<b>(55)</b>

#### Currency risk

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

However, given the new contracts agreed by Italferr S.p.A. in Saudi Arabia, Oman and Qatar, the company entered into specific cash flow hedge derivatives for the currency risk between the Omani real (OMR) and the Euro. Consequently, the company is fully protected against this risk as it opted for forward contracts that are directly related to the EUR/OMR exchange rate, rather than using the USD/EUR exchange rate as proxy of the hedged risk. With respect to the other foreign currency contracts, Italferr S.p.A. has not yet entered into any hedging derivatives since the reliable temporary expected net cash flows have just been calculated.

The group also has loans and borrowings in Swiss francs totalling CHF81 million.

#### **Capital management**

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

#### **Financial assets and financial liabilities by category**

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

millions of Euros

<b>31 December 2015</b>	<b>Loans and receivables</b>	<b>Loans and borrowings</b>	<b>of which: hedging derivatives</b>
Non-current financial assets (including derivatives)	2,716		
Non-current trade receivables	94		
Other non-current assets	1,123		
Construction contracts	46		
Current trade receivables	2,651		
Current financial assets (including derivatives)	607		
Cash and cash equivalents	1,305		
Tax assets	122		
Other current assets	3,501		
Non-current loans and borrowings		8,571	
Non-current financial liabilities (including derivatives)		112	109
Non-current trade payables		18	
Other non-current liabilities		344	
Current loans and borrowings and current portion of non-current loans and borrowings		2,572	
Current trade payables		3,826	
Tax liabilities		7	
Current financial liabilities (including derivatives)		244	20
Other current liabilities		6,436	

(\*) VAT receivables and equity investments are not included

millions of Euros

<b>31 December 2014</b>	<b>Loans and receivables</b>	<b>Loans and borrowings</b>	<b>of which: hedging derivatives</b>
Non-current financial assets (including derivatives)	3,194		
Non-current trade receivables	93		
Other non-current assets	684		
Construction contracts	43		
Current trade receivables	2,389		
Current financial assets (including derivatives)	597		
Cash and cash equivalents	1,308		
Tax assets	102		
Other current assets	5,505		
Non-current loans and borrowings		9,591	
Non-current financial liabilities (including derivatives)		155	153
Non-current trade payables		20	
Other non-current liabilities		553	
Current loans and borrowings and current portion of non-current loans and borrowings		1,498	
Current trade payables		3,628	
Tax liabilities		6	
Current financial liabilities (including derivatives)		272	47
Other current liabilities		7,480	

(\*) VAT receivables and equity investments are not included

## 8. Property, plant and equipment

The opening and closing balances of property, plant and equipment and changes therein are shown in the table below. The assets' estimated useful lives did not change during the year.

	millions of Euros					
	Land, buildings, railway and port infrastructure	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Historical cost	84,402	15,917	819	836	22,780	124,754
Depreciation and impairment losses	(24,767)	(8,284)	(502)	(588)	(1,555)	(35,696)
Grants	(28,187)	(519)	(129)	(49)	(16,399)	(45,283)
<b>Balance at 1.1.2014</b>	<b>31,448</b>	<b>7,114</b>	<b>188</b>	<b>199</b>	<b>4,826</b>	<b>43,775</b>
Investments	20	312	4	7	3,610	3,953
Roll-out	1,380	1,033	12	16	(2,441)	
Depreciation	(107)	(916)	(17)	(33)		(1,073)
Impairment losses		(206)			(2)	(208)
Non-recurring transactions		39	1			40
Change in consolidation scope						
Exchange rate gains and losses						
Disposals and divestments	(19)	(7)	(1)	(1)	(21)	(50)
Other changes						
Reclassifications from/to "Assets held for sale"	1					1
Increases in grants	(1,164)	(109)	(7)	(7)	(1,195)	(2,481)
Other reclassifications	52	8	2		(18)	44
<b>Total changes</b>	<b>163</b>	<b>154</b>	<b>(5)</b>	<b>(18)</b>	<b>(66)</b>	<b>227</b>
Historical cost	85,943	17,301	835	857	23,912	128,848
Depreciation and impairment losses	(24,968)	(9,397)	(517)	(622)	(1,556)	(37,060)
Grants	(29,363)	(638)	(135)	(55)	(17,595)	(47,786)
<b>Balance at 31.12.2014</b>	<b>31,612</b>	<b>7,266</b>	<b>183</b>	<b>180</b>	<b>4,761</b>	<b>44,002</b>
Investments	9	59	5	5	5,130	5,208
Roll-out	2,842	1,866	14	23	(4,745)	
Depreciation	(114)	(974)	(16)	(31)		(1,135)
Impairment losses		(3)			(2)	(5)
Non-recurring transactions (1)	(386)	13		1		(372)
Disposals and divestments (2)	(13)	13		(2)	(2)	(4)
Reclassifications from/to "Assets held for sale (3)						
Increases in grants	(2,493)	(19)	(11)	(14)	(334)	(2,871)
Other reclassifications (3)	(85)	(54)	3	70	(65)	(131)
<b>Total changes</b>	<b>(239)</b>	<b>901</b>	<b>(5)</b>	<b>53</b>	<b>(19)</b>	<b>690</b>
Historical cost	87,449	19,082	858	1,075	24,165	132,629
Depreciation and impairment losses	(24,646)	(10,242)	(535)	(748)	(1,558)	(37,729)
Grants	(31,432)	(672)	(146)	(94)	(17,864)	(50,208)
<b>Balance at 31.12.2015</b>	<b>31,371</b>	<b>8,168</b>	<b>177</b>	<b>233</b>	<b>4,743</b>	<b>44,692</b>

Notes (1), (2) and (3) are broken down in the following table.



	Land, buildings, railway and port infrastructure	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
<b>1) Non-recurring transactions</b>						
Historical cost	(1,145)	17		7	(5)	(1,126)
Depreciation	283	(8)		(6)		269
Impairment losses	63					63
Grants	414	4			5	423
	<b>(386)</b>	<b>13</b>		<b>1</b>		<b>(372)</b>
<b>2) Disposals and divestments</b>						
Historical cost	(19)	(25)	(2)	(10)	(2)	(58)
Depreciation	4	12	1	6		24
Impairment losses	1	3				4
Grants	1	23		1		25
	<b>(13)</b>	<b>13</b>		<b>(2)</b>	<b>(2)</b>	<b>(4)</b>
<b>3) Other reclassifications and transfers from/to "Assets held for sale"</b>						
Historical cost	(180)	(136)	6	193	(124)	(241)
Depreciation	75	59	(3)	(83)		47
Impairment losses	11	65		(13)		63
Grants	10	(42)		(27)	59	
	<b>(85)</b>	<b>(54)</b>	<b>3</b>	<b>70</b>	<b>(65)</b>	<b>(131)</b>

The increase in investments under "Assets under construction and payments on account" (€5,130 million) is mainly due to:

- the costs incurred to complete high speed network infrastructures and to design and construct HS/HC and traditional network facilities (€3,152 million);
- the costs incurred to purchase, restructure and redevelop rolling stock (€1,745 million), specifically, the continuation of the renewal of the regional transport fleet, the purchase of the new Frecciarossa 1000 HS electric trains and the expansion of the HS service
- the capitalisation of internal and external costs related to design and works for the redevelopment of the main stations (€73 million);
- the costs incurred to redevelop, restructure and build workshops and rolling stock for German regional transport (€7 million) and to invest in plant and shop-fabricated parts and technical equipment (€55 million);
- the cost incurred by Busitalia group companies to invest in new buses and to design and implement ticketing systems (approximately €14 million).

The roll-out of "Land, buildings, railway and port infrastructure" mainly refers to RFI S.p.A.'s railway infrastructures (€2,803 million), the main Italian stations (€27 million) and the industrial buildings for rolling stock (€10 million). The roll-out of "Plant and machinery" mainly relates to new locomotives and new buses (€1,797 million) and ancillary works for station complexes (€58 million) and plants related to the railway network (€11 million).

The non-recurring transaction involving "Land, buildings, railway and port infrastructure" refers to the sale of FS group's electrical assets to Terna S.p.A., already described in the "Change in consolidation scope" paragraph, amounting to €386 million, net of the grants received. The €13 million increase related to non-recurring transactions included in the Plant and

machinery category is due to the incorporation of Busitalia Veneto S.p.A. and, specifically, the contribution of APS Holding S.p.A.'s business unit, as described in the "Change in consolidation scope" paragraph.

Following the agreement entered into with the Emilia Romagna region in December 2014, the grants of €22 million related to an amount that had been granted for the purchase of rolling stock used in the local area, were repaid.

At 31 December 2015, there are no mortgages or privileges on property, plant and equipment, except for part of Trenitalia S.p.A.'s rolling stock worth €3,410 million, which was pledged to Eurofima SA to secure non-current loans and borrowings agreed through the parent.

### **Government grants**

During the year, in line with the progress of work on property, plant and equipment, intangible assets and investment property, the following grants related to assets, totalling €3,044 million, were paid.

- €33 million related to the advances for grants from the Ministry of the Economy and Finance for investments in HS/HC infrastructures;
- €2,190 million related to the advances for grants from the Ministry of the Economy and Finance for investments in the traditional network;
- €450 million related to the advances for grants from the Ministry of Infrastructure and Transport and other bodies for infrastructural investments in the traditional network;
- €14 million related to work in progress concerning "complementary works for station complexes", approved as part of the strategic infrastructure programme (Law no. 443/2001 – the so-called Legge Obiettivo); and
- €38 million related to the maintenance/renewal of the fleet for railway and road transport;
- other grants (€299 million) mainly refer to the European Union and local bodies.

Finally, contractual constraints, with an average term of 15 years, apply to the grants received in connection with the investments into the bus fleet for the operation of public services. The repayment obligation, in the event of early sale of the contributed asset, is replaced with the possibility of using the residual grant to purchase a new asset, of the same type and for the same use, replacing the previous asset.

## 9. Investment property

The following table shows the opening and closing balances of investment property at 31 December 2015 and 2014.

millions of Euros				
	2015		2014	
	Land	Buildings	Land	Buildings
<b>Balance at 1 January 2015</b>				
Cost	2,508	700	2,529	845
of which:				
Historical cost	2,509	742	2,530	885
Grants	(1)	(42)	(1)	(40)
Accumulated depreciation		(351)		(416)
Allowance for impairment	(1,128)	(86)	(1,083)	(119)
<b>Carrying amount</b>	<b>1,380</b>	<b>263</b>	<b>1,446</b>	<b>310</b>
<b>Changes of the year</b>				
Acquisitions/Increases	1	4		5
Roll-out				
Reclassifications (1)	(49)	25	(8)	(37)
Grants		(9)		(2)
Depreciation and impairment losses	(22)	(14)	(58)	(12)
Disposals and divestments				
Other changes				
<b>Total changes</b>	<b>(70)</b>	<b>5</b>	<b>(66)</b>	<b>(47)</b>
<b>Balance at 31 December</b>				
Cost	2,446	717	2,508	700
of which:				
Historical cost	2,448	767	2,509	742
Grants	(1)	(51)	(1)	(42)
Accumulated depreciation		(357)		(351)
Allowance for impairment	(1,136)	(92)	(1,128)	(86)
<b>Carrying amount</b>	<b>1,310</b>	<b>268</b>	<b>1,380</b>	<b>263</b>
<b>Reclassifications (1)</b>				
Cost	(62)	20	(21)	(148)
Accumulated depreciation		(6)		76
Allowance for impairment	(14)	4	13	35
Grants	1	(4)		
<b>Total</b>	<b>(49)</b>	<b>25</b>	<b>(8)</b>	<b>(37)</b>

"Investment property" includes land and buildings not used in operations measured at cost, areas to be enhanced and several buildings, workshops and properties leased to third parties.

The reclassifications of the year of both land and buildings are mainly due to a change in the use of certain areas and a better representation thereof under property, plant and equipment and inventories.

Impairment losses, totalling approximately €14 million, were recognised to adjust the carrying amounts of land and buildings to their fair value which was lower as determined by accurate appraisals.

## 10. Intangible assets

millions of Euros

	Developm ent expenditu re	Industrial patents and intellectual property rights	Concessio ns, licences, trademark s and similar rights	Assets under development and payments on account	Other	Goodwill	Total
Historical cost	116	10	958	86	75	94	1,339
Amortisation and impairment losses	(89)	(10)	(630)	(2)	(40)		(771)
Grants	(5)		(37)	(19)			(61)
<b>Balance at 1.1.2014</b>	<b>22</b>		<b>291</b>	<b>65</b>	<b>35</b>	<b>94</b>	<b>507</b>
Investments		1	4	198	2		205
Roll-out	2		67	(69)			
Amortisation	(1)		(56)		(10)		(67)
Disposals and divestments							
Non-recurring transactions			1			18	19
Impairment losses				(1)			(1)
Reclassifications from/to "Assets held for sale"							
Increases in grants			(1)				(1)
Other reclassifications			1	(16)			(15)
<b>Total changes</b>	<b>1</b>	<b>1</b>	<b>16</b>	<b>112</b>	<b>(8)</b>	<b>18</b>	<b>140</b>
Historical cost	118	11	1,034	199	77	112	1,550
Amortisation and impairment losses	(90)	(10)	(686)	(3)	(50)		(838)
Grants	(5)		(41)	(19)			(65)
<b>Balance at 31.12.2014</b>	<b>23</b>	<b>1</b>	<b>307</b>	<b>177</b>	<b>27</b>	<b>112</b>	<b>647</b>
Investments		1	5	159	2		167
Roll-out			105	(105)			
Amortisation	(1)	(1)	(67)		(10)		(79)
Disposals and divestments				(1)			(1)
Non-recurring transactions			1				1
Impairment losses							
Reclassifications from/to "Assets held for sale"							
Increases in grants			(159)	(1)			(160)
Other reclassifications			137	1	1		139
<b>Total changes</b>	<b>(1)</b>		<b>20</b>	<b>54</b>	<b>(7)</b>		<b>66</b>
Historical cost	118	12	1,282	254	80	112	1,857
Amortisation and impairment losses	(91)	(11)	(755)	(3)	(60)		(919)
Grants	(5)		(200)	(20)			(226)
<b>Balance at 31.12.2015</b>	<b>22</b>	<b>1</b>	<b>327</b>	<b>231</b>	<b>20</b>	<b>112</b>	<b>712</b>

Investments in "Assets under development and payments on account" and roll-out refer to the software development and implementation costs, measures to improve the efficiency of production processes, the increase in the efficiency and streamlining of sales channels and the group's information system.

Other reclassifications relate assets under construction and payments on account.

### Impairment test

In accordance with IAS 36 – Impairment of assets, the group companies performed impairment testing on goodwill, non-current assets with an indefinite useful life and other non-current assets where necessary (i.e., if there were trigger events).

Specifically, in 2015, the impairment test focused exclusively on the goodwill of Netinera Deutschland GmbH, FS Logistica S.p.A., Ataf Gestioni S.r.l. and Busitalia - Sita Nord S.r.l. (the latter "received" the goodwill of Umbria Mobilità Esercizio S.r.l., which merged into Busitalia Sita Nord S.r.l., effective from 1 December 2015).

With respect to these companies (except for ATAF Gestioni S.r.l.), the test was carried out using 2016 forecast figures and the amounts of the latest business plan prepared by management.

Conversely, Ataf Gestioni S.r.l. used the economic forecasts and the changes in some statement of financial position items included in the updated financial plan underlying the tender procedure for the acquisition of ATAF Gestioni, for the period 2016-2028 (i.e., the expected term provided for in the tender). The plan period underlying the impairment test is based on the forecasts and the investments included in the long-term plan prepared, upon the company's acquisition, for the purposes of participating in the nine-year tender. Furthermore, the company carried out additional analyses and assessments about the possibility that the sale price to the potential operator – calculated in accordance with the recently completed tender procedure – be such to fully remunerate invested capital.

With respect to the above companies, the test was carried out by comparing net invested capital with the recoverable amount of each CGU, being the higher of a CGU's fair value and its value in use. The value in use was estimated using the perpetual capitalisation of prospective cash flows in the last year of the explicit projection period, using growth rates similar to those included in the long-term forecasts of the inflation rate (1.0%-1.5%). The discount rate used is the weighted average cost of capital ("WACC") for each CGU.

The following table shows the main figures of the test:

CGU	Goodwill (millions of Euros)	Discount rate (WACC)	Growth rate
Netinera Deutschland	78	4.72%	1.00%
FS Logistica	7	7.68%	1.50%
ATAF Gestioni	9	5.70%	n.a.
Busitalia - Umbria CGU	18	5.70%	1.50%

No impairment losses were identified for the CGUs of FS Italiane group.

Furthermore, the sensitivity analysis applied to the discount and the growth rates showed no effects on the outcome of the assessments made.

## 11. Deferred tax assets and deferred tax liabilities

The table below shows deferred tax assets and deferred tax liabilities at 31 December 2015 and changes of the year due to the main temporary differences between carrying amounts and the related tax amounts.

				millions of Euros
	31.12.2014	Incr.(decr.) through profit or loss	Incr.(decr.) OCI	31.12.2015
Deferred tax assets	139	53		192
Deferred tax liabilities	199	94		293

Deferred tax assets and liabilities relate to the misalignment between the carrying amount and the tax value of property, plant and equipment, investment property and inventories (specifically, buildings held for trading, with respect to revaluations not relevant for tax purposes).

Changes in deferred tax assets and liabilities include the new temporary differences generated by group companies during the year and their adjustment following the introduction, as of 2017, of the decrease in the IRES rate from 27.5% to 24%, introduced by the 2016 "Legge di Stabilità" (Law no. 208 of 28 December 2015). To this end, deferred tax assets and liabilities were recalculated for those captions which are expected to reverse starting from 2017.

## 12. Equity-accounted investees

They include the carrying amount of jointly controlled entities and associates.

The following table gives a breakdown of the carrying amount of equity investments at 31 December 2015, together with the percentage of investment and the related carrying amount, net of callable shares, with prior year corresponding figures.

	Carrying amount at 31.12.2015	% of investment	Carrying amount at 31.12.2014	% of investment
<b>Investments in jointly controlled entities</b>				
Cisalpino SA	4.10	50.00	19.33	50.00
ODEG Ostdeutsche Eisenbahngesellschaft mbH	3.20	50.00	3.14	50.00
Trenord S.r.l.	34.08	50.00	30.93	50.00
TELT Sas (formerly LTF Sas)	95.05	50.00		
Verkehrsbetriebe Ostthannover GmbH*	2.05	57.45	2.05	57.45
Other**	7.83		7.44	
<b>Investments in associates</b>				
B.B.T. SE S.p.A.	87.19	50.00	77.96	50.00
Ferrovie Nord Milano S.p.A.	51.66	14.74	49.15	14.74
Quadrante Europa Terminal Gate S.p.A.	7.51	50.00	7.67	50.00
TELT Sas (formerly LTF Sas)			95.05	50.00
Other**	8.98		8.54	
<b>Total</b>	<b>302</b>		<b>301</b>	

\* Despite holding more than 50% of Verkehrsbetriebe Ostthannover GmbH and more than half of the related voting rights, through the subsidiary Netinera Deutschland GmbH, the group does not control this entity in accordance with an agreement entered into with the other shareholders.

\*\* "Other" equity investments in associates and jointly controlled entities include similar situations which are not broken down as they are not significant.

The following table gives a breakdown of equity investments, grouped by category, and changes therein:

	millions of Euros					
	Closing balance at 31.12.2014	Decrease due to dividends	Capital increases (decreases)	Income statement impact	Other	Closing balance at 31.12.2015
Investments in jointly controlled entities	63	(17)		4	96	146
Investments in associates	238	(2)	9	(6)	(83)	156
<b>Total</b>	<b>301</b>	<b>(19)</b>	<b>9</b>	<b>(2)</b>	<b>13</b>	<b>302</b>

During the year, Cisalpino SA paid the group dividends of €15 million.

Capital increases in associates refer to TFB S.p.A.'s subscription (€142 million) of the share capital of BBT SE, partly offset by the grants related to assets disbursed by the Ministry of the Economy and Finance to RFI S.p.A. for financial investments (€133 million) as per section 7122, which were recognised as an adjustment to the carrying amount of the investment.

The income statement impact mainly refers to the profits/losses for 2015.

"Other" mainly includes TELT Sas' reclassification from "Investments in associates" to "Investments in jointly controlled entities" following the company's organisational and mission changes which entailed the redefinition of the shareholders' agreements between the French government and Ferrovie dello Stato Italiane S.p.A.. This caption also includes changes in the "Hedging reserve", the "Actuarial reserve" and the exchange rate differences related to companies operating in currencies other than the Euro.

### *Investments in jointly controlled entities*

The following financial information is provided about the most significant investments in jointly controlled entities. The following tables also include a reconciliation between the investment's summarised financial information and its consolidated carrying amount.

Cisalpino SA, whose business object is the preparation and management of high quality train offers connecting Italy and Switzerland and lines related to other networks, is no longer active.

Trenord S.r.l.'s business object is the operation of railway local public transport in Lombardy and the various areas defined in the relevant public service contracts.

millions of Euros

<b>Trenord S.r.l.</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
<b>% of investment</b>	<b>50%</b>	<b>50%</b>
Cash and cash equivalents	45	27
Current financial assets		
Other current assets	329	365
Non-current financial assets		
Other non-current assets	244	235
Current financial liabilities	(95)	(110)
Other current liabilities	(330)	(327)
Non-current financial liabilities	(17)	(18)
Other non-current liabilities	(98)	(100)
<b>Equity</b>	<b>78</b>	<b>72</b>
<b>Equity attributable to the parent</b>	<b>39</b>	<b>36</b>
Elimination of gain on business unit contribution	(9)	(9)
Other adjustments	4	4
<b>Carrying amount of the equity investment</b>	<b>34</b>	<b>31</b>
Revenue	782	747
Operating costs	(719)	(689)
Depreciation and impairment losses	(51)	(43)
Provisions		
<b>Operating profit</b>	<b>12</b>	<b>15</b>
Financial income		1
Financial expense	(3)	(4)
<b>Pre-tax profit</b>	<b>10</b>	<b>12</b>
Net tax expense	(6)	(10)
<b>Profit for the year</b>	<b>4</b>	<b>2</b>
Other comprehensive expense		
<b>Total comprehensive income</b>	<b>4</b>	<b>2</b>
<b>Portion of comprehensive income attributable to the parent</b>	<b>2</b>	<b>1</b>
<b>Dividends received</b>		

ODEG Ostdeutsche Eisenbahngesellschaft mbH's business object is passenger transport by rail in Germany, specifically, regional transport in northern Germany.



millions of Euros

<b>ODEG Ostdeutsche Eisenbahngesellschaft mbH</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
<b>% of investment</b>	<b>50%</b>	<b>50%</b>
Cash and cash equivalents	7	5
Current financial assets		
Other current assets	33	35
Non-current financial assets	5	
Other non-current assets	6	6
Current financial liabilities	(2)	
Other current liabilities	(17)	(31)
Non-current financial liabilities	(20)	(6)
Other non-current liabilities	(5)	(2)
<b>Equity</b>	<b>7</b>	<b>7</b>
<b>Equity attributable to the parent</b>	<b>3</b>	<b>3</b>
<b>Carrying amount of the equity investment</b>	<b>3</b>	<b>3</b>
Revenue	146	176
Operating costs	(139)	(167)
Depreciation and impairment losses	(1)	(1)
Provisions		
<b>Operating profit</b>	<b>6</b>	<b>8</b>
Financial income	1	
Financial expense	(2)	(1)
<b>Pre-tax profit</b>	<b>5</b>	<b>7</b>
Net tax expense		(2)
<b>Profit for the year</b>	<b>5</b>	<b>5</b>
Other comprehensive expense		
<b>Total comprehensive income</b>	<b>5</b>	<b>5</b>
<b>Portion of comprehensive income attributable to the parent</b>	<b>2</b>	<b>2</b>
<b>Dividends received</b>		

The business object of Tunnel Euralpin Lyon Turin Sas – TELT (formerly - Lyon Turin Ferroviarie Sas) is the construction of the new Turin-Lyon railway line and the performance of studies, surveys and preliminary works in the Italian-French area of the international section.

millions of Euros

TELT Sas (formerly LTF Sas)	31.12.2015	31.12.2014
<b>% of investment</b>	<b>50%</b>	<b>50%</b>
Cash and cash equivalents	48	13
Current financial assets		53
Other current assets	26	21
Non-current financial assets		
Other non-current assets	29	12
Current financial liabilities	(75)	(75)
Other current liabilities	(27)	(24)
Non-current financial liabilities		
Other non-current liabilities		
<b>Equity</b>	<b>1</b>	<b>1</b>
<b>Equity attributable to the parent</b>		
Difference arising from the different accounting treatment of grants related to assets*	95	95
<b>Carrying amount of the equity investment</b>	<b>95</b>	<b>95</b>
Revenue	89	45
Operating costs	(89)	(45)
Amortisation, depreciation and impairment losses		
Provisions		
<b>Operating profit</b>		
Financial income		
Financial expense		
<b>Pre-tax profit</b>		
Tax expense/income		
<b>Profit/loss for the year</b>		
Other comprehensive expense		
<b>Total comprehensive income (expense)</b>		
<b>Portion of comprehensive income attributable to the parent</b>		
<b>Dividends received</b>		

\* Reclassification of the government's grants disbursed until 2006 and related to assets in accordance with the group's accounting policies (as per IAS 20.27) through the former parent RFI S.p.A.. These grants will be used to finance the studies and preliminary works for the construction of the international section of the Turin-Lyon railway line. They are presented in equity in accordance with French GAAP.

### *Investments in associates*

The following tables provide summarised financial information about the group's investments in associates which are deemed individually material. Furthermore, they include a reconciliation between the summarised financial information and the consolidated carrying amount of each investment.

B.B.T. SE focuses on the development and design of a railway tunnel under the Brenner mountain between Innsbruck and Fortezza.

millions of Euros

<b>B.B.T. SE</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
<b>% of investment</b>	<b>50%</b>	<b>50%</b>
Cash and cash equivalents	151	42
Current financial assets		
Other current assets	36	18
Non-current financial assets		
Other non-current assets	914	703
Current financial liabilities		
Other current liabilities	(47)	(42)
Non-current financial liabilities	(436)	(327)
Other non-current liabilities		
<b>Equity</b>	<b>618</b>	<b>394</b>
<b>Equity attributable to the parent</b>	<b>309</b>	<b>197</b>
Difference arising from the different accounting treatment of grants related to assets*	(233)	(130)
Other adjustments	11	11
<b>Carrying amount of the equity investment</b>	<b>87</b>	<b>78</b>
Revenue	15	15
Operating costs	(14)	(14)
Amortisation, depreciation and impairment losses	(1)	(1)
Provisions		
<b>Operating profit</b>		
Financial income		
Financial expense		
<b>Pre-tax profit</b>		
Tax expense/income		
<b>Profit/loss for the year</b>		
Other comprehensive expense		
<b>Total comprehensive income (expense)</b>		
<b>Portion of comprehensive income attributable to the parent</b>		
<b>Dividends received</b>		

\* Reclassification of the MEF's grants related to assets in accordance with the group's accounting policies (as per IAS 20.27) through the parent Tunnel Ferroviario del Brennero S.p.A.. These grants will be used to finance the design and construction of the Brenner Rail base tunnel between Tulfes/Innsbruck and Fortezza. They are presented in equity in accordance with Italian GAAP.

Ferrovie Nord Milano S.p.A. negotiates and manages investments in companies, specifically, but not limited to, companies operating in the transport and real estate sectors.

FNM S.p.A. is listed on Borsa Italiana's OTC market. At 30 December 2015, its unit price per share was €0.483.

The following figures are taken from the consolidated financial statements of FNM group.

<b>Ferrovie Nord Milano group</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
<b>% of investment</b>	<b>14.74%</b>	<b>14.74%</b>
Cash and cash equivalents	111	47
Current financial assets	123	129
Other current assets	116	97
Non-current financial assets	15	17
Other non-current assets	382	347
Current financial liabilities	(23)	(19)
Other current liabilities	(219)	(177)
Non-current financial liabilities	(83)	(23)
Other non-current liabilities	(72)	(82)
<b>Equity</b>	<b>350</b>	<b>336</b>
<b>Equity attributable to the parent</b>	<b>52</b>	<b>49</b>
<b>Carrying amount of the equity investment</b>	<b>52</b>	<b>49</b>
Revenue	299	325
Operating costs	(258)	(289)
Amortisation, depreciation and impairment losses	(22)	(18)
Provisions		
<b>Operating profit</b>	<b>20</b>	<b>18</b>
Financial income	9	10
Financial expense	(4)	(1)
<b>Pre-tax profit</b>	<b>26</b>	<b>27</b>
Net tax expense	(5)	(6)
<b>Profit for the year</b>	<b>20</b>	<b>21</b>
Other comprehensive expense		(2)
<b>Total comprehensive income</b>	<b>20</b>	<b>19</b>
<b>Portion of comprehensive income attributable to the parent</b>	<b>3</b>	<b>3</b>
<b>Dividends received</b>	<b>1</b>	<b>1</b>

### 13. Financial assets (including derivatives)

The following table gives a breakdown of financial assets at the 2015 and 2014 year ends:

millions of Euros									
Carrying amount									
	31.12.2015			31.12.2014			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Other equity investments	72		72	191		191	(119)		(119)
Securities and loans	11	23	34	7	20	27	4	3	7
Receivables from the MEF for the fifteen-year grants to be collected	2,606	566	3,172	3,075	559	3,634	(469)	7	(462)
Other financial assets									
Loan assets	99	13	112	112	12	124	(13)	1	(12)
Other loan assets		5	5		6	6		(1)	(1)
<b>Total</b>	<b>2,788</b>	<b>607</b>	<b>3,395</b>	<b>3,385</b>	<b>597</b>	<b>3,982</b>	<b>(597)</b>	<b>10</b>	<b>(587)</b>

The decrease in this caption is mainly due to the reduction in "Other equity investments", "Receivables from the MEF for the fifteen-year grants to be collected" and "Loan assets".

With respect to "Other equity investments", during the year, the carrying amount of Eurofima SA was decreased to €119 million following the analyses of Swiss company law applied by the company based in Basel, with respect to the nature of the obligations arising from the callable shares. The analyses also led to the concurrent derecognition of the liability, originally expressed in Swiss francs, for the above obligations (€194 million at 31 December 2014). This had a positive effect of €75 million which was recognised under Financial income – Other (see note 39).

The "Receivables from the MEF for the fifteen-year grants to be collected", of €3,172 million, can be analysed as follows:

- €1,002 million related to the fifteen-year grants pursuant to article 1 of the 2006 Finance Act for the implementation of railway investments. They are recognised against the amounts to be used for the loan agreement entered into by the parent with Cassa Depositi e Prestiti and authorised by the MEF's specific decree;
- €2,170 million related to the fifteen-year grants pursuant to article 1 of the 2007 Finance Act for the continuation of the projects involving the "HS/HC" system of the Turin-Milan-Naples line.

The €462 million decrease in the receivables from the MEF is mainly due to:

- the decrease (€160 million) in the grants related to the 2006 Finance Act which is attributable to the reduction in the corresponding financial liability with Cassa Depositi e Prestiti (traditional network and HS/HC network) due to the combined effect of the additional accrual of €44 million for 2015 interest and the collection of the annual grant pertaining to 2015 (€204 million);
- the net decrease (€302 million) in the grants related to the 2007 Finance Act, due to the combined effect of the additional accrual of €98 million for 2015 interest and the collection of the annual grant pertaining to 2015 (€400 million).

The €12 million decrease in "Loan assets" is mainly due to the reduction in the amounts seized in the restricted current accounts with Unicredit and Banca Intesa San Paolo, considering the decreases in the amounts already seized at 31

December 2014. These amounts are generally restricted following third-party suppliers' seizures due to orders to pay/dishonoured writs of execution.

#### 14. Other current and non-current assets

They can be analysed as follows:

millions of Euros									
	31.12.2015			31.12.2014			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Other receivables from group companies		15	15		19	19		(4)	(4)
VAT receivables	742	564	1,306	442	300	742	300	264	564
Ministry of the Economy and Finance and Ministry of Infrastructure and Transport	1,030	3,155	4,185	605	5,117	5,722	425	(1,962)	(1,537)
Grants related to assets from the EU, other Ministries and other		27	27		50	50		(23)	(23)
Other government authorities		53	53		50	50		3	3
Sundry receivables and prepayments and accrued income	96	272	368	82	290	372	14	(18)	(4)
<b>Total</b>	<b>1,868</b>	<b>4,086</b>	<b>5,954</b>	<b>1,129</b>	<b>5,826</b>	<b>6,955</b>	<b>739</b>	<b>(1,740)</b>	<b>(1,001)</b>
Allowance for impairment	(2)	(17)	(19)	(2)	(17)	(19)			
<b>Total net of the allowance for impairment</b>	<b>1,866</b>	<b>4,069</b>	<b>5,935</b>	<b>1,127</b>	<b>5,809</b>	<b>6,936</b>	<b>739</b>	<b>(1,740)</b>	<b>(1,001)</b>

The €564 million increase in "VAT receivables" is mainly due to the effect of the new VAT management mechanism called split payment, introduced by the 2015 "Legge di Stabilità", applicable to transactions with government authorities and administrations which became effective on 1 January 2015. Under this mechanism, when goods are sold or services are provided to public entities, the tax will not be collected directly by the suppliers (and subsequently paid); in fact, it will be paid directly to the public body. Consequently, companies that carry out significant transactions with the Regions and the Ministry of the Economy and Finance have a VAT credit.

The receivables from the MEF and the Ministry of Infrastructure and Transport (MIT) are mainly related to:

- the receivables pertaining to 2015 (€243 million) and related to FS S.p.A. in connection with the Tunnel Euralpin Lyon Turin – TELT (formerly Lyon Turin Ferroviarie – LTF) project;
- the transfers to RFI S.p.A. (€3,615 million).

The table below shows the relevant figures:

millions of Euros

Transfers to FS group	Carrying amount at 31.12.2014	Increase	Decreases	Carrying amount at 31.12.2015
<b>Grants related to income:</b>				
- Due from the MEF as per the Government Programme Contract	80	976	(1,056)	
<b>Grants related to assets:</b>				
due from the MEF	4,305	1,071	(2,713)	2,663
due from the MIT	1,337	734	(549)	1,522
<b>Total grants</b>	<b>5,642</b>	<b>1,805</b>	<b>(3,262)</b>	<b>4,185</b>
<b>Total transfers to FS group</b>	<b>5,722</b>	<b>2,781</b>	<b>(4,318)</b>	<b>4,185</b>

The receivables related to the "Government Programme Contract" were recognised for an amount of €976 million, equal to that set by Law no. 190 of 23 December 2014, the "2015 Legge di Stabilità". During the year, €1,056 million was collected, €80 million in prior year residual receivables and €976 million in receivables pertaining to 2015.

With respect to grants related to assets, the receivables from the MEF related to the "Government Programme Contract" recognised in 2015 amount to €1,038 million. These amounts refer to infrastructural investments and extraordinary maintenance or urgent measures that cannot be postponed concerning the railway network, as permitted by Law no. 190 of 23 December 2014 "2015 Legge di Stabilità". Furthermore, during the year, the receivables from the MIT rose €734 million following the completion of the HS/HC lines, works to improve the railway network and the design of the Turin-Lyon tunnel.

Finally, during the year, €3,262 million was collected in total.

The receivables for grants related to assets recognised as amounts due from the MEF and the MIT as per the Government Programme Contract refer to work not yet performed. Accordingly, they have a balancing entry in liabilities under payments on account.

Finally, the decrease in grants related to assets from the EU, other Ministries and other is due to the collection of grants from the EU, other Ministries and other.

The following table gives a breakdown of other non-current and current assets by geographical segment:

millions of Euros

	31.12.2015	31.12.2014	Changes
Italy	5,897	6,919	(1,022)
Eurozone countries	51	34	17
United Kingdom			
Other European countries (EU, non-Euro)	1		1
Other non-EU European countries	2	1	1
United States			
Other countries	3	1	2
<b>Total</b>	<b>5,954</b>	<b>6,955</b>	<b>(1,001)</b>

## 15. Inventories and construction contracts

This caption can be analysed as follows:

	31.12.2015	31.12.2014	Changes
millions of Euros			
Raw materials, consumables and supplies	1,272	1,268	4
Allowance for inventory write-down	(191)	(206)	15
<b>Carrying amount</b>	<b>1,081</b>	<b>1,062</b>	<b>19</b>
Work in progress and semi-finished products	2	2	
Allowance for inventory write-down			
<b>Carrying amount</b>	<b>2</b>	<b>2</b>	
Derecognised assets to be disposed of	23	21	2
Allowance for inventory write-down	(11)	(10)	(1)
<b>Carrying amount</b>	<b>12</b>	<b>11</b>	<b>1</b>
Buildings and land held for trading	1,212	1,199	13
Allowance for inventory write-down	(354)	(334)	(20)
<b>Carrying amount</b>	<b>858</b>	<b>865</b>	<b>(7)</b>
<b>Total inventories</b>	<b>1,953</b>	<b>1,940</b>	<b>13</b>
Construction contracts	47	44	3
Allowance for inventory write-down	(1)	(1)	
<b>Carrying amount</b>	<b>46</b>	<b>43</b>	<b>3</b>
<b>Total construction contracts</b>	<b>46</b>	<b>43</b>	<b>3</b>

Raw materials, consumables and supplies comprise the inventories necessary to meet the demand for materials to be used in investments, superstructures, electrical systems, navigation equipment and maintenance materials. The €4 million increase is due to greater purchases and the related use of materials for the infrastructure (net balance of €3 million) and to the increase in the production of Officine Nazionali Armamento e Apparecchiature Elettriche (Pontassieve and Bologna), of €54 million, offset by the €53 million decrease in rolling stock parts due to the implementation of improvement solutions and the introduction of new materials management procedures. The allowance for inventory write-down decreased by €15 million mainly as a result of the €20 million accrual recognised in respect of the impairment of such materials, offset by the utilisation (approximately €35 million) to cover the scrapping of inventories.

Derecognised assets to be disposed of, which include the reclassification of the corresponding asset captions related to goods which are no longer recoverable, are substantially unchanged.

Buildings and land held for trading refer to the properties held by the group which will be sold. The €7 million decrease in their carrying amount is mainly due to the reclassification of some real estate complexes held for trading to inventories (€14 million). This reclassification was offset by greater impairment losses (€21 million) recognised to align the carrying amount of the assets to their market value.

Construction contracts reflect the gross amount due from customers for contract work in progress whose costs incurred plus recognised profit margins (less recognised losses), exceed the invoicing of work progress. They amount to €46 million and are unchanged compared to the previous year.



## 16. Current and non-current trade receivables

millions of Euros

	31.12.2015			31.12.2014			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Ordinary customers	11	1,124	1,135	11	1,252	1,263		(128)	(128)
Government authorities and other public authorities	101	229	330	100	180	280	1	49	50
Foreign railways		23	23		17	17		6	6
Railways under concession		18	18		6	6		12	12
Agencies and other transport companies		23	23		24	24		(1)	(1)
Receivables for public service contracts:									
- Regions		1,103	1,103		842	842		261	261
- government		478	478		377	377		101	101
Other receivables from group companies		162	162		154	154		8	8
<b>Total</b>	<b>112</b>	<b>3,160</b>	<b>3,272</b>	<b>111</b>	<b>2,852</b>	<b>2,963</b>	<b>1</b>	<b>308</b>	<b>309</b>
Allowance for impairment	(18)	(510)	(528)	(18)	(463)	(481)		(47)	(47)
<b>Total net of the allowance for impairment</b>	<b>94</b>	<b>2,650</b>	<b>2,744</b>	<b>93</b>	<b>2,389</b>	<b>2,482</b>	<b>1</b>	<b>261</b>	<b>262</b>

The €308 million increase in current trade receivables, gross of the allowance for impairment, is mainly due to:

- the rise in "Receivables for public service contracts - Regions" (€261 million), for passenger local service contracts. The company has agreed collection plans with some of these Regions and constantly monitors compliance, while in other limited cases, it took the appropriate measures to protect its assets and collect the receivables;
- the increase in the receivables from the MEF for the public service contract (€101 million); in this respect, the competent Ministry is adopting the legislative measures necessary to reduce the exposure;
- the €49 million increase in receivables from the government and other public authorities;
- the €128 million decrease in receivables from "Ordinary customers" due to the improved settlement period, in addition to the reduction in the receivable from Basicstel (€65 million) and the related contract transfer as part of the sale of S.EL.F. S.r.l. effective from 23 December 2015.

Furthermore, for a more thorough presentation of this caption, in 2015, "Ordinary customers" were decreased by the deferred income related to lease payments. This reclassification was also applied to the 2014 comparative figures (-€7 million).

The allowance for impairment rose by €47 million and is mainly due to the coverage of receivables for travel irregularities.

The following table gives a breakdown of non-current and current trade receivables by geographical segment:

millions of Euros

	31.12.2015	31.12.2014	Changes
Italy	3,073	2,845	228
Eurozone countries	148	82	66
United Kingdom	1		1
Other European countries (EU, non-Euro)	10	8	2
Other non-EU European countries	30	17	13
United States			
Other countries	10	11	(1)
<b>Total</b>	<b>3,272</b>	<b>2,963</b>	<b>309</b>

## 17. Cash and cash equivalents

They can be analysed as follows:

millions of Euros

	31.12.2015	31.12.2014	Changes
Bank and postal accounts	333	262	71
Cash and cash on hand	33	40	(7)
Treasury current accounts	938	1,006	(68)
<b>Total</b>	<b>1,305</b>	<b>1,308</b>	<b>(3)</b>

Cash and cash equivalents are substantially unchanged compared to the previous year.

For a breakdown of the changes in the balance, reference should be made to the statement of cash flows.

## 18. Tax assets

Tax assets of €122 million at 31 December 2015 rose by €21 million on the previous year end (€101 million). They refer to prior year income tax receivables.

## 19. Equity attributable to the parent

Changes in equity in 2015 and 2014 are shown in the statement of changes in equity.

### Share capital

Following the shareholders' resolution of 28 May 2015, which was subsequently filed on 1 June, the share capital of Ferrovie dello Stato Italiane S.p.A. was aligned with the corresponding equity, after all existing reserves were used to cover losses. Consequently, share capital decreased by €2,450 million.

At 31 December 2015, the company's share capital fully subscribed and paid up by the sole shareholder, the MEF, was made up of 36,340,432,802 ordinary shares, with a par value of €1 each, for a total of €36,340 thousand.

### Legal reserve and extraordinary reserve

The legal reserve and the extraordinary reserve were entirely used to cover the prior year losses up to 31 December 2014, by €25 million and €28 million, respectively.

**Other reserves**

They were entirely used (€255 million) to cover the prior year losses until 31 December 2014.

Furthermore, they include the capital injections made by the parent on 9 January 2015 and 30 September 2015, pursuant to article 20 of Law no. 89 of 23 June 2014 (subsequently amended by article 10.12 of Law decree no. 192/2014, converted into Law no. 11 of 27 February 2015), for the first (€40 million) and the second (€60 million) dividends to the MEF. This reserve was set up considering the qualification and the aims of the above law, based on the direct control relationship between MEF and Ferrovie dello Stato Italiane S.p.A. and the dividend policy of Ferrovie dello Stato Italiane group.

**Translation reserve**

This reserve include all exchange rate differences arising from the translation of the financial statements of foreign operations. It amounts to €4 million, up by €1 million on 31 December 2014.

**Hedging reserve**

The hedging reserve includes the effective portion of the cumulative net change in the fair value of cash flow hedges relating to transactions that have not yet taken place and the portion of the cumulated reserve with previous financial instruments in relation to which, in 2012, the counterparties exercised the contractually-permitted early termination option. At 31 December 2015, this reserve was negative by €212 thousand (negative by €291 million at 31 December 2014) due to the combined effect of the fair value measurement of hedging instruments at the reporting date (increase of €55 million) and the release of the portion of the year following the above-mentioned early termination of contracts (increase of €24 million).

**Actuarial reserve**

The actuarial reserve, which includes the effects of actuarial gains and losses on post-employment benefits and the Free Travel Card, is a negative €321 million at the reporting date (31 December 2014: negative by €395 million).

**Retained earnings**

The positive balance of €1,388 million is mainly due to the retained earnings and losses carried forward of consolidated companies and prior year consolidation adjustments. They also decreased following the coverage of the entire prior year losses incurred by the parent up to 31 December 2014 (€2,756 million).

**Other comprehensive income (net of the tax effect)**

The statement of comprehensive income, to which reference should be made, shows other comprehensive income net of the tax effect.

## 20. Equity attributable to non-controlling interests

The following table shows the financial highlights of the each subsidiary with significant non-controlling interests for the group, gross of infragroup eliminations. Consequently, these figures do not match the information provided by these companies in their financial statements. With respect to Netinera Deutschland group, these figures reflect those of the consolidated financial statements of the German group, gross of the elimination related to FS Italiane group.

millions of Euros

	Grandi Stazioni S.p.A.	Centostazioni S.p.A.	Ataf Gestioni S.r.l.	Cemat S.p.A.	Tunnel Ferroviario del Brennero S.p.A.	NETINERA Deutschland Group	Other subsidiaries which are not individually material	Eliminations/ Adjustments	Total
<b>Balances at 31.12.2015</b>									
Non-controlling interests (%)	40%	40%	30%	46.72%	11.21%	49%			
Current assets	137	37	42	88	72	148			
Non-current assets	399	52	47	70	320	706			
Current liabilities	(228)	(39)	(35)	(84)		(198)			
Non-current liabilities	(148)	(11)	(47)	(27)		(388)			
<b>Net assets</b>	<b>160</b>	<b>39</b>	<b>7</b>	<b>47</b>	<b>393</b>	<b>268</b>			
<b>Net assets pertaining to non-controlling interests</b>	<b>64</b>	<b>15</b>	<b>2</b>	<b>22</b>	<b>44</b>	<b>131</b>	<b>14</b>	<b>(3)</b>	<b>289</b>
Revenue	224	83	80	199		573			
Profit for the year	21	9	1	1		5			
Other comprehensive income	1		1						
<b>Total comprehensive income</b>	<b>22</b>	<b>9</b>	<b>2</b>	<b>1</b>		<b>5</b>			
Profit attributable to non-controlling interests	8	4		1		2	1		16
Other comprehensive income attributable to non-controlling interests	1								
Net cash flows generated by/(used in) operating activities	46	11		(5)		51			
Net cash flows used in investing activities	(63)	(2)	(11)	(8)	(113)	(19)			
Net cash flows generated by (used in) financing activities	17	(8)	13	4	142	(6)			
Total net cash flows for the year			2	(10)	30	26			
Dividends paid to non-controlling interests	(6)	(2)							

	Grandi Stazioni S.p.A.	Centostazioni S.p.A.	Ataf Gestioni S.r.l.	Cemat S.p.A.	Tunnel Ferroviario del Brennero S.p.A.	NETINERA Deutschland Group	Other subsidiaries which are not individually material	Eliminations/ Adjustments	Total
<b>Balances at 31.12.2014</b>									
Non-controlling interests (%)	40%	40%	30%	46.72 %	13.90%	49%			
Current assets	126	32	44	88	42	83			
Non-current assets	335	55	42	73	208	712			
Current liabilities	(162)	(36)	(45)	(81)		(156)			
Non-current liabilities	(146)	(16)	(36)	(35)		(373)			
<b>Net assets</b>	<b>153</b>	<b>35</b>	<b>5</b>	<b>45</b>	<b>250</b>	<b>266</b>			
<b>Net assets pertaining to non-controlling interests</b>	<b>61</b>	<b>14</b>	<b>2</b>	<b>21</b>	<b>35</b>	<b>136</b>	<b>10</b>	<b>(6)</b>	<b>272</b>
Revenue	203	80	80	206		423			
Profit for the year	18	8		1		(3)			
Other comprehensive expense	(2)		(1)						
<b>Total comprehensive income (expense)</b>	<b>16</b>	<b>8</b>	<b>(1)</b>	<b>1</b>		<b>(3)</b>			
Profit (loss) attributable to non-controlling interests	7	3		1		(1)	1		11
Other comprehensive expense attributable to non-controlling interests	(1)								
Net cash flows generated by/(used in) operating activities	46	9	(4)	20		6			
Net cash flows used in investing activities	(25)	(3)	(12)	(9)	(50)	(42)			
Net cash flows generated by (used in) financing activities	(16)	(7)	15	(2)	53	(2)			
Total net cash flows for the year	5	(1)	(1)	9	3	(38)			
Dividends paid to non-controlling interests	(3)	(2)							

## 21. Current and non-current loans and borrowings

This caption amounts to €11,143 million and can be analysed as follows:

millions of Euros

Non-current loans and borrowings, net of the current portion	Carrying amount		
	31.12.2015	31.12.2014	Changes
Bonds	3,354	3,893	(539)
Bank loans and borrowings	3,866	4,176	(310)
Loans and borrowings from other financial backers	1,351	1,522	(171)
<b>Total</b>	<b>8,571</b>	<b>9,591</b>	<b>(1,020)</b>

millions of Euros

Current loans and borrowings and current portion of non-current loans and borrowings	Carrying amount		
	31.12.2015	31.12.2014	Changes
Bonds (current portion)	563	263	300
Bank loans and borrowings (current portion)	1,553	1,035	518
Loans and borrowings from other financial backers (current portion)	456	200	256
<b>Total</b>	<b>2,572</b>	<b>1,498</b>	<b>1,074</b>
<b>Total loans and borrowings</b>	<b>11,143</b>	<b>11,089</b>	<b>54</b>

"Bonds" comprise:

- twenty-one bonds issued by the parent and fully subscribed by the Swiss investee, Eurofima SA (private placement). The aim of these bonds is to finance the investments for the plan to renew and upgrade rolling stock. Repayment will take place in one instalment at the expiry date. Coupons accrue every six months at the variable interest rate for nineteen bonds and at a fixed rate for the remaining two bonds. They are not listed on "official markets", domestic or foreign stock exchanges, cannot be traded and will be maintained in Eurofima's financial statements as the sole holder;
- two tranches, for a total of €1,350 million, of the bond related to the Euro Medium Term Notes Programme placed by FS S.p.A. with the Dublin Stock Exchange in 2013. The first tranche, with a nominal amount of €750 million and annual fixed coupon of 4%, matures on 22 July 2020, while the second tranche, with a nominal amount of €600 million and annual fixed coupon of 3.5%, matures on 22 July 2021.

During the year, bonds (both current and non-current portions) decreased by €249 million mainly as a consequence of the repayment of two Eurofima bonds, partially offset by the €10 million increase in the liability expressed in Swiss francs, following exchange rate changes.

Bank loans and borrowings (both current and non-current portions) increased during the year by €208 million mainly following greater loans and borrowings of €300 million granted by BNL, UBI and Carige to purchase new rolling stock for

regional transport in the Lazio, Tuscany, Veneto, Piedmont and Liguria regions, partially offset by the repayment of principal falling due.

Loans and borrowings from other financial backers (both current and non-current portions) include the loans and borrowings from Cassa Depositi e Prestiti for the railway infrastructure (traditional network and high speed), repayment of which is ensured by the government grants to be received for the 2007-2021 period, €160 million of which during the year, new loans and borrowings from funding transactions agreed to cover factoring transactions and loans and borrowings for the leases of Netinera Deutschland group, up by €19 million following the five new trains delivered during the year.

The table below analyses the net financial debt, shown in the reclassified statement of financial position, as presented in the 2015 Directors' report and compared with 31 December 2014:

millions of Euros			
<b>Net financial debt</b>	<b>31.12.2015</b>	<b>31.12.2014</b>	<b>Change</b>
<b>Current net financial position</b>	<b>884</b>	<b>(181)</b>	<b>1,065</b>
Treasury current accounts	(938)	(1,006)	68
Receivables from the MEF for the fifteen-year grants to be collected	(566)	(560)	(6)
Loans and borrowings from other financial backers	456	200	256
Bank loans and borrowings	1,553	1,035	518
Bonds	563	263	300
Other financial liabilities	224	225	(1)
Other	(408)	(338)	(70)
<b>Net non-current financial position</b>	<b>5,858</b>	<b>6,399</b>	<b>(541)</b>
Receivables from the MEF for the fifteen-year grants to be collected	(2,606)	(3,074)	468
Loans and borrowings from other financial backers	1,351	1,522	(171)
Bank loans and borrowings	3,866	4,176	(310)
Bonds	3,354	3,893	(539)
Other	(107)	(118)	11
<b>Total</b>	<b>6,742</b>	<b>6,218</b>	<b>524</b>

## 22. Post-employment benefits and other employee

	millions of Euros	
	2015	2014
Present value of post-employment benefit obligations	1,751	1,912
Present value of Free Travel Card obligations	48	52
<b>Total present value of obligations</b>	<b>1,799</b>	<b>1,964</b>

Changes in the present value of liabilities for defined benefit obligations are shown in the table below.

	millions of Euros	
	2015	2014
Defined benefit obligations at 1 January	1,964	1,880
Service costs	1	1
Interest cost (*)	22	39
Actuarial (gains) losses recognised in equity	(69)	163
Advances, utilisations and other changes	(119)	(119)
<b>Total defined benefit obligations</b>	<b>1,799</b>	<b>1,964</b>

(\*) through profit or loss

### Actuarial assumptions

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



	2015	2014
Discount rate (post-employment benefits)	1.38%	0.91%
Discount rate (Free Travel Card)	2.03%	1.49%
Annual increase rate of post-employment benefits for 2016	2.63%	2.40%
Annual increase rate of post-employment benefits for 2017	2.85%	2.63%
Annual increase rate of post-employment benefits for 2018 and 2019	2.73%	3.00%
Annual increase rate of post-employment benefits from 2020 onwards	3.00%	
Inflation rate of post-employment benefits for 2016	1.50%	1.20%
Inflation rate of post-employment benefits for 2017	1.80%	1.50%
Inflation rate of post-employment benefits for 2018 and 2019	1.65%	2.00%
Inflation rate of post-employment benefits from 2020 onwards	2.00%	
Inflation - Free Travel Card for 2016	1.50%	1.20%
Inflation - Free Travel Card for 2017	1.80%	1.50%
Inflation rate - Free Travel Card for 2018 and 2019	1.65%	2.00%
Inflation rate - Free Travel Card for 2020 onwards	2.00%	
Expected turnover rate for employees - post-employment benefits	3.45%	2.60%
Expected turnover rate for employees - Free Travel Card	3.61%	3.20%
Expected rate of advances	1.96%	1.97%
Death probability	RG48 mortality rate published by the General Accounting Office	
Disability	INPS tables broken down by gender and age	
Retirement age	100% upon meeting the Compulsory general insurance requirements	

The following sensitivity analysis shows the effects that would have been recorded in terms of changes in the present value of liabilities for defined benefit obligations, following reasonably possible changes in actuarial assumptions.

The last table shows the average duration of the defined benefit obligations and the disbursements provided by the plan.

millions of Euros

	Post-employment benefits	Free Travel Card	Other employee benefits
Inflation rate +0.25%	1,764	49	2
Inflation rate -0.25%	1,727	47	2
Discount rate +0.25%	1,716	47	2
Discount rate -0.25%	1,776	50	2
Turnover rate +1%	1,739		2
Turnover rate -1%	1,753		2
Plan duration	8	11	24
Payment - first year	161	3	0.2
Payment - second year	135	3	0.2
Payment - third year	153	3	0.2
Payment - fourth year	89	3	0.2
Payment - fifth year	187	3	0.2

## 23. Provisions for risks and charges

The opening and the closing balances of, and changes in, the provisions for risks and charges for 2015 are given below, indicating the current and non-current portions. They are deemed adequate to cover the group's probable charges.

millions of Euros					
Provisions for risks and charges	31.12.2014	Accruals	Utilisations and other changes	Release of excess provisions	31.12.2015
Provision for taxation	5			(1)	4
Other provisions	817	209	(92)	(49)	885
<b>Total non-current portion</b>	<b>822</b>	<b>209</b>	<b>(92)</b>	<b>(50)</b>	<b>889</b>

millions of Euros					
Current portion of provisions for risks and charges	31.12.2014	Accruals	Utilisations and other changes		31.12.2015
Other provisions	22	9	(1)		30
<b>Total current portion</b>	<b>22</b>	<b>9</b>	<b>(1)</b>		<b>30</b>

The provision for taxation includes probable future tax charges. It was released by approximately €1 million following greater prior year accruals for the local property tax (ICI) applied to station buildings.

"Other provisions" is broken down below.

The Bilateral fund for income assistance, set up to cover the launch of the group's production structure rationalisation projects, amounts to €62 million. Approximately €48 million was accrued during the year, while utilisations, of about €11 million, relate to extraordinary services to be paid to employees who entered the fund in 2014 in the next few years.

The provision for leaving incentives amounts to €45 million. It was accrued by approximately €8 million in 2015.

The provision for litigation with employees, which covers the probable charges arising from pending disputes and brought before the competent courts in respect of economic and career claims and compensation for occupational illness, amounts to €82 million. During the year, a total of €18 million was accrued. The provision was used by a total of €22 million to cover the contribution charges and costs related to disputes with personnel.

The provisions for litigation with third parties of €308 million were accrued to cover probable charges arising from the disputes underway with suppliers for subcontracting, services and supplies, the potential dispute for suppliers' claims and the charges prudently accrued for probable disputes with the Regions about the quality of the transport services rendered as part of the public service contracts. During the year, approximately €16 million was accrued, with several income statement captions as balancing entries. The provisions were used by approximately €34 million following the settlement of disputes with an unfavourable outcome for the group and the payment of penalties to customers and the Regions. Approximately €12 million was released through profit or loss to reflect the smaller needs related to pending disputes.

The provision accrued to cover the charges related to the reclamation of polluted sites and the enhancement of works to be sold (€55 million) was used by approximately €3 million.

"Other provisions" include accruals for maintenance, workshop expense, expense related to buildings held for trading and disputes with agents. During the year, the following accruals were made: €19 million for probable charges arising from the contract renewal and €12 million for the environmental reclamation costs to be incurred in respect of development areas. Utilisations amount to €10 million and releases to profit or loss to €28 million for pending disputes and possible claims from the counterparties in respect of some areas zoned for building following definitive settlement of the dispute.

Moreover, accruals for charges related to investments not adequately covered by the provisions already recognised amount to €10 million.

Finally, the changes of the year include the €67 million accrual related to the estimated charges related to the guarantees included in the agreement for the sale of electrical assets through the transfer of S.EL.F. S.r.l. to Terna S.p.A., as described in the “Change in consolidation scope” section.

## 24. Current and non-current financial liabilities (including derivatives)

millions of Euros

	Carrying amount								
	31.12.2015			31.12.2014			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Financial liabilities									
Hedging derivatives	109	20	129	153	47	200	(44)	(27)	(71)
Other financial liabilities	3	224	227	2	225	227	1	(1)	
<b>Total</b>	<b>112</b>	<b>244</b>	<b>356</b>	<b>155</b>	<b>272</b>	<b>427</b>	<b>(43)</b>	<b>(28)</b>	<b>(71)</b>

Hedging derivatives reflect the total amount of interest rate swaps (IRS) and interest rate collars, calculated using standard market valuation methods (at fair value) in accordance with IFRS 13. They were entered into by FS Italiane group to cover non-current loans and borrowings at variable rates. The €71 million decrease is due to the decrease in their fair value.

### Fair value measurement

The hedging derivatives included in the group's portfolio are OTC and fall under Level 2.

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

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

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

Specifically, the swap vs. three-month Euribor curve figures were used, as well as those related to the swap vs. six-month Euribor curve, the Eur interest rate volatility curve and the credit default swap curve (CDS) of the parties to the derivative contract, which reflect the input widely accepted by market operators to calculate non-performance risk. This risk is calculated using adequate financial valuation techniques and models which include, inter alia, the following factors i) the risk exposure, being the potential mark-to-market exposure throughout the life of the financial instrument, ii) adequate CDS curves to reflect their probabilities of default (PD).

## 25. Other current and non-current liabilities

They can be analysed as follows:

millions of Euros									
	31.12.2015			31.12.2014			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Advances for grants		4,988	4,988		5,979	5,979		(991)	(991)
Advances to customers									
Social security charges payable	60	292	352	60	278	338		14	14
VAT liabilities		28	28		92	92		(64)	(64)
Other liabilities with group companies		5	5		44	44		(39)	(39)
Other liabilities and accrued expenses and deferred income	284	1,123	1,407	493	1,087	1,580	(209)	36	(173)
<b>Total</b>	<b>344</b>	<b>6,436</b>	<b>6,780</b>	<b>553</b>	<b>7,480</b>	<b>8,033</b>	<b>(209)</b>	<b>(1,044)</b>	<b>(1,253)</b>

"Advances for grants" are mainly related to:

- the new accruals for FS S.p.A. in connection with the Tunnel Euralpin Lyon Turin – TELT (formerly Lyon Turin Ferroviarie – LTF) project, as already described in the note to "Other current and non-current assets" to which reference should be made, and
- the accruals mainly recognised by RFI S.p.A. against the grants related to assets from the government (MEF and MIT), the EU and other, for infrastructural investments.

The table below shows the changes in advances for grants related to the FS group:

millions of Euros					
	31.12.2014	Increases	Decreases	Other changes	31.12.2015
<b>Advances for grants:</b>					
- Ministry of the Economy and Finance (MEF)	4,078	1,452	(2,521)		3,009
- Ministry of Infrastructure and Transport (MIT)	1,141	734	(450)		1,425
- European Regional Development Fund	365		(214)	(32)	119
- Trans-European network	202	5	(7)	(39)	161
- Other	193	166	(79)	(6)	274
<b>Total</b>	<b>5,979</b>	<b>2,357</b>	<b>(3,271)</b>	<b>(78)</b>	<b>4,988</b>

The increases in advances related to the MEF and the MIT include:

- the new receivables related to the grants disbursed during the year as described in the notes to "Other current and non-current assets" and "Financial assets",
- the advances for grants related to assets arising from the sale of "electrical assets" to Terna S.p.A.. Law no. 190 of 23 December 2014 (The 2015 "Legge di Stabilità") provides that "the financial resources generated by the transfer in

letter a), limited to the amount of the government grants in letter b), are to be used to cover the investments in the national railway network set out in the contract agreed between the Ministry of Infrastructure and Transport and Rete Ferroviaria Italiana S.p.A.", in line with the above provision about the reallocation of public resources from the electricity to the railway sector. The relevant amount (€272 million) was calculated based on the cost/benefit methodology used by the AEEGSI, discounting to 31 December 2014 the prospective depreciation charges for the next 29 years of the public grants used for "electrical assets", increased by the planned inflation for the same period.

The decrease in advances refer to the recognition of grants under "Property, plant and equipment", "Intangible assets" and "Equity investments", to which reference should be made for additional information. Furthermore, €123 million refer to grants recognised in profit or loss to cover financial expense.

"Other changes" relate to:

- the defunding of the TEN and FESR community grants (€72 million),
- insurance compensation collected in respect of "Large events" in excess of the value of the works necessary to restore damage assets (€6 million).

"Other liabilities with group companies", of €5 million, decreased by €39 million, mainly following the disbursement of grants from the European Union to Tunnel Euralpin Lyon Turin - TELT to finance the project for the new Lyon-Turin transalpine railway line, as the party carrying out the works.

The €209 million decrease in non-current "Other liabilities and accrued expenses and deferred income" is due to the derecognition of the liability for callable shares to Eurofima SA and recognised in previous years (€194 million), following the analyses of Swiss company law of the related obligation.

Furthermore, in the last few months of the year, following the transfer of the contract with Basicel for the rights to use the power lines for the passage of fibre optic electric cables, which took place as part of the partial demerger to S.EL.F S.r.l., the related deferred income of €68 million was derecognised. Finally, for a more thorough presentation of this caption, in 2015, the deferred lease income was reclassified as a direct decrease in trade receivables. This reclassification also affected 2014 with an impact of -€7 million.

## 26. Current and non-current trade payables

They can be analysed as follows:

millions of Euros									
	31.12.2015			31.12.2014			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Trade payables	17	3,673	3,690	20	3,513	3,533	(3)	160	157
Payments on account	1	64	65		70	70	1	(6)	(5)
Trade payables to group companies		77	77		34	34		43	43
Payables for construction contracts		12	12		11	11		1	1
<b>Total</b>	<b>18</b>	<b>3,826</b>	<b>3,844</b>	<b>20</b>	<b>3,628</b>	<b>3,648</b>	<b>(2)</b>	<b>198</b>	<b>196</b>

The €160 million increase in the current portion of ordinary trade payables is mainly due to the purchase of new rolling stock, especially in the last few months of the year (€225 million). The increase was partly offset by the increase in payments recorded in 2015.

Payments on account refer to advances received. The decrease on the previous year is due greater advances received from ordinary customers and public authorities, while payables for construction contracts reflect the gross amount due from customers for contract work in progress whose costs incurred, net of profit margins recognised, exceed the invoicing of work progress. These payables refer to the asset caption "Construction contracts" and are substantially unchanged.

The €43 million increase in current trade payables to group companies is mainly due to the lack of financial settlements among some FS group companies.

## 27. Tax liabilities

The balance at 2015 year end, equal to €7 million (€5 million at 2014 year end), includes the liabilities of group companies for IRAP (regional tax on productivity) (€5 million) and the income taxes of foreign companies (€2 million).

## 28. Revenue from sales and services

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

	millions of Euros		
	2015	2014	Change
<b>Revenue from transport services</b>	<b>6,383</b>	<b>6,229</b>	<b>154</b>
Passenger traffic products	3,207	3,075	132
Cargo traffic products	878	887	(9)
<b>Market revenue</b>	<b>4,084</b>	<b>3,962</b>	<b>122</b>
Public service contracts and other contracts	247	466	(219)
Fees from the Regions	2,052	1,801	251
<b>Public service contract fees</b>	<b>2,299</b>	<b>2,267</b>	<b>32</b>
<b>Revenue from infrastructure services</b>	<b>1,256</b>	<b>1,245</b>	<b>11</b>
<b>Other service revenue</b>	<b>197</b>	<b>225</b>	<b>(28)</b>
<b>Capitalisation of work on buildings held for trading and other changes in product inventories</b>	<b>5</b>		<b>5</b>
<b>Revenue for contract work in progress</b>	<b>40</b>	<b>35</b>	<b>5</b>
<b>Total</b>	<b>7,881</b>	<b>7,734</b>	<b>147</b>

Revenue from "Passenger traffic products" shows an overall increase throughout the various passenger service sectors. Indeed, revenue from medium-/long-haul passenger transport rose by €39 million in Italy and by €16 million in the international market; the regional transport sector grew by €15 million in Italy, thanks to the increase in tariffs (+0.9%) and the greater number of passengers (1.1%), especially in Tuscany, Veneto, Campania and Lazio, following the restoration of interrupted lines in 2014, and by €48 million in the international market, specifically in Germany thanks to the new routes that Netinera Deutschland group obtained in 2015. Finally, revenue from the road passenger service rose by €14 million specifically as a result of the consolidation of Busitalia Veneto S.p.A., in which Busitalia Sita Nord S.r.l. holds a 55% investment. Since May 2015, this company has been expanding its road transport activities in the Padua and Rovigo municipalities.

The improved performance of the medium-/long-haul passenger transport merits further analysis and arises from different trends based on the various types of services.

Domestic traffic in "Market" services grew by €55 million, mainly thanks to the increase in the revenue from "Freccia" products (€67 million), following the strengthening of the offers on the HighS Turin-Milan-Naples-Salerno line. This positive performance was partly offset by the decrease in revenue from the Euronight and Charter services (down €6 million), while international traffic performed negatively, specifically following the decrease in demand for French routes (down €8 million).

The decrease in revenue from "Cargo traffic products" (down €9 million) refers to the offsetting of results on the domestic and international market. Indeed, revenue from companies operating in the domestic market increased (€9 million), with a rise of approximately 2.9% on 2014 in the traditional business sector, mainly thanks to the growth recorded by certain Italian industry sectors (specifically, steel and automotive). Conversely, revenue from the combined business segment



decreased with respect to both domestic combined sea/land traffic and international combined traffic. Companies operating abroad recorded an overall decrease of €18 million, specifically in the French and the German markets.

The decrease in revenue from public service contracts is mainly due to the termination of the cargo transport service contract at the end of 2014, as per the "2015 Legge di Stabilità" (-€98 million) and the transfer of revenue from the government to revenue from the Regions (approximately €121 million), related to Valle D'Aosta and Sicily, following the transfer of responsibility from the MIT to the special-status regions, by signing agreements directly with said regions. The increase in "Fees from the Regions" refers to the rise in the fees received by Netinera Deutschland group (€111 million) and Busitalia Group companies (€23 million), in addition to the above recalculation of the services requested by the government on a contract basis, partly offset by the decrease in revenue from the Regions following the renegotiation of some expired contracts (-€3 million).

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

	millions of Euros		
	2015	2014	Changes
Tariff and service obligations:			
for passenger transport	247	368	(121)
for cargo transport		98	(98)
<b>Total</b>	<b>247</b>	<b>466</b>	<b>(219)</b>

Revenue from infrastructure services includes revenue from the government for grants related to income paid to RFI S.p.A. pursuant to the 2015 "Legge di Stabilità", unchanged on the previous year. Revenue from the sale of electrical energy for traction rose by €14 million mainly thanks to the recalculation of the electricity tariff system pursuant to Law no. 116/2014. Revenue from toll services is substantially in line with the previous year (-€2 million) despite the reduction in toll revenue from the most profitable lines (HS/HC), as already described in the Directors' report. Finally, revenue from ferry services decreased by approximately €1 million.

"Other service revenue" refers to traffic-related services and services provided to railway companies. The decrease is due to rolling stock maintenance, specifically to Trenord S.p.A. (-€16 million) and leases (-€17 million), partly offset by shunting services and other traffic-related services which are substantially unchanged (+€1 million) and the greater releases of provisions for disputes with customers which were settled with a favourable outcome for the group (approximately €4 million).

Revenue from the capitalisation of work on property held for trading, other changes in product inventories and for contract work in progress is substantially unchanged on 2014.

## 29. Other revenue

This caption can be analysed as follows:

	millions of Euros		
	2015	2014	Change
Leases	193	185	8
Recharging of condominium expenses and IRES tax	20	18	2
Sale of buildings and land held for trading	22	15	7
Sale of advertising spaces	29	28	1
<b>Revenue from property management</b>	<b>264</b>	<b>246</b>	<b>18</b>
<b>Other sundry income</b>	<b>440</b>	<b>410</b>	<b>30</b>
<b>Total</b>	<b>704</b>	<b>656</b>	<b>48</b>

“Revenue from property management” increased mainly as a consequence of the greater number of sales of buildings and land held for trading (up €7 million), revenue from leases, recharging of condominium expenses and sale of advertising spaces, following the opening of new commercial areas at railway stations (€8 million).

The increase in “Other sundry income” on 2014 is mainly due to:

- the rise in revenue from the charging of penalties on rolling stock purchase contracts, offset by the decrease in revenue from the charging of penalties and sanctions (€37 million),
- greater grants related to income disbursed by the government, the EU and other of €2 million (€35 million in 2015 and €33 million in 2014),
- lower gains on the sale of buildings and scrapped rolling stock or which can no longer be used (-€22 million),
- the decrease in revenue from travelling with irregular tickets (-€5 million).

This caption also includes the €18 million gain on the sale of the equity investment in S.EL.F. S.r.l. to Terna S.p.A. as part of the transaction to enhance “electrical assets”, as described in the “Change in consolidation scope” section. The gain was calculated considering both the estimated charges related to the guarantees included in the sale agreement and the registration tax on the transaction.

### 30. Personnel expense

This caption can be analysed as follows:

	millions of Euros		
	2015	2014	Change
Wages and salaries	2,835	2,800	35
Social security charges	787	769	18
Other expense for employees	6	34	(28)
Post-employment benefits	180	181	(1)
Post-employment benefits/Free Travel Card service costs		1	(1)
Accruals/releases	25	27	(2)
<b>Employees</b>	<b>3,833</b>	<b>3,812</b>	<b>21</b>
Wages and salaries	9	5	4
Social security charges	1	1	
Other costs		3	(3)
<b>Consultants and freelancers</b>	<b>10</b>	<b>9</b>	<b>1</b>
<b>Other costs</b>	<b>92</b>	<b>97</b>	<b>(5)</b>
<b>Total</b>	<b>3,934</b>	<b>3,918</b>	<b>16</b>

Personnel expense is substantially stable compared with 2014.

Specifically, the increase in personnel expense is mainly due to the higher costs incurred by Netinera Deutschland group which hired personnel following the acquisition of extremely important new service routes (€20 million) and the consolidation of Busitalia Veneto S.p.A. (€3 million). Conversely, the personnel expense of the other group companies decreased, including thanks to the streamlining of work and the reduction in average workforce (from 69,487 in 2014 to 69,276 in 2015, as shown in the table below), including through leaving incentives.

The table below gives a breakdown of FS Italiane group's average number of employees by category:

	2015	2014	Changes
Managers	712	742	(30)
Junior managers	10,835	11,066	(231)
Other	57,729	57,679	50
<b>TOTAL</b>	<b>69,276</b>	<b>69,487</b>	<b>(211)</b>

### 31. Raw materials, consumables, supplies and goods

They can be analysed as follows:

millions of Euros			
	2015	2014	Change
Raw materials and consumables	748	637	111
Electrical energy and fuel for traction	319	209	110
Lighting and driving force	55	43	12
Change in land and property held for trading	37	7	30
Accruals/releases		2	(2)
<b>Total</b>	<b>1,159</b>	<b>898</b>	<b>261</b>

"Raw materials and consumables" rose by approximately €111 million following the increase in the consumption of materials in stock, especially for the infrastructure sector (€101 million).

"Electrical energy and fuel for traction" increased considerably (+€110 million) mainly following the changes introduced in the electricity market by Law no. 116/2014 (+€108 million), as already mentioned in note 28 "Revenue from sales and services", and greater fuel costs following the development of new road services (€4 million). Conversely, the decrease in costs for fuels and lubricants for traction was limited (-€2 million).

The change in buildings and land held for trading is substantially due to higher cost of assets sold compared to 2014 and greater impairment losses of the year (approximately €21 million).

## 32. Services

This caption can be analysed as follows:

	millions of Euros		
	2015	2014	Change
Other transport-related services	71	72	(1)
Toll	241	174	67
Shunting services	27	27	
Cargo transport services	319	314	5
Accruals/releases for transport services	(2)		(2)
<b>Transport services</b>	<b>656</b>	<b>587</b>	<b>69</b>
Contracted services and work	29	35	(6)
Contract cleaning and other services	364	349	15
Maintenance and repair of intangible assets and property, plant and equipment	609	591	18
Accruals/releases for maintenance	8	(111)	119
<b>Maintenance, cleaning and other contracted services</b>	<b>1,010</b>	<b>864</b>	<b>146</b>
<b>Property services and utilities</b>	<b>82</b>	<b>86</b>	<b>(4)</b>
<b>Administrative and IT services</b>	<b>150</b>	<b>135</b>	<b>15</b>
<b>External communication and advertising expense</b>	<b>30</b>	<b>19</b>	<b>11</b>
Professional services and consultancies	41	37	4
Prize competitions and fees to other railway companies	13	11	2
Insurance	68	70	(2)
Sleeping carriages and catering	98	89	9
Agencies' fees	71	65	6
Engineering services	35	27	8
Other costs for services, accruals/releases	(20)	30	(50)
Other	152	165	(13)
<b>Other</b>	<b>458</b>	<b>494</b>	<b>(36)</b>
<b>Total</b>	<b>2,386</b>	<b>2,185</b>	<b>201</b>

The increase in "Transport services" is mainly attributable to the increase in toll costs due to the increase in the services provided by Netinera Deutschland group following the acquisition of new routes in the German market (+€66 million).

The increase in "Maintenance, cleaning and other contracted services" (+€146 million) is mainly due to the release, in 2014, of the provision for ordinary maintenance as the reasons for the accrual ceased to exist, which generated a positive

effect of €111 million, in addition to the accrual of the year of €8 million. Furthermore, during the year, costs for rolling stock maintenance and repair grew (+€18 million) as well as costs for the provision of cleaning and contract services in general (+€15 million), partly offset by the reduction in costs for work on behalf of third parties (-€6 million).

The increase in administrative and IT services is due to the rise in maintenance activities for railway transport software (€10 million), road transport (€2 million) and the infrastructural network management (€3 million).

The €11 million increase in communication costs refers to the promotion of products on the market.

"Other" services decreased following different trends. Indeed, in 2015, "Other costs for services, accruals/releases" decreased by -€50 million mainly as a consequence of the release of a provision previously accrued for charges on buildings held for trading, which was in excess following the definitive transaction of the year (-€28 million), smaller accruals for litigation and disputes (-€13 million) and the release of the provisions for litigation and real estate disputes following the smaller needs in relation to outstanding disputes (-€9 million). Sundry services also decreased (-€13 million), while costs for "Engineering services" rose by €8 million following the increase in operations. Costs for "Sleeping carriages and catering" grew by €9 million, especially following the increase in costs for catering. "Agencies' fees" rose by €6 million mainly as a consequence of the increase in traffic volumes attributable to Netinera Deutschland group.

### 33. Use of third-party assets

This caption can be analysed as follows:

	millions of Euros		
	2015	2014	Change
Operating lease payments	2	2	
Leases payments, condominium expenses and registration tax	66	60	6
Leases and indemnities for rolling stock and other	112	110	2
Accruals/Releases	1		1
<b>Total</b>	<b>181</b>	<b>172</b>	<b>9</b>

The increase in "Lease payments, condominium expenses and registration tax" is mainly due to the consolidation of Busitalia Veneto S.p.A. (€1 million) and the leases of service cars.

The increase in "Leases and indemnities for rolling stock and other" is mainly due to greater leases of rolling stock in the domestic market (+€7 million), offset by the decrease in costs on the German market (-€5 million).

### 34. Other operating costs

This caption can be analysed as follows:

millions of Euros			
	2015	2014	Change
Other costs	148	149	(1)
Losses	5	2	3
Accruals/releases	12	10	2
<b>Total</b>	<b>165</b>	<b>161</b>	<b>4</b>

"Other operating costs" slightly increased by €4 million following the greater recognised losses compared to 2014 on the sale of rolling stock no longer used (+€3 million) and greater provisions for risks related to litigation with third parties (+€2 million). "Other costs", which include membership fees and contributions to sundry bodies, penalties received and compensation, non-deductible VAT and other taxes, are substantially unchanged.

### 35. Internal work capitalised

Internal work capitalised mainly relates to the cost of the infrastructure and value-increasing maintenance of the rolling stock carried out at FS group's workshops. It mainly refers to cost of materials, personnel and transport expense.

This caption amounts to €1,215 million, up by €157 million on 2014 (€1,058 million). The rise in capitalisations is mainly due to the increase in production related to investments with a higher insourcing rate and, in general, to the increase in investments in plant, lines and greater value-increasing maintenance of rolling stock.

### 36. Amortisation and depreciation

This caption can be analysed as follows:

millions of Euros			
	2015	2014	Change
Amortisation	79	67	12
Depreciation	1,149	1,086	63
<b>Total</b>	<b>1,228</b>	<b>1,153</b>	<b>75</b>

The increase in the depreciation of property, plant and equipment (approximately €62 million) is mainly due to investing, redevelopment and value-increasing maintenance of rolling stock activities (+€53 million). This caption increased also following the change in the depreciation rate charged to the HS/HC Network (approximately +8 million).

### 37. Impairment losses (reversals of impairment losses)

This caption can be analysed as follows:

millions of Euros			
	2015	2014	Change
Impairment losses on intangible assets	2	1	1
Impairment losses on property, plant and equipment and investment property	35	275	(240)
Impairment losses and reversals of impairment losses on receivables	18	20	(2)
<b>Total</b>	<b>55</b>	<b>296</b>	<b>(241)</b>

"Impairment losses on property, plant and equipment" decreased considerably mainly due to the fact that, in 2014, impairment losses were recognised on Trenitalia's Cargo CGU and some real estate complexes, totalling €185 million and €56 million, respectively. Consequently, this caption improved by a total of €241 million. The changes of the year also include the greater impairment losses recognised on some buildings held for trading (+€21 million) and smaller impairment losses on assets and rolling stock (-€20 million).

### 38. Provisions

Provisions, totalling €48 million (2014: €6 million), include the accruals recognised by FS Italiane group companies for the extraordinary portion of the Bilateral fund for income assistance which will assist personnel leaving the company who meet specific requirements over the next few years.

For additional information, reference should be made to note 23 "Provisions for risks and charges".

### 39. Financial income

This caption can be analysed as follows:

millions of Euros			
	2015	2014	Change
Financial income from non-current loans and receivables and securities	1	2	(1)
Financial income from derivatives		2	(2)
Other financial income	112	101	11
Exchange rate gains	3	2	1
<b>Total</b>	<b>116</b>	<b>107</b>	<b>9</b>

Financial income increased by a total of €9 million.

The increase in "Other financial income" is mainly due to the combined effect of the €75 million increase, as described in note 13 to Financial assets about the investee Eurofima SA, offset by smaller interest income on receivables of approximately €63 million, recognised in 2014 following the change of the discounting period applicable to the receivable



from the Prime Minister's Office for the waste disposal emergency in the Campania region related to the amounts collected in 2014.

"Financial income from derivatives" has a nil balance in 2015 following the decrease in the time value component (-€2 million).

#### 40. Financial expense

This caption can be analysed as follows:

	millions of Euros		
	2015	2014	Change
Interest on financial liabilities	184	195	(11)
Financial expense per employee benefits	26	42	(16)
Financial expense on derivatives	1		1
Impairment losses on financial assets	10		10
Exchange rate loss	9	7	2
Accruals/releases	1	1	
<b>Total</b>	<b>231</b>	<b>245</b>	<b>(14)</b>

Financial expense amounts to €231 million, down by €14 million.

"Interest on financial liabilities", which includes interest expense on bonds, interest on non-current loans and borrowings from banks and other financial backers and sundry interest and fees, decreased by €11 million mainly as a consequence of the drop in interest rates in international markets, specifically the Euribor.

"Financial expense per employee benefits", which includes the measurement of post-employment benefits and the Free Travel Card, decreased by €16 million due to the change in the discounting rate applied to post-employment benefits and personnel who left the company.

The above financial expense is shown net of government grants of €123 million (reference should also be made to note 25 "Other current and non-current liabilities").

#### 41. Share of profits of equity-accounted investees

This caption, which includes the profits and losses of the group's associates and jointly controlled companies recognised using the equity method, shows a profit of €8 million, down by €19 million on 2014. Indeed, in 2014, the caption included the non-recurring profits from Cisalpino related to penalties charged to Alstom S.p.A..

For additional information reference should be made to note 12 "Equity-accounted investees".

## 42. Current and deferred taxes

Income taxes can be analysed as follows:

	millions of Euros		
	2015	2014	Change
IRAP	37	109	(72)
IRES	2	5	(3)
Foreign current taxes	5	3	2
Deferred taxes	39	143	(104)
Foreign deferred taxes	(4)	(5)	1
Adjustments to prior year income taxes	(6)	(10)	4
<b>Total income taxes</b>	<b>73</b>	<b>245</b>	<b>(172)</b>

The decrease in current IRAP on 2014 is due to the new legislation introduced by article 1.20 of Law no. 190/2014 (the 2015 "Legge di Stabilità") which, as of the 2015 tax year, provides for the full deductibility of all personnel expense relating to employees hired under open-ended contracts from the IRAP tax base.

This legislative change also explains the significant improvement in 2015 deferred tax assets and liabilities. Indeed, in 2015, they included the elimination of deferred tax assets, again for IRAP purposes, previously recognised by RFI S.p.A. (€163 million).

For additional information about changes in deferred taxes, reference should be made to note 11 on "Deferred tax assets and deferred tax liabilities".

## 43. Contingent assets and contingent liabilities

Contingent liabilities refer, in particular, to the scope of litigation described in the Directors' report section on "Litigation and disputes" to which reference should be made for additional information.

## 44. Audit fees

Pursuant to article 37.16 of Legislative Decree no. 39/2010 and letter 16-*bis* of article 2427 of the Italian Civil Code, the total fees due to the independent auditors are shown below. Audit fees amount to €3,350 thousand and include the fees paid for services other than the legally-required audit (€765 thousand).

#### 45. Directors' and statutory auditors' fees

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

thousands of Euros			
RECIPIENTS	2015	2014	Change
Directors	1,427	1,310	117
Statutory auditors	100	100	
<b>TOTAL</b>	<b>1,527</b>	<b>1,410</b>	<b>117</b>

Directors' fees include the amounts envisaged for the positions of Chairman and Chief Executive Officer, as well as any amounts envisaged for the remaining board members. In addition to the above fees, the external member of the supervisory body received €45 thousand (2014: €45 thousand). The fees to the representatives of the Ministry of the Economy and Finance (directors and statutory auditors) are transferred to such Ministry when the related parties are employees thereof.

#### 46. Related parties

Related parties were identified in accordance with IAS 24.

##### Transactions with key managers

The general conditions that govern transactions with key managers and the parties related to them are not more favourable than those applied, or that could have been reasonably applied, to similar transactions with managers other than key managers associated to the same entities at market conditions.

Key managers' fees are as follows:

millions of Euros		
	2015	2014
Short-term benefits	12.6	14.0
Post-employment benefits	0.8	0.8
Other long-term benefits		
Termination benefits		3.7
<b>Total</b>	<b>13.4</b>	<b>18.6</b>

The benefits relate to the fees paid to the above parties. In addition to short-term benefits of €12.6 million paid out in 2015, a variable portion is to be paid in 2016, for an amount not exceeding €2.6 million (€2.4 million in 2014).

During the year, the key managers did not carry out any transactions, directly or through close family members, with FS Italiane group, group companies or other related parties.

##### Related party transactions

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

## Trade and other transactions

	millions of Euros					
	Receivables	Payables	Purchases for investments	Guarantees	Revenue	Costs
Enel group	8	7	1	9	4	85
Eni group	4	151		357	13	350
Finmeccanica group	6	59	566	81	6	48
Invitalia group						
ANAS group	2				4	
Cassa Depositi e Prestiti group	3	14		24	10	85
ENAV group						
GSE group	2	54		150		343
Poste Italiane group	1	3			1	2
EXPO 2015 S.p.A.					1	
EUROFER		55				
PREVINDAI		1				1
Other pension funds		1				15
Other related parties					1	
<b>Total</b>	<b>26</b>	<b>345</b>	<b>567</b>	<b>622</b>	<b>41</b>	<b>929</b>

## Financial transactions

	millions of Euros			
	Receivables	Payables	Income	Expense
Finmeccanica group			3	
Cassa Depositi e Prestiti group		1,200		45
Poste Italiane group	5			
Other pension funds				
<b>Total</b>	<b>5</b>	<b>1,200</b>	<b>3</b>	<b>45</b>

The nature of the main transactions with independent related parties is described below.

Receivables from Enel group and Eni group mainly refer to lease payments and material transport costs, while payables related to sundry utility payments.

Receivables from Finmeccanica group mainly relate to lease payments, transport costs and lease of rolling stock, while payables refer to sundry maintenance (rolling stock, line, software) and purchase of materials.

Payables to GSE group mainly refer to the purchasing of electricity for train traction.

Receivables from Cassa Depositi e Prestiti group mainly refer to lease and easement payments of land, while payables relate to loans and borrowings and electricity with Terna.

Receivables from Poste Italiane group mainly refer to lease payments, while payables principally relate to postal charges.

## 47. Guarantees and commitments

Guarantees given mainly refer to:

- collateral on Trenitalia S.p.A.'s rolling stock, issued by the company in favour of Eurofima SA, guaranteeing non-current loans and borrowings through Ferrovie dello Stato Italiane S.p.A. (the liability with Eurofima SA at 31 December 2015 amounts to €2,561 million);
- guarantees issued by FS S.p.A. in favour of the European Investment Bank on behalf of RFI S.p.A. and Trenitalia S.p.A., guaranteeing non-current loans and borrowings granted by the above bank to the companies;
- guarantees issued on behalf of Trenitalia S.p.A. to the Regions, including in relation to the public service contracts agreed, and to other bodies by financial institutions;

- direct guarantees issued on behalf of the group to the tax authorities;
- direct and bank guarantees issued on behalf of RFI S.p.A. to public authorities (including, but not limited to: good and timely performance of the works related to the HS/HC line and reclamation activities, against the disbursement of financial grants);
- guarantees issued on behalf of RFI S.p.A. and in favour of Terna S.p.A. for the service contract governing electrical energy dispatching by withdrawal points which feed rail traction and for other uses and direct and bank guarantees issued on behalf of RFI S.p.A. and to Acea Distribuzione S.p.A., Enel Distribuzione S.p.A., A2A S.p.A., Hera S.p.A. and Selnat S.r.l. for contracts regulating energy transport services for rail traction and other uses;
- bank sureties issued to other parties such as bid bonds, performance bonds and advance payment bonds.

For additional information about the parent's guarantees and commitments issued on behalf of group companies, reference should be made note 43 of the notes to the separate financial statements.

#### 48. Segment reporting by business segment

The financial highlights of the group's operating segments for 2015 and 2014 are show below:

millions of Euros						
2015	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and eliminations of operating segments	Ferrovie dello Stato Italiane group
Revenue from third parties	6,673	1,377	226	40		8,316
Inter-segment revenue	268	1,150	174	234	(1,557)	269
<b>Revenue</b>	<b>6,941</b>	<b>2,527</b>	<b>400</b>	<b>274</b>	<b>(1,557)</b>	<b>8,585</b>
Personnel expense	(2,290)	(1,502)	(33)	(135)	26	(3,934)
Other costs, net	(3,106)	(754)	(262)	(85)	1,531	(2,676)
<b>Operating costs</b>	<b>(5,396)</b>	<b>(2,256)</b>	<b>(295)</b>	<b>(220)</b>	<b>1,557</b>	<b>(6,610)</b>
<b>Gross operating profit (loss)</b>	<b>1,546</b>	<b>271</b>	<b>105</b>	<b>54</b>		<b>1,975</b>
Amortisation and depreciation	(1,086)	(94)	(31)	(17)		(1,228)
Impairment losses and accruals	(43)	(26)	(25)	(9)		(103)
<b>Operating profit (loss)</b>	<b>417</b>	<b>151</b>	<b>49</b>	<b>28</b>		<b>644</b>
Net financial income (expense)	(169)	(37)	(4)	92	11	(107)
Income taxes	(22)	(3)	(34)	66	(81)	(73)
<b>Segment profit (loss) (attributable to the owners of the parent and non-controlling interests)</b>	<b>226</b>	<b>111</b>	<b>11</b>	<b>186</b>	<b>(70)</b>	<b>464</b>

millions of Euros						
31.12.2015	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and eliminations of operating segments	Ferrovie dello Stato Italiane group
<b>Net invested capital</b>	<b>9,898</b>	<b>32,880</b>	<b>2,000</b>	<b>160</b>	<b>(243)</b>	<b>44,695</b>

millions of Euros

2014	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and eliminations of operating segments	Ferrovie dello Stato Italiane group
Revenue from third parties	6,491	1,385	200	21	1	8,097
Inter-segment revenue	295	1,142	173	232	(1,549)	293
<b>Revenue</b>	<b>6,787</b>	<b>2,527</b>	<b>372</b>	<b>253</b>	<b>(1,548)</b>	<b>8,390</b>
Personnel expense	(2,248)	(1,517)	(33)	(144)	25	(3,917)
Other costs, net	(3,000)	(562)	(241)	(78)	1,522	(2,359)
<b>Operating costs</b>	<b>(5,248)</b>	<b>(2,079)</b>	<b>(274)</b>	<b>(222)</b>	<b>1,547</b>	<b>(6,276)</b>
<b>Gross operating profit</b>	<b>1,539</b>	<b>448</b>	<b>98</b>	<b>31</b>	<b>(2)</b>	<b>2,114</b>
Amortisation and depreciation	(1,019)	(87)	(32)	(16)		(1,153)
Impairment losses and accruals	(269)	(15)	(8)	(10)		(302)
<b>Operating profit</b>	<b>251</b>	<b>346</b>	<b>58</b>	<b>5</b>	<b>(1)</b>	<b>659</b>
Net financial income (expense)	(79)	(43)	(4)	17	(1)	(111)
Income taxes	(79)	(174)	(22)	31	(2)	(245)
<b>Segment profit (loss) (attributable to the owners of the parent and non-controlling interests)</b>	<b>92</b>	<b>129</b>	<b>30</b>	<b>54</b>	<b>(3)</b>	<b>303</b>

millions of Euros

31.12.2014	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and eliminations of operating segments	Ferrovie dello Stato Italiane group
<b>Net invested capital</b>	<b>8,869</b>	<b>32,898</b>	<b>1,978</b>	<b>155</b>	<b>(185)</b>	<b>43,715</b>

Reference should be made to the Directors' report for information on the performance of the individual segments.

#### 49. Events after the reporting date

The Management decree no. 4 of the MIT of 5 February 2016 set the requirements and procedures governing the disbursement of grants to cargo railway companies, pursuant to Law no. 190.1.294 of 23 December 2014. These grants will be used to offset costs for ferrying cargo and the related services and the railway companies' costs to use infrastructure for cargo transport, including cross-border transport, originating or terminating in Abruzzo, Molise, Lazio, Campania, Puglia, Basilicata, Calabria, Sardinia and Sicily. The disbursement of these grants is subject to the statement of compliance with the provisions of the single market rules by the European Commission, as required by the Community guidelines on State aid.

On 22 February, the first of the seven new Swing diesel trains to be used by the Veneto region commuters was delivered. This train will become operative in the first week of March on the Conegliano-Belluno line, improving the overall quality of travel.

Law no. 9 of 22 January 2016 "Conversion of Law decree no. 185 of 25 November 2015, containing emergency measures for the territory, with amendments"

The main provisions include:

- work for the Jubilee: accrual of a fund for Jubilee-related works (with resources of €94 million in 2015 and €65 million for 2016) with the MET, focusing, in particular, on mobility, urban landscape and redevelopment of suburbs; allocation of €47 million to the Lazio Region for 2015, of which €17 million to improve the regional railway service from/to the Rome San Pietro station;
- Trenitalia S.p.A. service contract: extension, throughout 2016, of the service contract between the government and Trenitalia S.p.A. governing medium-/long-haul universal railway services of national interest, with the MEF's authorisation to pay Trenitalia S.p.A. the fees related to the contractual services provided in 2015 and 2016;
- railway cargo transport: changes to current provisions, stating that, with respect to 2016 and 2017:
  - the MIT will allocate the resources (€100 million p.a.) to railway companies (rather than to the railway infrastructure operator), offsetting the additional costs to use the railway infrastructure to transport goods originating and/or terminating in Abruzzo, Molise, Lazio, Campania, Puglia, Basilicata, Calabria, Sardinia and Sicily, in proportion to the train-km covered;
  - any unallocated resources will be assigned to cargo railway companies operating on the entire national railway infrastructure, up to €2.5 per train-km, in proportion to the train-km covered.

The text of the conversion of Law decree no. 210 of 30 December 2015 regarding the extension of terms provided for by legal provisions, coordinated with conversion law no. 21 of 25 February 2016, was published on the Italian Official Journal on 26 February 2016. The amendments approved during the parliamentary process, include, in particular, the replacement of the Commissioner for the construction of works on the Naples-Bari and Palermo-Catania-Messina railway sections, assigning the related duties to RFI's CEO instead of to Ferrovie dello Stato Italiane' CEO. The term of the engagement is extended to 30 September 2017, instead of two years from the coming into force of Law decree no. 133/2014 (article 7.9-bis).

On 26 February 2016, RFI appealed to the Lombardy regional administrative court against the Electricity, Gas and Water Regulator's resolution no. 654/2015, which adopted the "Integrated text of provisions for the supply of the electricity transmission and distribution - regime for the 2016-2019 period". Under the integrated text, the application of the



Additional Tariff Components (ATC – or tariff components A and UC) to a single withdrawal point will be limited to universal service energy consumption only. Conversely, with respect to the energy consumption of all other railway services (the so-called “Market services”), the above ATC will be applied considering them as “consistently allocated among RFI S.p.A.’s withdrawal points” and, therefore, using the maximum rate for each withdrawal point.

Based on preliminary estimates, the new measures will have an economic impact of approximately €78 million due to the increase in energy costs for railway companies (RCs) that provide transport Market services and will also affect RFI S.p.A.. Indeed, RFI S.p.A., despite merely “carrying” electricity (and the related costs) to RCs, may still be required to bear 30% and 20% of the increase in energy costs pertaining to RCs in 2016 and 2017, respectively, for the services excluded from the special tariff system.

On 8 March 2016, the ART amended the terms of Measure 58 letter c) and Measure 41, last paragraph.1, approved with resolution no. 96/2015, postponing the deadline, previously set for 12 March 2016, for the Infrastructure Operator to submit the new 2015 tariff system to the Authority, to 22 April 2016. Furthermore, in order to avoid any doubt, it clarified the correct interpretation of some of the captions comprising the regulatory accounts, attached to resolution no. 96/2015.

On 17 March 2016, RFI S.p.A., in its role of “Infrastructure Operator (IO),” notified an extraordinary appeal to the Head of State against resolution no. 96/2015 and the annexes thereto, the “regulatory measures” and the “preliminary report”, respectively.

The appeal filed against the ART was also notified to Trenitalia S.p.A. and NTV S.p.A., as the other parties, and to the MIT.

The appeal questions three specific reasons for illegality in some of the measures included in Annex 1 to resolution no. 96, specifically:

1. measure no. 10 providing for an annual minimum efficiency rate of the IO’s unit operating costs, set by ART at 2% (gross of the inflation rate);
2. measures nos. 16 and 18 preventing RFI S.p.A. from recovering part of the costs incurred for new infrastructural investments to be carried out in the form of self-financing (i.e., using RFI S.p.A.’s share capital or taking out loans), specifically the costs scheduled and to be incurred during the reference regulatory period for investments to complete the HS/HC network;
3. measure no. 31 setting a cap to the toll applicable to certain railway services (specifically: regional service, cargo service, services which used the network classified by resolution no. 96 as “high level services”).

# Annexes

## Scope of consolidation and the group's equity investments

### 1. PARENT AND LIST OF SUBSIDIARIES

#### Parent

Name	Registered office	Main office	Share capital	Investor	% of voting rights	% of equity ratio	Consolidation method
Ferrovie dello Stato Italiane S.p.A.	Rome	Italy	36,340,432,802				

#### Operating segment: Transport

Name	Registered office	Main office	Share/quota capital	Investor	% of voting rights	% of equity ratio	Consolidation method
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#### In Italy

Ataf Gestioni S.r.l.	Florence	Italy	5,927,480	Busitalia - Sita Nord S.r.l. Non-controlling interests	70.00 30.00	70.00	Line-by-line
Bluferries S.r.l.	Messina	Italy	20,100,000	Rete Ferroviaria Italiana - RFI S.p.A.	100.00	100.00	Line-by-line
Busitalia - Sita Nord S.r.l.	Rome	Italy	31,000,000	FS Italiane S.p.A.	100.00	100.00	Line-by-line
Busitalia Rail Service S.r.l.	Rome	Italy	3,497,788	Busitalia - Sita Nord S.r.l.	100.00	100.00	Line-by-line
Busitalia Veneto S.p.A.	Padua	Italy	5,500,000	Busitalia - Sita Nord S.r.l. ASP Holding S.p.A.	55.00 45.00	55.00	Line-by-line
Cemat S.p.A.	Milan	Italy	7,000,000	FS Logistica S.p.A. Non-controlling interests	53.28 46.72	53.28	Line-by-line
Firenze City Sightseeing S.r.l.	Florence	Italy	200,000	Ataf Gestioni S.r.l. Non-controlling interests	60.00 40.00	42.00	Line-by-line
FS Logistica S.p.A.	Rome	Italy	143,095,524	FS Italiane S.p.A.	100.00	100.00	Line-by-line
FS JIT Italia S.r.l.	Rome	Italy	500,000	FS Logistica S.p.A.	100.00	100.00	Line-by-line
I-Mago S.p.A.	Florence	Italy	510,000	Ataf Gestioni S.r.l. Non-controlling interests	58.00 42.00	40.60	Line-by-line
Savit S.r.l.	Terni	Italy	1,000,000	Busitalia - Sita Nord S.r.l. Non-controlling interests	72.25 27.75	72.25	Line-by-line
Rail services - Serfer S.r.l.	Genoa	Italy	5,000,000	Trenitalia S.p.A.	100.00	100.00	Line-by-line
Società Gestione Terminali Ferro Stradali-SGT	Pomezia-Rome	Italy	200,000	FS Logistica S.p.A. Cemat S.p.A. Non-controlling interests	43.75 43.75 12.5	67.06	Line-by-line
Terminali Italia S.r.l.	Rome	Italy	7,345,686	Rete Ferroviaria Italiana - RFI S.p.A. Cemat S.p.A.	89.00 11.00	94.86	Line-by-line
Trenitalia S.p.A.	Rome	Italy	1,654,464,000	FS Italiane S.p.A.	100.00	100.00	Line-by-line

Name	Registered office	Main office	Share/quota capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>Abroad</b>							
Autobus Sippel GmbH	Hofheim am Taunus (Germany)	Germany	50,000	NETINERA Deutschland GmbH	100.00	51.00	Line-by-line
Erixx GmbH	Celle (Germany)	Germany	25,000	Osthannoversche Eisenbahnen Aktiengesellschaft	100.00	44.63	Line-by-line
Kraftverkehr Osthannover GmbH	Celle (Germany)	Germany	256,000	Osthannoversche Eisenbahnen Aktiengesellschaft	100.00	44.63	Line-by-line
Metronom Eisenbahngesellschaft mbH	Uelzen (Germany)	Germany	500,000	NiedersachsenBahn GmbH & Co. KG	69.90	37.18	Line-by-line
Neißeverkehr GmbH	Guben (Germany)	Germany	1,074,000	Prignitzer Eisenbahngesellschaft mbH	80.00	40.80	Line-by-line
NETINERA Bachstein GmbH	Celle (Germany)	Germany	150,000	NETINERA Deutschland GmbH	95.34	51.00	Line-by-line
NETINERA Deutschland GmbH	Berlin (Germany)	Germany	1,025,000	FS Italiane S.p.A. Non-controlling interests	51.00 49.00	51.00	Line-by-line
NETINERA Immobilien GmbH	Berlin (Germany)	Germany	240,000	NETINERA Deutschland GmbH	100.00	51.00	Line-by-line
NETINERA Werke GmbH	Neustrelitz (Germany)	Germany	25,000	Prignitzer Eisenbahngesellschaft mbH	100.00	51.00	Line-by-line
NiedersachsenBahn GmbH & Co. KG	Celle (Germany)	Germany	100,000	Osthannoversche Eisenbahnen Aktiengesellschaft	60.00	44.63	Line-by-line
NiedersachsenBahn Verwaltungsgesellschaft mbH	Celle (Germany)	Germany	25,000	Osthannoversche Eisenbahnen Aktiengesellschaft	60.00	26.78	Line-by-line
OHE Cargo GmbH	Celle (Germany)	Germany	26,000	Osthannoversche Eisenbahnen Aktiengesellschaft	100.00	44.63	Line-by-line
Osthannoversche Eisenbahnen Aktiengesellschaft	Celle (Germany)	Germany	21,034,037	NETINERA Bachstein GmbH	87.51	44.63	Line-by-line
Prignitzer Eisenbahngesellschaft mbH	Berlin (Germany)	Germany	200,000	NETINERA Deutschland GmbH	100.00	51.00	Line-by-line
Regentalbahn AG	Viechtach (Germany)	Germany	2,444,152	NETINERA Deutschland GmbH	100.00	51.00	Line-by-line
Sei Mobil Verkehrsgesellschaft mbH (formerly Lausitzer Nahverkehrsgesellschaft mbH)	Senftenberg (Germany)	Germany	26,000	Verkehrsbetriebe Bils GmbH	100.00	51.00	Line-by-line
Sippel-Travel GmbH	Frankfurt am Main (Germany)	Germany	127,950	Autobus Sippel GmbH	100.00	51.00	Line-by-line
Südbrandenburger Nahverkehrs GmbH	Senftenberg (Germany)	Germany	1,022,584	NETINERA Deutschland GmbH	100.00	51.00	Line-by-line
Thello SAS	Paris (France)	France	1,500,000	Trenitalia S.p.A. Non-controlling interests	66.67 33.33	66.67	Line-by-line
Trenitalia Logistics France Sas	Paris (France)	France	43,420	Trenitalia S.p.A.	100.00	100.00	Line-by-line
TX Logistik AG	Bad Honnef (Germany)	Germany	286,070	Trenitalia S.p.A.	100.00	100.00	Line-by-line
TX Consulting GmbH	Bad Honnef (Germany)	Germany	25,000	TX Logistik AG	100.00	100.00	Line-by-line
TX Logistik Austria GmbH	Schwechat (Austria)	Germany	35,000	TX Logistik AG	100.00	100.00	Line-by-line
TX Logistik A/S	Padborg (Denmark)	Germany	500,000 (1)	TX Logistik AG	100.00	100.00	Line-by-line
TX Logistik AB	Helsingborg (Sweden)	Germany	400,000 (1)	TX Logistik AG	100.00	100.00	Line-by-line
TX Logistik GmbH	Basel (Switzerland)	Germany	50,000 (1)	TX Logistik AG	100.00	100.00	Line-by-line
TX Service Management GmbH	Bad Honnef (Germany)	Germany	50,000	TX Logistik AG	100.00	100.00	Line-by-line
Uelzener Hafenbetriebs- und Umschlagsgesellschaft mbH	Uelzen (Germany)	Germany	102,258	Osthannoversche Eisenbahnen Aktiengesellschaft	74.00	33.02	Line-by-line
UNIKAI Hafenbetrieb Lüneburg GmbH	Lüneburg (Germany)	Germany	25,600	Osthannoversche Eisenbahnen Aktiengesellschaft	100.00	44.63	Line-by-line

Name	Registered office	Main office	Share capital	Investor	% of voting rights	% of equity ratio	Consolidation method
Verkehrsbetriebe Bils GmbH	Sendenhorst (Germany)	Germany	25,000	NETINERA Deutschland GmbH	100.00	51.00	Line-by-line
vlexx GmbH	Mainz (Germany)	Germany	25,000	Regentalbahn AG	100.00	51.00	Line-by-line
Die Länderbahn GmbH DLB (formerly Vogtlandbahn-GmbH)	Viechtach (Germany)	Germany	1,022,584	Regentalbahn AG	100.00	51.00	Line-by-line

(1) Figures expressed in local currency

#### Operating segment: Infrastructure

Name	Registered office	Main office	Share capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>In Italy</b>							
Rete Ferroviaria Italiana - RFI S.p.A.	Rome	Italy	31,525,279,633	FS Italiane S.p.A.	100.00	100.00	Line-by-line
Italferr S.p.A.	Rome	Italy	14,186,000	FS Italiane S.p.A.	100.00	100.00	Line-by-line
Tunnel Ferroviario del Brennero S.p.A.	Rome	Italy - Austria	390,790,910	Rete Ferroviaria Italiana - RFI S.p.A. Non-controlling interests	88.79 11.21	88.79	Line-by-line

Name	Registered office	Main office	Share capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>Abroad</b>							
Infrastructure Engineering Services doo Beograd	Belgradeo (Serbia)	Serbia	39,626,684 (1)	Italferr S.p.A.	100.00	100.00	Line-by-line

(1) Figures expressed in local currency

**Operating segment: Real estate services**

Name	Registered office	Main office	Share/quota capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>In Italy</b>							
Centostazioni S.p.A.	Rome	Italy	8,333,335	FS Italiane S.p.A. Non-controlling interests	59.99 40.01	59.99	Line-by-line
FS Sistemi Urbani S.r.l.	Rome	Italy	532,783,501	FS Italiane S.p.A.	100.00	100.00	Line-by-line
Grandi Stazioni S.p.A.	Rome	Italy	4,304,201	FS Italiane S.p.A. Non-controlling interests	59.99 40.01	59.99	Line-by-line
Metropark S.p.A.	Rome	Italy	3,016,463	FS Sistemi Urbani S.r.l.	100.00	100.00	Line-by-line

Name	Registered office	Main office	Share capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>Abroad</b>							
Grandi Stazioni Ceska Republika	Prague	Czech Republic	240,000,000 (1)	Grandi Stazioni S.p.A. Non-controlling interests	61.00 39.00	36.60	Line-by-line

(1) Figures expressed in local currency

**Operating segment: Other services**

Name	Registered office	Main office	Share/quota capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>In Italy</b>							
Fercredit - Servizi Finanziari S.p.A.	Rome	Italy	32,500,000	FS Italiane S.p.A.	100.00	100.00	Line-by-line
Ferservizi S.p.A.	Rome	Italy	8,170,000	FS Italiane S.p.A.	100.00	100.00	Line-by-line
FS Telco S.r.l.	Rome	Italy	20,000	FS Italiane S.p.A.	100.00	100.00	Line-by-line
Italcertifer S.p.A.	Florence	Italy	480,000	FS Italiane S.p.A.	55.66	55.66	Line-by-line

## 2. LIST OF JOINT VENTURES

### Operating segment: Transport

Name	Registered office	Main office	Quota capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>In Italy</b>							
Terminal Alptransit S.r.l.	Milan	Italy	1,500,000	FS Logistica S.p.A. Non-controlling interests	50.00 50.00	50.00	Equity
Trenord S.r.l.	Milan	Italy	76,120,000	Trenitalia S.p.A. Non-controlling interests	50.00 50.00	50.00	Equity

Name	Registered office	Main office	Share capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>Abroad</b>							
Cisalpino SA	Berne (Switzerland)	Switzerland	100,750 (1)	Trenitalia S.p.A. Non-controlling interests	50.00 50.00	50.00	Equity
Berchtesgardener Land Bahn GmbH	Freilassing (Germany)	Germany	25,000	Die Länderbahn GmbH DLB	50.00 50.00	25.50	Equity
Kraftverkehr - GMBH - KVG Lüneburg	Lüneburg (Germany)	Germany	25,565	KVG Stade GmbH & Co. KG	100.00	13.75	Equity
Kraftverkehr Celle Stadt und Land GmbH	Celle (Germany)	Germany	1,099,278	Verkehrsbetriebe Osthannover GmbH Non-controlling interests	61.00 39.00	13.98	Equity
KVG Stade GmbH & Co. KG	Stade (Germany)	Germany	4,600,000	Verkehrsbetriebe Osthannover GmbH Non-controlling interests	60.00 40.00	13.75	Equity
KVG Stade Verwaltungs GmbH	Stade (Germany)	Germany	25,000	Verkehrsbetriebe Osthannover GmbH Non-controlling interests	60.00 40.00	13.75	Equity
ODEG Ostdeutsche Eisenbahngesellschaft mbH	Parchim (Germany)	Germany	500,000	Prignitzer Eisenbahngesellschaft mbH Non-controlling interests	50.00 50.00	25.50	Equity
ODIG Ostdeutsche Instandhaltungsgesellschaft mbH	Eberswalde (Germany)	Germany	250,000	ODEG Ostdeutsche Eisenbahngesellschaft mbH	100.00	25.50	Equity
Verkehrsbetriebe Osthannover GmbH	Celle (Germany)	Germany	590,542	Osthannoversche Eisenbahnen AG	100.00	22.92	Equity

(1) Figures expressed in local currency

Operating segment: Infrastructure

Name	Registered office	Main office	Share capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>Abroad</b>							
Italferr+Altinok partnership	Istanbul	Turkey	1,000 (1)	Italferr S.p.A. Altinok Müşavir Mühendislik Taahhüt San. Ve Tic. Ltd. Şti. Fs Italiane S.p.A. Non- controlling interests	50.10 49.90	50.10	Equity
Tunnel Euralpin Lyon Turin - TELT SaS (formerly Lyon-Turin Ferroviarie - LTF Sas)	Chambery (France)	Italy - France	1,000,000		50.00 50.00	50.00	Equity

(1) Figures expressed in local currency

### 3. LIST OF ASSOCIATES

Operating segment: Transport

Name	Registered office	Main office	Share/quota capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>In Italy</b>							
Alpe Adria S.p.A.	Trieste	Italy	120,000	Trenitalia S.p.A. Non-controlling interests	33.33 66.67	33.33	Equity
City Boat S.r.l.	Florence	Italy	20,000	Busitalia - Sita Nord S.r.l. Non-controlling interests	25.00 75.00	25.00	Equity
Eurogateway S.r.l.	Novara	Italy	99,000	Cemat S.p.A. Trenitalia S.p.A. Non-controlling interests	37.00 11.00 52.00	30.71	Equity
FNM S.p.A. (formerly Ferrovie Nord Milano S.p.A.)	Milan	Italy	230,000,000	FS Italiane S.p.A. Non-controlling interests	14.74 85.26	14.74	Equity
La Spezia Shunting Railways S.p.A.	La Spezia	Italy	966,250	Serfer S.r.l. Trenitalia S.p.A. Non-controlling interests	15.50 4.50 80.00	20.00	Equity
Li-Nea S.p.A.	Scandicci (Florence)	Italy	2,340,000	Ataf Gestioni S.r.l. Non-controlling interests	34.00 66.00	23.80	Equity
Pol Rail S.r.l.	Rome	Italy	2,000,000	Trenitalia S.p.A. Non-controlling interests	50.00 50.00	50.00	Equity
Quadrante Europa Terminal Gate S.p.A.	Verona	Italy	16,876,000	Rete Ferroviaria Italiana - RFI S.p.A. Non-controlling interests	50.00 50.00	50.00	Equity
Terminal Tremestieri S.r.l.	Messina	Italy	450,000	Blufferies S.r.l. Non-controlling interests	33.33 66.67	33.33	Equity



Name	Registered office	Main office	Share capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>Abroad</b>							
Cesar Information Services - CIS Srl	Brussels (Belgium)	Belgium	100,000	Cemat S.p.A. Non-controlling interests	25.10 74.90	13.37	Equity
CeBus GmbH & Co. KG	Celle (Germany)	Germany	25,000	Kraftverkehr Celle Stadt und Land GmbH Celler Straßenbahngesellschaft mbH	34.50 1 64.50	4.82	Equity
CeBus Verwaltungsgesellschaft mbH	Celle (Germany)	Germany	25,000	Non-controlling interests Kraftverkehr Celle Stadt und Land GmbH Celler Straßenbahngesellschaft mbH	34.40 1 64.60	4.81	Equity
Celler Straßenbahngesellschaft mbH	Celle (Germany)	Germany	571,450	Non-controlling interests Kraftverkehr Celle Stadt und Land GmbH	34.70 65.30	4.85	Equity
EVG Euregio - Verkehrsgesellschaft mbH & Co. KG	Münster (Germany)	Germany	60,000	Verkehrsbetriebe Bils GmbH Non-controlling interests	33.33 66.66	17.00	Equity
EVG Euregio Verwaltungs- und Beteiligungs GmbH	Münster (Germany)	Germany	25,500	Verkehrsbetriebe Bils GmbH Non-controlling interests	33.33 66.66	17.00	Equity
GVB Gifhorner Verkehrsbetriebe GmbH	Gifhorn (Germany)	Germany	25,000	Verkehrsgesellschaft Landkreis Gifhorn mbH	100.00	5.78	Equity
Hafen Lüneburg GmbH	Lüneburg (Germany)	Germany	1,750,000	Osthannoversche Eisenbahnen AG UNIKAI Hafenbetrieb Lüneburg GmbH - Non-controlling interests	0.70 29.30 70.00	13.39	Equity
KVB Kraftverkehrsbetriebe GmbH	Isenbüttel (Germany)	Germany	50,000	Verkehrsgesellschaft Landkreis Gifhorn mbH	100.00	5.78	Equity
Logistica SA	Levallois (France)	France	37,000	Trenitalia S.p.A. Non-controlling interests	50.00 50.00	50.00	Equity
Osthannoversche Umschlagsgesellschaft mbH	Wittingen (Germany)	Germany	153,600	Osthannoversche Eisenbahnen AG Non-controlling interests	33.33 66.66	14.88	Equity
Verkehrsgesellschaft Landkreis Gifhorn mbH	Gifhorn (Germany)	Germany	25,565	Verkehrsbetriebe Osthannover GmbH Non-controlling interests	25.20 74.80	5.78	Equity

**Operating segment: Infrastructure**

Name	Registered office	Main office	Share capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>In Italy</b>							
Brenner base tunnel – Brenner Basistunnel BBT SE	Bolzano	Italy - Austria	10,240,000	Tunnel Ferroviario del Brennero S.p.A. Non-controlling interests	50.00 50.00	43.04	Equity

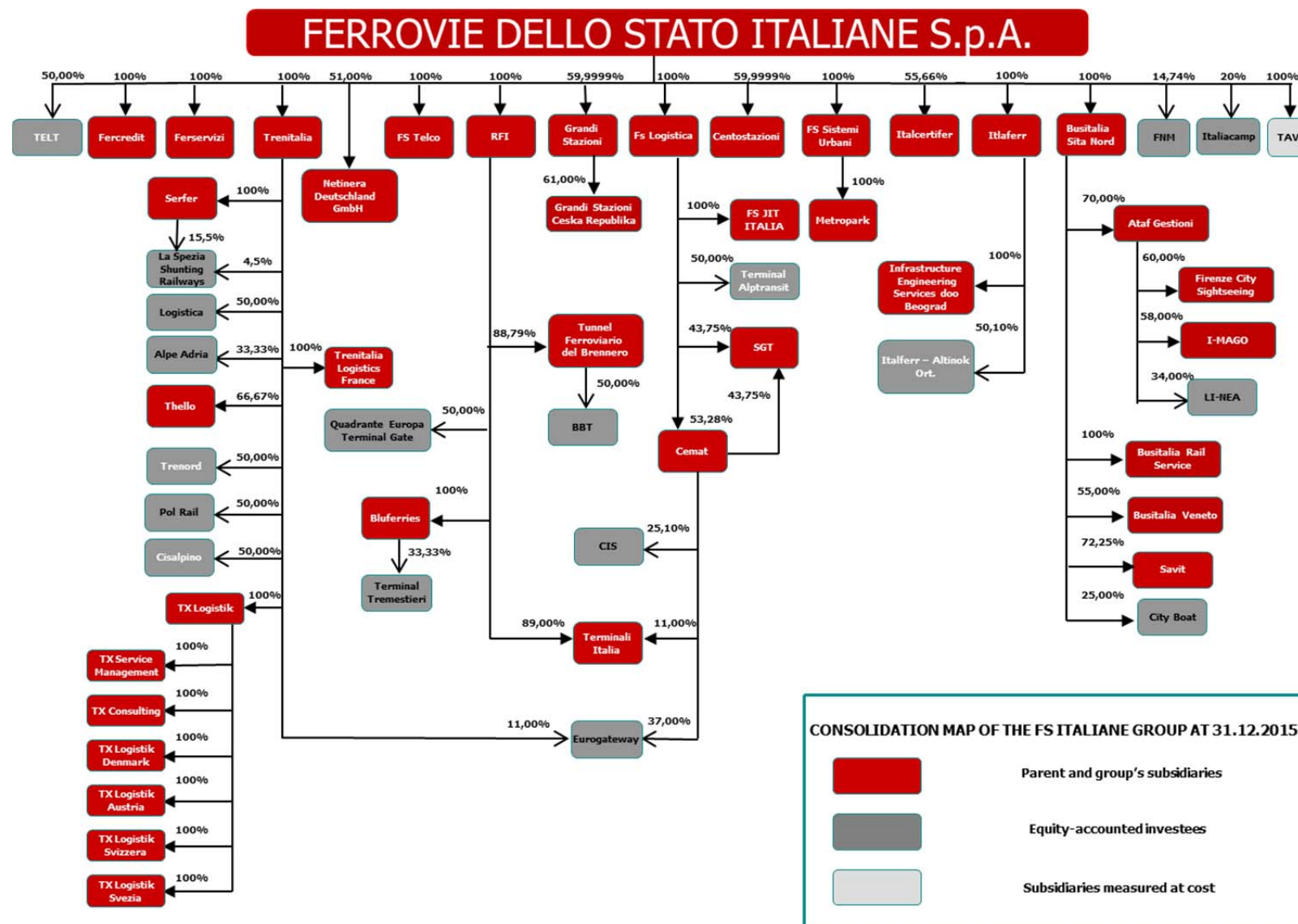
**Operating segment: Other services**

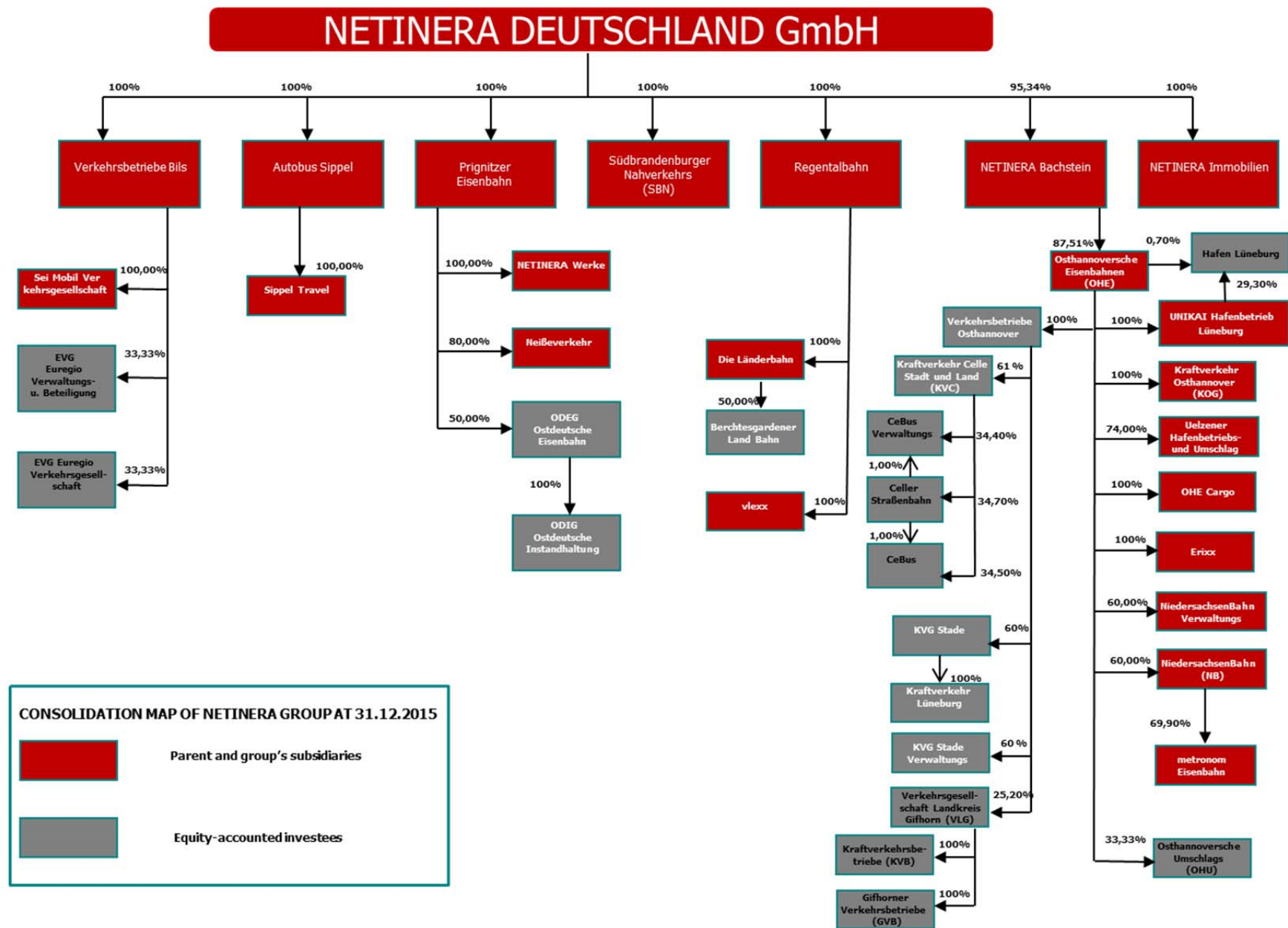
Name	Registered office	Main office	Quota capital	Investor	% of voting rights	% of equity ratio	Consolidation method
<b>In Italy</b>							
Italiacamp S.r.l.	Rome	Italy	10,000	Fs Italiane S.p.A. Non-controlling interests	20.00 80.00	20.00	Equity

**4. LIST OF OTHER UNCONSOLIDATED EQUITY INVESTMENTS**

Name	Registered office	Share/quota capital	Investor	% of voting rights
TAV S.r.l.	Rome	50,000	Fs Italiane S.p.A.	100.00
East Rail S.r.l. in liquidation	Trieste	130,000	Trenitalia S.p.A.	32.00
Nord Est Terminal - NET S.p.A. in liquidation	Padua	200,000	RFI S.p.A.	51.00
Port railway services – Ferport Genova S.r.l. in liquidation	Genoa	712,000	Serfer S.r.l.	51.00
Siger S.r.l. in liquidation	Florence	100,000	Ataf Gestioni S.r.l.	100.00
Sita S.p.A. in liquidation	Rome	200,000	Fs Italiane S.p.A.	55.00

## 5. CONSOLIDATION MAP OF FERROVIE DELLO STATO ITALIANE GROUP





**Certification of the Chief Executive Officer and the Manager in charge of the company's accounting documents preparation of the consolidated financial statements of Ferrovie dello Stato Italiane Group at 31 December 2015 pursuant to article 154-bis, paragraph 5 of Legislative decree no. 58/1998**

1. The undersigned Renato Mazzoncini and Roberto Mannozi, as respectively Chief Executive Officer and Manager in charge of the company's accounting documents preparation of Ferrovie dello Stato Italiane S.p.A., also pursuant to article 154-bis, paragraphs 3 and 4 of Legislative decree no. 58 of 24 February 1998, certify:

- the adequacy with regard to the characteristics of Ferrovie dello Stato Italiane Group, and
- the effective application

of the administrative and accounting procedures in preparing the consolidated financial statements at 31 December 2015.

2. In this regard, we report that:

- a. the valuation of the adequacy and effective application of the administrative and accounting procedures used to prepare the consolidated financial statements of the Ferrovie dello Stato Italiane Group was based on the internal control model, consistent with the *"Internal Controls – Integrated Framework"* issued by the *"Committee of Sponsoring Organizations of the Treadway Commission"* which represents an internationally-accepted framework for the internal control system;
- b. this assessment did not identify any significant issues.

3. In addition, we certify that:





3.1. the consolidated financial statements:

- a. have been prepared in accordance with International Financial Reporting Standards endorsed by the European Community pursuant to regulation (CE) 1606/2002 of European Parliament and Council of 19 July 2002;
- b. correspond to the entries in the books and accounting records;
- c. give a true and fair view of the financial position and results of operations of Ferrovie dello Stato Italiane S.p.A. and the companies included in the Ferrovie dello Stato Italiane Group's consolidation scope.

3.2. the directors' report provides a reliable analysis of the financial position, performance and results of operations of Ferrovie dello Stato Italiane S.p.A. and the consolidated companies as a whole, together with a description of the main risks and uncertainties to which they are exposed.

15 April 2016

Renato Mazzoncini

Chief Executive Officer

Roberto Mannozi

Manager in charge of the company's  
accounting documents preparation

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

**REPORT OF THE BOARD OF STATUTORY AUDITORS  
ON THE CONSOLIDATED FINANCIAL STATEMENTS OF FERROVIE  
DELLO STATO ITALIANE GROUP AT 31 DECEMBER 2015**

To the sole shareholder of Ferrovie dello Stato Italiane S.p.A.

Dear Shareholder,

The consolidated financial statements of Ferrovie dello Stato Italiane group (the “FS group”) at 31 December 2015, which have been submitted to you, comprise the required consolidated schedules and the notes thereto. They have been prepared in accordance with the IFRS (which include the International Accounting Standards (IAS)), endorsed by the European Union, and are accompanied by a directors’ report and the statement of the CEO and the manager in charge of financial reporting on the consolidated financial statements of the FS group, as well as a schedule describing the group’s consolidation scope and equity investments.

They also include the reconciliation at 31 December 2015 and 31 December 2014 between profit for the year and equity in the separate financial statements of Ferrovie dello Stato Italiane S.p.A., and the consolidated financial statements of FS Group.

The consolidated financial statements show a profit for the year of €464 million, compared to €303 million in 2014.

In the directors’ report, which the independent auditors KPMG S.p.A. checked for consistency with the consolidated financial statements, the directors have described the group’s overall financial position and results of operations as well as the parent’s, and provided detailed information about the specific operations of consolidated companies and the outlook.

Pursuant to article 41 of Legislative decree no. 127/1991, we did not check the results of the legally-required audit of the group's consolidated financial statements and the individual financial statements of the subsidiaries of Ferrovie dello Stato Italiane S.p.A. at 31 December 2015. Consequently, we are not liable for their correctness.

The 2015 directors' report fairly describes the group's financial position and results of operations, the group's performance during the year and the events after the reporting date. To the best of our knowledge, the directors' report is consistent with the consolidated financial statements at 31 December 2015.

We have analysed in detail some significant issues which affected the group during the year, using, inter alia, the information prepared by the CEO for the board's decision-making process, and meetings with the independent auditors. Additional elements were obtained as part of the regular exchange of information with the heads of the organisational units.

In this respect, we focused on the following issues.

#### Business plan

During the year, no updates to the 2014-2017 business plan were submitted to the board.

#### Main non-recurring transactions within the group

The Group's enhancement process continued with the following board decisions:

- on 4 August 2015, the parent's board of directors approved the demerger of Grandi Stazioni which entailed the non-proportional asymmetrical demerger of the following business units: Rail, represented by the demerged company GS, and Retail and Real Estate, which will be transferred to two special purpose entities. The demerger was approved as it is functional to the concurrent sale of the Retail business unit through a tender procedure. Furthermore, the board resolved to entrust a court-appointed expert with the calculation of the share exchange ratio between GS Rail and GS Retail.

On 16 December 2015, FS's board of directors definitively approved the tender procedure letter and granted the new CEO the broadest powers to do all that is



necessary, assisted by Rothschild's and GOP's advisors, to prepare the best tender procedure for FS.

On 22 December 2015, GS' shareholders approved the proposed demerger. The demerger and the tender procedures are still underway.

- On 23 December 2015, pursuant to article 1.193.letter c) of the 2015 Stability Act, Ferrovie dello Stato Italiane S.p.A. transferred the entire quota capital of S.EL.F. S.r.l. to Terna S.p.A., subject to RFI S.p.A.'s partial demerger of the "*electrical assets*" to S.EL.F S.r.l.. The transaction generated cash flows of €757 million and, in accordance with the 2015 Stability Act, led to the recognition of a liability for grants related to assets to RFI (€272 million). Furthermore, it generated a €18 million gain calculated considering both the estimated charges related to the guarantees included in the sale agreement and the registration tax due on the transaction.

No major changes occurred with respect to the significant issues already highlighted in our report on the consolidated financial statements at 31 December 2014, which may be summarised as follows:

#### Resolution of the Italian Transport Regulator

Resolution no. 96 of 13 November 2015 of the Italian Transport Regulator ("ART") (subsequently amended by Resolution no. 28 of 8 March 2016) defined the criteria for the determination of the fee to access and use the railway infrastructure. Specifically, the resolution set the principles and the criteria governing the economic conditions of the offer, including regulatory accounting requirements, to calculate the fee to use the national railway infrastructure (the services of the "Minimum package for access") and the fees and considerations for the services related to the national railway structure.

In brief, the new regulatory framework (Legislative decree no. 112/2015 which implements Directive 2012/34/EU (recast)) and the above Resolution no. 96 requires satisfaction of the principle of economic and financial balance of the infrastructure operator.

#### K2 discount

The *ad Acta* Commissioner's delegate is still completing the necessary checks to calculate the amount of any sums to be repaid to the railway companies for the K2 discount.

In accordance with the IFRS and in line with the 2014 financial statements, in 2015, no costs and charges with the railway companies or amounts attributable to the government were recognised. However, the provision recognised in the 2014 consolidated financial statements was maintained to cover any additional charges to be incurred.

#### *Freight contract and evolution of the Freight Division*

The non-renewal of the freight service contract (Government-Trenitalia) (point 294 of the 2015 Stability Act) required that the company carry out an impairment test already at 2014 year end which generated an impairment loss of €185 million.

During the year, as no additional facts or events that changed the previous situation or the plans occurred, the company did not carry out a new impairment test.

#### *Real estate valuations*

In order to align the carrying amount of the Group's real estate to its fair value, during the year, based on specific real estate appraisals, the Group recognised impairment losses of approximately €50 million (of which about €22 million, €22 million and €6 million related to FS, FS Sistemi Urbani and FS Logistica, respectively).

#### *EU litigation and violations*

Nothing significant to report. The outcome of these proceedings remains uncertain and, to date, cannot be predicted or quantified.

Furthermore, we focused on the following additional issues which emerged in 2015:

- ***FIAT – RFI arbitration (Turin - Milan HS/HC section)***

With respect to the first arbitration which FIAT (now FCA) commenced in 2008 - Turin - Milan HS/HC section - Novara - Milan subsection, in connection with its claim for payment of additional charges and a longer term to build the subsection, RFI had already

paid the amount claimed in 2013 (€178.5 million), and appealed against the award, lodging other petitions in October 2013.

In its ruling dated 23 September 2015, the Rome Court of Appeal found the 15 July 2013 award invalid and ordered FCA to refund RFI €166.6 million. In October 2015, RFI and FCA signed an agreement whereby, pending the outcome of the appeal filed with the Court of Cassation by FCA, the latter undertakes to pay RFI approximately €66.6 million and to issue a €100 million surety.

- ***Tax audits***

Following the audits on 2010, on 30 December 2015, the tax authorities sent the company three preliminary assessment reports related to IRES, IRAP and VAT taxes.

On 22 February 2016, the group filed specific tax settlement proposals with respect to the individual assessment reports stated above with the tax authorities. Based on the reasons that the group can provide to support its activities, it did not recognise any provision in the consolidated financial statements in respect to the above tax claims.

Rome, 9 May 2016

## **THE BOARD OF STATUTORY AUDITORS**

*Alessandra dal Verme*

(Chairwoman)

\_\_\_\_\_

*Claudia Cattani*

(Standing statutory auditor)

\_\_\_\_\_

*Roberto Ascoli*

(Standing statutory auditor)

\_\_\_\_\_



**KPMG S.p.A.**  
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(Translation from the Italian original which remains the definitive version)

## **Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010**

To the sole shareholder of  
Ferrovie dello Stato Italiane S.p.A.

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of the Ferrovie dello Stato Italiane Group (the "group"), which comprise the statement of financial position as at 31 December 2015, the income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### ***Directors' responsibility for the consolidated financial statements***

The parent's directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union.

### ***Independent auditors' responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

### **Report on other legal and regulatory requirements**

#### ***Opinion on the consistency of the directors' report with the consolidated financial statements***

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the corporate governance and ownership structure report required by article 123-bis.4 of Legislative decree no. 58/98, to the extent of the information required by article 123-bis.2.b of Legislative decree no. 58/98, which are the responsibility of the parent's directors, with the consolidated financial statements. In our opinion, the directors' report and the information presented in the corporate governance and ownership structure report referred to above are consistent with the consolidated financial statements of the Ferrovie dello Stato Italiane Group as at and for the year ended 31 December 2015.

Rome, 9 May 2016

KPMG S.p.A.

(signed on the original)

Stefano Bandini  
Director of Audit

Separate financial statements of Ferrovie dello Stato Italiane  
S.p.A. as at and for the year ended 31 December 2015

## Financial statements

## Statement of financial position

Euros

	Notes	31.12.2015	31.12.2014
<b>Assets</b>			
Property, plant and equipment	5	46,631,796	44,801,369
Investment property	6	495,697,316	519,273,412
Intangible assets	7	40,751,376	38,439,199
Deferred tax assets	8	216,513,175	213,966,058
Equity investments	9	35,061,749,047	35,562,960,772
Non-current financial assets (including derivatives)	10	4,955,020,659	5,438,794,498
Non-current trade receivables	13	5,951,878	6,096,509
Other non-current assets	11	741,695,836	442,598,611
<b>Total non-current assets</b>		<b>41,564,011,083</b>	<b>42,266,930,428</b>
Inventories	12	489,746,963	491,166,892
Current trade receivables	13	129,455,018	121,529,987
Current financial assets (including derivatives)	10	2,701,009,924	1,342,170,011
Cash and cash equivalents	14	257,675,108	183,086,063
Tax assets	15	82,388,664	81,909,893
Other current assets	11	1,068,079,921	400,277,255
<b>Total current assets</b>		<b>4,728,355,598</b>	<b>2,620,140,101</b>
<b>Total assets</b>		<b>46,292,366,681</b>	<b>44,887,070,529</b>
<b>Equity</b>			
Share capital	16	36,340,432,802	38,790,425,485
Reserves	16	(100,000,000)	307,602,382
Reserves for unrealised gains and losses	16	357,416	(1,869,832)
Retained earnings (losses carried forward)	16		(2,844,937,242)
Profit for the year	16	137,379,615	89,212,009
<b>Total equity</b>		<b>36,378,169,833</b>	<b>36,340,432,802</b>
<b>Liabilities</b>			
Non-current loans and borrowings	17	4,953,357,794	5,438,641,624
Post-employment benefits and other employee benefits	18	11,878,392	13,905,651
Provisions for risks and charges	19	146,844,806	77,897,585
Deferred tax liabilities	8	497,569,561	437,741,502
Non-current financial liabilities (including derivatives)	20	1,331,993	
Other non-current liabilities	21	958,185,773	873,860,400
<b>Total non-current liabilities</b>		<b>6,569,168,319</b>	<b>6,842,046,762</b>
Current loans and borrowings and current portion of non-current loans and borrowings	17	1,416,336,462	701,887,360
Current trade payables	22	89,034,700	76,023,115
Tax liabilities	23	4,094,971	
Current financial liabilities (including derivatives)	20	458,263,790	489,518,719
Other current liabilities	21	1,377,298,606	437,161,771
<b>Total current liabilities</b>		<b>3,345,028,529</b>	<b>1,704,590,965</b>
<b>Total liabilities</b>		<b>9,914,196,848</b>	<b>8,546,637,727</b>
<b>Total equity and liabilities</b>		<b>46,292,366,681</b>	<b>44,887,070,529</b>



## Income statement

			Euros
	Notes	2015	2014
Revenue from sales and services	24	139,585,661	141,582,415
Other income	25	7,375,619	6,432,633
<b>Total revenue</b>		<b>146,961,280</b>	<b>148,015,048</b>
Personnel expense	26	(43,578,423)	(50,066,354)
Raw materials, consumables, supplies and goods	27	(15,133,477)	(6,347,152)
Services	28	(51,760,695)	(52,604,103)
Use of third-party assets	29	(3,556,502)	(5,041,227)
Other operating costs	30	(31,375,939)	(28,478,694)
Internal work capitalised	31	259,262	231,908
<b>Total operating costs</b>		<b>(145,145,774)</b>	<b>(142,305,622)</b>
Amortisation and depreciation	32	(23,672,488)	(21,638,745)
Net reversals of impairment losses	33	(13,300,509)	(6,227,977)
Provisions	34	(2,968,643)	
<b>OPERATING LOSS</b>		<b>(38,126,134)</b>	<b>(22,157,296)</b>
Gains on equity investments	35	85,693,134	113,022,859
Other financial income	35	250,192,095	167,340,955
Losses on equity investments	36	(11,431,788)	(348,363)
Other financial expense	36	(147,532,610)	(164,977,046)
<b>Net financial income</b>		<b>176,920,831</b>	<b>115,038,405</b>
<b>Pre-tax profit</b>		<b>138,794,697</b>	<b>92,881,109</b>
Income taxes	37	(1,415,082)	(3,669,100)
<b>Profit from continuing operations</b>		<b>137,379,615</b>	<b>89,212,009</b>
<b>Profit for the year</b>		<b>137,379,615</b>	<b>89,212,009</b>

## Statement of comprehensive income

			Euros
	Notes	2015	2014
<b>Profit for the year</b>		<b>137,379,615</b>	<b>89,212,009</b>
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gains (losses)	16/18	491,879	(970,854)
Tax effect on actuarial gains (losses)	16/18	(134,463)	262,111
<b>Total other comprehensive income (expense), net of the tax effect</b>		<b>357,416</b>	<b>(708,743)</b>
<b>Total comprehensive income</b>		<b>137,737,031</b>	<b>88,503,266</b>

## Statement of changes in equity

Euros

Equity									
		Reserves				Total reserves	Retained earnings (losses carried forward)	Profit for the year	Total equity
		Other reserves			Reserve for unrealised gains and losses				
	Share capital	Legal reserve	Extraordinary reserve	Other reserves	Actuarial reserve				
<b>Balance at 1 January 2014</b>	<b>38,790,425,485</b>	<b>21,267,716</b>	<b>27,896,982</b>	<b>254,599,169</b>	<b>(1,161,089)</b>	<b>302,602,778</b>	<b>(2,917,869,021)</b>	<b>76,770,293</b>	<b>36,251,929,535</b>
Capital increase									
Dividend distribution									
Allocation of profit for the previous year		3,838,515				3,838,515	72,931,778	(76,770,293)	
Other changes									
Recognised gains/(losses) of which:									
Profit for the year								89,212,009	89,212,009
Gains/(losses) recognised directly in equity					(708,743)	(708,743)			(708,743)
<b>Balance at 31 December 2014</b>	<b>38,790,425,485</b>	<b>25,106,231</b>	<b>27,896,982</b>	<b>254,599,169</b>	<b>(1,869,832)</b>	<b>305,732,551</b>	<b>(2,844,937,242)</b>	<b>89,212,009</b>	<b>36,340,432,802</b>
Share capital decrease	(2,449,992,683)	(25,106,231)	(27,896,982)	(254,599,169)	1,869,832	(305,732,551)	2,755,725,233		
Dividend distribution									
Allocation of profit for the previous year							89,212,009	(89,212,009)	
Other changes				(100,000,000)		(100,000,000)			(100,000,000)
Recognised gains/(losses) of which:									
Profit for the year								137,379,615	137,379,615
Gains/(losses) recognised directly in equity					357,416	357,416			357,416
<b>Balance at 31 December 2015</b>	<b>36,340,432,802</b>			<b>(100,000,000)</b>	<b>357,416</b>	<b>(99,642,584)</b>		<b>137,379,615</b>	<b>36,378,169,833</b>

## STATEMENT OF CASH FLOWS

Euros

	2015	2014
<b>Profit for the year</b>	<b>137,379,615</b>	<b>89,212,009</b>
Income taxes	1,415,081	3,669,100
Net financial charges	(85,207,821)	(6,667,832)
Amortisation and depreciation	23,672,488	21,638,746
Accruals to provisions and impairment losses	94,443,020	1,742,161
Profits on sales	(17,623,746)	
Change in inventories	1,620,896	4,393,294
Change in trade receivables	(7,780,400)	8,252,907
Change in trade payables	13,011,585	1,828,072
Change in other assets	(434,913,133)	(188,633,170)
Change in other liabilities	687,768,596	39,001,934
Utilisation of the provisions for risks and charges	(11,664,608)	(1,793,631)
Payment of employee benefits	(1,687,540)	(2,881,566)
Financial income collected/financial expense paid	9,712,606	6,667,832
Change in tax assets/liabilities	58,209,163	49,248,846
<b>Net cash flows generated by operating activities</b>	<b>468,355,802</b>	<b>25,678,702</b>
Increases in property, plant and equipment	(553,402)	(466,355)
Increases in investment property	(556,612)	(765,835)
Increases in intangible assets	(16,442,193)	(12,367,196)
Increases in equity investments	(5,489,500)	(10,571,434)
<b>Investments, before grants</b>	<b>(23,041,707)</b>	<b>(24,170,820)</b>
Grants for intangible assets		1,008,071
<b>Grants</b>		<b>1,008,071</b>
Divestments of property, plant and equipment	18,417	1,098
Divestments of investment property	43,396	
Divestments of equity investments	405,036,872	
<b>Divestments</b>	<b>405,098,685</b>	<b>1,098</b>
<b>Net cash flows generated by (used in) investing activities</b>	<b>382,056,978</b>	<b>(23,161,651)</b>
Disbursement and repayment of non-current loans	(176,029,302)	(232,297,467)
Disbursement and repayment of current loans	405,194,574	69,227,703
Change in financial assets	(223,636,279)	224,637,968
Change in financial liabilities	2,295,450	
Changes in equity	(100,000,000)	
<b>Net cash flows generated by (used in) financing activities</b>	<b>(92,175,557)</b>	<b>61,568,204</b>
<b>Total cash flows</b>	<b>758,237,223</b>	<b>64,085,255</b>
<b>Opening cash and cash equivalents</b>	<b>287,898,057</b>	<b>223,812,802</b>
<b>Closing cash and cash equivalents</b>	<b>1,046,135,280</b>	<b>287,898,057</b>
of which infragroup	788,460,175	104,811,993

## Notes to the separate financial statements

## 1. Company business

Ferrovie dello Stato Italiane S.p.A. was set up in accordance with Italian law and is based in Italy. Its registered office is in Piazza della Croce Rossa 1, Rome.

Due to its significant controlling investments and in compliance with IFRS 10, Consolidated financial statements, the company prepares consolidated financial statements which show equity and profit attributable to the owners of the parent of €37,836 million and €464 million, respectively.

## 2. Basis of preparation

These separate financial statements have been prepared in accordance with IFRS (which include International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Union pursuant to EC Regulation no. 31/1606 and in effect at the reporting date ("IFRS"). Specifically, the company consistently applies the IFRS to all periods presented in these financial statements.

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

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

- the statement of financial position has been prepared by classifying assets and liabilities as "current/non-current";
- the income statement has been prepared by classifying operating costs by nature;
- the statement of comprehensive income includes the profit for the year, as well as any other changes in equity captions attributable to transactions that are not carried out with owners in their capacity as owners;
- the statement of cash flows has been prepared by reporting cash flows arising from operating activities using the indirect method.

These separate financial statements have been prepared on a going-concern basis, as the directors established that there are no financial, operational or any other indications of critical issues about the company's ability to meet its obligations in the foreseeable future and, specifically, in the next twelve months. Reference should be made to note 12 "Financial risk management" for a description of the company's financial risk management procedures.

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

The company has consistently applied the accounting policies to all periods presented in these separate financial statements.

On 15 April 2016, the directors approved the separate financial statements at 31 December 2015 which were submitted to the shareholder pursuant to article 2429 of the Italian Civil Code. These separate financial statements will be subsequently presented for the shareholders' approval within the terms set by law and will be filed within the terms established by article 2435 of the Italian Civil Code. The shareholders are entitled to amend these separate financial

statements. For the purposes of IAS 10.17, the directors authorised these separate financial statements for issue on 15 April 2016, which is the date when the board of directors approved these financial statements.

KPMG S.p.A. was assigned the engagement to carry out the legally-required audit for the period 2014-2022 pursuant to Legislative decree no. 39/2010.

### **3. Accounting policies**

The accounting policies and measurement criteria are the same as those applied in preparing the consolidated financial statements, to which reference should be made, except for the recognition and measurement of investments in subsidiaries, associates and joint ventures, which are recognised at acquisition or construction cost. If there is an indication of impairment, the recoverability of their carrying amount is checked by comparing the carrying amount and the higher of the investment's value in use, calculated by discounting forecast cash flows, where possible, and its fair value, less costs to sell. Impairment losses are reversed when the reasons that led to their recognition no longer exist. In this case, reversal shall never exceed the original cost. The amount of loss exceeding the carrying amount is recognised in a specific provision under liabilities to the extent that the company deems necessary to meet legal or inherent obligations to cover the loss and/or restore the share capital required by the law. Should the subsequent performance of the impaired investment improve to the point that the reasons for the impairment losses no longer apply, such losses are reversed within the limits of the impairments in previous years, under "Gains (losses) on equity investments". Other equity investments, other than subsidiaries, jointly controlled entities and associates not listed in an active market and for which a suitable measurement model would not be reliable, are measured at cost.

Dividends from investees are taken to profit or loss the year they are resolved.

### **New standards**

Reference should be made to the consolidated financial statements.

### **Use of estimates and valuations**

Reference should be made to the consolidated financial statements.

## 4. Financial risk management

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

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

### Credit risk

Credit risk is the risk that a customer or one of the counterparties of a financial instrument may cause a financial loss by not complying with an obligation. It mainly arises from trade receivables and the company's financial investments with third parties. However, the company's financial assets mainly relate to loans granted to FS Italiane group companies; therefore, they do not generate a significant credit risk.

The main trade receivables relate to sales of property held for trading, with the payments made in instalments or deferred payments backed by bank guarantees. Accordingly, there is a very low credit risk involved.

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

With regard to credit risk deriving from investing activities, the company applies a liquidity investment policy which defines the minimum requirements of the financing counterparty in terms of creditworthiness and the related concentration thresholds and the types of financial products that can be used.

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

	thousands of Euros	
	31.12.2015	31.12.2014
Non-current financial assets (including derivatives)	4,955,021	5,438,794
<b>Non-current financial assets (including derivatives)</b>	<b>4,955,021</b>	<b>5,438,794</b>
Non-current trade receivables	6,098	6,243
Allowance for impairment	(146)	(146)
<b>Non-current trade receivables, net of the allowance for impairment</b>	<b>5,952</b>	<b>6,097</b>
Other non-current assets	1,251	1,244
Allowance for impairment	(1,073)	(1,073)
<b>Other non-current assets, net of the allowance for impairment</b>	<b>178</b>	<b>171</b>
Current trade receivables	154,485	145,286
Allowance for impairment	(25,030)	(23,756)
<b>Current trade receivables, net of the allowance for impairment</b>	<b>129,455</b>	<b>121,530</b>
Current financial assets (including derivatives)	2,701,010	1,342,035
<b>Current financial assets (including derivatives)</b>	<b>2,701,010</b>	<b>1,342,035</b>
<b>Cash and cash equivalents</b>	<b>257,675</b>	<b>183,086</b>
Other current assets	597,296	152,627
<b>Other current assets</b>	<b>597,296</b>	<b>152,627</b>
<b>Total exposure, net of the allowance for impairment (*)</b>	<b>8,646,587</b>	<b>7,244,340</b>

\*Tax assets and equity investments are not included



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

thousands of Euros

	<b>31.12.2015</b>	<b>31.12.2014</b>
Public administration, Italian government and Regions	534,696	5,076
Ordinary customers	26,447	19,017
Other debtors	6,082	3,012
Group companies	7,821,687	7,034,149
<b>Total exposure, net of the allowance for impairment</b>	<b>8,388,912</b>	<b>7,061,254</b>

The table below gives a breakdown of financial assets at 31 December 2015 and 2014 by overdue amounts, net of the allowance for impairment.

thousands of Euros

31.12.2015						
Overdue by						
	Not overdue	0-180	180-360	360-720	beyond 720	Total
Public administration, Italian government and Regions (gross)	534,042	179	367	1,381	3,124	539,093
Allowance for impairment	(2,864)	(26)	(46)	(66)	(1,395)	(4,397)
<b>Public administration, Italian government and Regions (net)</b>	<b>531,178</b>	<b>153</b>	<b>321</b>	<b>1,315</b>	<b>1,729</b>	<b>534,696</b>
Ordinary customers (gross)	18,359	10,801	1,508	2,229	14,329	47,226
Allowance for impairment	(8,181)	(334)	(535)	(788)	(10,940)	(20,779)
<b>Ordinary customers (net)</b>	<b>10,178</b>	<b>10,467</b>	<b>973</b>	<b>1,441</b>	<b>3,389</b>	<b>26,447</b>
Other debtors (gross)	7,155					7,155
Allowance for impairment	(1,073)					(1,073)
<b>Other debtors (net)</b>	<b>6,082</b>					<b>6,082</b>
Group companies	7,772,579	27,600	7,423	3,130	10,955	7,821,687
<b>Group companies (net)</b>	<b>7,772,579</b>	<b>27,600</b>	<b>7,423</b>	<b>3,130</b>	<b>10,955</b>	<b>7,821,687</b>
<b>Total exposure, net of the allowance for impairment</b>	<b>8,320,017</b>	<b>38,220</b>	<b>8,717</b>	<b>5,886</b>	<b>16,073</b>	<b>8,388,912</b>

thousands of Euros

31.12.2014						
Overdue by						
	Not overdue	0-180	180-360	360-720	beyond 720	Total
Public administration, Italian government and Regions (gross)	1,503	287	564	2,608	1,704	6,666
Allowance for impairment	(1,104)	(44)	(16)	(108)	(318)	(1,590)
<b>Public administration, Italian government and Regions (net)</b>	<b>399</b>	<b>243</b>	<b>548</b>	<b>2,500</b>	<b>1,386</b>	<b>5,076</b>
Ordinary customers (gross)	19,756	3,729	2,116	2,968	12,760	41,329
Allowance for impairment	(10,470)	(295)	(439)	(1,062)	(10,046)	(22,312)
<b>Ordinary customers (net)</b>	<b>9,286</b>	<b>3,434</b>	<b>1,677</b>	<b>1,906</b>	<b>2,714</b>	<b>19,017</b>
Other debtors (gross)	4,085					4,085
Allowance for impairment	(1,073)					(1,073)
<b>Other debtors (net)</b>	<b>3,012</b>					<b>3,012</b>
Group companies	7,005,641	12,804	3,276	2,562	9,866	7,034,149
<b>Group companies (net)</b>	<b>7,005,641</b>	<b>12,804</b>	<b>3,276</b>	<b>2,562</b>	<b>9,866</b>	<b>7,034,149</b>
<b>Total exposure, net of the allowance for impairment</b>	<b>7,018,338</b>	<b>16,481</b>	<b>5,501</b>	<b>6,968</b>	<b>13,966</b>	<b>7,061,254</b>

## Liquidity risk

Liquidity risk is the risk that an entity may have difficulties in complying with the obligations associated with financial liabilities to be settled by delivering cash or another financial asset.

The company's financial debt is mainly due to the payment of loans to FS Italiane group companies. The parent adopts asset liability management techniques in collecting debt and loan principal from the group companies. Currently, the loans received and bonds issued offer the subsidiaries the technical features of the underlying debt in order to enable the cash inflows and outflows deriving from interest and principal repayments to occur at the same time.

In order to meet potential and temporary cash requirements, the parent agreed a three-year revolving and committed backup credit facility in 2015 (€1,500,000) for general purposes. Based on the above facility and substantially applying the same terms and conditions in terms of restrictions and commitments for the parties, FS granted two three-year intercompany credit lines (revolving and committed) to the subsidiaries Trenitalia S.p.A. (€800,000 thousand) and RFI S.p.A. (€400,000 thousand).

Furthermore, again to meet temporary cash requirements, the company has numerous uncommitted credit lines granted by banks.

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

thousands of Euros							
31 December 2015	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
<b>Non-derivative financial liabilities</b>							
Bonds	3,917,734	4,288,458	548,825	51,763	74,525	2,033,166	1,580,178
Bank loans and borrowings	1,474,781	1,576,611	605,727	111,367	111,894	636,793	110,830
Loans and borrowings from other financial backers	977,169	1,100,000	100,000	100,000	200,000	600,000	100,000
Loans and borrowings from group companies	459,596	459,596	459,596				
<b>Total non-derivative financial liabilities</b>	<b>6,829,279</b>	<b>7,424,664</b>	<b>1,714,148</b>	<b>263,129</b>	<b>386,420</b>	<b>3,269,959</b>	<b>1,791,008</b>
<b>Trade payables</b>	<b>89,035</b>	<b>89,035</b>	<b>89,035</b>				

thousands of Euros							
31 December 2014	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
<b>Non-derivative financial liabilities</b>							
Bonds	4,157,384	4,816,730	251,841	60,655	624,842	1,245,327	2,634,066
Bank loans and borrowings	850,041	975,810	200,001	110,830	110,830	332,490	221,660
Loans and borrowings from other financial backers	1,133,104	1,300,000	100,000	100,000	200,000	600,000	300,000
Loans and borrowings from group companies	489,519	489,519	489,519				
<b>Total non-derivative financial liabilities</b>	<b>6,630,048</b>	<b>7,582,060</b>	<b>1,041,361</b>	<b>271,485</b>	<b>935,672</b>	<b>2,177,817</b>	<b>3,155,726</b>
<b>Trade payables</b>	<b>76,023</b>	<b>76,023</b>	<b>76,023</b>				

## Derivative and non-derivative financial liabilities

thousands of Euros

31 December 2015	Carrying amount	Within one year	1-5 years	Beyond 5 years
<b>Non-derivative financial liabilities</b>				
Bonds	3,917,734	563,311	1,872,196	1,482,226
Bank loans and borrowings	1,474,781	690,738	678,173	105,870
Loans and borrowings from other financial backers	977,169	162,276	717,833	97,060
Loans and borrowings from group companies	459,596	459,596		
<b>Non-derivative financial liabilities</b>	<b>6,829,279</b>	<b>1,875,932</b>	<b>3,268,202</b>	<b>1,685,155</b>
<b>Trade payables</b>	<b>89,035</b>	<b>89,035</b>		

thousands of Euros

31 December 2014	Carrying amount	Within one year	1-5 years	Beyond 5 years
<b>Non-derivative financial liabilities</b>				
Bonds	4,157,384	264,161	1,521,340	2,371,883
Bank loans and borrowings	850,041	281,791	361,248	207,002
Loans and borrowings from other financial backers	1,133,104	155,935	689,783	287,386
Loans and borrowings from group companies	489,519	489,519		
<b>Total non-derivative financial liabilities</b>	<b>6,630,048</b>	<b>1,191,406</b>	<b>2,572,371</b>	<b>2,866,270</b>
<b>Trade payables</b>	<b>76,023</b>	<b>76,023</b>		

The contractual flows of variable-rate loans have been calculated using the forward rates estimated at the reporting date. The amounts include both principal and interest.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate following changes in market prices, due to changes in exchange rates, interest rates or prices of equity instruments. The objective of the market risk management is the management and control of the company's exposure to this risk within acceptable levels, while optimise the return on investments.

Within market risks, the company's exposure to interest rate and currency risk is limited.

### Interest rate risk

The company is not exposed to any interest rate risk as variable rate financial liabilities are fully offset by the related financial assets with subsidiaries.

The table below shows the company's variable and fixed rate current and non-current financial liabilities.

thousands of Euros

	Carrying amount	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	beyond 5 years
Variable rate	3,849,338	3,949,997	1,599,645	1,212	1,389,962	959,178
Fixed rate	2,979,952	3,474,678	377,643	385,208	1,879,997	831,830
<b>Balance at 31 December 2015</b>	<b>6,829,290</b>	<b>7,424,675</b>	<b>1,977,288</b>	<b>386,420</b>	<b>3,269,959</b>	<b>1,791,008</b>
Variable rate	3,424,940	3,754,112	949,231	561,661	1,069,318	1,173,902
Fixed rate	3,205,108	3,827,948	363,615	374,011	1,108,499	1,981,824
<b>Balance at 31 December 2014</b>	<b>6,630,048</b>	<b>7,582,060</b>	<b>1,312,846</b>	<b>935,672</b>	<b>2,177,817</b>	<b>3,155,726</b>

The following sensitivity analysis shows the effects that would have been recorded in terms of changes in interest expense had an increase or a decrease of 50 basis points in the Euribor interest rates affected loans in 2015, along with the offsetting deriving from the simultaneous increase or decrease in financial income following the same change in the interest rates.

thousands of Euros

	+ 50 bps shift	- 50 bps shift
Interest expense on variable-rate debt	14,335	(14,127)
Interest income from loans	(14,335)	14,127
<b>Total</b>		

#### Currency risk

The company is mainly active in Italy as well as in Eurozone countries.

The company is not exposed to any currency risk on the bonds in Swiss francs as they are covered by the related intercompany loans granted to the subsidiary Trenitalia S.p.A. at the same amount and in the same currency.

#### Capital management

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

#### Financial assets and financial liabilities by category

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

<b>31 December 2015</b>	<b>Loans and receivables</b>	<b>Loans and borrowings</b>
Non-current financial assets (including derivatives)	4,955,021	
Non-current trade receivables	5,952	
Other non-current assets	741,696	
Current trade receivables	129,455	
Current financial assets (including derivatives)	2,701,010	
Cash and cash equivalents	257,675	
Tax assets	82,389	
Other current assets	1,068,080	
Non-current loans and borrowings		4,953,358
Non-current financial liabilities (including derivatives)		1,332
Other non-current liabilities		958,186
Current loans and borrowings and current portion of non-current loans and borrowings		1,416,336
Current trade payables		89,035
Tax liabilities		4,095
Current financial liabilities (including derivatives)		458,264
Other current liabilities		1,377,299

<b>31 December 2014</b>	<b>Loans and receivables</b>	<b>Loans and borrowings</b>
Non-current financial assets (including derivatives)	5,438,794	
Non-current trade receivables	6,097	
Other non-current assets	442,599	
Current trade receivables	121,530	
Current financial assets (including derivatives)	1,342,170	
Cash and cash equivalents	183,086	
Tax assets	81,910	
Other current assets	400,277	
Non-current loans and borrowings		5,438,642
Other non-current liabilities		873,860
Current loans and borrowings and current portion of non-current loans and borrowings		701,887
Current trade payables		76,023
Current financial liabilities (including derivatives)		489,519
Other current liabilities		437,162

## 5. Property, plant and equipment

Property, plant and equipment at 31 December 2015 and changes therein are shown in the table below. The assets' estimated useful lives did not change during the year.

	thousands of Euros				
	Land and buildings	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Historical cost	51,879	523	13,236	1,340	66,978
Depreciation and impairment losses	(12,595)	(453)	(12,390)		(25,438)
<b>Balance at 1.1.2014</b>	<b>39,284</b>	<b>70</b>	<b>846</b>	<b>1,340</b>	<b>41,540</b>
Investments				466	466
Roll-out	456		152	(608)	
Depreciation	(806)	(70)	(276)		(1,152)
Disposals and divestments			(1)		(1)
Other reclassifications	4,376			(428)	3,948
<b>Total changes</b>	<b>4,026</b>	<b>(70)</b>	<b>(125)</b>	<b>(570)</b>	<b>3,261</b>
Historical cost	58,098	523	13,316	770	72,707
Depreciation and impairment losses	(14,788)	(523)	(12,595)		(27,906)
<b>Balance at 31.12.2014</b>	<b>43,310</b>		<b>721</b>	<b>770</b>	<b>44,801</b>
Investments				552	552
Roll-out	62		55	(117)	
Depreciation	(857)		(217)		(1,074)
Disposals and divestments*			(1)	(17)	(18)
Other reclassifications**	2,455			(84)	2,371
<b>Total changes</b>	<b>1,660</b>		<b>(163)</b>	<b>334</b>	<b>1,831</b>
Historical cost	61,453	523	13,189	1,104	76,269
Depreciation and impairment losses	(16,483)	(523)	(12,631)		(29,637)
<b>Balance at 31.12.2015</b>	<b>44,970</b>		<b>558</b>	<b>1,104</b>	<b>46,632</b>
<b>Disposals and divestments*</b>					
Historical cost			(182)	(17)	(199)
Depreciation			181		181
<b>Total disposals and divestments</b>			<b>(1)</b>	<b>(17)</b>	<b>(18)</b>
<b>Reclassifications**</b>					
Historical cost	3,293			(84)	3,209
Depreciation	(636)				(636)
Impairment losses	(202)				(202)
<b>Total reclassifications</b>	<b>2,455</b>			<b>(84)</b>	<b>2,371</b>

Land and buildings refer to a section of the Villa Patrizi building where the company has its registered office. The remaining section is included under investment property. With respect to "Reclassifications", during the year, following the increase in the area occupied by the company in the Villa Patrizi building, (+1.40% compared to 31 December 2014), a net amount of €2,455 thousand was reclassified from investment property. Other reclassifications (€84 thousand) refer to software for investment projects with a mixed nature which, once the software became an asset, were duly reclassified to the relevant captions.

## 6. Investment property

Investment property at 31 December 2015 and changes therein are shown in the table below. The assets' estimated useful lives did not change during the year.

thousands of Euros				
	2015		2014	
	Land	Buildings	Land	Buildings
<b>Balance at 1 January 2015</b>				
Cost	500,364	435,550	502,895	440,006
Accumulated depreciation	(13,972)	(196,552)	(11,926)	(191,901)
Allowance for impairment	(173,677)	(32,440)	(173,058)	(32,860)
<b>Carrying amount</b>	<b>312,715</b>	<b>206,558</b>	<b>317,911</b>	<b>215,245</b>
<b>Changes of the year</b>				
Increase		557		766
Reclassifications*	(1,346)	(1,310)	(2,026)	(3,078)
Depreciation	(1,960)	(6,423)	(1,960)	(6,256)
Impairment losses	(12,439)	(612)	(1,210)	(119)
Divestments**	(21)	(22)		
<b>Total changes</b>	<b>(15,766)</b>	<b>(7,810)</b>	<b>(5,196)</b>	<b>(8,687)</b>
<b>Balance at 31 December 2013</b>				
Cost	498,414	434,580	500,364	435,550
Accumulated depreciation	(15,932)	(202,303)	(13,972)	(196,552)
Allowance for impairment	(185,533)	(33,529)	(173,677)	(32,440)
<b>Carrying amount</b>	<b>296,949</b>	<b>198,748</b>	<b>312,715</b>	<b>206,558</b>
<b>Reclassifications*</b>				
Cost	(1,888)	(1,372)	(2,531)	(5,184)
Accumulated depreciation		638	(86)	1,605
Allowance for impairment	542	(576)	591	501
<b>Total</b>	<b>(1,346)</b>	<b>(1,310)</b>	<b>(2,026)</b>	<b>(3,078)</b>
<b>Divestments**</b>				
Cost	(62)	(155)		(23)
Accumulated depreciation		34		
Allowance for impairment	41	99		23
<b>Total</b>	<b>(21)</b>	<b>(22)</b>		

Investment property includes the land and buildings leased to group companies and third parties or not used by the company, but not held for sale. The net decrease related to reclassifications is due to the €2,455 thousand transfer to property, plant and equipment of the section of the Villa Patrizi building that the company uses directly, as commented on in note 5, and the €201 thousand transfers to inventories of property included in sales plans.

During the year, following the ongoing recurring measurement and analysis the company's property, which began with the transition to IFRS in 2010 and given the financial position and, specifically, the strong fall experienced by the real estate sector, impairment losses totalling €13,051 thousand were recognised in order to align the assets' carrying amount to their market value.



## 7. Intangible assets

This caption exclusively comprises costs incurred for software development related mainly to the group's IT system. Opening and closing balances are shown in the table below.

thousands of Euros

	Concessions, licences, trademarks and similar rights	Assets under development and payments on account	Total
Historical cost	126,121	5,450	131,571
Amortisation and impairment losses	(88,130)		(88,130)
Grants	(4,418)		(4,418)
<b>Balance at 1.1.2014</b>	<b>33,573</b>	<b>5,450</b>	<b>39,023</b>
Investments		12,367	12,367
Roll-out	14,776	(14,776)	
Amortisation	(12,271)		(12,271)
Impairment losses	(68)		(68)
Increases in grants	(1,008)		(1,008)
Other reclassifications		396	396
<b>Total changes</b>	<b>1,429</b>	<b>(2,013)</b>	<b>(584)</b>
Historical cost	140,897	3,437	144,334
Amortisation and impairment losses	(100,469)		(100,469)
Grants	(5,426)		(5,426)
<b>Balance at 31.12.2014</b>	<b>35,002</b>	<b>3,437</b>	<b>38,439</b>
Investments		16,443	16,443
Roll-out	12,902	(12,902)	
Amortisation	(14,215)		(14,215)
Other reclassifications*	84		84
<b>Total changes</b>	<b>(1,229)</b>	<b>3,541</b>	<b>2,312</b>
Historical cost	153,882	6,978	160,860
Amortisation and impairment losses	(114,683)		(114,683)
Grants	(5,426)		(5,426)
<b>Balance at 31.12.2015</b>	<b>33,773</b>	<b>6,978</b>	<b>40,751</b>
<b>Reclassifications*</b>			
Historical cost	84		84
<b>Total reclassifications</b>	<b>84</b>		<b>84</b>

## 8. Deferred tax assets and deferred tax liabilities

The table below shows deferred tax assets and deferred tax liabilities at 31 December 2014 and changes of the year due to the main temporary differences between carrying amounts and the related tax amounts.

	31.12.2014	Incr.(decr.) through profit or loss	Other changes	thousands of Euros 31.12.2015
<b>Deferred tax assets</b>				
Differences related to intangible assets and PPE	102,216	(8,005)		94,211
Provisions for risks and charges and impairment losses with deferred tax deductibility	28,838	17,388		46,226
Differences related to property held for trading - inventories	82,912	(6,702)	(134)	76,076
<b>Total deferred tax assets</b>	<b>213,966</b>	<b>2,681</b>	<b>(134)</b>	<b>216,513</b>
<b>Deferred tax liabilities</b>				
<b>Provision for deferred tax liabilities</b>				
Differences related to intangible assets and PPE	79,847	(9,723)		70,124
Differences related to property held for trading - inventories	32,878	(3,802)		29,076
Other	354	(354)		
<b>Total provision for deferred tax liabilities</b>	<b>113,079</b>	<b>(13,879)</b>		<b>99,200</b>
- Provision for IRES tax consolidation scheme	324,663	13,462	60,245	398,370
<b>Total</b>	<b>437,742</b>	<b>(417)</b>	<b>60,245</b>	<b>497,570</b>

Deferred tax assets and deferred tax liabilities are mainly related to the misalignment between the carrying amount and the tax effects of property, plant and equipment and intangible assets, on which depreciation and amortisation are calculated, and property held for trading, in addition to the deferred deductibility applied to provisions for risks and charges and impairment losses on non-current assets.

As of 2017, the IRES rate will be reduced from 27.5% to 24% following the 2016 "Legge di Stabilità" (Law no. 208 of 28 December 2015). To this end, deferred tax assets and liabilities were recalculated for those captions which are expected to reverse starting from 2017. The recalculation had a negative effect on the income statement (€13,646 thousand), offset by the recognition of net deferred tax assets of €27,427 thousand and the release of the provision for deferred tax liabilities of €2,023 thousand, following the differences between the carrying and the tax amounts of amortisation/depreciation of the year, the gains on the sale of assets and the accruals to provisions.

The provision for IRES tax consolidation scheme includes the taxes transferred by the companies and used to offset taxes related to the company and other subsidiaries that participate in the tax consolidation scheme. At year end, the parent offsets the related results of the companies transferring taxable income and those transferring tax losses. The provision also reflects the utilisations needed to remunerate the same companies for the tax losses previously transferred and offset against their taxable income during the year.

## 9. Equity investments

The tables below show equity investments' opening and closing balances, broken down by category, and changes therein in 2015 and 2014.

	thousands of Euros		
	Carrying amount at 31.12.2015	Carrying amount at 31.12.2014	Cumulative allowance for impairment
<b>Equity investments in:</b>			
Subsidiaries	34,928,797	35,406,388	74,384
Associates	23,084	23,084	
Jointly controlled entities	95,120		
Other companies	14,748	133,489	
<b>Total</b>	<b>35,061,749</b>	<b>35,562,961</b>	<b>74,384</b>

## Changes in 2015

thousands of  
Euros

	Carrying amount at 31.12.2014	Acquisitions/ Subscriptions	Acquisitions/ Decreases	Impairment losses/ Reversals of impairment losses	Reclassifications	Other changes	Carrying amount at 31.12.2015	Cumulative allowance for impairment
<b>Investments in subsidiaries</b>								
Centostazioni S.p.A.	3,050						3,050	
Fercredit S.p.A.	31,413						31,413	
Ferservizi S.p.A.	8,378						8,378	
FS Logistica S.p.A.	110,436						110,436	32,659
FS Sistemi Urbani S.r.l.	534,094						534,094	
Grandi Stazioni S.p.A.	17,601						17,601	
Netinera Deutschland GmbH (formerly FS2Move GmbH)	144,355						144,355	
FS Telco S.r.l.	5			(120)		135	20	135
Italcertifer S.p.A.	883		(145)				738	
Italferr S.p.A.	8,047						8,047	
RFI S.p.A.	32,896,721				(482,353)		32,414,368	
Self S.r.l.	35		(387,268)		387,233			
Sita S.p.A. in liquidation	562			(562)				
Trenitalia S.p.A.	1,612,874						1,612,874	41,590
Busitalia - Sita Nord S.r.l.	37,884	5,489					43,373	
TAV S.r.l.	50						50	
	<b>35,406,388</b>	<b>5,489</b>	<b>(387,413)</b>	<b>(682)</b>	<b>(95,120)</b>	<b>135</b>	<b>34,928,797</b>	<b>74,384</b>
<b>Investments in associates</b>								
Ferrovie Nord Milano S.p.A.	23,061						23,061	
Italiacamp S.r.l.	23						23	
	<b>23,084</b>						<b>23,084</b>	
<b>Investments in jointly controlled entities</b>								
TELT Sas (formerly LTF Sas)					95,120		95,120	
					<b>95,120</b>		<b>95,120</b>	
<b>Other companies</b>								
BCC Bureau Central de Clearing	6						6	
Eurofima SA	133,325					(118,741)	14,584	
Hit Rail B.V.	97						97	
Isfort S.p.A.	61						61	
	<b>133,489</b>					<b>(118,741)</b>	<b>14,748</b>	
Total	<b>35,562,961</b>	<b>5,489</b>	<b>(387,413)</b>	<b>(682)</b>		<b>(118,606)</b>	<b>35,061,749</b>	<b>74,384</b>

The changes during the year relate to:

- quota capital injection in the subsidiary Busitalia Sita Nord S.r.l. (€5,489 thousand);

- partial demerger of Tunnel Euralpin Lyon Turin – TELT Sas (formerly Lyon Turin Ferroviarie – Ltf Sas) from RFI S.p.A.. Following this transaction, the parent recognised the investment in TELT Sas (€95,120 thousand) and concurrently decreased the carrying amount of the investment in RFI S.p.A. by the same amount;
- restatement of the investment in Eurofima SA, based in Basel, from €133,325 thousand to €14,584 thousand, following the in-depth analysis of Swiss company law with respect to the nature of the obligations arising from the callable shares, while derecognising the payable for the above obligations amounting to €194,237 thousand at 31 December 2014. The in-depth analysis led to a positive adjustment of €75,496 thousand, recognised under Other financial income (see note 35);
- partial demerger of the business unit consisting of the HV network from RFI S.p.A. to S.EL.F. S.r.l. against a consideration of €387,233 thousand. Following this transaction, the carrying amount of the investment in RFI S.p.A. decreased, while that of S.EL.F. S.r.l. was increased by the same amount. On 23 December 2015, the investment in S.EL.F. S.r.l. was transferred to Terna S.p.A.; pursuant to Law no. 190 of 23 December 2014 (The 2015 “Legge di Stabilità”), this transaction was performed to align the group to the system envisaged by legislation and is mainly justified by the correct reallocation of FS group's electrical assets to their own segment. It generated cash flows of €757,000 thousand and, pursuant to article 1.193, letter c) of the above law, led to the recognition of a liability for grants related to assets to RFI of €272,113 thousand and the derecognition of the investment in S.EL.F. S.r.l. (€387,268 thousand), generating a gain of €17,434 thousand which considers both the estimated charges related to the guarantees included in the sale agreement (€67,000 thousand) and the registration tax (€13,186 thousand).

## Changes in 2014

thousands of Euros

	Carrying amount at 31.12.2013	Acquisitions/ Subscriptions	Impairment losses/ Reversals of impairment losses	Other changes	Decreases	Carrying amount at 31.12.2014	Cumulative allowance for impairment
<b>Investments in subsidiaries</b>							
Centostazioni S.p.A.	3,050					3,050	
Fercredit S.p.A.	31,413					31,413	
Ferservizi S.p.A.	8,378					8,378	
FS Logistica S.p.A.	110,436					110,436	32,659
FS Sistemi Urbani S.r.l.	534,094					534,094	
Grandi Stazioni S.p.A.	17,601					17,601	
Netinera Deutschland GmbH (formerly FS2Move GmbH)	144,355					144,355	
FS Telco S.r.l.	5					5	15
Italcertifer S.p.A.	883					883	
Italferr S.p.A.	8,047					8,047	
RFI S.p.A.	32,896,721					32,896,721	
Self S.r.l.	35					35	
Sita S.p.A. in liquidation(*)	562					562	
Trenitalia S.p.A.	1,612,874					1,612,874	41,590
Busitalia - Sita Nord S.r.l.	27,374	10,510				37,884	
TAV S.r.l.	50	38	(38)			50	
	<b>35,395,878</b>	<b>10,548</b>	<b>(38)</b>			<b>35,406,388</b>	<b>74,264</b>
<b>Investments in associates</b>							
Ferrovie Nord Milano S.p.A.	23,061					23,061	
Italiacamp S.r.l.		23				23	
	<b>23,061</b>	<b>23</b>				<b>23,084</b>	
<b>Other companies</b>							
BCC Bureau Central de Clearing	6					6	
E.T.L. consortium	10				(10)		
Eurofima SA	133,325					133,325	
Hit Rail B.V.	97					97	
Isfort S.p.A.	61					61	
	<b>133,499</b>				<b>(10)</b>	<b>133,489</b>	
<b>Total</b>	<b>35,552,438</b>	<b>10,571</b>	<b>(38)</b>		<b>(10)</b>	<b>35,562,961</b>	<b>74,264</b>

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

thousands of Euros

	Registered office	Share/quot a capital	Profit (loss) for the year	Equity at 31.12.2015	% of investment	Attributable equity (a)	Carrying amount at 31.12.2015 (b)	Difference (b) - (a)
<b>Investments in subsidiaries</b>								
Busitalia - Sita Nord S.r.l.	Rome	31,000	8,383	40,788	100.00%	40,788	43,374	2,586
Centostazioni S.p.A.	Rome	8,333	9,131	38,525	59.99%	23,111	3,050	(20,061)
Fercredit S.p.A.	Rome	32,500	11,895	95,503	100.00%	95,503	31,413	(64,090)
Ferservizi S.p.A.	Rome	8,170	23,988	32,598	100.00%	32,598	8,378	(24,220)
FS Logistica S.p.A.	Rome	143,096	2,134	115,894	100.00%	115,894	110,436	(5,458)
FS Sistemi Urbani S.r.l.	Rome	532,783	3,660	550,459	100.00%	550,459	534,094	(16,365)
Grandi Stazioni S.p.A.	Rome	4,304	20,516	160,415	59.99%	96,233	17,601	(78,632)
Netinera Deutschland GmbH (formerly FS2Move GmbH)	Berlin	1,025	4,940	258,151	51.00%	131,657	144,355	12,698
FS Telco S.r.l.	Rome	20	(13)	25	100.00%	25	20	(5)
Italcertifer S.p.A.	Florence	480	350	3,507	55.66%	1,952	737	(1,215)
Italferr S.p.A.	Rome	14,186	10,328	52,622	100.00%	52,622	8,047	(44,575)
RFI S.p.A.	Rome	31,525,280	128,724	32,950,463	100.00%	32,950,463	32,414,368	(536,095)
Sita S.p.A. in liquidation (*)	Florence	200	287	(8,508)	55.00%	(4,679)		4,679
Trenitalia S.p.A.	Rome	1,654,464	230,043	2,234,520	100.00%	2,234,520	1,612,874	(621,646)
TAV S.r.l.	Rome	50	(12)	23	100.00%	23	50	27
<b>Total</b>						<b>36,321,169</b>	<b>34,928,797</b>	<b>(1,392,372)</b>
<b>Investments in associates</b>								
Ferrovie Nord Milano S.p.A.	Milan	230,000	15,175	321,344	14.74%	47,366	23,061	(24,305)
Italiacamp S.r.l.	Rome	114		114	20.00%	23	23	
<b>Total</b>						<b>47,389</b>	<b>23,084</b>	<b>(24,305)</b>
<b>Investments in jointly controlled entities</b>								
TELT Sas (formerly LTF Sas)	Chambery	1,000		827,745	50.00%	413,873	95,120	(318,753)
<b>Total</b>						<b>413,873</b>	<b>95,120</b>	<b>(318,753)</b>
<b>TOTAL</b>						<b>36,782,430</b>	<b>35,047,001</b>	<b>(1,735,429)</b>

(\*) 2014 financial statements figures

(\*\*) The difference is due to the different treatment of the grants related to assets disbursed by the government, through RFI, starting from 2007, which the company, pursuant to French GAAP, recognises in equity rather than as a direct decrease in the carrying amount of the assets.

No impairment loss is recognised on the difference between the carrying amount of Netinera Deutschland GmbH and the related portion of equity, considering the company's expected performance and the results of the impairment test, which was also performed for the purposes of the consolidated financial statements.

There is no impairment loss recognised on TAV S.r.l. as the company is not operational. With respect to Sita S.p.A. in liquidation, the liquidator postponed the approval of the 2015 financial statements exercising the right to the longer term of 180 days, pending the definitive outcome of some disputes currently underway, involving claims and counterclaims, which may have a significant impact on the financial performance for the year. Consequently, at 31 December 2015, the carrying amount of the investment was prudently impaired to nil and a provision covering the risk of losing any of the above disputes was recognised.

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

thousands of Euros											
Investments in associates 31.12.2015	% of investment	Current assets	Non-current assets	Assets held for sale	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Costs	Profit (loss)
Investments in associates <b>FNM S.p.A.</b>	14.74%	215,638	346,974	3,782	566,394	159,119	85,931	245,050	69,829	54,654	15,175
Investment in jointly controlled entities <b>TELT Sas (formerly LTF Sas)</b>	50.00%	73,934	855,678		929,612	101,596	271	101,867	89,424	89,424	

thousands of Euros											
Investments in associates 31.12.2014	% of investment	Current assets	Non-current assets	Assets held for sale	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Costs	Profit
<b>FNM S.p.A.</b>	14.74%	107,639	316,720	3,954	428,313	84,687	31,355	116,042	65,665	46,941	18,724

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

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

thousands of Euros									
Carrying amount									
	31.12.2015			31.12.2014			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Non-current loans and borrowings	4,953,262	812,012	5,765,274	5,438,565	504,934	5,943,499	(485,303)	307,078	(178,225)
Injections for future capital increase					135	135		(135)	(135)
Current loan assets		642,130	642,130		242,770	242,770		399,360	399,360
Other loan assets	1,759	1,246,868	1,248,627	229	594,331	594,560	1,530	652,537	654,067
<b>Total</b>	<b>4,955,021</b>	<b>2,701,010</b>	<b>7,656,031</b>	<b>5,438,794</b>	<b>1,342,170</b>	<b>6,780,964</b>	<b>(483,773)</b>	<b>1,358,840</b>	<b>875,067</b>

Financial assets increased by €875,067 overall in 2015.

Non-current loans and borrowings at 31 December 2015 mainly relate to loans granted to the subsidiaries Rete Ferroviaria Italiana S.p.A. and Trenitalia S.p.A. totalling €5,765,146 thousand, of which €1,355,849 thousand related to the Euro Medium Term Notes programme. The €178,225 thousand decrease is mainly due to the following:

- repayments of loans during the year totalling €486,674 thousand, offset by higher receivables for accrued income of €8,449 thousand;
- the greater receivable from Trenitalia S.p.A. following the signing of a four-year €300,000 thousand intercompany loan, as part of the Loan Agreement entered into on 10 November 2015 by FS Italiane S.p.A. and the joint venture made up of BNL Group BNP Paribas, as the “agent” and UBI Banca S.p.A. and Banca Carige S.p.A. as the “principals” to purchase rolling stock for long haul and regional transport services.

Current loan assets relate to loans granted to subsidiaries. The €399,360 thousand increase is mainly due to the greater loans granted to Trenitalia S.p.A..



The increase in other loan assets is mainly due to the higher funds in infragroup current accounts with Trenitalia S.p.A. (€652,091 thousand) and Italferr S.p.A. (€826 thousand).

## 11. Other current and non-current assets

thousands of Euros									
31.12.2015			31.12.2014			Changes			
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Other receivables from group companies		63,303	63,303		150,014	150,014		(86,711)	(86,711)
VAT receivables	741,518	470,745	1,212,263	442,427	247,618	690,045	299,091	223,127	522,218
Ministry of the Economy and Finance and Ministry of Infrastructure and Transport		531,003	531,003					531,003	531,003
Other government authorities		52	52					52	52
Sundry receivables and prepayments and accrued income	1,251	2,977	4,228	1,245	2,645	3,890	6	332	338
<b>Total</b>	<b>742,769</b>	<b>1,068,080</b>	<b>1,810,849</b>	<b>443,672</b>	<b>400,277</b>	<b>843,949</b>	<b>299,097</b>	<b>667,803</b>	<b>966,900</b>
Allowance for impairment	(1,073)		(1,073)	(1,073)		(1,073)			
<b>Total exposure, net of the allowance for impairment</b>	<b>741,696</b>	<b>1,068,080</b>	<b>1,809,776</b>	<b>442,599</b>	<b>400,277</b>	<b>842,876</b>	<b>299,097</b>	<b>667,803</b>	<b>966,900</b>

The decrease in other receivables from group companies is mainly due to the reduction in non-trade receivables from group companies following the collection of the 2013 dividends paid by the subsidiary RFI S.p.A. (€73,000 thousand), the decrease in group VAT receivables (€6,912 thousand) and the increase in tax consolidation assets (€3,561 thousand).

The €522,218 thousand increase in VAT receivables is basically due to the VAT receivable for the current year (€512,288 thousand) and the interest accrued on prior year VAT receivables during the same period (€9,930 thousand).

The receivables from the Ministry of the Economy and Finance (MEF) and the Ministry of Infrastructure and Transport (MIT) refer to the transfer of ownership of the resources to be used to construct the Turin – Lyon railway line to Ferrovie dello Stato Italiane S.p.A. following the coming into force of article 1.678 of Law no. 208 of 28 December 2015 (the 2016 “Legge di Stabilità”). The above receivables refer to both 2015 (€242,713 thousand) and the 2014 residual portion (€288,290 thousand) for budget sections 7122 and 7532.

Receivables broken down by geographical area are as follows:

thousands of Euros			
	31.12.2015	31.12.2014	Changes
Italy	1,810,716	843,763	966,953
Eurozone countries	84	138	(54)
United Kingdom	48	48	
Other non-EU European countries	1		1
<b>Total</b>	<b>1,810,849</b>	<b>843,949</b>	<b>966,900</b>

## 12. Inventories

thousands of Euros			
	31.12.2015	31.12.2014	Changes
Buildings and land held for trading	741,830	738,620	3,210
Allowance for inventory write-down	(252,083)	(247,453)	(4,630)
<b>Carrying amount</b>	<b>489,747</b>	<b>491,167</b>	<b>(1,420)</b>
<b>Total inventories</b>	<b>489,747</b>	<b>491,167</b>	<b>(1,420)</b>

Inventories comprise property held for sale. The decrease on the previous year (€1,420 thousand) is mainly attributable to the purchase of the real estate complex in Treviso (€10,370 thousand) by the subsidiary FS Logistica S.p.A. and the extraordinary maintenance carried out on property (€2,550 thousand) offset by the disposals of the year (€9,677 thousand), net of the utilisation of the allowance for inventory write-down (€3,507 thousand) and the write-downs (€8,371 thousand) recognised to align the carrying amounts of the assets to the related market value, following the ongoing recurring measurement and analysis the company's property, given the financial position and, specifically, the strong fall experienced by the real estate sector. As already described in note 6 to "Investment property", during the year, €201 thousand related to property included in sales plans was reclassified from the above caption.

## 13. Non-current and current trade receivables

thousands of Euros									
	31.12.2015			31.12.2014			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Ordinary customers	6,099	41,127	47,226	6,243	35,087	41,330	(144)	6,040	5,896
Government authorities and other public authorities		8,038	8,038		6,666	6,666		1,372	1,372
Other receivables from group companies		105,319	105,319		103,533	103,533		1,786	1,786
<b>Total</b>	<b>6,099</b>	<b>154,484</b>	<b>160,583</b>	<b>6,243</b>	<b>145,286</b>	<b>151,529</b>	<b>(144)</b>	<b>9,198</b>	<b>9,054</b>
Allowance for impairment	(147)	(25,029)	(25,176)	(147)	(23,756)	(23,903)		(1,273)	(1,273)
Total exposure, net of the allowance for impairment	5,952	129,455	135,407	6,096	121,530	127,626	(144)	7,925	7,781

Trade receivables from ordinary customers and public authorities mainly relate to properties and arise from lease payments and the sale of buildings held for trading. The receivables from group companies mainly refer to trade receivables from RFI S.p.A. (€19,683 thousand), FS Logistica S.p.A. (€8,372 thousand), Ferservizi S.p.A. (€2,119 thousand), Grandi Stazioni S.p.A. (€26,955 thousand), Busitalia Sita Nord (€4,686 thousand), Italferr S.p.A. (€6,355 thousand) and Trenitalia S.p.A. (€29,750 thousand). They mainly refer to the contract for the service provision and management, surety fees and property items.

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

thousands of Euros			
	31.12.2015	31.12.2014	Changes
Italy	157,564	149,610	7,954
Eurozone countries	1,739	1,519	220
Other countries	1,280	400	880
<b>Total</b>	<b>160,583</b>	<b>151,529</b>	<b>9,054</b>

## 14. Cash and cash equivalents

They can be analysed as follows:

	thousands of Euros		
	31.12.2015	31.12.2014	Changes
Bank and postal accounts	210,969	135,201	75,768
Cheques		61	(61)
Cash and cash on hand	23	22	1
Treasury current accounts	46,683	47,802	(1,119)
<b>Total</b>	<b>257,675</b>	<b>183,086</b>	<b>74,589</b>

The caption rose by €74,589 thousand compared to the previous year, mainly due to the increase in current liquid funds following the amounts collected in the name and on behalf of other group companies related to the service contracts in place with the Regions.

## 15. Tax assets

Tax assets at 31 December 2015 amount to €82,389 thousand (€81,910 thousand at 31 December 2014) and relate to IRES tax credits.

## 16. Equity

Changes in the main equity captions in 2015 and 2014 are shown in the statement of changes in equity.

### Share capital

Following the shareholders' resolution of 28 May 2015, subsequently filed on 1 June, the share capital of Ferrovie dello Stato Italiane S.p.A. was aligned with the corresponding equity, after using all reserves to cover losses (€2,449,992,683) and decreased from €38,790,425,485 to €36,340,432,802.

At 31 December 2015, the company's share capital fully subscribed and paid up by the sole shareholder, the MEF, was made up of 36,340,432,802 ordinary shares, with a par value of €1 each, for a total of €36,340,432,802 thousand.

### Reserve pursuant to Law decree no. 192/2014 (the so-called "Milleproroghe", converted into Law no. 11 of 27 February 2015)

The reserve includes the capital injections made by the company on 9 January 2015 and 30 September 2015, pursuant to article 20 of Law no. 89 of 23 June 2014 (subsequently amended by article 10.12 of Law decree no. 192/14, converted into Law no. 11 of 27 February 2015), related to the two instalments (totalling €100,000 thousand) to the MEF. This reserve was set up considering the qualification and the aims of the above law, based on the direct control relationship between MEF and Ferrovie dello Stato Italiane S.p.A. and the dividend policy of Ferrovie dello Stato Italiane group.

### Actuarial reserve

The actuarial reserve includes the effects of actuarial gains and losses on post-employment benefits and the Free Travel Card. An actuarial gain of €357 thousand, net of the tax effect, was recognised in 2015.

### Profit for the year

2015 ended with a profit of €137,380 thousand.

The origin, availability and distributability of equity captions are shown below.

Origin	Balance at 31.12.2015 (a+b)	Unavailable portion (a)	Possibility of use	Available portion (b)
<b>Share capital</b>	36,340,433	<b>36,340,433</b>		
<b>Equity-related reserves:</b>				
Reserve pursuant to Law decree no. 192/2014	(100,000)	(100,000)		
<b>Reserve for unrealised gains and losses</b>				
Actuarial reserve	357		A,B	357
<b>Total</b>	<b>36,240,790</b>	<b>36,240,433</b>		<b>357</b>

Key:

A: capital increase

B: coverage of losses

## 17. Current and non-current loans and borrowings

Details on the amounts and terms and conditions of the company's loans measured at amortised cost:

thousands of Euros

Non-current loans and borrowings, net of the current portion	Carrying amount		
	31.12.2015	31.12.2014	Changes
Bonds	3,354,422	3,893,223	(538,801)
Bank loans and borrowings	784,043	568,250	215,793
Loans and borrowings from other financial backers	814,893	977,169	(162,276)
<b>Total</b>	<b>4,953,358</b>	<b>5,438,642</b>	<b>(485,284)</b>

thousands of Euros

Current loans and borrowings and current portion of non-current loans and borrowings	Carrying amount		
	31.12.2015	31.12.2014	Changes
Bonds (current portion)	563,311	264,161	299,150
Bank loans and borrowings (current portion)	690,738	281,791	408,947
Loans and borrowings from other financial backers (current portion)	162,276	155,935	6,341
Loans and borrowings from group companies (current portion)	11		11
<b>Total</b>	<b>1,416,336</b>	<b>701,887</b>	<b>714,449</b>
<b>Total loans and borrowings</b>	<b>6,369,694</b>	<b>6,140,529</b>	<b>229,165</b>

The caption increased by €229,165 thousand on the previous year, mainly due to the rise in current borrowings (€405,000 thousand), the signing, on 10 November 2015, of a €300,000 thousand four-year loan agreement by FS Italiane S.p.A. and the joint venture made up of BNL Group BNP Paribas, as the "agent" and UBI Banca S.p.A. and Banca Carige S.p.A. as the "principals", offset by the repayments of the loan granted by Cassa Depositi e Prestiti (€155,935 thousand), the EIB loan (€80,439 thousand) and the Eurofima bond (€248,300 thousand).

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

				31.12.2015		31.12.2014	
Creditor	Currency	Nominal interest rate	Year of maturity	Nominal amount	Carrying amount	Nominal amount	Carrying amount
EUROFIMA	€	6 m Euribor + Spread	2018	200,000	200,000	200,000	200,003
EUROFIMA	€	6 m Euribor + Spread	2018	200,000	200,000	200,000	200,004
EUROFIMA	€	6 m Euribor + Spread	2018	149,400	149,400	149,400	149,402
EUROFIMA	€	6 m Euribor - Spread	2019	160,000	160,000	160,000	160,013
EUROFIMA	€	6 m Euribor - Spread	2019	183,000	183,001	183,000	183,013
EUROFIMA	€	6 m Euribor - Spread	2016	194,000	194,008	194,000	194,007
EUROFIMA	€	6 m Euribor - Spread	2016	32,300	32,301	32,300	32,300
EUROFIMA	€	6 m Euribor - Spread	2015			83,000	83,005
EUROFIMA	€	6 m Euribor - Spread	2018	62,700	62,701	62,700	62,701
EUROFIMA	€	6 m Euribor - Spread	2020	62,700	62,700	62,700	62,700
EUROFIMA	€	6 m Euribor - Spread	2015			165,300	165,379
EUROFIMA	€	6 m Euribor - Spread	2016	310,000	310,000	310,000	310,088
EUROFIMA	€	6 m Euribor - Spread	2026	190,000	190,000	190,000	190,029
EUROFIMA	€	6 m Euribor - Spread	2026	100,000	100,000	100,000	100,016
EUROFIMA	€	6 m Euribor - Spread	2027	128,700	128,700	128,700	128,744
EUROFIMA	€	6 m Euribor - Spread	2026	116,000	116,000	116,000	116,019
EUROFIMA	€	6 m Euribor - Spread	2022	120,000	120,000	120,000	120,025
EUROFIMA	€	6 m Euribor - Spread	2024	122,200	122,200	122,200	122,215
EUROFIMA	€	6 m Euribor - Spread	2027	65,700	65,700	65,700	65,724
EUROFIMA	€	6 m Euribor - Spread	2020	47,400	47,400	47,400	47,400
EUROFIMA	CHF	fixed rate 2.57%	2020	41,532	41,814	37,425	37,679
EUROFIMA	CHF	fixed rate 2.501%	2016	11,537	11,748	10,396	10,587
EUROFIMA	CHF	fixed rate 2.795%	2017	21,689	22,140	19,544	19,951
EUROFIMA	€	6 m Euribor + Spread	2025	42,500	42,579	42,500	42,632
EMTN PROGR. INST. 1	€	fixed rate 4.00%	2020	743,775	757,136	742,558	755,955
EMTN PROGR. INST. 2	€	fixed rate 3.50%	2021	597,126	598,216	596,699	597,793
				3,902,259	3,917,744	4,141,522	4,157,384
EIB	€	fixed rate 4.685%	2021	568,250	569,433	648,689	650,039
CASSA DD.PP.	€	fixed rate 4.026%	2021	977,169	977,169	1,133,104	1,133,104
R.T.I	€			300,000	300,152		
<b>Total loans and borrowings (*)</b>				<b>5,747,678</b>	<b>5,764,498</b>	<b>5,923,315</b>	<b>5,940,527</b>

(\*) The carrying amount of loans and borrowings does not include current borrowings at 31 December 2015 (€605,196 thousand) and 31 December 2014 (€200,002 thousand).

The table below analyses the net financial position, shown in the reclassified statement of financial position, as presented in the 2015 Directors' report compared with 31 December 2014:

<b>Net financial position</b>	<b>31.12.2015</b>	<b>31.12.2014</b>	<b>Change</b>
<b>Current net financial position</b>	<b>(1,084,085)</b>	<b>(333,715)</b>	<b>(750,370)</b>
Treasury current accounts	(46,683)	(47,802)	1,119
Loans and borrowings from other financial backers	162,276	155,935	6,341
Bank loans and borrowings	689,631	281,791	407,840
Bonds	563,184	264,161	299,023
Infragroup current account	(788,460)	(104,812)	(683,648)
Loan assets with group companies	(1,453,041)	(747,704)	(705,337)
Other	(210,992)	(135,284)	(75,708)
<b>Net non-current financial position</b>	<b>(331)</b>	<b>(153)</b>	<b>(178)</b>
Loans and borrowings from other financial backers	814,893	977,169	(162,276)
Bank loans and borrowings	782,512	568,250	214,262
Bonds	3,354,422	3,893,223	(538,801)
Loan assets with group companies	(4,951,929)	(5,438,566)	486,637
Other	(229)	(229)	
<b>Total</b>	<b>(1,084,416)</b>	<b>(333,868)</b>	<b>(750,548)</b>

## 18. Post-employment benefits and other employee benefits

thousands of Euros

	31.12.2015	31.12.2014
Present value of post-employment benefit obligations	11,689	13,708
Present value of Free Travel Card obligations	189	198
<b>Total present value of obligations</b>	<b>11,878</b>	<b>13,906</b>

Changes in the present value of liabilities for defined benefit obligations for post-employment benefits and the Free Travel Card (excluding other employee benefits) are shown in the table below.

thousands of Euros

	2015	2014
Defined benefit obligations at 1 January	13,906	15,516
Service costs	3	3
Interest cost (*)	149	295
Actuarial (gains) losses recognised in equity (**)	(492)	971
Advances, utilisations and other changes	(1,688)	(2,879)
<b>Total defined benefit obligations</b>	<b>11,878</b>	<b>13,906</b>

(\*) through profit or loss

(\*\*) net of the tax effects

The use of the provision for post-employment benefits and Free Travel Card (€2,028 thousand) mainly refers to:

- the benefits paid to the personnel who left the company during the year (€1,435 thousand) and transfers of employees to and from other group companies (€253 thousand);
- the difference between the expected accrued amount at the end of the observation period and the expected present value of the benefits payable in the future as recalculated at the end of the period and of the updated valuation assumptions, that represents actuarial gains/(losses). This calculation generated an actuarial gain of €492 thousand during the year, compared to the actuarial loss of €971 thousand in 2014.

### Actuarial assumptions

The following are described in the tables below:

- main assumptions for the actuarial estimate process;
- sensitivity analysis for each significant actuarial assumption at year end, showing the effects of reasonably possible changes in actuarial assumptions at such date in absolute terms;
- contribution expected for the subsequent year and the average term of the defined benefit obligation;
- the payments scheduled by the plan for the next five-year period.



	2015	2014
Discount rate (post-employment benefits)	1.39%	0.91%
Discount rate (Free Travel Card)	2.03%	1.49%
Annual increase rate of post-employment benefits (year x+1)	2.63%	1.95%
Annual increase rate of post-employment benefits (year x+2)	2.85%	2.40%
Annual increase rate of post-employment benefits (year x+3)	2.78%	2.63%
Annual increase rate of post-employment benefits (year x+4)	2.70%	3.00%
Inflation rate of post-employment benefits (year+1)	1.50%	0.60%
Inflation rate of post-employment benefits (year+2)	1.80%	1.20%
Inflation rate of post-employment benefits (year+3)	1.70%	1.50%
Inflation rate of post-employment benefits (year+4)	1.60%	2.00%
Inflation rate of Free Travel Cards (year+1)	1.50%	0.60%
Inflation rate of Free Travel Cards (year+2)	1.80%	1.20%
Inflation rate of Free Travel Cards (year+3)	1.70%	1.50%
Inflation rate of Free Travel Cards (year+4)	1.60%	2.00%
Expected turnover rate for employees	3.00%	3.00%
Expected rate of advances	2.00%	2.00%
Death probability	RG48 mortality rate published by the General Accounting Office	
Disability	INPS tables broken down by gender and age	
Retirement age	100% upon meeting the Compulsory general insurance requirements	

thousands of Euros

**31.12.2015**

Inflation rate +0.25%	12,007
Inflation rate -0.25%	11,752
Discount rate +0.25%	11,678
Discount rate -0.25%	12,085
Turnover rate +1%	11,639
Turnover rate -1%	11,745
<b>Total</b>	<b>70,907</b>

**31.12.2015**

Service cost*	3
Term of the plan - Post-employment benefits	7
Term of the plan - Free Travel Card	12
<b>Total</b>	<b>19</b>

\*thousands of Euros

<b>Estimated future payments</b>	
Payment - first year	1,461
Payment - second year	1,425
Payment - third year	1,091
Payment - fourth year	565
Payment - fifth year	1,062
<b>Total</b>	<b>5,604</b>

## 19. Provisions for risks and charges

The opening and the closing balance of and changes in the provisions for risks and charges for 2015 are given below.

	31.12.2014	Provisions	Utilisations	Other changes	Release of excess provisions	31.12.2015
Provision for taxation	302		(19)			283
Labour and civil litigation	16,468		(1,294)		(9,902)	5,272
Other minor risks	61,128	80,559	(469)	72		141,290
<b>Total</b>	<b>77,898</b>	<b>80,559</b>	<b>(1,782)</b>	<b>72</b>	<b>(9,902)</b>	<b>146,845</b>

The provision for labour and civil litigation was accrued to cover probable expenses due to the third-party litigation related to sales contracts (price reductions, compensation for damage incurred during sales negotiations), non-compliance with agreements or disputes about leases, claims for checks on property, pre-emption, etc. rights, as well as disputes with personnel. €1,294 thousand of the provision was used in 2015, mainly due to the disputes with personnel and related to the real estate complex, while €9,902 thousand was released following the smaller needs related to pending disputes.

The provision for other minor risks mainly covers estimated expenses to be incurred for personnel and contractual costs borne by the former Ferrovie Real Estate S.p.A. connected to specific sales, called "high income and high building package", reclamation costs for certain sites and tax-related items.

The accruals for the year (€80,559 thousand) mainly refer to the estimated costs related to the guarantees included in the contract providing for the sale of Self S.r.l. to Terna S.p.A. (€67,000 thousand), the costs related to financial investments not adequately covered by the provisions already recognised (€10,450 thousand) and the costs related to the Bilateral fund for income assistance (€2,968 thousand), necessary to launch projects to streamline the company's production structure, while the utilisations (€469 thousand) relate to the costs incurred for the contractual obligations pertaining to the former Ferrovie Real Estate S.p.A..

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

thousands of Euros

	Carrying amount								
	31.12.2015			31.12.2014			Change		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
<b>Financial liabilities</b>									
Other financial liabilities	1,332	458,264	459,596		489,519	489,519	1,332	(31,255)	(29,923)
<b>Total</b>	<b>1,332</b>	<b>458,264</b>	<b>459,596</b>		<b>489,519</b>	<b>489,519</b>	<b>1,332</b>	<b>(31,255)</b>	<b>(29,923)</b>

Other financial liabilities mainly comprise payables to subsidiaries for the balance of the infragroup current accounts. The decrease in the caption is mainly due to the reduction in the liability to Rete Ferroviaria Italiana S.p.A. (€80,615 thousand). This is offset by the increase in liabilities to Fercredit S.p.A. (€35,252 thousand) and FS Logistica S.p.A. (€13,717 thousand).

## 21. Other current and non-current liabilities

thousands of Euros

	31.12.2015			31.12.2014			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Advances for grants		531,003	531,003					531,003	531,003
Social security charges payable		4,621	4,621		5,309	5,309		(688)	(688)
Other liabilities with group companies	830,349	775,325	1,605,674	550,592	364,705	915,297	279,757	410,620	690,377
Tax consolidation liabilities		3,781	3,781		5,086	5,086		(1,305)	(1,305)
Other liabilities and accrued expenses and deferred income	127,837	62,569	190,406	323,268	62,062	385,330	(195,431)	507	(194,924)
<b>Total</b>	<b>958,186</b>	<b>1,377,299</b>	<b>2,335,485</b>	<b>873,860</b>	<b>437,162</b>	<b>1,311,022</b>	<b>84,326</b>	<b>940,137</b>	<b>1,024,463</b>

The increase in other liabilities with group companies (€690,377 thousand) is mainly due to the transfer of net VAT receivables from the previous year by the companies participating in the VAT consolidation scheme (€408,454 thousand) and interest accrued on VAT receivables during the year by RFI S.p.A. (€ 9,060 thousand). Pursuant to article 1.193, letter c) of the 2015 "Legge di Stabilità", the residual amount refers to the recognition of the liability for grants related to assets to RFI S.p.A. (€272,113 thousand), following the sale of S.E.L.F S.r.l. to Terna S.p.A., as described in detail in note 9 to the transfer of net VAT receivables from the equity investments.

The decrease in other liabilities and accrued expenses and deferred income (€194,924 thousand) is mainly due to the derecognition of the liability for callable shares to Eurofima SA (€194,237 thousand) and recognised in previous years, following the analyses of Swiss company law of the related obligation, as described in note 9 to Equity investments.

Advances for grants are entirely related to the resources allocated to the construction of the Turin – Lyon railway line, ownership of which was transferred to Ferrovie dello Stato Italiane S.p.A. following the coming into force of article 1.678 of Law no. 28 of December 2015 (the 2016 "Legge di Stabilità"), as described in note 11 to other current and non-current assets.

## 22. Current trade payables

They can be analysed as follows:

	thousands of Euros		
	31.12.2015	31.12.2014	Changes
Trade payables	34,355	21,499	12,856
Payments on account	8,666	8,555	111
Trade payables to group companies	46,014	45,969	45
<b>Total</b>	<b>89,035</b>	<b>76,023</b>	<b>13,012</b>

Trade payables mainly consist of amounts due to suppliers (€34,355 thousand) and subsidiaries, specifically RFI S.p.A. (€9,024 thousand), Ferservizi S.p.A. (€19,917 thousand), Grandi Stazioni S.p.A. (€2,156 thousand), Fercredit S.p.A. (€6,539 thousand), Trenitalia S.p.A. (€6,967 thousand) and FS Sistemi Urbani (€693 thousand).

Liabilities with related parties are described in note 42 to Related party transactions.

Payments on account amount to €8,666 thousand and mainly refer to amounts received for expropriations not yet completed.

The fair value measurement of trade payables had no significant effect considering the short period of time between the moment the payable arises and its due date.

## 23. Tax liabilities

This caption amounts to €4,095 thousand and refers to the IRAP tax of the year, net of payments on account.

## 24. Revenue from sales and services

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

	thousands of Euros		
	2015	2014	Changes
<b>Revenue from property management</b>	<b>73,325</b>	<b>74,476</b>	<b>(1,151)</b>
<b>Fee income from the use of trademarks</b>	<b>25,969</b>	<b>26,082</b>	<b>(113)</b>
<b>Services:</b>	<b>36,135</b>	<b>37,292</b>	<b>(1,157)</b>
Finance	2,445	2,437	8
Tax and financial statements	603	632	(29)
Management administration	564	594	(30)
Company secretary office	1,265	1,299	(34)
Legal/labour office	5,748	5,743	5
Industrial relations	3,498	3,671	(173)
Development and organisation	2,405	1,603	802
Public relations	5,694	7,757	(2,063)
Communication	2,611	1,836	775
Institutional business	1,712	1,650	62
Strategies	1,001	1,001	
Legal	1,042	1,127	(85)
Organisation and processes	270	265	5
Information systems	3,341	3,518	(177)
Audit	332	416	(84)
Company security (formerly Facilities)	3,604	3,743	(139)
<b>Capitalisation of work on property held for trading</b>	<b>2,550</b>	<b>1,360</b>	<b>1,190</b>
<b>Other services</b>	<b>1,607</b>	<b>2,372</b>	<b>(765)</b>
<b>Total</b>	<b>139,586</b>	<b>141,582</b>	<b>(1,996)</b>

Revenue from sales and services decreased by €1,996 thousand on 2014, mainly due to the combined effect of the following:

- lower revenue from property management, basically comprising lease instalments. The drop is due to reduction in the income-generating portfolio because of property sales;
- lower revenue from amounts the Ferrovie dello Stato S.p.A. recharged to group companies (€1,157 thousand);
- the increase in extraordinary maintenance capitalised on property held for trading (€1,190 thousand).

Land and property held for trading were sold during the year for a total of approximately €12 million, substantially in line with the previous year, generating a gain of about €6 million.

## 25. Other revenue

This caption can be analysed as follows:

	thousands of Euros		
	2015	2014	Changes
<b>Surety fee income</b>	<b>2,756</b>	<b>2,760</b>	<b>(4)</b>
<b>Repayments</b>	<b>1,898</b>	<b>1,487</b>	<b>411</b>
Managers' fees as corporate officers at FS Italiane group companies	1,034	1,094	(60)
From personnel	29	34	(5)
Other repayments	835	359	476
<b>Other sundry income</b>	<b>2,722</b>	<b>2,186</b>	<b>536</b>
<b>Total</b>	<b>7,376</b>	<b>6,433</b>	<b>943</b>

The increase in the caption is mainly due to the greater amounts charged to RFI S.p.A. after more costs were incurred for consultancy services (€315 thousand), higher revenue from FS Fondazione for the signing of the contract for the provision and management of IT services (€198 thousand), greater penalties and insurance compensation (€152 thousand) and lower revenue from the recharging of the smaller contributions to the Italian Antitrust Authority (€89 thousand).

## 26. Personnel expense

This caption can be analysed as follows:

	thousands of Euros		
	2015	2014	Changes
<b>Employees</b>	<b>40,882</b>	<b>46,264</b>	<b>(5,382)</b>
Wages and salaries	32,246	32,984	(738)
Social security charges	9,036	9,005	31
Other expense for employees	(1,915)	2,136	(4,051)
Post-employment benefits	2,089	2,141	(52)
Accruals and releases	(574)	(2)	(572)
<b>Consultants and freelancers</b>	<b>547</b>	<b>244</b>	<b>303</b>
Wages and salaries	431	155	276
Social security charges	116	89	27
<b>Other costs</b>	<b>2,149</b>	<b>3,558</b>	<b>(1,409)</b>
Temporary workers, seconded employees and trainees	1,349	848	501
Other costs	800	2,710	(1,910)
<b>Total</b>	<b>43,578</b>	<b>50,066</b>	<b>(6,488)</b>

Personnel expense, which totals €43,578 thousand, decreased by €6,488 thousand on the previous year.

The decrease is due to:

- a reduction in personnel expense for permanent employees (€5,382 thousand) mainly due to the reduction in wages and salaries (€738 thousand) following the decrease in fixed and variable remuneration and in other expenses for permanent employees (€4,051 thousand) due to lower costs for leaving incentives (€3,918 thousand);
- an increase in costs for consultants and freelancers (€303 thousand) mainly in the media sector;
- a decrease in other costs (€1,409 thousand), mainly due to seconded personnel (€501 thousand), offset by smaller reimbursements for financed training courses (€1,905 thousand).

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

	2015	2014	Changes
Managers	81	83	(2)
Junior managers	207	209	(2)
Other	179	183	(4)
<b>Total</b>	<b>467</b>	<b>475</b>	<b>(8)</b>

## 27. Raw materials, consumables, supplies and goods

They can be analysed as follows:

	thousands of Euros		
	2015	2014	Changes
Raw materials and consumables	443	492	(49)
Lighting and driving force	116	102	14
Change in land and property held for trading	14,574	5,753	8,821
<b>Total</b>	<b>15,133</b>	<b>6,347</b>	<b>8,786</b>

The increase in this caption is mainly due to the greater write-downs of the year. For additional information, reference should be made to note 12 "Inventories".



## 28. Services

This caption can be analysed as follows:

	thousands of Euros		
	2015	2014	Changes
<b>Transport services</b>	<b>18</b>	<b>14</b>	<b>4</b>
Cargo transport services	18	14	4
<b>Maintenance, cleaning and other contracted services</b>	<b>9,623</b>	<b>5,730</b>	<b>3,893</b>
Contracted services and work	603	540	63
Contract cleaning and other services	323	338	(15)
Maintenance and repair of intangible assets and property, plant and equipment	8,697	4,852	3,845
<b>Property services and utilities</b>	<b>22,715</b>	<b>23,106</b>	<b>(391)</b>
<b>Administrative and IT services</b>	<b>7,157</b>	<b>7,072</b>	<b>85</b>
<b>External communication and advertising expense</b>	<b>4,173</b>	<b>3,140</b>	<b>1,033</b>
<b>Other</b>	<b>8,075</b>	<b>13,542</b>	<b>(5,467)</b>
Professional services	2,003	2,443	(440)
Insurance	1,547	1,549	(2)
Consultancies	2,798	1,384	1,414
Facility management	4,624	4,738	(114)
Travel and accommodation	596	525	71
Other administrative services	701	431	270
Other services	5,135	2,472	2,663
Accruals/releases	(9,329)		(9,329)
<b>Total</b>	<b>51,761</b>	<b>52,604</b>	<b>(843)</b>

For some of the various services listed above, there is a balancing entry for the costs charged to Ferrovie dello Stato Italiane S.p.A. under other income for the recharge to group companies, limited to the portions related thereto.

The overall decrease in services is mainly due to the increase in both ordinary and extraordinary maintenance volumes to ensure the efficiency of property, the higher costs incurred for sponsorships and advertising, the greater consultancies related to the extraordinary transactions of the year and the costs incurred to improve the entire high and very high voltage electricity transmission grid for its transfer to Terna S.p.A., offset by the release of the provisions for litigation and real estate disputes following the smaller needs.

## 29. Use of third-party assets

This caption can be analysed as follows:

thousands of Euros			
	2015	2014	Changes
Lease payments and condominium expenses	3,542	4,802	(1,260)
Leases and indemnities for rolling stock and other	15	239	(224)
<b>Total</b>	<b>3,557</b>	<b>5,041</b>	<b>(1,484)</b>

The decrease is mainly due to the reduction in building lease instalment costs as less building space was occupied during the year.

## 30. Other operating costs

This caption can be analysed as follows:

thousands of Euros			
	2015	2014	Changes
Membership fees and contributions	7,750	6,702	1,048
Non-deductible VAT (pro rata)	7,351	5,909	1,442
Taxes and duties	14,519	14,195	324
Other sundry expense	1,756	1,673	83
<b>Total</b>	<b>31,376</b>	<b>28,479</b>	<b>2,897</b>

The €2,897 thousand increase in other operating costs is mainly due to higher membership fees for contributions to Fondazione FS Italiane (€1,297 thousand) and the non-deductible VAT matured during the year (€1,442 thousand).

## 31. Internal work capitalised

Internal work capitalised amounting to €259 thousand (2014: €232 thousand) refers to personnel expense attributable to investments, linked to software production and development.

### 32. Amortisation and depreciation

This caption can be analysed as follows:

	2015	2014	Changes
Amortisation	14,215	12,271	1,944
Depreciation	9,457	9,368	89
<b>Total</b>	<b>23,672</b>	<b>21,639</b>	<b>2,033</b>

The €2,033 thousand increase on the previous year is mainly due to ordinary amortisation and depreciation trends.

### 33. Impairment losses (reversals of impairment losses)

This caption can be analysed as follows:

	2015	2014	Changes
thousands of Euros			
Impairment losses on investment property	13,051	1,330	11,721
Impairment losses on intangible assets		68	(68)
Impairment losses and reversals of impairment losses on receivables	250	4,830	(4,580)
<b>Total</b>	<b>13,301</b>	<b>6,228</b>	<b>7,073</b>

The caption increased by €7,073 thousand on 2014, mainly as a result of the contrasting effects of the greater depreciation of investment property (€11,721 thousand) and the lower accruals to the allowance for impairment, based on the estimated realisable value (€4,580 thousand).

### 34. Provisions

They amount to €2,969 thousand and refer to the costs for the Bilateral fund for income assistance to be incurred to launch projects to streamline the company's production.

### 35. Financial income

This caption can be analysed as follows:

	thousands of Euros		
	2015	2014	Changes
Gains on equity investments	85,693	113,023	(27,330)
<b>Total gains on equity investments</b>	<b>85,693</b>	<b>113,023</b>	<b>(27,330)</b>
Financial income from non-current loans and receivables and securities	135,265	151,463	(16,198)
Other financial income	114,899	15,863	99,036
Exchange rate gains	28	15	13
<b>Total other financial income</b>	<b>250,192</b>	<b>167,341</b>	<b>82,851</b>
<b>Total</b>	<b>335,885</b>	<b>280,364</b>	<b>55,521</b>

Financial income rose by €55,521 thousand on 2014 due to the combined effect of:

- the decrease in the dividends distributed by subsidiaries and associates (€27,330 thousand), mainly due to lower dividends received from Rete Ferroviaria Italiana S.p.A. (€40,000 thousand), offset by higher dividends received from Trenitalia S.p.A. (€11,000 thousand);
- lower interest accrued on receivables for non-current loans granted to the subsidiaries Trenitalia S.p.A. (€6,484 thousand), Rete Ferroviaria Italiana S.p.A. (€9,688 thousand) and Fercredit S.p.A. (€26 thousand), mainly related to the loans granted by the EIB, Cassa Depositi e Prestiti and Eurofima, essentially as a consequence of the reduction in residual payables and the extremely low level of reference interest rates (6M EURIBOR) which generated a decrease in the applicable interest rates;
- higher other financial income totalling €99,036 thousand, mainly as a result of the combined effect of:
  - the recognition of the gain on the sale of Self S.r.l. to Terna S.p.A. (€17,434 thousand);
  - the economic effect of that described in note 9 to Equity investments in respect of the investment in Eurofima SA (€75,496 thousand);
  - the increase in interest accrued on loans to subsidiaries (€3,759 thousand);
  - greater interest on VAT receivables claimed for reimbursement (€4,491 thousand);
  - lower fee income on sureties granted to subsidiaries (€1,203 thousand);
  - lower interest accrued on the infragroup current account (€1,512 thousand).

### 36. Financial expense

This caption can be analysed as follows:

	thousands of Euros		
	2015	2014	Changes
Impairment losses on financial assets	11,432	348	11,084
<b>Total losses on equity investments</b>	<b>11,432</b>	<b>348</b>	<b>11,084</b>
Interest on financial liabilities	147,340	160,656	(13,316)
Financial expense for employee benefits	178	317	(139)
Exchange rate loss	14	4,004	(3,990)
<b>Total other financial expense</b>	<b>147,532</b>	<b>164,977</b>	<b>(17,445)</b>
<b>Total</b>	<b>158,964</b>	<b>165,325</b>	<b>(6,361)</b>

Financial expense decreased by €6,361 thousand on 2014, mainly due to:

- the impairment losses on investments (€11,432 thousand);
- the overall decrease in expense on loans from Cassa Depositi e Prestiti, the EIB and Eurofima (€15,884 thousand), lower interest accrued on the infragroup current account (€6,445 thousand), offset by greater interest accrued on the VAT receivable to be reimbursed (€6,010 thousand), greater interest on current bank loans and borrowings (€1,152 thousand) and greater interest and fees on the backup facility of €1,175 thousand) agreed on 22 May 2015;
- the decrease in exchange rate losses in relation to the adjustments of Eurofima SA's callable shares (€3,987 thousand) in 2014.

### 37. Current and deferred taxes

Income taxes can be analysed as follows:

	thousands of Euros		
	2015	2014	Changes
IRAP	4,650	2,589	2,061
IRES	26,593	4,368	22,225
Income from the tax consolidation scheme	(11,597)	(3,495)	(8,102)
Deferred taxes	(16,561)	195	(16,756)
Adjustments to prior year income taxes	(1,651)	12	(1,663)
Accruals/releases	(19)		(19)
<b>Total income taxes</b>	<b>1,415</b>	<b>3,669</b>	<b>(2,254)</b>

Income taxes decreased by €2,254 thousand overall on 2014, mainly due to the combined effect of the increase in current income taxes, net of the profits from the tax consolidation scheme (€16,184 million), following the effect of the full use of prior year losses and the decrease in deferred tax assets and liabilities (€16,756 thousand) - for additional information see note 8 - "Deferred tax assets and deferred tax liabilities" - and greater prior year tax adjustments of €1,663 thousand.

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

	2015		2014	
	Euros	%	Euros	%
Profit for the year	137,380		89,212	
Total income taxes	1,415		3,669	
Pre-tax profit	138,795		92,881	
<b>IRES theoretical tax (national tax rate)</b>		<b>27.5%</b>		<b>27.5%</b>
<b>Lower taxes:</b>				
Investment dividends	(81,408)		(107,372)	
Utilisation of provisions	(11,676)		(4,435)	
Other decreases	(92,305)		(2,267)	
<b>Higher taxes:</b>				
Accruals	69,968			
Impairment losses on equity investments	11,132		38	
Prior year expense	447		155	
Exchange rate losses	3		3,987	
Amortisation and depreciation	4,833		6,326	
Variation in inventories	(2,989)		(1,171)	
Non-deductible taxes	10,059		11,407	
Other increases	49,843		16,335	
Total IRES taxable income	96,702		15,885	
<b>Total current taxes (IRES)</b>	<b>26,593</b>	<b>19.2%</b>	<b>4,368</b>	<b>4.7%</b>
<b>IRAP</b>	<b>4,650</b>	<b>5.57%</b>	<b>2,589</b>	<b>5.57%</b>
<b>Difference on prior year estimated taxes</b>	<b>(1,670)</b>		<b>12</b>	
<b>Total deferred taxes</b>	<b>(16,561)</b>		<b>195</b>	
<b>Income from the tax consolidation scheme</b>	<b>(11,597)</b>		<b>(3,495)</b>	
<b>TOTAL INCOME TAXES</b>	<b>1,415</b>		<b>3,669</b>	

### 38. Contingent assets and contingent liabilities

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

### 39. Other information

At the date of preparation of these financial statements, the share capital of Eurofima SA, with registered office in Basel, and in which the company holds a 13.50% investment, was not entirely called up. Consequently, based on the following observations, this represents a financial commitment by the company:

- the callable shares were last approved in 1997;
- the Swiss legislation allows callable shares to never be called up.

The callable share capital that Ferrovie dello Stato Italiane S.p.A. holds amounts to CHF280,800,000 (€259,160 thousand at the exchange rate ruling on 31 December 2015). Its payment would increase the carrying amount of the equity investment by the same amount.



## 40. Audit fees

Pursuant to article 37.16 of Legislative Decree no. 39/2010 and letter 16-bis of article 2427 of the Italian Civil Code, the total fees due to the independent auditors and their network companies amount to €380 thousand and include the fees paid for services other than the legally-required audit (€114 thousand).

## 41. Directors' and statutory auditors' fees

	2015		2014		Changes
Directors	1,267	(1)	1,195	(1)	72
Statutory auditors	100		100		
<b>Total</b>	<b>1,367</b>		<b>1,295</b>		<b>72</b>

(1) Includes the amounts due to the Chairman and Directors, as well as the fixed and variable fees due to the Chief Executive Officer for his position as FS manager.

Directors' fees include the amounts envisaged for the positions of Chairman and Chief Executive Officer, as well as any amounts envisaged for the remaining board members. In addition to the above fees, the external member of the supervisory body received €45 thousand. The fees to the representatives of the Ministry of the Economy and Finance (directors and statutory auditors) are transferred to such Ministry when the related parties are employees thereof.

## 42. Related parties

### Transactions with key managers

thousands of Euros		
	2015	2014
Short-term benefits	4,958	5,893
Post-employment benefits	310	350
Termination benefits		3,742
<b>Total</b>	<b>5,268</b>	<b>9,985</b>

The benefits relate to the sundry remuneration paid to parties indicated.

In addition to short-term benefits of €4,958 thousand paid out in 2015, a variable portion is to be paid in 2016, for an amount not exceeding €1,150 thousand, once checks have been made on whether objectives have been reached.

Key managers did not receive any long-term benefits.

During the year, the key managers did not carry out any transactions, directly or through close family members, with the group, group companies or other related parties.

### Related party transactions

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

	RECEIVABLES	PAYABLES
<b>Subsidiaries</b>		
RFI S.p.A.	Area services Finance Tax and financial statements Corporate business Legal/labour office Management administration Industrial relations Organisation development Public and media relations Company security Institutional business Strategies Legal Organisation and processes Information systems Communication services  Sales of property held for trading Company officers Seconded personnel Insurance reimbursements Recharge of IT services Recharge of condominium expenses Technical assistance in training projects Utilisation of trademark Lease and sub-lease of offices and workshops Recharge of the Bilateral fund for income assistance Contributions to AGCM charges incurred	Technical party - property maintenance Recharge of IT services Seconded personnel Health services Training Leases
Ferservizi S.p.A.	Area services Finance Tax and financial statements Corporate business Legal/labour office Management administration Company security Industrial relations Organisation development Public and media relations Institutional business Strategies Legal Organisation and processes Information systems Communication services  Seconded personnel Insurance reimbursements Recharge of IT services Utilisation of trademark Lease and sub-lease of offices and workshops Recharge of condominium expenses Recharge of the Bilateral fund for income assistance Technical assistance in training projects Contributions to AGCM charges incurred	Property management Recharge of condominium expenses for asset protection IT services Seconded personnel Railway hotels Ticket purchase fees Asset enhancement fees Technical administration management services Personnel administration Accounting and treasury  Facilities and building management Administrative services Training Asset allocation services Station area management Assistance to person in charge Property litigation management Maintenance, conservation and protection fees Translation services Catering services
Fercredit S.p.A.	Area services Finance Tax and financial statements Corporate business Legal/labour office Public and media relations Company security Organisation development Strategies Legal Audit Information systems  Company officers Insurance reimbursements Recharge of IT services Recharge of condominium expenses Lease and sub-lease of offices Utilisation of trademark	
Grandi Stazioni S.p.A.	Area services Finance Tax and financial statements Corporate business Legal/labour office Management administration Public and media relations Organisation development Strategies Legal Information systems Communication services  Company officers	Property requisition compensation instalments Condominium expenses

	Seconded personnel Repurchase instalment Insurance reimbursements Advertising Recharge of IT services Contributions to AGCM charges incurred	
Centostazioni S.p.A.	Area services Finance Tax and financial statements Corporate business Management administration Communication and media relations Organisation development Audit Strategies Legal Information systems Communication services  Company officers Seconded personnel Insurance reimbursements Recharge of IT services Contributions to AGCM charges incurred	Seconded personnel
FS Sistemi Urbani S.r.l.	Area services Finance Tax and financial statements Corporate business Legal/labour office Management administration Industrial relations Public and media relations Organisation development Audit Institutional business Strategies Legal Company security Organisation and processes Information systems Communication services  Company officers Insurance reimbursements Lease and sub-lease of offices Utilisation of trademark Recharge of condominium expenses Recharge of the Bilateral fund for income assistance Recharge of IT services Contributions to AGCM charges incurred	Asset enhancement fees Office rental Training funding
Serfer S.r.l.	Area services Tax and financial statements Insurance reimbursements Contributions to AGCM charges incurred	Seconded personnel
TX Logistik AG	Area services Finance Company officers Insurance reimbursements	
Trenitalia S.p.A.	Area services Finance Tax and financial statements Corporate business Legal/labour office Management administration Industrial relations Organisation development Public and media relations Company security Institutional business Strategies Legal Organisation and processes Information systems	Seconded personnel Passenger transport costs Training funding Advertising and marketing

Communication services

Company officers  
 Seconded personnel  
 Insurance reimbursements  
 Recharge of IT services  
 Utilisation of trademark  
 Lease and sub-lease of offices and workshops  
 Land rental  
 Recharge of condominium expenses  
 Recharge of the Bilateral fund for income assistance  
 Technical assistance in training projects  
 Contributions to AGCM charges incurred

Italferr S.p.A.	<p>Area services            Finance            Tax and financial statements            Corporate business            Legal/labour office            Management administration            Industrial relations            Organisation development            Public and media relations            Audit            Institutional business            Strategies            Legal            Organisation and processes            Information systems            Communication services</p> <p>Company officers            Seconded personnel            Insurance reimbursements            Recharge of IT services            Utilisation of trademark            Recharge of bilateral fund service costs            Technical assistance in training projects            Contributions to AGCM charges incurred</p>	<p>Seconded personnel            Training funding</p>
FS Logistica S.p.A.	<p>Area services            Finance            Tax and financial statements            Corporate business            Industrial relations            Legal/labour office            Management administration            Public and media relations            Organisation development            Audit            Institutional business            Strategies            Legal            Organisation and processes            Information systems</p> <p>Company officers            Insurance reimbursements            Recharge of IT services            Office leases            Utilisation of trademark            Recharge of condominium expenses            Specialist support activities            Contributions to AGCM charges incurred</p>	<p>Purchase of buildings and land held for trading            Transport and shipping</p>
Busitalia - Sita Nord S.r.l.	<p>Area services            Tax and financial statements            Corporate business            Legal/labour office            Management administration            Public and media relations            Organisation development            Audit            Institutional business            Strategies            Legal            Organisation and processes            Information systems            Communication services</p> <p>Company officers            Seconded personnel            Insurance reimbursements            Recharge of IT services            Office leases            Recharge of condominium expenses            Contributions to AGCM charges incurred</p>	
Italcertifier S.p.A.	<p>Area services            Corporate business            Management administration            Industrial relations            Public and media relations            Organisation development</p>	

	Institutional business Strategies Legal Communication services Seconded personnel Insurance reimbursements Recharge of bilateral management fund service costs	
Cemat S.p.A.	Tax and financial statements Corporate business Audit Public and media relations Organisation development Information systems Communication services Company officers Insurance reimbursements Recharge of IT services Contributions to AGCM charges incurred Technical assistance in training projects	
Metropark S.p.A.	Tax and financial statements Corporate business Legal/labour office Public and media relations Organisation development Audit Strategies Company security Legal Information systems Communication services Insurance reimbursements Lease and sub-lease of offices Recharge of condominium expenses Recharge of IT services	Property maintenance Property management Leases
Netinera Deutschland GmbH	Seconded personnel Insurance reimbursements Recharge of IT services	
Ataf Gestioni S.r.l.	Contributions to AGCM charges incurred	
Trenitalia Logistic France SaS	Area services Corporate business	
FS JIT Italia S.r.l.		Transport and shipping Property maintenance
Trenord S.r.l.	Company officers Insurance reimbursements Lease and sub-lease of offices and workshops Recharge of condominium expenses	
Terminali Italia S.r.l.	Insurance reimbursements Office leases Recharge of condominium expenses	
Thello Sas I-MAGO S.p.A. Busitalia Rail Service S.r.l.	Insurance reimbursements Audit Insurance reimbursements	Transport and shipping Advertising and marketing
Busitalia Veneto S.p.A. Bluferries S.r.l.	Insurance reimbursements Company officers Insurance reimbursements	
	<b>RECEIVABLES</b>	<b>PAYABLES</b>
<b>Associates</b>		
Ferrovie Nord Milano S.p.A.	Company officers	
<b>Associates of subsidiaries</b>		
Alpe Adria S.p.A.	Company officers	
BBT SE	Company officers	
Li-NEA S.p.A.	Company officers	
Terminal Tremestieri S.r.l.	Company officers	
Logistica SA	Insurance reimbursements	
Quadrante Europa Terminal Gate S.p.A.	Company officers	
<b>Other related parties (*)</b>		
CDDPP group	Pedestrian crossings	Loans and borrowings
Enel group	Land easement instalments	Electricity supply
ENI group	Land easement instalments	Gas supply
Invitalia group	Pedestrian crossings	
POSTE group	Operating buildings lease instalments	Postal charges
	Land lease instalments	
RAI group	Leases	
Eurofer	Insurance reimbursements	Grants
Other pension funds		Insurance policies
Previndai		Grants

(\*) Companies with the same parent, i.e. MEF.

## OTHER RELATED PARTIES

TAX CONSOLIDATION SCHEME	VAT UNDER THE VAT CONSOLIDATION SCHEME	INTERCOMPANY BANK AND POST OFFICE CURRENT ACCOUNTS	LOANS GRANTED	DEPOSITS GRANTED AND LOANS RECEIVED	ISSUE OF SURETY GUARANTEES TO	SUPPLEMENTARY PENSION FUNDS
<b>Subsidiaries</b>						
RFI S.p.A.	RFI S.p.A.	RFI S.p.A.	RFI S.p.A.		RFI S.p.A.	
Fercredit S.p.A.	Fercredit S.p.A.	Fercredit S.p.A.	Fercredit S.p.A.			
Ferservizi S.p.A.	Ferservizi S.p.A.	Ferservizi S.p.A.			Ferservizi S.p.A.	
Trenitalia S.p.A.	Trenitalia S.p.A.	Trenitalia S.p.A.	Trenitalia S.p.A.		Trenitalia S.p.A.	
Italferr S.p.A.	Italferr S.p.A.	Italferr S.p.A.			Italferr S.p.A.	
Grandi Stazioni S.p.A.	Grandi Stazioni S.p.A.	Grandi Stazioni S.p.A.			Grandi Stazioni S.p.A.	
Centostazioni S.p.A.	Centostazioni S.p.A.	Centostazioni S.p.A.			Centostazioni S.p.A.	
Blufferies S.r.l.	Blufferies S.r.l.	Blufferies S.r.l.				
Metropark S.p.A.	Metropark S.p.A.	Metropark S.p.A.				
FS Logistica S.p.A.	FS Logistica S.p.A.	FS Logistica S.p.A.	FS Logistica S.p.A.		FS Logistica S.p.A.	
FS Sistemi Urbani S.r.l.	FS Sistemi Urbani S.r.l.	FS Sistemi Urbani S.r.l.			FS Sistemi Urbani S.r.l.	
FS Telco S.r.l.	FS Telco S.r.l.					
Italcertifer S.p.A.		Italcertifer S.p.A.	Italcertifer S.p.A.		Italcertifer S.p.A.	
Cemat S.p.A.	Cemat S.p.A.				Cemat S.p.A.	
Ferport Genova S.r.l. in liquidation Busitalia Rail Service S.r.l.	Ferport Genova S.r.l. in liquidation					
Serfer S.r.l.	Serfer S.r.l.	Serfer S.r.l.	Serfer S.r.l.		Serfer S.r.l.	
SGT S.p.A.						
Terminali Italia S.r.l.	Terminali Italia S.r.l.	Terminali Italia S.r.l.	Terminali Italia S.r.l.			
Tunnel Ferroviario del Brennero S.p.A.					Tunnel Ferroviario del Brennero S.p.A.	
Busitalia Sita Nord S.r.l.	Busitalia Sita Nord S.r.l.	Busitalia Sita Nord S.r.l.	Busitalia Sita Nord S.r.l.		Busitalia Sita Nord S.r.l.	
Nord Est Terminal S.p.A. in liquidation						
Sita S.p.A. in liquidation					TX Logistik AG NETINERA Deutschland GmbH Sita S.p.A. in liquidation	
FS JIT Italia S.r.l.		FS JIT Italia S.r.l.			FS JIT Italia S.r.l.	
					Cisalpino AG Thello SAS	
Other related parties				Cassa DD.PP.		
		Poste Italiane				
						Eurofer
						Previndai

The tables below summarise statement of financial position and income statement amounts at 31 December 2015 for related party transactions.

## Trade and other transactions

thousands of Euros

Name	31.12.2015	2015			
	Receivables	Payables	Guarantees and commitments	Costs	Revenue
<b>Subsidiaries</b>					
Ataf Gestioni S.r.l.	2				2
Busitalia Rail Service S.r.l.	2	121		13	2
Busitalia Veneto S.p.A.	1	1			1
Bluferries S.r.l.	1,160	1			14
Busitalia - Sita Nord S.r.l.	4,886	1,662			854
Cemat S.p.A.	290	423	24		125
Centostazioni S.p.A.	4,883	123	30	84	494
Cisalpino AG	83				
FS Logistica S.p.A.	11,111	762	4,743	10,418	546
Fercredit S.p.A.	802	6,543			398
Ferport Genova S.r.l. in liquidation		27			
I-Mago S.p.A.	14				6
Ferservizi S.p.A.	17,539	20,501	2,242	34,661	10,842
FS Sistemi Urbani S.r.l.	3,300	810	39	686	909
FS Telco S.r.l.		15			
Grandi Stazioni S.p.A.	29,376	2,161	6,953	1,794	27,935
Italcertifer S.p.A.	1,766	326			594
Italferr S.p.A.	20,544	125	368	112	1,831
Metropark S.p.A.	1,008	33		96	396
Netinera Deutschland GmbH	866	214	35,000		232
Nord Est Terminal S.p.A. in liquidation		222			
Rete Ferroviaria Italiana S.p.A.	24,621	1,394,870	1,474,572	3,081	41,570
TELT Sas (formerly LTF Sas)	552				719
Serfer S.r.l.	3,233	123	10	10	12
SGT S.p.A.	169				
Sita S.p.A. in liquidation	84	133	234		
Terminali Italia S.r.l.	1,194	2			31
Thello Sas	6	1	182		3
Trenitalia Logistic France SaS	3				3
Trenitalia S.p.A.	40,344	226,412	13,660	1,550	52,506
Trenord S.r.l.	933	20			280
Tunnel Ferroviario del Brennero S.p.A.		48	28		
FS JIT Italia S.r.l.	89	10		18	
TX Logistik AG	123	4	50		6
<b>Total</b>	<b>168,984</b>	<b>1,655,693</b>	<b>1,538,135</b>	<b>52,523</b>	<b>140,311</b>
<b>Associates</b>					
Ferrovie Nord Milano S.p.A.	4				4
<b>Total</b>	<b>4</b>				<b>4</b>
<b>Associates of subsidiaries</b>					
Alpe Adria S.p.A.	4				4
BBT SE	10				(2)
Li-Nea S.p.A.	5				11
Terminal Tremestieri S.r.l.	14				18
Logistica SA	58	1			3
Quadrante Europa Terminal Gate S.p.A.	4				4
<b>Total</b>	<b>95</b>	<b>1</b>			<b>38</b>
<b>TOTAL</b>	<b>169,083</b>	<b>1,655,694</b>	<b>1,538,135</b>	<b>52,523</b>	<b>140,353</b>
<b>Other related parties</b>					
CDDPP group	141				41
ENEL group	47	17		262	19
ENI group	15	110		305	13
Finmeccanica group	89				133
INVITALIA group	4				
POSTE group	503	76			12
RAI group	1			1	1
Eurofer		84			3
Other pension funds		190		1,424	
Previndai		458		438	
<b>Total</b>	<b>800</b>	<b>935</b>		<b>2,430</b>	<b>222</b>

## Financial transactions

thousands of Euros

Name	31.12.2015	2015			
	Receivables and current accounts	Payables	Guarantees and commitments	Expense	Income
<b>Subsidiaries</b>					
FS JIT Italia S.r.l.		825	164		
Blufferies S.r.l.		92			
Busitalia Rail Service S.r.l.					7
Busitalia Veneto S.p.A.					1
Busitalia - Sita Nord S.r.l.	31,024	315	9,994		957
Centostazioni S.p.A.		113	2,520	2	3,214
Cisalpine AG			13,674		83
FS Logistica S.p.A.		18,350	1,269	1	3
Ferccredit S.p.A.		70,828		4	6,804
Ferservizi S.p.A.		86,363		11	18,319
FS Sistemi Urbani S.r.l.		28,352	900	3	252
Grandi Stazioni S.p.A.		17,416		4	8,460
Italcertifier S.p.A.	350	23	38		13
Italferr S.p.A.	826		26,453		3,845
Metropark S.p.A.		3,922		1	
Netinera Deutschland GmbH			265,288		1,137
Rete Ferroviaria Italiana S.p.A.	2,297,680	230,307	337,617	9,099	137,853
TELT Sas (formerly LTF Sas)					
Serfer S.r.l.	4,621	1,006	4		106
Terminali Italia S.r.l.	750				14
Trenitalia S.p.A.	23,538,214	18,222,123	987,314	882	50,204
TX Logistik AG			17,660		114
<b>TOTAL</b>	<b>25,873,465</b>	<b>18,680,035</b>	<b>1,662,895</b>	<b>10,007</b>	<b>231,386</b>
<b>Associates</b>					
Ferrovie Nord Milano S.p.A.					898
<b>Total</b>					<b>898</b>
<b>TOTAL</b>	<b>25,873,465</b>	<b>18,680,035</b>	<b>1,662,895</b>	<b>10,007</b>	<b>232,284</b>
<b>Other related parties</b>					
CDDPP group		977,169		44,065	
POSTE group	2,583				4
<b>TOTAL</b>	<b>2,583</b>	<b>977,169</b>		<b>44,065</b>	<b>4</b>



### 43. Guarantees

The table below details the guarantees issued by the company on behalf of subsidiaries, third parties or other subsidiaries, broken down by financial and non-financial.

Issued on behalf of	thousands of Euros	
	Financial	Non-financial
Rete Ferroviaria Italiana S.p.A.	337,617	1,474,572
Trenitalia S.p.A.	987,314	13,660
Netinera Deutschland GmbH	265,288	35,000
Busitalia - Sita Nord S.r.l.	9,994	
Centostazioni S.p.A.	2,520	30
Grandi Stazioni S.p.A.		6,953
FS Sistemi Urbani S.r.l.	900	39
Tunnel Ferroviario del Brennero S.p.A.		28
Italferr S.p.A.	26,453	368
Ferservizi S.p.A.		2,242
FS Logistica S.p.A.	1,269	4,743
Sita S.p.A. in liquidation		234
TX Logistik AG	17,660	50
Italcertifer S.p.A.	38	
Serfer S.r.l.	4	10
Cemat S.p.A.		24
Thello Sas		182
FS JIT	164	
Cisalpino AG	13,674	
<b>Total</b>	<b>1,662,895</b>	<b>1,538,135</b>

The financial guarantees are mainly comprised of guarantees and counter-guarantees issued to banks for loans and guarantees granted by the same banks to third parties on behalf of subsidiaries.

The non-financial guarantees are comprised of bid bonds, performance bonds, commercial guarantees and commitments in favour of the tax authorities.

The parent company guarantees amount to €2,269,417 thousand and refer to non-financial guarantees (€1,538,135 thousand) and financial guarantees (€731,282 thousand).

The main non-financial parent company guarantees were issued to the tax authorities (€1,319,151 thousand), to guarantee reimbursements of tax credits to the subsidiaries Rete Ferroviaria Italiana S.p.A., Trenitalia S.p.A., FS Logistica S.p.A., Ferservizi S.p.A., Grandi Stazioni S.p.A., Italferr S.p.A., FS Sistemi Urbani S.r.l., Sita S.p.A. in liquidation, Centostazioni S.p.A., Cemat S.p.A. and Tunnel Ferroviario del Brennero S.p.A.. There was also a counter-guarantee of €13,674 thousand issued to Deutsche Bank for the latter's issue of a bank guarantee to the tax authorities on behalf of Cisalpino AG, a company 50% held by Trenitalia S.p.A. (the parent company guarantee only covers Trenitalia's portion). The non-financial parent company guarantees include one to G.S.E guaranteeing the service contract for energy supply signed with Rete Ferroviaria Italiana S.p.A. (€150,000 thousand) and one guarantee issued in 2014 to Terna to guarantee the contract signed by Rete Ferroviaria Italiana S.p.A. for the electricity dispatching service for withdrawal points which power rail traction (guarantee of €22,400 thousand).

Financial guarantees issued to banks for loans granted are as follows:

- from the EIB to the subsidiary Rete Ferroviaria Italiana S.p.A. (guarantee of €300,000 thousand);
- from EIB to the subsidiary Trenitalia S.p.A. (total bank counter-guarantee of €408,844 thousand and a parent company guarantee issued in 2014 to replace three bank guarantees no longer considered adequate by the EIB as per the contract, for €130,812 thousand);

- from BNP Paribas Fortis and Unicredit AG to TX Logistik AG, a subsidiary of Trenitalia S.p.A. (total amount of two parent company guarantees €17,661 thousand);
- from BNP Paribas to the subsidiary Centostazioni S.p.A. (parent company guarantees of €2,520 thousand).

Furthermore, a strong comfort letter (€420,000 thousand) was issued for the 2004 loan from OPI (now Intesa SanPaolo) granted to Trenitalia S.p.A..

Parent company guarantees were issued on behalf of Netinera Deutschland GmbH group companies (totalling €300,288 thousand) mainly to cover financial transactions and lines of credit.

Additional guarantees were issued for foreign projects (counterguaranteed by the company's reference banks and issued in the foreign countries via a local bank) totalling €11,479 thousand. Such guarantees were mainly issued on behalf of Italferr S.p.A. (€11,441 thousand) and, to a lesser extent, on behalf of Italcertifer S.p.A. (€38 thousand). Such guarantees were comprised of bid bonds of €1,607 thousand, performance bonds of €6,331 thousand and advance payment bonds of €3,541 thousand and were issued to assist group companies in participating in bids and concluding contracts abroad.

#### **44. Events after the reporting date**

Grandi Stazioni's shareholders (Ferrovie dello Stato Italiane and Eurostazioni) shortlisted the groups that will access the second stage of Grandi Stazioni Retail's privatisation process. The binding offers must be submitted by the end of April and in the subsequent weeks, provided that the offers are deemed adequate, parties will be named with whom the transactions will be signed and closed.

**Certification of the Chief Executive Officer and the Manager in charge of the company's accounting documents preparation of the separate financial statements of Ferrovie dello Stato Italiane S.p.A. at 31 December 2015 pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/1998**

1. The undersigned Renato Mazzoncini and Roberto Mannozi, as respectively Chief Executive Officer and Manager in charge of the company's accounting documents preparation of Ferrovie dello Stato Italiane S.p.A., also pursuant to article 154-bis, paragraphs 3 and 4 of Legislative decree no. 58 of 24 February 1998, certify:

- the adequacy with regard to the characteristics of Ferrovie dello Stato Italiane S.p.A., and
- the effective application

of the administrative and accounting procedures in preparing the separate financial statements at 31 December 2015.

2. In this regard, we report that:

- a. the valuation of the adequacy and effective application of the administrative and accounting procedures used to prepare the separate financial statements of Ferrovie dello Stato Italiane S.p.A. was based on internal control model, consistent with the "*Internal Controls – Integrated Framework*" issued by the "*Committee of Sponsoring Organizations of the Treadway Commission*" which represents an internationally-accepted framework for the internal control system;
- b. this assessment did not identify any significant issues.

3. In addition, we certify that:





3.1. the separate financial statements of Ferrovie dello Stato Italiane S.p.A.:

- a. have been prepared in accordance with International Financial Reporting Standards endorsed by the European Community pursuant to regulation (CE) 1606/2002 of European Parliament and Council of 19 July 2002;
- b. correspond to the entries in the books and accounting records of the company;
- c. give a true and fair view of the financial position and results of operations of Ferrovie dello Stato Italiane S.p.A.

3.2. the directors' report provides a reliable analysis of the financial position, performance and results of operations of Ferrovie dello Stato Italiane S.p.A., together with a description of the main risks and uncertainties to which it is exposed.

15 April 2016

Renato Mazzoncini

Chief Executive Officer

Roberto Mannozi

Manager in charge of the company's  
accounting documents preparation

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

**REPORT OF THE BOARD OF STATUTORY AUDITORS  
ON THE SEPARATE FINANCIAL STATEMENTS OF  
FERROVIE DELLO STATO ITALIANE S.p.A. AT 31 DECEMBER 2015  
PURSUANT TO ARTICLE 2429.2 OF THE ITALIAN CIVIL CODE**

To the sole shareholder of Ferrovie dello Stato Italiane S.p.A.

Dear Shareholder,

The current board of statutory auditors reflects the resolution dated 11 March 2016 in which Roberto Ascoli was appointed as statutory auditor replacing Paolo Castaldi who, in turn, replaced the standing statutory auditor Tiziano Onesti, who resigned on 21 December 2015.

The draft separate financial statements of Ferrovie dello Stato Italiane S.p.A. ("FS S.p.A."), which have been submitted for your approval, were approved by the board of directors in its meeting of 15 April 2015.

During the year, we carried out the supervisory duties required by the law, considering the rules of conduct recommended by the Italian Accounting Profession.

In 2013, the company took on the status of a public interest entity pursuant to article 16 of Legislative decree no. 39/2010, being an issuer of securities listed in stock markets (EMTN Programme). Consequently, we also act as the company's Internal control and audit committee in accordance with article 19 of Legislative decree no. 39/2010.

With respect to the activities we performed, the following should be noted:

1. We monitored compliance with the law and the by-laws. Specifically, based on the information received and the specific analyses performed, we checked compliance with the law, the by-laws and correct management practices for the transactions carried out

during the year which have the most significant impact on the company's financial statements (considering the company's and the group's size). We checked that these transactions were not openly imprudent or risky, did not pose potential conflicts of interest, were not in contrast with the shareholder's resolutions or were such to jeopardise the integrity of the company's assets. The main risks to which the company and the FS group are exposed are described in the documents accompanying the financial statements.

The company's current board of directors was appointed with the shareholder's resolution dated 27 November 2015, following the resignation of the majority of the previously appointed directors.

In line with the Ministry of the Economy and Finance's ("MEF") Directive of 24 June 2013, the shareholder appointed the board members with a three-year term of office. Therefore, they will remain in office until the date the shareholder's meeting called to approve the 2017 financial statements.

In its meeting of 1 December 2015, the new board of directors appointed the CEO, who was also hired by the company as General manager entrusted with specific duties to coordinate the company's head office departments. The board also set the Chair's and the CEO's fees in line with the shareholder's guidelines.

During the same meeting, the board of directors confirmed the Committees already set up by the previous board: Audit Committee, Risk and Governance Committee and Remuneration and Appointment Committee, changing only their composition to reflect the resolution dated 27 November 2015.

On 8 June 2015, the board of directors approved the new "Audit manual" which implements the change requested by the Audit Committee and the Risk and Governance Committee. Compared to the previous version, under the new Manual, FS Italiane's board does not approve the group's audit consolidated plan and, therefore, all the audit plans of the subsidiaries. Indeed, the latter only provide the holding company with their plans - prepared in accordance with the holding company's guidelines - as approved by the respective boards. The new Manual provides that the Parent's board approves the plan proposed by the Central Internal Audit Department (CIAD) and only acknowledges the plans of the subsidiaries,

requesting, where necessary, any additions. The operating principles set out in the new Manual apply to all group companies and, where applicable, no waivers are permitted without proper reasons to be preliminarily communicated to the CIAD's manager.

On 22 January 2015, the Risk management department was set up, reporting directly to the CEO.

Its mission is to ensure the implementation of an integrated enterprise risk management model to support the optimisation of controls to improve company and group performance.

In 2015, the company decided to strengthen the model already in place with the aim of implementing an integrated enterprise risk management model to identify, classify, measure, evaluate and continuously monitor strategic and process risks.

FS S.p.A.'s current manager in charge of financial reporting was appointed by the board of directors, upon the CEO's proposal and with the approval of the board of statutory auditors, on 1 December 2015. He will remain in office until the approval of the financial statements as at and for the year ending 31 December 2017.

During the year, the process to comply with Borsa Italiana's Code of conduct for issuers of listed shares continued under the board of statutory auditors' supervision.

In accordance with article 154-bis of the Consolidated finance act and applicable international standards, the Controls over financial reporting model provides for a manager in charge of financial reporting and managers in charge of financial reporting in the main subsidiaries.

FS S.p.A.'s manager in charge of financial reporting defines and monitors the annual plan of activities for group compliance with Law no. 262/2005 and submits the plan to the parent's BoD for approval - and to the subsidiaries' BoD for their approval of the sections relating to them. It also issues guidelines for the preparation of control procedures and for monitoring that such procedures are adequate and operational and issues statements. The companies' managers in charge of financial reporting implement and maintain the financial reporting control system, constantly exchanging information with the parent's manager in charge of financial reporting.



The stages and roles in the financial reporting control process are described below:

Following the Model 262 assessment conducted for the group to more closely align it with the best practices of listed companies, in 2015, a new Model 262 was defined, which FS S.p.A. implemented already supporting the 2015 certification.

In particular, the model was expanded to cover the following aspects:

- strengthening the role of process owners/control owners for certification purposes and to maintain an adequate internal control system on financial reporting;
- introduction of a specific “262 risk” assessment methodology, which is central to the process and based on impact and probability criteria for all stages of the process.

We also note that a EMTN Program is underway, with maturities up to 12 years (those with an eight-year maturity have already been repaid), whose repayment is regularly monitored by the competent departments.

On 25 February 2015, FS Italiane S.p.A.’s board of directors approved a bond issue as part of the EMTN Programme listed on the Irish stock exchange for a maximum total of €1.5 billion and a duration of between four to 12 years. The relevant income will be used to finance FS Italiane group’s needs, in line with the forecasts of the 2014-2017 Business plan, specifically with respect to RFI S.p.A.’s investments in the HS/HC infrastructural project and Trenitalia S.p.A.’s project to purchase rolling stock to be used in the HS and regional transport sectors.

On 23 December 2015, the European Investment Bank fully subscribed the bonds issued by FS Italiane as part of the EMTN Programme. The issue amounts to €300 million, bears interest at a floating rate and has a 10-year term. Settlement took place on 12 January 2016.

These bonds will finance the purchase of new rolling stock for regional transport in the Lazio, Tuscany, Veneto, Piedmont and Liguria regions, entailing the agreement of an intercompany loan between FS Italiane and Trenitalia, using the issue funds, and substantially reflecting the contractual terms and conditions in terms of restrictions and commitments for the parties.

2. Neither during the year nor after the reporting date did we identify any atypical and/or unusual transaction with third and/or related parties.

The ordinary transactions carried out on an arm's length basis between the group companies and related parties, which are described in the documents accompanying the financial statements, reflect and are in line with the company's interests.

3. The independent auditors KPMG S.p.A. informed us that they have issued their report on the separate financial statements of Ferrovie dello Stato Italiane S.p.A. at 31 December 2015, expressing an unqualified opinion on compliance with the IFRS endorsed by the European Union and on the fact that the financial statements are clearly stated and give a true and fair view of the company's financial position, the results of its operations and its cash flows as at and for the year ended 31 December 2015.

The independent auditors also informed us that they have issued their report on the consolidated financial statements of the FS group at 31 December 2015 which included an unmodified opinion.

With respect to the supervisory activities concerning the independence of the auditors entrusted with the legally-required audit pursuant to article 19.1.letter d) of Legislative decree no. 39/2010, the board of statutory auditors, also in its role of Internal control and audit committee, noted that, in the communication disclosed pursuant to article 17.9.letter a) of the above decree, KPMG S.p.A. confirmed its independence and reported the audit and non-audit services provided to the company directly or through its network entities.

Based on the documentation and the information received, we have nothing to report about KPMG S.p.A.'s independence.

4. During the year and after the reporting date, we did not receive complaints pursuant to article 2408 of the Italian Civil Code.
5. During the year and after the reporting date, we issued our opinions, where necessary.
6. During the year, we met 16 times. The minutes of these meetings are included in the relevant book.

Furthermore, we participated in:

- (i) five shareholder's meetings;
- (ii) 21 meetings of the board of directors.

The above meetings were carried out in accordance with the law, the by-laws and the regulations governing such meetings. During the board's meetings, we fulfilled our periodic disclosure requirements to the board of directors and the board of statutory auditors pursuant to article 2381 of the Italian Civil Code.

Furthermore, we participated in all meetings of the board's committees.

7. We acknowledged and monitored the adequacy of the company's internal control system and, in our role of Internal control and audit committee, pursuant to article 19.1.letter b) of Legislative decree no. 39/2010, we monitored the efficiency of the internal control and internal audit system.

We conducted our supervisory activities also through: (i) the information obtained during the periodic meetings with the Central Internal Audit Department; (ii) the examination of the company documents and the results of the work performed by the independent auditors; (iii) the information provided by the Supervisory Body set up pursuant to Legislative decree no. 231/2001; (iv) our active participation in the meetings of the board and the latter's committees.

In this respect we acknowledged that: on 22 January 2015, Stefano Crociata was appointed manager of the Central Internal Audit Department; the Parent issued instructions to strengthen the group's audit activities; on 8 June 2015, as described earlier, the board approved the new "Audit Manual" for the group. We stress the need to continue strengthening these activities.

8. With respect to the definition of the anti-corruption prevention models and plan, also required by Law no. 190/2012, and considering the group's specific operations, pending the Ministry of the Economy and Finance's clarifying directive and the guidelines for bond issuers, we urged the company to check the control system in place in order to mitigate the corruption risks and to adopt measures and tools to monitor and strengthen enforcement activities, focusing, in particular, on the areas most at risk. Based on the information obtained from the Supervisory Body, there are

no critical profiles pending the MEF's guidelines. Indeed, FS' current Model covers also passive corruption and the proposed amendments contribute to defining the general system architecture, while ensuring an adequate level of attention to this issue, regardless of the rules for the application of Law no. 190/2012. Finally, based on the information obtained, we did not identify any elements which may cast doubts as to the adequacy and efficiency of the internal control system as a whole.

Also in our role of Internal control and audit committee, we acknowledge – specifically with respect to the supervision over financial reporting pursuant to article 19.letter a) of Legislative decree no. 39/2010, that the independent auditors, as part of the mutual exchange of information, issued a report pursuant to article 3 of Legislative decree no. 39/2010, confirming that the checks of the internal controls over financial reporting did not identify any issues to be reported. Furthermore, in addition to that set out in point 9 on the adequacy of the accounting/administrative system, we received evidence of the activities carried out by the manager in charge of financial reporting.

We also acknowledged and supervised, for as far as we are responsible, the adequacy of the company's organisational structure and how it operates by obtaining information from the heads of the competent company departments and through meetings with the independent auditors and sharing information with them. With respect to the organisational structure, during the year, the Central Strategies, Planning and Systems Department was reorganised, streamlining the ITC offices which were grouped into a single centre focused on strategy, new technologies and innovation. Furthermore, the scope of responsibility of the Regulatory Affairs organisational unit was defined, as part of monitoring the regulatory process. Finally, on 22 December 2015, Barbara Morgante, manager of the Central Strategies, Planning and Systems Department, was appointed CEO of Trenitalia S.p.A. and, consequently, Fabrizio Favara replaced her as manager of the department as of 23 December 2015.

With respect to the organisational and procedural controls pursuant to Legislative decree no. 231/2001, we were duly informed about the operations carried out during the year and have nothing to report in this respect. The composition of the company's

Supervisory Body changed on 11 March 2016, with the statutory auditor Claudia Cattani replacing the outgoing statutory auditor Tiziano Onesti.

9. We assessed and monitored the adequacy of the company's administrative/accounting system and its reliability in fairly representing operations through (i) the information and documents obtained during the meetings with the manager in charge of financial reporting and the examination of the joint statements made by latter and the CEO on 15 April 2016; (ii) the information obtained from the competent department heads and (iii) the examination of the company documents and the results of the work carried out by the independent auditors.

Based on our supervisory activities, for as far as we are responsible, we believe that company's administrative/accounting system is adequate and reliable in fairly presenting operations.

10. During the year, we regularly met with the independent auditors to exchange significant data and information and fulfil our supervisory duties with respect to the legally-required audit of the separate and consolidated financial statements pursuant to article 19.1, letter c) of Legislative decree no. 39/2010.

Based on the information received from the independent auditors, no facts, circumstances or irregularities were noted which should be disclosed in this report.

11. Pursuant to article 20.6 of Decree Law no. 66 of 24 April 2014 converted with amendments by Law no. 89 of 23 June 2014, we confirm that we checked, for as far as we are responsible, that the company duly met the requirements of the above-mentioned article 20. In this respect, we note that, in implementation of article 20.7-ter of such Decree, on 9 January 2015 and 30 September 2015, the company paid the government €40 million and €60 million, respectively. Based on the analyses carried out by the company with respect to the nature of such payments and the formal confirmation received from MEF, the company concluded that the payment could be considered dividend distribution to the shareholder, considering MEF's direct interest in FS S.p.A., and was thus recognised as a direct decrease in equity. Consequently, this payment had no effects on the financial statements at 31 December 2015.

12. Below is a summary of the main transactions carried out by FS in 2015:

- ***Sale of the equity investment in Self S.r.l***

The partial demerger of RFI's electricity grid to Self S.r.l. (carrying amount: €387 million) decreased the carrying amount of the equity investment in RFI and concurrently increased that of Self S.r.l. by the same amount. The parent's subsequent sale of the equity investment in Self S.r.l. to Terna S.p.A. generated cash flows of €757 million and, pursuant to Law no. 190/2014 - 2015 Stability Act - led to the recognition of a liability for grants related to assets to RFI (€272 million). Furthermore, the equity investment in Self S.r.l. was eliminated by €387 million, generating a €18 million gain calculated considering both the estimated charges related to the guarantees included in the sale agreement (approximately €67 million) and the registration tax due on the transaction.

- ***Equity investment in Eurofima***

During the year, following the in-depth analysis of Swiss company law, applied by Eurofima SA based in Basel, with respect to the nature of the obligations arising from the callable shares, the carrying amount of the equity investment was recalculated from €133.325 million to €14.584 million, while derecognising the payable for the above obligations amounting to €194,237 thousand at 31 December 2014.

The in-depth analysis led to a positive adjustment of €75,496 thousand, recognised under Other financial income.

- ***GS enhancement project, with business unit demerger***

On 4 August 2015, FS' board definitively approved the demerger of Grandi Stazioni, setting up two new companies to receive the retail and the real estate business units. Conversely, the rail business unit remains with GS in order to subsequently sell the retail company.

In their meeting of 22 December 2015, GS' shareholders approved the proposed demerger, still underway.

The tender procedures for the sale of the retail company are also underway.

We carefully monitored the progress of the transaction, the board's resolutions and the information that was provided by the CEO from time to time.

**13.** Our supervisory and control activities did not identify any significant facts to be disclosed in this report.

We examined the draft separate financial statements at 31 December 2015 and note the following:

- a.* after checking that the financial statements were consistent with the facts and information known to us, we have nothing to report in this respect;
- b.* as we were not tasked with the performance of analytical controls over the content of the financial statements, we checked their layout and general compliance, to the extent of their preparation and structure, with the law and relevant accounting standards. We have nothing to report in this respect;
- c.* after checking compliance with the law governing the preparation of the directors' report and its consistency with the information obtained as part of our supervisory activities, we have nothing to report in this respect;
- d.* for as far as we are responsible, during the preparation of the financial statements, the directors did not apply any of the waivers permitted by article 2423.4 of the Italian Civil Code.

2015 ended with a profit of €137,379,614.55.

For additional information, reference should be made to the notes to the financial statements.

\* \* \*

Finally, having acknowledged the financial statements at 31 December 2015 and the information provided by the directors and having considered the results of the work carried out by the independent auditors, for as far as we are responsible, we are in favour of the approval of the draft financial statements of Ferrovie dello Stato Italiane S.p.A. at 31 December 2015, as submitted by the board of directors to the shareholder and on the

proposed allocation of the profit for the year. Our term of office expires with the approval of the 2015 financial statements; consequently, we invite the shareholder to resolve thereon.

Rome, 9 May 2016

#### **THE BOARD OF STATUTORY AUDITORS**

*Alessandra dal Verme*

(Chairwoman)

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*Claudia Cattani*

(Standing statutory auditor)

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*Roberto Ascoli*

(Standing statutory auditor)

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**KPMG S.p.A.**  
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(Translation from the Italian original which remains the definitive version)

## **Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010**

To the sole shareholder of  
Ferrovie dello Stato Italiane S.p.A.

### **Report on the separate financial statements**

We have audited the accompanying separate financial statements of Ferrovie dello Stato Italiane S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2015, the income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### ***Directors' responsibility for the separate financial statements***

The company's directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union.

### ***Independent auditors' responsibility***

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the separate financial statements give a true and fair view of the company's financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

### **Report on other legal and regulatory requirements**

#### ***Opinion on the consistency of the directors' report with the separate financial statements***

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the corporate governance and ownership structure report required by article 123-bis.4 of Legislative decree no. 58/98, to the extent of the information required by article 123-bis.2.b of Legislative decree no. 58/98, which are the responsibility of the company's directors, with the separate financial statements. In our opinion, the directors' report and the information presented in the corporate governance and ownership structure report referred to above are consistent with the separate financial statements of Ferrovie dello Stato Italiane S.p.A. as at and for the year ended 31 December 2015.

Rome, 9 May 2016

KPMG S.p.A.

(signed on the original)

Stefano Bandini  
Director of Audit