2013

ANNUAL FINANCIAL REPORT

FERROVIE DELLO STATO ITALIANE

Disclaimer

This Annual Report 2013 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

Corporate bodies of Ferrovie dello Stato Italiane SpA and Independent Auditors

Board of Directors

Chairman	Lamberto Cardia
CEO	Mauro Moretti
Directors	Antimo Prosperi
	Mauro Coletta*
	Maria Teresa Di Matteo*

Board of Statutory Auditors

Chairman	Alessandra dal Verme
Regular members	Tiziano Onesti**
	Claudia Cattani**
Substitute members	Paolo Castaldi
	Cinzia Simeone

Member of the Court of Auditors responsible for control over Ferrovie dello Stato Italiane SpA

Antonio Ciaramella [1]

Ernesto Basile[2]

Manager in charge of the company's Accounting documents preparation

Vittorio de Silvio[3]

Roberto Mannozzi[4]

Independent Auditors

PRICEWATERHOUSECOOPERS SpA

*:Appointed to the position by the Shareholders' Meeting of 9 August 2013, to replace Alberto Brandani and Stefano Zaninelli

**: Appointed to the position by the Shareholders' Meeting of 9 August 2013, to replace Giuseppe Di Giovanni and Giancarlo Filocamo

[1] Holding office until 11 February 2013

[2] Holding office from 12 February 2013

[3] Holding office until 31 July 2013

[4] Holding office from 1 August 2013

TABLE OF CONTENTS

Letter of the Chairman

Dear Shareholder,

In 2013, the Ferrovie dello Stato Italiane Group also confirmed the strong growth in margins started in 2007, as well as, for the sixth consecutive year, the positive trend in the **net profit for the year**, which increased by more than 20% compared to 2012 (Euro 460 million against Euro 381 million).

Continuing on the path that has been pursued in recent years, the Group has reported sharp improvements in all the interim margins. In particular, **EBITDA** showed an increase of Euro 112 million, equal to about +5.8%, compared to 2012, exceeding Euro 2 billion for the first time; **EBIT** showed an increase of Euro 99 million, equal to about 13.8%, compared to 2012, exceeding Euro 800 million for the first time, while the **Profit before tax** amounted to Euro 584 million, showing an increase of Euro 155 million, equal to 36.1%, compared to 2012.

The enhanced soundness of the Ferrovie dello Stato Italiane Group, which is represented in the results reported above, is the essential prerequisite for setting prospective targets that are even more challenging and that are adequately described in the Group's 2014-2017 Business Plan.

In fact, the Plan, which was approved by the Board of Directors of Ferrovie dello Stato Italiane Spa on 19 February 2014 and was presented to the financial community on 25 March 2014, provides for an increase in revenues of up to Euro 9.5 billion (Euro 8.2 billion in 2012) in the four-year period. One of its main targets is an average 3.5% rate of growth in revenues per year, an increase which should be driven in particular by revenues from transport services, both by rail and road, which are expected to exceed Euro 7 billion in 2017; in its turn, EBITDA is expected to achieve Euro 2.5 billion (Euro 1.9 billion in 2012).

Another feature of the Plan is a thorough review of business models, with a clearer-cut specialisation in market and universal services and of governance in the cargo sector, in which business units will be formed corresponding to the European corridors. It is also planned to develop transportation services strongly on foreign markets, in particular through the companies owned in Europe (Netinera group and TX Logistik group) and the engineering and certification companies (Italferr and Italcertifer). Strategies and objectives have been placed in a macroeconomic scenario in which the first weak signs of recovery are being glimpsed and which, in spite of the difficulties that persist, also offer concrete opportunities both for the whole country, such as EXPO 2015, and for the Group, such as the entry into service of the new Frecciarossa 1000 trains. As regards the performance of the offer, one feature of 2013 was the boosting of the "Market" segment and the gradual completion of service level diversification; the offer in said segment reported +13% compared to 2012. 2013 also saw the new competitor in the High Speed traffic segment fully operational. There were far-reaching changes in our pricing policy for all national and international passenger sector products (Frecce Trains and Basic Services), which involved the full review of the price structure proposed to our customers with a mixture of flexibility and low-cost: Base, Economy and Super-Economy fares. Furthermore, starting from April 2013, the Economy fares were also extended to the Executive service level, in order to harmonise the range and expand the potential market.

The number of customers with the *Cartafreccia* loyalty card passed the 2.5 million mark during the year. This scheme was enriched with exclusive services, such as the possibility of buying fares at advantageous prices.

At the end of the year, customer satisfaction data reported a level of overall travel satisfaction equal to 93.6%, showing an improvement, albeit slight, compared to the results recorded at the end of 2012, while the percentage of medium/long-distance trains in the “Market” segment arriving at destination on time or, in any case, in the band of 0–15 minutes of delay remained stable at a percentage over 96%.

As regards Regional Transport, 2013 saw a 3.3% increase in traffic revenues compared to 2012. This change was mainly due to increased fares applied by the Regional Governments in order to setoff, albeit partially, the reduction in fees in some cases.

Regional transport customer satisfaction data showed an improvement. Specifically, overall customer satisfaction passed from 71.9% in 2012 to 73.8% in 2013; on the other hand, there was a substantial improvement in the perceived quality of the cleaning services on regional trains compared to 2012, passing from 50.2% in 2012 to 54.8% in 2013 compared to 33% reported a few years ago. This result was achieved after a complete revision of the entire cleaning cycle and the numerous changes of contractors made in previous years.

In the Cargo sector, railway traffic was affected by the difficult economic situation in the Italian market, reporting a decline in international traffic from and to Germany, Austria, France, Poland, Slovenia and Hungary, while domestic railway transport remained practically stable or slightly lower.

As regards investments, the FS Italiane Group managed to give continuity to the measures scheduled in its Investment Plan, confirming its position as one of the major investors in the country, both with respect to its direct competitors and with respect to Italian companies operating in different sectors, even if it had to operate in a macroeconomic scenario that was still unfavourable, with investment levels more than a quarter below those of 2007[1].

The Group’s Investment Plan, a fundamental element in the wider ranging recently approved 2014-2017 Business Plan, as we have already mentioned, aims at enhancing the country’s system of infrastructures, keeping them efficient and providing increasingly higher quality transport services, thus creating value to the benefit of the Italian business and production system.

The total amount invested by the Ferrovie dello Stato Italiane Group in 2013 (Euro 3,895 million) continued the targeted trend of recent years, showing a slight growth (+0.1%) compared to the volume of accounting carried out in the previous year.

The total amount of the FS Italiane Group’s investments are a part of the challenging programme of works with a value of about Euro 24 billion envisaged in the already mentioned 2014-2017 Business Plan.

About Euro 15 billion of this sum is related to the Programme Contract between the State and RFI whose purpose is to maintain safety standards and improve the traditional railway network. Confirmation of this sum is subject to the decisions that the Government will take during the years to come on the basis of the financial resources available and the order of priority of the works that are to be completed in order to develop the country’s railway infrastructures. The remaining sum of over Euro 9 billion was found by self-financing/borrowing (of which an amount of Euro 6.4 million is intended for trains and technology serving the business, to improve customer experience, while an amount of Euro 1.7 million is intended for the High Speed/High Capacity network), i.e. through resources generated by the

[1] *Source: Prometeia forecast report, January 2014.*

FS Italiane Group's operations or by raising funds on the market by creating financial instruments appropriate to the investments in terms of duration and cost, such as the Euro Medium Term Notes Programme for an overall amount of Euro 4.5 billion.

The possibility of a further substantial increase in the capacity of the FS Italiane Group to meet the growing needs for transport services in terms of technological efficiency and quality of service depends on this massive investment programme, as does the possibility of coping adequately with the competitive scenario in which the Group now operates in important business segments (like the High-Speed sector, medium- and long-distance passenger transport and cargo transport), not to mention regional transport, for which services will be awarded after competitive procedures.

The other Group companies made total investments of Euro 196 million in Italy and abroad; about 46% was invested by the subsidiary Netinera Deutschland, for passenger rail and road transport vehicles in Germany and industrial plants, about 20% was invested by Grandi Stazioni and Centostazioni for refurbishing, re-launching and improving the main stations, conceived as large services centres for towns and cities and about 13% was invested by TX Logistik, Cemat and Serfer that operate in the sector of railway services for cargo transport. The residual amount of investments was mainly aimed at the enhancement/refurbishment of real estate assets, local road transport (in Italy) and the IT equipment in support of corporate processes.

As regards new rolling stock, 10 locomotives, of which 6 for National/International passenger transport and 4 for Regional passenger transport, 108 double-deck coaches for Regional passenger transport, were put into operation. Furthermore, 284 coaches and 14 trains ETR 500 trains were brought back into operation after restructuring measures.

As regards the need to raise funds on the financial market, on 15 July 2013 the FS Italiane Group launched an inaugural bond issue in the market (series 1 – EMTN Programme), amounting to Euro 750 million, out of the Euro Medium Term Notes Programme of Euro 4.5 billion, which was admitted to trading on the Dublin Stock Exchange on 11 July 2013. On the date this transaction was launched, FS Italiane's long-term issuer ratings from Fitch (equal to BBB+ on 4 July 2013) and S&P (equal to BBB on 10 July 2013) were the same as those issued for the Italian Republic. These two rating agencies afterwards published similar opinions on the senior unsecured EMTN Programme and FS Italiane SpA's inaugural issue. As regards the final size of this first issue, which was equal to Euro 750 million (at a reoffer price of 99.069%) as mentioned above, demand from investors amounted to about Euro 3.6 billion (+470%). 57% of the issues was placed internationally, with peaks of great interest in the United Kingdom and Germany.

FS Italiane launched its second bond issue of Euro 600 million (series 2 – EMTN Programme) on 5 December 2013, again in connection with the EMTN Programme. The rating agencies issued an opinion that was similar to that expressed for the inaugural issue and the issuer rating of FS Italiane. Against a total demand for Euro 1.6 billion from institutional investors (59% of the requests coming from abroad), the final amount of bond was Euro 600 million (at a reoffer price of 99.50%) compared to the initial amount of Euro 500 million offered by FS Italiane SpA. As a result of this issue of listed bonds, FS Italiane SpA acquired the status of Public Interest Entity (*Ente di Interesse Pubblico*, EIP) in 2013, as envisaged under article 16 - Chapter 5 - of Legislative Decree no. 39/2010.

As regards environmental sustainability, in 2013 the FS Italiane Group took another important step forward in trying to achieve growth in harmony with economic, social and environmental considerations, and with this in mind it arranged a day of discussions with its stakeholders for the first time. 50 representatives of the Group's main business partners – entrepreneurs, public administrations, research institutions, universities, consortia, consumer associations, trade associations, civil society organisations, users/citizens, etc. - were asked to think about the possibilities for the improvement of its sustainability practices. Five business areas were considered (Passenger services/mobility: local public and long-distance transport; Passenger services/mobility: stations and customer assistance; Cargo services/mobility: cargo transport and intermodality; Environment: energy and waste; Community: prevention of social exclusion and exploitation of material resources). The event ended with the submission of a list of proposals for improvement, to which the FS Italiane Group has committed itself to supplying feedback during 2014.

To conclude, thus looking towards the future of the FS Italiane Group also in the light of the objectives in the new 2014-2017 Business Plan and with the prospect of continuing to provide a substantial contribution to the development of the country through a great sustainable mobility and logistics and quality project, these are the issues on which the Group's attention will be especially focused during the coming years:

- working towards greater modal rail-road integration in the segment of regional Universal Services, to be achieved by means of targeted investments and through new partnerships/acquisitions with local public companies;
- the completion of the process of reorganisation of the Cargo and logistics sector, the main plank in the improvements process contained in the new 2014-2017 Business Plan;
- the possible areas of international growth, seizing the opportunities that present themselves in these markets, which only recently opened up to competition in the framework of the ongoing process of transport liberalisation. In fact growth on the European scene is one of the decisive drivers if the Group is to continue to be an increasingly important player among the big international transport concerns.

Lamberto Cardia

OBMLOQ
LK LMBO>QFLKP

FERROVIE
DELLO STATO
ITALIANE

Corporate Governance

<u>Preamble</u>

This paragraph of the Report on Operations describes the main features of the corporate governance of the Ferrovie dello Stato Italiane Group (hereinafter referred to as the FS Italiane Group) defined by the Parent Company Ferrovie dello Stato Italiane SpA (hereinafter also referred to as FS SpA), thus also complying with the specific disclosure obligations laid down under article 123-*bis* of Legislative Decree no. 58/1998 – Consolidation Act on Finance (*Testo Unico della Finanza*) (Report on Corporate Governance and Ownership Structures) having regard to the information required by paragraph 2, letter b[6].

The paragraph also provides the information prescribed in the Directive issued on 24 June 2013 by the Ministry of Economy and Finance (*Ministero dell'Economia e delle Finanze*, MEF) *"as to the adoption of criteria and procedures for the appointment of the members of the governing bodies and of policies for the remuneration of the top management of the companies that are directly or indirectly controlled by the Ministry of Economy and Finance"*, particularly as regards the requirement for Issuers of financial instruments listed in regulated markets to describe and justify the remuneration policies followed for Directors with delegated powers in their "Report on Corporate Governance" and in their financial statements, on the basis of the recommendations issued by the Treasury Ministry.

<u>Profile and Values</u>

The Ferrovie dello Stato Italiane Group's structure is the result of the very complex process of reorganisation/privatisation that has been carried out in the past few years, leading to the present multi-company structure headed by a Parent Company, FS SpA, whose corporate purposes are:

- creating and operating railway transport infrastructures;
- transporting goods and persons, mainly by rail, including fostering, implementing and managing transport projects and services;
- directly or indirectly performing all the other activities that are necessary for and complementary to the above, expressly including services to customers and the enhancement of its corporate assets in order to carry out the activities envisaged in its Articles of Association.

Under the Parent Company are the Companies that operate in the various sectors of the chain and other Companies that provide services and support the Group's functions. These Companies have their own specific corporate nature and have operational autonomy in the pursuit of their business objectives. Above all, the way the FS Italiane Group is organised reflects the clear-cut separation of business areas between transport and the construction and operation of the railway transport network, in compliance with the European Directives on market liberalization.

In this framework, the Parent Company FS SpA, which is wholly owned by the State through the sole shareholder, the Ministry of Economy and Finance, guides and coordinates the industrial policies and strategies of the operating companies. The Parent Company also ensures that corporate governance processes are effective by means of a "System of Head Departments" (the Parent Company is divided into Head Departments), which is a help in taking and sharing decisions and makes the best use of the expertise and professional skills in the companies and in the Group.

[6] Ferrovie dello Stato Italiane S.p.A. has not issued shares for trading on regulated markets or multi-lateral trading systems: therefore, it makes use of the right laid down under article 123-*bis*, paragraph 5, to omit the publication of the information referred to in paragraphs 1 and 2, except for that required by paragraph 2, letter b.

FS SpA, marked by a structure that combines industrial and financial duties with those that are typical of a corporation, prepares the FS Italiane Group's Business Plan coordinating its process of construction and integration with the operating companies, regulates and controls the internal relations among the members of the Group and handles the institutional relations with the State in its widest sense (Central State, Ministries, Regional Governments and Public Administrations in general).

In addition to the Separate Financial Statements, FS SpA prepares the Consolidated Financial Statements of the FS Italiane Group, both in accordance with the international accounting standards IAS/IFRS, which were adopted as from the 2010 financial year.

With its first bond issue – in July 2013 (due July 2020) – listed on the Irish stock exchange within the EMTN (Euro Medium Term Notes) Programme, FS S.p.A. acquired the status of "Public Interest Entity" pursuant to article 16 of Legislative Decree no. 39/2010 (concerning "statutory audits of annual and consolidated accounts").

The corporate governance structure of FS S.p.A. and of its main subsidiaries is built on traditional lines: the Shareholders' Meeting appoints a Board of Directors (responsible for management) and a Board of Statutory Auditors (responsible for controls).

The statutory audit of accounts prescribed in the Italian Civil Code is the responsibility of the independent auditors that must be duly registered with the appropriate register. They are responsible for the audit of Separate Financial Statements, Consolidated Financial Statements and of the Sustainability Report.

In accordance with the provisions laid down in the Articles of Association, the Board of Directors delegates its responsibilities to a Chief Executive Officer, reserving decisions on some matters for its exclusive attention. The Board of Directors, subject to a Shareholders' Meeting resolution, may also grant the Chairman of the Board powers with regard to some matters that may be delegated pursuant to law.

At the proposal of the Chief Executive Officer and subject to the mandatory opinion of the Board of Statutory Auditors, the Board of Directors appoints the Manager in charge of the company's Accounting documents preparation, in full compliance with of the rules laid down under article 154-*bis* of the Consolidation Act on Finance.

As at 31 December 2013 the share capital of FS SpA amounted to Euro 38,790,425,485.00 fully paid-up.

The Code of Ethics

The Code of Ethics is the "charter of fundamental rights and duties" in which the FS Italiane Group sets out and describes its responsibilities and ethical/social commitments towards internal and external stakeholders.

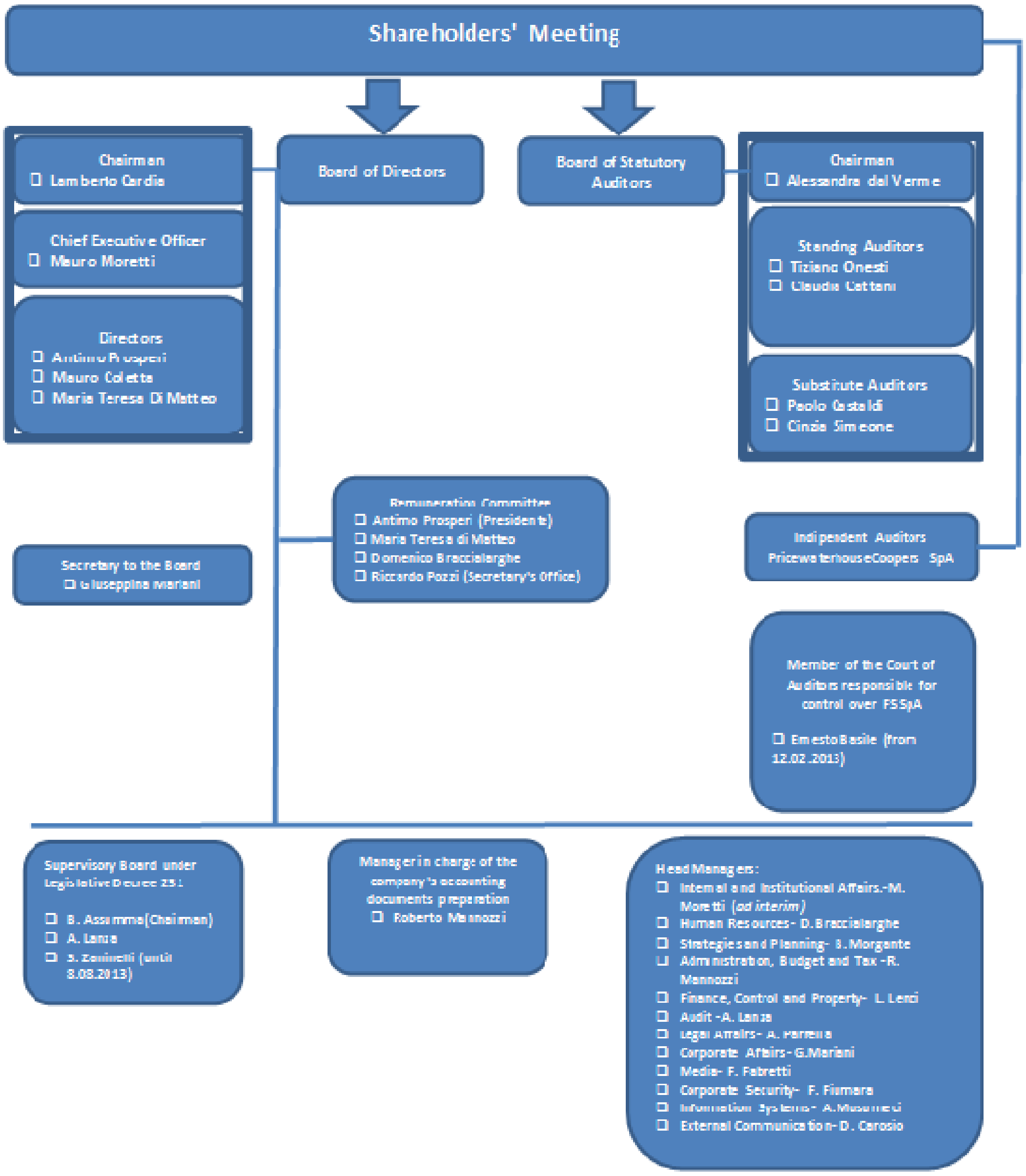
The Code of Ethics is approved by the Boards of Directors of the Group companies and binds the Group's corporate bodies, its management, its employees, its external collaborators, its commercial partners, its suppliers and all those who have relations with the FS Italiane Group.

The Code contains general principles (e.g. the strategic value of the Group's human resources, the quality of its products and services, the importance of quality at the minimum cost for the community, impartiality, etc.), as well as precise behavioural rules and standards.

The Code requires the Directors of each company (who are in any case subject to the rules laid down under Article 2391 of the Italian Civil Code) and all the FS Italiane Group's personnel, during the exercise of their functions, not to take decisions or perform activities that conflict with the interests of the Group or are incompatible with their official duties. Under the Code, any action contrary to this rule must be reported to the Line managers of the person concerned or to the Ethics Committee (see the section on "Other Committees").

The Code of Ethics is widely publicised on the FS Italiane Group's intranet and internet sites and referred to in all the contracts entered into with Group companies.

Below is provided a chart of the governance structure of FS SpA as at 31 December 2013:


Shareholders' Meeting
Board of Directors
Board of Statutory Auditors
Chairman
Lamberto Cardia
Chief Executive Officer
Mauro Moretti
Directors
Antimo Prosperi
Mauro Coletta
Maria Teresa Di Matteo
Chairman
Alessandra dal Verme
Standing Auditors
Tiziano Onesti
Claudia Cattani
Substitute Auditors
Paolo Castaldi
Cinzia Simeone
Remuneration Committee
Antimo Prosperi (Presidente)
Maria Teresa di Matteo
Domenico Braccialarghe
Riccardo Pozzi (Secretary's Office)
Secretary to the Board
Giuseppina Mariani
Independent Auditors
PricewaterhouseCoopers SpA
Member of the Court of Auditors responsible for control over FS SpA
Ernesto Basile (from 12.02.2013)
Supervisory Board under Legislative Decree 231
B. Assumma (Chairman)
A. Lanza
Manager in charge of the company's accounting documents preparation
Roberto Mannozzi
Head Managers:
Internal and Institutional Affairs - M. Moretti (ad interim)
Human Resources - D. Braccialarghe
Strategies and Planning - B. Morgante
Administration, Budget and Tax - R. Mannozzi
Finance, Control and Property - L. Lenci
Audit - A. Lanza
Corporate Affairs - G. Mariani
Media - F. Fabretti
Corporate Security - F. Fiumara
External Communication - D. Carosio

Board of Directors of FS SpA

Composition and appointment

Pursuant to section 10 of the Articles of Association, the Board of Directors of FS SpA is composed of from at least three to at most five members, who are appointed by the Shareholders' Meeting.

Following appropriate amendments made to the Articles of Association in 2013, in order to adopt the provisions laid down under Law no. 120/2011 (regulations on the so-called female quotas) and under the related implementing Regulation (as adopted by Presidential Decree no. 51/2012) "*concerning equality of access to governing and control bodies of companies owned by public administrations"*, the composition of the Board of Directors must also comply with gender equality in order to abide by the applicable law.

The Articles of Association expressly require the Directors of FS SpA to meet specific requirements of professionalism and integrity, also with reference to the regulatory framework defined for publicly owned companies. These requirements were tightened during 2013, bringing them into line with the provisions laid down under the Directive issued on 24 June 2013 by the Ministry of Economy and Finance *"as to the adoption of criteria and procedures for the appointment of the members of the governing bodies and of policies for the remuneration of the top management of the companies that are directly or indirectly controlled by the Ministry of Economy and Finance"*. The Articles of Association, as amended in the light of said Directive, also make provision for specific causes of ineligibility and removal from office.

Under the Articles of Association of FS SpA, Directors to whom operational responsibilities proper to the Board of Directors (hereinafter referred to as the BoD) have been delegated on an ongoing basis, pursuant to article 2381, paragraph 2, of the Italian Civil Code, may serve on the boards of no more than two other joint-stock companies (without considering positions held in subsidiary or associated companies), while Directors who have not been granted such delegated powers may serve on the boards of no more than five other joint-stock companies.

On 9 August 2013, in line with the Articles of Association and the abovementioned regulations, the Shareholders' Meeting of FS SpA appointed Lamberto Cardia (acting as Chairman), Mauro Moretti, Antimo Prosperi, Mauro Coletta and Maria Teresa Di Matteo as members of the Governing body, with a term of office of three financial years and, in any case, until the date of the Shareholders' Meeting that will be called to approve the 2015 financial statements.

The Governing body of FS SpA meets once a month on the average, and in any event whenever the Chairman or Chief Executive Officer considers a meeting necessary or when a reasoned request for a meeting is made by a majority of its members or by the Board of Statutory Auditors. In 2013 the Board met 16 times.

Roles and functions

As already mentioned, the Governing body of FS SpA is composed of five directors, who act as a collective body in the form of a Board of Directors, called upon to carry out all the transactions necessary for the attainment of the corporate purpose, pursuant to section 12 of the Articles of Association, in line with article 2380-*bis* of the Italian Civil Code.

The BoD of FS S.p.A. is also responsible for passing resolutions on some matters which are otherwise reserved for the Shareholders' Meeting (such as mergers by incorporation and partial demergers of companies that are at least 90%-owned by FS SpA and in favour of the same, the opening and closing of branch offices and adapting the Articles of Association to regulatory provisions), in any case without prejudice to the right of the Shareholders' Meeting to pass resolutions on the aforesaid matters (see article 2365 of the Italian Civil Code and section 12, paragraph 2, of the Articles of Association).

In the meeting held on 29 August 2013, the BoD of FS SpA decided that it had sole responsibility for matters of financial and strategic importance such as, among others: the approval of the business plan, the annual budget, extraordinary transactions, acquisitions/transfers of businesses and of corporate shareholdings, loan agreements. The BoD also decided that it was solely responsible for appointing the governing and control bodies of the main subsidiaries (RFI, Trenitalia, Italferr and Ferservizi), on a reasoned and documented proposal by the Chief Executive Officer, and for laying down the general criteria for the Chief Executive Officer to select the members of the Corporate bodies of the FS Italiane Group companies (independence, professionalism requirements and managerial capacity). In accordance with Article 2410 of the Italian Civil Code, the BoD of FS SpA is also authorized to resolve on bond issues.

During the same meeting, in compliance with the limits set out in Article 2381 of the Italian Civil Code (regarding matters that "cannot be delegated" by the BoD), the BoD of FS S.p.A. also granted extensive management powers to the Chief Executive Officer of FS S.p.A., who, in addition to having all the powers necessary for the day-to-day and extraordinary management of the Company, sees that the organisational and accounting structure is adequate to its nature and size and reports to the BoD and to the Board of Statutory Auditors at least every quarter regarding the general performance of operations and their outlook, in addition to the most important transactions in terms of scale or characteristics carried out by the Company and its subsidiaries (section 12 of the Articles of Association).

Taking the recommendations of the Shareholders' Meeting into account, the BoD also entrusted the Chairman, Lamberto Cardia, with specific responsibilities for institutional relations and communications, for coordination with the Internal Audit department and for matters related to the Articles of Association.

Pursuant to section 13 of the Articles of Association, the Chairman and the Chief Executive Officer separately have the power of representing the Company.

Internal Board of Directors' Committees

FS SpA restricts the formation of advisory or evaluation committees to cases in which they are strictly necessary.

Adopting a practice that is widespread among listed companies, the BoD of FS SpA formed a Remuneration Committee from among its members in May 2007, whose duty is to put forward proposals regarding the remuneration of directors with delegated powers and to support the Chief Executive Officer in defining guidelines on the remuneration policy of the FS Italiane Group.

As a result of the renewal of the Governing body resolved upon by the Shareholders' Meeting held on 9 August 2013, the new BoD of FS SpA also resolved (in the meeting held on 29 August 2013) to set up the Remuneration Committee for the three-year period 2013/2015. This Committee is composed of two non-executive Directors and the Human Resources and Organisation Head Manager, whose structure provides the necessary preliminary expert support. The Manager responsible for the Executive Staff Management and Administration Operational Unit (S.O., *Struttura Operativa*) acts as the secretary to the Committee, whose members receive no additional pay.

Directors' remuneration

At the proposal of the Remuneration Committee and having consulted the Board of Statutory Auditors, the BoD sets the amount to be paid to the Chairman and to the Chief Executive Officer (including the fees due for their positions as directors) pursuant to Article 2389, paragraph 3, of the Italian Civil Code. The pay conditions take into account the rules laid down for publicly owned companies as regards emoluments and fees in addition to studies of and comparisons with practice in other companies of comparable size and complexity. For the three-year period 2013-2015, the fees due to the Chairman and to the Chief Executive Officer were reduced by 25%, taking account of the provisions under decree Law no. 69/2013, as converted by Law no. 98 of 9 August 2013. The Chairman and the Chief Executive Officer's pay includes a fixed remuneration and a variable portion linked to the attainment of key objectives and specific annual targets, which are directly correlated to the Business Plan and to the budget and are defined by the BoD itself.

The fees decided upon for the Chairman and for the Chief Executive Officer of FS SpA for their positions in the Boards of Directors of the FS Italiane Group companies are paid to FS SpA directly. The fees decided upon for the Directors designated by the Ministry of Economy and Finance and by the Ministry for Infrastructures and Transport (*Ministero delle Infrastrutture e dei Trasporti,* MIT) are passed on to the relevant administration.

Finally, pursuant to the Articles of Association, it is prohibited to pay Directors and Statutory Auditors attendance fees and a limit is set to the remuneration of members of Committees with advisory or evaluation functions that have been formed within Boards of Directors as necessary.

Criteria and procedures for the appointment of the members of the governing bodies of the companies that are directly or indirectly controlled by F.S. SpA.

As already pointed out, on 24 June 2013, the Ministry of Economy and Finance issued a directive to the Treasury Ministry "*as to the adoption of criteria and procedures for the appointment of the members of the governing bodies and of policies for the remuneration of the top management of the companies that are directly or indirectly controlled by the Ministry of Economy and Finance."*.

In compliance with the above, at the meeting held on 12 September 2013, the BoD of FS SpA laid down some general criteria for the selection of candidates for the position of Director, Chairman and Chief Executive Officer of the subsidiaries.

Without prejudice to the prescribed legal requirements for taking up a position as Statutory Auditor, the Board also decided that criteria similar to those laid down for candidates for positions in the Governing bodies of subsidiaries will be followed in selecting candidates, as far as possible and obviously taking the specialised expertise required into account.

<u>Other Committees</u>

As regards its internal organisation, FS SpA has equipped itself with other Committees with advisory, steering and support functions. The members of these committees are selected from the serving heads of certain corporate functions.

The <u>*Ethics Committee*</u>, an advisory and steering committee acting within the framework of the standards and rules of the Code of Ethics of the FS Italiane Group, was formed by virtue of Group Order (*Disposizione di Gruppo*) no. 50/AD of 30 January 2006 with the duties of assisting in the integration into decision-making processes of the ethical policies adopted with respect to the various other parties with which the Group has relations, of seeing that Directors and employees' actions and behaviour comply with the rules of conduct that have been set down, of reviewing corporate procedures in the light of the abovementioned Code and of constantly updating the Code itself.

The <u>*Antitrust Committee*</u>, a supporting body to the Chief Executive Officer of FS SpA, was formed by virtue of Group Order (*Disposizione di Gruppo*) no. 55/AD of 10 March 2006 to foster the diffusion of knowledge of competition rules and monitor their correct application by drawing up Antitrust Compliance guidelines. This Committee also defines the FS Italiane Group's position in any proceedings that the Competition Authority brings against individual companies. By Group Order (*Disposizione di Gruppo*) no. 157/AD of 21 December 2012, the Group also defined the "Corporate Governance Rules on antitrust compliance."

The *Investment Committee* was formed by virtue of Group Order (*Disposizione di Gruppo*) no. 89/AD of 8 February 2007 to oversee investment/disinvestment strategies. This Committee advises the Chief Executive Officer providing investment/disinvestment guidance and steering the FS Italiane Group's planning process, draws up (strategy and economic/financial) compliance opinions on projects (excluding those included in the Programme Contract – Investments), has the duty of "validating", in the actual sense of the word, substantial investments/disinvestments, follows the progress of the related Plan and suggests any necessary correction to the Plan's execution.

The *Group Information and IT Systems Security Committee*, which was set up by Group Order (*Disposizione di Gruppo*) no. 168/AD of 25 November 2013, is an inter-company advisory body which monitors action taken in this sphere, in accordance with Group Order (*Disposizione di Gruppo*) no. 167/AD of 25 November 2013. In detail, this Committee steers the FS Italiane Group's information security strategies, makes proposals to Group companies for the detection of critical business processes affected by risks that emerge in connection with the use and management of IT resources, monitors the action taken in this sphere and evaluates and approves proposals related to the regulation of the assessment and certification of the security of information and IT systems.

The *Equal Opportunities Committee* of the FS Italiane Group is a two-gender bilateral corporate committee formed in accordance with section 1, point 3, letter C) of the CCNL agreement (*Contratto Collettivo Nazionale di Lavoro*, National Collective Labour Agreement) for the Mobility/Railway Activities Contract Area and with section 3 of the FS Group's Company Agreement dated 20 July 2012. The Committee's purpose is to foster projects and positive action for offering female workers more favourable organisational conditions and greater consideration in the distribution of work, also in order to conciliate working and family life. The Committee is divided into a national committee and 15 area committees.

The Internal Control and Risk Management system

Internal Audit

Internal Audit Functions have been formed in the FS Italiane Group's main companies, reporting to the Chairman of the BoD. Each Internal Audit function reports in the first place to the Audit Committee (in the companies that have one).

The Parent Company's Audit Head Department provides assistance to subsidiaries that do not have their own Internal Audit function.

The FS Italiane Group's Internal Audit function acts independently in performing its work of assurance and in providing advice with a view to the increase in the efficacy and efficiency of the Group's Organisation. It helps the Organisational units to pursue their objectives with an approach whose purpose is to assess and improve control, risk management and corporate governance processes.

Internal Audit Head Departments/Functions assess the adequacy and functioning of the Internal Control and Risk Management System with respect to the pursuit of the Group's objectives, such as the safeguarding of its assets, the efficacy and efficiency of its operations and compliance with laws, regulations, contracts and internal rules.

The Audit Head Department provides company Internal Audit functions with guidelines for the planning of their work, consolidates the various audit plans and provides the consequent information to the FS Italiane Group's top management. The Audit Head Department also fosters, accomplishes and maintains a standardised form of operational conduct and homogeneous internal control system assessment, sees that expertise is appropriately distributed among the various Group companies and encourages personnel to keep up with the latest developments in their spheres of action.

The Audit Head Department also provides expert and operational support to the Supervisory Board of FS SpA in carrying out its duties and functions and to companies that have no Internal Audit function, as described in detail below, in the paragraph on Supervisory Boards pursuant to Legislative Decree no. 231/2001.

Risk Management

Group Order (*Disposizione di Gruppo*) no. 169/AD of 21 January 2014 issued the final version of the "Group Risk Management Model" (*Modello di Gruppo del Risk Management*), a document to be used in assessing and managing corporate risks in the FS Italiane Group. The intention of the Model is to lay down the methods for detecting, assessing and managing corporate risk and to spread awareness of these methods. Risk Management consists of the following phases: mapping processes and selecting objectives, detecting and assessing risks and the related controls and submitting proposals for any possible action to lower the acceptable risk threshold. The Risk Management method adopted is Control Risk Self-Assessment (CRSA), a feature of which is the process owner's active participation in the risk detection and assessment phase. The Model provides for the appointment of a corporate Risk Officer in the main companies of the FS Italiane Group, selected from the Head Departments staff reporting to the Chief Executive Officer, with the special duties of periodically managing and coordinating the process of the detection and measurement of corporate risks, proposing risk response strategies and applying risk policies in order to set "acceptability" thresholds and drawing up reports for the top management of his company.

A Group Risk Officer is also appointed with the particular function of seeing that the methods for the analysis and assessment of risk are analysed and assessed at Group level on the basis of a process of continuous improvement with the additional responsibility for monitoring the internal and external, existing and future risks to which the FS Italiane Group is exposed.

Supervisory Boards and Organisational, Management and Control Models pursuant to Legislative Decree no. 231/2001

The FS Italiane Group companies have adopted crime prevention plans as per Legislative Decree no. 231/2001, have drawn up Organisational, Management and Control Models (*Modelli di organizzazione, gestione e controllo*) (hereinafter referred to as Organisational Models) and appointed Supervisory Boards in order to qualify for the exemptions contemplated in this Decree.

The various companies' Internal Audit functions provide operational services to their Supervisory Boards, such as preparing and updating their Organisational Models, conducting investigations into the adequacy and compliance with Organisational Models, providing expert secretarial services, monitoring and examining the flows of information from the management, considering reports, whoever they may be from, and preparing reports for the corporate bodies.

The Audit Head Department provides expert operational support to the Supervisory Boards of FS SpA and of all the companies that have no Internal Audit function.

Independent Auditors appointed for statutory audit of accounts

The statutory audit of both Parent Company and the subsidiaries' accounts for the 2013 financial year is assigned to PricewaterhouseCoopers SpA.

In accordance with the special rules laid down under Legislative Decree no. 39/10 (articles 16 and ff.) applicable after the acquisition by FS SpA of the status of Public Interest Entity, as a result of the issue of listed bonds, the appointment for statutory audit of accounts shall have a term of 9 financial years starting from the 2014 financial year.

Consequently a public tender is in progress for the award of the contract for the statutory audit of the accounts of the FS Italiane Group, which, in accordance with the new rules referred to above, shall have a term of nine years.

The Manager in charge of the company's accounting documents preparation *of FS SpA*

The position of the Manager in charge of the company's accounting documents preparation (hereinafter referred to as the Manager in charge of the company's accounting documents preparation) referred to in Law no. 262 of 28 December 2005, bearing "*Provisions for the protection of savings and the regulations of financial markets*" for companies listed on financial markets was introduced by the Parent Company in 2007 at the specific request of the shareholder Ministry of Economy and Finance, for the Group to start following the corporate government systems of listed companies.

Accordingly, on 27 April 2007 the Shareholders' Meeting of FS SpA amended the Articles of Association by introducing section 16 "Manager in charge of the company's accounting documents preparation"

The rules governing the work of the manager in charge of the company's accounting documents preparation, his responsibilities and duties, the basic principles underlying his powers, his resources and the methods whereby he exchanges information flows with the governing and control bodies, are laid down in Group Order (*Disposizione di Gruppo*) no. 109/AD of 21 December 2007.

In view of the FS Italiane Group's organisational and operational complexity, related to the number of players and processes involved, and in order to heighten the application and efficacy of the application of the rule, the BoD of FS SpA also decided to arrange for a manager in charge of the company's accounting documents preparation to be appointed in its main subsidiaries (RFI, Trenitalia, Grandi Stazioni, Centostazioni, FS Logistica and Busitalia-Sita Nord).

Finally, following the above-mentioned bond issue (July 2013) and as a result of the change of status of FS SpA, which is now an Issuer of listed bonds, the position of the manager in charge of the company's accounting documents preparation has become obligatory for all purposes pursuant to law and now fully falls within the scope of application of article 154-bis of the Consolidation Act on Finance.

- Appointment

Pursuant to the abovementioned section 16 of the Articles of Association, after compulsory consultation with the Board of Statutory Auditors, the BoD appoints a Manager in charge of the company's accounting documents preparation for a period not shorter than the term of office of the BoD itself and not longer than six financial years.

The Articles of Association also require the Manager in charge of the company's accounting documents preparation to meet the integrity requirements laid down for directors and require him to be selected on the basis of his professionalism and expertise from executives who have gained at least three years' experience in the administration area of consulting firms or companies or professional firms.

- Duties, powers and resources

As prescribed by law, the Manager in charge of the company's accounting documents preparation is responsible for the internal control system concerning financial reporting and, for this purpose, makes arrangements for the administrative and accounting procedures, for the preparation of interim accounting documents and all other financial communications, certifying, together with the Chief Executive Officer in a report on the separate and consolidated financial statements, that these procedures have been satisfactorily and effectively followed during the period to which the said accounting documents refer.

The Manager in charge of the company's accounting documents preparation must also certify any disclosure of accounting data made to the market according to article 154-*bis*, paragraph 2. Specifically, he must certify that “*the company documents and announcements disseminated to the market containing accounting disclosures, including disclosures regarding interim accounts, are accompanied by a written declaration on the part of the Manager in charge of the company’s accounting documents preparation in which he certifies that the disclosures correspond to the information reported in the accounting documents, books and records.*”

Pursuant to the abovementioned article 154-*bis*, the BoD ensures that the Manager in charge of the company’s accounting documents preparation has adequate powers and resources for the performance of his duties and that the aforesaid procedures are actually complied with.

On 29 August 2013, at the proposal of the Chief Executive Officer and with the favourable opinion of the Board of Statutory Auditors, the BoD appointed the Head Manager of the Administration, Financial Reporting and Tax Department, Roberto Mannozzi, as Manager in charge of the company’s accounting documents preparation of FS SpA for the term of office of the BoD and then until the approval of the 2015 financial statements (at the meeting held on 25 July 2013 the Parent Company’s BoD had already appointed Roberto Mannozzi as Manager in charge of the company’s accounting documents preparation for the residual term of office of the Board, to replace the former Head Manager of the Administration, Financial Reporting and Tax Department, Vittorio de Silvio).

Main features of the present internal control and risk management systems in relation to the financial reporting process, pursuant to article 123-bis, paragraph 2, letter b, of the Consolidation Act on Finance (Report on Corporate Governance and Ownership Structures)

Preamble

The objective of the internal financial reporting control system is to provide a reasonable certainty of the credibility, accuracy, reliability and timeliness of the disclosures, with the additional objective, at the same time, of seeing that the processes for the production of the disclosures ensure compliance with international accounting standards (IAS/IFRS).

The Manager in charge of the company’s accounting documents preparation of FS SpA has arranged for the Group to adopt a Financial Reporting Control Model that complies with the provisions laid down in the abovementioned article 154-*bis* of the Consolidation Act on Finance and on the basis of the relevant international standards (CoSO Report “Internal Control - Integrated Framework” as published by the “Committee of Sponsoring Organizations of the Treadway Commission”).

As previously remarked, the Model requires the presence of a Manager in charge of the company’s accounting documents preparation in the Parent Company and Managers in charge of the company’s Accounting documents preparation in the main subsidiaries.

The Manager in charge of the company’s Accounting documents preparation of FS SpA draws up and monitors the annual programme of work for the Group’s compliance with Law no. 262/2005, which is submitted to the Parent Company’s Board of Directors for approval and, as far they are responsible, to the Boards of the subsidiaries, and issues guidelines on putting control procedures in place and verifying that they are adequate and operative, and on issuing Certificates. The subsidiaries’ managers in charge of the company’s accounting documents preparation operate and maintain the company’s financial reporting control system exchanging continuous flows of information with the Parent Company’s Manager in charge of the company’s accounting documents preparation. The phases and roles involved in the process of financial reporting control are described below.

***

The financial reporting control process consists of these phases: determining the perimeter of the companies/processes falling within the scope of application of Law no. 262; finalising the procedures, establishing the risk control procedures; assessing the design and effective functioning of the controls; and producing final reports with an assessment of the internal financial reporting control system.

The objective of the perimeter determination phase, from a risk assessment point of view, is to identify the companies, processes and specific activities likely to generate risks of unintentional errors or fraud which could have material effects on the financial statements.

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

- on the basis of their contributions to certain amounts in the aggregated consolidated financial statements – Assets, Payables, Revenues from ordinary operations, Profit before tax,
- in relation to qualitative considerations regarding the possible existence of processes to which specific risks are attached that could impair the reliability of the financial reporting if they were to materialise.

In the companies relevant for the purposes of Law no. 262, the significant processes are afterwards identified on the basis of an analysis of quantitative factors (processes that contribute to the formation of balance sheet items amounting to more than a certain percentage of gross profit or aggregated equity) and of qualitative factors.

A system of controls that is described in the administrative/accounting procedures is then applied to the processes that fall within the perimeter.

The administrative and accounting procedures (AAPs) mapping phase is carried out by the unit of the Manager in charge of the company's accounting documents preparation or, if there is no Manager in charge of the company's accounting documents preparation, by the companies' Administrative Managers and their staffs in collaboration with the process owners responsible. The AAPs regulate administrative and accounting information, data and records, describing, in a logical and chronological order, the activities necessary to produce or record them, the control systems and the methods for carrying out the controls.

The procedures also indicate the so-called "key controls", whose absence or failure to operate entails the risk of a material error or fraud in the financial statements which cannot be intercepted by other controls.

The AAPs may be at Group level, in which case they are issued by the Manager in charge of the company's accounting documents preparation of FS SpA or at company level, in which case they are issued by the Manager in charge of the company's accounting documents preparation of FS SpA as regards the Parent Company or by the Managers in charge of the company's accounting documents preparation or administrative managers as regards the subsidiaries.

Before they are issued, corporate procedures undergo a quality assurance check by the staff of the Parent Company's Manager in charge of the company's Accounting documents preparation in order to ensure that they are consistent with and conform to Group standards.

As of the date of this Report, more than 300 administrative and accounting procedures had been issued within the FS Italiane Group. The procedures are sent to the main corporate functions/subsidiaries, to the top management and to all the control bodies, while they are also systematically published on the Group portal.

The controls set out in the AAPs are assessed and monitored continuously to verify the adequacy of their design and that they are actually operative over time. This monitoring detects any shortcomings in the financial reporting control system and triggers action plans and updates to procedures.

The phase of the verification of the effective functioning of the controls, conducted periodically on the basis of auditing standards and methods coordinating with the staff of the Manager in charge of the company's Accounting documents preparation of the Parent Company, consists of these sub-phases: 1) preparing a periodical audit plan for the Group, establishing timeframes and the teams to be appointed; 2) determining the test procedures (test scripts); 3) carrying out the audits and recording the outcomes in the system; 4) analysing and assessing the critical issues that emerged. The staff of Manager in charge of the company's accounting documents preparation of the Parent Company also conduct a quality assurance check on the test scripts in order to ensure that they conform to Group standards.

The tests are conducted by teams of specialists composed of human resources from the staff of the Manager in charge of the company's accounting documents preparation, from Ferservizi SpA (with which the Parent Company has entered into an appropriate Service contract) and from the Internal Audit functions. Also utilised are the outcomes of the tests conducted by the Independent Auditors in the framework of the wider-ranging audit process. Additionally, the adequacy and effective functioning of the procedures may be checked through the Self-Assessment method or by means of an assessment carried out directly by the so-called control owners (the persons held responsible for carrying out the controls on the procedures).

After the audits have been conducted, the results evaluation phase starts, including, in particular, an analysis of the impact on the financial reporting of any shortcomings that have been found. According to the shortcomings and/or areas for improvement that have been found in the testing phase and/or in the control design phase, specific action plans are put in hand together with the competent units, the implementation of these plans being subjected to monitoring over a period of time.

The process for compliance with Law no. 262/2005 is carried out with the support of a "dedicated" Group information system that preserves for future reference, among other data, procedures, control matrices, test scripts, outcomes and the documents demonstrating the controls effected.

At the end of this process the Manager in charge of the company's accounting documents preparation of FS SpA draws up a <u>Report on the work done and the adequacy and effective application of the financial reporting control system</u> (in which, among other things, he describes any shortcomings or areas for improvement that have emerged, as mentioned above, and the relative action plans) that is sent to the Board of Directors at the time of the approval of the draft financial statements and issues and signs the Certificates on the separate and consolidated financial statements jointly with the Chief Executive Officer, pursuant to article 154-*bis*, the contents of which are defined according to the scheme prepared by CONSOB (*Commissione Nazionale per le Società e la Borsa*, Italian Securities and Exchange Commission).

Similarly, the Managers in charge of the company's accounting documents preparation of the subsidiaries issue Certification signed jointly with the Chief Executive Officers of their companies on their separate financial statements and draw up their own Reports for their respective Boards of Directors.

The Administrative Managers of the other companies falling within the scope of application of Law no. 262 (in which Managers in charge of the company's accounting documents preparation have not been appointed) issue a similar Certificate on their financial statements, which is valid for internal purposes.

The Group Model also provides for internal Certificates regarding the adequacy and functioning of the company and Group financial reporting control system to be issued by the Administrative Managers of the subsidiaries that do not fall within the scope of application of Law no. 262, by the heads of the Parent Company's Head Departments and by the outsourcers of the administrative and IT services and of all other services impacting on financial reporting.

The duties of the Manager in charge of the company's accounting documents preparation with regard to information flows to the other Control Bodies are:

- <u>Supervisory Board</u>: to send the Supervisory Board an annual Report on the work that has been done for the issue of the Certificates on the separate and consolidated financial statements and, while he is performing his activities, to report on any breaches of the AAPs that should be drawn to the Supervisory Board's attention;

- Board of Statutory Auditors: to keep in constant touch with the Board of Statutory Auditors, and, in particular, to report on any specific matters at the Board's request;
- Independent Auditors: to have constant relations and combine efforts with the Independent Auditors in the framework of the respective roles and responsibilities involved;
- Internal Audit: to avail himself, for the purposes of the random sampling of the functional effectiveness of the procedures, of human resources posted from the Internal Audit Departments/Functions; and to liaise with the Audit Head Department regarding themes of common interest.

We mention the activation of the Group projects named SoD (Segregation of Duties) and ITGC (Information Technology General Controls), which complete the processes prescribed by the Model for compliance with Law no. 262/2005 and, more generally, enhance the Group's internal control system.

The purposes of the SoD Model are to carry out operational control over processes, giving priority to those that contribute to the preparation of financial reporting in such a way as to ensure that responsibilities are defined and properly distributed in order to avoid functional overlapping or the allocation of operations that concentrate critical activities in the hands of a single person; and, finally, to provide a homogeneous and consistent view of the entire system of authorisations for the management of roles and users in the information systems.

The aim of the ITGC Model is to determine the internal controls of the IT processes that ensure the continuous and correct functioning of the application systems of the Group in which the data used to prepare financial reporting are processed. IT General Controls include controls of the application systems development and maintenance phase, of the purchase of software, of the security of logical accesses, etc..

The general use of the Financial Reporting Control Model in the FS Italiane Group is also pursued by means of training sessions, and the Managers in charge of the company's Accounting documents preparationof the Parent Company arranges for the human resources that operate the Law 262 processes to attend refresher courses on developments in financial reporting control systems.

In order to complete the picture that has been drawn, in 2012 a project was put in hand to also introduce the Model for compliance with Law 262/2005 into the German subsidiary Netinera group. The approach adopted in this project for the German group will be used in future Certification processes in order to bring the Law 262 governance criteria into the remaining foreign Group companies.

Planning and Management Control System

The Planning and Management Control system supports the Group in accomplishing its Mission by setting strategy objectives (long-term Group planning), in the operational implementation of the strategies (budget process) and in establishing and analysing the final results.

The Strategy and Planning Head Department (hereinafter referred to as SPHD) works out the Group's business and market strategies and the required process of planning, monitoring and strategy control.

Specifically, the SPHD does the preparatory work for the Plan of the Parent Company an of the FS Italiane Group, normally on a five-year basis, by coordinating the processes of developing and combining the proposals and/or Plans of the individual Group units/companies so that the Plan can be finalised by the Chief Executive Officer; the Department then monitors its implementation.

The Finance, Control and Property Head Department (hereinafter referred to as FCPHD) lays down the guidelines for the conduct of the Group's annual budget process and management control.

Specifically, the FCPHD draws up the budget of FS SpA, supports subsidiaries in drawing up their own budgets and consolidates the FS Italiane Group budget, except for the investments area, which is the responsibility of the abovementioned SPHD.

Management Control extends over almost all the aspects of the operations of FS SpA and of the Group, absorbing various types of control:

- strategy control, which ascertains whether strategies are implemented on the basis of the guidelines deriving from the planning process and if the results meet the expectations of the strategy plans;
- managerial control, which ascertains whether short-term objectives have been attained and thus whether budget targets are pursued;
- operational control, which monitors functional effectiveness and process efficiency levels.

Control activities, which are based on the analysis of the differences between final and budgeted figures at the end of the month, assess, particularly with reference to quarterly results, whether the work done by the various units/companies conforms to plan, find any causes for the discrepancy in order to arrange for the appropriate corrective measures to be taken and appraise managerial performance according to the Management by Objectives model.

Board of Statutory Auditors

In line with the Directive issued by the Ministry of Economy and Finance on 24 June 2013, the Shareholders' Meeting of FS SpA held on 9 August 2013 appointed the new Board of Statutory Auditors for three financial years and in any event until the Shareholders' Meeting convened to approve the 2015 financial statements. The new Board is composed of three standing auditors, Alessandra dal Verme, Chairman, Tiziano Onesti and Claudia Cattani, and two substitute auditors and was appointed complying with gender equality legislation.

With the Parent Company's other corporate bodies, the Board of Statutory Auditors is responsible for systematically controlling the correct application of the Group's corporate governance principles pursuant to the Italian Civil Code, in addition to ensuring compliance with the law and the Articles of Association; it supervises compliance with the principles of proper administration and, particularly, assesses the adequacy of the organisational, administrative and accounting structure adopted by FS SpA and its functioning in practice.

As a result of FS SpA becoming a Public Interest Entity according to article 16 of Legislative Decree no. 39/2010, the Parent Company's Board of Auditors has also taken on, according to article 19 under the same Decree, the role of Internal Control and Audit Committee, with the functions of supervision over financial reporting, the effectiveness of the internal control system, internal auditing, risk management, as well as over the statutory audit of accounts and finally over the independence of the independent auditors, and particularly supervision over any kinds of service provided to the entity subject to the statutory audit of accounts, apart from auditing services themselves.

The Board of Statutory Auditors meets at least on a quarterly basis; in 2013 the Board of Statutory Auditors of FS SpA met 25 times and the Statutory Auditors attended 4 Shareholders' Meetings and 16 Board of Directors' meetings.

The Member of the Court of Auditors responsible for control over FS SpA

The Member of the Court of Auditors responsible for control over FS Italiane attends Board of Directors and Board of Statutory Auditors meetings, according to article 12 of Law no. 259/195.

From 16 February 2012 (the date on which Vittorio Zambrano ceased to hold office as Member of the Court of Auditors responsible for control), Antonio Ciaramella attended these meetings, having been appointed in his place by the Court of Auditors. On 12 February 2013 the Court of Auditors appointed Ernesto Basile, a President of a Division of the Court, to perform this function. Finally, on 30 July 2013, the Court accepted Mr. Ciaramella's request to resign from his position as a substitute, with effect from 1 January 2014.

Related Parties

In January 2010 the Manager in charge of the company's accounting documents preparation of FS SpA issued a Group AAP laying down the provisions governing Transactions with Related Parties, for which disclosures must be made in the financial statements. This procedure, as well as the other company AAPs afterwards issued following the lines of the Parent Company procedure, also explain that all transactions with "Related Parties" on the part of FS SpA and its subsidiaries must be carried out observing materially correct criteria from the financial and procedural points of view. Furthermore, contracts must be duly drawn up for these transactions and must state the methods for calculating the price of the transaction and a clear assessment of its fairness with respect to the market values of similar transactions, or, should this not be the case, a clear statement regarding the terms that are different from those of the market (providing the justification). Intra-group transactions must be carried out on a basis of an assessment of mutual financial benefit and the conditions to be applied must be laid down with the common objective of creating value for the entire FS Italiane Group in mind.

Key executives, Directors, Statutory Auditors and the external members of the internal control bodies of each company in the FS Italiane Group periodically declare, by means of a procedurally defined system, whether or not they have carried out transactions with the companies in which they serve and/or with their direct or indirect subsidiaries and whether such transactions have been concluded at arm's length.

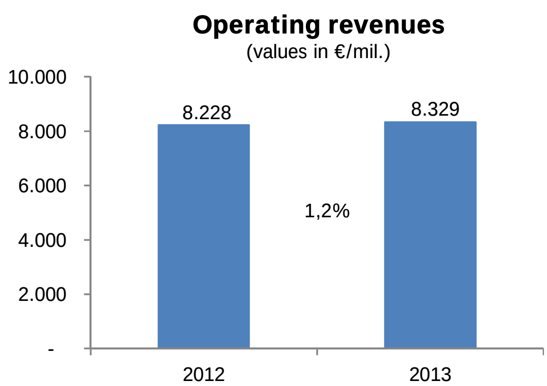
Shareholders' Meeting

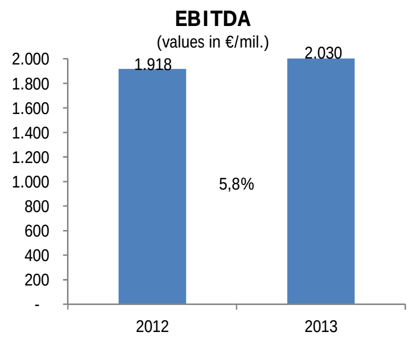
The Shareholders' Meeting of FS SpA is composed of the sole shareholder, the Ministry of Economy and Finance. In 2013 it met 3 times in ordinary session and 1 time in extraordinary session.

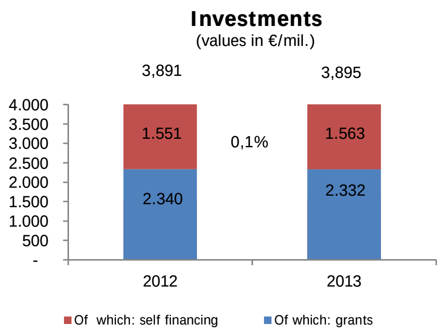
2013 consolidated results

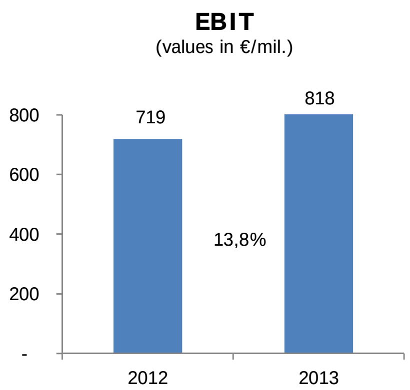
amounts in €/mil.

	2013	2012	Delta	%
Main economic, capital and financial highlights				
Operating revenues	8,329	8,228	101	1.2%
Operating costs	(6,299)	(6,310)	11	0.2%
EBITDA	2,030	1,918	112	5.8%
EBIT	818	719	99	13.8%
Net profit for the year	460	381	79	20.7%
Net invested capital	45,834	45,804	30	0.1%
Equity	37,342	36,736	606	1.6%
Net financial position	8,492	9,068	(576)	(6.4)%
Debt/Equity	0.23	0.25	(0.02)	(7.9)%
Investments for the year	3,895	3,891	4	0.1%
Cash flow generated from operating activities	352	(794)	1,147	(144.4)%

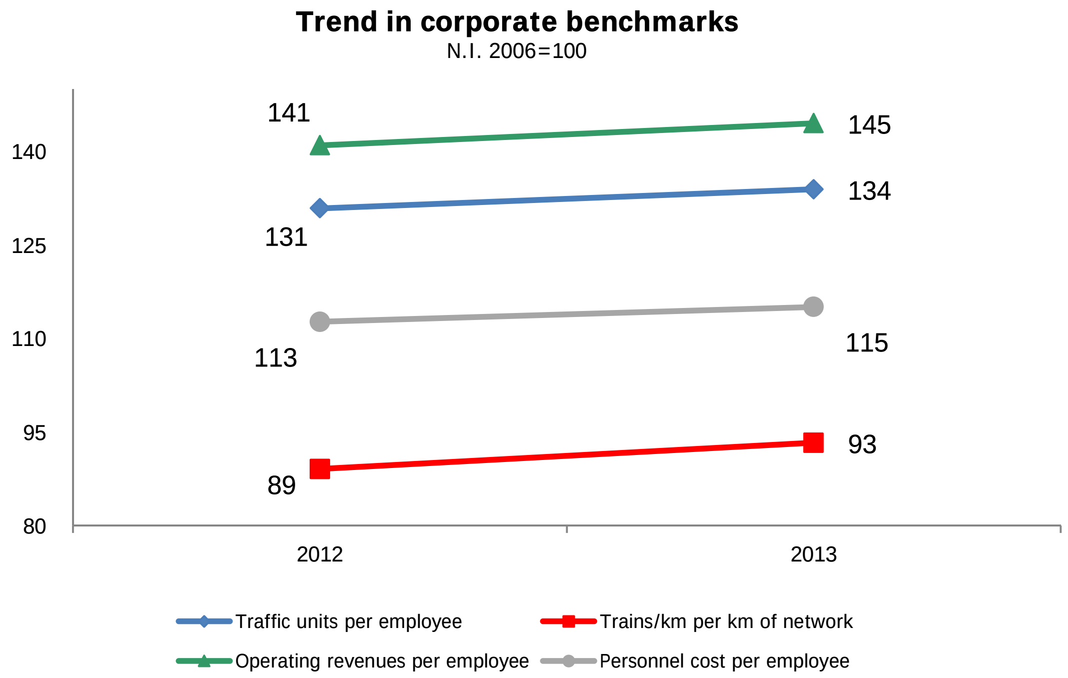








Main economic ratios	2013	2012
EBITDA/OPERATING REVENUES	24.37%	23.31%
ROS (EBIT/OPERATING REVENUES)	9.82%	8.74%
PERSONNEL COST/OPERATING REVENUES	(46.94)%	(47.12)%



Main events in the financial year

Regulatory measures

January

- On 30 January 2013 the European Commission adopted the legislative proposal referred to as the Fourth Railway Package, which holds the texts of six legislative proposals regarding interoperability and safety and, with effect from December 2019, the opening of the national passenger services market and the obligation to award public services contracts in the railway transport sector by tender. It is also proposed, as regards the governance of the infrastructure manager, to apply the separation of infrastructure managers from service operators, while Member States would be allowed to keep railway systems structured on a holding model if measures are in place that safeguard the manager's independence.

February

- The month saw the adoption of Legislative Decree no. 21 of 9 February 2013, "Amendments to Legislative Decree no. 191/2010 implementing 2008/57/EC and 2009/131/EC directives on the interoperability of the rail system within the Community." The amendments are considered necessary for the correct adoption of the directive itself, in compliance with the European Commission's observations.
- By decree of 25 February 2013, the Ministry of Economy and Finance, in agreement with the Ministry for Infrastructures and Transport, arranged for an advance of 60% to be made from the State fund for financial grants to the Ordinary Regions (*Regioni a Statuto Ordinario*) for the year 2013 on the costs of local public transport, including railway transport, referred to in article 16-*bis*, paragraph 1, of Decree Law no. 95 of 6 July 2012 (as amended and converted by Law no. 135, article 1, paragraph 1, of 7 August 2012), for a total amount of Euro 2,957,552,681.40.

March

- The decree issued by the President of the Council of Ministers on 11 March 2013 laid down the criteria and the methods for the allocation of the finance from the State fund for financial grants on the costs of local public transport, including railway transport, referred to in article 16-*bis*, paragraph 1, of Decree Law no. 95 of 6 July 2012 (as amended and converted by Law no. 135, article 1, paragraph 1, of 7 August 2012), as already mentioned above.
- The month saw the adoption of Legislative Decree no. 33 of 14 March 2013, changing the rules governing the obligations on public administrations regarding the publicising, transparency and diffusion of information. This measure implements rules from the so-called Anti-corruption decree law, laying down obligations on public administrations and companies owned by public administrations and their subsidiaries in connection with their activities of public interest. Contracting authorities are required to publish all the information regarding contracts for works, services and supplies on their website. The measure also contains amendments to rules governing arbitration proceedings initiated in the event of disputes arising from the performance of public contracts.

April

- 8 April 2013 saw the adoption of Legislative Decree no. 39/2013, bearing "Regulations regarding persons who cannot be appointed to, or are incompatible with, positions in public administrations and private concerns under public control." Specifically, these regulations also regard positions in companies that operate public services in addition to those that have administrative functions or produce goods or deliver services for Public Administrations.
- The month also saw the adoption of Legislative Decree no. 51 of 26 April 2013, bearing "Supplementary and corrective regulations to Legislative Decree no. 61/2012 containing arrangements for the Capital City of Rome (*Roma Capitale*)." Among other clauses, the measure provides for funds to the Capital City of Rome to meet local public transport costs, including railway transport.

May

- On 9 May 2013 the Competition Authority (AGCM, *Autorità Garante della Concorrenza e del Mercato*) passed Resolution no. 24352 regarding the contribution to its operational costs for 2014, in compliance with article 5-*bis* of Law no. 27 of 24 March 2012. The resolution provided for a reduction in the contribution to be given in 2014 from joint-stock companies with revenues of over Euro 50 million euro. The AGCM decision meant that the amount to be contributed in 2014 falls from 0.08‰ to 0.06‰ of turnover, against a maximum limit of 0.5% prescribed by law and a ceiling of one hundred times the minimum amount. This reduction will also be applied to the maximum ceiling set out for the FS Italiane Group in 2014.
- On 23 May 2013 the European Commission presented a draft Regulation on ports regarding an improvement in the performance of all the 319 Community ports belonging to the core and comprehensive TEN-T network, including 39 Italian ports. One of the aims of the draft Regulation is to liberalise the port services market.

June

- 6 June 2013 saw the issue of Law no. 64/2013, concerning the "Conversion of Decree Law no. 35 of 8 April 2013 into law, bearing urgent measures for the payment of overdue debts on the part of Public Administrations, provisions for putting local authority finances on a sound footing again and arrangements regarding local authority taxes." One measure is that a contractor may stop working if it is not paid: in practice the firm performing the service may bring an action against the public authority concerned for default on its obligation if the amount of the advance instalments for which a certificate or cost item has not been issued in time reaches 15% (instead of 25% as laid down before) of the net contract price.
- Decree Law no. 69 of 21 June 2013 bearing "Urgent measures for reviving the Italian economy" introduced, among other provisions, amendments to Legislative Decree no. 188 of 8 July 2013 and to Law no. 99 of 3 July 2009; specifically:
  - the Ministry for Infrastructures and Transport approves the Infrastructure Manager's proposal regarding the amount of the charge for access to the railway infrastructure by decree (after consulting the permanent Conference for Relations among the State, the Regional Governments and the Autonomous Provinces of Trento and Bolzano);
  - separate accounting records and financial statements of railway undertakings must provide a clear representation of public services activities and the fees and/or public funds received for each activity;

- if the economic equilibrium of a public service contract is disturbed, the competent authority may ask the railway undertakings involved in the access limitation procedure to pay a charge; if an undertaking pays the charge it is no longer subject to this limitation;
- an assessment of the possible disturbance of the equilibrium of a public service contract is foregone if the operations model is such that the intermediate stations are more than 100 km away and the fare levels are at least 20% higher than those for publicly commissioned services;
- the National Railway Safety Agency (*Agenzia Nazionale per la Sicurezza delle Ferrovie*) may prescribe safety levels that are different from those laid down by the CSTs (Common Safety Targets) only after an estimate of the extra-expense necessary and an analysis of economic and financial sustainability for the Italian Government and the Railway Companies, as well as after reasonable estimates in terms of the times it would take to implement them.

- The month saw the issue of Law no. 71 of 24 June 2013, concerning the "Conversion of Decree Law no. 43 of 26 April 2013 into law, bearing Urgent measures for the regeneration of the Piombino industrial area in response to environmental emergencies, measures in favour of the areas damaged by the May 2012 earthquake, measures for accelerating reconstruction in Abruzzo and for carrying out works for EXPO 2015." The law contains a provision that allows the funds intended for day-to-day maintenance in the RFI Programme Contract to be used for extraordinary railway infrastructure maintenance, as well as Euro 120 million a year in financing from 2015 to 2024 to continue the work on the Terzo Valico dei Giovi line and for the quadruplication of the Fortezza-Verona line of access to the Brenner Base Tunnel. The Law also states that up to Euro 10 million annually of the municipal, regional and central government resources used for improvements to local areas that are necessary in the framework of the construction of the Turin-Lyon line will be excluded from the internal Stability Pact ceilings in the budgets of the authorities in whose districts site work on this project is carried out for the years 2013 to 2015.
- 26 June 2013 saw the publication of the President of the Council of Ministers' Decree of 11 March 2013 in the Official Gazette, bearing the criteria and the methods for the allocation of the finance from the State fund for financial grants on the costs of local public transport, including railway transport, in the Ordinary Regions. The Decree requires the streamlining and rationalisation objectives of the planning and management of overall local public transport services, including railway services, to be assessed.

July

- On 26 July 2013 a President of the Council of Ministers' Decree determined the amounts of the shares in excise duty on petrol and diesel fuel for the finance from the State fund for financial grants on the costs of local public transport, including railway transport, referred to in article 16-*bis*, paragraph 1, of Decree Law no. 95 of 6 July 2012 (as amended and converted by Law no. 135, article 1, paragraph 1, of 7 August 2012).

August

- Law no. 98 of 9 August 2013 concerning the "Amendments to and conversion of Decree Law no. 69 of 21 June 2013 into law, bearing Urgent measures for reviving the Italian economy" provides for the creation of a Ministry for Infrastructures and Transport fund of Euro 2,069 million to allow work sites to re-open immediately using resources earmarked for the construction of approved strategic infrastructural works that had not yet been authorised or whose designs were incomplete. The projects in which work could start immediately were determined by Decree of the

Ministry for Infrastructures and Transport, which acted in concert with the Ministry of Economy and Finance. Among these projects were expansions of junctions, European corridor interoperability standards, improvements to rail-track and railway services and the railway link between the Piedmont Region and Valle d'Aosta. Other projects may be financed on the basis of a resolution passed by the CIPE (*Comitato Interministeriale per la Programmazione Economica*, Interministerial Economic Planning Committee), among which the Cancello-Frasso Telesino section of the High Speed/High Capacity Naples-Bari line. Furthermore, pending the approval of the investments section of the RFI Programme Contract for 2012-2016, contracts worth Euro 300 million, already available, can be drawn up for railway safety works which can start immediately. Financial cover for these works is provided by using, among other funds, Euro 639 million intended for the High Speed/High Capacity Turin-Lyon line, Euro 763 million for the second lot of the Terzo Valico dei Giovi line and Euro 235 million for the settlement of the dispute arising from the contractual relations of the company Stretto di Messina. This Law also contains further urgent measures regarding infrastructural works: the construction of the Turin railway by-pass, the Turin/Ceres to Caselle Airport link, the Novara-Seregno-Malpensa link (Galliate expansion and alternative route) and the removal or automation of level crossings. These works are financed by withdrawing funds that were previously allocated to other projects. Finally, the first time boards of directors of companies owned by public administrations are renewed after the law comes into effect, under new regulations governing Directors' fees:

  - in companies directly or indirectly owned by public administrations that only issue financial instruments, other than shares, listed on regulated markets and in their subsidiaries, the fees due to the chief executive officer and to the chairman of the board of directors may not exceed 75% of their total remuneration, on whatever basis it was calculated, in the term of office prior to the renewal;
  - in companies directly or indirectly owned by public administrations that issue shares listed on regulated markets, a proposal for the remuneration of the directors of such companies and their subsidiaries with delegated powers, complying with the criteria under the previous provision, is submitted to the shareholders' meeting for approval and requires the assent of the controlling public shareholder.

- The Presidential Decree of 9 August 2013 appointed the Chairman and the members of the Transport Regulatory Authority. The organisational rules and the rules of functioning were laid down after this. The Regulator became operational in January 2014 and started two fact-finding inquiries (one into passenger transport services and one into access to railway and airport infrastructures).

September

- On 10 September 2013, the Ministry for Infrastructures and Transport, by a Decree concerning "Fees for the use of the railway High Speed/High Capacity infrastructure", first requested and then approved the national infrastructure manager's proposal for a 15% reduction in the charge for the use of railway infrastructures on some high-speed lines.

October

- Law no. 124 of 28 October 2013, concerning the "Amendments to and Conversion of Decree Law no. 102 of 31 August 2013 into law, bearing Urgent measures regarding the IMU tax (*Imposta Municipale Unica*, Local Single Tax), other property taxes, support for housing and local finance policies, redundancy fund schemes and pensions", provided for a reduction of Euro 300 million in financing for the national railway infrastructure Manager (Finance Act no. 266/2005, article 1, paragraph 86). In addition to this, in order to raise the resources to pay local authority debts, the Law envisages the possibility of making offsetting variations whereby there will be a reduction of Euro 100 million in investments in the national railway infrastructure network in 2015, giving priority to the continuation of work on the Terzo Valico dei Giovi line and the quadruplication of the Fortezza-Verona line, which gives access to the Brenner Base Tunnel.

November

- On 20 November 2013 the Commission sent a reasoned opinion requesting Italy to take steps to appoint a national control body within 2 months, and to lay down a system of penalties in accordance with Regulation 2007/1371, article 32, on the rights of passengers in railway transport.

December

- On 2 December 2013 the European Council approved the final text of the Regulation laying down the Multiannual Financial Framework for the years 2014-2020 following a period of negotiations of 2 years and a half.
- 2013 saw the completion of the legislative procedure relating to the draft Financial Regulation on the Connecting Europe Facility and the new Regulation on the TEN Guidelines, which were both presented by the European Commission in October 2011. On 11 December 2013, in fact, Regulations 2013/1315 and 2013/1316 were formally adopted. The former contains guidelines for the development of the trans-European transport network and the latter establishes the Connecting Europe Facility, both made official through their publication in the European Union Official Journal on 20 December. These two texts of law, which constitute the legal basis for the European Union's infrastructure policy for 2014 to 2020, provide, among other things, for the division of the entire European network into a fundamental priority system (the Core Network) and an additional system (the Comprehensive Network).
- On 16 December 2013 the European Commission approved the draft Regulation for the creation of Shift2Rail, an ambitious public-private partnership that will invest an amount of about Euro 1 billion in research and innovation to increase passenger and cargo traffic on European railways. In April 2013, the FS Italiane Group signed the S2R initiative Memorandum of Understanding with the 15 Founders; this document lays down the methods of cooperation with the consortium in the preparation phase of the draft Regulation that sets up the Shift2Rail Joint Undertaking, delivered to the European Commission at the end of October 2013.
- Law no. 147 of 27 December 2013, bearing "Provisions for the preparation of the State's annual and long-term budget" (2014 Stability Act) contains the following provisions, among others:
    - the standard costs of local and regional public transport are to be set, with the policies for their review and application, by virtue of a Decree of the Ministry for Infrastructures and Transport which is to be handed down in consultation with the Unified Conference (*Conferenza Unificata*) within 31 March 2014;
    - companies and their parent companies, associates or subsidiaries which are holders of local public transport service contracts, in Italy or abroad, which do not comply with the combined provisions of Articles 5 and 8, paragraph 3, of Regulation (EC) no. 1370/2007 of the European Parliament and of the Council of 23 October 2007, ay not take part in any tender for such services; this exclusion does not apply to the undertakings that are the current contractors of the service being tendered for;
    - the amount in the fund for investments in purchasing local public transport vehicles (as set up by Law no. 296 of 27 December 2006, article 1, paragraph 1031), is increased by Euro 300 million for 2014 and Euro 100 million for each of the years 2015 and 2016, to be intended for the purchase of rolling stock for road and rail transport, as well as ferries and ferry-boats.

Extraordinary transactions

January

- On 21 January 2013 Sideuropa Srl in liquidation was cancelled from the Milan Register of Companies.

April

- On 15 April 2013, by a Decree of the President of the Council of Ministers (registered with the Register of Companies on 23 May 2013), Stretto di Messina SpA was put into liquidation and Vincenzo Fortunato was appointed as Liquidator.

June

- On 14 June 2013, following the petition filed on 19 December 2012, Network Terminali Siciliani Srl in liquidation was cancelled from the Catania Register of Companies.

August

- 27 August 2013 saw the registration of the deed of merger of Netinera Region Ost AG (wholly owned by Netinera Deutschland GmbH) by incorporation into its subsidiary Prignitzer Eisenbahn GmbH (wholly owned by Netinera Region Ost AG).

November

- On 14 November 2013 FS Logistica SpA and Hupac SA, as equal partners, founded a company under the name of “Terminal Alptransit Srl”, abbreviated to “Teralp Srl”, whose corporate purpose is the overall design of the “New Large Intermodal Terminal of Milan Shunting Station” (*Nuovo Grande Terminale Intermodale di Milano Smistamento*) (including all the construction sub-phases) and therefore studies, research, analysis, measurements and assessments, including environmental assessments in addition to all other activities related to or consequential on this project.
- On 27 November 2013 a company named “La Spezia Shunting Railways SpA” was established, which was 4.5%-owned by Trenitalia SpA and 15.5%-owned by Serfer Srl and whose corporate purpose is to foster the supply of a railway service in the Port of La Spezia, the dry port of Santo Stefano di Magra and the local areas connected with the port railway service, pursuant to Law no. 84 of 28 January 1994, article 6, paragraph 1, letter c), and Ministerial Decree of 16 November 1994, as amended and supplemented.

December

- On 19 December 2013 Porta Sud Srl in liquidation was cancelled from the Register of Companies.

Equity investments

Acquisitions and sales of equity investments

March

- On 27 March 2013 Ataf Gestioni Srl acquired Ataf SpA 58% of the share capital held in I-MAGO SpA for an amount of Euro 253,073. The Company's corporate purpose is to promote and develop advertising spaces and facilities in the Tuscany region in order to raise funds from advertising.

Equity transactions

January

- On 16 January 2013 Cisalpino SA reduced its Share Capital to CHF 100,750 (a decrease of CHF 162,399,250), thus implementing the resolution passed by the Shareholders' Meeting at the end of 2012. This decision fell within the scope of the shareholders' intention to dissolve the company.

March

- On 7 March 2013, the shareholders Ferrovie dello Stato Italiane SpA and Cube Infrastructure Fund paid out a total amount of Euro 74 million to increase the capital reserve of the Parent Company Netinera Deutschland GmbH, thus substantially improving the financial structure of the Group as a whole and placing crucial resources at its disposal for use in investment projects having the aim of increasing its activities and profits. Subsequently, on 15 October, the shareholders loan, equal to Euro 172,914,968, was also converted and taken as an increase in the abovementioned capital reserve.

April

- On 29 April 2013 the Quotaholders' Meeting of Terminali Italia Srl resolved the capital decrease by a total amount of Euro 3,891,879 to cover the loss for the 2012 financial year and the losses recorded in previous years. As a result of this transaction, the quota capital reduced from Euro 11,237,565 to Euro 7,345,686.

September

- 16 September 2013 saw the registration of the subscription and payment of the third tranche of the share capital of Euro 17,152,100 of Tunnel Ferroviario del Brennero SpA with the Rome Chamber of Commerce; RFI, in its capacity as shareholder, subscribed and paid out its share of Euro 14,962,500 (with value date on 28 August 2013). On 1 October 2013 a non-opted amount of Euro 347,900 was further subscribed and paid up; RFI SpA subscribed and paid out its share of Euro 303,488, with value date on 27 September 2013.

  11 November 2013 saw the registration of the subscription and payment of the fourth tranche of the share capital of Euro 15,000,000 of Tunnel Ferroviario del Brennero SpA with the Rome Chamber of Commerce; RFI, in its capacity as shareholder, subscribed and paid out (with value date on 6 November 2013) the share under its responsibility, equal to Euro 12,850,500. On 18 December 2013 a non-opted amount of Euro 268,500 was further subscribed and paid up; RFI SpA subscribed and paid out the share under its responsibility, equal to Euro 234,224, with value date on 13 December 2013.

Therefore, the subscribed and paid-up share capital of Tunnel Ferroviario del Brennero - Società di Partecipazioni SpA is currently equal to Euro 195,790,910, divided into no. 195,790,910 ordinary shares, with a par value of Euro 1.00 and RFI holds no. 167,964,435 ordinary shares, equal to 85.788%.

December

- On 16 December 2013, the Shareholders' Meeting of Netinera Deutschland GmbH resolved to increase its share capital from Euro 25,000 to Euro 1,025,000. Ferrovie dello Stato Italiane SpA paid up its share of Euro 510,000 (with value date on 16 December 2013). On 20 December 2013 the capital increase was registered with the German Chamber of Commerce. Therefore, the subscribed and paid-up share capital of Netinera Deutschland GmbH is currently equal to Euro 1,025,000, divided into no. 1,025,000 ordinary shares, with a par value of Euro 1.00 and Ferrovie dello Stato Italiane SpA holds no. 522,750 ordinary shares.
- On 17 December 2013 the Quotaholders' Meeting of Busitalia-Sita Nord Srl resolved to increase its quota capital from Euro 15,000,000 to Euro 31,000,000, in a divisible form, in one or more tranches, for a maximum amount totalling Euro 16,000,000, to be offered for subscription to the sole quotaholder at par value. The increase shall be executed on 30 June 2014 and the quota capital shall in any case be increased by an amount equal to the amount subscribed by said date.
- On 19 December 2013, the Shareholders' Meeting resolved to increase the capital of Thello SAS from Euro 1,500,000 to Euro 5,200,000 and, therefore, by an amount of Euro 3,700,000 through the issue of no. 370,000 shares, with a par value of Euro 10.00 each. On 22 December 2013, Trenitalia SpA paid out an amount of Euro 2,466,790, equal to no. 246,679 shares. On the same date, the Shareholders' Meeting resolved to make a capital decrease of Euro 3,700,000 from Euro 5,200,000 to Euro 1,500,000, to partially offset the losses recorded in the 2011 and 2012 financial years. Therefore, after this transaction, the share capital of Thello SAS has remained unchanged and is currently equal to Euro 1,500,000, divided into no. 150,000 ordinary shares, with a par value of Euro 10.00 and Trenitalia SpA holds no. 100,005 ordinary shares.

Loans

March

- On 5 March 2013, the Ministry for Infrastructures and Transport – Technical Mission Unit (*Struttura Tecnica di Missione)* authorised, following additional preliminary investigations in relation to the disbursement of the CIPE grant relating to the 1st Programme of Strategic Works - Grandi Stazioni Programme, to pay out an additional tranche of the grant for an amount of Euro 8,276 thousand to the subsidiary Grandi Stazioni.

June

- On 28 June 2013 the Board of Directors of FS Italiane SpA resolved to approve a fixed-rate bond issue, within the scope of a Euro Medium Term Notes (EMTN) Programme up to Euro 4.5 billion, in one or more tranches, on the Dublin Stock Exchange.

July

- On 15 July 2013 FS Italiane launched an inaugural bond issue in the market (series 1 – EMTN Programme), amounting to Euro 750 million, out of the Euro Medium Term Notes Programme of Euro 4.5 billion, which was admitted to trading on the Dublin Stock Exchange on 11 July 2013. On the date this transaction was launched, FS Italiane's long-term issuer ratings from Fitch (equal to BBB+ on 4 July 2013) and S&P (equal to BBB on 10 July 2013) were the same as those issued for the Italian Republic. These two rating agencies afterwards published similar opinions on the senior unsecured EMTN Programme and FS Italiane SpA's inaugural issue. As regards the final size of this first issue, which was equal to Euro 750 million (at a reoffer price of 99.069%) as mentioned above, demand from investors amounted to about Euro 3.6 billion (+470%). 57% of the issues was placed internationally, with peaks of great interest in the United Kingdom and Germany. The main features of the transaction were: a nominal amount of Euro 750 million, status senior unsecured, with settlement date on 22 July 2013, due 22 July 2020, an annual fixed coupon of 4% ACT/ACT. The Arrangers of the EMTN Programme were Deutsche Bank, Crédit Agricole, UniCredit and J.P. Morgan. These banks were also the bookrunners of the first issue, together with Banca IMI, BNP Paribas and Société Generale. The resources raised by this transaction will be used, as planned, for investments in railway infrastructures and for the purchase of new rolling stock. In fact, on 6 August 2013 FS Italiane granted, out of the funds of the series 1, intercompany loans to its main subsidiaries, Rete Ferroviaria Italiana (with an amount of Euro 250 million at maturity) and Trenitalia (with an amount of Euro 500 million at maturity).

December

- FS Italiane launched its second bond issue of Euro 600 million (series 2 – EMTN Programme) on 5 December 2013, again in connection with the EMTN Programme. The rating agencies issued an opinion that was similar to that expressed for the inaugural issue and the issuer rating of FS Italiane. Against a total demand for Euro 1.6 billion from institutional investors (59% of the requests coming from abroad), the final amount of bond was Euro 600 million (at a reoffer price of 99.50%) compared to the initial amount of Euro 500 million offered by FS Italiane SpA. The second inaugural issue of FS Italiane had a term of 8 years and an annual fixed coupon of 3.5% ACT/ACT, status senior unsecured, with settlement date on 13 December 2013 and date of repayment on 13 December 2021; it should be noted that the final pricing – 180 bps above the reference mid-swap rate (10 bps lower than the initial guidance) - was equivalent to closing the placement book at a level of 17 bps under the return of the government bond with the same maturity. The placement of the series 2 was managed by Barclays, Goldman Sachs, Morgan Stanley, Royal Bank of Scotland and UniCredit as Joint Bookrunners. The resources raised by this transaction will be also used to finance infrastructural investments and for the purchase of new rolling stock. In fact, on 13 December 2013 FS Italiane granted, out of the funds of the series 2, intercompany loans to its main subsidiaries, Rete Ferroviaria Italiana (with an amount of Euro 500 million at maturity) and Trenitalia (with an amount of Euro 100 million at maturity).

Other events

January

- On 14 January 2013 the Turin Porta Susa High-Speed train station was inaugurated, and received the award for the best European station of the year on 19 November. RFI was given this prestigious mark of recognition during the European Rail Congress.
- On 24 January 2013 prices were increased by 3.5% on average for the Frecciabianca connections.
- On 28 January 2013 the Chief Executive Officer of the Ferrovie dello Stato Italiane Group, Mauro Moretti was appointed, during a ceremony that took place at the Engineering Faculty of Rome La Sapienza University, as President of the Council for the FIGI Project – *Facoltà Ingegneria Grandi Imprese* ("Engineering Faculty/Large Industries"). The intention of the FIGI project is to throw a bridge between university professors and students and big industry, pairing the university and the business worlds together in order to raise graduate quality and provide them with the tools they need to become acquainted with the working world before they finish their studies.
- On 31 January 2013 the final design of the cross-border section of the new Turin-Lyon railway line, approved by Ltf (Lyon Turin Ferroviaire), the company responsible for the work, was presented to the Council for Public Works of the Ministry for Infrastructures and Transport.
- Yet again on 31 January 2013, Rete Ferroviaria Italiana and Grandi Stazioni signed the first handover of the property complex at the Roma Tiburtina High-Speed train station.
- Finally, on 31 January 2013, Italcertifer, the FS Italiane Group certification company, and Lucchini RS, one of the world leaders in railway components construction, signed an agreement that awarded this FS Italiane Group company the role of sole Italian supplier. Under the terms of the agreement, Italcertifer is also the most favoured supplier to foreign countries, with the possibility of also extending this cooperation to the European subsidiaries of the Lovere industrial Group.

February

- On 4 February 2013, the Italian branch of the German Dussmann Group won the European tender called by Trenitalia for the award of cleaning services. The German firm, which has been in Italy for more than 40 years, was awarded a three-year contract, renewable for three further years, for a service worth about Euro 33 million a year. The company is to be responsible for cleaning and sanitation on the Trenitalia High-Speed Frecce (Frecciarossa and Frecciargento) trains.
- On 14 February 2013 a letter of intent was signed by Trenitalia and EXPO 2015 SpA. "Train fare and admission" packages will be created for the Universal Exhibition in Milan, connection services will be boosted and there will be a vast campaign to promote the offer. The activities mentioned in this agreement will contribute to the enhancement of the value of the train as the most ecological means of transport in the world, thus taking up one of the most demanding challenges of the Universal Exhibition of Milan: sustainable mobility.
- On 28 February 2013 the European Union Court of Justice handed down its judgment in the cases against Austria, Germany, Spain and Hungary in connection with the actions brought for infringement of the First Railway Package Directives. As regards the actions against Germany and Austria, the Court accepted the Attorney-General's conclusions of 6 September 2012, totally rejecting the Commission's appeals in that it considered the German and Austrian holding models to be compliant with Community law. The European Commission has brought actions against various Member

States for infringements of the First Railway Package Directives, including one against Italy on which the Court ruled in October 2013.

March

- 6 March 2013 saw the birth of the FS Italiane Foundation, a project of the Parent Company, Ferrovie dello Stato Italiane, Trenitalia and Rete Ferroviaria Italiana: the Foundation's aim is to enhance and preserve the priceless historical, technical, engineering and industrial heritage of the Ferrovie dello Stato Italiane Group in order to hand it down intact to future generations as a common memory of progress and of the strength of the unified nation. The three FS Italiane Group companies will hand over to the newly-established Foundation about 200 carriages from the "historic operating fleet", built in the first half of the 20th century and still functional, more than 50 historic locomotives, no longer in service, from the Italian Railway Museum in Pietrarsa, near Naples, and the Group's entire library and records stock.

April

- On 1 April 2013 the prices of Intercity, Intercity Notte, Espressi trains and sleeper trains increase by 6%.
- On 15 April 2013, by a Decree of the President of the Council of Ministers (which was registered with the Register of Companies on 23 May 2013), Stretto di Messina SpA was put into liquidation and Vincenzo Fortunato was appointed as Liquidator.

May

- On 27 May 2013 the President of the Veneto Region, Zaia, and the Chief Executive Officer of FS Italiane, Moretti, signed a memorandum of understanding whose purposes are to rationalise local rail transport by providing a regular commuter service and to complete the High-Capacity East-West system by completing the railway axis involved in the Mediterranean Corridor and, in particular, the following sections: Treviglio-Brescia (being built), Brescia - Verona, Verona – Padua and Venice - Trieste. This understanding is the basis for a subsequent agreement which will amend and supplement the present Service Contract between the Regional Government and Trenitalia.
- On 30 May 2013, following the preliminary agreement entered into in September 2012, RFI completed the sale of the first building lot of the Rome Tiburtina area to BNP Paribas Real Estate.
  This transaction was worth Euro 73,250,000.00, in addition to the charge for urban infrastructure works. The BNP HQ office building will stand on 7,000 sq. m of soil owned by Rete Ferrovairia Italiana: this new BNL site will concentrate the activities of about 3,600 staff who at present work in five different places in Rome.

June

- On 8 June 2013 the first part of the new Bologna Centrale High-Speed station was inaugurated. It has four underground platforms for High-Speed trains which will free space for commuter traffic at ground level.
- The Reggio Emilia Mediopadana High-Speed station was inaugurated on 8 June 2013. This is the first high-speed railway station in the world to use the Level 2 ERTMS (European Railways Traffic Management System) (without luminous lateral signals), which is already operating on the other High-Speed lines.
- On 14 June 2013 a new cooperation agreement was signed between Trenitalia SpA and the Swiss Railway Company (FFS). The agreement provides for an improvement in the quality of the services between the two countries,

including more incoming paths to Milan and the new ETR 610 trains due in 2015. The understanding responds to a growing demand for travel between the two countries after the opening of the San Gotthard and Ceneri Base Tunnels and EXPO 2015 in Milan.
- In June 2013 Trenitalia took a train full of children to St Peter's for a moving meeting with Pope Francis. This solidarity initiative, carried out in collaboration with *Il Cortile dei bambini*, involved more than 250 children in difficulties.

July
- On 3 July there was an exclusive preview, for the first time in the world, of the new Frecciarossa 1000 very high-speed train, completely fitted out, at the Bombardier plant in Vado Ligure. The new train was ordered by Trenitalia and constructed by Bombardier in partnership with AnsaldoBreda and designer Bertone. Named after Pietro Mennea, it is to start dynamic approval tests in the section between Vado Ligure and Savona Parco Doria, which will last until the end of August.
- On 4 July 2013 FS Logistica, the main Members of the CIM (Municipality of Novara, Finpiemonte Partecipazioni, Società Autostrada Torino Alessandria Piacenza and Sito S.p.a) and the CIM (*Centro Intermodale Merci*, Intermodal Cargo Terminal of Novara) signed a detailed agreement to give a further stimulus to cargo transport and logistics in the whole area of Novara, which is considered one of the main areas that receive goods from Southern Europe. According to this long-term business partnership, FS Logistica is to provide CIM with its areas in Novara for considerations, governance rights and a terminal capacity reserve in the intermodal terminals controlled by CIM, which will be usable by the FS Italiane Group companies. Provision has also been made for options to the possible transfer of ownership of these CIM real estate assets, which the Parties may exercise should certain circumstances arise.
- On 9 July 2013 a memorandum of understanding was signed by Trenitalia and Enel Energia regarding, in particular, an increase in the efficiency of the Naples Multifunctional Facility for the maintenance of the Frecciarossa trains. Under this arrangement, Enel Energia will check and analyse the energy consumption of the facility, which is connected to Naples Central Station, by installing, operating and reading an electricity load monitoring system. This understanding is a further step in a direction that Trenitalia has taken for some time and which it considers its own particular mission: to make a contribution to energy saving and the reduction of polluting emissions from transport.
- On 12 July 2013 the President of the Council of Ministers announced the creation of the Transport Regulatory Authority and its Chairman and members were appointed by Presidential Decree of 9 August 2013. The organisational rules and rules of functioning were laid down after this. The Regulatory Authority was assigned wide-ranging duties that involve regulating, promoting and safeguarding competition in the transport sector. Its responsibilities cover both transport infrastructures and service quality. The Regulatory Authority must report to the Chamber of Deputies annually, highlighting the progress made in laying down rules for liberalisation and preparing rules yet to be determined.
- The Messina motor ship, the latest in RFI's fleet of ferries across the Strait, was launched at the shipping terminal on 26 July 2013.

September
- During the summer more than 21 million visitors chose Trenitalia's services. The main flows were towards the big cities, the metropolitan areas and the art cities. A summer services schedule was drawn up in order to meet the

growing demand for mobility services and to make travelling conditions as comfortable as possible, increasing the number of trains for the destinations most in demand and enhancing customer assistance facilities.

- The European Sustainable Mobility Week ended on 22 September 2013. The aim of this EU-funded initiative is to encourage the public to use means other than private cars for their daily travel. Each year the Frecce trains enable about 900,000 tons of CO_2 to be saved with respect to the amount produced if the same people had used their cars, and 1.4 million tons with respect to aeroplanes.

October

- On 3 October 2013 the EU Court of Justice handed down its judgment on the European Commission's appeal against Italy regarding the implementation of the First Railway Package. The Court found that Italy had infringed the provisions of the Package in that RFI was not sufficiently independent of the Ministry for Infrastructures and Transport because the manager was not entirely responsible for the process of the calculation of the access charge. The Commission, however, withdrew its appeal regarding the manager's independence of the holding (a model already recognised by the Court as being in line with EU law in the judgments concerning Germany and Austria), and the Court deemed that the Commission's appeal regarding the independence of the Railway Services Regulator was not sufficiently grounded and, also taking into account that the Italian Transport Regulatory Authority had been established, rejected the application.

November

- On 15 November 2013 the Mayor of Bologna, Virginio Merola, the Chief Executive Officer of the FS Italiane Group, Mauro Moretti, and the Director of the State Property Office (*Agenzia del Demanio*), Stefano Scalera, agreed that a vast abandoned area owned by FS Italiane will be included in the public property improvement project being carried on by the Office and the City Council. The arrangement regards a feasibility study into the area known as "Ambito Ravone" behind Bologna Central Station.
- During the month technical on-track tests began in order to obtain approval for the new regional transport train, designed and constructed in Italy by Alstom.

December

- Trenitalia's 2014 timetable came into force on 15 December 2013. The frequencies of the services in the new regional railway service system are specified in the Regional Governments' Service Contracts with Trenitalia and the number of Frecce trains running every day rose to 231 (87 Frecciarossa trains, 58 Frecciargento trains and 86 Frecciabianca trains). Trenitalia also offers 24 night trains in the 2014 timetable (two of which periodic) on domestic routes and a Night&High-Speed promotion offers special reductions in order to use a night train and a High-Speed train in a single journey.
- The 2014 Network Statement was brought up to date on 13 December 2013 in the December 2013 edition in compliance with the Railway Services Regulator's instructions and requirements.
- Finally, on 12 December 2013 the Chief Executive Officer of the Ferrovie dello Stato Italiane Group, Mauro Moretti, was appointed as Chairman of the European UIC (*Union Internationale des Chemins de Fer*, International Union of Railways).

Sustainability

In 2013 the FS Italiane Group took another important step forward in trying to achieve growth in harmony with economic, social and environmental considerations, and with this in mind it arranged a day of discussions with its stakeholders for the first time. 50 representatives of the Group's main business partners – entrepreneurs, public administrations, research institutions, universities, consortia, consumer associations, trade associations, civil society organisations, users/citizens, etc. - were asked to think about the possibilities for the improvement of its sustainability practices. Five business areas were considered:

1. Passenger services/mobility: local public and long-distance transport;
2. Passenger services/mobility: stations and customer assistance;
3. Cargo services/mobility: cargo transport and intermodality;
4. Environment: energy and waste;
5. Community: prevention of social exclusion and exploitation of material resources

The event ended with the submission of a list of proposals for improvement, to which the FS Italiane Group has committed itself to supplying feedback during 2014.

It is with this factor in mind that we now report the main projects carried out by the biggest Italian Group in the transport sector, in the field of Human Resources, Customers and Environment: an enormous hub with an unrivalled capacity to move the country towards a sustainable development model.

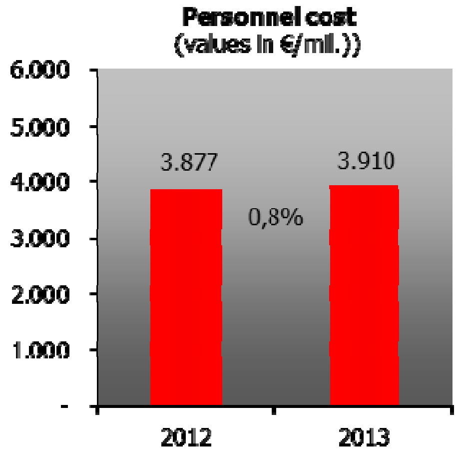
Human resources

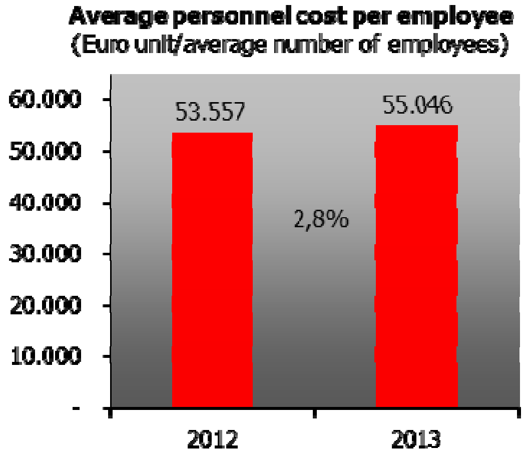
The number of Group employees passed from 72,043 units at 31 December 2012 to 69,425 units at 31 December 2013, reporting a net decrease equal to 2,618 units. The decrease reported in the average number was 1,359 units.

EMPLOYEES AT 31.12.2012(*)	**72,043**
Ins (**)	1,307
Outs	3,925
EMPLOYEES AT 31.12.2013	**69,425**
2012 AVERAGE NUMBER (*)	**72,390**
2013 AVERAGE NUMBER	**71,031**

(*) values updated by including data from the units of Bluferries Srl (113 employees) that were received after the approval of the 2012 financial statements.

(**) ins include those obtained under fixed-term contracts in the sector of ferries.





INDUSTRIAL RELATIONS

On 30 July 2013 the FS Italiane Group signed some important understandings with the Filt-Cgil, Fit-Cisl, Uiltrasporti, Ugl Trasporti, Fast Ferrovie and Or.S.A. Ferrovie trade union organisations, regarding the Fund for the pursuit of constructive income and employment support policies (known as the “Bilateral Management Fund”):

- arrangements for supplementing and amending the agreement that set up the Fund in question, necessary after the issue of Law no. 92/2012 (the Fornero Act) providing for amendments to the Fund regulations in the light of the provisions of said Law, to be implemented through a collective agreement by 31 October 2013;
- until the new Fund becomes fully operative as set out in these arrangements for its adjustment, the FS Group Fund continued to pay out extraordinary benefits in accordance with the previous regulations. To this end an arrangement for the utilisation of the Fund itself was signed, as a result of which 1,762 employees left the Group after various local agreements;
- finally, a third arrangement regarding the creation of a “Extraordinary Solidarity Benefits Fund” was signed. Starting from the assumption that a substantial number of workers receiving benefits from the Bilateral Fund would also be affected by the amendments to the law on the pensionable age, in order to manage this situation it was decided to direct 95% of the available resources reported in the ordinary part of the accounts of the Bilateral Fund to the new Extraordinary Solidarity Benefits Fund.

On 30 July 2013 an arrangement was also signed with the trade unions regarding the 2012 Performance Bonus, which was paid with the November 2013 salaries.

2013 was also the first year of operation of the Supplementary Health scheme for the FS Italiane Group employees, introduced by the 2012 Company Agreement. Subsequently, the healthcare plan, which was awarded to Società Nazionale di Mutuo Soccorso Cesare Pozzo after a tender, was also extended, at the same terms and conditions, to FS Logistica and Terminali Italia, at the same terms and conditions, which signed an agreement to accept the provisions of the CCNL Agreement for the Mobility/Railway Activities Contract Area on 29 October 2013 and 28 November 2013, respectively.

Within the context of the European social dialogue, at CER level the FS Italiane Group has contributed to the definition of the document approved by the TRAN Committee on the review of Regulation (EC) no. 1370/2007 on local public transport within the scope of the Fourth European Railway Package, which is going to be examined by the Parliament. At the same time, the Group continued to participate in the restricted working group named “Social aspects and the protection of staff in case of change of railway operator” for checking the status of implementation of the Regulation itself, which has outlined the final report and the common position of the social parties.

Personnel management and development policies

In continuing the actions taken in previous years, measures continued to be adopted to increase efficiency and productivity. A contribution to this was the signature of the new Collective Labour Agreement, the favourable effects of which were seen on an annual basis, above all with reference to the increase in the working hours, which passed from 36 to 38 weekly hours.

The reduction in staff was managed both by means of early retirement packages and through the activation of the extraordinary benefits of the Fund for the pursuit of active policies in support of income and employment, which, as already mentioned, involved 1,762 workers in 2013, which added to more than 2,600 employees who already made use of the Fund’s extraordinary benefits.

With a view to cutting down the recruitment of staff from the external labour market, the Group companies carried out active internal job posting and intra-group mobility policies, at the same time enhancing the sense of belonging to the

Group and encouraging a greater degree of all-round professionalism. Recruitment on the external labour market focused above all on new graduates of excellence, in particular engineers, who were recruited thanks to the well-established cooperation with the academic world with which a number of projects such as 2nd level master degrees, internships and scholarships for degree were implemented.
These measures enabled the Group to also maintain a satisfying result in terms of Employer Branding, which sees the FS Italiane Group in second place in the "Best Employer of Choice" ranking of the Italian and international companies most preferred by young new graduates.
Personnel development work concentrated not only on the assessment of the attainment of the Group's targets but on the design of the development plan management process and the substitution tables in the framework of the Group's integrated Appraisal System (*Sistema Integrato di Valutazione,* SIV).

Training

In accordance with the lines of strategy, during 2013 the Training department's work was directed at increasing and consolidating managerial expertise following the FS Italiane Group's behaviour models and, supporting the various business areas, at refreshing technical and specialist skills with a view to the professional growth of the human resources and the improvement of their performance.
The Executives and Middle Management training projects that started in 2012 were concluded. The aim of these projects was to refine the process of the selection and growth of the Group's staff from a merit point of view.
A communication techniques training scheme for Executives was started in order to assist them in the diffusion of corporate messages and the cascade process (the Cascade Model is a model for the process of forming public opinion). This project should make the divulgation process more effective.
In 2013 about 330 thousand training days were delivered at Group level for total cost of Euro 8 million, against training financing of Euro 7.4 million.

Health and Safety at Work

Health and Safety at Work has always been a key element for the FS Italiane Group in the development of its business nationally and internationally.
After the positive results achieved in 2011-2012, whereby the Group targets for the five-year period from 2011 to 2015 (25% fall in accidents and 10% reduction in frequency) were attained in advance, in May 2013 health and safety at work targets and policies were redetermined for the three years from 2013 to 2015.
The Group companies' policy focuses on a common safety model based on prevention through the constant involvement and commitment of all the persons working in the Group in order to achieve higher and higher levels of protection and a constant substantial fall in the number of accidents.
The new quantitative objectives set for the next three years are at least a 3% annual fall in accidents and at least a 2% reduction in their frequency.
The new lines of action and policies for the improvement of the Group's performance in this sphere for the years from 2013 to 2015 were discussed in a special "The Value of Safety" workshop held in Rome, attended by the Group's top management. It emerged from the proceedings that there is a need for constant attention to technological and organisational innovation, correct operations, timely intervention and staff professionalism as the tools for countering and

forestalling new risk scenarios. With these aspects in mind, all the Group's business area managers presented their new commitments and ideas for consolidating and increasing safety.

In 2013, the trend in accidents at work within the FS Italiane Group showed, on the basis of the data that is being put together by the insurance entity INAIL, a steady fall, both in number and in frequency. In fact, the data show a significant improvement on the objectives: the reduction of accidents was more than 10% against a target of 3% and the reduction of the accident rate was higher than 7% compared to a target of 2%. The constant significant reduction in the frequency of accidents that began in 2009 continued. The data relating to accidents while commuting that were compensated show a reversal of the trend compared to the peak reported in 2010.

Environment

In 2013, the Group continued the process that started in 2010 and completed the phase of implementation and certification of the Environmental Management Systems (SGAs, *Sistemi di Gestione Ambientale*)/Integrated Management Systems (SGIs, *Sistemi di Gestione Integrati*) for the Parent Company and the main operating companies, with the attainment of the following objectives:

- ISo 14001 certification of the SGAs of five operating companies of the FS Italiane Group (FS Italiane SpA, Ferservizi SpA, FS Logistica SpA, FS Sistemi Urbani SpA e Busitalia-Sita Nord Srl);
- Maintenance of ISO 14001 certification of the SGAs/SGIs of the Group's operating companies previously certified (Trenitalia SpA, RFI SpA, Italferr SpA e Centostazioni SpA);
- issue of the System Manual and operating Procedures for Grandi Stazioni SpA, the first step in a process aimed at achieving the ISO 14001 certification of the main stations.

In order to monitor alignment between the Governance Model Guidelines of the Group companies' SGAs and the companies' System documents, documentary audits of five operating companies were scheduled at the end of 2013, due to start at the beginning of 2014. Work continued on the project to adopt an IT solution (SuPM – Sustainability Performance Management) for the planning, monitoring and reporting of the FS Italiane Group Sustainability: the 2012 Sustainability Report obtained the application level GRI A+, as certified by an external independent company.

In the Mobility Management sphere, Mobility Management Guidelines were issued to supplement the Governance Model Guidelines of the SGAs of the Group's operating companies, the Home-to-Work Travel Plans were updated and a training day was arranged for the Group's Mobility Managers. Projects for Group employees were also designed and completed: the execution of a Car Sharing agreement, subsidies for the purchase of folding bicycles, an agreement with the Rome public transport company, ATAC, to encourage the use of public transport in the city of Rome and the installation, still in progress, of a web communication tool as a video conference call system instead of travel to attend meetings.

As regards waste management, SISTRI *(Sistema di Controllo della Tracciabilità dei Rifiuti)*, the waste traceability system, came into effect on 1 October 2013 for organisations and undertakings that collect or transport special hazardous waste in the course of their business and the original producers of special hazardous waste have also been obliged to use this system since 3 March 2014. All the main FS Italiane Group operating companies are registered with SISTRI; Trenitalia is also collaborating with the Ministry for Environment in order to resolve some interoperability problems in the system.

Finally, the FS Italiane Group participated in the institutional environmental activities of the UIC (*Union internationale des chemins de fer*, International Union of Railways) (e.g. Environmental Platform), as well as in working teams and specific projects, such as, for example, "Energy & CO2 database", "Zero carbon rail" and "Parked train noise".

The main initiatives carried out by the FS Italiane Group Companies in 2013 are listed below.

Energy

In the framework of the "Green Plant Project" in favour of energy efficiency and the development of renewable sources, Trenitalia has finalised plans for the installation of PV plants and energy efficiency for four plants. The project will be completed before the end of 2016.

The modernisation of lighting equipment in stations continued with LED technology (platforms, subways, passenger facilities and lighting towers) and the introduction of remote control and remote management systems. Lighting audits

were also conducted on a sample of stations in Lombardy and the results will serve to extend this scheme to about 400 smaller stations.
As to the major stations, an electricity supply contract was signed on the free market for the *Grandi Stazioni* network with the purpose of cutting costs and procuring electricity produced from renewable sources (20% of supply from certified renewable sources).
In the field of passenger rail transport, the German Netinera Group continued the development of a computerised energy monitoring system, which allows the acquisition of position and performance data in real time, with the objective of enabling engine drivers to improve their driving style, thus reducing energy consumption. Specifically, in 2013 an experiment was carried out on a prototype installed on a diesel locomotive; in 2014 it will be implemented on other diesel fleet locomotives, while work has already started on the construction of a version of the system for electric locomotives and trains. Furthermore, an on-line browser system was also introduced in some companies in the Netinera Group, into which the driver can insert a driving profile to follow during the journey. This system saves energy by improving driving style while maintaining safety and punctuality. The system will be extended to all the other railway companies in the Netinera Group during 2014.
Finally, efforts continued at Busitalia-Sita Nord Srl to raise bus drivers' awareness of the environmental impact of different driving styles. Devices were installed in the entire bus fleet (new maintenance management software and new lubricant oils and protective liquids) which render engines more efficient and lead to a reduction in fuel consumption.

Emissions into the atmosphere

In addition to the activities reported in the previous paragraph, which also entailed reductions in terms of emissions into the atmosphere, the following activities must also be noted.
In December 2013 the new "Enjoy" Car Sharing project, managed by ENI in partnership with Trenitalia and Fiat, was launched in Milan. This service, which adds the environmental virtues of the train to those of Car Sharing, is accessible by a smartphone app and places 650 (Euro 5) Fiat 500s at the disposal of subscribers for moving round the city. The aim is to create a well-developed sustainable mobility system in which the Frecciarossa train is the link in the chain between one big city and another and the shared car is a sound solution for travelling the "last mile". In January 2014, on the other hand, the new section of Trenitalia's website devoted to the themes of the environment and sustainability was launched. This section contains information on the main activities that the company carries out in order to reduce the environmental impact of its work, the commercial arrangements entered into in order to promote intermodality between the train and other sustainable means of transport, and incorporates Ecopassenger, a calculator with which the environmental impact of a journey can be assessed and compared in terms of the greenhouse gases and polluting emissions that it produces.
A Bike Sharing promotion arrangement was signed by Trenitalia and Clear Channel, the company that manages more than 3,000 shared bikes in Milan and Verona. By virtue of this arrangement, all Trenitalia Cartafreccia members can purchase an annual subscription to the Bike Sharing system at a special price.
Furthermore, the "Green Train" campaign was carried out as every year, in collaboration with the Italian environmental organisation Legambiente, to monitor air quality (and noise pollution) in towns and make citizens aware of environmental issues.
Road transport of the FS Italiane Group also contributed to the reduction of atmospheric emissions: the operations for the tender for the supply of low emission category Euro 5 or 6 vehicles in the place of the old generation 0 to 2 Euro vehicles

were completed. The process of the installation of exhaust gas treatment and control filters which began in 2012 continued in 2013, enabling Euro 2/3 to Euro 5 vehicles to be approved (only as regards the emission of particulates).
Finally, Ferservizi awarded the express mail service in the City of Rome to a firm that provides an electric bicycle "Pony Green" service.

Raw materials

Attention to environmental themes also heightened in the FS Italiane Group procurement. Environmentally sustainable requirements have been included in some contracts, and bidders that satisfy these requirements earn points for doing so. Examples of such contracts are the "Master Agreement for the supply of clothing to the FS Italiane Group" (e.g. Ecolabel certificate for products containing at least 30% in weight of recycled fibres); the tender for "Communication events services" (e.g. waste recycling collection system, use of energy saving computer equipment, low-consumption lighting, environmentally compatible packaging, use of glass or recycled paper tableware); the tender for "Stationery supply" and tenders for information technology supplies (e.g. preference given to energy saving and component recyclability).

Waste

Commitment to waste recycling continued at the Group's main operating offices. Ferservizi's headquarters in Rome, for example, obtained an official accolade from AMA (the municipalised waste collection company in Rome) for the excellent results that it attained by reducing the production of unsorted waste by more than 55% and reaching the figure of 60% of recycled waste out of the total waste produced.
Efforts were also made in the main stations, and in particular at the refurbished stations, to make the system for the waste sorting from shops and public spaces more efficient, specifically by keeping waste bins in good condition, preparing plans for the streamlining and creation of new recycling bin areas and improvements to the present collection points.

Territory

Within the scope of enhancement areas, Italferr SpA is the FS Italiane Group company that does the most important work for the environment. Specifically, during 2013 it completed:

- 6 Environmental Impact Studies;
- 31 projects within the Site Environmental Design;
- 7 Environmental Monitoring projects;
- 9 Utilisation Plans pursuant to Ministerial Decree no. 161/2012 for excavated material management.

Water

The quality of water for human consumption was monitored at all stations and all the water systems were sanitised to prevent bacteria. Trenitalia SpA put feasibility studies in hand for the reutilisation, after purification, of industrial waste water and water from the first rainfall. Busitalia-Sita Nord Srl began to design a new industrial water purification plant at the Tuscany operating site which will result in a reduction in the consumption of products for the chemical/physical treatment and recovery of the water treated for re-use in the rolling stock washing plant.

Noise

RFI S.p.A.'s noise reduction plan continued to be updated and revised on the basis of observations, opinions and requests from private and public bodies concerned with noise emissions generated by the railway infrastructure.
Furthermore, the work related to the plan of action for the main rail routes with more than 30,000 transits a year (both inside and outside urban agglomerations with more than 100,000 inhabitants) was completed.
Finally, in 2013 Italferr SpA conducted 12 Noise and Vibration Surveys for a number of railway junctions and sections.

Potentially contaminated sites

In 2013 Trenitalia SpA went on with its work of reclaiming its contaminated sites and making them safe. 15 sites were involved, 3 of which of national interest.
FS Sistemi Urbani also went on with its work of environmental screening its corporate assets and rendering them safe, above all involving the detection and resolution of dangers to the environment (such as the presence of waste, asbestos roofs, polluted soil and squatting) and the assessment of the state of preservation of these assets.
In 2013 inspections were conducted at 70 complexes. Finally, Italferr SpA carried out reclamation activities at 8 sites.

Safety

As regards railway activities, the monitoring of accidents makes reference to the criteria laid down in Directive 2004/49 EC on safety on the Community's railways. The European body created to provide technical support and develop a common approach in railway safety matters is ERA, the European Railway Agency, whose Italian offshoot is ANSF (*Agenzia Nazionale per la Sicurezza delle Ferrovie*), the Italian Railway Safety Agency, formed under Legislative Decree no. 162/2007, which adopted said EU Directive.

According to Directive 2004/49/EC, an accident is considered serious when at least one railway vehicle in movement is involved and if it has caused at least one death or one serious injury, damage amounting to Euro 150,000 or more to tracks, systems or the environment or if it has blocked traffic for 6 hours or more. They do not include accidents that have occurred on railway lines that are temporarily interrupted or closed to traffic (depots, workshops) and in any case those caused by voluntary acts (suicide or vandalism).

There were 98 railway accidents classified as "serious" in 2013, seven fewer than the previous year.

Specifically, the following events were reported:

- 4 "collisions" of trains against 7 in 2012;
- 6 "derailments" of trains against 5 in 2012;
- 73 instances of "damage to persons" caused by moving rolling stock against 80 in 2012;
- 14 at level crossings against 13 in 2012;
- 1 fire involving rolling stock as in 2012;
- 0 "other accidents" against 1 in 2012.

Compared with 2012, there were fewer accidents caused by train collisions and fewer accidents of the most frequent kind, i.e. to persons by moving rolling stock. Practically unaltered, on the other hand – one more – was the number of derailments and level crossing accidents, the latter usually due to persons illegally on or crossing the track.

Macro-economic scenario

The international macroeconomic scenario, still profoundly affected by the consequences of the financial crisis, did not show sufficiently firm signs of recovery during 2013. The expansion of global economic activity and international trade was meagre and irregular, but while the emerging economies slowed down – even if they continue to be the driving force behind global growth – the advanced economies gradually strengthened. The growth in world economy came to 2.9%, substantially in line with the value posted in 2012 (+3.0%), with a 4.6% contribution from emerging countries and 1.2% from developed countries. The highest rate of growth on the global scene was again that of China, the second economy in the world. This country's 7.6% growth rate was obtained despite the Government having set a lower target (7.5%). China is now getting ready to tackle major structural reforms in order to achieve a more balanced growth system, mainly driven by investments and domestic consumption rather than exports. After overcoming the difficulties arising from the budget and public debt, the US economy gave signs of rediscovered vigour owing to a slow improvement in the labour market and a favourable trend in domestic demand. US GDP rose by 1.9% on average on an annual basis. Japanese economic growth (+1.8%) was stimulated by the Government's adoption of a monetary expansion policy, a more flexible fiscal policy and an increase in public expenditure, also to encourage private investments.

Even if growth in international trade was quite brisk in the last part of the year, volumes were stationary on last year's figures (+2.1%). Global inflation was limited, more so for the industrialised countries, in which inflation rates were well below 2% (USA 1.5%; Eurozone 1.4%), than for the emerging and developing countries (India 7.8%; Russia 6.9%).

As regards the prices of energy products, Brent quality crude oil ($ 108.6 per barrel) was lower than in previous years in spite of some tension in Libya, in which the offer was well below the country's potential, mitigated by an increase in supply from Saudi Arabia.

Global economic data	2013	2012
GDP (% changes over the previous year)		
World	**2.9**	**3.0**
Developed countries		
USA	1.9	2.8
Japan	1.8	1.4
Eurozone	(0.4)	(0.6)
Emerging Countries		
China	7.6	7.9
India	3.5	4.1
Latin America	2.6	2.4
World Trade	**2.1**	**2.1**
Oil ($ per barrel)		
Brent	108.6	112.1

Source: Prometeia Forecast Report, January 2014

Unlike the expansionary monetary policies adopted in the United States and Japan, monetary rigour and attention to borrowing limits persisted in the Eurozone. GDP in the area as a whole fell by 0.4%, feeling the effects of lower consumption owing to the squeeze on household income caused by the high jobless rate, which touched 12% with higher rates in Spain and Greece, countries in which nearly 27% of the population are out of work. At the tail-end of the year, however, there was a recovery, slight as it was, as a result of a sluggish increase in domestic demand and a gradual rise in exports. Core European countries such as Germany performed more steadily, while recovery was much slighter in the peripheral countries.

Eurozone economic data	2013	2012
GDP (% changes over the previous year)		
Eurozone	(0.4)	(0.6)
Germany	0.5	0.9
France	0.2	-
Italy	(1.8)	(2.6)
Spain	(1.2)	(1.6)
Inflation (HICP) (% changes over the previous year)		
Eurozone	1.4	2.5
Germany	1.6	2.1
France	1.0	2.2
Italy	1.3	3.3
Spain	1.5	3.0
Domestic demand (% changes over the previous year)		
Eurozone	(1.0)	(2.2)
Germany	0.9	(0.2)
France	0.4	(0.9)
Italy	(2.5)	(5.2)
Spain	(3.1)	(4.0)

Source : Prometeia Forecast Report, January 2014

The Italian economy, engaged in a laborious process of putting the country's accounts on a stable footing again, slowly marched towards an exit from the recession. The economic situation improved slightly during the autumn months after a long period of decline. However, the change in the GDP on average on an annual basis was still strongly negative (-1.8%). The trend of the economic cycle showed a drop in GDP (-0.6%) in the 1st quarter, but at a slower rate than the last quarter of 2012. GDP also showed a reduction in the 2nd quarter, but at a lower rate (-0.3%). In the third quarter GDP stabilised, interrupting a fall that had persisted since the summer of 2011, and increased by 0.4% in the fourth quarter (according to the last data of the national accounting)..

Demand from abroad made a positive contribution, however small it was. Domestic demand reported a fall, both in terms of consumption and in terms of investments, although at lower rates than in 2012.

The signs of weakness in the labour market intensified: the number of people in employment fell further, pushing the unemployment rate up to 12.2% on average on an annual basis.

Finally, the inflation rate decreased significantly in the year, down to 1.2%, with a reduction of about two percentage points compared to 2012, mainly thanks to the decline in the prices of energy products.

	2013			
Italy economic data	**1Q**	**2Q**	**3Q**	**4Q**
GDP (% changes over the previous year)	**(0.6)**	**(0.3)**		**0.4**
Domestic demand	(0.4)	(0.7)	0.3	0.2
Household spending	(0.5)	(0.5)	(0.2)	-
PA* and ISP** spending	0.1	-	-	(0.3)
Gross capital formation	(2.9)	-	(0.6)	(0.2)
Constructions	(4.0)	(0.9)	-	(1.0)
Other investment assets	(1.7)	1.0	(1.2)	0.7
Imports of goods and services	**(0.5)**	**(0.7)**	**2.0**	**0.1**
Exports of goods and services	**(1.2)**	**0.7**	**0.7**	**0.5**

Source : Prometeia Forecast Report, January 2014

*PA = *Pubblica Amministrazione*, Public Administration
**ISP = *Istituzioni Sociali Private*, Private Social Institutions

Customers

2013 was characterised by the strengthening of the range in the Market segment and the gradual completion of diversification in levels of service: the proportion of products in this segment reported +13% compared to 2012. 2013 was also characterised by the full operation of competition in the High Speed segment.

A substantial process of change took place in the pricing policy for all the products in the national and international passenger sector (Frecce trains and Basic Services). A new pricing structure was presented to customers, with a mixture of flexibility and low cost: Base, Economy and Super-Economy fares. Furthermore, starting from April 2013, the Economy fares were also extended to the Executive service level, in order to harmonise the range and expand the potential market.

Apart from the reference price range, fares were offered to customers which were specially conceived for certain customer targets or particular occasions related to special events, such as “Speciale2x1”, “Bimbi Gratis”, “CartaFreccia Special”.

Promotional offers also continued for customers buying one-day or weekend return fares with some seats also on the Frecciabianca trains and Premium and Executive services and the possibility of one change of time per leg.

The Night + High-Speed offer was maintained for night-train travellers. This promotion was conceived to satisfy and support demand; it offers a special price for a journey on the High-Speed Frecciarossa and Frecciargento trains combined with a night connection in order to make travel from one part of the country to another more efficient and more feasible.

During the year the number of customers with Cartafreccia programme loyalty cards exceeded the 2.5 million threshold. This programme was enriched with exclusive benefits, such as the possibility of buying journeys at special prices.

2013, in consideration of the positive results reported in 2012, saw the confirmation of the Group’s commitment, through Trenitalia SpA, in the world of sports marketing, with the football clubs that are included in the Frecciarossa network: Juventus, Torino, Milan, Inter, Bologna, Fiorentina, Roma, Lazio and Napoli.

The percentage of medium/long-distance trains in the “Market” segment arriving at destination on time or, in any case, in the 0–15 minutes band remained stable, beyond 96%. The customer satisfaction data showed a level of overall travel satisfaction of 93.6% at the end of the year, showing a slight improvement compared to the results recorded at the end of 2012.

The main developments in 2013 were:

<u>Frecciarossa</u>

During the year the restyling of the ETR500 fleet were completed for the Frecciarossa train, with the adaptation of the new Executive, Business, Premium and Standard environments.

At the same time work started on the first Bistrò Frecciarossa carriages, which will gradually replace the present restaurant cars.

WIFI and UMTS internet services continued being consolidated and improved with the extension of the entertainment service using the Android system at terminals and enriching the programme by including films that can be seen free of charge.

High-Speed Frecciarossa services were further boosted on the Turin, Milan and Rome lines, cutting the minimum journey time between Rome and Turin down to 3 hours 52 minutes. This allowed the Rome to Milan line to be better served, also as a result of the creation of new fast Bologna-Rome-Naples links and more services for travellers returning after the weekend.

A new Frecciarossa Milan-Adriatic line service was launched during 2013 in order to adjust supply to demand and 32 more trains now stop at Rome Tiburtina.

The percentage of Frecciarossa trains arriving at destination on time or, in any case, in the 0–15 minutes band exceeded 98% in 2013. The customer satisfaction data showed a level of overall travel satisfaction of 96.1% at the end of the year, in line with the results recorded at the end of 2012.

Frecciargento

During 2013 substantial investments were made in the entire Frecciargento fleet to raise the standards of comfort and make it easier to use technological services: in fact, the upholstering of the first-class seats on the ETR 600s and ETR610s in leather (seat, back, headrest and armrest) and of any devices necessary for providing on-board train multimedia services, was completed. The Frecciargento Portal was opened to customers on 18 December, containing the same range of services as those on the Frecciarossa Portal: a free-of-charge WIFI internet connection, multimedia entertainment and travel information.

In 2013 Frecciargento services were further expanded by more trains between Venice/Bolzano and Naples and more trains stopping at Rome Tiburtina: 36 additional trains on the Rome to Venice service stopped at this station.

The percentage of Frecciargento trains arriving at destination on time or, in any case, in the 0–15 minutes band exceeded 98% at the end of the year. The customer satisfaction data showed a level of overall travel satisfaction of 92.5% at the end of the year.

Frecciabianca

The Frecciabianca product travels on traditional lines and serves three main lines: Padana Cross Road (Turin-Milan-Venice/Udine/Trieste), Adriatic (Turin-Milan-Bologna-Ancona-Bari/Lecce/Taranto) and North Tyrrhenian (Rome-Genoa-Milan). During 2013 the work of opening bar services on all Frecciabianca connections was completed and the quarterly Frecciaviaggi magazine began to be distributed. The process of the replacement of the ordinary and ETR460 rolling stock livery with the new Frecciabianca markings continued, while the first two ETR460 materials were also completed.

The percentage of Frecciabianca trains arriving at destination on time or, in any case, in the 0–15 minutes band exceeded 94% at the end of the year. The customer satisfaction data showed a level of overall travel satisfaction of 92.5% at the end of the year.

International traffic

As already specified above, in June a cooperation agreement was signed with the Swiss Railway Company (FFS). The objective of the arrangement is to improve transport service quality between the two countries by providing additional trains into Milan and renewing the rolling stock. It was entered into in order to satisfy growing demand for services between the two countries after the opening of the San Gotthard and Ceneri Base Tunnels and EXPO 2015 in Milan.

From the pricing point of view, various promotional offers were made on the Italy-Switzerland EuroCity trains and the number of seats reserved for the promotional offers on Euronight Thello, Germany Night and Austria trains was increased.

Universal Service

The "Contributed Universal Service" segment included all trains which fall within the scope of the Service Contract with the State. In line with the provisions under section 12 of the Service Contract for long-distance routes, 2013 saw the confirmation of the model of products defined by the customer, the Ministry for Infrastructures and Transport. This offer provide, among other things, for some night trains from the South to stop at the Rome hub; from this hub passengers travelling towards the cities of northern Italy can continue their journey using High-Speed trains.

The *Notte + AV* ("Night + High-Speed Train") promotion was confirmed for such travellers, which has been mentioned above.

The percentage of medium- and long-distance Universal Service and Other trains that arrived on time or not more than 15 minutes late exceeded 90%, in any case showing a decline compared to 2012, also as a result of the introduction of new door control technology.

Regional Transport

As regards the Regional Transport, 2013 recorded a 3.3% increase in revenues from traffic compared to the previous financial year. This change was mainly linked to the increase in the fares applied by the Regional Governments to offset, albeit partially, the reduction in fees in some cases. These changes entailed a 4.2% increase in average unit revenues; the production of trains/km fell by 0.8% in consideration of the cuts applied by some Regional Governments. 2014 is the year in which most of the contracts with the Regional Governments expire. The Regions may, if they decide to do so, extend the present contracts for another six years with amendments that must be agreed by the parties. In this context, the Emilia Romagna Regional Government has extended the Service Contract up to 30 June 2015, while starting the tender for the awarding of railway services, providing for a coverage of about 22 years. In November 2013, Trenitalia SpA submitted its expression of interest for the participation in the tender.

In December 2013 the Veneto, Abruzzo and Tuscany Regional Governments informed that they were to start tender procedures for the awarding of railway services, while the publication of the call for tenders for the Friuli Venezia Giulia Region is expected to be published in the first four-month period of 2014. The Service Contract between the Special Regions (*Regioni a Statuto Speciale*) and the Ministry for Infrastructures and Transport is still awaiting renewal and Trenitalia SpA is continuing to provide services on the basis of requests that the Ministry is confirming from one year to another; the Ministry's requests also involve the extensiveness of the services. At the same time the Ministry has been gradually devolving responsibility to the Special Regions; in fact, following the programme agreement that was entered into by the Sardinia Regional Government and the competent Ministries on 7 June 2012, the procedure was completed for the transfer of financial resources from the Ministry of Economy and Finance to the Regional Government itself. The same procedure is being conducted with the Sicily Regional Government. According to the latest legislative measures, the State remains responsible for the services provided for the Valle d'Aosta Regional Government and the joint services.

The percentage of regional transport trains arrived at destination on time or, in any case, in the 0 – 5 minutes band exceeded 92%.

The customer satisfaction data recorded improvements, specifically the customer satisfaction relating to the overall travel passed from 71.9% in 2012 to 73.8% in 2013; the quality of cleanliness perceived on board regional trains showed a significant improvement compared to 2012, passing from 50.2% in 2012 to 54.8% in 2013, compared to 33% a few years ago. This result was achieved after a full review of the entire cleaning cycle and of the several changes in the contractors made in previous years.

A number of measures have been taken and investments made to make it easier for passengers to make use of the services:

- electronic tickets are also now available on regional trains; it is no longer necessary to print a ticket purchased on line; it is sufficient to show the rail staff on the train the file received on the passenger's computer, smartphone or tablet after the purchase on screen. Electronic tickets allow travel on the regional train of choice or within the four hours following purchase on the same stretch and may be purchased from seven days before the journey date to 30 minutes before departure;

- the project for the replacement of the former self-service ticket machines, which involved the installation of 1,265 new machines in main passenger traffic stations, including some with substantial passenger flows, such as universities and exhibition districts, has been all but completed. The quality and security of the new self-service machines are far superior to the former generation machines, are very easy for customers to use and allow the purchase of fares for all Trenitalia SpA's domestic services not only in cash but also by credit or debit card;
- the installation of new ticket reading machines has also been completed. These machines, among other functions, enable new ticket recognition methods to be used, such as for example through the reading of the bar code and cards with microchips;
- the first electronic ticketing system was tried out in Piedmont, as also integrated through cards with microchips.

In the Cargo transport segment, the railway traffic was affected by the difficult economic situation of the Italian market and recorded a reduction in international traffic, from and to Germany, Austria, France, Poland, Slovenia and Hungary, while the domestic railway transport remained almost stable or recorded a minimum decline.

International railway transport in all the commodity sectors was affected by the crisis to an equal extent, the most marked declines being in the Traditional traffic sector, such as in the Steel and Iron and Automotive industry, while Intermodal traffic held well, thanks above all to container movements from and to the ports of Genoa, La Spezia, Trieste and Livorno.

Domestic cargo transport performed better than the previous year. In the automobile, steel and chemical sectors the loyalty policies adopted for big customers that stabilised traffic by means of long-term contracts succeeded in limiting the effect of the crisis in these sectors. In the Raw Materials and Consumer Goods sectors, the steady increase in transportation for the Large-Scale Retail Trade (*Grande Distribuzione Organizzata*) (mineral waters and various consumer goods) managed to offset the serious decrease in the amount of raw materials handled for industries such as building and manufacturing. There was also a recovery, however marginal it was owing to poor demand, in the transportation of timber from Austria.

Combined maritime and land domestic traffic fluctuated considerably with a decline over the year as a whole notwithstanding the creation of new services and the reorganisation of those already existing in order to raise the quality of the range offered.

Nonetheless, even if domestic transport volumes held, this was not enough to offset the losses on international traffic due to constant falls in demand.

The complex project of rationalisation of the Cargo sector was pursued, enabling the plan for reorganising internal corporate processes to be put in hand so that permanent economic stability could be attained in this sector in the shortest possible time.

Performance of the relevant markets and of the national railway traffic

In spite of the weakening of the economic cycle and the consequent decline in domestic and international trade, during 2013 there was an attenuation of the negative trend of previous years in the overall performance of the transport sector, both in the passenger and in the cargo segment.

The results achieved in the cargo sector in a scenario of a fall in industrial production (-3.0%), slightly positive exports (+1.3%) and a sharp drop in exports (-9.5%) constituted, on the whole, an inversion of the trend, in line with the situation in the Italian economy. For example, the Air transport sector recorded an increase of 1.9% in tonnes handled; once again, Milan Malpensa airport ranked first by volume of cargo handled (421 thousand tons, equal to about 50% of the total), with an increase of 3.8% compared to 2012. Rome Fiumicino ranked second, with 136 thousand tonnes handled (-0.6% compared to the previous year). Highway traffic also showed a fall compared to 2012: a total of about 16 billion heavy vehicles/km was recorded between January and November, showing a decrease of 2.7% compared to 2012. The maritime transport of containers in the main Italian ports showed an increase of 4.0% in the first half of the year. The driving force behind this recovery was Gioia Tauro, the biggest Italian transhipment port, with a 15% growth.
The passenger segment still recorded negative trends, to a more or less pronounced extent, for all means of transport. Air transport proved to be badly affected by a reduction in the services offered by the traditional carriers, which were no longer in a position to remain widely represented in the Italian airport system, in favour of low-cost airlines and increasing competition from high-speed trains on some of the country's major routes. During 2013 about 144 million passengers passed through the 38 Italian airports monitored by Assaeroporti (the Italian association of operators of the Italian civil airports), recording a decline of 1.9% compared to 2012. Once again, Rome Fiumicino airport ranked first in passenger transport, with more than 36 million passengers (-2.2% compared to 2012), followed by Milan Malpensa airport with about 18 million passengers (-3.1% compared to 2012). Highway traffic also recorded a decline, which produced about 54 billion light vehicles/km from January to November, corresponding to a decline of 1.7% compared to the same period in 2012. In the maritime transport sector, the cruise segment reported a growth of about 2% according to the last Cemar projections.

Focus on the management of railway infrastructures

As of 31 December 2013 there were 10 km more railtrack than the previous year, the total length throughout the country being 16,752 km. The railway lines may be divided into the following types according to their characteristics:

- 6,448 km of high traffic density main lines;
- branch lines, a dense network of connections in regional centres of population linking with the main line trains, for a total length of 9,365 km;
- junction lines in big metropolitan areas, for a total area of 939 km.

71.5% of the network, equal to 11,969 km, is electrified and 45% of the total is double-tracked, corresponding to 7,540 km.

All the track in the network is fitted with one or more train protection systems, which makes the Italian rail infrastructure one of the safest in Europe. Specifically, the lines in the new High Speed/High Capacity network are equipped with the ERTMS/ETCS system (European Rail Traffic Management System/European Train Control System), the European standard signalling system.

As regards the extent of liberalisation of railway transport, Italy may be classified as one of the most virtuous European countries after the adoption of a series of measures for opening up the market which go beyond the mere acceptance of the contents of the EU Directive concerned.

As at 31 December 2013, there were 35 Railway Companies authorised to carry out rail transport activities under the licence issued by the Ministry for Infrastructures and Transport, according to the procedures laid down under Legislative Decree no. 188/2003 and Ministerial Decree 36/2011. The overall production achieved in the year on the network managed by RFI (both by the incumbent and by third-party operators) was about 332 million trains/km (+4.8% compared to the previous year). The traffic volumes achieved by third-party operators increased by about 15% compared to 2012.

Production in trains/km		**2013**	**2012**	**% Change**
- long-distance transport passenger	thousands	90,510	75,987	19.1
- regional transport passengers	thousands	190,004	188,974	0.5
- cargo transport	thousands	40,652	40,741	(0.2)

These data do not include the category "other", which accounts for about 3% of the total.

Focus on the Group’s passenger and cargo traffic

In spite of the general crisis scenario in 2013, the performance of the FS Italiane Group’s railway sector improved significantly in terms of passenger and cargo volumes.

Passengers-km transported in rail transport achieved 41.7 billion in absolute terms, with a total increase of 2.9% compared to 2012, of which 19.3 billion relating to medium/long-distance transport services (+2.9%) and 22.4 relating to regional transport (+2.9%). In the medium/long-distance transport segment, 2013 also saw an increase in the passengers-km for market services (+4.8%), while universal services recorded a 3.3% fall in the served demand compared to 2012. Among the market services the Frecce (Frecciarossa, Frecciargento and Frecciabianca) trains continued on their successful way, with about 43 million passengers transported, equal to a 6% increase in passengers-km compared to 2012, in spite of the fact that 2013 was the first full year of competition with the private operator in the High-Speed segment. The gradual increase in the quality of the service – frequency, punctuality, comfort, the variety of the range, assistance on board and in stations – in addition to the shorter and shorter time the Frecce trains take from one main Italian city to another, resulted in High-Speed rail travel achieving a permanent role, as also shown by the reduction in both traditional and low-cost air services between Rome and Milan.

In 2013 the overall production of railway services, as measured in trains-km, showed a 4.0% increase, with a more marked rate for medium/long-distance transport services (+10.1%) and a lower level for regional transport (+1.7%).

Passengers/km trains were about 271 million in absolute terms, of which 79.3 relating to medium/long-distance transport services. Market services accounted for 70% of them, showing an increase of 13.5% compared to 2012. Regional transport also increased up to 192 million trains-km, showing an increase of 1.7% compared to 2012.

Medium- and long-distance traffic data (*)		2013	2012	% Change
PASSENGERS/KM - MARKET (**)	millions	15,025	14,341	4.8
PASSENGERS/KM – UNIVERSAL CONTRIBUTED	millions	4,312	4,457	(3.3)
TOTAL	**millions**	**19,337**	**18,798**	**2.9**
TRAINS/KM - MARKET	thousands	55,613	48,999	13.5
TRAINS/KM – UNIVERSAL CONTRIBUTED	thousands	23,642	22,960	3.0
TOTAL	**thousands**	**79,255**	**71,959**	**10.1**
Regional transport traffic data (*)				
PASSENGERS/KM	millions	22,381	21,742	2.9
TRAINS/KM	thousands	192,214	189,048	1.7
TOTAL PASSENGERS TRAFFIC				
TOTAL PASSENGERS - KM	**millions**	**41,718**	**40,540**	**2.9**
TOTAL TRAINS - KM	**thousands**	**271,469**	**261,007**	**4.0**

(*) The item also includes the traffic recorded in foreign countries of the Group subsidiaries

(**) The item includes the Profitable Market Service and Market Services with negative margins

The occupancy ratio of medium/long-distance trains was higher than 50% in 2013 too, obtaining the highest figure in market services. The rates were lower for regional transport (about 34%), which is typically affected by substantial variations between peak and off-peak hours.

As regards domestic transport services, the average level of travel satisfaction as a whole was still very high for medium/long-distance trains (90.0%), with significantly higher values for Frecciarossa trains (96.1%). As already mentioned, the same index for regional transport trains showed an increase, with a customer satisfaction percentage of 73.8% compared to 71.9% in 2012.

As regards connections offered by the Group companies in the suburban Local Public Transport segment, the related demand, as measured in passengers-km, showed an increase of 3.0% compared to 2012. On the contrary, the production in buses-km decreased by 2.7%, because of a lower demand from public customers.

As regards urban Local Public Transport services, the FS Italiane Group produced a total offer of more than 15.5 million buses-km in 2013, while the offer of market services included more than 1.6 million buses-km.

In the cargo sector, the Group management's decision to rationalise business and to take a firm move towards developing foreign markets proved to be the right response to real market requirements. In 2013 the Group sector companies achieved, in fact, a total volume of about 22.8 billion tons-km, showing a 2.4% increase compared to 2012, despite their exposure to the national and international economic shocks.

Sub-contracted traffic and subsidiary TX Logistik's foreign business increased over 2012, helped by the creation of the One-Stop-Shops along the international corridors during the year. International cargo from and to the rest of Europe can be organised and optimised by means of these points of contact.

In 2013, the overall production in the cargo segment, as measured in trains-km, achieved 46 million, showing an increase of 0.7% compared to 2012. The share of services provided abroad in 2013 also showed a significant increase compared to 2012 (+7.2%). The combination of the slight increase in the total cargo transport offer and of the increase in the served demand entailed increased efficiency measured by the average load which achieved 500 tons per train.

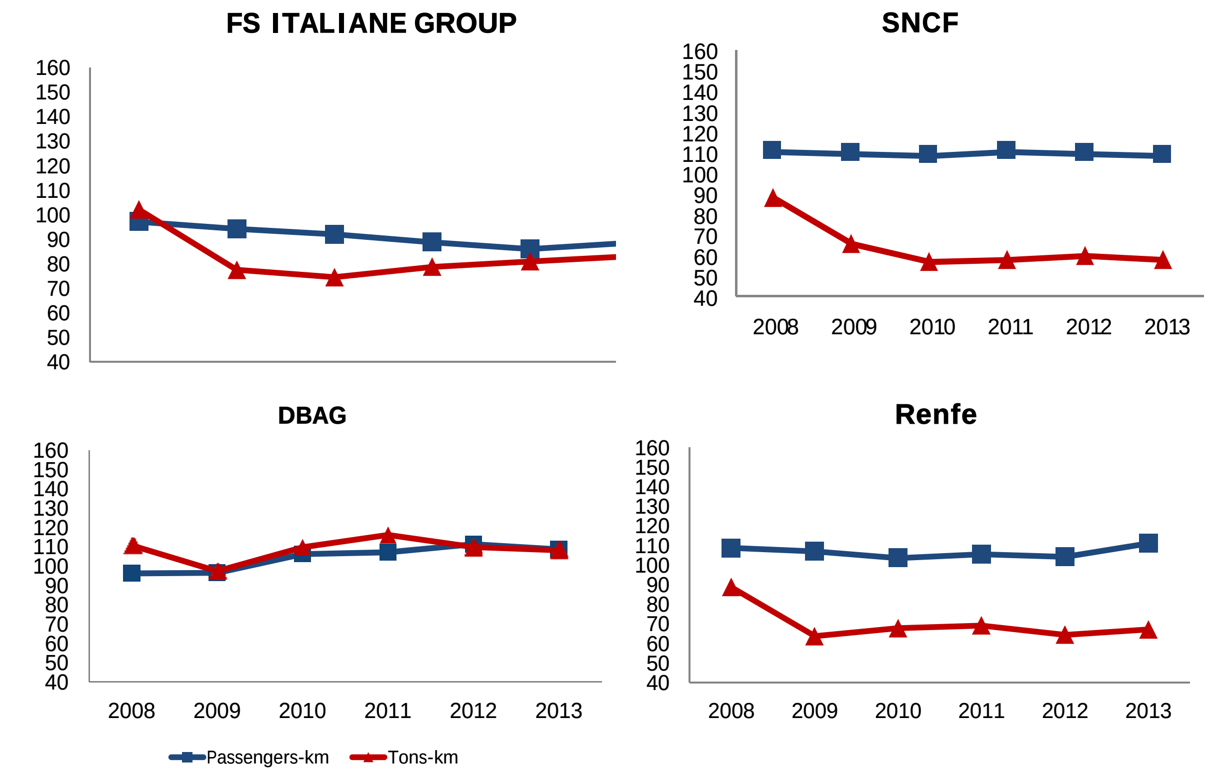
Group Cargo traffic data		2013	2012	% Change
Tons-KM	millions	22,854	22,309	2.4
of which in foreign countries	*millions*	*10,312*	*9,189*	*12.2*
Trains-KM	thousands	46,121	45,785	0.7
of which in foreign countries	*thousands*	*17,083*	*15,533*	*10.0*

The traffic results of the main European Railway Companies

Demand for rail transport in Europe has been at a standstill for some years now as a result of an unfavourable economic cycle. According to the available data, the rail passenger transport sector was characterized by a decline of 1.8% compared to 2012, while the rail cargo transport sector reported a more marked reduction (-3.5% compared to 2012), thus significantly exceeding the fall in industrial production recorded in the Eurozone (-0.8% compared to 2012).

European railway companies continued to mark time in the cargo sector, in spite of the attention the European Union gave to the matter by adopting measures and instruments for increasing competition. The Spanish Renfe was the most successful of the main European railway undertakings, showing an increase of 4% in its tons-km volumes, while a reduction in volumes was reported by the French Sncf (-1.8%) and the German DB AG (-1.5%).

Renfe was the most successful in the passenger transport sector as well, showing an increase of 6.7% in its passenger-km volumes, while falls in volumes were reported by Sncf (-0.8%) and DB AG (-2.3%).



The Group's income statement and statement of financial position

Main operating data	2013	2012	Delta	%
Length of the railway network (km)	16,752	16,742	10	0%
Trains-km medium/long passengers (thousands)	79,255	71,959	7,296	10%
Trains-km regional transport passengers (thousands)	192,214	189,048	3,166	2%
Passengers/km- rail transport (millions)	41,718	40,540	1,178	3%
Passengers/km- road transport (millions)	398	405	(7)	(2)%
Tons/km (millions) (1)	22,854	22,309	545	2%
Traffic unit/Trains-KM (units)	205	206	(1.6)	(1)%
Traffic unit/KM of line (millions)	3.9	3.8	0.1	3%
Employees (2)	69,425	72,043	(2,618)	(4)%

(1) This value included outsourced traffic and other companies in the Cargo sector of the Group

(2) Period-end amounts

Below is reported and commented the FS Italiane Group's **Reclassified Consolidated Income Statement**.

amounts in €/mil.

	2013	2012	Changes	Change %
OPERATING REVENUES	**8,329**	**8,228**	**101**	**1.2%**
Revenues from sales and services	**7,597**	**7,511**	**86**	**1.1%**
Revenues from transport services	6,035	5,938	97	1.6%
Revenues from Infrastructure Services	1,333	1,340	(7)	(0.5)%
Other revenues from services	229	233	(4)	(1.7)%
Other income	**732**	**717**	**15**	**2.1%**
Operating costs	**(6,299)**	**(6,310)**	**11**	**0.2%**
Personnel costs	(3,910)	(3,877)	(33)	(0.9)%
Other net costs	(2,389)	(2,433)	44	1.8%
EBITDA	**2,030**	**1,918**	**112**	**5.8%**
Amortisation and depreciation	(1,123)	(1,070)	(53)	(5.0)%
Write-downs and impairment losses (value write-backs)	(68)	(37)	(31)	(83.8)%
Provisions	(21)	(92)	71	77.2%
EBIT	**818**	**719**	**99**	**13.8%**
Finance income and costs	(234)	(290)	56	19.3%
PROFIT BEFORE TAX	**584**	**429**	**155**	**36.1%**
Income taxes	(124)	(48)	(76)	(158.3)%
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**460**	**381**	**79**	**20.7%**
PROFIT FOR THE YEAR FROM ASSETS HELD FOR SALE, NET OF TAX EFFECTS	**0**	**0**	**0**	**0.0%**
NET PROFIT FOR THE YEAR	**460**	**381**	**79**	**20.7%**
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**459**	**379**	**80**	**21.1%**
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**1**	**2**	**(1)**	**(50.0)%**

At the end of the 2013 financial year, the Ferrovie dello Stato Italiane Group confirmed the strong growth in margins started in 2008 for the sixth consecutive year and the positive trend of the **net profit for the year**, which increased by more than 20% compared to 2012 (Euro 460 million against Euro 381 million).

Continuing on the path that the Group has been pursuing in these years, the Group reports sharp improvements in all the interim margins. In particular, **EBITDA** showed an increase of Euro 112 million (+5.8%), exceeding Euro 2 billion for the first time; **EBIT** showed an increase of Euro 99 million (+13.8%), exceeding Euro 800 million for the first time, while the **Profit before tax** showed an increase of Euro 155 million (+36.1%).

Once again, the results confirm that the management restructuring plan, which has been undertaken since 2007, has been actually reflected in the performance, through the substantial achievement of all the Plan objectives. The enhanced soundness of the Ferrovie dello Stato Italiane Group is the essential prerequisite for setting prospective targets that are even more challenging and that are adequately described in the 2014-2017 Business Plan, which has been recently approved and which was presented to the financial community on 25 March 2014.

Accordingly, the Group reported a positive **EBITDA** equal to Euro 2,030 million in 2013, which almost fully arose from a 1.2% increase in **operating revenues** compared to the value posted in 2012 (Euro + 101 million).

Specifically, **revenues from sales and services** recorded a significant increase of Euro 86 million (+1.1%), while **other income** increased by Euro 15 million (2.1%).

The growth in **revenues from sales and services** arose from an increase in **revenues from transport services** (Euro 97 million), although 2013 saw the new competitor in the High Speed traffic fully operational, while **revenues from Infrastructure services** recorded a decrease of Euro 7 million and **other revenues from services** a decrease of Euro 4 million.

The growth in revenues from transport services was the result of increased revenues in the passenger transport sector for Euro 98 million, which were partially offset by the very small fall recorded in revenues from cargo traffic for about Euro 1 million, while revenues from revenues from public service contracts with the Regional Governments and with the State remained almost unchanged.

Revenues from passenger traffic showed a positive change due to a general increase that was recorded in the various business areas of the passenger service:

- Higher revenues were recorded on medium- and long-distance routes (Euro +12 million), mainly as a result of a more ample diversification of the offer of the “Freccia” train products and of the improvement of the High Traffic system in the TO-MI-NA-SA section; these results are particularly significant if correlated, as already mentioned, to the full opening up to competition in the High Speed segment. In fact, market revenues from the profitable segment recorded an increase of about Euro 39 million, which was offset by reduced revenues from services for which there is little demand and with negative margins (Euro -10.8 million); Trenitalia has for some time embarked to a path to streamlining these services, which has specifically involved some InterCity day trains; negative margins were also contributed by international trains and charter trains for religious tourism (Euro -8.4 million and Euro -3.2 million, respectively). Finally, an additional decline was attributable to the decrease reported in the Contributed Universal Service segment (Euro -3.6 million) as a result of the gradual shift of the railway portion of traffic towards alternative systems of transport over long distance, as has already happened in the sector in Europe. Furthermore, it is worth noting the good performance recorded by Thello, which was consolidated on a line-by-line basis starting from July 2012, for about Euro 23 million, in the international passenger transport segment;
- Higher revenues were also recorded in the regional transport segment, both in the Italian (Euro +26 million) and German (Euro +9 million) market, where the Netinera group continued to operate with positive effects. At domestic level, the change was mainly attributable to the growth of fares, by 4.2% on average, against a reduction of 0.2% in the offer of trains/Km following the choice made by some Regional governments of reviewing the offer in order to cope with the increasing difficulties of local finance. In the light of the above, passengers/Km reduced by 0.8% only;

- finally, higher revenues of Euro 29 million were recorded in the passenger road transport segment, as a result of the Ataf group entering the scope of consolidation.

The slight decline in the **revenues from cargo traffic** arose from a lower logistic activity (Euro -34 million) in the national market; this decrease was partially offset by the international market, in particular the German one, which had a good performance overall and showed an increase of about Euro 33 million.

Revenues from public service contracts mostly remained stable compared to the previous year. Different trends were recorded in the various contracts; no changes were recorded in the fees applied to service contracts for Medium- and Long-distance and Cargo transport compared to the previous year, while fees for services acquired by the State for Special Regions (*Regioni a Statuto Speciale*) showed an increase of about Euro 22.6 million as a result of the recognition of revenues related to the performance of some services which has been formally required by the Ministry of Infrastructure and Transportation. As regards service contracts with Ordinary Regions (*Regioni a Statuto Ordinario*), public finance obligations entailed a reduction of about Euro 15.5 million in the fees, which was partially offset by increased fares that allowed the Regional governments to meet the commitments undertaken under the contracts; these two factors did not affect the financial equilibrium of the contracts themselves. Furthermore, note the increase recorded as a result of Ataf Gestioni entering the consolidation area (Euro +37 million), which substantially offset the reduced revenues from the German Landers of the Netinera group (Euro -40 million).

Revenues from infrastructure services decreased by Euro 7 million. These revenues mainly include revenues from the State for the Programme Contract – Services 2012-2014 (Euro 1,052 million) and revenues from tolls (Euro 256 million). In 2013 grants from the State decreased by Euro 60 million compared to 2012 due to a higher amount of resources, which had been initially allocated under operating grants and which were used to cover non-routine maintenance requirements according to law no. 71 of 24 June 2013, while revenues from tolls recorded a considerable increase, equal to Euro 51 million, of which Euro 48 million from the third-party railway company that operates in the High Speed market and Euro 3 million for higher services rendered to Trenord.

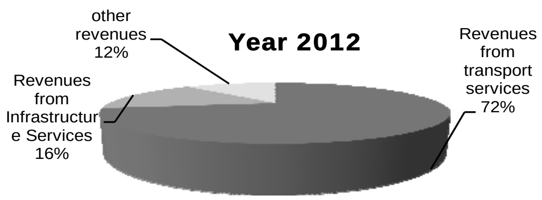
Other revenues from services recorded a slight decrease due to lower activities for rolling stock maintenance and transport-related services rendered to third parties (Euro -4 million).

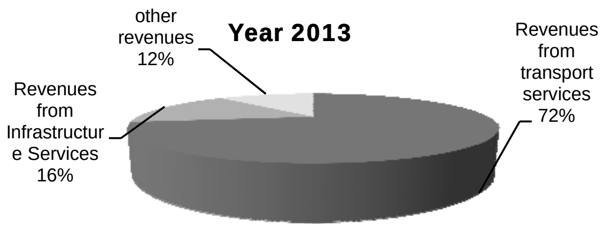
Operating costs decreased by Euro 11 million as a result of the decline in **other net costs**, equal to Euro 44 million, which was offset by increased **personnel costs**, equal to Euro 33 million.

Labour costs mainly increased as a result of Ataf and Thello entering the consolidation area and of the expected growth in unit salaries in relation to the new National Collective Labour Agreement (CCNL, *Contratto Collettivo Nazionale di Lavoro*), which was signed on 20 July 2012; in any case, said increase was offset by a recovery in productivity, thanks to the increase in the weekly working hours and as a result of the steady reduction in average workforce (which passed from 72,390 units in 2012 to 71,031 units in 2013). The decrease in **other net costs** was due to lower costs for services (Euro -18 million) and lower costs for leases and rentals (Euro -28 million), to which must be added a higher capitalization of Euro 102 million.

Therefore, **EBIT** came to Euro 818 million (showing an improvement of Euro 99 million compared to 2012), as a result of the combined effect of higher **amortisation and depreciation** of Euro 53 million, mainly due to the classification of works under fixed assets and to the entry into operation of new assets; higher **write-downs** of Euro 31 million, mainly due to the alignment of the carrying amount of assets to their fair value; lower **provisions** of Euro 71 million for the adjustment of the so-called bilateral fund, for which provisions of Euro 32 million were set aside in the year against releases of about Euro 12 million.

The **net result**, which continued to record sharp growth, was finally affected by the weight of the **financial management**, which was negative by Euro 234 million and which showed an improvement of Euro 56 million compared to the previous year, equal to 19.3%, and by the considerable increase in **income taxes** compared to the previous year (Euro +76 million, equal to 158.3%), arising from the fact that the assessment of higher deferred tax assets on previous losses that Trenitalia carried out in 2012 could not be repeated in 2013.





Reclassified balance sheet

amounts in €/mil.

	31.12.2013	31.12.2012	Changes
ASSETS'			
Net current operating assets	1,014	646	368
Other net assets	1,549	1,184	365
Current assets	**2,563**	**1,830**	**733**
Net fixed assets	46,502	47,689	(1,187)
Other provisions	(3,233)	(3,743)	510
Net assets held for sale	2	28	(26)
TOTAL NET INVESTED CAPITAL	**45,834**	**45,804**	**30**
COVERAGE			
Short-term net financial position	(565)	833	(1,398)
Medium/long-term net financial position	9,057	8,235	822
Net financial position	**8,492**	**9,068**	**(576)**
Net equity	**37,342**	**36,736**	**606**
TOTAL COVERAGE	**45,834**	**45,804**	**30**

In 2013 **Net invested capital,** equal to Euro 45,834 million, increased by Euro 30 million, as a result of the increase in **Current assets** (Euro +733 million) and a reduction in **Other provisions** (Euro -510 million), which was offset by a reduction in **Net fixed assets** (Euro -1,187 million) and **Net assets held for sale** (Euro -26 million).

Net current operating assets, which came to Euro 1,014 million, recorded an increase of Euro 368 million essentially attributable to:

- lower receivables relating to the Service Contract from the MEF (Euro -152 million), following the financial settlement of fees that took place in the year, in particular relating to Trenitalia, and lower trade receivables (Euro -123 million) as a result of a better financial settlement that took place in the year;
- higher inventories (Euro 52 million) due to an increase in inventories of raw and secondary materials and consumables for Euro 99 million (Euro 74 million for the infrastructure and Euro 21 million for the purchase by Trenitalia of new serviceable parts), which was offset by a reduction (Euro -56 million) in inventories of Properties and Land held for trading;
- lower trade payables (Euro -579 million) as a result of a reduction in payables to suppliers (Euro -362 million) due to accelerated payments in the year and a reduction in payables to Group companies (Euro -215 million), which was essentially attributable to the financial settlement of Trenitalia's debt to Cisalpino SA for the purchase of rolling stock.

On the contrary, **Other net assets** recorded an increase of Euro 365 million that substantially arose from the combined effect of:

- higher receivables from the MEF, the MIT and other Entities for set-up grants intended for infrastructural investments (Euro 534 million);
- a net decrease in other receivables and payables (Euro -295 million);
- a decrease in VAT credits/debt (Euro -199 million), mainly as a result of the refund by the Tax Office;
- a reduction in advances for set-up grants received by RFI (Euro -325 million).

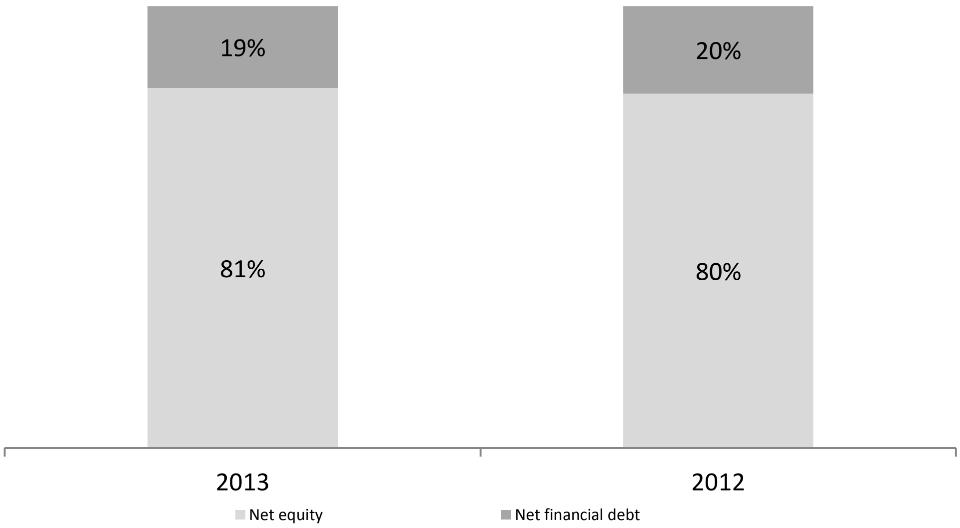
Net fixed assets showed a decrease of Euro 1,187 million, mainly attributable to increased investments for the period, equal to Euro 4,052 million, which were partially offset by set-up grants of Euro 3,892 million, as well as to amortisation and depreciation for the period of Euro 1,169 million, sales made for Euro 113 million and, finally, to the reduction of Euro 55 million in the value of equity investments, which was essentially attributable to a reduction in the share capital of Cisalpino SA as a result of the start of operations for the winding-up of the company.

The **Net financial position** represented a net indebtedness of Euro 8,492 million, with a decrease of Euro 576 million compared to 31 December 2012. This change was essentially correlated to:

- an increase in the balance of the treasury current account (Euro 259 million) that includes the payments made by the MEF in the year in relation to the Programme Contract and the payments for other grants disbursed by the European Commission for the operating needs of the Group, mainly those of RFI;
- an increase in other non-current financial receivables (Euro 67 million);
- a reduction in the receivable from the MEF for the collection of the annual portion of 15-year grants (Euro -149 million), which was offset by a similar change in payables to Cassa Depositi e Prestiti;
- an increase in bank and postal deposits and other short-term cash and cash equivalents (Euro 93 million);
- a decrease in loans from banks and other lenders (Euro 1,056 million);
- an increase of Euro 750 million in bond issues due to the combined effect of an increase of Euro 1,350 million for the already mentioned issue of the first two tranches of the bond issue relating to the Euro Medium Term Notes Programme and of a decrease of Euro 600 million for the repayment of Eurofima loan.

Net equity passed from Euro 36,736 million to Euro 37,342 million, mainly as a result of the increase due to the profit for the year (Euro 460 million), a positive change in Valuation reserves (Euro 110 million) and a positive change in the Consolidation reserve of third parties (Euro 53 million).

Coverage of Net Invested Capital



STATEMENT OF RECONCILIATION at 31.12.2013 and at 31.12.2012 between the separate financial statements of Ferrovie dello Stato Italiane S.p.A. and the consolidated financial statements in relation to the profit for the year and the equity

amounts in €/mil.

	31 December 2013		31 December 2012	
	Equity	**Profit for the year**	**Equity**	**Profit for the year**
Financial Statements of Ferrovie dello Stato Italiane S.p.A.	36,252	77	36,175	73
Profits (losses) from investee companies consolidated after the acquisition, net of dividends and write-downs:				
- Share of profits (losses) attributable to owners of the parent for the year and for the previous years	1,228	501	850	402
- derecognition of write-downs of equity investments	96	43	59	3
- reversal of dividends	(4)	(128)	(4)	(70)
Total	**1,320**	**416**	**905**	**335**
Other consolidation adjustments:				
- investments in unconsolidated subsidiaries and associates valued at equity	31	4	26	(8)
- reversal of intergroup profits	(396)	(30)	(366)	(32)
- reversal of taxes from consolidated tax base	233	(2)	235	13
- others	7	(4)	9	(2)
Total	**(125)**	**(32)**	**(96)**	**(29)**
- Valuation reserves	(557)		(812)	
- Reserve for translation differences	3		20	
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**36,892**	**459**	**36,191**	**379**
- Equity attributable to non-controlling interests (excluding profit/loss)	261		208	
- Profit attributable to non-controlling interests	1	1	2	2
NON-CONTROLLING INTERESTS	**262**	**1**	**210**	**2**
TOTAL CONSOLIDATED EQUITY	**37,154**	**460**	**36,401**	**381**

Risk factors

Given that no particular risks and uncertainties were expected as at the reporting date of this report on operations, which could have caused significant effects on FS Italiane's and the Group's economic, financial and equity position in the short term (in addition to those mentioned in the notes to the financial statements to which reference is made), the management of financial risks (credit, liquidity, market, foreign exchange and interest rate risks) is directly dealt with in note 5 to both consolidated financial statements and separate financial statements.

As regards any other risk factors (business and operational risks), below is the summary description of their related nature, together with the activities put in hand for their monitoring.

Business risks

The medium- and long-distance Passenger Transport is conditional on consumption levels, employment levels and the overall development of the main economic factors. The competition in the means of transport is a decisive factor to be successful in the railway transport market. The High Speed lines and the related additional services allowed the railway sector to start competition with the other means of transport (airplane and car), above all through the reduction in travel times, the comfort of the journey and the arrival to the urban centres of major cities. In this market segment the successful crucial factor will increasingly be the maintenance of and improvement in the quality of the service offered and of the rapid adaptation, including at a commercial offer and pricing level, to the trend in market demand. For this reason the FS Italiane Group, through Trenitalia SpA, has taken important actions that will allow it to respond to the expectations of its customers, including: the renewal of the fleet starting from 2015 with the new High Speed trains (ETR 1000), the expansion of the High Speed offer, the diversification of the service levels in lieu of classes, the new Frecciarossa services (WiFi, multi-media services, etc.) and the new sales platform via Web and on traditional channels. Starting in 2012 the Market segment was also affected by changes in equilibrium resulting from the entry of new private companies which began to run a gradually increasing number of services on the High Speed sections. The operating risks resulting from the entry of the new operator on the High Speed section were assessed in the Group's Business Plan and were taken into account in the 2014 budget. At the moment the situation corresponds to the assumptions made. Whether the assumptions are, in fact correct, depends on trends in the mobility market and the extent to which the market is attracted by means of further pricing mechanisms. If this happens, profitability margins could be affected.

In the Regional Transport segment, 2013 saw the effects of the changes that occurred in regulations in 2012; in fact, it is remembered that, by judgment no. 199/2012, the Constitutional Court declared the constitutional illegality of article 4 of law no. 148/2011, converting Legislative Decree no. 138/2011, which provided for the obligation to launch tenders for the Regional transport service upon the expiry of the contracts in place with Trenitalia. The contracts in question are expected to expire, in most cases, in 2014. However, although it was not obligatory to call tenders, they are allowed in any case and some Regions (Emilia Romagna, Tuscany, Veneto and Umbria) announced that they did not intend to renew their contracts on expiry and were to start tender proceedings for the award of railway services, while the Friuli Venezia Giulia call for tender was expected to be published as early as in the first four months of 2014. Discussions were started, on the other hand, in other Regions regarding the renewal of expiring services contracts. The potential effects of the failure to renew contracts, which will be seen during the financial years after 2014, are unforeseeable at the moment and in any event are to be considered as the risks run by a company operating in a free market. Trenitalia made suitable precautions for the protection of its investments in executing its service contracts. It is quite obvious that this uncertainty

affects the company's business plans and the commitments it has entered into with the Regional Governments in drawing up service contracts, particularly as regards the sums to allocate to investments.
In this scenario, the crisis in public funds, which has been seriously affecting local authorities for some time, could lead to uncertainties as to whether the payments of the fees for the services will be collected at the contractually agreed times. Trenitalia has signed contracts with the Italian Regional Governments which do not depend from the procedures through which the same find the necessary sources of financing; nevertheless, as regards the service, the uncertainty that dominates the entire sector and the lack of available resources could induce the Regional Governments to require, also for 2014, any reductions in the offer that are permitted by the contracts. These processes, although comprised in the company's ability to adapt to changes, are in clear conflict with the mobility needs expressed by local areas on one hand, and on the other with a planning criterion, even if minimum, which is imposed by the railway sector in relation to the time required for the implementation of any investment plans in support of the offer development.
The market risks are particularly evident in the sector of Cargo transport and Logistics. In fact, this sector is mainly affected by the negative trend in the economy in general, which entails a reduced industrial production and, accordingly, a reduced demand for transport. The Group's policy is to contain prices for customers, together with the streamlining of the offer and costs, and to focus on relations with higher operating impact, even with limited margins. The activities for the streamlining and reorganisation of the sector, which were implemented by some Group companies, fall within the scope of this framework.

Operational risks

As already reported in the 2012 Financial Statements, the FS Italiane Group makes use of external suppliers for the implementation of maintenance and construction operations involving new rolling stock, while making use of external manufacturers for the supply of spare parts for maintenance purposes. The Group has put a substantial change to procurement policies in hand during the last few years by reformulating its internal procedures and, in compliance with public contracts legislation, has made even stronger efforts to buy all components connected with safety only from original manufacturers, while it has always called public tenders for all other components.
The staying power of some suppliers in the maintenance and construction sector of rolling stock was severely strained by the continuing financial crisis, followed by a severe credit squeeze, owing to their intrinsically weak position in the structure of their business financing.
The different issues reported on important job orders that have generated disputes with suppliers, in particular in the past, but that have generated above all operational difficulties in the year and heavy disservices in some cases, are still being monitored.

Sometimes, contracts were terminated due to the non-compliance by the suppliers themselves, activating the enforcement of the sureties given to secure contracts. It is absolutely evident that the general crisis of the credit market also affected heavily railway sub-suppliers, thus creating, in some cases, strong tensions on the manufacturers, which are also small/medium-sized businesses.

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

Legal and contract risks

No major legal or contract risks are reported additional to those mentioned below in this report, which mainly arise from disputes that the Group companies are conducting against various other parties, such as suppliers, customers and personnel. In relation to these risks, instructions are given/provisions are set aside after the probability of their materialisation has been assessed.

Procurement risks

The prices of services, raw materials, energy and transport may vary according to market trends. It might not, therefore, be possible, or possible only to a limited extent, to transfer the higher supply costs to sale prices applied to customers, with consequent effects on the margins on the Group's products and services.

Project risks

Investments in the railways involve complex processes and high costs. Changes in the legal framework, delays in delivering the project or technical modifications to long-term programmes often lead to increases in cost. Accordingly, every design variation could entail higher costs, resulting in unfavourable effects on the Group's activities and operating results.

IT risks

The Group relies on the use of its telecommunications and IT systems for coordination and planning, railway operations aspects, accounts, sales of tickets to train passenger, monitoring of cargo deliveries and many other functions. The hardware and software that the Group uses can be damaged by human error, natural disasters, loss of power or other events. The Group has a number of different back-up operations methods in order to ensure continuity in the availability of computerised data and a fail-safe matching system. These measures for the protection of fundamental operations and IT processes help to prevent serious breakdowns. Nevertheless, there is no guarantee that the adoption of these measures is enough and/or able to prevent IT system errors that could unfavourably impact on the Group's business and operating result, in the form, for example, of an increase in costs and/or a decrease in revenues.

Environmental risks

The FS Italiane Group's activities are subject to a very wide range of environmental laws and regulations, especially in its capacity as an entity that contracts out the construction of infrastructural works and provides cargo services for products that are harmful to the environment. In order to comply with legal obligations arising from environmental law, therefore, the Group has to update its procedures continually and adapt to new laws and regulations. The imposition of increasingly severe and rigorous standards and new interpretations of existing environmental legislation may, consequently, require the Group to make modifications to its activities which could give rise to unexpected costs that are, on the other hand, fundamentally necessary for constant compliance with current law and not to incur fines or penalties for breaches of environmental law, with the consequent negative effects on the Group's profitability and operating results.

Risk monitoring

During the year activities continued to monitor risks, also through the intervention of the Parent Company's and corporate internal audit units, which affected the main operating and supporting macro-processes of the Group companies. This has allowed risks to be constantly and carefully assessed by internal control functions.

From the audits carried out it emerges that the internal control system of the FS Italiane Group companies is substantially adequate in supporting the respective governance.

Given the business size and complexity of the Group companies, the assessment carried out by the internal control system may not disregard a larger framework, which is composed of the elements emerged following any audits, as well as of the risk assessment activity and of any and all control activities considered in their widest meaning.

The main levers of the internal control system include the deep organizational culture of the management, the training and enhancement of human resources, the sensitivity towards safety and environmental issues, the circulation of the IT systems in support of operating processes, communication.

The Group's risk management project was taken further as far as this aspect is concerned. For the Group companies and its process owners this is an effective tool for the pursuit of management objectives.

Specifically, in a structured manner, each process owner is put in the position of:

- determining the processes for which he is responsible and the objectives related to each process;
- finding the risks attached to the processes by describing the possible ways in which they may materialise (undesired events) and also the possible opportunities that they provide;
- assessing process risks from the point of view of the likelihood of the occurrence of the undesired events and their impact;
- determining and evaluating the existing risk limitation control system (rules, guidelines, procedures, delegated powers and proxies, IT systems, etc.).

The results obtained are collected organically in the dedicated information application, suitably customised so that it can produce appropriate reports that will enable the corporate areas and processes at the greatest risk to be detected and constantly monitored by the process owner.

As scheduled, during the year a working group composed of resources from the Internal Audit function of the FS Group gave contacts in the Head Departments of the Parent Company FS, Trenitalia and RFI, as well as of Italferr and Ferservizi, some special training in the risk management project.

Income statement and statement of financial position of Ferrovie dello Stato Italiane SpA

Income statement

amounts in €/mil.

	2013	2012	Changes	Changes %
Operating revenues	**160**	**157**	**3**	**1.9%**
- Revenues from sales and services	152	146	6	4.1%
- Other revenues	8	11	(3)	(27.3)%
Operating costs	**(181)**	**(146)**	**(35)**	**(24.0)%**
EBITDA	**(21)**	**11**	**(32)**	**<200%**
Amortisation and depreciation	(22)	(22)		0.0%
Write-downs and impairment losses (value write-backs)	(22)	(2)	(20)	>200%
Provisions				N/A
EBIT	**(65)**	**(13)**	**(52)**	**>200%**
Finance income and costs	109	73	36	49.3%
PROFIT (LOSS) BEFORE TAX	**44**	**60**	**(16)**	**(26.7)%**
Income taxes	32	13	19	146.2%
NET PROFIT FOR THE YEAR	**76**	**73**	**3**	**4.1%**

The **net profit** for the 2013 financial year came to a positive value of Euro 76 million, with an improvement of Euro 3 million compared to the previous year (+4.1%).

At **EBITDA** level, note a decrease of Euro 32 million, with a margin that passed from a positive value of Euro 11 million to a negative value of Euro 21 million due to the combined effect of an increase of Euro 3 million in operating revenues and of an increase of Euro 35 million in operating costs.

Operating revenues came to Euro 160 million (Euro 157 million in 2012). The increase of Euro 3 million compared to 2012 was due to the combined effect of higher revenues from charge-backs to Group companies for the provision of services (Euro +17 million) against lower revenues for rent income for the use of brands (Euro -10 million) and penalties (Euro -4 million). Revenues from the sales of properties and land held for trading, as well as to the leases of properties remained substantially unchanged compared to the previous year.

Operating costs showed an increase of Euro 35 million arising from the following factors:

- A change of Euro 34 million in inventories as a result of write-downs of properties and land held for trading (Euro +31 million), in order to adjust the book value of the same at their effective market value, following an exact analysis of the real estate assets of the Company that was carried out through updated experts' reports, also in consideration of the economic trend and in particular of the decline in the real estate market and of sales made (Euro +3 million);

- Higher costs for property services and utilities (Euro +3 million), for maintenance of personal and real property (Euro +2 million) and for IMU tax (*Imposta Municipale Unica*, Local Single Tax) (Euro +1 million);
- A reduction of Euro 5 million in labour costs as a result of the reduction in the staff members arising from the ongoing and gradual process of production reorganisation and work organisation on the part of the Company.

EBIT came to a negative value of Euro 65 million compared to the negative value of Euro 13 million in 2012. The comparison of this margin in the two years shows a further decrease of Euro 20 million compared to the difference already measured at EBITDA level (Euro -32 million), which was fully determined by higher write-downs made in the course of the year, arising from the assessment of the amount of recognised values compared to the related fair value, as specified above.

The **balance of finance income and costs** improved by Euro 36 million, mainly due to the combined effect of:

- an increase in the dividends distributed by the subsidiaries (for a total of Euro 66 million);
- the write-down of the equity investment in FS Logistica SpA carried out in the year (Euro 33 million);
- a decrease in interest income for medium- and long-term loans granted to subsidiaries (Euro 34 million);
- a decrease in charges for interest on debenture loans subscribed by Eurofima (Euro 25 million), for interest on medium- and long-term loans granted by banks and by other lenders (Euro 12 million).

Income taxes showed a positive value in both financial years. The positive increase of Euro 19 million was mainly attributable to the release of deferred tax assets following a more precise definition of the temporary differences underlying the same.

Reclassified balance sheet

amounts in €/mil.

	31.12.2013	31.12.2012	Changes
ASSETS			
Net current operating assets	560	535	25
Other net assets	(314)	(256)	(58)
Current assets	**246**	**279**	**(33)**
Tangible fixed assets	614	600	14
Non-current equity investments	35,552	35,530	22
Net fixed assets	**36,166**	**36,130**	**36**
Severance pay	(16)	(18)	2
Other provisions	(475)	(477)	2
Severance pay and Other provisions	**(491)**	**(496)**	**5**
Net assets held for sale		**63**	**(63)**
NET INVESTED CAPITAL	**35,921**	**35,977**	**(56)**
COVERAGE			
Short-term net financial position	(329)	(180)	(149)
Medium/long-term net financial position	(2)	(18)	16
Net financial position	**(331)**	**(198)**	**(133)**
Net equity	**36,252**	**36,175**	**77**
COVERAGE	**35,921**	**35,977**	**(56)**

In 2013, **Net invested capital,** equal to Euro 35,921 million, decreased by Euro 56 million as a result of the decrease in **Current assets** (Euro -34 million) and **Net assets held for sale** (Euro -63 million), which was offset by the increase in **Net fixed assets** (Euro 36 million) and **Severance pay and Other provisions** (Euro 4 million).

Net current operating assets, equal to 560 million, recorded an increase of Euro 25 million in the year, which was essentially attributable to:

- a net increase in trade receivables and payables (Euro 33 million);
- a reduction in properties and land held for trading (Euro -8 million), due to the combined effect of the acquisitions made by FS Logistica in the year (Euro 18 million), the write-downs made in order to adjust the book value of the recognised assets at their fair value (Euro -31 million), the reclassification from assets held for sale (Euro 11 million) and investment property (Euro 6 million), net of sales for the year (Euro -12 million).

Other net assets recorded a decrease of Euro 58 million, mainly arising from the effect of the negative change in the balance of the VAT management.

Net fixed assets came to Euro 36,166 million, showing an increase of Euro 36 million compared to 2012, which was mainly due to:

- a net increase in equity investments as a result of the increased value of the equity investment in Netinera Deutschland GmbH (Euro 55 million) and the write-down of the equity investment in FS Logistica SpA (Euro -33 million);
- a net increase in investment property as a result of the write-downs made in the year in order to adjust the book value of the recognised assets at their fair value (Euro -19 million), net reclassifications (Euro 46 million, of which Euro 52 million from Assets held for sale and Euro 6 million to Properties and Land held for trading), net of amortisation and depreciation for the period (Euro -8 million).

The increase in **Severance pay and Other Provisions** (Euro 4 million) essentially reflected the increase in the provision for Severance pay and other employee benefits.

Net financial position improved by about Euro 133 million, with an increase in net liquidity that passed from Euro 198 million at 31 December 2012 to Euro 331 million at 31 December 2013; this change arose from the net effect due to the improvement of the short-term net financial position (Euro 149 million), which was offset by the increase in the medium/long-term indebtedness for Euro 16 million, with a negative sign.

Finally, **Net equity** showed an increase of Euro 77 million due to the overall profit recorded in the year.

Relations with related parties

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

Intercompany transactions pursue the common objective of creating value for the entire Group. In this regard, it should be pointed out that, in accordance with the 2014-2017 Business Plan of the Ferrovie dello Stato Italiane Group, which has been recently approved by the Board of Directors, a more rational allocation of assets and resources is in progress within the Group itself, in order to concentrate the focus of each company on its core business, to improve enhancement and exploitation of any assets that are not closely correlated to the ordinary operations of the Group companies, entrusting this activity to experts, also through demergers and contributions, as well as to increase intergroup synergies and economies of scale.

These processes and transactions take place in compliance with the specific regulations governing the sector, statutory and tax regulations, in accordance with the policies set out by the supervising Ministries and taking account of the features and peculiarities of the activities carried out by many Group companies.

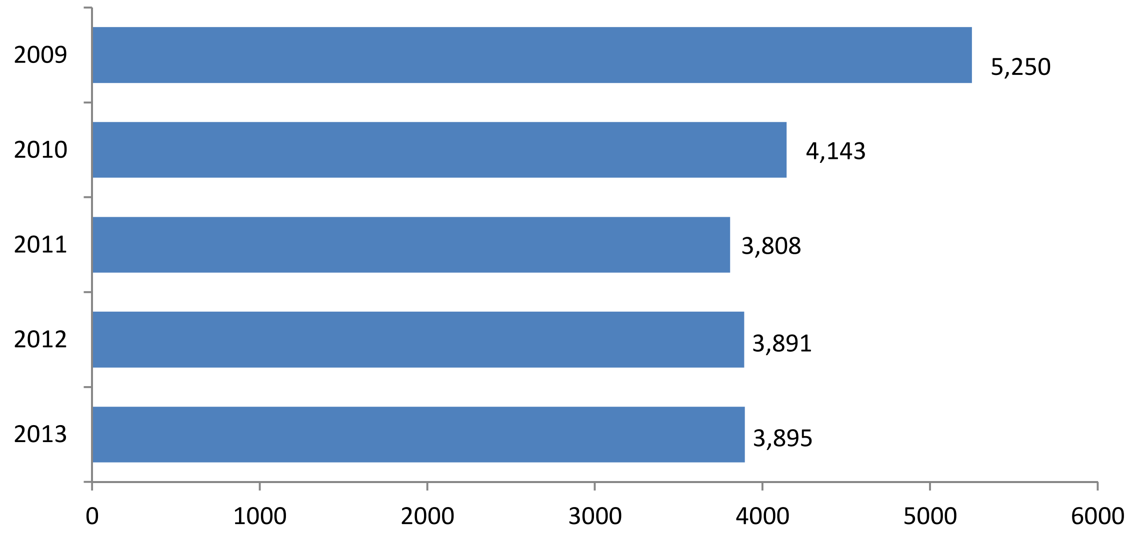
Credit and debit relationships maintained with controlling companies and any other affiliated companies during the year and any information on relations with related parties are reported in the notes to the financial statements, to which express reference is made.

Investments

Even if the macroeconomic scenario in which it operates is still unfavourable, with investment levels more than a quarter below those of 2007[1], the FS Italiane Group has managed to give continuity to the measures scheduled in its Investment Plan, confirming its position as one of the major investors in the country, both with respect to its direct competitors and with respect to Italian companies operating in different sectors.

The Group's Investment Plan, a fundamental element in the wider ranging recently approved 2014-2017 Business Plan, aims at enhancing the country's system of infrastructures, keeping them efficient and providing increasingly higher quality transport services, with the objective of creating value to the benefit of the Company and of the national production system.

The total investment expenditure of the Ferrovie dello Stato Italiane Group during 2013 (Euro 3,895 million, of which Euro 1,563 million from self-financing and Euro 2,332 million from public grants) continued the "targeted" trend as the last years, showing a slight increase (+0.1%) compared to the volume of accounting carried out in the previous year.



Technical investments made by the FS Italiane Group in 2013, equal to Euro 3,598 million, were in line with the volume of accounting achieved in 2012.

Therefore, Euro 2,850 million were accounted for actions linked to the infrastructure on the part of RFI S.p.A. (of which Euro 2,223 million for the traditional/High Capacity network and Euro 627 million for the High Speed/High Capacity Network on the Turin-Milan-Naples section), Euro 552 million for actions relating to railway transport services implemented by Trenitalia SpA and Euro 196 million by the other Group companies.

In a context of shortage of public funds, the main issue that affects the planning of investments in the development of the Italian rail network is that of concentrating financial resources and thus selecting the projects to start off; in fact, in

[1] *Source*: *Prometeia Forecast Report - January 2014*

compliance with the lines of strategy that have been agreed at European level, it is of fundamental importance to convey public funding to the transport infrastructures that respond to the real needs of mobility demand and which, after cost-benefit assessments, are shown to be more capable than others to stimulate and country's productivity and competitiveness.

The financial commitments that the State has assumed through the recent legislative measures (the "Action" Decree [*Decreto del Fare*], the "Environmental Emergency" Decree, the 2014 Stability Act) follow the following lines of action:

- maintaining and raising the safety levels specified in the obligations and statutory requirements related to railway transport;
- expanding High Speed/High Capacity and Alpine pass services;
- resolving critical issues, especially in the large urban areas;
- increasing speeds on the main passenger routes;
- developing freight corridor services.

Therefore, investments on the Traditional/High Capacity Network were allocated as follows:

- 59% to the maintenance of the infrastructure in good working order and to technology: specifically, projects were implemented which were aimed at further raising safety levels and at improving efficiency of the management of the railway traffic;
- 41% to the construction of works relating to large infrastructural development projects (modernisation and upgrade of corridors, metropolitan and regional areas).

It should be specified, in detail, that about 17% of the total expenditure relating to the Traditional/High Capacity Network (equal to Euro 370 million) was dedicated to cutting-edge technology.

The Turin-Milan-Naples High Speed/High Capacity Network recorded a volume of investments of Euro 627 million and, at the end of 2013, the project achieved a total accounting progress of about **92%.** In 2013 the start-up of new projects involved a number of designs, both preliminary and final.

The table below reports the volumes of 2013 activations broken down by type of work, as well as the comparative data referred to the two previous years.

		2013	2012	2011
HIGH SPEED/HIGH CAPACITY NETWORK				
New lines	**km**	**3**	**28**	**-**
TRADITIONAL NETWORK				
New infrastructures	**km**	**17**	**10**	**17**
New lines	km	17	10	17
Second lines	km	-	-	-
Bypasses	km	-	-	-
Upgrading of lines		**70**	**74**	**74**
Electrifications	km	28		
Blocks	km	42	74	74
Safety technology	**km**	**343**	**157**	**443**
SCMT	km	42	28	351
SSC	km	-	-	-
SCC/CTC	km	45	101	86
ERTMS	km	3	28	6
GSM-R	km	253		
Station equipment	**no.**	**19**	**12**	**16**
ACEI	no.	7	9	10
ACC/ACC-M	no.	12	3	6
Suppression of level crossing	**no.**	**20**	**35**	**70**
Automation of level crossing	**no.**	**3**	**7**	**3**

Furthermore, the Network Manager took actions for the upgrading, rehabilitation and restructuring of the real estate assets concerning the stations owned by it (about 2,300 stations, for a total area of more than 11 million square metres), part of which are managed – for the commercial areas only – by various entities (Grandi Stazioni SpA, Centostazioni SpA). As regards the stations managed by the latter two companies, RFI developed an Investment Plan intended to ensure non-routine maintenance (excluding commercial areas) and any actions arising from statutory obligations, within the expenditure limits set out in the contracts existing between the companies themselves.
The progress of the investment expenditure pertaining to RFI in 2013 was about 88% for the Grandi Stazioni network and about 69% for the Centostazioni network in relation to the overall amount.
As regards the other Stations exclusively managed by RFI, in 2013 about Euro 51 million were invested for projects aimed at safety, information to the public and at bringing the areas with major impact on the customers (entrance halls, platforms, shelters, underpasses, stairs, access ramps) into line with the obligations required by law, and in the interchange areas and areas for the access to Passenger Buildings.
Progress with the works at High-Speed train stations was as follows:

- Turin Porta Susa: all the work in the passenger building and on platforms 1 and 2 of the underground station was practically completed: the platforms were opened for use by travellers on 6 December 2013;
- Reggio Emilia: the High Speed/High Capacity train Reggio Emilia station and the FER stop in Mancasale, which will allow the rail connection between the new High Speed train station and the city of Reggio Emilia, were put into service on 9 June 2013 and 14 December 2013, respectively;
- Bologna Centrale: the progress of work at the High Speed train station achieved about 85%. The station was opened for use in June 2013; all the works are expected to be completed by 2014;
- Florence Belfiore: the railway works were finished and the completion of the work on Lot 1 (Scavalco) was in its final stage, while works continued for the construction of Lot 2. The opening of the station for railway services was recently rescheduled for 30 June 2020. There are two main types of problem affecting this project: the investigations being conducted by the Florence Public Prosecutor's Office which stopped work at the By-pass site and started to slow down activity on the High-Speed train station in January 2013, in addition to the business and financial difficulties of the General Contractor, Nodavia. In early January 2014 the General Contractor resumed work on the station site, continuing the construction of the foundation pillars which had halted exactly one year before;
- Rome Tiburtina: the new High-Speed train station was opened to travellers on 28 November 2011. The first part of the ground level car park, on the roof of the New Inner Ring Road (*Nuova Circonvallazione Interna*), was opened to the public on 21 September 2013, with 126 car spaces and the second part, with 210 spaces, will be opened before the end of January 2014. The first phase of the local road system on the Pietralata side will open before the end of March 2014, allowing access from the north to car park P6, on two basement levels and the roads allowing access from both Via Tiburtina and Via dei Monti Tiburtini to the Pietralata entrance will also be completed by the same time. The completion of these works has been delayed by the discovery of archaeological remains and by interference from a number of underground utilities that affected the schedule;
- Naples Afragola: the construction of the new station building has been at a standstill since February 2012 owing to the contractor's financial (and judicial) problems. Owing to the persistence of the total stoppage of work on the contract, RFI has initiated procedures for the termination of the contract with damages and for another public tender for the award of the work. This change, the more complex procedure required in order to select a firm and some recent legal requirements have caused the delivery time to be postponed with respect to the date previously planned: at the moment delivery has been rescheduled for January 2015. Completion is expected in July 2016 and the opening of the station for High-Speed services in December 2016. The part of the station serving regional traffic, on the other hand, will open when services begin on the Naples-Cancello alternative route.

Trenitalia proceeded with the implementation of an Investment Plan aimed at strengthening the fleets dedicated to medium/long-distance transport services in metropolitan and regional junctions, with the objective of making the fleet of vehicles increasingly adequate to the specific needs of comfort for customers, operating efficiency and technical reliability. In 2013 investments were equal to about Euro 552 million (the value included advances for the purchase of rolling stock), of which 56% was intended for the purchase of rolling stock, about 20% for the requalification of material in operation and the residual 24% dedicated to the technological upgrading of vehicles, IT systems and the maintenance and development of maintenance plants.
Specifically, below are reported the main investment projects broken down by division:

- within the national and international passenger division, a project is in progress for the purchase of the new High Speed trains (with a volume of 2013 accounting of about Euro 67 million against a total cost of Euro 1.6 billion), as are the actions for the restyling and functional restructuring of internal fixtures of Frecciarossa trains, with 4 new service levels (with a volume of 2013 accounting of Euro 18.5 million against a total cost of about Euro 74 million) and the restructuring of coaches to be used for the Frecciabianca product (with a volume of 2013 accounting of Euro 20 million against a total cost of Euro 456 million);
- within the passengers Regional Transport division, the year saw the start of the project for the purchase of 52 new electric trains (with a volume of 2013 accounting of Euro 44 million against a total cost of about Euro 329 million), and the awarding of the contract for the purchase of 40 new diesel trains (for a total cost of Euro 160 million) to the Polish company Pesa. The acquisition of the new Double-deck coaches continued on schedule (with a volume of 2013 accounting of about Euro 149 million against a total cost of about Euro 446 million). The reconstruction of 243 low-floor carriages was almost completed: improvements were made to the interior fittings and new air-conditioning systems were installed. The face-lift of the Medium Distance transport carriages continued (with a volume of 2013 accounting of Euro 31 million against a total cost of Euro 180 million), in order to make them more comfortable and bring them up to the latest safety standards;
- with reference to the Cargo Transport division, 2013 saw a volume of accounting of about Euro 1.8 million relating to the final activities for the purchase of Megafret-type (for combined transport) and Saadkms-type (for rolling highway) carriages. Activities continued in relation to the adapting the fleet of wagons to the technical regulations concerning "coupling parts" of rolling stock which must comply with the requirements of interoperability;
- within IT Investments, activities were in progress in relation to the implementation of the integrated commercial platform "PICO" through the integration of the various sales channels and platforms. Activities continued in relation to the Customer Relationship Management system for the integrated management of customers. The software Production Platform was also in the development phase, involving the implementation of software aimed at improving the process of amending and updating the railway timetable, the use of personnel, the scheduling of maintenance in the Vehicles and Locomotives Maintenance Workshops (*Officine di Manutenzione Veicoli e Locomotive*, OMVs/OMLs) and the management of railway traffic in operations rooms. Finally, as regards the Cargo Information System (*Sistema Informativo Merci*), the implementation continued of an integrated platform supporting Cargo Division sales and traffic;
- to be mentioned among investments in maintenance plants are the work on the Milan Martesana and the Vicenza Cyclical Maintenance Workshop (*Officina di Manutenzione Ciclica*, OMC), which meet the objective of reorganising and enlarging the sites to provide maintenance services for the High-Speed fleet. Additionally, the new Turin OMV/OML depot is under construction, involving the rationalisation of the whole layout of the plant: maintenance for National, International and Regional passenger transport Divisions' fleets will be allocated to a single site in accordance with efficiency criteria.

As regards new rolling stock, 10 locomotives, of which 6 for National/International passenger transport and 4 for Regional passenger transport, 108 double-deck coaches for Regional passenger transport, were put into operation. Furthermore, 284 coaches (14 ETR 500s) were brought back into operation after restructuring measures. The breakdown is reported in the table below.

NEW MATERIAL	no. of vehicles
Locomotives	**10**
National and International transport	6
Regional transport	4
Cargo transport	
Coaches/wagons	**108**
National and International transport	
Regional transport	108
Cargo transport	
Trains	
National and International transport	
Regional transport	

RESTRUCTURED MATERIAL	no. of vehicles
Locomotives	
National and International transport	
Regional transport	
Cargo transport	
Coaches/Wagons	**284**
National and International transport	75
Regional transport	209
Cargo transport	
Trains	**14**
National and International transport	14
Regional transport	

For the sake of completeness of information, it should be noted that minor revamping actions were taken within the passenger transport division, in relation to the door closing/opening systems and the coupling systems of cargo wagons.

The other Group companies as a whole invested Euro 196 million in Italy and abroad, of which about 46% was invested by the subsidiary Netinera Deutschland for vehicles for passenger rail and road transport in Germany and industrial plants, while about 20% was invested by Grandi Stazioni and Centostazioni, used for the improvement, revitalisation and enhancement of the main stations, which were redesigned as big services centres for cities and about 13% was invested by TX Logistik, Cemat and Serfer that operate in the segment of cargo railway services. The residual expenditure for investments was mainly used for the enhancement of the value of and/or the improvement of the Group's real estate assets, for local road transport (in Italy) and for the procurement of IT tools to support corporate processes.

Financing of investments

Programme Contracts for the management of maintenance operations (*CdP-S*) and for the management of infrastructural investments (*CdP-I*)

In accordance with the decisions made by the CIPE (*Comitato Interministeriale per la Programmazione Economica*, Economic Planning Interministerial Committee) in Resolution no. 4 of 2012, it is expected that the Railway Infrastructure Manager will sign two separate contracts with the Ministry for Infrastructures and Transport (MIT), to be structured as follows:

- a Programme Contract – Services (*CdP – S*), aimed at regulating, in a uniform manner, the financing of network maintenance, both ordinary and extraordinary, as well as railway safety, security and navigation activities;
- a Programme Contract – Investments (*CdP – I*), aimed at regulating the sustainable planning of infrastructural development investments, as well as of those involving safety, legal requirements and technology, in accordance with the strategies adopted by the national and EU economic and financial planning measures.

Programme Contract - Services (*CdP-S, Contratto di Programma - Servizi*)

The 2012-2014 Programme Contract - Services is the new instrument for the relations between the Italian Railway Infrastructure Manager and the State, which must ensure that high standards of safety are maintained on the domestic railway network on the basis of a stable financing plan and integrated maintenance.

On 18 March 2013 the CIPE gave its favourable opinion on the draft 2012-2014 Programme Contract – Services.

Pursuant to article 1 of Law no. 238/1993, the document was submitted for the consideration of the competent Parliamentary Committees, which endorsed it with observations on 19 and 20 November 2013, respectively. The new version of the contract, amended in the light of these observations and agreed with the MIT, was signed by the Parties on 29 November 2013. The Contract, however, is not formally operative yet pending another possible submission to the CIPE (the MIT thought it appropriate to take this course in compliance with a recommendation of the 8th Senate Committee) and the subsequent registration with the Court of Auditors.

Programme Contract – Investments (*CdP-I, Contratto di Programma - Investimenti*)

The current 2007-2011 Programme Contract – Investments reached its natural expiry date some time ago. In 2013, talks continued with the competent Ministries for the execution of the new contract for the period 2012-2016, a first version of which was signed between the Ministry for Infrastructures and Transport and the Infrastructure Manager on 12 March 2013. No progress was made, however, in the procedure for the approval of its contents, since factors arose in rapid sequence which changed the situation regarding public funds, with a major impact on the document that had been signed. Further provisions of law were handed down which resulted in considerable changes being made to the financial resources allocated to the Contract in the cash and accrual budget; these changes had to be taken into consideration in the final version of the Contract.

Institutional Development Contract (*Contratto Istituzionale di Sviluppo*, CIS)

The Institutional Development Contract (*Contratto Istituzionale di Sviluppo,* CIS), as provided for in article 6 of Legislative Decree 88/2011, regulates the additional funds and special measures required to remove social and economic imbalances and also has the purpose of accelerating the completion of the works on the principal railway lines in Southern Italy envisaged in the Programme Contract – Investments. Under this Contract, additional funds from the Development and Cohesion Fund (*Fondo di Sviluppo e Coesione*, FSC) are transferred to the assignees in amounts corresponding the stage of expenditure that the various investments have reached and are credited to special restricted funds that are fully traceable and are reported separately in the recipients' financial statements. Other conditions are:

- the funds must be spent on a single large-scale project;
- a detailed time schedule of the works must be drawn up;
- there is a system of penalties for any instances of non-compliance on the part of the Concessionaire or the Central or Regional Administrations;
- the expected result must be stated for each project.

RFI SpA is obliged not only to design and complete the projects within the set time limits, but also to conduct the necessary monitoring of compliance with the Contract periodically, while the public sector parties undertake to see that designs are approved quickly and that funds are provided for design and completion.

In 2012, the Ministry for Local Cohesion, the MIT, the Basilicata, Campania and Puglia Regional Governments, Ferrovie dello Stato Italiane and RFI signed the CIS Contract for the completion of the Naples-Bari-Lecce-Taranto railway line (including the Potenza-Foggia line) and the CIS Contract for the completion of the Salerno-Reggio Calabria railway line.

28 February 2013 saw the signature of the third CIS contract relating to the construction of the Messina-Catania-Palermo railway line.

On 17 December 2013 the Implementation and Supervision Committee for the CIS Contract authorised the borders of the faster stretches of the Naples-Bari and Bari-Lecce lines to be redrawn.

The Target Law (*Legge Obiettivo*)

Within the Programme of Strategic Infrastructures envisaged by the Target Law (Law no. 443/2001), it should be noted that:

- at the meeting held on 18 February, the CIPE approved the preliminary project for the “Cancello-Frasso-Telesino” section included in the Naples-Bari railway line. The CIPE resolution is currently being published in the Official Gazette (*Gazzetta Ufficiale*);
- on 23 May resolution no. 6/2013 was published in the Official Gazette no. 119, by which the CIPE approved the final design of the functional sub-lot (allowing for smooth flow of traffic and interconnection with the existing line) within the project for the “South Access to the Brennero Base Tunnel, quadrupling of the Fortezza-Verona railway line: Lot 1 Fortezza – Ponte Gardena”;
- on 27 July resolution no. 2/2013 was published in the Official Gazette no. 175, by which the CIPE approved the preliminary project of the “1st Section: change in the Naples – Cancello line on the Naples – Bari route”;
- on 7 August resolution no. 11/2013 was published in the Official Gazette no. 184, by which the CIPE approved the final design relating to the “First phase of the technological and infrastructural upgrading of the Battipaglia - Reggio Calabria railway line”;
- on 9 August resolution no. 28/2013 was published in the Official Gazette no. 186, by which the CIPE authorised the new cost of Euro 4,865 million of the Italian section of the “Brennero Base Tunnel”, the construction of the 2nd construction lot for an amount of about Euro 297 million and the allocation to RFI SpA, as the new beneficiary, of about Euro 24 million for the financial coverage of the 1st construction lot and Euro 297 million for the financial coverage of the 2nd construction lot;
- Interministerial Decree MIT/MEF no. 405/2012 revoked the allocation of Euro 63.34 million under preceding Decree no. 22589/2004 from Target Law funds for the preliminary design of works contained in the Strategic Infrastructures Programme;
- Decree Law no. 145/2013, as converted by Law no. 9/2014, revoked the resources allocated to the 1st Rho-Parabiago functional lot for the project for the “Enlargement of the Gallarate-Rho line” under the CIPE resolution no. 33/2010 and transferred the funds to urgent measures under the *Destinazione Italia* plan.

Declarations of public interest regarding the completion of the works on the “Terzo Valico dei Giovi – High Speed/High Capacity Milan/Genoa line”, the “Improvements to the infrastructures between Genoa Voltri and Genoa Brignole” and the “Improvements to the infrastructures on the Bari- Taranto line, doubling of the Bari Sant’Andrea-Bitetto section” were postponed, while the restriction preliminary to the expropriation of land in connection with the “Plan to increase speed on the Catania-Syracuse railway line. Upgrading and doubling of the Bicocca-Augusta section”, was confirmed.

***

Finally, with reference to the overall framework of the FS Italiane Group's investments reported above, it should be repeated that it falls within the scope of the challenging action plan, in the region of about Euro 24 billion, set out in the abovementioned 2014-2017 Business Plan.

The possibility of a further substantial increase in the capacity of the FS Italiane Group to meet the growing needs for transport services in terms of technological efficiency and quality of service depends on this massive investment programme, as does the possibility of coping adequately with the competitive scenario in which the Group now operates in important business segments (like the High-Speed sector, medium- and long-distance passenger and cargo transport), not to mention regional transport, for which services will be awarded after competitive procedures.

An amount of about Euro 15 billion is linked to the Programme Contract between the State and RFI for the maintenance of safety standards and the upgrading of the traditional network, the confirmation of which is subject to the decisions that will be made by the Government in next years, on the basis of the available financial resources and on the priority actions to be taken for the development of the country's railway infrastructures. The residual amount of more than Euro 9 billion was covered by self-financing/borrowing (of which Euro 6.4 million were intended for trains and technology serving the business, to improve customer experience, and Euro 1.7 million were intended for the High Speed/High Capacity Network), and thus with resources generated by the FS Italiane Group's operations or found on the market by creating financial instruments that are appropriate to the duration and cost characteristics of the investments, as the already mentioned EMTN programme for an overall amount of Euro 4.5 billion.

Research and development activity

In 2013 the Group's expenditure volume for research and development investments was equal to Euro 23.2 million, which were almost fully charged to RFI.

The amount of the 2013 expenditure, to be allocated among the main investments, points out that about 40% is intended for traffic safety technology and 17% for innovative diagnostics, while the residual 43% is intended for studies and tests on new components and systems.

Trenitalia has carried out studies and tests for the development of driving simulators for training the driving staff, innovative diagnostics systems, the aerodynamics of High Speed profiles and the wheel-track interaction.

As regards RFI, activities continued in connection with safety technology, as is the research and testing on the new components and systems.

In particular, we highlight the following main activities carried out in 2013:

- Rail Dumpers: April 2013 saw the completion of experiments with a system for the abatement at source of railway noise on the Verona-Brenner railway line in the Province of Bolzano;
- High Speed/High Capacity lines with a speed of more than 300km/h: in cooperation with the Politecnico University in Milan, activities continued in relation to the experiments for raising the operating speed on the High Capacity/High Speed sections between Rome and Naples and Turin and Milan to 360 km/hour and of the Rome-Florence *Direttissima* (DD) line to 300 km/hour respectively, through the set-up of 3 pilot sites;
- contact line conductors: the development of de-icing techniques continued for preventing ice from forming on electric traction line conductors, to dispense with the costly use of invasive ice-scraper trains, giving priority to the High-Speed network;
- Vertical Load or "weights in motion" metering systems: work continued on prototype equipment which, when installed on the track bordering or coming out of freight yards, enables railcars that have been overloaded or whose loads are unbalanced to be rejected, thus preventing serious problems to the track and the possible disruption of services. 7 Weights in Motion plants have been installed, two in the Verona Quadrante Europa yard, two at Roccasecca, two on the Varzo-Domodossola line and one at Domodossola. The installation of 3 more prototypes in the Novara Boschetto freight yard started at the same time.

Own shares of the Parent Company

As at 31 December 2013, Ferrovie dello Stato Italiane SpA did not hold own shares, neither directly, nor through trustee companies or third parties, and, during the 2013 financial year, it did not buy or sell own shares, neither directly, nor through trustee companies or third parties.

Other Information

JUDICIAL INVESTIGATIONS AND PROCEEDINGS (ARBITRATION, ANTITRUST PROCEEDINGS AND PROCEEDINGS BEFORE THE PUBLIC CONTRACTS SUPERVISORY AUTHORITY, ADMINISTRATIVE PROCEEDINGS)

In relation to the most significant judicial investigations and proceedings started by some Public Prosecutor's offices against former representatives of the Group companies, to date no elements have been reported which could lead one to believe that the companies themselves or the Group are exposed to liabilities or losses of some significance, nor is the Group aware, at present, of elements that are such as to be able to considerably affect their economic, financial and equity position, and, therefore, no provisions were set aside in the accounts. Furthermore, n the cases when circumstances existed, the said companies appeared as aggrieved parties to recover damages.

Below are reported the significant judicial investigations and proceedings which are still pending, considering the developments that occurred during 2013.

- In relation to criminal proceedings no. 6679/2009 R.G.N.R. (*Registro Generale delle Notizie di Reato,* General Register of Crimes) in which FS Logistica SpA already appeared as person liable for damages, they are currently pending before the Court of Trani, in the phase of discussion, within which the Municipality of Molfetta and the Puglia Regional Government were allowed to appear as aggrieved parties acting to recover damages. The dates for 2014 were scheduled and the judgment is expected to be issued at the hearing to be held on 1 July 2014.
- In relation to criminal proceedings no. 5718/10 R.G.N.R. (*Registro Generale delle Notizie di Reato,* General Register of Crimes) pending before the Court of Rome following the referral by the Court of Naples (no. 40246/06 R.G.N.R.) for jurisdiction, the discussion is pending before the Court of first instance in connection with events that occurred during 2007 and 2008 at the time of the Campania waste emergency, for the offence of illegal waste traffic (article 256, paragraph 1, 259 and 260 of Legislative Decree no. 152/2006), fraud against the State (article 640, paragraphs 1 and 2, of the Italian Criminal Code) and intentionally false statements (article 479 of the Italian Criminal Code), against, among others, the *pro tempore* Chief Executive Officer and a former executive of FS Logistica Spa.
- In relation to criminal proceedings no. 6305/2009 R.G.N.R. (*Registro Generale delle Notizie di Reato*, General Register of Crimes) - which are pending before the Public Prosecutor's Office of Lucca -, as a result of the railway accident that occurred in Viareggio on 29 June 2009, the trial is at present in the stage of discussion after all the accused persons and entities were committed to trial pursuant to Legislative Decree no. 231/2001, as ordered by the Judge for Preliminary Hearing (GUP, *Giudice dell'Udienza Preliminare*) on 18 July 2013, while granting the requests submitted by the Public Prosecutor at the end of the preliminary investigations. After some hearings during which the defence counsels raised some preliminary objections, at the hearing of 22 January 2014 the Public Prosecutor filed a document amending the charge (pursuant to article 516 of the Italian Code of Criminal Procedure) with respect to the position of the Chief Executive Officer of FS Italiane SpA, supplementing the wording but keeping the charges unaltered.

  Currently, the Group is not able to surmise liabilities that are payable by the companies in the FS Italiane Group, which are covered by insurance policies.
- In relation to criminal proceedings no. 9592/2008 R.G.N.R. (*Registro Generale delle Notizie di Reato,* General Register of Crimes), pending before the Court of Milan, within which RFI SpA is under investigation, pursuant to Legislative Decree no. 231/01, concerning an employee of the ATI CLF Temporary Business Association, who was

involved in an accident that occurred at the site of Milan Rho Certosa on 6 March 2008, the court hearings were held. The Public Prosecutor concluding by requesting the conviction of both the individuals and legal entities. The judgment will be issued at the hearing of 14 April 2014.

- In relation to criminal proceedings no. 18772/2008 R.G.N.R. (*Registro Generale delle Notizie di Reato,* General Register of Crimes), pending before the Court of Florence, for the accident that occurred at the site of Florence Castello on 2 October 2008, within which RFI SpA is under investigation for liability pursuant to Legislative Decree no. 231/01, it has already been noted that, at the hearing held on 17 December 2012, the court transmitted the papers to the Constitutional Court, thus accepting the objection concerning the constitutional legality raised by the defence counsels to RFI as to the subsequent appearance of the aggrieved parties before the court against the Indicted Bodies pursuant to Legislative Decree 231/01: the hearing before the Constitutional Court has been scheduled on 8 July 2014.

- In relation to criminal proceedings no. 5643/2010 R.G.N.R. (*Registro Generale delle Notizie di Reato,* General Register of Crimes), pending before the Court of Sassari, action was brought after the fatal accident to the driver of Train 8921 owing to an impact with a boulder that had fallen onto the line after an exceptional and unforeseeably serious landslide (an employee and two executives of RFI, two executives and one employee of Trenitalia and the legal entities of Trenitalia SpA and RFI SpA pursuant to Legislative Decree 231/01, were charged for the offences of culpable railway disaster, manslaughter and serious accidental injuries). At the preliminary hearing of 16 October 2013, the Judge for Preliminary Hearing committed the three RFI employees and the company to trial as civilly and administratively liable but acquitted the Trenitalia employees and the company itself. In the same proceeding, Trenitalia was removed from the proceedings as a civilly liable party. The trial itself began on 22 January 2014 and is still in progress, the next hearing being set for 22 October 2014.

- In relation to criminal proceedings no. 10095/2010 R.G.N.R. (*Registro Generale delle Notizie di Reato,* General Register of Crimes), pending before the Public Prosecutor's Office of Catania, action regarded RFI's alleged administrative liability in connection with an accident at work on 1 September 2008 at Motta Sant'Anastasia in which two workers lost their lives. At a hearing on 28 October 2013 the Court accepted the objection raised by RFI's defence counsel to the effect that the writ of summons was null and void. As a result of the nullity ruling, the documents were returned to the Judge for Preliminary Hearing and the proceedings returned to the pre-trial phase. The preliminary investigations are in progress and a pre-trial hearing has been set for 14 April 2014.

  In relation to criminal proceedings no. 10659/2008 R.G.N.R. (*Registro Generale delle Notizie di Reato,* General Register of Crimes), pending in connection with the same events against four RFI employees, the appeal phase was concluded with the acquittal of the accused of the offence of false allegations, the dismissal of the case against an employee for the offence of having assisted the offender because he is not punishable owing to his having withdrawn his deposition and the confirmation of the conviction for the offence of manslaughter with which he was charged. An appeal before the Supreme Court is still pending.

- In relation to criminal proceedings no. 21786/2013 R.G.N.R. (*Registro Generale delle Notizie di Reato,* General Register of Crimes) against known persons (formerly no. 34838/2011 R.G.N.R. against unknown persons) pending before the Rome Public Prosecutor's Office in connection with the fire which broke out at Rome Tiburtina Station on 24 July 2011, they are in the preliminary investigation stage: four representatives of RFI SpA were formally under investigation. The accused were questioned in custody after notifying their domicile addresses for service of process and being identified. The area of the fire was released and returned to its lawful owner.

- In relation to criminal proceedings no. 2416/2009 R.G.N.R. (*Registro Generale delle Notizie di Reato,* General Register of Crimes) pending against RFI before the Court of Messina, for alleged breaches of health and safety at work legislation (an asbestos risk which, it was claimed, was not covered by any insurance policies), at a hearing on 13 November 2013 the proceedings were settled with the dismissal of the case because the offence had been extinguished under the statute of limitations. The grounds for the decision are being filed.
- On 17 January 2013 the Chairman, the Chief Executive Officer, some employees of Italferr and an RFI employee, together with staff from other administrations and of the companies carrying out the works were notified that they were under investigation by the Public Prosecutor's Office in Florence in criminal proceedings no. 25816/10 R.G.N.R. in connection with the General Contractor tender awarded for the design and construction of the Florence Junction High-Speed Railway Station and By-pass.

  The charges being investigated mainly concern the following issues:

  • work not executed in conformity to the contract;

  • description of the materials from the excavations and waste management;

  • validity of the landscape permit;

  • amicable resolution procedure initiated to settle claims submitted during the progress of the works;

  • method of accounting for work progress reports.

  In the framework of the preliminary investigations, which are still in progress, on 16 September 2013 an interim measures order was served on the Chairman, the Chief Executive Officer and an executive of Italferr staff.

  These measures were revoked between 30 September and 3 October. Meanwhile the Chief Executive Officer of Italferr and the Chairman had resigned their positions; the RUP (*Responsabile Unico del Procedimento*, Single Procedure Manager) and the Work Supervisor for the same company and had been transferred to other positions in January 2013.

  Furthermore, the Order in question showed the existence of investigations for administrative unlawful act pursuant to Legislative Decree no. 231/2001 against Italferr, as well as other companies involved in the performance of the works.

  The Public Prosecutor had asked the Court to apply interim measures for prohibiting Italferr from performing works relating to the construction of the new Florence High Speed station and By-pass. The Judge for Preliminary Investigations (*Giudice delle Indagini Preliminari*) accepted the arguments submitted by defence counsels to Italferr and rejected the Public Prosecutor's plea, considering that there were no foundations for the elements submitted in support of the plea.

- On 20 September 2013, it was learned from the service of a notice to the effect that the investigations had been closed, that RFI was one of those charged pursuant to article 25-*septies*, paragraph 3, of Legislative Decree no. 231/2001, in criminal proceedings no. 1933/2011 R.G.N.R. (*Registro Generale delle Notizie di Reato,* General Register of Crimes), pending before the Public Prosecutor's Office at the Court of Latina. These proceedings were brought in connection with the fatal accident to the worker of an outside firm on 25 February 2011 while he was cutting down bushes at km 47+100 on the Campoleone-Cisterna di Latina stretch of line. The notice of the conclusion of the investigations was served on the company (which appointed an external lawyer), as well as on an executive and another employee of RFI. It is seen from the document served on the latter that the employer of the deceased is also charged with manslaughter owing to breaches of safety at work legislation.

- In relation to criminal proceedings no. 32316/2011 R.G.N.R. (*Registro Generale delle Notizie di Reato,* General Register of Crimes) pending before the Court of Rome, which were severed from proceedings no. 1408/2009 R.G.N.R. pending before the Civitavecchia Public Prosecutor's Office, they involved the offences of aggravated fraud, embezzlement, abuse of power, forgery of public deeds, false administrative documents and corruption committed in carrying out and paying for a number of works on the Roccasecca-Avezzano railway section. Action was taken against some employees/former employees of RFI, a former employee of Trenitalia and other persons belonging to outside firms. The first trial hearing was held on 23 October 2013. RFI appeared as an aggrieved party to recover damages. The net hearing will be held on 19 May 2014.
- In relation to criminal proceedings no. 11126/2012 R.G.N.R. (*Registro Generale delle Notizie di Reato,* General Register of Crimes) already pending before the Public Prosecutor's Office of Rome, the case was dismissed by order of the Judge for Preliminary Investigations at the Public Prosecutor's request on 12 March 2014. The Public Prosecutor asked for the case to be dismissed on the grounds that the matter was attributable to a complex relationship in civil law with regard to which a criminal action would probably not have led to a conviction. The origin of the proceeding was a complaint from Pietro Mazzoni Ambiente SpA (PMA) of "bid-rigging in a public procurement process" following the actions taken by Trenitalia SpA (termination of contracts and master agreements, as well as exclusion from future tenders) because it had found serious breaches of contract in PMA's management of train cleaning. PMA deemed that Trenitalia SpA's decision was a pretext (breaches of contract that were non-existent or not correctly evaluated) and a means of preventing certain undertakings from succeeding in being awarded additional tender contracts.
- Following the derailment that occurred on 26 April 2012, as a result of which two trains collided at the entrance of the Rome Termini Station, the criminal proceedings no. 925/20132 R.G.N.R. (*Registro Generale delle Notizie di Reato*, General Register of Crimes) are still pending, in the investigation phase, before the Rome Public Prosecutor's Office. As a result, three officers of RFI were entered in the register of indicted persons.

As regards any other pending investigations and judicial proceedings, there are no significant changes to be reported with respect to what was already reported in the 2012 Financial Statements.

The main new developments in proceedings before civil courts is the dispute between Ferrovie dello Stato Italiane SpA and "Vinella Group", in which on 27 January 2014 the Court handed down a favourable judgment on the combined proceedings named "no claim ruling" and "appeal against settlement." The Court found in favour of FS SpA on both fundamental points, i.e. the validity and effectiveness of the Settlement Agreement dated 16 December 2010 and the settlement of its opposing party's claim.

The judgment regarded the following suits, combined by a decision of the President of the Court of Rome on 28 May 2013:

1. “appeal against settlement”, brought by writ of summons served on 4 June 2011, in which the former partner (Vinella Group) of Ferrovie dello Stato Italiane SpA asked the Court to rule the Settlement Agreement reached on 16 December 2010 “null and void/annullable” in spite of the agreement having the validity of a final settlement;
2. “no claim ruling” brought by FS Spa on 19 January 2011 in order to ask the Court to find that the former partners in the joint venture had no claim for alleged damages against FS.

Arbitration proceedings

Arbitration proceedings with General Contractors

Below are reported the main updates of the arbitration proceedings. The developments for the period report the settlement of the outstanding arbitration proceedings and the acknowledgment of a very reduced percentage of the claimed amount to the General Contractors. The compensation in question mostly related to components that entail an increase in the value of the works performed, as well as of any interest payable for the deferred payment of higher construction costs.

Turin – Milan – Naples line

Milan-Bologna section

In relation to the arbitration proceedings pending between the General Contractor Cepav Uno and RFI, two phases were carried out:

- 1st phase: involved the appointment by the Court of an expert and the issue of the partial Award on 2 August 2012, which granted an amount of about Euro 54.2 million (of which about Euro 40.1 million on account of capital and revaluation and Euro 14.1 million on account of interest) to the General Contractor against an overall claim of Euro 613.0 million. Following the service by Cepav Uno of the writ of execution, together with the enforcement of the Award, on 7 February 2013 RFI took steps to pay said amount, while expressly reserving the right to challenge the Awrd itself. On 27 May 2013 RFI took steps to pay an additional amount of Euro 1.5 million for further interest due;
- 2nd phase: involved technical consultancy activity in relation to the claim for charges from delay and/or anomalous progress of works, as a result of which the Arbitration Board submitted additional questions to the Court-appointed expert, by orders dated 24 January and 20 March 2013.

After this, the experts’ work was broken off at the parties’ joint request after an attempt was started in July 2013 to reach a comprehensive settlement of the dispute with the Cepav Uno Consortium, regarding, among other issues, the arbitration proceedings in question and the related appeal against the partial Award in 2009.

On 4 and 9 December 2013, the Settlement Agreement was completed between RFI, the Cepav Uno Consortium and ENI; at a hearing on 8 January 2014 at which a copy of the Settlement Agreement was filed, Cepav Uno Consortium filed a statement discontinuing the action, RFI filed its acceptance of the latter document and the Board of Arbitration, noting the above, ruled that the arbitration proceedings were cancelled.

This Settlement Agreement finally settled the pending cases and all the litigation and/or contestations and/or disputes that had arisen and/or arising between the parties, setting a fixed, unalterable and all-inclusive sum not subject either to adjustment or interest (equal to Euro 200 million, including an amount of Euro 54.2 million already paid in February 2013, as mentioned above), including the sums under the partial Award of 2 August 2012, including the disputes argued in the New Requests for Arbitration served by the Cepav Uno Consortium in November 2012. The residual amount being settled, equal to Euro 145.8 million, was capitalised on the work for Euro 128.2 million and recognized through profit and loss for Euro 17. 6 million, fully covered by an appropriate provision.

In executing the arrangements in the Settlement Agreement, on 23 December 2013 the Cepav Uno Consortium served a declaration on RFI, on its arbitrators and on the President of the Council of State (in his capacity as the third party responsible for designating the arbitrator on behalf of the party that did not appoint one) to the effect that it waived the New Requests for Arbitration.

High Speed/High Capacity Bologna – Florence section

In 2013 the Award signed on 27 January 2012 became final, by which the Arbitration Board acknowledged, in favour of the General Contractor FIAT, the total amount of Euro 25.4 million, which was paid by RFI in April 2012.

High Speed/High Capacity Turin - Milan line

Novara-Milan sub-section: 1st RFI – FIAT Arbitration proceedings

As to the first arbitration proceedings started by the General Contractor FIAT in 2008 – in relation to the request for the acknowledgment of higher charges, as well as of extended time limits for the performance of works relating to the High Speed/High Capacity Novara-Milan sub-section and with respect to the information already reported in the previous consolidated Financial Statements –, 15 July 2013 saw the filing of the Award that ordered RFI to pay an amount of Euro 178.5 million, excluding VAT (of which Euro 132.6 million on account of investments and Euro 45.9 million in the income statement – Euro 147.3 million for capital and Euro 31.2 million for interest and revaluation).

On being served by Fiat on 21 September 2013 with the Writ of execution, together with the Award in executive form, RFI paid the sum demanded, equal to Euro 178.5 million (Euro 147.3 million for capital and Euro 31.2 million for interest and revaluation), of which Euro 132.6 million on account of investments and Euro 45.9 million in the income statement, covered by a pre-existing appropriate provision of Euro 15.5 million, while reserving the right to challenge the Award, which was notified on 30 September 2013, with the simultaneous request for suspension (Rome Court of Appeal, R.G. (*Ruolo Generale*, General Register) no. 5097/2013).

On 1 October 2013 and 11 October 2013 RFI filed further requests for interim measures, which were rejected by the Rome Court of Appeal by an order dated 4 November 2013.

On 31 December 2013 FIAT filed a Statement of appearance with an interlocutory appeal.

The first hearing of the appeal was held on 24 January 2014 and the case for the specification of the conclusions was postponed to 11 July 2014.

Rome-Naples line

As to the 2008 arbitration proceedings with the General Contractor Iricav Uno, it should be noted, in addition to the information already reported in the 2012 Financial Statements, that RFI challenged the Final Award and submitted a request for suspension.

On 15 June 2012 the Board of Arbitration issued the final Arbitration Award. On 13 July 2012 Iricav gave notice, ordering the execution of the Award and claiming an amount of Euro 86.6 million (of which Euro 76.3 million on account of capital and revaluation and Euro 10.3 million on account of interest).

In consideration of the serious and numerous defects of the Award, on 8 February 2013 RFI challenged the final Award before the Rome Court of Appeal, while submitting a request for suspension. The Award was enforced by the General Contractor pursuant to article 825 of the Italian Code of Civil Procedure by virtue of a decree issued by the President of the Court of Rome on 20 March 2013 and, with a writ of execution served on 16 April 2013, Iricav ordered RFI to pay the overall amount of Euro 55.8 million.
On 3 May 2013 the Consortium filed an interlocutory appeal.

At the hearing on 28 May 2013 RFI and the Iricav Uno Consortium agreed that RFI would pay an amount of about Euro 55.8 million (the total amount it was ordered to pay in the various parts of the final Award) subject to the Consortium's issuing a satisfactory bank first-demand guarantee to return the sum on demand if the final Award were to be either wholly or partially reviewed on appeal.
After the acquisition of the aforesaid bank guarantee from the iricav Uno Consortium, RFI took steps to pay said amount on 24 June 2013.
In September 2013, an attempt was made to reach a settlement agreement of the entire dispute pending with the Iricav Uno Consortium concerning, *inter alia*, the final Award of 15 June 2012, the previous partial Award of 19 May 2010 and the respective appeals, which was formalized by the RFI - Iricav Uno/Fintecna Settlement Agreement of 20-23 December 2013, which was approved by the BoD of Fintecna on 27 January 2014.

This Settlement Agreement finally settled the pending cases and all the litigation and/or contestations and/or disputes that had arisen and/or arising between the parties, setting a fixed, unalterable and all-inclusive sum not subject either to adjustment or interest (equal to Euro 96 million, including an amount of Euro 55.7 million already paid, as mentioned above, of which Euro 84.7 million to be capitalized on the value of the works and Euro 11.3 million expended through profit and loss, fully covered by an appropriate provision), as well as the disputes argued in the New Request for Arbitration served by the Iricav Uno Consortium in November 2012.

Following the approval of the Settlement Agreement by the BoD of Fintecna, on 11 February 2014 the Iricav Uno Consortium, in the performance of the Settlement Agreement, served a declaration on RFI, on its arbitrators and on the President of the Council of State (in his capacity as the third party responsible for designating the arbitrator on behalf of the party that did not appoint one) to the effect that it waived the New Request for Arbitration.
26 February 2014 saw the payment in settlement of the transaction.

Verona – Padoa and Terzo Valico dei Giovi

Verona – Padua line

In relation to the arbitration proceedings started by Consorzio IRICAV DUE against the former TAV on 1 February 2007, a final award was issued on 26 March 2012, which accepted the arguments submitted by RFI in relation to the more considerable claims for damage submitted by the General Contractor. On 11 May 2013 the time limit expired for filing an appeal against the Award and, none of the parties challenged the same, it was deemed to be final.

Terzo Valico dei Giovi

On 20 and 21 June 2013 the Board of Arbitration handed down an Award - not served on RFI by the COCIV Consortium – in the proceedings involving COCIV's requests to the Board in the matter of the design work it had carried out. The Award found and ruled that the COCIV Consortium was entitled to Euro 91.1 million for the design work at issue, to be increased by applying the official ISTAT (*Istituto Nazionale di Statistica*, National Statistics Institute) FOI (*Famiglie di Operati e Impiegati*, Families of Blue- and White-collar Workers) to the individual components of this sum from the dates specified in the grounds for the Award until the date of ruling of the same. Accordingly, it ordered RFI to pay the Consortium the aforesaid sum – net of an amount of Euro 80 million (an amount which had been paid to COCIV on account of contract advance by virtue of the 1991 Agreement), to be increased by applying the ISTAT FOI index from 6 December 2000 up to the date of ruling of the Award.

In accordance with the Supplementary RFI-COCIV Agreement of 11 November 2011, in July 2013 RFI enforced the Award and paid the COCIV Consortium an amount of Euro 4.6 million, plus VAT. The overall amount acknowledged by the Award, equal to Euro 108.4 million (of which Euro 91.1 million on account of capital and Euro 17.3 million on account of revaluation) can be fully capitalized; of this sum, an amount of Euro 80 million was already recognized by RFI under fixed assets as a revalued advance payment (Euro 23.8 million). The amount of Euro 4.6 million, plus VAT, which was paid was the differential between the amount acknowledged, including revaluation, and the revalued advance payment.

Other Arbitration proceedings

Finally, note the request for arbitration submitted by Strabag (formerly ADANTI SpA, the parent company of the business combine made up of: Consorzio Nazionale Cooperative di Produzione e Lavoro CIRO MENOTTI and Impresa di Costruzioni Ing. R. Pellegrini Srl) concerning no. 54 claims of an overall amount of Euro 76.5 million in relation to the Agreement 116/2004 - Doubling connection of the Cagliari-Golfo Aranci line - Decimomannu-S.Gavino section. On 20 September 2012 the Board ordered RFI to pay an overall amount of Euro 41.7 million (of which Euro 30.3 million on account of capital and Euro 11.4 million on account of legal interest and/or default interest and/or revaluation, which involved an amount of about 37 million to be capitalized on the value of the works and an amount of about Euro 5 million covered by an appropriate provision), plus legal interest accrued from the date of the ruling up to the actual settlement, as well as rejected any other claim linked to additional reservations.

RFi challenged the Award in question before the Court of Appeal of Rome, appearing before court.

On 23 April 2013 RFI received the order whereby the President of the Court of Rome, on application by Strabag on 4 March 2013, ruled the enforceability of the Award.

The hearing of appearance was held on 30 April 2013 before the 3rd Civil Division of the Rome Court of Appeal: the defence counsel to RFI asked for the enforcement of the Award to be stayed; the request was granted on 7 May 2013 and the proceedings were adjourned until 8 October 2013 for the final pleas to be prepared. The Court adjourned this hearing *ex officio* until 27 May 2014 for the same reason.

Even if these were positive developments, RFI considered it advisable to bring an Appeal under article 825 of the Italian Code of Civil Procedure against the Award enforcement order handed down by the Court of Rome. The hearing for this Appeal was held before the 1st Civil Division of the Court of Appeal on 24 October 2013, but the Court did not take any measure and postponed the discussion to the hearing to be held on 26 June 2014.

Therefore, while summarising the events that occurred in 2013, an amount of Euro 528.3 million was acknowledged to the counterparties, of which Euro 453.5 million were capitalized on the value of the works and Euro 74.8 million were expensed (Euro 44.4 million have already been allocated to an appropriate provision), against initial claims of Euro 4,050 million.

For any arbitration proceedings still pending as at 31 December 2013, following on from the specific in-depth analyses carried out for each of them and with the exclusion of the special provisions set aside for the amounts pointed out and estimated on the basis of the events reported above – also on the basis of the opinions rendered by legal counsels appointed to defend the Group's interests within the abovementioned arbitration proceedings, it was believed that the three conditions required by international accounting standards (IAS 37) in order to make a provision in the financial statements were not fulfilled. In particular:

i) as at the closing date of the financial statements, there are no current obligations to the General Contractors (hereinafter GCs) in relation to the abovementioned arbitration proceedings;

ii) in evaluation terms it is considered improbable that the claims of the GCs will be upheld;

iii) on the other hand, any amounts that should be awarded to the GCs cannot be reliably estimated due to the fact that the amounts in the claims made in the successive stages have fluctuated very considerably and do not allow a quantitative assessment of the cases brought before arbitration to be made considering that the arbitration boards have not yet expressed themselves on numerous legal objections put forward by RFI in the various arbitration proceedings which, if upheld, are considered to be suitable to rule out and/or reduce any award to the GCs.

Other proceedings

Proceeding A443 NTV/Obstacles to access to the market of High-Speed railway passenger transport services

On 22 May 2013 the Italian Competition Authority (*Autorità Garante della Concorrenza e del Mercato*) resolved to start preliminary investigations into some companies of the Ferrovie dello Stato Italiane Group – specifically: Ferrovie dello Stato Italiane SpA ("FSI"), Rete Ferroviaria Italiana SpA, Trenitalia SpA, Grandi Stazioni SpA, Centostazioni SpA, FS Sistemi Urbani Srl - in order to ascertain whether there had been any breaches of Article 102 of the Treaty on the Functioning of the European Union regarding the abuse of a dominant position. When it initiated its inquiries, the Authority also authorised inspections at all the companies involved with the aim of gathering any documents relevant to the object of the proceeding. These inspections were conducted without notice on 28 May 2013.

During the proceeding, once the preliminary investigations had been conducted, the Group companies involved (except for FS Sistemi Urbani, whose defence arguments were considered all-embracing) submitted commitments pursuant to article 14-ter of Law no. 287/1990. After the conclusion of the market test, in which the entities concerned made their observations, the phase began in which the Authority evaluated the commitments which, if found satisfactory, would be made obligatory on the companies in a decision ruling the closure of the proceeding without finding any breach of the rules.

On 12 March 2014 the Authority informed Ferrovie dello Stato Italiane SpA and the other abovementioned Group companies of the order closing the proceeding. At the end of its remarks, the Authority stated that the commitments submitted by the FS Italiane Group companies, "*considered as a whole, were sufficient to remove the anti-competitive aspects that were the object of the investigations*" since they enable the possibility of access to the market of High-Speed railway passenger transport to be increased for other railway undertakings. With this decision the proceeding closed without any breach of competition law having been found, and, consequently, without any monetary penalty having been imposed, but making it obligatory for the companies to conduct themselves in accordance with their commitments.

Proceeding before the Public Contracts Supervisory Authority (AVCP, *Autorità per la Vigilanza sui Contratti Pubblici*)

With reference to Resolution no. 80 of 14 September 2011, relating to the measures on the so-called "horizontal axis", while referring to the information already reported in the 2011 Financial Statements, it should be noted that, with specific reference to the issue of the so-called "tender reductions", also following the hearing that was held to hear RFI and the General Contractors Cepav Due and COCIV at the AVCP on 18 July 2012, and following a specific Resolution (no. 91/2012) passed by the Council of the Authority, the Authority itself, by notice dated 7 May 2013, asked RFI to provide additional technical and economic evidence.

By a Memo of 21 June 2013, RFI gave its reply to said requests.

As to the criticalities found in the previous financial years on the other sections and junctions, no significant developments are reported which were submitted by the Authority with respect to what was already described in the previous financial statements to which reference is made.

Antitrust Proceeding: A436 – Arenaways S.p.A./RFI, FS/Obstacles to the access to the market of railway passenger transport services.

On 25 July 2012, by order no. 23770, the Competition Authority stated that FS Ferrovie dello Stato Italiane had carried out a complex, organic strategy through its subsidiaries RFI and Trenitalia, with the aim of hindering and, in practice, preventing Arenaways from entering the railway passenger transport market.

On the same date the Authority adopted the measure that closed the investigation, in which it emphasised the innovations in the regulatory framework in which the abusive behaviour had taken place and imposed moderate penalties totalling Euro 300 thousand.

In detail, the Authority ordered: i) RFI, jointly and severally with FS Italiane, to pay a fine of Euro 100 thousand for having adopted delaying tactics in responding to the Areneways' request to be allocated paths; and ii) Trenitalia, jointly and severally with FS Italiane, to pay a fine of Euro 200 thousand for obstructive behaviour to Areneways, such as having provided URSF (*Ufficio per la Regolazione dei Servizi Ferroviari*, Railway Services Regulatory Authority), with an incorrect representation of the real impact of the new operator's proposal on the economic balance of the service contracts for the Turin-Milan line. The above penalties were paid by RFI and Trenitalia within the time limits set out.
In November 2012, FS Italiane – as well as RFI and Trenitalia – challenged the Competition Authority's final measure and the hearing for the merits before the Lazio Regional Administrative Court (*Tribunale Amministrativo Regionale*) was held on 8 May 2013.

Finally, on 27 March 2014 the Lazio Regional Administrative Court issued its judgment, which granted the appeal filed by FS Italiane, together with the other Group companies concerned, and ordered that the AGCM order no. 23770 of 25 July 2012 was null and void. This judgment is provisionally enforceable, although the Competition Authority may request a stay of execution when it appeals to the Council of State.

Discount pursuant to Ministerial Decree 44T/2000 (so-called "Sconto K2" [Discount K2]) – Appeal before the Council of State

With respect to the information reported in the 2012 Financial Statements, it should be noted that the Council of State – while ruling as to the appeals filed by RFI and by the URSF against the judgments issued by the Lazio Regional Administrative Court on 13 April 2012 - confirmed, by judgments nos. 1107, 1108, 1109 and 1110 of 22 February 2013, the repeal of Ministerial Decree no. 92/T of 11 July 2007 (adopted by the *pro tempore* Transport Minister) and of the consequent URSF order no. 300 of 15 October 2007.
The Council of State also stated that "as RFI has already appealed against a ruling on URSF's part before the Court of first instance, under R.G. (*Ruolo Generale*, General Register) no. 4775/2007 (proceedings pending before the Lazio Regional Administrative Court), all conflicts between the parties in the matter at issue must be resolved by this Court [...]."
For the sake of completeness, it should be noted that proceedings under R.G. (*Ruolo Generale*, General Register) no. 2792/2006 are also pending before the Lazio Regional Administrative Court, in which RFI challenged the original URSF decision no. 18 of 20 January 2006.
On 22 July 2013, with reference to the Judgments issued by the Council of State on 22 February 2013, some Railway Companies filed an appeal against RFI, together with the Ministry for Infrastructures and Transport, in compliance with the Council of State's Judgment no. 1110/2013.

By said appeal, the appellant Railway Companies asked the Council of State to find that RFI, the Ministry for Infrastructures and Transport and the Railway Services Regulatory Authority, were in breach of the abovementioned judgment no. 1110, to order its execution within a set time, to determine the amount payable for delay, if applicable, and to appoint a special commissioner to see that the judgment is executed if the said parties do not comply.

RFI, Trenitalia and the Ministry for Infrastructures and Transport entered their appearance through the Government Lawyers.

The Council of State's judgment no. 1345, which was filed on 19 March 2014, not yet served on RFI, accepted the railway companies' appeal[1] and ordered RFI, the Ministry for Infrastructures and Transport and URSF (now the Transport Regulator after the latter took over URSF's functions) to execute all the provisions of final judgment no. 1110 of 22 February 2013, handed down by the Council of State, within 60 days after the service of the judgment and to perform all the acts necessary for the execution of the judgment.

The Council of State also ordered the special commissioner, already designated in the same judgment as the Transport Regulator Secretary-General, to take the necessary steps in the event of future non-compliance after the expiry of the above-mentioned 60-day time limit at the request of the plaintiffs, "with the power of sub-delegating these duties to an official in his office, expressly having the right of arranging for the measures adopted after the receipt of the request for the execution of the judgment to be set aside in accordance with the internal review procedure."

Arrangements are being made to begin talks among the Ministry for Infrastructures and Transport, the Transport Regulator and RFI in order to draw up a joint assessment, supported by detailed analysis, within the time limit set in the above judgment, also in relation to the calculation of the amount to pay the Railway Companies in the light of the regulatory framework during the years in which the right to a discount was earned and the consequent acts that must be performed in order to comply with the judgment.

During the years from 2001 to 2005, in which the State granted Railway Companies a discount through the Infrastructure Manager in accordance with the criteria in force at the time, the amount involved was covered in the relative Programme Contract between RFI and the MIT.

Pending the start of the joint discussions referred to above, considering the exchange of correspondence with the Ministry for Infrastructures and Transport and the number of third parties involved in the quantification process, applying IAS/IFRS accounting standards no costs or liabilities to the Railway Companies and no corresponding income to be received from the State have been reported in these Consolidated Financial Statements or in RFI or Trenitalia's financial statements, since any valuation would be arbitrary with the consequent risk of recognising uncertain and potentially extremely variable amounts.

Antitrust Proceeding: A389 (hired locomotives) – Appeal before the Council of State

With respect to the information reported in the 2012 Financial Statements, to which reference should be made for more details, no developments occurred in the proceedings.

---

[1] Among other requests in the appeal was that the Council of State should order the opposing parties to execute all the provisions of judgment no. 1110/13 within a set time by, "*the swift payment to the plaintiffs of the amounts corresponding to the application of the K2 discount provided for in and regulated by Ministerial Decree no. 44T*."

Rome Tiburtina – Resolution no. 7/2013 issued by the Supervisory Authority of Public Contracts for Works, Services and Supplies – Appeal filed with the Regional Administrative Court

By resolution dated 13 February 2012, RFI awarded Grandi Stazioni SpA the European tender for the concession for the "commercial exploitation of the Rome Tiburtina real estate complex and for the management of its functions by awarding operating and maintenance services to third-party firms."

By a memo dated 13 July 2012, AVCP asked RFI to supply "an explanatory report, supported by the necessary documents, including the resolution to offer a contract, the call for tender, the tender regulations and specifications, the award resolution and the contract, together with any other documents that RFI considers helpful" in connection with the award of this tender.

On 24 October 2012, the Authority concluded its preliminary investigations and submitted a series of remarks on the procedures for the performance of the tender and granted RFI a time limit for submitting its counter-arguments, which were sent by RFI to the Authority on 7 December 2012.

On 16 April 2013 the Authority approved its final order, also forwarded to the Regional Public Prosecutor's Office of the Court of Auditors: the Authority considered that RFI acted in breach of the principles of free competition, equal treatment, transparency, proportionality and publicity.

By memo of 15 May 2013, RFI explained the reasons for its deeming that there were no grounds for taking any internal review measures and appealed against the AVCP's order before the Lazio Regional Administrative Court, serving notice of appeal on 16 May 2013. RFI is waiting to learn the date of the hearing.

By memo of 7 March 2014, the Authority required RFI to provide information on the progress of the work connected to the full use of the Rome Tiburtina infrastructure; RFI provided its reply by memo of 27 March 2014.

Proceeding AGCM I/763 – Maritime transport services in the Messina Strait

On 2 July 2013 the Competition Authority (AGCM) served a notice on RFI SpA and Bluferries Srl – as well as on Caronte&Tourist, Meridiano Lines, Ustica Lines, Terminal Tremestieri and Metromare Consortium – a notice of start of preliminary investigations, pursuant to article 14 of Law no. 287/90, in order to establish the existence of a breach of article 2 of Law no. 287/90 or of article 101 of the Treaty on the Functioning of the European Union.

The preliminary investigation – which was started after a number of complaints had been received during the period between 2009 and 2013 of a progressive substantial increase in the fares charged by the operators that supply the various shipping services (for vehicles and passengers) in the Messina Strait- was aimed at ascertaining whether the practices adopted by the "operators providing passenger/vehicle ferry services in the Messina Strait", i.e. RFI (also through its subsidiary, Bluferries), Caronte&Tourist, Meridiano Lines, Ustica Lines (the last-named as the parent company of the Metromare Consortium) and Terminal Tremestieri (in its capacity as an undertaking jointly owned by Caronte&Tourist, RFI and Meridiano, and the operator of the goods traffic berth in the Messina Strait) - were such as to constitute an agreement to restrict competition in this market.

With reference to the progress of the preliminary investigation, it should be noted that the hearing of RFI was held before the Authority on 31 January 2014.

The time limit for closing the proceeding is set at 31 October 2014.

URSF (*Ufficio per la Regolazione dei Servizi Ferroviari*, Railway Services Regulatory Authority) proceedings following the appeals filed by NTV pursuant to article 37 of Legislative Decree no. 188/03

On 15 February 2013 the URSF notified RFI of the beginning of six preliminary investigations proceedings after the corresponding number of appeals filed by the NTV railway company, pursuant to article 37, paragraph 3, of Legislative Decree no. 188/2003, regarding the following issues:

- "Services of Information to the public regarding delays and causes of delay to trains on High Speed/High Capacity lines" [URSF proceeding, file no. 133/5];
- "RFI's inertia in performing various duties" (information to the public regarding NTV and its visibility in the entrance halls of the stations in the network used by NTV; positions of self-service ticket machines; fixed direction signs for travellers; carriage number indicators; activation of public and commercial services at Rome Tiburtina Station) [URSF proceeding, file no. 134/5];
- "RFI's inertia in carrying out the infrastructural works requested by NTV" (works at the stations of Salerno, Naples C.le; Rome Ostiense, Rome Tiburtina, Milan Porta Garibaldi, Turin Lingotto, Milan Rogoredo, Bologna AV and those performed in accordance with the supplementary deed to the Master Agreement dated February 2010) [URSF proceeding, file no. 135/5];
- "Failure to allocate outgoing paths northwards from the Rome junction during the 7 to 8 a.m. time band" [URSF proceeding, file no. 136/5];
- "Delay in informing NTV of the postponement of the entry into service of the Bologna High-Speed train station" [URSF proceeding, file no. 137/5];
- "Recalculation of the penalties for failing to draw up train path contracts" [URSF proceeding, file no. 138/5].

Another appeal filed by NTV regarding the alleged refusal of access to the Milan San Rocco maintenance shop, on the other hand, was immediately dismissed by URSF by order of 20 February 2013, file no. 148/5.

The six inquiries mentioned above have all been concluded. A brief description of the findings follows.

- With reference to the URSF proceeding no. 133/5, on 5 November 2013 the URSF issued Decision no. 885/5, by which it acknowledged that there was no discriminatory intention on the operator's part, and took the action into account that it had taken in reorganising its announcements services and did not impose any penalty on RFI; on the other hand it required the operator to complete a revised Oral Announcements Manual (*Manuale Annunci Sonori,* MAS) by and not after the next change in the timetable, which was expected to be on 15 December 2013.
- With reference to the URSF proceeding no. 134/5, on 5 November 2013 the URSF issued Decision no. 890/5, by which it acknowledged the operator's good faith and ruled out the existence of a strategy to exclude NTV but levied a penalty of Euro 50 thousand on RFI, also directing it to: i) as regards the self-service ticketing machines/mobile desks and information totems, issue specific regulations for the allocation of space as appropriate by the time the next timetable was produced; ii) as regards carriage number indicators, update the necessary software and launch it; iii) as regards station signs, amend the design for changes to the directions system removing the principle of anonymous information and including the name/logo of the operators that provide specific services in the station signs system.
- With reference to the URSF proceeding no. 135/5, on 21 May 2013 the URSF issued Decision no. 400/5, by which it rejected the NTV's complaints and the consequent dismissal of the complaint.

- With reference to the URSF proceeding no. 137/5 and to the URSF proceeding no. 138/5, similar rulings regarding the rejection of NTV's complaints and the consequent dismissal of the complaint were handed down with the URSF Decision no. 528/5 of 24 June 2013 and the URSF Decision no. 880/5 of 4 November 2013, respectively.
- With reference to the URSF proceeding no. 136/5, on 22 July 2013 the URSF issued Decision no. 625/5, which also rejected NTV's complaints, but required RFI to make some regulatory amendments to the part of the Network Statement devoted to the railtrack allocation capacity procedure.

NTV has taken steps to file appeals before the Regional Administrative Court against all the above-mentioned Decisions.

RFI has appeared before court in the appeals concerning the preliminary investigation proceedings nos. 133, 134, 135, 136 and 137 and will also appear before court, in the short term, in relation to the appeal filed by NTV against the URSF Decision no. 138 of 4 November 2013.

With reference to the question of the paths involved in the URSF proceeding no. 136/5, it should be pointed outh that NTV – after having filed the appeal against the URSF and before the issue by the same of Decision no. 625/5 – took steps to also file an appeal with the Regional Administrative Court pursuant to article 30 of the Italian Code of Administrative Procedure, which was served on RFI on 27 February 2013. RFI entered its appearance on 24 April 2013.

MEASURES/TRANSFERS OF PUBLIC RESOURCES FOR THE GROUP ACCRUED IN 2013

amounts in €/mil.

	RFI	Trenitalia	Grandi Stazioni	Busitalia	FS Logistica	Cemat	Total
Operating grants							
Programme Contract	1,050						1,050
Other grants from the State		5					5
From local Public Bodies				9			9
Being allocated							
Investment grants							
From the State	3,917		25				3,942
From local Public Bodies		13		5			18
European Union grants	208	1					209
Total	**5,175**	**19**	**25**	**14**			**5,233**

Legislative Decree 231/2001

The current Organisational, Management and Control Model defined for the purposes of Legislative Decree no. 231/2001 was updated against subsequent changes in the provisions of law and in the organizational structure.

The Group companies carried out the necessary audits to assess the operation of and compliance with their own models and the models of the companies controlled by them; these audits allowed a substantial adequacy to be found for the organizational models and for a reassuring management of possible risks of crime.

Specifically, the Internal Audit Departments of the FS Group provided technical and operational support to the corporate Supervisory Boards to carry out audits pursuant to Legislative Decree no. 231/2001, aimed at assessing the adequacy of and compliance with the Organisational, Management and Control Model for the prevention of the crimes referred to in the abovementioned Decree; they also updated the Model in consideration of the subsequent changes in the regulations and in the internal organizational structure, providing advice, if required, on any aspects relevant for the purposes of Legislative Decree no. 231/2001. In particular, the Audit Head Department took steps to define the Organisational Models of FS Sistemi Urbani and Busitalia.

Arrangements were made for special training to be given regarding the "administrative liability" referred to in the above-mentioned decree in order to heighten the personnel's awareness of this theme, particularly those in the corporate positions most concerned.

Law 262/05

As it is known, 2007 saw the introduction of the position referred to in law 262/05 of the "Manager in charge of the company's accounting documents preparation" (*Dirigente Preposto alla redazione dei documenti contabili societari*) of Ferrovie dello Stato Italiane SpA., on specific instructions of the MEF.

In this regard, for a fuller presentation of the corporate governance rules applying to the position of Manager in charge of the company's accounting documents preparation of FS Italiane, reference should be made to the section on "*Corporate Governance*" in this Report and in particular to the section on the "*Manager in charge of the company's Accounting documents preparation of FS SpA*", which clearly sets out the characteristics, responsibilities, duties, powers and resources of this position, as well as to the section on the "*Main features of the present internal control and risk* *management systems in relation to the financial reporting* process" for the description of the FS Italiane Group's Control Model pursuant to Law no. 262/2005.

Following the bond issue listed in the Irish Stock exchange (July 2013), the position of Manager in charge of the company's accounting documents preparation has become obligatory for all purposes pursuant to law and now fully falls within the scope of application of article 154-*bis* of the Consolidation Act on Finance. Therefore, the 2013 financial year was characterised by an extension of the legislative and regulatory formalities to be fulfilled by FS SpA, also in relation to the position of Manager in charge of the company's accounting documents preparation.

Starting from 2013, the main developments concerned the Certifications to be issued pursuant to Law 262/2005 in relation to the separate and consolidated financial statements of the FS Italiane Group, to be jointly signed by the Manager in charge of the company's Accounting documents preparation and by the Chief Executive Officer, which were also issued with reference to the Report on Operations on the basis of the form required by the Consob Regulation.

As regards activities carried out in connection with the Certifications of the 2013 financial statements, administrative and accounting procedures continued to be issued for processes not yet covered by such rules and procedures, procedures for the adoption of organisational changes or changes in processes continued to be revised and procedures regarding compliance with the findings of the audits conducted during previous certification processes also continued to be revised. The functional effectiveness of some corporate procedures was subjected to audits that concentrated on key controls, which showed that they functioned at a satisfactory level. Activities also continued for the implementation of the financial reporting control model in the German Netinera subsidiary Group.

The model of Segregation of Duties (SoD), which has been defined to ensure that responsibilities relating to systems and/or processes are well-defined and properly distributed, thus avoiding overlapping functions or vital work concentrated in the hands of a single person, in terms of possible errors and/or fraud in the accounts, came into effect for FS SpA in the last financial years and was also implemented in support of the 2013 Certifications for the main processes of the subsidiaries Trenitalia and RFI.

Again in the framework of the SoD scheme, the IT General Computer Controls (ITGC) project was approved. The purpose of this project is to set out the IT Control Model and thus strengthen the IT Governance of the FS Italiane Group. In particular, the IT Model lays down a set of controls on the basis of the international reference standards (COBIT for SOX) which reduce the risks of errors/fraud in the IT management of the systems supporting financial reporting. The Model is already substantially operational for FS SpA.

The activity carried out so far, starting from the date of appointment of the "Manager in charge of the company's accounting documents preparation" of FS SpA, has allowed the internal control system to be strengthened in relation to the financial reporting within the Group, thus creating a virtuous circle of periodical audits on the control operations and a continuous update of rules, and allowed process improvement opportunities to be seized, thus promoting the control culture within the FS Italiane Group.

INFORMATION CONCERNING THE MAIN COMPANIES in the Ferrovie dello Stato Italiane Group

The FS Italiane Group operates through its subsidiaries in 4 operating segments: Transport; Infrastructure, Property Services and Other services.

A summary of the main economic and financial data and performance ratios of the segments, in accordance with IFRS 8, is reported in previous paragraph 46 of the notes to the consolidated financial statements, to which reference should be made.

Below is commented the performance of 2013 operations of the main companies operating in the individual segments.

Trenitalia SpA (Transport)

amounts in €/mil.

Main indicators	2013	2012	DELTA	%
Operating revenues	5,497.78	5,498.00	(0.22)	0.0%
EBITDA	1,385.28	1,350.26	35.02	2.6%
EBIT	431.70	418.30	13.40	3.2%
Profit (loss) for the year	181.49	206.50	(25.01)	(12.1)%
Investments	950.55	1,120.54	(169.99)	(15.2)%
Net financial position	6,241.04	6,339.12	(98.08)	(1.5)%
Net equity	2,091.45	1,912.93	178.52	9.3%
Workforce (units)	32,489	34,819	(2,330.00)	(6.7)%

Main ratios	2013	2012
ROE	9.5%	11.7%
ROI	5.2%	5.2%
ROS (EBIT MARGIN)	7.9%	7.6%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	25.2%	24.6%
DEBT/EQUITY	2.98	3.31

Trenitalia SpA is the Ferrovie dello Stato Italiane Group company that operates in the sector of mobility services for passenger and cargo at national and international level. The company, which also closed 2013 with positive results, reporting increasing interim margins (EBITDA and EBIT) and a net profit of Euro 181.49 million, carries out its operations within the three main types of service provided:

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

Below are commented on in brief the elements that characterised the 2013 performances achieved by the corporate business units.

Through the Medium- and Long-Distance Passengers Transport Business Unit, Trenitalia SpA provides mobility services for passengers at national and international level. 2013 was characterised by an increase of 1.1% in Traffic revenues in the

Market Segment and by a reduction of 1.2% in the Universal service segment. In fact, it should be pointed out that the Market Segment reported an increase in revenues thanks to the improvement of the offer on the High Speed System, while a reduction was recorded in services for which there is little demand and with negative margins, which forced the company to embark to a path to streamlining , in particular for some day Intercity trains; a decline was also recorded in revenues from international trains and charter trains for religious tourism.

On the contrary, the Universal service segment was affected by the gradual shifting of the modal share of transport on long-distance routes to alternative means of transport, in any case in line with what has already happened in Europe.

The Regional Passenger Transport operating segment provides mobility services for passengers at local level. In 2013 the regional transport recorded a 3.3% increase in revenues from traffic, equal to Euro 26.2 million, compared to the previous financial year. This change is mainly linked to the increase in regional fares which increased by 4.2% on average, against a 0.2% decline in trains/km, following the choice made by Regional governments of reviewing the offer in order to cope with the increasing difficulties of local finance: nevertheless, passengers/Km reduced by 0.8% only.

The Cargo Transport segment provides cargo mobility services at national and international level. During 2013 the Cargo division recorded traffic revenues of Euro 478.6 million, down by 5.1% compared to 2012. The business sectors, which follow the relevant product areas, are represented by: "Traditional Business" and "Combined Business".

In 2013 cargo trains – Traditional Business – recorded reduced volumes of -4.8% compared to 2012 in terms of trains-km, with a decline of -8.2% in turnover.

In 2013 the railway traffic data from the National/international Combined Business showed a quite inhomogeneous trend: at national level, a slight recovery was recorded in terms of both trains/km (+1.1%) and turnover (+0.3%), which was made possible by a sharp turnover in the client portfolio on the combined maritime transport business that was offset by traffic losses on the combined land transport business; at international level, a sharp decline was recorded in volumes (-12.1% trains/km), which was offset by a turnover that held firm (+2.5%). In the international combined land transport business, the decline in volumes was more pronounced as it was linked to a reduction in the volumes of the international MTOs because of poor demand.

Busitalia-Sita Nord Srl (Transport)

amounts in €/mil.

Main indicators	2013	2012	DELTA	%
Operating revenues	116.74	110.47	6.27	5.7%
EBITDA	9.76	6.45	3.31	51.3%
EBIT	4.73	2.09	2.64	126.3%
Profit (loss) for the year	3.00	0.12	2.88	>200%
Investments	3.54	1.19	2.35	197.5%
Net financial position	(5.05)	6.70	(11.75)	(175.4)%
Net equity	27.64	24.60	3.04	12.4%
Workforce (units)	913	897	16.00	1.8%

Main ratios	2013	2012
ROE	12.2%	0.5%
ROI	17.6%	6.8%
ROS (EBIT MARGIN)	4.1%	1.9%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	8.4%	5.8%
DEBT/EQUITY	(0.18)	0.27

Busitalia–Sita Nord Srl is the company in the Ferrovie dello Stato Italiane Group which operates in the sector of public road transport. In this context, the company carries out its activity in various business areas, such as local public transport, both urban and suburban, long-distance bus service (both national and international), tourism and hires, replacement bus services for railways.

The company recorded a net result of Euro 3 million (against a net result that was equal to little more than Euro 100 thousand in 2012) and revenues of Euro 117 million (about +6% compared to 2012), mainly arising from the market, from service contracts with the Regional, Provincial and Municipal Governments, as well as revenues arising from additional Service Contracts with the same granting authorities and referred to the Regional Head Offices of the Veneto and Tuscany regions only.

In 2013 the company was awarded the tender launched by Umbria TPL e Mobilità SpA for the purchase of a 70% quota of Umbria Mobilità Esercizio Srl. The tender procedure also provides for the obligation for the contractor to also acquire the residual quota of 30% of the quota capital at the request of the contracting Authority. As a result, the company resolved, at the end of 2013, to increase the quota capital by 30 June 2014.

Netinera Deutschland Group (Transport)

amounts in €/mil.

Main indicators	2013	2012	DELTA	%
Operating revenues	408.25	438.68	(30.43)	(6.9)%
EBITDA	39.12	35.30	3.82	10.8%
EBIT	5.38	6.00	(0.62)	(10.3)%
Profit (loss) for the year	(7.13)	(16.24)	9.11	(56.1)%
Investments	26.45	58.17	(31.72)	(54.5)%
Net financial position	62.60	298.42	(235.82)	(79.0)%
Net equity	270.37	24.72	245.65	>200%
Workforce (units)	2,357	2,344	13.00	0.6%

Main ratios	2013	2012
ROE	(5.5)%	(100.4)%
ROI	1.6%	2.0%
ROS (EBIT MARGIN)	1.3%	1.4%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	9.6%	8.0%
DEBT/EQUITY	0.23	12.07

The Netinera group mainly carries out rail and road transport activities in the German local and metro transport market, through about 50 investee companies. The group also carries out activities on international routes to the Czech Republic, Poland and the Netherlands.

In addition to passenger and cargo transport service, the group performs services for the maintenance and revamping of vehicles.

The German group's consolidated accounts closed 2013 with an operating loss of Euro 7 million (compared to a loss of more than Euro 16 million in 2012) against EBITDA of Euro 39 million (+10.8% compared to 2012). In 2013, in fact, the Netinera group recorded revenues of about Euro 408 million, against costs of Euro 369 million.

The loss mainly arose from the effect of amortisation and depreciation of Euro 32 million (+10.3% compared to 2012), which were strictly linked to the growth in the investments for the period, aimed at starting the future new services acquired through the awarding of tenders, write-downs and impairment losses of Euro 2 million and finance costs of Euro 18 million, mainly paid to the shareholders FS Italiane (for about Euro 8.9 million) and Cube (for about Euro 5.1 million).

As regards, for the sake of completeness, the 2013 financial statements of the parent company Netinera Deutschland GmbH, which were drawn up – as opposed to the related consolidated financial statements of the group – pursuant to the German civil code and accounting standards, the consolidated operating loss was equal to Euro 20 million (against a loss of Euro 16 million at the end of 2012). This loss is characterised by a negative operating component of Euro 4 million (a negative component of Euro 7 million at the end of 2012), a negative component linked to financial charges of Euro 7 million (Euro 16 million at the end of 2012) and by a very specific component, which was negative for Euro 9 million, linked expressly to the German civil law rules which provide for the statutory results of subsidiaries only with which long-term contracts have been signed to that end (so-called profit/loss transfer agreements) to be absorbed by the parent company into its financial statements, which was positive for Euro 7 million in the previous year.

FS Logistica SpA (Transport)

amounts in €/mil.

Main indicators	2013	2012	DELTA	%
Operating revenues	85.48	86.02	(0.54)	(0.6)%
EBITDA	8.11	(7.94)	16.05	>200%
EBIT	5.22	(13.65)	18.87	138.2%
Profit (loss) for the year	3.23	(17.07)	20.30	118.9%
Investments	1.22	3.91	(2.69)	(68.8)%
Net financial position	70.21	101.49	(31.28)	(30.8)%
Net equity	110.44	107.14	3.30	3.1%
Workforce (units)	74	151	(77.00)	(51.0)%

Main ratios	2013	2012
ROE	3.0%	(13.7)%
ROI	2.7%	(6.5)%
ROS (EBIT MARGIN)	6.1%	(15.9)%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	9.5%	(9.2)%
DEBT/EQUITY	0.64	0.95

FS Logistica SpA develops its offer in the logistics industry, taking care of their design, production, management and sale. The main operating segments are petrochemicals, environment and territory, major institutional clients and steel industry. It is present on the market with a structure organized in Business Units. As a result of the review of the business portfolio, from 2013 the company's core activities are mostly focused on the sectors of the major institutional clients (Omniaexpress Business Unit) and multimodal transport and logistics services of consumer goods (TLM, *Trasporto e Logistica Multimodale*, Multimodal Transport and Logistics Business Unit), as the Industry, Chemicals and Environment Business Unit (ICA, *Industria, Chimica, Ambiente*) was transferred to Trenitalia on 1 April 2013. The company also deals with the design and construction of logistic infrastructures on the company-owned assets, through the organisational Asset Management and Development unit, in order to enhance the corporate assets through investments aimed at the rehabilitation of areas.

2013 showed a positive net Result of Euro 3.23 million, against a loss of Euro 17.07 million in 2012. The considerable improvement in the financial performance was essentially attributable to the significant restructuring plan implemented by the directors and, in particular, to the reduction in operating costs, as a result of the corporate reorganisation started in the year, specifically as regards costs for cargo transport and handling services, personnel costs, also due to the reduction in the number of staff members, and costs for the hire of rolling stock.

RFI SpA (Infrastructure)

amounts in €/mil.

Main indicators	2013	2012	DELTA	%
Operating revenues	2,675.94	2,663.35	12.59	0.5%
EBITDA	516.53	376.76	139.77	37.1%
EBIT	387.20	246.25	140.95	57.2%
Profit (loss) for the year	269.79	159.99	109.80	68.6%
Investments	2,871.08	2,835.23	35.85	1.3%
Net financial position	2,054.91	2,310.17	(255.26)	(11.0)%
Net equity	33,295.22	33,033.09	262.13	0.8%
Workforce (units)	27,108	27,101	7.00	0.0%

Main ratios	2013	2012
ROE	0.8%	0.5%
ROI	1.1%	0.7%
ROS (EBIT MARGIN)	14.5%	9.2%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	19.3%	14.1%
DEBT/EQUITY	0.06	0.07

RFI SpA is the company responsible for the design, construction, installation, management and maintenance of the national railway infrastructure: in this framework, it plays the role of “national operator” of the infrastructure itself. Its revenues are mainly constituted by access charges (tolls) paid by the transport companies that use the infrastructure and by the State grants for covering the costs for the ordinary maintenance of the infrastructure itself.

The company closed 2013 with another positive result, equal to Euro 270 million (about +69% compared to 2012) and EBITDA of Euro 517 million (+37%). In 2013 the company recorded revenues from sales that were substantially in line with the previous year, against a slight increase in other income. The performance achieved by the company in 2013 was also positively affected by reduced other costs, mainly as a result of the decrease in costs for services, in particular in works on account of third parties and higher capitalisation.

Italferr SpA (Infrastructure)

amounts in €/mil.

Main indicators	2013	2012	DELTA	%
Operating revenues	137.89	152.79	(14.90)	(9.8)%
EBITDA	14.29	25.91	(11.62)	(44.8)%
EBIT	10.77	22.09	(11.32)	(51.2)%
Profit (loss) for the year	3.62	12.97	(9.35)	(72.1)%
Investments	3.10	2.85	0.25	8.8%
Net financial position	40.27	(10.72)	50.99	<200%
Net equity	48.11	57.08	(8.97)	(15.7)%
Workforce (units)	1,150	1,206	(56.00)	(4.6)%

Main ratios	2013	2012
ROE	7.1%	28.0%
ROI	16.0%	35.5%
ROS (EBIT MARGIN)	7.8%	14.5%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	10.4%	17.0%
DEBT/EQUITY	0.84	(0.19)

Italferr SpA is the engineering service company of the FS Italiane Group which is responsible for the design, works management and supervision, competitive tenders and project management activities for all the large infrastructural investments of the Group. Italferr SpA is also strongly committed to the design and construction of eco-friendly works compatible with the needs and expectations expressed by the community. In this context, it has adopted an Integrated Management System for Quality, Environment, Health and Safety.

2013 closed with a positive net result of Euro 3.62 million; this result, albeit lower than in the previous year, was significantly affected by extraordinary revenues (such as the release of excess provisions of Euro 3,598 thousand and the full deductibility of IRAP tax from IRES tax for the years 2007/2011 for Euro 2,814 thousand) and was in line with the expectations set out in the budget. EBITDA, which was slightly higher than Euro 14 million, reported a reduction of about 45% as a result of a decline in operating revenues that was higher than the decrease in related operating costs; the reduction in revenues was almost fully attributable to a decline in revenues from engineering services as a result of a fall in both production volumes (-5.3%) and in the average profitability per contract (with a “k-factor” that passed from 1.32 in 2012 to 1.25 in 2013).

The internal situation in Italy adversely affected the operations of Italferr in 2013, thus entailing a reduction in production volumes from mainly captive customers in favour of an increase in no-captive operations. In fact, the company intensified its policy of acquisitions of foreign operations and was awarded important contracts, above all in the countries of the Persona Gulf, thus demonstrating that it is not only able to achieve its objectives, but also is able to adapt to changing market conditions, moving to where business opportunities are on the rise.

Grandi Stazioni Group (Real Estate)

amounts in €/mil.

Main indicators	2013	2012	DELTA	%
Operating revenues	205.77	199.75	6.02	3.0%
EBITDA	45.05	48.54	(3.49)	(7.2)%
EBIT	21.42	36.23	(14.81)	(40.9)%
Profit (loss) for the year	9.96	20.51	(10.55)	(51.4)%
Investments	44.60	43.29	1.31	3.0%
Net financial position	167.27	163.44	3.83	2.3%
Net equity	158.67	166.10	(7.43)	(4.5)%
Workforce (units)	255	267	(12.00)	(4.5)%

Main ratios	2013	2012
ROE	6.3%	13.4%
ROI	6.5%	11.0%
ROS (EBIT MARGIN)	10.4%	18.1%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	21.9%	24.3%
DEBT/EQUITY	1.05	0.98

In 2013 the Grandi Stazioni group operated through the parent company, as well as two subsidiaries: Grandi Stazioni Ceska Republika Sro (51%), based in Prague, and Grandi Stazioni Ingegneria Srl (100%). The latter ceased its operations on 30 November 2013, with the termination of the contracts with the parent company Grandi Stazioni SpA, which took over contracts with third parties.

Below are reported the values relating to the consolidated financial statements of the group, which substantially reflect the values of the separate financial statements of the parent company, Grandi Stazioni SpA, the service company of the FS Italiane Group which is responsible for the rehabilitation and management of the 13 main Italian railway stations and for the operation of Rome Tiburtina Station. The contract awarded for the station complexes, for a term of 40 years starting from 2000 – and for a term of 30 years for those located in the Czech Republic, managed by the Prague subsidiary - provides for the combined management and the functional rehabilitation of the real estate complexes of the main stations.

2013 represented a moment of discontinuity for the Grandi Stazioni group with respect to previous years (a net operating result equal to a positive value of about Euro 10 million against a positive value of about Euro 21 million at the end of 2012) since, as a result of the negative outcome of the trial proceedings in the litigation with agents of the media sector, EBITDA reported a reduction, mainly due to the consequent provisions, compared to the previous year.
Despite the economic downturn, the Grandi Stazioni group recorded a 3% increase in revenues.

In 2013 the group continued its investment projects; in fact, works continued for the rehabilitation and development of the stations of Bari, Bologna, Genoa Brignole and Principe, Palermo and Venice Mestre; works were completed in relation to the stations of Florence S. Maria Novella and Venice Santa Lucia. In relation to external works, the financial year saw the completion of the works relating to the Venice S. Lucia station and works continued on video-surveillance systems in the stations of Bari, Florence, Genoa Brignole and Principe, Milan, Naples, Palermo, Turin, Venice Mestre and Verona.

Centostazioni SpA (Real Estate)

amounts in €/mil.

Main indicators	2013	2012	DELTA	%
Operating revenues	81.80	79.43	2.37	3.0%
EBITDA	17.80	18.20	(0.40)	(2.2)%
EBIT	14.53	15.24	(0.71)	(4.7)%
Profit (loss) for the year	9.14	10.20	(1.06)	(10.4)%
Investments	2.19	2.29	(0.10)	(4.4)%
Net financial position	19.53	23.19	(3.66)	(15.8)%
Net equity	32.47	30.46	2.01	6.6%
Workforce (units)	129	128	1.00	0.8%

Main ratios	2013	2012
ROE	34.0%	42.9%
ROI	27.6%	27.2%
ROS (EBIT MARGIN)	17.8%	19.2%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	21.8%	22.9%
DEBT/EQUITY	0.60	0.76

Centostazioni SpA is responsible for the management of the assets comprised of the real estate complexes of the network of 103 medium-sized railway Stations owned by RFI SpA and for the management of assets that are in any way connected to the commercial exploitation of means of transport. The experience and know-how accrued in the management of commercial and property management activities, engineering and facility management services rendered to the properties of the network, allowed good operating results to be achieved also in the 2013 financial year.

The 2013 Profit for the year, equal to Euro 9.14 million, showed a 10.4% decrease due to the growth in operating revenues in all the business areas of the company (leases, recharging of service charges and management fees, fees from technical staff and sundry fees), which was less than proportional compared to the growth in the corresponding costs, mainly for service charges, retrocession fees, consultancy fees, corporate service contract and other fees. In the framework of a financial environment that is still uncertain, these figures serve as a stimulus for a long-term business and financial strategy aimed at achieving new objectives for the growth of the company's value.

FS Sistemi Urbani Srl (Real Estate)

amounts in €/mil.

Main indicators	2013	2012	DELTA	%
Operating revenues	40.64	32.80	7.84	23.9%
EBITDA	12.19	7.74	4.45	57.5%
EBIT	9.93	7.17	2.76	38.5%
Profit (loss) for the year	14.80	4.00	10.80	>200%
Investments	0.65	0.68	(0.03)	(4.4)%
Net financial position	(36.42)	(44.41)	7.99	(18.0)%
Net equity	553.84	542.80	11.04	2.0%
Workforce (units)	32	34	(2.00)	(5.9)%

Main ratios	2013	2012
ROE	2.7%	0.7%
ROI	2.0%	1.4%
ROS (EBIT MARGIN)	24.4%	21.9%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	30.0%	23.6%
DEBT/EQUITY	(0.07)	(0.08)

FS Sistemi Urbani Srl carries out activities concerning integrated urban services and the enhancement of the assets which are not functional to the conduct of the railway business, also through the integrated management and the development of real estate services.

The company closed with a positive net result of Euro 14.8 million, thus confirming a growth trend, in terms of sales and margins, achieved from the start of the operations. In 2013 4 assets were sold for a value of more than Euro 27 million. The operating result was also affected by the positive effect of the release of deferred tax assets for previous tax losses and by the adverse effect due to the adjustment to the value of properties at the market value.

Finally, this result was achieved in a national situation that is slowly moving towards a hoped for exit from recession and in which the real estate market, albeit in a context of continuing fragility and precariousness, has begun to show tentative signs of improvement. The result achieved in 2013, therefore, was a sign of the company’s capacity to adapt its market policy to the various economic and financial climates.

Fercredit SpA (Other Services)

amounts in €/mil.

Main indicators	2013	2012	DELTA	%
Interest earned and similar income	17.03	18.70	(1.67)	(8.9)%
Interest expense and similar charges	4.88	6.63	(1.75)	(26.4)%
Business margin	15.33	15.80	(0.47)	(3.0)%
Labour cost	2.84	2.83	0.01	0.4%
EBIT	10.93	12.49	(1.56)	(12.5)%
Profit (loss) for the year	6.24	8.47	(2.23)	(26.3)%
Workforce (units)	32	31	1.00	3.2%

Main ratios	2013	2012
ROE	7.5%	10.3%
Availability ratio *	1.14	1.13
DEBT/EQUITY	4.17	4.01

*(Current assets/Current liabilities)

Fercredit SpA is the company responsible for the financial services of the Ferrovie dello Stato Italiane Group. Its activities are essentially focused on the development of the credit factoring and leasing on the captive market and on the expansion of the consumer credit transactions for the employees of the Group itself. The 2013 operating result showed a net profit of Euro 6.24 million against Euro 8.47 million in 2012.

It should be pointed out that in 2013 the factoring activity developed volumes in line with 2012, thus recording, against higher operating risks, a good demand from customers. The consumer credit sector has been showing a decline for some time due to the continuing economic crisis, as well as to a reduction in the group's staff, the difficulty by the new hires to access credit (as a result of the lack and/or insufficiency of the severance pay) and the higher limits imposed by the bank of Italy as regards renewals. Nevertheless, the company has been able, thanks to the promotion of initiatives aimed at addressing market changes, to report a 9% improvement in the volumes of new loans entered into compared to 2012. Finally, as regards leases and loans for specific purposes, the company has limited this type of operations, as early as from 2012, to the Group only; as regards borrowing from financial markets, it should be noted that a slow reduction was recorded in the cost of funding, which was characterised by a drop in the relevant benchmarks (Euribor) and by a limitation of the spreads required by the banking system.

As regards prospects, it should be pointed out that, after the stagnation noted in the last two years with the completion of the main High Speed sections, the Ferrovie dello Stato Italiane Group has started, with the new 2014–2017 Business Plan, an important programme for the revival of investment, for a total of Euro 24 billion in 4 years, which should also allow Fercredit SpA to maintain and improve the business volumes of the last years.

Ferservizi SpA (Other Services)

amounts in €/mil.

Main indicators	2013	2012	DELTA	%
Operating revenues	199.89	197.34	2.55	1.3%
EBITDA	37.47	32.87	4.60	14.0%
EBIT	27.10	21.66	5.44	25.1%
Profit (loss) for the year	14.44	13.64	0.80	5.9%
Investments	2.00	1.70	0.30	17.6%
Net financial position	(82.16)	(61.53)	(20.63)	33.5%
Net equity	24.36	23.97	0.39	1.6%
Workforce (units)	1,529	1,687	(158.00)	(9.4)%

Main ratios	2013	2012
ROE	85.2%	40.9%
ROI	(56.8)%	(44.9)%
ROS (EBIT MARGIN)	13.6%	11.0%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	18.7%	16.7%
DEBT/EQUITY	(3.37)	(2.57)

Ferservizi SpA constitutes the “Integrated Services Centre” of the FS Italiane Group, as it manages activities, for the Parent Company and the main Group companies, which are not directly connected with the conduct of the railway business, on an integrated basis. The main activities carried out by Ferservizi, which are regulated by specific contracts, are aimed at the following processes: Real Estate, Administration, Facility Management, Group Procurement.

The company closed 2013 with a positive net result of Euro 14.4 million (+5.9% compared to 2012), showing an improvement in all the financial and economic ratios; specifically, note an increase in EBITDA for Euro 4.6 million, equal to 14%, and an increase in EBIT for Euro 5.4 million, equal to more than 25%, the best performance ever achieved by the company.

The streamlining of production processes, the selection of the businesses based on their profitability, the higher efficiency in terms of increased productivity and the strong monitoring of operating costs are the basic factors that allowed the achievement of the corporate objectives in 2013 and that will allow the company to strengthen, in the future, its role as the company managing facility, real estate, administration and non-core procurement management activities within the FS Italiane Group.

Significant events after the year-end

The significant events that occurred after the closing of the financial statements and prior to the approval of the same are reported in the special section of the notes to the financial statements to which reference is made.

Outlook

of the Group

Once again, in full continuity with what happened in the last years, the 2013 financial year confirmed the path to the full alignment with the strategic and operational objectives defined in the **FS Italiane Group**'s Business Plan and, as for the last two financial years, the early achievement, in terms of time, of some economic performance targets envisaged in the Plan itself.

In fact, the 2013 financial year of the Ferrovie dello Stato Italiane Group showed growth in all its economic margins (EBITDA about + 6%, EBIT about + 14%), including the the net profit, which passed from Euro 381 million at the end of 2012 to Euro 460 million at 31 December 2013, up by 21 percentage points over the previous year.

Below is the comment on the prospects referred to the two operating entities of major importance in the Group.

The 2013 results for **Trenitalia (passenger and cargo rail transport business)** were in line with the objectives set out in the company's 2011-2015 Business Plan, with the operating cash flows (before investments) which showed a positive balance in spite of the considerable delays in paying their debts, in particular on the part of some Italian Regions. If these payments had been made punctually, they would have enabled the company – and the Group – to enjoy a substantially better operating cash generation position and thus a lower financial costs burden.

As described in the risk factors, it should be remembered that medium- and long-distance passenger transport services are conditional on consumption levels, employment levels and the overall development of the main economic factors.

In particular, the High-Speed segment of the "market" sector was affected, starting from 2012, by changes in market equilibrium resulting from the entry of a new private operator, the services of which became fully operational in 2013. The effects of this were considered with great care in the company's Business Plan and were taken into account in its 2014 budget. Whether the assumptions are, in fact correct, depends on trends in the mobility market and the extent to which the market is attracted by means of further pricing mechanisms. If this happens, profitability margins could be affected.

Market risks are especially plain to see in the Cargo sector, which is considerably affected by the persistence of the crisis and the consequent poor performance of the country's economy. The price lever could be a factor leading customers to discriminate between one operator and another and this policy would enable Trenitalia to defend the market share that is open to competition, while of course impacting on its Cargo Division's profit margins. From a more general point of view, the above scenario, a typical situation in view of the market trend, could take a turn for the better if there were signs of recovery or particular energy price trends that made rail transport more competitive.

The company is also engaged in seeing through the challenging Cargo sector reorganisation plan in accordance with the guidelines that were marked out in the second half of 2009, whose aim is to lead this sector towards a position of overall financial stability: the company is gradually nearing the attainment of this objective.

As regards the Regional Transport sector, the possible effects arising from the failure to renew service contracts with the Regional Governments will report effects, if any, in the periods after 2014. During the year in course there may still be requests for changes to the frequencies in some services from certain Regions in order to conform them to funding reductions, an eventuality that may have effects, even if they are expected to be slight, on the level of profit for the period.

Furthermore, the reorganisation plans that were scheduled and practically completed towards the end of 2013 lay the foundations for a further review of baseline operating costs, in the light of the trade union agreements signed at the end of July.

Finally, it is appropriate to point out that the maintenance of the investment plan resolved in previous years entails considerable financial commitments for Trenitalia. The recapitalization transactions resolved by the Board of Directors of the company in September 2009, and partly already implemented, shall allow a gradual re-equilibrium of the equity structure towards more acceptable indicators.

We should bear in mind, on the other hand, that investments in the “Market” sector will not entail the company’s having any problems in meeting its obligations satisfactorily.

In any case, in light of the above considerations and considering that we must take account of the possible effects of the dynamics described above, the company expects that the economic results achieved in 2013 will be substantially confirmed in 2014.

RFI (business in the sector of the construction and management of the infrastructural, traditional and high speed network), in the same manner as the Group and Trenitalia, also reported sharply positive results at the end of 2013 (with a net profit of Euro 270 million, up by about 69% compared to 2012), thus confirming the positive effects on operations arising from the value-increasing and efficiency-improvement actions undertaken in recent years, whose benefits had been reported as early as 2011.

The above objectives were achieved despite considering that the general economic context of 2013 and that expected for 2014 report a macro-economic scenario that has considerably changed compared to that behind the 2011-2015 Business Plan, which was prepared by the company and by the Group at the time, in particular with reference to GDP growth rates and inflation levels.

The macroeconomic scenario, with some other major variations in the scenario that are summarised below, led to the company and the Group’s Business Plan to be redrawn in the last part of 2013 over a 2014-2017 time horizon, as already mentioned.

The factors in the scenario in which RFI’s new Business Plan matured are, briefly:

- the relations with the State, affected by the financial crisis. The Group has already defined both a new draft 2012-2016 Programme Contract – Investments, which is currently being negotiated with the MIT, and the new 2012-2014 Programme Contract – Services, which was signed on 29 November 2013, pending the issue of the MIT Decree and the registration with the Court of Auditors for the full operation;
- an evolving legislative and regulatory framework in which, on one hand, developments in European Directives culminated in the issuing of the Recast Directive and the Fourth Railway Package and, on the other hand, the new Transport Regulator (which was set up by Law no. 27/2012) began its work;
- stronger and stronger demand from businesses for quality and punctuality in regional and metropolitan area services and demand for more High-Speed train and cargo services.

From the viewpoint of the Business Plan, the company will have to reckon with the above variables in the scenario in order to continue to be a solid Italian business concern and play a fundamental role in the growth of the railway market. Continuing with the attention paid to costs and, more generally, to production efficiency and economic sustainability that have been features of the Manager's actions during the past years, the characteristic of the new 2014-2017 Plan is an approach to strategy and operations that focuses on the capacity to create value in every business sector, concentrating on customer requirements.

This strategy policy will take the form of a new corporate governance model which will separate the various business segments and focus on them clearly in terms of management, organisation and the use of assets, sharply distinguishing regulated and market activities.

The governance model, which is to be completed within the time horizon of the plan, can be thoroughly developed and implemented after a process in which the company is already engaged in finding the best business structure, control and organisational models to present to and discuss with its various stakeholders.

The strategic issues on which attention is to be focused during the coming years are, briefly:

- a review of business models from the customer's point of view: looking at business areas in the light of the market's actual needs (customer centric approach);
- the development of the network by means of action targeted to the needs expressed by firms in each business segment in order to increase the railway infrastructure's competitiveness with respect to rival systems;
- the review of pricing models through greater cost orientation and market sustainability, focusing attention on the charge level applied by "competing infrastructural systems" in the various market segments, seen in the light of intermodal competition which should be re-considered analysing the entire production chain in the various transport systems;
- safety: the development of items relevant for the attainment of the expected safety targets in accordance with the Common Safety Target of the ERA (European Research Area);
- environmental sustainability: a renewed commitment, in each sector of activity, to the protection of the environment and the search for sustainable development solutions, particularly in the form of projects for greater energy efficiency on the part of the company;
- enhancement of assets and new projects, exploring all new business opportunities/services that have the capacity to generate value for the company and for customers, making use of the projects that have the intrinsic ability to be self-supporting (exploitation of stations by means of fresh commercial projects that aim at improving their returns in terms of value; cost-saving technologies, etc.).

A key factor in the very near future is the preparation of a new approach to business models and their implementation after discussions with and the approval of the various stakeholders, in view of the mandatory adoption by the Member States of Directive 34/2012/EC by and not later than 16 June 2015. In this regard, reference should be made to the principles laid down in Section 4, Chapter II, "Access to railway infrastructure and services" of the Directive.
Other issues relating to the abovementioned Directive that were reviewed are those concerning the relations between the Infrastructure Manager and the State, which are regulated, both directly and/or indirectly, through the following tools:

- Strategy (article 8, paragraph 1)
- Business plan (article 8, paragraph 3)
- Contractual agreements (article 30 and annex V)

- Register of assets (article 30, paragraph 7).

Article 8, paragraph 1, of the Directive in particular requires each Member State, within 16 December 2014, to publish a strategy for at least the following five years for the development of its railway infrastructures that meets future mobility needs, in terms of maintenance, renewal and development, based on sustainable financing of the railway system. Furthermore, pursuant to article 8, paragraph 3, of the Directive, the Infrastructure Manager shall adopt a business plan including investment and financial programmes, which must take account of the strategy for the development of the railway infrastructure commented on above and must be consistent with the financing envisaged by the State in the Programme Contract. The Manager must also guarantee that the plan shall be designed to ensure optimal and efficient use, provision and development of the infrastructure, while ensuring financial balance and providing means for these objectives to be achieved.

With reference to the Contractual agreement, which is the contractual instrument that regulates the relations between the State and the Infrastructure Manager as regards the financing required for the efficient operation of the network, article 30 made innovations to the provisions of Directive 2001/14/EC as regards minimum duration, quality indicators and criteria and incentives for the Manager. The concept of the announcement of the scope of the publication of the contents of contracts before they are finally approved was expanded and corrective measures were introduced in the event of breach of contract on the part of one of the Parties, or exceptional circumstances affecting the availability of public funds (renegotiation, early termination). Furthermore, any contracts in force at 15 December 2012 shall be amended by 16 June 2015 in order to bring them into line with the Recast.

Special attention must be paid, too, to the assets constituting railway infrastructures (referred to in Annex I to the Recast) since details of the cost of their renewal and upgrading must be reported, in addition to the introduction of the register of assets – Article 30, paragraph 7 – which the operator must prepare and keep up to date for the assets that it owns.

The last point to emphasise is the importance of the amendments in Chapter IV, Section 2, Infrastructure and service charges, regarding the use of the infrastructure and services, which on hand confirm the general principles already laid down in previous legislation for this sector and, on the other hand, introduces new provisions for the application of these principles, such as those set out in Article 31, Principles of Charging.

The principle is clarified that the charge must remunerate the “cost that is directly incurred as a result of operating the train service” and it is stated that the Commission should take steps to determine the methods of calculating this direct cost by June 2015. The Infrastructure Manager may decide to conform to these procedures over a period of not more than four years after the Implementing Act (article 31.3) comes into force.

With regard to the legislative and regulatory framework, both the process of the adoption of Directive 34/2012 and the fact that the Transport Regulator has started to operate, it is hoped, will enable the difficulties to be overcome that have arisen from the persistent absence, for more than ten years, of the implementing decrees of article 17, paragraphs 1 and 11, of Legislative Decree no. 188/2003 that would have provided a clear picture of the system of rules for access to the infrastructure, of the principles and procedures for allocating capacity and for calculating the charge for the use of the infrastructure and the fees for the services, as well as the rules governing the supply and management of services referred to in article 20 of the abovementioned Legislative Decree.

Up till now, this gap has been, perforce and partially, filled by the Infrastructure Manager's annual publication of the Network Statement (PIR, *Prospetto Informativo della Rete*), after a process involving both institutional bodies (the former Railway Services Regulatory Authority and the Railway Transport Directorate-General of the Ministry for Infrastructures and Transport) and railway undertakings. The Network Statement, by virtue of its very nature, had to confine itself to laying down operating regulations for aspects related to the allocation of capacity and the use of the Infrastructure on the basis of a clear, definite system of rules.

The lines of action for the development of the network by business segments will be:

- over medium and long distances, the services of the network will be enhanced to make the Italian transport and logistics system more competitive, with a mix of small investments with quick returns (technology, increasing speed and removing bottlenecks) and large investments; the aims of the latter are to upgrade the performance of the High Speed/High Capacity network and expand it, raise speeds on the antenna sections of the High-Speed network and increase rail connections to the main airports;
- in the Local Public Transport plan, the objective will be to give a strong signal of discontinuity, making innovative proposals for the revival of this sector, aiming at making a significant improvement in the quality of regional services particularly in the big metropolitan areas, also by projects for raising the capacity of junctions by using innovative technology and remedying the main interferences among traffic flows on critically important plant, increasing speeds on out-of-town sections, developing interchange points in urban areas and enhancing accessibility to services in stations;
- in the cargo sector, action will be taken to boost the European railway corridors and connections with the main ports and intermodal centres (TEN-T Core Network), paying particular attention to the levels of service offered in order to make the railway carrier more competitive.

To achieve all this, it is of decisive importance to continue with the current investments in infrastructure, making all possible efforts to finalise the new 2012-2016 Contract, which is already at an advanced discussion phase between RFI and the competent Ministries. This will also release the resources that have been set aside under the provisions of the successive laws that have been handed down up to the 2014 Stability Act.

This Contract must regulate both the large-scale works that are to be carried out on the basis of construction lots, which the law has decided should be the continuation of the Brescia-Verona-Padua High Speed/High Capacity line, the development of the Naples-Bari route, projects for the development of metropolitan areas and freight corridors and increasing speeds on the Adriatic and on the Milan-Venice-Trieste line. These projects are all vital for the development of the strategy in the Business Plan.

With regard to public works planning, we mention the imminent inception of the next European financing cycle, the 2014-2020 European Funding Plan, which will concern both the European Regional Development Plan for projects in the Southern Italian Regions and the Connecting Europe Facility (CEF) for projects on the Core and Comprehensive networks, whose respective timescales for completion are 2030 and 2050. The amount of funds that may be granted will only be known after the respective procedures have been followed and after the projects have been authorised as the requests are submitted during the years covered by the plan from 2014 to 2020, but it would appear entirely permissible to expect the usual substantial financial contribution for the development of the Italian and cross-border railway network, as has been the case under past funding plans.

We again draw attention to the fact that in 2014 the Parent Company, in view of the substantial investment plan included in the Group's Business Plan and of the considerable financial requirements of the two major Group companies, specifically linked to the planned actions on infrastructures in the High Speed/High Capacity sector and investments in rolling stock, will be engaged in implementing – while continuing the course of action that was embarked on with the abovementioned issue of the first two tranches totaling Euro 1.350 billion, and in compliance with the decision taken some time ago and in the scenario that has many times been submitted to the attention of its Board of Directors – the programme for the placement of additional shares of the bond issue on the stock exchange with respect to the overall value of Euro 4.5 billion resolved within the EMTN Programme as a whole.

To conclude, if we look at the year 2014 and the FS Italiane Group's intention - also in light of the clear, renewed targets included in the new 2014-2017 Business Plan that has been recently approved by the Board of Directors of the Parent Company - to give its whole-hearted contribution to the growth of this country with a great mobility, sustainable logistics and quality project, we draw attention to the following important areas on which to focus in addition to those already mentioned in this document:

- the development of greater integration between rail and road in the framework of the regional Universal Services, to be implemented through targeted investments and new partnerships/acquisitions with local state-owned undertakings;
- the completion of the restructuring of the Cargo and logistics sector, a key element for the development programme envisaged in the new 2014-2017 Business Plan;
- the attention to possible areas of international growth, taking the opportunities that arise, in the context of the current process of the liberalisation of transport services, in markets that have only recently opened up to competition. Indeed, growth on the European scene is one of the decisive factors if the Group is to become an increasingly important player among the big international transport concerns.

of Ferrovie dello Stato Italiane SpA

The Parent Company also closed 2013 with an improvement of its result (Euro 76 million compared to Euro 73 million at the end of 2012).

On the assumption of the achievement of its main objectives, as well as of those of each Group company, in the current financial year, we can confirm, also for 2014, the forecasts of a positive result of Ferrovie dello Stato Italiane S.p.A., also in consideration of the contribution expected in terms of sales attributable to the management of the real estate assets acquired in the course of the last financial years.

Proposed allocation of the result for the year of Ferrovie dello Stato Italiane SpA

The Company's Financial Statements for the year ended 31 December 2013 showed a net profit of Euro 76,770,293.18.

Taking account that the Legal Reserve has not yet reached the limits envisaged in article 2430 of the Italian Civil Code, it is proposed to allocate the net profit for the year as follows:

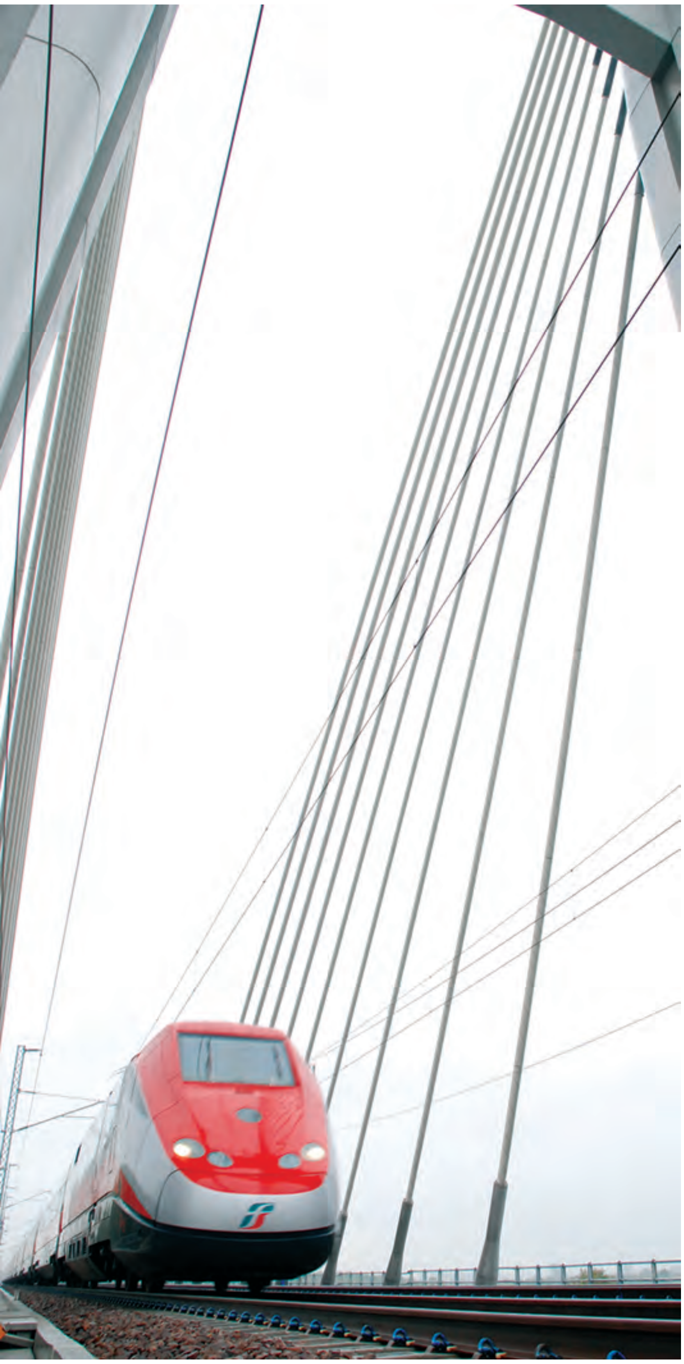
- 5%, equal to Euro 3,838,514.66 to Legal Reserve;
- the residual amount, equal to Euro 72,931,778.52 to Profits carried forward.

Rome, 17 April 2014

The Board of Director

The Chairman

The Chief Executive Officer



CONSOLIDATBA CFK>K@F> I PQ>QB J BKQP

AP >Q 31 DB@B J ?BO 2013

Consolidated statement of financial position

Values in €/mil.

	Notes	31.12.2013	31.12.2012
Assets			
Property, plant and equipment	7	43,775	44,933
Investment properties	8	1,756	1,673
Intangible assets	9	507	564
Deferred tax assets	10	287	308
Investments (equity method)	11	273	330
Non-current financial assets (including derivatives)	12	1,473	1,591
Non-current trade receivables	15	28	35
Other non-current assets	13	4,036	4,634
Total non-current assets		**52,135**	**54,068**
Construction contracts	14	20	12
Inventories	14	1,917	1,873
Current trade receivables	15	2,541	2,800
Current financial assets (including derivatives)	12	220	184
Cash and cash equivalents	16	1,622	1,270
Tax receivables	17	91	91
Other current assets	13	4,693	3,832
Total current assets		**11,104**	**10,062**
Assets held for sale and disposal groups	**6**	**2**	**28**
Total assets		**63,241**	**64,158**
Equity	**18**	**37,154**	**36,401**
Equity attributable to owners of the parent	**18**	**36,892**	**36,191**
Share capital	18	38,790	38,790
Reserves	18	307	320
Valuation reserves	18	(558)	(814)
Profits (Losses) carried forward	18	(2,106)	(2,485)
Profit (Losses) for the year	18	459	379
Non-controlling interests	**18**	**262**	**210**
Profit/(loss) attributable to non-controlling interests	18	1	2
Capital and reserves attributable to non-controlling interests	18	261	208
Liabilities			
Medium/long term loans	19	10,336	9,633
Severance pay and other employee benefits	20	1,880	2,099
Provisions for risks and charges	21	1,114	1,391
Deferred tax liabilities	10	211	233
Non-current financial liabilities (including derivatives)	22	191	291
Non-current trade payables	24	25	35
Other non-current liabilities	23	559	340
Total non-current liabilities		**14,316**	**14,022**
Short-term loans and current portion of medium/long term loans	19	1,104	2,121
Short-term portion of Provisions for risks and charges	21	28	21
Current trade payables	24	3,490	4,059
Income tax payables	25	7	22
Current financial liabilities (including derivatives)	22	194	236
Other current liabilities	23	6,948	7,276
Total current liabilities		**11,771**	**13,735**
Total liabilities		**26,087**	**27,757**
Total Equity and liabilities		**63,241**	**64,158**

Consolidated Income Statement

values in €/mil.

	Notes	2013	2012
Revenue and income			
Revenues from sales and services	26	7,597	7,511
Other income	27	732	717
Total revenues		**8,329**	**8,228**
Operating costs			
Personnel cost	28	(3,910)	(3,877)
Raw and secondary materials, consumables and goods for resale	29	(936)	(853)
Costs for services	30	(2,178)	(2,196)
Leases and rentals	31	(159)	(187)
Other operating costs	32	(159)	(138)
Capitalisation of internal construction costs	33	1,043	941
Amortisation and depreciation	**34**	**(1,123)**	**(1,070)**
Write-downs, impairment losses (value write-backs)	**35**	**(68)**	**(37)**
Provisions	**36**	**(21)**	**(92)**
EBIT		**818**	**719**
Finance income and costs			
Finance income	37	87	41
Finance costs	38	(329)	(324)
Share of profits (losses)of equity-accounted investments	39	8	(7)
Profit before tax		**584**	**429**
Income taxes	40	(124)	(48)
Profit for the year from continuing operations			
Net profit for the year (Owners of the parent and Non-controlling Interests)		**460**	**381**
Net profit attributable to owners of the parent		459	379
Net profit attributable to Non-controlling Interests		1	2

Consolidated Statement of Comprehensive Income

Values in €/mil.

	Notes	31.12.2013	31.12.2012
Net profit for the year (Owners of the parent and Non-controlling Interest)		**460**	**381**
Other comprehensive income			
Components that will not be reclassified subsequently under profit/(loss) for the period, net of tax affect:			
Profits (losses) relating to actuarial benefits	18	84	(313)
Reclassifications of other comprehensive income for the year	**18**	**29**	**16**
Components that will be reclassified subsequently under profit/(loss) for the period, (if certain conditions are met), net of tax effects:			
Effective portion of changes in fair value of cash flow hedge	18	143	(100)
Exchange differences	18	(17)	1
Changes in the fair value of financial investments available for sale	18		
Other comprehensive income for the year, net of tax effects		**239**	**(396)**
Total comprehensive income for the year (Owners of the parent and Non-controlling Interests)		**698**	**(14)**

Consolidated statement of changes in equity

	Equity													
		Reserves												
		Reserves				Valuation reserves								
	Share capital	Legal reserve	Extraordinary reserve	Other reserves	Reserve for translation of financial statements in foreign currency	Reserve for change in FV on derivatives – Cash Flow Hedge	Reserve for actuarial gains (Losses) for employee benefits	Reserve for change in FV on financial assets - AFS	Total Reserves	Profits (losses) carried forward	Profits (losses) for the year	Equity attributable to owners of the parent	Non-controlling interests	Equity
Balance as at 1 January 2012	**38,790**	**16**	**28**	**255**	**19**	**(414)**	**(3)**		**(99)**	**(2,756)**	**272**	**36,207**	**216**	**36,423**
Capital increase														
Distribution of dividends													(9)	**(9)**
Allocation of the net profit for the previous year		1							1	270	(272)	(1)		**(1)**
Change in the consolidation area										1		1	1	**2**
Other changes						16			16			16		**16**
Comprehensive Income/(Losses) recognised														
of which:														
Profit/Losses) for the year											379	379	2	**381**
Profits/(Losses) recognised directly in income					1	(100)	(313)		(412)			(412)		**(412)**
Balance as at 31 December 2012	**38,790**	**17**	**28**	**255**	**20**	**(497)**	**(316)**		**(493)**	**(2,485)**	**379**	**36,191**	**210**	**36,401**
Capital increase													64	**64**
Distribution of dividends													(9)	**(9)**
Allocation of the net profit for the previous year		4							4	373	(379)	(2)		**(2)**
Change in the consolidation area										5		5	(3)	**2**
Other changes						29			29			29	(1)	**28**
Comprehensive Income/(Losses) recognised														
of which:														
Profit/Losses) for the year											459	459	1	**460**
Profits/(Losses) recognised directly in income					(17)	143	84		210	1		211		**211**
Balance as at 31 December 2013	**38,790**	**21**	**28**	**255**	**3**	**(326)**	**(232)**		**(251)**	**(2,106)**	**459**	**36,892**	**262**	**37,154**

Consolidated statement of cash flows

		values in €/mil.
	2013	**2012**
Profit / (loss) for the year	**460**	**381**
Amortisation and depreciation	1,123	1,070
Profits/losses of equity-accounted investments	(8)	7
Provisions and write-downs	234	338
(Capital gains)/Losses from disposal	(106)	(66)
Change in inventories	(45)	
Change in trade receivables	264	(498)
Change in trade payables	(578)	131
Changes in current and deferred taxes	(15)	(82)
Change in other liabilities	(311)	1,818
Change in other assets	(261)	(1,296)
Uses of provisions for risks and charges	(195)	(391)
Payment of employee benefits	(215)	(167)
Cash flow generated from / (used in) operating activities	**347**	**1,245**
Investments in property, plant and equipment	(3,942)	(3,831)
Investment properties	(2)	(7)
Investments in intangible assets	(107)	(117)
Investments valued at equity	(54)	(24)
Investments, including grants	**(4,105)**	**(3,979)**
Grants in property, plant and equipment	3,879	2,046
Grants in investment properties	9	2
Grants in intangible assets	4	20
Grants for equity investments	50	22
Grants	**3,942**	**2,090**
Disposals of property, plant and equipment	244	118
Disposal of Investment properties		
Disposals of intangible assets	4	
Disposals of equity investments	66	
Disposals	**314**	**118**
Change in financial assets	80	205
Net cash flow generated / (used) in investing activities	**231**	**(1,566)**
Use and repayment of medium/long term loans	(514)	(323)
Use and repayment of short-term loans	200	(118)
Change in financial liabilities	37	(24)
Changes in equity	51	(8)
Net cash flow generated / (used) in financing activities	**(226)**	**(473)**
Total cash flows generated / (used) in the year	**352**	**(794)**
Cash and cash equivalents at the beginning of the year	**1,270**	**2,064**
Cash and cash equivalents at the end of the year	**1,622**	**1,270**

Notes to the consolidated financial statements

Notes to the consolidated financial statements

1. Introduction

With the acquisition of the status of Public Interest Entity on the part of the Parent Company Ferrovie dello Stato Italiane in the course of 2013, following the issue of listed bonds that is described in detail in the Report on Operations, these consolidated Financial Statements for the year ended 31 December 2013 (hereinafter also referred to as the "Consolidated Financial Statements") were prepared in accordance with the International Financial Reporting Standards, issued by the International Accounting Standards Board and adopted by the European Union ("EU-IFRS") in accordance with article 2, letter a), of Legislative Decree no. 38 of 28 February 2005. Until the financial year ended 31 December 2012, Ferrovie dello Stato Italiane (hereinafter also referred to as the "Controlling Company", "Company" and/or "Parent Company") made use of the right provided for in said Legislative Decree, which regulates the exercise of the options under article 5 of Regulation (EC) no. 1606/2002 on the application of international accounting standards. Specifically, pursuant to articles 3 and 4 of the abovementioned legislative decree, the Parent Company voluntarily decided to apply the EU-IFRS to the preparation of the Consolidated Financial Statements starting from the financial year ended 31 December 2010. This voluntary option can no longer be exercised following the bond issue that took place in 2013. Furthermore, it should be noted that, up to the financial year ended 31 December 2009, the Company prepared its consolidated financial statements in accordance with the relevant provisions laid down under Legislative Decree no. 127 of 9 April 1991, as interpreted by the accounting standards issued by the Italian Accounting Board (*Organismo Italiano di Contabilità*) (the "Italian GAAPs").

2. The FS Italiane Group's business and structure of the Consolidated Financial Statements

Ferrovie dello Stato Italiane is a company incorporated and domiciled in Italy and is organised according to the Italian legal system of the Italian Republic. The Parent Company has its registered office in Rome, at Piazza della Croce Rossa no. 1.

The Parent Company and its subsidiaries (hereinafter collectively referred to as the "Ferrovie dello Stato Italiane", the "FS Italiane Group" or the "Group") provide services relating to passenger transport, cargo transport and logistics, both in Italy and abroad (mainly in Germany), and manage an extensive railway network. The FS Italiane Group's structure is reported in Annex 5.

On 17 April 2014 the Directors approved the financial statements as at 31 December 2013 and their distribution to the Shareholders within the time limits set out in article 2429 of the Italian Civil Code. These financial statements will subsequently be submitted to the Shareholders' Meeting for approval within the period of time prescribed by the law and will be filed within the time limits set out in article 2435 of the Italian Civil Code. The Shareholders' Meeting is entitled to make amendments to these financial statements. For the purposes of paragraph 17 under IAS 10, the date of the Directors' authorisation to publish the financial statements is 17 April 2013, which corresponds to the date of approval by the Board of Directors.

PricewaterhouseCoopers SpA has been appointed to carry out the statutory audit of accounts for the 2013 financial year, pursuant to article 14 of Legislative Decree 39/2010 and to articles 2409-*bis* and ff. of the Italian Civil Code, allowing the renewal of the mandate granted for the three-year period 2010-2012.

3. Criteria for the preparation of Consolidated Financial Statements

Below are reported the main criteria and accounting standards applied to the preparation of the Consolidated Financial Statements.

As previously specified, the Consolidated Financial Statements were prepared in accordance with EU-IFRS, including all International Financial Reporting Standards, all International Accounting Standards (IAS), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which was previously named Standing Interpretations Committee (SIC), as adopted by the European Union and contained in the related EU Regulations published up to 17 April 2014, the date when the Company's Board of Directors approved this document, as already previously specified. Specifically, the EU-IFRS were consistently applied to all the periods presented herein. Furthermore, it should be pointed out that these financial statements were prepared on the basis of the best knowledge of EU-IFRSs and taking account of the best doctrine on the subject; future guidelines and interpretation updates (if any) will be reflected in subsequent financial years, according to the procedures envisaged from time to time by the relevant accounting standards.

The Consolidated Financial Statements were prepared and presented in Euro, which represents the FS Group's functional currency, i.e. the current money of the countries where the FS Italiane Group mainly operates; all amounts included in the accounting statements, in the tables of the following notes and the comments on the notes themselves are expressed in millions of Euro.

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

- consolidated statement of financial position: it was prepared by recognising assets and liabilities according to the "current/non-current" classification;
- consolidated income statement: it was prepared by classifying operating costs by nature;
- consolidated statement of comprehensive income: it includes the profit for the year resulting from the consolidated income statement, as well as any other changes in consolidated equity items that are specifically made up of actuarial gains and losses on employee benefits, the change in fair value of hedging financial instruments and any profits and losses arising from the translation of financial statements of foreign companies;
- consolidated statement of cash flows: it was prepared by reporting cash flows arising from operating activities according to the "indirect method".

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

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

4. Accounting standards applied

Below are reported the criteria adopted by the FS Italiane Group for the definition of the scope of consolidation and specifically of subsidiaries, companies subject to joint control and associates, as well as of the related consolidation criteria.

a) Scope of consolidation

i) Subsidiaries

The Consolidated Financial Statements include the Parent Company, as well as the companies over which it exercises control, either directly or indirectly through its subsidiaries, starting from the date when the same is acquired and up to the date when this control ceases. Specifically the control can be exercised both by virtue of the direct or indirect ownership of the majority of voting shares and as a result of the exercise of a dominant influence expressed by the power to determine, also indirectly by virtue of contractual or legal agreements, the financial and operational choices of the entities, obtaining the relating benefits, also disregarding shareholding relations. For the purposes of the determination of the control, account is taken of the existence of potential voting rights that can be exercised at the balance sheet date.

The financial statements of subsidiaries, companies subject to joint control and associates being consolidated, are prepared by making reference to 31 December, the reporting date of the Consolidated Financial Statements, specially drawn up and approved by the governing bodies of the individual entities, and appropriately adjusted, where necessary, in order to bring them into line with the accounting standards applied by the FS Italiane Group.

Subsidiaries are consolidated on a line-by-line basis, as specified below:

- assets and liabilities, income and costs of entities consolidated on a line-by-line basis are entered line by line, attributing to the minority shareholders, where applicable, the portion of equity and of the net profit for the year pertaining to them; these portions are recognized separately within the consolidated equity and the consolidated income statement;
- business combinations, which are completed between entities that are not subject to joint control, by virtue of which control is acquired over an entity, are accounted for by applying the Purchase method. The acquisition cost is represented by the current value (fair value) at the date of purchase of assets transferred, of liabilities assumed and of equity instruments issued. The identifiable assets and liabilities, which are acquired and assumed, respectively, are entered at the related current value at the date of acquisition. The difference between the acquisition cost and the current value of identifiable assets and liabilities acquired, is entered, if positive, under intangible assets as goodwill, or, is accounted for, if negative, after having verified once again the correct measurement of the current values of the abovementioned assets and liabilities acquired and of the acquisition cost, directly in the income statement, as an income. In the event that the fair value of identifiable assets and liabilities acquired can be determined on a temporary basis only, the business combination is recognized using these temporary values. Any adjustments arising from the completion of the valuation process are recognized within twelve months of the date of acquisition, restating comparative data;
- profits and losses, including the related tax effects, arising from transactions carried out between companies consolidated on a line-by-line basis and not yet realised against third parties, are derecognised, except for unrealized losses that are not derecognized, should the transaction provide evidence of an impairment of the transferred asset.

Furthermore, the mutual debt and credit relationships, costs and revenues, as well as financial income and costs, are also derecognised;

- for acquisitions of Non-controlling interests relating to companies for which control already exists, the difference (if any) between the acquisition cost and the related portion of equity acquired is accounted for in equity.

ii) Companies subject to joint control and associates

The companies subject to joint control (joint ventures) are characterised by the existence of a contractual agreement between the members by virtue of which the control over the economy activity is assigned to the same on a joint basis.

Associates are those companies over which the FS Italiane Group exercises significant influence, which is intended as the power to participate in the determination of the financial and operational policies of the investee company, without retaining control or joint control over it. The significant influence is presumed to exist when the Group holds, either directly or indirectly through subsidiaries, at least 20% of the voting rights that can be exercised at the shareholders' meeting; in assessing the existence of the significant influence, account is also taken of the potential voting rights that can be actually exercised or converted.

Investments in companies subject to joint control and associates are valued at equity and are initially entered at the cost incurred for the related purchase. Below is described the equity method:

- the carrying amount of equity investments in associates is aligned with the equity of the same, as adjusted, where necessary, by the application of the FS Italiane Group's standards and includes the recognition of the higher values assigned to assets and liabilities and of goodwill (if any) identified at the time of the acquisition;
- profits or losses from associates attributable to the FS Italiane Group are accounted for from the date when significant influence begins and up to the date when significant influence ceases; in the event that, as a result of losses, the company valued according to the method in question reports a negative equity, the book value of the equity investment is written off and the excess (if any) attributable to the FS Italiane Group, where the latter has undertaken to comply with legal or constructive obligations of the investee company, or in any case to cover its losses, is recognized under a special provision; any changes in equity of companies valued at equity that are not represented by the income statement result are accounted for directly as an adjustment to the equity reserves;
- unrealised profits and losses that are generated on transactions carried out between the Parent Company/subsidiaries and the investee company valued at equity are derecognised depending on the value of the stake held by the FS Italiane Group in the investee company itself; unrealized losses are derecognized, except when the same represent impairment.

Change in the consolidation area

The scope of consolidation of the FS Italiane Group has changed since last year due to the acquisition of I-MAGO Srl on the part of ATAF Gestioni S.r.l..

The list of subsidiaries, companies subject to joint control and associates, including any information concerning their registered offices and the ownership percentages, is reported in annexes 1 to 4 attached to these notes to the financial statements.

b) Translation of financial statements of foreign companies

The financial statements of subsidiaries, companies subject to joint control and associates, are prepared using the currency of the primary economic sector in which the same operate (functional currency). The rules for the translation of financial statements of companies expressed in a functional currency other than the Euro are the following ones:

- assets and liabilities are translated using exchange rates prevailing at the reporting date of the financial statements;
- goodwill and any adjustments arising from the fair value and correlated to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate of the period;
- costs and revenues are translated at the average exchange rate of the year;
- the “translation reserve”, which is entered under the consolidated equity items, includes both any exchange differences generated from the translation of economic values at an exchange rate other than the closing exchange rate and those generated from the translation of opening equities at an exchange rate other than the closing exchange rate of the reporting period. This reserve is reversed to the income statement at the time of the transfer of the related equity investments.

The exchange rates adopted for the translation of financial statements of companies that have a functional currency other than the Euro are reported in the following table:

	Average exchange rate for the year ended 31 December		Exchange rate at 31 December	
Euro	**2013**	**2012**	**2013**	**2012**
Swiss Franc	1.23	1.21	1.23	1.21
Czech Koruna	25.99	25.14	27.43	25.15
Danish Krone	7.46	7.44	7.46	7.46
Swedish Krona	8.65	8.71	8.86	8.58
Serbian Dinar	113.08	113.09	114.57	112.37

c) Translation of currency items

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

d) Accounting policies

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

Property, plant and equipment

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

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

Depreciation is charged on a straight line and monthly basis through rates that allow assets to be depreciated until the end of their useful life. When the asset being depreciated is made up of elements that can be identified distinctly, whose useful life significantly differs from that of the other parties that make up the asset, depreciation is made separately for each of these parties, in the application of the component approach method.

Criteria for the determination of depreciation of the rolling stock by Trenitalia

In the application of the component approach method, rolling stock has been divided into uniform classes (clusters) on the basis of the technology level that characterizes them.

For each cluster four classes of “components” have been identified:

1. components to be restored: serialized objects of high economic value that are subject to regeneration at preset intervals of distance/time;
2. worn components: that are fully replaced by “spare parts” stored at the warehouse;
3. components subject to restyling due to obsolescence/technical senescence /safety;
4. components that are not subject to interventions throughout the entire lifetime of the rolling stock.

The depreciation concerning the various components has been defined in: 5/6.5 years for components under categories 1 and 2; in 12.5 years in the case of driving material and 10 years in the case of driven material for components under category 3; and in 23/30 years for components under category 4.

Furthermore the calculation of the average depreciation rate for each rolling stock has taken account, as already previously made, the year of purchase with respect to 2000, the year of incorporation of Trenitalia. Prior to 2000, in fact, purchases were subject to a 4.3% rate, while after 2000 Trenitalia applied a tax rate of 3.3%.

The various maintenance activities to which the rolling stock is subject in the course of its useful life can be divided into three macro-types:

- current maintenance that is aimed at keeping rolling stock efficient and that is taken to the income statement in the relevant year;
- second-level maintenance mainly aimed at the replacement/repair of components within the rolling stock subject to wear and tear or restoration (under classes 1 and 2);
- revamping activities mainly aimed at increasing performance, efficiency or the useful life of the asset (class 3).

The second-level maintenance activities on the basis of the current phases of the entire maintenance process are carried out every 5/6.5 years on average. These activities mainly concern components subject to wear and tear or restoration. The activities are carried out according to the safety standards required by the competent control boards (CESIFER, *Certificazione Sicurezza Ferroviaria*, Railway Safety Certification).

Specifically, cyclic maintenance activities can be divided into three families:

1. activities belonging to standard cycles;
2. additional cyclical activities;
3. other activities.

Any activities belonging to the first type concern minimum processes aimed at ensuring safety through:

- the replacement of the components that are worn or to be restored;
- any related testing and inspection activities.

Specifically, the abovementioned activities allow the rolling stock to be compliant with the safety requirements set out by the external safety board (CESIFER) that defines the maximum distances which any rolling stock may cover in any cycle of cyclic maintenance (i.e. the time period between two maintenance activities).

Additional activities are mainly aimed at improving performance, even if they are not required for safety purposes, and are carried out on request at the same time as the standard cyclical activity.

The useful duration of the activity has been determined to be around 5/6.5 years, with the consequent accounting treatment as regards the depreciation rate.

On the contrary, as regards renovating fixed assets , which include all those activities that are aimed at increasing performance, the useful life or efficiency of the asset being invested, it has been deemed appropriate to distinguish three main types of actions:

- actions that radically change the characteristics of the rolling stock and that require re-endorsement from the CESIFER, with the consequent change in the registration number. In this case, the useful life of the rolling stock may be considered to be around 18 years and, therefore, the applicable depreciation rate is 5.5%;
- technological actions aimed at ensuring safety by order of the Supervisory Authority for upgrading the Fleet, or part thereof, that already circulates. Also in this case, it is possible to identify a useful duration of around 18 years, with the consequent accounting treatment as regards the depreciation rate equal to 5.5%;
- any other revamping actions that do not fall within the cases specified above are attributable to the third "class of components" that provides for a tax rate of 8% or 10% depending on whether we are dealing with driving or driven material, respectively.

Criteria for the determination of depreciation of property, plant and equipment by RFI

Depreciation has been systematically calculated on the basis of variable instalments and of production volumes expressed in trains-km. The train-km is defined as the overall distance of trains on a railway infrastructure expressed in millions/year. Specifically:

- as regards the Traditional Network, depreciation is calculated on the basis of the ratio between the quantities produced in the year and the quantity of total production expected during the term of the concession. In this regard, account is taken of the circumstance on the basis of which any future investments (that are suitable to ensure such a level of efficiency and safety as to allow the estimate of a useful life of the Network corresponding to the residual term of concession) are economically charged to the State as they are fully covered by grants; accordingly, these future investments contribute to the determination of the overall production capacity of the infrastructure and then of the useful life, with an impact on the calculation of the depreciation rate;
- as regards the High Speed/High Capacity Network, depreciation is calculated on the basis of the ratio between the quantities produced in the year and the production quantities corresponding to the costs incurred at the balance sheet date.

The depreciable cost of investments is given by the sum of all costs incurred, including interest payable (if any) accrued during and for the development of fixed assets and not yet depreciated, net of set-up grants, excluding the expected residual value of the railway infrastructure at the end of the Concession from the depreciable basis, in order to take account of the related non-free transferability.

Property, plant and equipment that, together with intangible assets and investment properties, make up the railway infrastructure are structured into 7 lines, separating the High Speed/High Capacity Network and the (basic and complementary) Traditional Network according to the division reported in the table below.

For every line RFI uses the number of trains-km actually sold in the year and resulting from specific survey systems of the company as the indicator of the quantity produced in the year, to which the Financial Statements are referred.

The table below reports the depreciation rates used in the 2013 and 2012 years:

	Production ratio	
Line	**2013**	**2012**
High Speed / High Capacity network	2.08%	1.57%
Traditional Network		
Padana cross road and international transport	1.95%	1.85%
North Tyrrhenian line and confluent lines	1.98%	1.90%
Ridge and confluent lines	1.83%	1.69%
South Tyrrhenian line	1.98%	1.95%
Adriatic line and Apennine cross-roads	2.02%	1.89%
Complementary network	2.38%	2.33%

The useful life of property, plant and equipment and their residual value are updated, where necessary, at least at the end of every year. Future site reclamation costs related to land are capitalized and depreciated. Property, plant and equipment are no longer recognized in the accounts following their transfer or when no future economic benefits arise which were expected from use; any loss or profit (calculated as the difference between the transfer value, net of selling costs, and the carrying amount) is recognized in the income statement in the year when the asset is derecognised from the accounts.

Below are the depreciation rates used by the FS Italiane Group for any other categories of property, plant and equipment:

Category	Depreciation rate
Buildings	2%-3%
Plant and machinery	5%-20%
Rolling stock	3.3%-20%
Industrial and business equipment	7.5%-25%
Other assets	8%-25%

The useful life of property, plant and equipment and their residual value are reviewed and updated, where necessary, at least at the end of every year.

Assets under finance leases

Property, plant and equipment held by virtue of finance lease agreements, through which risks and rewards of ownership are substantially transferred to the FS Italiane Group, are recognised as FS Italiane Group assets at their current value at the date of execution of the agreement or, if lower, at the present value of the minimum lease payments, including the amount (if any) to be paid for the exercise of the call option. The corresponding liability to the lessor is recognized under borrowings in the accounts. Assets are depreciated by applying the method and the rates previously specified, except when the term of the lease agreement is less than the useful life represented by said rates and there is no reasonable certainty that the ownership of the leased asset will be transferred at the natural expiry date of the agreement; in this case the depreciation period is represented by the term of the lease agreement. Leases under which the lessor substantially retains the risks and rewards of ownership of the assets are classified as operating leases. Any costs referred to operating leases are recognized on a line-by-line basis in the income statement over the term of the lease agreement.

Investment properties

Investment properties are real properties held for the purpose of receiving lease rentals and/or for the appreciation of the invested capital and are not intended for sale in the ordinary course of the business activity. Furthermore, investment properties are not used in the production or supply of goods or services or in the business administration. The accounting standards used for the recognition of the item in question comply with the criteria previously described for the item "Property, plant and equipment".

In the event that a development project is started with a view to a future sale, properties are reclassified to the item "Inventories" following the change in the intended use. The carrying amount at the date of the change in the intended use of the property is treated as a cost for the subsequent recognition under inventories.

Intangible assets

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

a) Concessions, licenses and trademarks

Concessions, licences and trademarks are amortised on a straight-line basis and on the basis of the related term.
Costs of software licences, including any expenses incurred to make the software available for use, are amortised on a straight-line basis and on the basis of the related term.
Any costs relating to the maintenance of software programmes are expensed at the time when they are incurred.

b) Patent and intellectual property rights

Patents and intellectual property rights are amortised on a straight-line basis and on the basis of their useful life.

c) Goodwill

Goodwill represents the difference between the cost incurred for the acquisition of a business activity and the current value of the related identifiable assets acquired and liabilities assumed at the time of the acquisition. Goodwill is classified as an intangible asset with an indefinite life and therefore it is initially accounted for at cost, as previously described and is subsequently measured at least on an annual basis to identify impairment losses (if any) (Impairment test). It is not permitted to restore the value of the goodwill in the case of a previous write-down for impairment losses.

d) Research and development costs

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

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

The amortisation of development costs (if any) entered under intangible assets begins from the date when the result generated by the project can be used and is carried out in a period equal to 5 years.

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

Any profits and losses arising from the disposal of an intangible asset are determined as the difference between the disposal value, net of selling costs, and the book value of the asset and are recognised in the income statement at the time of the disposal.

Impairment of intangible assets and property, plant and equipment

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

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

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

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

ii) Goodwill and intangible assets not yet available for use

The recoverable amount of the goodwill and of the intangible assets that are not yet available for use should be measured annually or more frequently whether or not there is any evidence that these assets may be impaired. In any case, the initial value of the goodwill is not reinstated if the reasons for the impairment no longer apply.

Business Combinations

According to IFRS 3 a business combination is “the bringing together of separate entities or businesses into one reporting entity.”

A business combination can be created according to different procedures as determined by legal, tax or any other reasons. It can also entail the acquisition of the capital of an entity by another entity, the purchase of the net assets of another entity, the assumption of the liabilities of another entity or the purchase of a part of the net assets of another entity which, when combined, constitute one or more businesses. The combination can be realized through the issue of equity instruments, the transfer of cash, of other cash equivalents or of any other assets, or through their combination. The transaction can take place between the partners of the entities that are being combined or between an entity and the partners of another entity. It can entail the establishment of a new entity that controls the entities that are participating in the combination or the net assets transferred or the restructuring of one or more entities that are participating in the combination.

Business combinations are accounted for according to the purchase method. This method assumes that the acquisition price is to be reflected in the value of the assets of the acquired entity and this recognition must be made at fair value (of assets and liabilities) and not at their book values. The residual (positive) difference (if any) constitutes goodwill, while the (negative) difference constitutes badwill.

Financial Instruments

Financial assets and trade receivables

Financial assets are initially measured at fair value and classified under loans and receivables, available-for-sale financial assets or financial assets at fair value through profit or loss, depending on the related nature and the purposes for which they have been acquired.
Financial assets are accounted for at the trade date of the acquisition/sale and are derecognised from the accounts when the right to receive the related cash flows is extinguished and the FS Italiane Group has substantially transferred all risks and rewards relating to the financial instrument and the related control.

Loans and receivables
Loans and receivables are non-derivative instruments with fixed or determinable payments that are not quoted in an active market. Specifically, this category classifies the following items of the consolidated statement of financial position: “Non-current financial assets (including derivatives)”, “Current financial assets (including derivatives)” and “Current trade receivables”.
Loans and receivables are initially accounted for at fair value and subsequently measured at amortised cost using the effective interest rate, net of the provision for write-down. Loans and receivables are included under current assets, except for those having a contractual term exceeding twelve months compared to the balance sheet date, which are classified under non-current assets.
Any losses on loans and receivables are recognised when there is any objective evidence that the FS Italiane Group will not be able to collect the due amount from the counterparty on the basis of the contractual terms. The objective evidence includes events such as:

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

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

Available-for-sale financial assets
Available-for-sale financial assets are any non-derivative financial assets expressly designated as available for sale and are included under non-current assets, except for those assets which the directors intend to transfer in the twelve months subsequent to the balance sheet date. The category in question exclusively includes equity investments.
Available-for-sale financial assets are initially measured at fair value, as increased by any additional charges and are subsequently measured at fair value, charging the subsequent profits or losses from measurement to an equity reserve.

Their recognition in the income statement is made only at the time when the financial asset is actually transferred, or, in the case of accumulated negative changes, at the time when the same are considered to be durable and significant.
Any dividends arising from equity investments entered under the category in object are charged to the income statement, at the time when the FS Italiane Group becomes entitled to receive the related payment.
At each balance sheet date the FS Italiane Group assesses whether there is any objective evidence of an impairment loss of the financial assets. In the case of equity investments classified as available for sale, a reduction in the fair value of the equity investment to below the initial cost is considered to be an impairment loss. If this evidence exists for available-for-sale financial assets, the cumulative loss – which is calculated as the difference between the acquisition cost and the fair value at the balance sheet date, net of impairment losses (if any) previously accounted for in the income statement – is transferred from equity and recognised in the income statement. These losses crystallise and therefore they cannot be subsequently reinstated in the income statement. Any changes in the exchange rates relating to the equity investments entered under available-for-sale financial assets are recognised under the specific equity reserve.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are represented by securities held for trading, as they are acquired for the purpose of being transferred in the short-term. Derivatives are measured as securities held for trading, unless they are designated as hedging financial instruments.

Financial assets at fair value through profit or loss are initially recognized at fair value and the related additional charges are immediately expensed in the income statement. Subsequently, these assets are measured at fair value with changes in profit or loss.

Cash and cash equivalents

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

Loans, trade payables and other financial liabilities

Loans, trade payables and other financial liabilities are initially entered at fair value, net of directly-attributable additional costs, and are subsequently valued at amortised cost, applying the effective interest rate method. If there is a change in the estimated expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and of the effective internal rate as initially determined. Loans, trade payables and other financial liabilities are classified under current liabilities, except for those with a contractual term beyond twelve months compared to the balance sheet date and those for which the 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 from the accounts at the time of their repayment and when the FS Italiane Group has transferred all risks and charges relating to the instruments themselves.

Derivative financial instruments

Derivative financial instruments entered into by the FS Italiane Group are aimed at coping with the exposure to the foreign exchange and interest rate risks and a diversification of the indebtedness parameters that may allow a reduction in their cost and volatility. At the date of execution of the contract, derivative instruments are initially accounted for at fair value and, if the derivative instruments are not accounted for as hedging instruments (cases that are not present within the FS Italiane Group), the subsequent fair value changes are treated as components of the income statement.
Hedging derivative financial instruments are accounted for according to the procedures set out for hedge accounting only when:

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

If the derivative financial instruments are eligible for hedge accounting, the following accounting treatment shall apply:

Cash flow hedge

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

Estimate of the fair value

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

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

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

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

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

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

Inventories

Inventories are entered at the lower of purchase and/or production cost and net realizable value. The cost is determined according to the weighted average cost method.

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

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

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

This item also includes properties held for trading which are recognised at the lower of the acquisition cost and market value determined by the report of an independent third-party expert. They are entered net of the provision for write-down and value-improving costs are capitalized. The write-down is derecognised in subsequent years if the relevant requirements cease to be met.

Construction contracts

Construction contracts (hereinafter also referred to as “job orders”) are entered at the value of the agreed contractual fees, as reasonably accrued, according to the percentage of completion method, taking account of the state of progress achieved and of the expected contractual risks. The state of progress of works is measured with reference to the contract costs incurred at the balance sheet date compared to the total estimated costs for each individual contract.

If the outcome of a contract cannot be estimated reliably, the contract revenue is recognized only to the extent that any costs incurred are expected to be recoverable. If the outcome of a contract can be estimated reliably and the contract is likely to generate a profit, the contract revenue is recognized over the term of the contract. If total contract costs are likely to exceed total contract revenues, the expected loss is immediately recognised in the income statement.

The FS Italiane Group shows the gross amount due from customers for contract work in progress for which the costs incurred, plus recognized margins (less recognized losses), exceed the amount of invoices for progress of works, as an asset. It also shows the gross amount due to customers for all contract work in progress for which any amounts invoiced for the state of progress of works exceed the costs incurred, including recognized margins (less recognized losses), as a liability.

Employee benefits

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

Severance pay and other employee benefits

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

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

Specifically, it should be pointed out that the FS Italiane Group manages a defined benefit plan that is represented by the provision for Severance Pay (*Trattamento di Fine Rapporto*, TFR). The Italian Companies are required to set aside this provision pursuant to article 2120 of the Italian Civil Code; it is treated as a deferred remuneration and is correlated to the duration of the working life of the employees and to the remuneration received in the period of service performed. Starting from 1 January 2007, law no. 296 of 27 December 2006, “2007 Finance Act” and subsequent Decrees and Regulations, introduced significant amendments to the TFR regulations, including the worker’s right to choose to allocate its accruing TFR being accrued either to supplementary pension funds or to the “Treasury Fund” managed by the INPS (*Istituto Nazionale di Previdenza Sociale*, National Social Security Institute). Therefore, this has entailed that the obligation to the INPS and the contributions paid into supplementary pension funds are now treated, pursuant to IAS 19 “Employee benefits”, as defined contribution plans, while the quotas entered in the provision for TFR at 1 January 2007 are still treated as defined benefit plans.

Other FS Italiane Group companies have also in place a defined benefit pension plan referred to the “Free Travel Card” (*Carta di Libera Circolazione*, CLC) that grants the employees, retired employees and their relatives, the right to travel – free of charge or, in some cases, through the payment of the right of admission – on the trains managed by Trenitalia.

Therefore, a provision has been set aside in the accounts, on the basis of the actuarial techniques previously mentioned, which includes the actuarially determined charge relating to retired employees who are entitled to the benefit, as well as the portion of benefit accrued for the employees in service and to be paid out after the termination of the employment relationship.
The accounting treatment of the benefits produced by the Free Travel Card and the effects arising from the actuarial measurement are the same as those envisaged for the provision for Severance Pay.

Provisions for risks and charges

Provisions for risks and charges are entered against certain or probable losses and charges, whose amount and/or date of occurrence cannot be determined. The provision is recognized only when a current obligation (legal or constructive) exists as a result of past events and it is probable that a future outflow of financial resources will be to settle the obligation. This amount represents the best estimate of the charge to fulfil the obligation. The rate used to determine the present value of the liability reflects the current market values and takes account of the specific risk that can be associated to each liability.
When the financial effect of time is significant and the dates of payment of the liabilities can be estimated reliably, provisions are measured at the present value of the outlay expected by using a rate that reflects market conditions, any change in the cost of money over time and the specific risk inherent in the obligation. The increase in the value of the provision determined by changes in the cost of money over time is accounted for as an interest expense.
The risks for which the emergence of a liability is only possible are specified in the special section on contingent liabilities and no provision has been made for them.

Revenues

Revenues are recognised insofar as it is probable that economic benefits will flow to the FS Italiane Group and their amount can be determined reliably, taking account of the value of returns, rebates, trade discounts and premiums concerning quantity (if any).
Revenues from performance of services are recognised in the income statement with reference to the state of completion of the service and only when the result of the service can be estimated reliably.
Revenues from contract work in progress are recognised, consistently with the information reported above for the latter item, with reference to the state of progress (percentage of completion method).
Revenues from sales of goods are measured at the fair value of the consideration received or due. Revenues from sales of goods are recognized when the significant risks and the rewards of ownership of the assets are transferred to the purchaser and the related costs can be estimated reliably.
Interest income is recorded in the income statement on the basis of the effective rate of return.

Government grants

Government grants, in the presence of a formal resolution assigning them and, in any case, when the right to their payment is deemed final as there is reasonable certainty that the 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) Set-up grants

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

ii) Operating grants

Operating grants refer to sums paid out by the Government or by any other Public Bodies to the FS Italiane Group by way of reduction in costs and charges incurred. Operating grants are charged to the item "Revenues from sales and services", as a positive component of the income statement.

Cost recognition

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

Income taxes

Current taxes are determined on the basis of the estimated taxable income and in accordance with the regulations in force for the FS Italiane Group companies.

Deferred tax assets relating to previous tax losses are recognized insofar as it is probable that a future taxable income will be available against which the same may be recovered. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applied in the years in which the differences will be realized or discharged.

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

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

Assets and liabilities held for sale and discontinued operations

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

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

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

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

Recently-issued accounting standards

First-time adoption accounting standards, amendments and interpretations

IFRS 13 – Fair value measurement

On 12 May 2011 the IASB issued IFRS 13 – “Fair value measurement”, which illustrates the procedures for determining the fair value for the purposes of the financial statements and will be applicable to all the cases in which the standards require or allow fair value measurement or the presentation of information based on the fair value, with some limited exclusions. Furthermore, the standard requires more extensive information on the fair value measurement (fair value hierarchy) than that currently required by IFRS 7.

The Group adopted this new standard on a prospective basis as from 1 January 2013.

IAS 19 – Employee benefits

On 16 June 2011 the IASB issued an amendment to IAS 19 – “Employee benefits”, which eliminates the option to defer the recognition of actuarial gains and losses according to the corridor method, providing for all actuarial gains or losses to be recognised immediately in the “Other comprehensive income (OCI)”, so that the entire net amount of provisions for defined benefits (net of assets serving the plan) is entered in the consolidated statement of financial position. The amendments also provide for any changes in the provision for defined benefits and of any assets serving the plan, between a financial year and the subsequent one, to be divided into three components: the cost components linked to the working activity of the financial year must be recognised as “service costs” in the income statement; net financial charges, which are calculated by applying the appropriate discount rate to the net balance of the provision for defined benefits, net of assets arising at the beginning of the financial year, must be recognised in the income statement as such; actuarial gains and losses that arise from the re-measurement of liabilities and assets must be entered in the statement of comprehensive income. Furthermore, the return of the assets included under net financial charges, as specified above, shall be calculated on the basis of the discount rate of the liabilities and no longer on the basis of the expected return of the assets.

Finally, the amendment introduces new additional information to be provided in the notes to the financial statements.

The Company adopted this amendment on a retrospective basis as from 1 January 2013; in consideration of the fact that the Company had already opted for the immediate recognition of actuarial gains and losses under the OCI, the application of the abovementioned amendment has had no effects.

IAS 1 – Presentation of financial statements

On 16 June 2011 the IASB issued an amendment to IAS 1 – "Presentation of financial statements", to require the companies to group all the components reported in the "Other comprehensive income (OCI)", depending on whether or not they can be subsequently reclassified to the income statement.

The Group adopted this amendment as from 1 January 2013.

IFRS 7 – Financial instruments - Disclosures

On 16 December 2011 the IASB issued some amendments to IFRS 7 – Financial instruments - Disclosures. These amendments require the companies to provide information about the actual or potential effects of offsetting financial assets and liabilities on the statement of financial position.

The Group adopted these amendments as from 1 January 2013.

Annual Improvements to IFRSs: 2009-2011 Cycle

On 17 May 2012 the IASB published a document named *Annual Improvements to IFRSs: 2009-2011 Cycle*, which adopts the changes to the standards in the framework of their annual improvement process, concentrating on changes that are deemed necessary but not urgent. After this it refers to those that will entail a change in the presentation, reporting and measurement of the items in the accounts, setting aside those that entail changes in terminology or editing changes with very little effect in terms of accounting, or those that have an impact on the standards or interpretations not applicable by the Group:

- IAS 1 "Presentation of financial statements – Comparative information": it is clarified that, in the event that additional comparative information is provided, it must be presented in accordance with IAS/IFRS; if an entity voluntarily provides additional comparative information, this may be included even in only one of the mandatory financial statements, for which the related notes must be then provided. Furthermore, it is clarified that in the event that an entity changes an accounting standard or makes a retrospective adjustment/reclassification, the entity itself shall also present a balance sheet at the beginning of the comparative period (a "third statement of financial position" in the financial statements), while no comparative disclosures are required to be reported in the notes to the financial statements in relation to this "third statement of financial position", except for any relevant items.
- IAS 16 "Property, plant and equipment – Classification of servicing equipment": it is clarified that any servicing equipment shall be classified under Property, plant and equipment if it is used for more than one financial year; otherwise, under inventories.
- IAS 32 "Financial instruments: presentation – Direct taxes": it is clarified that direct taxes on distributions to holders of equity instruments and transaction costs on equity instruments are regulated by the rules under IAS 12.

- IAS 34 "Interim Financial Reporting – Information on operating segments": this standard clarifies requirements on information to be reported in interim reports as to assets and liabilities relating to operating segments.

The Group adopted these amendments as from 1 January 2013.

Accounting standards, amendments and interpretations endorsed by the European Union, but not yet applicable and not adopted by the FS Italiane Group in advance

It should be pointed out that the amendments listed below are being analysed: therefore, the related effects cannot be determined at present.

IFRS 10 – Consolidated Financial Statements

On 12 May 2011 the IASB issued IFRS 10 – "Consolidated Financial Statements", which replaced SIC-12 "Consolidation - Special Purpose Entities" and IAS 27 – "Consolidated and Separate Financial Statements", which will be renamed "Separate Financial Statements" and will regulate the accounting treatment of equity investments in separate financial statements. The new standard identifies a single control model applicable to all companies. Below are the main developments:

- according to IFRS 10, there is only one fundamental principle for the consolidation of all types of entity, and this principle is based on control. This change removes the inconsistency that was perceived between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and rewards);
- a firmer definition of control has been introduced with respect to the past, based on three elements on the part of the investor: (a) power over the acquired enterprise; (b) exposure or rights to variable returns from the investor's involvement with the investee; and (c) the ability of the investor to use its power over the investee to affect the amount of the investor's returns;
- IFRS 10 requires an investor, if it wishes to assess whether it has control over the acquired enterprise, to focus on the activities that significantly affect its returns;
- IFRS 10 states that only substantive rights should be considered in assessing the existence of control, namely those that can be exercised in practice when important decisions are to be taken concerning the acquired enterprise;
- l'IFRS 10 gives practical guidance in order to help in the assessment of whether there is control in complex situations, such as *de facto* control, potential voting rights, situations in which it has to be established whether the decision-maker is acting as agent or principal, etc..

The standard will be applicable on a retrospective basis from 1 January.

IFRS 11 – Joint arrangements

On 12 May 2011 the IASB issued IFRS 11 – "Joint arrangements", which replaces SIC-13 – "Jointly Controlled Entities – Non-monetary Contributions by Venturers" and IAS 31 – "Interests in Joint Ventures". IFRS 11, without prejudice to the criteria to identify joint control, sets out the reporting principles for entities that are parties to said agreements, defining the equity method as the only method of accounting for the purposes of consolidated financial statements. According to IFRS 11, the existence of a separate vehicle is not a sufficient condition to classify a joint arrangement as a joint venture.

Following the issue of IFRS 11, IAS 28 – "Investments in associates and joint ventures" was amended in order to also include interests in joint ventures within its scope of application from the effective date of the standard.

The new standard will be applicable on a retrospective basis from 1 January.

IFRS 12 – Disclosure of Interests in Other Entities

On 12 May 2011 the IASB issued IFRS 12 – "Disclosure of Interests in Other Entities" which is a new and complete standard on the additional information to be provided in the consolidated financial statements on any type of equity investment, including those held in subsidiaries, joint arrangements, associates, unconsolidated special purpose entities and any other vehicle company.

The standard will be applicable on a retrospective basis from 1 January.

IAS 32 – Financial instruments: Presentation

On 16 December 2011 the IASB issued some amendments to IAS 32 – "Financial Instruments: presentation", in order to clarify the application of some criteria for the setoff of financial assets and liabilities governed by IAS 32, thus actually making it more difficult. The amendments will be applicable on a retrospective basis for the financial years commencing on or after 1 January 2014.

IFRS 10 IFRS 11 IFRS 12 – Amendments: transition guidance

On 28 June 2012 the IASB issued some amendments to IFRS 10 – "Consolidated financial statements", IFRS 11 – "Joint arrangements" and IFRS 12 – "Disclosure of Interests in Other Entities", as resulting from the proposals contained in the Exposure Draft – Transition Guidance published in December 2011. The amendments substantially provide further relief in the transition to the new standards by limiting the obligation to provide adjusted comparative information to the previous comparative financial year only. Furthermore, for the first year that IFRS 12 is applied, the requirement to present comparative information for the disclosures related to unconsolidated structured entities is removed. The amendments will be applicable for the financial years commencing after 1 January 2014.

IFRS 10 IFRS 12 IAS 27 – Investment entity

On 31 October 2012 the IASB published some amendments to IFRS 10 – "Consolidated Financial Statements", IFRS 12 – "Disclosure of Interests in Other Entities" and IAS 27 – "Separate Financial Statements". The abovementioned amendments clarify the definition of "investment entity" and introduce an exception to the application of the principle of consolidation for such entities, and allow the same to measure their subsidiaries at Fair Value. Furthermore, the amendments better define some disclosure requirements that the investment entities must provide in the notes. The standard will be applicable for the financial years commencing on or after 1 January 2014.

IAS 36 – Impairment of Assets – Disclosures on the recoverable amount of non-financial assets

On 29 May 2013 the IASB issued an amendment to IAS 36 – "Impairment of Assets – Disclosures on the recoverable amount of non-financial assets". The amendment regulates the information to be provided in relation to the recoverable amount of an impaired asset in the case this amount is determined at the asset's fair value less costs of disposal.

The standard will be applicable for the financial years commencing on 1 January 2014.

IAS 39 – Financial Instruments: Recognition and Measurement

On 27 June 2013 the IASB issued some amendments to IAS 39 – "Financial Instruments: Recognition and Measurement", named "Novation of Derivatives and Continuation of Hedge Accounting." The amendments provide an exception to the requirement to discontinue hedge accounting in situations where derivatives designated in hedging relationships are novated to replace the original counterparty as a consequence of laws or regulations, in order to ensure the successful discharge of the obligation undertaken and if certain conditions are met.

The same amendment will be included in IFRS 9 – "Financial Instruments." These amendments will be applicable from the financial years commencing on 1 January 2014, with early application permitted.

Accounting standards, amendments and interpretations not yet endorsed by the European Union

As at the date of these Financial Statements, the competent bodies of the European Union had not yet concluded the necessary process of endorsement for the adoption of the following accounting standards and amendments:

IFRS 9 – Financial instruments

On 12 November 2009 the IASB published IFRS 9 – "Financial instruments", which represents the first stage of a phased process that is aimed at fully replacing IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities. Specifically, the new standard applies, for financial assets, a single approach based on the procedures to manage financial instruments and on the characteristics of contractual cash flows of the financial assets themselves, in order to determine their accounting policy, replacing the different rules laid down in IAS 39. On the contrary, as to financial liabilities, the main amendment concerns the accounting treatment of changes in fair value of a financial liability designated as financial liability at fair value through profit and loss, in the event that they are due to the change in the credit rating of the liability itself. According to the new standard, these changes must be recognized in the "Other comprehensive income (OCI)" and will no longer be taken through profit or loss. IFRS 9 will be effective from the financial years commencing on 1 January 2018.

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." IFRIC 21 provides guidance on when an entity must recognise a liability for levies 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 represented by the existence of a present obligation of the entity as a result of a past event (obligating event). The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. IFRIC 21 will be effective from the financial years commencing on 1 January 2014.

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 objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, such as, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments will be applicable from 1 July 2014, with early application permitted.

Annual Improvements to IFRSs: 2011-2013 Cycle

On 12 December 2013 the IASB published a document named *Annual Improvements to IFRSs: 2011-2013 Cycle*, which adopts the changes to the standards in the framework of their annual improvement process, in response to four issues addressed during the 2011-2013 cycle. The standards included in this cycle are: IFRS 1, IFRS 3, IFRS 13 and IAS 40. These amendments will be applicable from 1 July 2014, with early application permitted.

Use of estimates and valuations

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

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

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

i) Impairment of assets

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

ii) Amortisation and depreciation

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

iii) Provisions for risks and charges

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

iv) Taxes

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

v) Fair value of derivative financial instruments

The fair value of derivative financial instruments that are not listed in active markets is determined using valuation techniques. The FS Italiane Group uses valuation techniques that use inputs that can be observed in the market, either directly or indirectly, at the end of the financial year, and that are connected to the assets and liabilities being measured. Even if the estimates of the abovementioned fair values are considered to be reasonable, any possible changes in the estimate factors on which the calculation of the aforesaid values is based may produce different valuations.

vi) Residual Value of the infrastructure and of investment properties

According to the provisions under IAS 16, 38 and 40, the amortizable and depreciable cost of the infrastructure (which includes property, plant and equipment and intangible assets) and of investment properties is determined by deducting their residual value. The residual value of the infrastructure and of investment property is determined as the estimated value that the entity may receive from its disposal at that time, net of estimated costs for the disposal, as if it already found itself at the time and in the condition expected at the end of the Concession. The subsidiary company RFI S.p.A., which manages the railway infrastructure, reviews the residual value periodically and assess its recoverability on the basis of the best information available at the date. This periodical update may entail a change in amortization and depreciation rates of future financial years.

vii) Operating segments

The Parent Company Ferrovie dello Stato Italiane has issued debt securities in a regulated market of the European Union: therefore, it must provide information on operating segments in the notes to the financial statements, as required by IFRS 8.

5. Financial and operating risk management

The 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 exchange risks.

This section provides information relating to 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 the management of the capital. These Consolidated Financial Statements also include additional quantitative information.

The FS Italiane Group's risk management focuses on the volatility of financial markets and is aimed at minimizing potential side effects on the Group's economic and financial performance.

Credit risk

The credit risk mainly arises from financial receivables from the public administration, trade receivables and from the FS Italiane Group's financial investments.

As regards the assessment of the credit risk of customers, each FS Italiane Group company is responsible for managing and analysing the risk of all important new customers, as well as constantly controlling its commercial and financial exposure and monitoring the collection of receivables and amounts due from public authorities within the time limits set out as per contract.

The table below reports the FS Italiane Group's exposure to credit risks as at 31 December 2013 compared to 31 December 2012.

values in €/mil.

	31.12.2013	**31.12.2012**
Current trade receivables	2,964	3,201
Provision for write-down	(423)	(401)
Current trade receivables, net of provision for write-down	**2,541**	**2,800**
Other current assets	4,468	3,188
Provision for write-down	(14)	(14)
Other current assets, net of provision for write-down	**4,454**	**3,174**
Non-current financial assets (including derivatives)	1,283	1,402
Provision for write-down		
Non-current financial assets (including derivatives), net of provision for write-down	**1,283**	**1,402**
Other non-current assets	3,638	4,481
Provision for write-down		
Other non-current assets, net of provision for write-down	**3,638**	**4,481**
Cash and cash equivalents	**1,622**	**1,270**
Current financial assets (including derivatives)	221	184
Provision for write-down	(1)	
Current financial assets (including derivatives), net of provision for write-down	**220**	**184**
Non-current trade receivables	45	50
Provision for write-down	(18)	(15)
Non-current trade receivables, net of provision for write-down	**28**	**35**
Construction contracts	21	17
Provision for write-down	(1)	(4)
Construction contracts, net of provision for write-down	**20**	**13**
Total exposure, net of provision for write-down (*)	**13,806**	**13,358**

(*)This not include tax receivables and equity investments

The tables below report the exposure to credit risk by counterparty, in absolute values and in percentage terms, excluding Cash and Cash equivalents.

values in €/mil.

	31.12.2013	31.12.2012
Public Administration, Italian Government, Regions	10,486	10,208
Ordinary customers	929	1,069
Financial institutions	41	39
Other debtors	727	773
Total exposure, net of provision for write-down	**12,183**	**12,089**

	31.12.2013	31.12.2012
Public Administration, Italian Government, Regions	86.1%	84.4%
Ordinary customers	7.6%	8.8%
Financial institutions	0.3%	0.3%
Other debtors	6%	6.4%
Total exposure, net of provision for write-down	**100%**	**100%**

It should be pointed out that a significant portion of the trade and financial receivables is attributable to government and public bodies, such as the Italian Regional Governments and the Ministry of Economy and Finance (*Ministero dell'Economia e delle Finanze*, MEF).

The amount of financial assets considered to be doubtful and of a non-significant amount is covered by an appropriate provision for bad debts.

The table below provides a distribution of financial assets at 31 December 2013, as broken down by overdue items and reported excluding Cash and Cash equivalents.

values in €/mil.

	31.12.2013					
		Expired since				
	Not expired	**0-180**	**180-360**	**360-720**	**beyond 720**	**Total**
Public Administration, Italian, Government, Regions (gross)	9,625	550	185	144	40	10,544
Provision for Write-down	(13)			(25)	(20)	(58)
Public Administration, Italian Government, Regions (net)	**9,612**	**550**	**185**	**119**	**20**	**10,486**
Ordinary customers (gross)	527	322	212	167	74	1,302
Provision for Write-down	(102)	(5)	(169)	(39)	(58)	(373)
Ordinary customers (net)	**425**	**317**	**43**	**128**	**16**	**929**
Financial institutions	**18**			**23**		**41**
Other debtors (gross)	593	53	15	31	62	754
Provision for Write-down	(8)		(1)	(16)	(2)	(27)
Other debtors (net)	**585**	**53**	**14**	**15**	**60**	**727**
Total exposure, net of the provision for write-down	**10,640**	**920**	**242**	**285**	**96**	**12,183**

values in €/mil.

	31.12.2012					
		Expired since				
	Not expired	**0-180**	**180-360**	**360-720**	**beyond 720**	**Total**
Public Administration, Italian Government, Regions (gross)	9,351	460	173	241	31	10,257
Provision for Write-down	(14)	(2)		(22)	(11)	(49)
Public Administration, Italian Government, Regions (net)	**9,337**	**458**	**173**	**219**	**20**	**10,208**
Ordinary customers (gross)	798	213	196	170	49	1,426
Provision for Write-down	(38)	(4)	(161)	(107)	(47)	(357)
Ordinary customers (net)	**760**	**209**	**35**	**63**	**2**	**1,069**
Financial institutions	**16**			**23**		**39**
Other debtors (gross)	642	48	19	45	48	802
Provision for Write-down	(1)	(2)		(23)	(3)	(29)
Other debtors (net)	**641**	**46**	**19**	**22**	**45**	**773**
Total exposure, net of the provision for write-down	**10,754**	**713**	**227**	**327**	**67**	**12,089**

Liquidity risk

The liquidity risk is the risk that an entity will encounter difficulty in meeting any obligations associated to financial liabilities to be settled by delivering cash or cash equivalents or any other financial assets. Cash flows, financing requirements and the liquidity of FS Italiane Group companies are generally monitored and managed centrally under the control of the Parent Company, with the objective of ensuring the efficient and effective management of financial resources. The Parent Company adopts asset liability management techniques in raising debt capital and financing for FS Italiane Group companies.

The Group's objective is the prudential management of the liquidity risk arising from ordinary operations.

Specifically, in 2011 the Parent Company obtained, in order to meet potential temporary liquidity requirements, a Backup Credit Facility of a maximum amount of Euro 1,500 million, raised, on a "committed" basis, with a pool of eight lenders and expiring within three years; this credit line has been created with a general purpose, thus granting the Company the possibility of resorting to this borrowing instrument for the most diverse types of operating requirements.

Furthermore, again for the purposes of meeting temporary liquidity requirements, the FS Italiane Group has access to additional "uncommitted" credit lines granted by the banking system.

The tables below report the contractual expiry dates of financial liabilities, as at 31 December 2013 and 31 December 2012, including interest to be paid:

values in €/mil.

31 December 2013	Book value	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
Non-derivative financial liabilities							
Debenture loans	4,162	4,890	14	58	317	1,439	3,064
Loans from banks	5,617	6,584	581	410	720	2,093	2,780
Payables to other lenders	1,661	1,960	125	131	244	737	722
Trade payables	3,514	3,517	1,898	1,620			
Financial liabilities	177	178	174		1	2	
Total	**15,131**	**17,129**	**2,792**	**2,219**	**1,282**	**4,271**	**6,566**
Derivative financial liabilities	**208**	**195**	**51**	**47**	**75**	**35**	**(13)**

values in €/mil.

31 December 2012	Book value	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
Non-derivative financial liabilities							
Debenture loans	3,412	3,729	8	607	21	886	2,208
Loans from banks	6,527	7,587	315	1,108	621	2,214	3,327
Payables to other lenders	1,804	2,143	152	121	249	719	903
Other	11	11					11
Trade payables	4,094	4,152	2,344	1,807	1		
Financial liabilities	168	169	166		1	2	
Total	**16,016**	**17,790**	**2,984**	**3,643**	**893**	**3,821**	**6,449**
Derivative financial liabilities	**358**	**350**	**64**	**70**	**97**	**123**	**(4)**

The contractual flows from variable-rate loans have been calculated by using the forward rates estimated at the closing date of the financial statements. The values include capital quotas and interest.

It should be pointed out that, with reference to non-derivative financial liabilities expiring within 6 months or less, the main portion is represented by trade payables for High Speed/High Capacity contracts and works whose repayment mainly takes place through Government grants and, for a residual part, through cash flows from operations.

The tables below report the redemptions of financial liabilities as at 31 December 2013 and 31 December 2012, by expiry date within 12 months, from 1 to 5 years and beyond five years.

values in €/mil.

31 December 2013	Book value	Within 12 months	1-5 years	Beyond 5 years
Non-derivative financial liabilities				
Debenture loans	4,162	24	1,426	2,712
Loans from banks	5,617	943	1,979	2,694
Payables to other lenders	1,661	200	784	677
Trade payables	3,514	3,513	1	
Financial liabilities	177	175	2	
Total	**15,131**	**4,855**	**4,192**	**6,083**

values in €/mil.

31 December 2012	Book value	Within 12 months	1-5 years	Beyond 5 years
Non-derivative financial liabilities				
Debenture loans	3,412	602	822	1,988
Loans from banks	6,527	1,301	2,387	2,839
Payables to other lenders	1,804	207	771	827
Other loans	11			11
Trade payables	4,094	4,092	1	
Financial liabilities	168	166	2	
Total	**16,016**	**6,368**	**3,983**	**5,665**

Market risk

In carrying out its operations, the FS Italiane Group is exposed to various market risks, and it is mainly exposed to the risk of fluctuations in interest rates and, to a lesser extent, to fluctuations in exchange rates. The objective of the market risk management is the control of the Group companies' exposure to these risks within acceptable levels, while optimizing returns on investments. The FS Italiane Group uses hedging transactions for the purpose of managing the volatility of the results.

Interest rate risk

The FS Italiane Group is mainly exposed to interest rate risk related to indexed variable-rate medium/long-term loans payable. The Group companies that are most exposed to this risk (including Trenitalia, RFI and Grandi Stazioni) have chosen to carry out hedging transactions on the basis of specific risk management policies approved by the respective Boards of Directors and implemented with the technical and operating support of the Parent Company.

Although there are various customized solutions attributable to the financial and business peculiarities of the various companies, the common objective of the policies adopted is expressed by the limitation on changes in cash flows associated with the financing operations in place and, where possible, by the exploitation of opportunities to optimize the cost of debt arising from the indexing of variable-rate debt.

Based on the abovementioned policies, the FS Italiane Group does not use derivative financial instruments of a speculative nature, but only hedging instruments and, in particular, of the so-called "plain vanilla" type, such as interest rate swaps, interest rate collars and interest rate caps.

The table below reports the breakdown of medium/long-term loans (including the short-term portion) and current and non-current financial liabilities, excluding hedging derivative instruments, at variable rate and at fixed rate.

values in €/mil.

	Book value	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	beyond 5 years
Variable rate	6,525	7,133	724	768	2,686	2,955
Fixed rate	5,092	6,479	737	526	1,591	3,625
Balance as at 31 December 2013	**11,617**	**13,612**	**1,461**	**1,294**	**4,277**	**6,580**
Variable rate	8,006	8,563	1,984	399	2,356	3,824
Fixed rate	3,917	5,076	600	491	1,429	2,556
Balance as at 31 December 2012	**11,923**	**13,639**	**2,584**	**890**	**3,785**	**6,380**

The table below reports the impact of medium/long-term loans (including the short-term portion) and current and non-current financial liabilities, excluding hedging derivative instruments, at variable rate and at fixed rate, before and after the consideration of the hedging derivative instruments that convert variable rates into fixed rates or that provide hedge against rises in the variable rate beyond predefined maximum levels.

	31.12.2013	31.12.2012
Before hedging with derivatives		
Variable rate	56%	67%
Fixed rate	44%	33%
After hedging with derivatives		
Variable rate	37%	11%
Protected variable rate	18%	29%
Fixed rate	44%	61%

Below is reported a sensitivity analysis that shows the effects that would have been recorded in terms of changes in financial charges in the event of a change of +/- 50 basis points in the Euribor interest rates applied to loans payable in the course of 2013.

values in €/mil.

	Shift + 50 bps	Shift - 50 bps
Interest expense on variable-rate payables	37	(36)
Net Cash Flow from hedging transactions	(27)	28
Total	**10**	**(8)**

The table below reports the financial effects that would be recorded in relation to the value of derivatives in the event of a change of +/- 50 basis points being reported in Euribor interest rates.

values in €/mil.

	Shift + 50 bps	Shift - 50 bps
Fair value of hedging derivatives	65	(70)
Total	**65**	**(70)**

Exchange risk

The FS Italiane Group is mainly active in the Italian market, and operations outside the Italian market are limited to Euro zone countries and, therefore, its exposure to exchange risks is limited to the different currencies in which it operates. As at 31 December 2013 loans denominated in Swiss Francs were outstanding for an overall value of CHF 81 million.

Equity capital management

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

Financial assets and liabilities by category

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

values in €/mil.

31 December 2013	Receivables and loans	Payables and borrowings	Hedging derivatives
Non-current financial assets (including derivatives)	1,283		1
Non-current trade receivables	28		
Other non-current assets	3,637		
Construction contracts	20		
Current trade receivables	2,541		
Current financial assets (including derivatives)	220		
Cash and cash equivalents	1,622		
Tax receivables	91		
Other current assets	4,454		
Medium/long-term loans		10,336	
Non-current financial liabilities (including derivatives)		191	188
Non-current trade payables		25	
Other non-current liabilities		559	
Short-term loans and current portion of medium/long-term loans		1,104	
Current trade payables		3,490	
Tax payables		7	
Current financial liabilities (including derivatives)		194	20
Other current liabilities		6,948	

(*)VAT credits and equity investments are not included

values in €/mil.

31 December 2012	Receivables and loans	Payables and borrowings	Hedging derivatives
Non-current financial assets (including derivatives)	1,402		
Non-current trade receivables	35		
Other non-current assets	4,482		
Construction contracts	12		
Current trade receivables	2,800		
Current financial assets (including derivatives)	184		
Cash and cash equivalents	1,270		
Tax receivables	91		
Other current assets	3,175		
Medium/long-term loans		9,633	
Non-current financial liabilities (including derivatives)		291	288
Non-current trade payables		35	
Other non-current liabilities		340	
Short-term loans and current portion of medium/long-term loans		2,121	
Current trade payables		4,059	
Tax payables		22	
Current financial liabilities (including derivatives)		236	71
Other current liabilities		7,276	

(*) VAT credits and equity investments are not included

6. Assets held for sale

At 31 December 2013 assets held for sale amounted to Euro 2 million (Euro 28 million as at 31 December 2012) and related to assets intended for sale in the short term.

7. Property, plant and equipment

Below is reported the statement of amounts of property, plant and equipment at the beginning and at the end of the year, with the related changes. In 2013 no changes were reported in the estimated useful life of the assets.

values in €/mil.

	Land, buildings, railway and port infrastructure	Plant and machinery	Industrial and business equipment	Other assets	Fixed assets under construction and advances	Total
Historical cost	79,469	14,497	785	808	22,643	118,202
Depreciation and impairment losses	(24,907)	(7,124)	(473)	(588)	(1,552)	(34,644)
Grants	(23,783)	(459)	(105)	(41)	(14,928)	(39,316)
Balance as at 1.1.2012	**30,779**	**6,914**	**207**	**179**	**6,163**	**44,242**
Investments	2	27	1	5	3,795	3,830
Entries into service	612	964	22	44	(1,642)	
Depreciation	(80)	(875)	(17)	(30)		(1,002)
Impairment losses		(6)				(6)
Extraordinary transactions		23				23
Change in the consolidation area						
Exchange differences						
Sales and disposals	(22)	(19)	(1)	(2)	(8)	(52)
Other changes	(24)					(24)
Reclassifications from/to "Assets held for sale "						
Increases in the grants for the period	(553)	(7)	(16)	(6)	(1,464)	(2,046)
Other reclassifications	(167)	(26)		2	159	(32)
Mergers						
Total changes	**(232)**	**81**	**(11)**	**13**	**840**	**691**
Historical cost	79,650	15,134	806	811	24,937	121,338
Depreciation and impairment losses	(24,773)	(7,630)	(488)	(572)	(1,547)	(35,010)
Grants	(24,330)	(509)	(122)	(47)	(16,387)	(41,395)
Balance as at 31.12.2012	**30,547**	**6,995**	**196**	**192**	**7,003**	**44,933**
Investments	15	107	1	6	3,813	3,942
Entries into service	4,977	939	14	36	(5,966)	
Depreciation	(113)	(884)	(16)	(33)		(1,046)
Impairment losses		(15)			(8)	(23)
Sales and disposals (2)	(9)	(16)	(1)	(2)	(81)	(109)
Increases in the grants for the period	(3,848)	(11)	(7)	(1)	(12)	(3,879)
Other reclassifications (1)	(121)	(1)		1	78	(43)
Total changes	**901**	**119**	**(8)**	**8**	**(2,176)**	**(1,157)**
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)
Balance as at 31.12.2013	**31,448**	**7,114**	**188**	**199**	**4,826**	**43,775**

(1) and (2): The breakdowns are reported in the table below.

values in €/mil.

	Land, buildings, railway and port infrastructure	Plant and machinery	Industrial and business equipment	Other assets	Fixed assets under construction and advances	Total
1) Other reclassifications						
Historical cost	(213)	(1)	2	(1)	78	(135)
Depreciation	(53)		(2)	2		(53)
Impairment losses	154					154
Grants	(10)					(10)
	(121)	**(1)**		**1**	**78**	**(43)**
2) Sales and disposals						
Historical cost	28	262	4	16	81	392
Depreciation	(15)	(139)	(3)	(14)		(172)
Impairment losses	(2)	(106)				(108)
Grants	(2)	(1)				(3)
	9	**16**	**1**	**2**	**81**	**109**

The increase in investments entered under “Fixed assets under construction and advances”, equal to Euro 3,813 million, was mainly attributable to:

- the costs incurred for the completion of the infrastructures of the High Speed network and for the design and construction of work in progress both for the High Speed/High Capacity network and for the Traditional Network (Euro 2,852 million);
- the costs incurred for the acquisition, restructuring and requalification of the rolling stock (in particular, note the project for the purchase of E464 light locomotives, the new High Speed “Frecciarossa 1000” electric trains, the High Speed trains according to the new offering model based on four new service levels and Double Decker wagons) and for the reorganisation of the maintenance systems of the new High Speed trains (Euro 901 million);
- the capitalisation of external and internal costs concerning design costs and works relating to the refurbishment projects in progress at the mains stations (Euro 43 million);
- the costs incurred for the requalification, restructuring and construction of workshops and rolling stock in the German regional transport sector (Euro 10 million).

The entries into service of “Land, buildings, railway and port infrastructure” were mainly linked to the railway infrastructure of RFI (Euro 4,947 million), while those of “Plant and machinery” mainly related to the entry into service of new locomotives and to value-increasing maintenance (Euro 928 million).

Impairment losses of Euro 23 million were essentially attributable to the depreciation of locomotives, workshop equipment and other investments that did no longer meet the technical requirements applied by the Group companies.

Disposals related to the conclusion of contracts relating to equipment and to the return of advance payments linked to work in progress not yet completed.

“Other reclassifications” of “Land, buildings, railway and port infrastructure” were mainly due to a change in the intended purpose of the areas concerned that were better represented under investment properties, while assets that had been previously classified under the same item of intangible assets were reclassified to “Fixed assets under construction”.

At 31 December 2013 property, plant and equipment were not encumbered with mortgages or liens, except for a portion of the rolling stock of Trenitalia pledged in favour of Eurofima against medium- and long-term loans raised through the Parent Company, for a value of Euro 3,410 million, and excluding housings owned by RFI to be disposed of pursuant to law no. 560/93.

Government grants

In 2013, in line with the state of progress of works of property, plant and equipment, investment properties and intangible assets, set-up grants were allocated for a total of Euro 3,892 million:

- Euro 279 million out of grants received from the Ministry of Economy and Finance for infrastructural investments relating to the High Speed/High Capacity system;
- Euro 1,750 million out of set-up grants received from the Ministry of Economy and Finance for infrastructural investments in the traditional network;
- Euro 687 million out of set-up grants received from the Ministry for Infrastructures and Transport and other Entities for infrastructural investments in the traditional network;
- Euro 25 million relating to work being executed for “additional work to station complexes”, as approved within the programme for strategic infrastructures (Law 443/2001 – the so-called Target Law) and
- Euro 13 million relating to the maintenance/upgrading of the rolling stock fleet for rail and road transport.

Any other grants (equal to Euro 1,138 million) were mainly allocated by the European Union and by local Entities.

8. Investment properties

The table below reports the amounts of investment properties at the beginning and at the end of the financial year, both as at 31 December 2013 and 31 December 2012.

values in €/mil.

	2013		2012	
	Land	**Buildings**	**Land**	**Buildings**
Balance as at 1 January				
Cost	2,398	858	2,386	860
of which:				
Historical cost	2,399	888	2,387	888
Grants	(1)	(30)	(1)	(28)
Depreciation Fund		(402)		(399)
Provision for Write-down	(1,063)	(118)	(1,064)	(116)
Book value	**1,335**	**338**	**1,322**	**345**
Changes in the year				
Acquisitions /Increases		2		7
Reclassifications	134	(5)	19	(1)
Grants		(9)		(2)
Depreciation and impairment	(19)	(15)	(2)	(9)
Other changes	(3)		(5)	(2)
Total changes	**112**	**(27)**	**13**	**(7)**
Balance as at 31 December				
Cost	2,529	845	2,398	858
of which:				
Historical cost	2,530	885	2,399	888
Grants	(1)	(40)	(1)	(30)
Depreciation Fund		(416)		(402)
Provision for write-down	(1,083)	(119)	(1,063)	(118)
Book value	**1,446**	**310**	**1,335**	**338**

The item "Investment properties" includes non-instrumental land and buildings valued at cost and areas intended for enhancement (such as divested lines) and some buildings, workshops and a number of real properties leased to third parties.

The reclassifications that took place in the year in relation to both land and buildings were mainly linked to a change in the intended purpose of the areas concerned and to a better representation of the items themselves.

Impairment, totalling about Euro 21 million, was due to the adjustment to the book values of land and buildings at their relevant fair value, which appeared to be lower following precise expert's reports.

9. Intangible assets

values in €/mil.

	Development costs	Industrial patent and intellectual property rights	Concessions, licences, trademarks and similar rights	Fixed assets under development and advances	Others	Goodwill	Total
Historical cost	115	9	847	98	71	78	1,219
Amortisation and impairment losses	(87)	(8)	(531)		(23)		(650)
Grants	(4)		(32)				(36)
Balance as at 1.1.2012	**24**	**1**	**284**	**98**	**48**	**78**	**533**
Investments		1	4	107	5		117
Entries into service	1		48	(50)			(1)
Amortisation	(1)	(1)	(46)		(9)		(57)
Sales and disposals							
Extraordinary transactions						9	9
Impairment losses							
Reclassifications from/to "Assets held for sale "							
Increases in the grants for the period			(1)	(19)			(20)
Other reclassifications				(22)		7	(15)
Total changes			**5**	**16**	**(4)**	**15**	**33**
Historical cost	116	10	899	133	77	94	1,328
Amortisation and impairment losses	(88)	(9)	(579)		(33)		(709)
Grants	(5)		(32)	(19)			(56)
Balance as at 31.12.2012	**23**	**1**	**288**	**114**	**44**	**94**	**564**
Investments			3	102	2		107
Entries into service			56	(57)			(1)
Amortisation	(1)	(1)	(53)		(9)		(64)
Sales and disposals			(1)		(3)		(4)
Extraordinary transactions							
Impairment losses				(2)			(2)
Reclassifications from/to "Assets held for sale "							
Increases in the grants for the period			(4)				(4)
Other reclassifications			2	(92)	1		(89)
Total changes	**(1)**	**(1)**	**3**	**(49)**	**(9)**		**(56)**
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)
Balance as at 31.12.2013	**22**		**291**	**65**	**35**	**94**	**507**

Investments in “Fixed assets under development and advances” and the entries into service relate to costs incurred for the development and implementation of the software, for actions aimed at improving efficiency of production processes, the efficiency improvement and streamlining of sales channels and for the Group’s IT system. Instead, the increase in grants related to the amounts allocated by the National Operational Plan (*Programma Operativo Nazionale)* for the implementation of corporate software (Euro 4 million).

Other reclassifications of “Fixed assets under development and advances” match the reclassifications relating to fixed assets under construction under property, plant and equipment.

Impairment Test

In the application of the method envisaged under IAS 36 – “Impairment of assets”, the Group companies carried out the impairment test on non-current assets with an indefinite useful life, as every year, in the cases when this review was required by facts and circumstances and on any other non-current assets in the cases when this review was required by facts and circumstances.

In detail the impairment test involved the goodwill of Netinera GmbH, Ataf Gestioni Srl and FS Logistica SpA.

In preparing their financial statements, the investee companies RFI Spa and Trenitalia Spa carried out impairment tests on non-current assets relating to the Cash Generating Units (CGUs, to be intended as independent business units that are able to generate largely independent cash flows).

The test was carried out by comparing the Net Invested Capital to the recoverable value of every CGU. The recoverable value of every CGU was determined with reference to the higher of fair value and value in use. In determining the value in use, the cash flows were obtained on the basis of the 2014 budget forecasts and on the values of the most recent 2014-2017 Business Plan of the FS Group, which was approved by the Board of Directors of FS Italiane on 19 February 2014; the Terminal Value was estimated by applying the method of the unlimited capitalization of the prospective cash flow of the last year of explicit forecast, making reference to growth rates equal to the rates that can be found in the long-term forecasts of the rate of inflation equal to 2%. The discount rate used was the WACC (“Weighted Average Cost of Capital”) as differentiated for each CGU.

The table below reports the main values relating to the test:

CGU	Net invested capital (€/mil.)	Discount rate (WACC)	Growth Rate
Trenitalia			
Medium/Long-Distance Passengers	3,337	7.10%	2.00%
Regional Passenger Transport	5,354	7.10%	2.00%
Cargo transport	745	9.00%	2.00%
RFI			
Traditional Network Division	325	5.50%	1.00%
High Speed/High Capacity Network Division	5,242	5.50%	2.00%
Netinera	371	6.94%	1.00%
FS Logistica	160	9.09%	2.00%
ATAF Gestioni	6	9.40%	n.a.

No impairment losses arose from the comparison between the net invested capital of the single CGUs and the discounted cash flow value added to its Terminal Value (Value in Use).

10. Deferred tax assets and deferred tax liabilities

The statement below reports the amounts of deferred tax assets and deferred tax liabilities, as well as the changes that were recorded in 2013 in deferred taxes entered for the main temporary differences.

values in €/mil.

	31.12.2012	Increase (Decrease) through P&L	Increase (Decrease) OCI	Other changes	31.12.2013
Deferred tax assets	308	(21)			287
Deferred tax liabilities	233	(22)			211

Deferred tax assets and deferred tax liabilities relate to the misalignment between book values and tax values of Property, plant and equipment (in particular of the traditional network for the write-down of the initial cost made at the time of the first adoption of IAS/IFRS) and of Inventories (in particular properties held for trading compared to any revaluations that are irrelevant for tax purposes). Furthermore, deferred tax assets, equal to Euro 287 million, considering the changes reported in the year, reflected the valuation of the current recoverability of a portion of tax losses of Trenitalia (for about Euro 69 million) on the basis of the profitability prospects of the Group, taking account of the regulations in force in relation to the possibility of carrying forward losses and the relevant social and economic context.

11. Investments (valued at equity)

Investments valued at equity included the value of equity investments held in entities subject to joint control and in associates.

The table below reports the breakdown of the net value of equity investments as at 31 December 2013, specifying the ownership percentages and the related book value, net of subscribed capital (if any) to be paid up, compared to the value at 31 December 2012.

values in €/mil.

	Net value as at 31.12.2013	Ownership %	Net value as at 31.12.2012	Ownership %
Equity investments in companies subject to joint control				
Cisalpino SA	1.15	50.00	68.00	50.00
Trenord Srl	32.27	50.00	32.00	50.00
Terminal Alptransit Srl	0.19	50.00		
ODEG Ostdeutsche Eisenbahngesellschaft mbH	2.80	50.00	0.05	50.00
ODIG Ostdeutsche Instandhaltungsgesellschaft mbH		50.00	0.19	50.00
Verkehrsbetriebe Osthannover GmbH (*)	2.00	57.45	1.97	57.45
Kraftverkehr Celle Stadt und Land GmbH (*)	0.44	35.04	0.56	35.04
KVG Stade GmbH & Co. KG (*)	3.87	34.47	3.82	34.47
Kraftverkehr - GMBH - KVG (*)	1.25	34.47	0.82	34.47
KVG Stade Verwaltungs GmbH (*)	0.01	34.47	0.01	34.47
Verkehrsgesellschaft Landkreis Gifhorn (*)	0.26	14.47	0.19	25.20
Equity investments in associates				
B.B.T. SE SpA	71.19	50.00	67.04	50.00
Ferrovie Nord Milano SpA	47.01	14.74	43.91	14.74
Logistica SA	1.55	50.00	1.40	50.00
LTF - Lyon Turin Ferroviarie Sas	95.05	50.00	95.05	50.00
Pol Rail Srl	1.87	50.00	1.54	50.00
Quadrante Europa Terminal Gate SpA	7.67	50.00	7.86	50.00
LI-NEA SpA	1.54	34.00	1.55	34.00
Osthannoversche Umschlagsgesellschaft mbH		33.33	0.33	33.33
Others	2.60		3.23	
Total	**273**		**330**	

(*)The company must be considered as a joint venture because the Group exercises the same influence as Non-controlling interests

The table below reports the amounts of the equity investments in question, as broken down by category, and of the related changes that were recorded in 2013.

values in €/mil.

	Closing value as at 31.12.2012	Change in scope	Capital (decreases) increases	Recognition through P&L	Other	Closing value as at 31.12.2013
Equity investments in companies subject to joint control	108		(66)	4	(1)	44
Equity investments in associates	222		4	4	(1)	229
Total	**330**		**(62)**	**8**	**(2)**	**273**

The capital decrease of Euro 66 million related to the already ongoing process for the dissolution of Cisalpino SA, which led to the return of the share capital to shareholders on 16 January. Furthermore, following the aforesaid transaction, the Group recognised “Foreign exchange gains”, the details of which are reported in the comments on the Income Statement.

The capital increases were instead related to LTF Sas, for an amount of Euro 22 million, and were fully offset by the set-up grants received from the Ministry of Economy and Finance, and to the subscription by TFB SpA of the capital increase of BBT SE for a value equal to Euro 32 million, partially offset by set-up grants received from the Ministry of Economy and Finance in relation to chapter 7122 for financial investments (for an amount equal to Euro 28 million), which were accounted for as an adjustment to the value of the equity investment itself.

The recognition through P&L related to the results achieved in 2013.

The item “Other” included changes in the “Reserve for change in FV on derivatives” and in the “Reserve for actuarial gains (Losses) for employee benefits”, as well as the exchange differences for companies that operate in a currency other than the Euro and the distribution of dividends.

The value of the equity investment in Ostdeutsche Instandhaltungsgesellschaft mbH was equal to zero as a result of a situation of financial deficit.

Finally, it should be noted that the equity investment in Osthannoversche Umschlagsgesellschaft mbH is being sold and, therefore, it has been reclassified to “Assets held for sale and disposal groups.”

The tables below summarise the highlights of investments valued at equity, as unadjusted for the ownership percentage held by the FS Italiane Group.

values in €/mil.

Equity investments in companies subject to joint control 31.12.2013	Ownership %	Current assets	Non-current assets	Total Assets	Current liabilities	Non-current liabilities	Total Liabilities	Revenues	Costs	Profit/ (loss)
Cisalpino SA	50.00	21	19	40	1		1	2	(1)	1
Trenord Srl	50.00	341	240	581	410	171	581	760	(760)	
ODEG Ostdeutsche Eisenbahngesellschaft mbH	50.00	56	6	62	47	10	57	172	(167)	5
ODIG Ostdeutsche Instandhaltungsgesellschaft mbH	50.00	8	11	19	20		20	7	(8)	(1)
Berchtesgardener Land Bahn GmbH	50.00	2		2	4		4	8	(8)	
Verkehrsbetriebe Osthannover GmbH	57.45	2	3	5	1		1	10	(10)	
Kraftverkehr Celle Stadt und Land GmbH	35.04	1	1	2				1	(1)	
KVG Stade GmbH & Co. KG	34.47	13	13	26	6	9	15	31	(30)	1
Kraftverkehr - GMBH – KVG	34.47	1	14	15	11		11	25	(24)	1
Verkehrsgesellschaft Landkreis Gifhorn	14.47							15	(15)	

values in €/mil.

Equity investments in companies subject to joint control 31.12.2012	Ownership %	Current assets	Non-current assets	Total Assets	Current liabilities	Non-current liabilities	Total Liabilities	Revenues	Costs	Profit / (loss)
Cisalpino SA	50.00	172	6	178	4		4	64	(85)	(21)
Trenord Srl	50.00	300	188	487	319	95	414	737	(734)	3
ODEG Ostdeutsche Eisenbahngesellschaft mbH	50.00	18	8	26	19	7	26	99	(99)	
ODIG Ostdeutsche Instandhaltungsgesellschaft mbH	50.00	5	10	16	15		15	10	(10)	
Berchtesgardener Land Bahn GmbH	50.00	2		2	4		4	8	(9)	(1)
Verkehrsbetriebe Osthannover GmbH	57.45	2	3	4	1		1	9	(8)	1
Kraftverkehr Celle Stadt und Land GmbH	35.04	1	1	2				1	(1)	
KVG Stade GmbH & Co. KG	34.47	13	13	26	7	8	16	31	(29)	2
Kraftverkehr - GMBH – KVG	34.47	1	13	14	11		11	24	(23)	1
KVG Stade Verwaltungs GmbH	34.47									
Verkehrsgesellschaft Landkreis Gifhorn	25.20	2	1	3	1		2	15	(14)	

values in €/mil.

Equity investments in associates 31.12.2013	Ownership %	Current assets	Non-current assets	Total Assets	Current liabilities	Non-current liabilities	Total Liabilities	Revenues	Costs	Profit / (loss)
B.B.T. SE SpA	50.00	43	547	590	296	2	298	13	(13)	
Ferrovie Nord Milano SpA	14.74	254	315	569	147	103	250	188	(171)	17
Logistica SA	50.00	1	3	4	1		1	1		1
LTF - Lyon Turin Ferroviarie Sas	50.00	130	700	830	135		135	79	(79)	
Pol Rail Srl	50.00	8		8	5	4	9	26	(26)	
Quadrante Europa Terminal Gate SpA	50.00	1	20	21	1	5	6	1	(1)	

values in €/mil.

Equity investments in associates 31.12.2012	Ownership %	Current assets	Non-current assets	Total Assets	Current liabilities	Non-current liabilities	Total Liabilities	Revenues	Costs	Profit / (loss)
B.B.T. SE SpA	50.00	112	475	588	310	2	312	12	(12)	
Ferrovie Nord Milano SpA	14.74	256	332	587	180	110	289	254	(232)	22
Logistica SA	50.00	1	3	4	1	3	4		(1)	
LTF - Lyon Turin Ferroviarie Sas	50.00	47	638	686	69		69	42	(42)	
Pol Rail Srl	50.00	7		7	4		4	15	(15)	
Quadrante Europa Terminal Gate SpA	50.00	2	20	22	1	5	6	1	(2)	
LI-NEA SpA	34.00	8	7	15	8	7	15	17	(16)	1
Osthannoversche Umschlagsgesellschaft mbH	33.33		1	1				1	(1)	

12. Financial assets (including derivatives)

The table below reports the breakdown of financial assets at the end of the two financial years under comparison:

values in €/mil.

	Book value								
	31.12.2013			**31.12.2012**			**Changes**		
	Non-current	**Current**	**Total**	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Other equity investments	191		191	189		189	2		2
Securities and Loans	24	17	41	24	15	39		2	2
Receivables from the Ministry of Economy and Finance for 15-year grants to be collected	1,162	153	1,315	1,316	148	1,464	(154)	5	(149)
Receivables for loans	96	31	127	62	18	80	34	13	47
Other financial receivables		19	19		3	3		16	16
Total	**1,473**	**220**	**1,693**	**1,591**	**184**	**1,775**	**(118)**	**36**	**(82)**

The reduction in Financial assets, which took place in 2013, was mainly linked to the item "Receivables from the Ministry of Economy and Finance", the non-current portion of which decreased by about Euro 154 million as a result of the reduction in the relevant term of the 15-year grants envisaged under article 1, paragraph 84, of the 2006 Finance Act and of the consequent reduction in the yearly instalments still to be collected up to 2021. The increase of about Euro 5 million in the same receivable, as regards the current portion was attributable to the higher amount falling due on 31 December 2014 compared to the similar amount falling due on 31 December 2013. The increase of about Euro 47 million in "Receivables for loans" was mainly due to the increase in the sums confiscated on term current bank accounts held with Unicredit (Euro 43 million). The related current portion increased mainly as a result of the opening of a new term current account (Euro 17 million) following the execution of the contract for the sale of the areas of the new Opera House in Florence.

13. Other non-current and current assets

This item is broken down as follows:

values in €/mil.

	31.12.2013			31.12.2012			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Other receivables from group companies		15	15		132	132		(117)	(117)
VAT credits	397	236	633	149	656	805	248	(420)	(172)
Ministry of Economy and Finance and Ministry for Infrastructures and Transport	3,544	4,075	7,619	4,382	2,690	7,072	(838)	1,385	547
Set-up grants from the EU, other Ministries and others		37	37		50	50		(13)	(13)
Other State Administrations		19	19		20	20		(1)	(1)
Sundry receivables and accruals/deferrals	95	325	420	103	298	401	(8)	27	19
Total	**4,036**	**4,707**	**8,743**	**4,634**	**3,846**	**8,480**	**(598)**	**861**	**263**
Provision for write-down		(14)	(14)		(14)	(14)			
Total net provision for write-down	**4,036**	**4,693**	**8,729**	**4,634**	**3,832**	**8,466**	**(598)**	**861**	**263**

Receivables from the Ministry of Economy and Finance (*Ministero dell'Economia e delle Finanze*, MEF) and from the Ministry for Infrastructures and Transport (*Ministero delle Infrastrutture e dei Trasporti*, MIT) are broken down as follows:

values in €/mil.

Transfers in favour of RFI	Values as at 31.12.2012	Increases	Decreases	Values as at 31.12.2013
Operating grants:				
- Sums due by the MEF by virtue of the Programme Contract	532	1,211	(1,300)	443
Set-up grants:				
- by virtue of the Programme Contract	2,073	3,025	(2,075)	3,023
- MEF decree 47339/2011	3,035	123	(400)	2,758
from MEF	**5,108**	**3,148**	**(2,475)**	**5,781**
from MIT	**1,432**	**368**	**(406)**	**1,394**
Total set-up grants	**6,540**	**3,516**	**(2,880)**	**7,175**

Receivables relating to the "Sums due by virtue of the Programme Contract" were recognised, in the financial year, for Euro 1,211 million, for an amount equal to the provision provided for in Law no. 228 of 24 December 2012 "2013 Stability Act". During the year, the company collected residual receivables relating to previous years for Euro 250 million and receivables accrued in 2013 for Euro 1,050 million.

In 2013 receivables from the MEF were entered for "Set-up grants" in relation to:

- sums relating to the "Programme Contract" for an amount equal to Euro 3,025 million, intended for infrastructural investments in the traditional network and for extraordinary maintenance or urgent and pressing measures for the railway network, for an amount equal to the provision provided for in Law no. 228 of 24 December 2012, "2013 Stability Act";
- accrued interest of Euro 123 million, on 15-year grants referred to in decree 47339 of 1 June 2011.

Furthermore, in 2013 receivables from MIT recorded an increase of Euro 368 million, linked to the completion of High Speed/High Capacity lines and to interventions for improvement of the railway network.

During the year an amount of Euro 2,580 million was collected, which included the annual portion of Euro 400 million referred to in decree 47339 specified above and the annual portion of Euro 106 million relating to the 15-year grants allocated by the MIT in 2012 according to the Target Law no. 443 of 2001.

It should be pointed out that any receivables entered as sums payable by the MEF and the MIT by virtue of the Programme Contract related to works that had still to be executed and that, therefore, had their corresponding contra-entry in the item "advances" under liabilities.

Receivables by virtue of the MEF decree 47339/2011 related to grants for works already completed and entered under property, plant and equipment, whose provisions had been obtained, with annual amount of Euro 400 million, starting from 2011.

The decrease in the item “Other receivables from group companies” (Euro 117 million) was due to the financial settlement of the receivable from the subsidiary Cisalpino SA following the assumption of the financial debt to Eurofima.
The item “VAT credits” recorded a decrease of Euro 172 million that was partially due to an increase of Euro 248 million in non-current receivables and partially to a decrease of Euro 420 million in current receivables, of which Euro 411 million was due to amounts payable on account of principal and interest and Euro 8 million to the periodical VAT payments for the 2013 financial year.

Below is the breakdown of Other non-current and current assets by geographical area:

values in €/mil.

	31.12.2013	**31.12.2012**	**Changes**
National regions	8,715	8,321	394
Eurozone countries	25	38	(13)
United Kingdom			
Other European countries (non-Euro EU)			
Other non-EU European Countries	2	121	(119)
United States			
Other countries			
Total	8,742	8,480	262

14. Inventories and Construction contracts

The item is broken down as follows:

values in €/mil.

	31.12.2013	31.12.2012	Changes
Raw and secondary materials, and consumables	1,264	1,168	96
Provision for write-down	(222)	(225)	3
Net value	**1,042**	**943**	**99**
Work in progress and semi-finished goods	5	5	
Provision for write-down			
Net value	**5**	**5**	
Written-off assets to be disposed of	21	17	4
Provision for write-down	(12)	(10)	(2)
Net value	**9**	**7**	**2**
Construction contracts	21	17	4
Provision for write-down	(1)	(5)	4
Net value	**20**	**12**	**8**
Properties and Land held for Trading	1,192	1,219	(27)
Provision for write-down	(331)	(302)	(29)
Net value	**861**	**917**	**(56)**
Total Inventories and construction contracts	**1,937**	**1,885**	**52**

Inventories of raw and secondary materials and consumables were made up of stock intended to satisfy the demand from the plants for material intended for investments, equipment material, electrical and navigation systems and materials used in the maintenance process. The increase of Euro 99 million recorded in 2013 related to the infrastructure for Euro 74 million, equal to the net balance between Euro 329 million for purchases of materials and Euro 52 million for the production from the National Equipment and Electrical Fittings Workshops (*Officine Nazionali Armamento e Apparecchiature Elettriche*) (Pontassieve and Bologna), offset by Euro 307 million for the use of materials, and Euro 21 million attributable to the purchase of new serviceable parts made by Trenitalia SpA. The provision for write-down reported a decrease of Euro 3 million, which mainly arose from the combined effect of the use of Euro 19 million to cover the scrapping of stock materials and which was partially offset by the provision recognized for Euro 16 million.

Properties and land held for trading referred to the real estate assets held by the FS Italiane Group and intended for sale. The decrease of Euro 56 million recorded in the year arose from the sale of some areas in Turin and Florence for about Euro 14 million and from a better allocation of the existing items for Euro 9 million. The residual portion was due to write-downs, for an overall amount of about Euro 32 million, in order to adjust the book value of the assets at the related market value, following an analysis carried out on the real estate assets of the Group, also in consideration of the financial situation and in particular of the recession recorded in the property sector.

15. Non-current and current trade receivables

values in €/mil.

	31.12.2013			31.12.2012			Changes		
	Non-current	**Current**	**Total**	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Ordinary customers	13	1,267	1,280	20	1,387	1,407	(7)	(120)	(127)
State Administrations and other Public Administrations	33	183	216	30	146	176	3	37	40
Foreign Railways		30	30		29	29		1	1
Railways under concession		6	6		9	9		(3)	(3)
Agencies and other transport companies		25	25		27	27		(2)	(2)
Receivables from Service Contracts:									
- Service Contract with Regional Governments		1,090	1,090		1,077	1,077		13	13
- Service Contract with the Government		246	246		398	398		(152)	(152)
Receivables from Group companies		117	117		128	128		(11)	(11)
Total	**46**	**2,964**	**3,010**	**50**	**3,201**	**3,251**	**(4)**	**(237)**	**(241)**
Provision for write-down	(18)	(423)	(441)	(15)	(401)	(416)	(3)	(22)	(25)
Total net provision for write-down	**28**	**2,541**	**2,569**	**35**	**2,800**	**2,835**	**(7)**	**(259)**	**(266)**

The decrease in current trade receivables, including the provision for write-down, compared to the previous financial year, equal to Euro 237 million, was substantially attributable to a decrease in the “Receivables from Service Contract with the Government” (Euro 152 million), for local passenger service contracts, following the financial settlements that were made in the year.

“Receivables from Ordinary Customers” reported a decrease of Euro 127 million as a result of a better financial settlement that took place in the year, while receivables from “State Administrations and other Public Administrations” increased by Euro 40 million.

The provision for bad debts recorded, as a whole, an increase of Euro 25 million that was essentially attributable to the coverage of receivables for travel irregularities.

Below is reported the breakdown of non-current and current trade receivables by geographical region:

values in €/mil.

	31.12.2013	31.12.2012	Changes
National regions	2,886	3,109	(223)
Eurozone countries	88	98	(10)
United Kingdom		1	(1)
Other European countries (non-Euro EU)	14	8	6
Other non-EU European Countries	20	27	(7)
United States			
Other countries	2	8	(6)
Total	**3,010**	**3,251**	**(241)**

16. Cash and cash equivalents

The item is broken down as follows:

values in €/mil.

	31.12.2013	31.12.2012	Changes
Bank and postal accounts	450	346	104
Cash and cash on hand	41	52	(11)
Treasury current accounts	1,131	872	259
Total	**1,622**	**1,270**	**352**

The increase of Euro 352 million recorded in "Cash and cash equivalents" compared to 2012 was mainly attributable to the treasury current account (Euro 259 million), which reports the payments made by the Ministry of Economy and Finance at the end of the year in relation to the Programme Contract and to the Service Contracts with the Government, as well as payments for other grants disbursed by the European Union.

17. Tax receivables

In 2013 Tax receivables amounted to Euro 91 million, in line with those recorded as at 31 December 2012 and related to receivables for income taxes relating to previous years.

18. Equity

The changes recorded in 2013 and 2012 for the main consolidated equity items are reported analytically in the statement at the beginning of the Notes to the Financial Statements.

Share capital

At 31 December 2013 the share capital of the Parent Company, which was fully subscribed and paid up, was made up of 38,790,425,485 ordinary shares with a par value of Euro 1.00 each, for a total of Euro 38,790 million.

Legal reserve

The legal reserve, equal to Euro 21 million, increased for the share of profits of Euro 4 million realised by the Parent Company and allocated to this item.

Reserve for translation of financial statements in foreign currency

The translation reserve includes all exchange differences arising from the translation of financial statements of foreign companies and amounted to Euro 3 million. The decrease of Euro 17 million was mainly linked to the reduction in the share capital of Cisalpino SA, which has already been described in the paragraph on equity investments.

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

The cash flow hedge reserve, which includes the effective portion of the cumulative net change in the fair value of cash flow hedge instruments relating to hedged transactions that have not yet taken place and the portion of reserve accumulated with previous financial instruments for which the counterparties exercised the option of early termination provided for in the contracts in 2012. As at 31 December 2013 the balance was negative for Euro 326 million (Euro - 498 million as at 31 December 2012), by virtue of the combined effect linked to the measurement of hedging instruments at fair value as at that date (with a positive change of Euro 143 million) and to the release of the annual portion linked to the early termination of the derivative contracts with reference to the early termination option mentioned above (with a positive change of Euro 29 million).

Reserve for actuarial gains (losses) for employee benefits

The reserve for actuarial gains (losses) for employee benefits includes the effects of the actuarial changes in the Severance Pay and in the Free Travel Card. At 31 December 2013 the balance of the reserve was negative for Euro 232 million (Euro - 316 million at 31 December 2012).

Profits (losses) carried forward

The negative value of Euro 2,106 million substantially referred to the profits and losses carried forward by consolidated companies and to the consolidation adjustments arisen in previous years.

Other components of the statement of comprehensive income (net of tax effect)

The financial statements report the Statement of comprehensive income, which reports the other components of the comprehensive income, net of tax effect.

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

This item amounted to Euro 11,440 million and was broken down as follows:

values in €/mil.

	Book Value		
Medium/long-term loans	**31.12.2013**	**31.12.2012**	**Changes**
Debenture loans	4,138	2,810	1,328
Loans from banks	4,730	5,215	(485)
Payables to other lenders	1,468	1,597	(129)
Other		11	(11)
Total	**10,336**	**9,633**	**703**

values in €/mil.

	Book Value		
Short-term loans and current portion of medium/long-term loans	**31.12.2013**	**31.12.2012**	**Changes**
(Short-term) Debenture loans	24	602	(578)
(Short-term) Loans from banks	887	1.312	(425)
(Short-term) Payables to other lenders	193	207	(14)
Total	**1,104**	**2,121**	**(1,017)**
Total loans	**11,440**	**11,754**	**(314)**

The item "Debenture Loans" is made up of:

- twenty-five debenture loans issued by the Parent Company and fully subscribed by the Swiss investee company, Eurofima SA (private placement). The recourse to such loans is aimed at the financing of investments for the programme to renew and upgrade the rolling stock. The repayment of loans is expected to take place in a single payment upon expiry; the use of coupons is on a quarterly basis and at a variable rate for the twenty debenture loans and on an annual basis and at a fixed rate for five debenture loans. Securities do not provide for quotations on "official markets", national or foreign Stock Exchanges, and may not be subject to trading and will remain in the financial statements of Eurofima in its capacity as sole owner.
- Furthermore, in 2013, FS Italiane issued 2 tranches, totalling Euro 1.35 billion, of the debenture loan relating to the Euro Medium Term Notes Programme planned over several years for an overall amount of Euro 4.5 billion, on the Dublin Stock Exchange. The first tranche, for a nominal amount of Euro 750 million and an annual fixed coupon, will expire on 22 July 2020; the second tranche, for a nominal amount of Euro 600 million and an annual fixed coupon, will expire on 22 July 2021.

In 2013, short-term debenture loans decreased by Euro 578 million, mainly as a result of the repayment of one of the Eurofima loans to an amount of Euro 600 million.

In 2013, medium/long-term loans from banks recorded a decrease equal to Euro 485 million, essentially due to the reclassification of capital quotas to short-term loans, the repayment of which is expected in 2014.

Short-term loans from banks are made up of capital quotas of medium/long-term payables that will be repaid in 2014 and of the financial exposure to banks. The decrease of Euro 425 million was mainly due to the capital quotas of bank loans paid in 2013.

Payables to other lenders (as regards both the medium/long-term and the short-term portion) mainly included loans raised with Cassa Depositi e Prestiti and aimed at the railway infrastructure (Traditional and High Speed Network) whose repayment is ensured by the grants to be received from the Government from 2007 to 2021. The decrease of Euro 143 million recorded in the item arises from the repayment of the capital quotas of the abovementioned loan that took place in the year.

20. Severance pay and other employee benefits (Free Travel Card)

values in €/mil.

	2013	**2012**
Present value of severance pay obligations	1,842	2,050
Present value of Free Travel Card obligations	38	49
Total present value of obligations	**1,880**	**2,099**

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

values in €/mil.

	2013	**2012**
Defined benefit obligations at 1 January	2,099	1,879
Service Costs		1
Interest cost(*)	42	75
Actuarial (Profits) losses recognised in equity	(84)	313
Advances, uses and other changes	(178)	(169)
Total defined benefit obligations	**1,880**	**2,099**

(*)with recognition through P&L

Actuarial assumptions

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

	2013	2012
Discount rate of Severance Pay	2.49%	2.05%
Discount rate of Free Travel Card	3.17%	2.70%
Annual increase rate of Severance Pay	3.00%	3.00%
Rate of inflation	2.00%	2.00%
Expected turnover rate of employees	3.45%	3% - 4%
Expected rate of advances	1.98%	2.00%
Mortality	Mortality tables RG48 published by the General Accounting Office	
Disability	INPS tables broken down by age and gender	
Retirement age	100% subject to meeting the Compulsory General Insurance requirements	

Below is reported a sensitivity analysis that shows the effects that would have been recorded in terms of changes in the present value of defined benefit obligations, following reasonably possible changes in actuarial assumptions.

The last table shows the average financial duration of the obligation for defined benefit plans and the payments provided for in the plan.

values in €/mil.

	TFR	CLC	Other defined employee benefits
Rate of inflation +0.25%	1,856	40	2
Rate of inflation -0.25%	1,812	36	2
Discount rate +0.25%	1,802	37	2
Discount rate -0.25%	1,868	39	2
Turnover rate +1%	1,833		2
Duration of the plan	8	11	8
Payments - 1st year	151	2	0.2
Payments - 2nd year	135	2	0.2
Payments - 3rd year	147	2	0.2
Payments - 4th year	155	2	0.2
Payments - 5th year	167	2	0.2

21. Provision for risks and charges

The tables below report the amounts at the beginning and at the end of the year and the changes recorded in provisions for risks and charges in 2013, showing the short-term and medium/long-term portion.

values in €/mil.

Provisions for risks and charges	31.12.2012	Provisions	Uses and other changes	Release of excess provisions	31.12.2013
Provision for taxes	16	1		(6)	11
Other provisions	1,375	139	(386)	(25)	1,103
Total non-current portion	**1,391**	**140**	**(386)**	**(31)**	**1,114**

values in €/mil.

Short-term portion of Provisions for risks and charges	31.12.2012	Provisions	Uses and other changes	31.12.2013
Other provisions	21	2	5	28
Total current portion	**21**	**2**	**5**	**28**

The Provision for taxes includes tax charges that will be likely to be incurred in the future.

Below is provided the breakdown of the main items making up the "Other provisions".

The Bilateral Income-Support Management Fund (*Fondo Gestione Bilaterale di Sostegno al Reddito*), equal to Euro 181 million, provides for the implementation of projects aimed at streamlining the production structure of the FS Italiane Group. The provisions set aside in 2013 were equal to about Euro 32 million, while the uses, equal to about Euro 216 million, related to extraordinary benefits to be paid out in next years to the personnel which had access to the Fund both in 2012 and in 2013. Finally, the fund appeared to be excessive and was taken to the income statement for an amount of about Euro 12 million.

Provisions for litigation against the personnel, equal to Euro 82 million, were set aside against possible charges arising from outstanding claims and from disputes started with the competent authorities and essentially concerned claims on remuneration and career, as well as compensation for damage suffered for occupational diseases. The change was mainly due to provisions set aside in the year, in particular on the part of RFI and Trenitalia for an overall value of Euro 27 million and to the uses, for an overall value of Euro 34 million, for covering social security costs and charges relating to disputes with the personnel.

Provisions for litigation against third parties, equal to Euro 337 million, included possible charges relating to pending disputes with suppliers for work, service and supply contracts and to potential disputes relating to claims submitted by suppliers, as well as charges prudentially allocated in relation to possible objections on the part of the Regional Governments as to the quality of the transport services rendered within service contracts. The increase of about Euro 15 million recorded in the year, against an entry under various items in the income statement, was mainly due to RFI and Trenitalia for new pending disputes; the provision was then used, for about Euro 87 million, following the unfavourable settlement of some disputes for the Group and taken to the income statement for about Euro 8 million for minor overall requirements relating to pending disputes.

The provision for early retirement incentive amounted to Euro 51 million and recorded an increase of about Euro 10 million and a release of Euro 15 million in 2013, while the provision set aside to cover charges connected to the remediation of contaminated sites and to the enhancement of the works to be divested, equal to Euro 66 million, was used for about Euro 18 million.

The item “Other provisions” also included the provision set aside in 2013, equal to Euro 49 million, against the winding-up of the investee company Stretto di Messina SpA.

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

values in €/mil.

	Book value								
	31.12.2013			31.12.2012			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Financial liabilities									
Hedging derivative financial instruments	188	20	208	288	71	359	(100)	(51)	(151)
Other financial liabilities	3	174	177	3	165	168		9	9
Total	**191**	**194**	**385**	**291**	**236**	**527**	**(100)**	**(42)**	**(142)**

The item "Hedging derivative financial instruments" essentially reports the overall value of the transactions of Interest Rate Swaps and Interest Rate Collars, calculated according to the standard market valuation formulas (fair value) as required by IFRS 13, which were entered into by the companies in the FS Italiane Group to cover medium/long-term loans at variable rate. The decrease of Euro 151 million recorded in the item was due to the change of about Euro 100 million in the fair value of non-current hedging derivative financial instruments and of about Euro 51 million in current hedging derivative financial instruments.

Fair value measurement methods

The derivatives held in the Group's portfolio are OTC instruments and fall within the scope of the Level 2 measurement on the basis of the hierarchy established by IFRS 7.

The financial instruments have been measured at fair value on the basis of financial models that are considered to be market standards. In particular, the Group has:

- determined the net present value of the future flows for the Swaps;
- calculated the market value obtained through the Black & Scholes model for Options (Collar).

The inputs used by the models are represented by benchmarks that can be observed on the market and are made available by the major financial information providers.

Specifically, the Group has used the data from the *Swap vs 3-month Euribor*, *Swap vs 6-month Euribor* curves, the *Euro Interest Rate Volatility Cube* and the *Credit Default Swap* curve*(CDS)* of the parties involved in the derivative contract, which represent the input data that is commonly accepted by the market operators for the assessment of non-performance risks. Non-performance risks are assessed on the basis of adequate valuation techniques that are generally adopted in the financial sector and of appropriate models that include, among the factors considered, i) the exposure to risks, which is assessed as the potential mark-to-market exposure during the term of the financial instrument, ii) the appropriate CDS curves to represent their default probability (DP).

23. Other non-current and current liabilities

This item is broken down as follows:

values in €/mil.

	31.12.2013			31.12.2012			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Advances for grants		5,538	5,538		5,864	5,864		(326)	(326)
Advances from customers									
Payables to Social Security Institutions	72	269	341	66	283	349	6	(14)	(8)
VAT payables		109	109		82	82		27	27
Other payables to Group companies		81	81		2	2		79	79
Other payables and accrued expenses and deferred income	487	951	1,438	274	1,045	1,319	213	(94)	119
Total	**559**	**6,948**	**7,507**	**340**	**7,276**	**7,616**	**219**	**(328)**	**(109)**

The table below reports the changes relating to the advances entered mainly by the Manager of the Infrastructure (RFI) against set-up grants set aside by the Government (MEF and MIT), the European Union and Other Administrations, against investments to be made on the Traditional and High Speed Network.

values in €/mil.

	31.12.2012	Increases	Decreases and grants	Other changes	31.12.2013
Advances for grants:					
- Ministry of Economy and Finance (MEF)	2,850	3,065	(2,236)		3,679
- Ministry for Infrastructures and Transport (MIT)	1,524	368	(687)	(13)	1,192
- FESR	826	197	(721)	98	400
- TEN	105	70	(35)	(1)	139
- Others	559	47	(395)	(83)	128
Total	**5,864**	**3,747**	**(4,074)**	**1**	**5,538**

The increases in advances from MIT also included transfers relating to the laws for depressed areas.

The decreases in advances related to the recognition of grants under “Property, plant and equipment”, “Intangible Assets”, “Equity investments”, to which reference is made for a detailed breakdown, and for Euro 157 million related to grants recognized in the income statement to cover financial charges.

Current “Other payables and accrued expenses and deferred income”, equal to Euro 951 million (with a decrease of Euro 94 million compared to 2012) mainly related to payables to the personnel for fees accrued and not yet paid, payables to the so-called Bilateral Management Fund, guarantee deposits, payables to Public Administrations, other taxes payable for withholding taxes deducted by the companies against subordinate and non-subordinate employees and taxes for severance pay revaluation, etc..

Non-current "Other payables and accrued expenses and deferred income", equal to Euro 487 million (with an increase of Euro 213 million compared to 2012) mainly related to payables to the Bilateral Management Fund for the activation of the 2013 projects to be implemented in next years.

Accrued expenses and deferred income, which amounted to Euro 197 million as at 31 December 2013 mainly relate to the portions of revenue accruing in future financial years, which can be referred to the repayment of charges invoiced in the year; these revenues will be released to the income statement in future years on the basis of the term of the relevant contracts. Note those pertaining to the deferment of revenues arising from the transfer to Basictel (Euro 70 million) of the rights for the use of the power line for the passage of optic fibre cables pertaining to future years, whose contract has a term of 30 years, to the Vodafone fees for access to and maintenance of tunnels (Euro 20 million), to the transfer to Infostrada (Euro 5 million) of the right to use inert fibres, including the installation and replacement of fibre separators and of any other equipment necessary to connect inert fibres to the other parts of the IS (Signalling and Train Traffic Safety Systems) network.

24. Non-current and current trade payables

This item is broken down as follows:

values in €/mil.

	31.12.2013			31.12.2012			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Payables to suppliers	24	3,395	3,419	34	3,747	3,781	(10)	(352)	(362)
Commercial advances	1	60	61	1	53	54		7	7
Trade payables to Group companies		24	24		239	239		(215)	(215)
Payables for construction contracts		11	11		20	20		(9)	(9)
Total	**25**	**3,490**	**3,515**	**35**	**4,059**	**4,094**	**(10)**	**(569)**	**(579)**

The 2013 balance mainly included payables to ordinary suppliers for investment activities, the decrease of which compared to the previous year, equal to Euro 362 million, was attributable to an acceleration in the implementation of the payment plan in the course of the year.

The decrease in trade payables to Group companies, equal to Euro 215 million, was mainly attributable to the financial settlement of the Trenitalia SpA's payable to Cisalpino SA for the purchase of rolling stock (ETR 610) for Euro 196 million.

Commercial advances related to advances received and recorded a positive change compared to the previous year, due to higher advances received from ordinary customers and from Public Administrations, while any construction contracts payables represent the gross amount due from customers on the contracts related to orders in progress, for which the costs sustained, net of recognized margins, were in excess of invoices related to work in progress. These payables were correlated to the asset item "Construction contracts".

25. Income tax payables

The 2013 balance, equal to Euro 7 million (Euro 22 million at the end of 2012), included the sums due by the Group companies for IRAP tax (*Imposta Regionale sulle Attività Produttive*, Regional Tax on Production Activities) (Euro 5 million) and income taxes of foreign companies (Euro 2 million).

26. Revenues from sales and services

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

values in €/mil.

	2013	2012	Change
Revenues from Transport Services	**6,035**	**5,938**	**97**
Market Revenues	**3,796**	**3,699**	**97**
Passenger traffic products	2,945	2,847	98
Cargo traffic products	851	852	(1)
Revenues from Service Contracts	**2,239**	**2,239**	
Public Service Contracts and other Contracts	491	514	(23)
Revenues from Regional Governments	1,748	1,725	23
Revenues from Infrastructure Services	**1,333**	**1,340**	**(7)**
Other revenues from services	**205**	**218**	**(13)**
Capitalisation of works on fixed assets held for trading and other changes in inventories of products	**3**	**4**	**(1)**
Revenues from contract work in progress	**21**	**11**	**10**
Total	**7,597**	**7,511**	**86**

Revenues from "Passenger traffic products" showed a positive change due to a general increase recorded in the various segments of the passenger transport sector. In fact, the group reported higher revenues in the sectors of medium- and long-distance transport (Euro 12 million), regional transport, both in the Italian (Euro 26 million) and in the German market in which the Netinera group operates (Euro 9 million), passenger road transport service, following the inclusion of the Ataf group in the scope of consolidation (Euro 29 million) and international passenger transport, mainly as a result of the inclusion of Thello in the scope of consolidation (Euro 23 million), which was consolidated on a line-by-line basis starting from July 2012.

The positive performance of the medium and long-distance segment shows different forms according to the different types of service.

In fact, revenues from "Market" Services recorded an overall increase of 1.1%, equal to about Euro 17 million, which was mainly due to the increase of about Euro 39 million reported in revenues from the Frecce trains service, despite the entry into operation of the competing company in the High Speed segment, above all as a result of the boost to the range on the High-Speed Turin-Milan-Naples-Salerno section. The positive performance of the High Speed market was partially offset by the reduction in the revenues from services for which there is little demand and with negative margins (about Euro -11 million), which are being streamlined, as well as from international transport services performed by the Italian railway companies and specific services to customers (about Euro -12 million).

On the contrary, the Universal Service traffic segment reported a reduction of about Euro 4 million (equal to -1.2% compared to the previous year) in traffic revenues, which was affected by the gradual transfer of the modal portion to long-distance journeys by alternative means of transport, in line with developments that have already taken place in previous years.

The increase of about Euro 26 million (equal to about +3.3% compared to the previous year) recorded in revenues from the Regional Transport segment in the Italian market was linked to the increase in fares (4.2%), which offset the decline in revenues due to lower services provided, following the decision to review the range made by the Regional Governments to meet local finance requirements.

The slight drop recorded in the revenues from Cargo traffic products also shows different forms according to the different types of service.

In the Traditional Business segment of the companies that operate in the domestic market, revenues decreased by about Euro 31 million (equal to about -7.3% compared to 2012), above all as a result of general lower production volumes in the national industry, while the lower revenues (Euro -3 million) recorded in the segment of Combined Business and intermodal logistics were mainly due to the decline in international traffic. These lower revenues were offset by the good performance of the companies that operate in the foreign market, in particular the German market, which recorded positive indexes for about Euro 33 million.

“Revenues from Service Contracts” remained substantially unchanged.

The fees due for “Revenues from Regional Governments” recorded an increase due to the inclusion of Ataf Gestioni (Euro 37 million), owned by Busitalia, in the scope of consolidation. This offset the reduction in the revenues from the German federal states (“Länders”) for the German group Netinera (Euro -40 million) that was largely due (Euro 24 million) to the netting between revenues for regional grants and costs for the hire of rolling stock, which was applied in 2013 as a result of a new interpretation of IFRIC 12 specified by the independent auditors in Germany.

The table below reports the breakdown of fees for the Public Service Contract with the Government:

	2013	**2012**	**Changes**
Tariff and service obligations:			
for passenger transport	388	408	(20)
for cargo transport	103	106	(3)
Total	**491**	**514**	**(23)**

“Revenues from Infrastructure Services” included revenues from the Government on the basis of the Programme Contract – Services 2012-2014, which recorded a decrease of Euro 60 million compared to 2012, revenues from the sale of electric traction, which showed an increase of Euro 2 million and revenues from tolls, which recorded an increase due to higher services rendered to Trenord (Euro 3 million) and to the third-party railway company that operates in the High-Speed service market (Euro 48 million), despite the 15% reduction in the fees relating to the High Speed network applied as from September 2013.

“Other revenues from services” included services rendered to railway companies, in particular Trenord, concerning the hire (Euro +10 million) and maintenance of rolling stock (Euro -17 million), handling operations (Euro +2 million) and other transport-related services (Euro -8 million).

“Revenues from contract work in progress” recorded a positive change, above all as a result of the higher number of outstanding orders for third parties in the year, in particular in the foreign market.

27. Other income

The table below reports the breakdown of other income:

values in €/mil.

	2013	2012	Change
Revenues from Property Management	**277**	**273**	**4**
Lease rentals	183	187	(4)
Charge-back of service charges and IRES tax	18	15	3
Sale of properties and land held for trading	46	42	4
Sale of advertising spaces	30	29	1
Sundry income	**455**	**444**	**11**
Total	**732**	**717**	**15**

"Revenues from Property Management" recorded a reduction in lease rentals, mainly as a result of the outsourcing of some real estate services (Euro -3 million), while revenues from the charge-back of service charges increased as a result of the increase in the areas under management and costs to be allocated.

The item "Sundry income" also included revenues from fines and penalties receivable, compensation and insurance refunds, commissions on the sale of tickets, health benefits paid to third parties, works on behalf of third parties and capital gains on disposals of assets and materials.

The increase in the item was mainly attributable to higher capital gains, compared to 2012, realised on the sales of properties, equal to Euro 36 million (including a capital gain of Euro 49 million realised on the sale of the Rome Tiburtina complex, which was partially offset by lower capital gains on the disposal of land and buildings compared to 2012), as well to the surplus value arising from the sale of discarded materials or scrapped rolling stock (Euro 6 million) and to the proceeds arising from the successful outcome of the 4154/2012 judgment, whereby Autostrade Italiane was ordered to bear any costs incurred for the remediation of some contaminated sites (Euro 13 million). This increase was partially offset by the reduction in works on behalf of third parties (Euro -25 million), as a result of the completion of some contract work, as well as by lower insurance indemnities (Euro -5 million), the decrease in deductions on travel tickets and other third-party reimbursements (Euro -4 million) and higher charges due to lower releases (Euro -8 million).

The same item also included operating grants received from the Government, the EU and other Public Administrations for Euro 26 million (Euro 21 million in 2012).

28. Personnel cost

The table below reports the breakdown of personnel costs:

values in €/mil.

	2013	2012	Change
Permanent staff	**3,812**	**3,790**	**22**
Wages and salaries	2,822	2,785	37
Social security contributions	771	746	25
Other permanent staff costs	4	25	(21)
Severance pay	185	180	5
Service Costs TFR/CLC			
Provisions and releases	30	54	(24)
Self-employed staff and Collaborators	**8**	**8**	
Wages and salaries	3	5	(2)
Social security contributions	1		1
Other costs of permanent staff and Collaborators	4	3	1
Other costs	**90**	**79**	**11**
Total	**3,910**	**3,877**	**33**

Personnel costs showed an increase compared to 2012, which was attributable to a number of factors.

In fact, permanent staff costs, excluding provisions and releases, increased as a result of the so-called "perimeter effect" following the inclusion of the Ataf group companies (Euro 41 million) and of Thello (Euro 2 million) in the scope of consolidation, which were consolidated on a line-by-line basis, the first ones as from December 2012 and the second one as from July 2012.

Unit pays also recorded an increase, which was linked to the automatic increases envisaged in collective labour agreements, as well as to the dynamics in contractual renewals; in fact, as already reported in the consolidated financial statements of the previous financial year, 20 July 2012 saw the signature of the understanding for the renewal of the National Collective Labour Agreement 2012/2014 with the sector National Trade Unions, which had its effects in the accounts starting from September; the effects of the agreements reached at the time of the renewal of employment contracts entailed an increase of about Euro 11 million in other personnel-related costs, in particular for luncheon vouchers and clothing; on the other hand, said effects entailed a reduction in permanent staff costs (Euro –8 million), following both productivity gains generated from increased weekly working hours, which allowed higher "insourcing" of activities and a considerable reduction in overtime work costs, and the steady reduction in average staff members (which passed from 72,390 units in 2012 to 71,031 in 2013, as represented in detail in the table below), as a result of the continuous and gradual process for the reorganization of production and organization of labour, as well as of the access to extraordinary benefits of the so-called Bilateral Fund.

The improvement recorded in "Provisions and releases" for permanent staff was due to lower costs set aside for early retirement incentives (Euro 39 million), which were partially offset by higher provisions for labour disputes and a lower release for assessments of fees and costs to be paid (Euro -15 million).

The table below reports the FS Italiane Group's average staff broken down by category:

values in €/mil.

PERSONNEL	2013		2012	Change
Executives	768		814	(46)
Middle managers	11,681		12,047	(366)
Other staff	58,582	(*)	59,529	(947)
TOTAL	**71,031**		**72,390**	**(1,359)**

(*) these values were updated by including the data from the Bluferries units (113 employees) that were received after the approval of the 2012 financial statements.

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

The item is broken down as follows:

values in €/mil.

	2013	2012	Change
Materials and consumables	629	592	37
Electricity and traction fuels	189	180	9
Lighting and driving force	57	61	(4)
Change in inventories of properties and land held for trading	61	20	41
Total	**936**	**853**	**83**

As highlighted by the comparison with the previous year, purchases for "Raw and secondary materials, consumables and goods for resale" showed a general increase.

The purchases of "Materials and consumables" recorded an increase of about Euro 37 million, which was due to higher consumption of materials for the sector of infrastructures and to increased prices for the purchase of stocks, which was offset by lower purchases of materials for consumption, in line with the objective of containment of general costs.

The increase in costs for "Electricity and traction fuels", compared to 2012, was mainly due to the inclusion of the Ataf group in the scope of consolidation (Euro 7 million), the companies of which provide road transport services.

The "Change in inventories of properties and land held for trading" was substantially due to the write-downs carried out to adjust the book value at market value (Euro 31 million).

30. Costs for services

The balance is broken down in the table below:

values in €/mil.

	2013	2012	Change
Transport services	**541**	**523**	**18**
Other services linked to Transport	64	50	14
Toll	161	154	7
Handling services	21	20	1
Cargo transport services	295	299	(4)
Maintenance, cleaning and other contracted-out services	**944**	**939**	**5**
Services and works contracted out on behalf of Third Parties	31	39	(8)
Cleaning services and other contracted-out services	354	336	18
Maintenance and repair of intangible assets and property, plant and equipment	558	564	(6)
Real estate services and utilities	**88**	**82**	**6**
Administrative and IT services	**132**	**122**	**10**
External communication and advertising costs	**18**	**16**	**2**
Sundry costs	**455**	**514**	**(59)**
Professional and consultancy services	34	36	(2)
Tenders and fees to other Railway Companies	15	15	
Insurance	81	89	(8)
Sleeping cars and catering	86	75	11
Commissions to agencies	64	60	4
Engineering services	19	21	(2)
Other costs for services, provisions and releases	(6)	55	(61)
Other	162	163	(1)
Total	**2,178**	**2,196**	**(18)**

Costs for “Transport services” recorded an overall increase linked to the performance of revenues from traffic for type of service offered. In fact, the increase in toll costs was fully attributable to the inclusion of Thello in the scope of consolidation (Euro 7 million); the increase in costs for other transport-related services was instead substantially due to Thello (Euro 4 million), as well as to the costs arising from higher traffic volumes of Busitalia (Euro 3 million) and of the companies that operate in the German market (Euro 5 million). On the contrary, costs for "Cargo transport services" decreased by Euro 4 million because of reduced logistics operations.

The increase recorded in "Maintenance, cleaning and other contracted-out services" was mainly due to the combined effect of:

- higher costs due to the inclusion of Thello in the scope of consolidation (Euro 5 million);
- increased costs for cleaning services (about Euro 12 million) and for the restoration and decorum of the railway infrastructure (Euro 5 million);
- decreased costs for services and works contracted out on behalf of third parties (Euro -8 million), as a result of the completion of some outstanding orders for infrastructural works;
- lower maintenance costs of about Euro 6 million, the overall reduction of which was due to the efficiency improvement policies that entailed a reduction in costs for the maintenance of buildings and infrastructure (Euro -17 million), even against an increase due to the inclusion of the Ataf group in the scope of consolidation (Euro 7 million) and to higher rolling stock maintenance costs (Euro 4 million).

The increase in costs for "Real estate services and utilities" was substantially attributable to the increase in the prices of the services provided (Euro 5 million).

On the other hand, costs for "Administrative and IT services" increased as a result of the higher volume of services required for interventions on IT systems (Euro 10 million).

"Sundry costs" showed an overall reduction as a result of conflicting factors.

Specifically, lower provisions and higher releases were recorded in 2013 for disputes and litigation with contractors compared to 2012 (Euro -61 million).

Furthermore, costs for "Sleeping Cars and Catering" services showed an increase, which was due, for onboard train services, to the combined effect of the increase in the costs of catering services, as a result of an increased offer and a higher volume of passengers transported, and of a reduction in the cost for night train services, mostly as a result of the reduction in the commercial offer. Costs for "Commissions to agencies" recorded an increase due to higher traffic volumes (Euro 3 million) and to the inclusion of the Ataf group (Euro 1 million) in the scope of consolidation. "Insurance" costs essentially decreased as a result of the lower number of policies taken out in 2013 (Euro -8 million).

31. Leases and rentals

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

values in €/mil.

	2013	2012	Change
Operating lease rentals	2	2	
Lease rentals, service charges and IRES tax	55	49	6
Rentals and indemnities of rolling stock and other	102	136	(34)
Total	**159**	**187**	**(28)**

The increase recorded in "Lease rentals, service charges and IRES tax" was essentially due to the inclusion of the Ataf group in the scope of consolidation (Euro 3 million).

Lower costs for "Rentals and indemnities of rolling stock and other" were mainly due to the termination of the contract with Cisalpino involving the hire of ETR 610 trains, which were transferred to Trenitalia (Euro -12 million), as well as to reduced integrated logistics operations (Euro -7 million) and to the reduction in costs for rentals due to foreign networks (Euro -15 million).

32. Other operating costs

The table below reports the breakdown of other operating costs:

values in €/mil.

	2013	2012	Change
Other costs	144	119	25
Capital losses	6	7	(1)
Provisions/releases	9	12	(3)
Total	**159**	**138**	**21**

The increase recorded in "Other operating costs" was due to the increase in "Other costs" for higher charges of about Euro 4 million payable in 2013 on account of local tax (IMU, *Imposta Municipale Unica*) and for higher taxes of about Euro 3 million paid on waste collection; this item also included the settlement of disputes and litigation, for Euro 8 million, relating to sums for which the provisions previously set aside proved to be insufficient. Other items, such as membership fees and contributions to various entities, penalties payable and indemnities, non-deductible VAT and other duties and taxes, increased by about Euro 10 million.

The reduction in ordinary capital losses was due to the combined effect of lower capital losses recognised, compared to 2012, on the sale of buses and two ferries and higher capital losses recorded on the sale of discarded rolling stock.

33. Capitalisation of internal construction costs

Capitalisation of internal construction costs mainly related to the value of costs of materials and personnel and transport costs capitalised in 2013 against work performed on the infrastructure and value-increasing maintenance actions carried out on rolling stock at the workshops owned by the FS Italiane Group.

The item amounted to Euro 1,043 million (Euro 941 million at the end of 2012). Higher capitalisations recorded in 2013, equal to Euro 102 million, were essentially due to an increased internal production of improvement and development actions on infrastructures and tracks, as well as to higher costs arising from the review of average hourly tariffs in force from December 2012 and more value-enhancing maintenance of rolling stock in Group workshops.

34. Amortisation and depreciation

The item is broken down as follows:

	2013	**2012**	**Change**
Amortisation of intangible assets	64	57	7
Depreciation of property, plant and equipment	1,059	1,013	46
Total	**1,123**	**1,070**	**53**

Depreciation of property, plant and equipment recorded an increase of about Euro 46 million, compared to the previous year, related to the entry into service of new assets, specifically as a result of the investments and the refurbishment and value-enhancing maintenance of rolling stock, and to the entry into service of infrastructural works not fully covered by grants.

35. Write-downs and impairment losses (value write-backs)

The item is broken down as follows:

values in €/mil.

	2013	2012	Change
Write-down of intangible assets		1	(1)
Write-down of property, plant and equipment	50	27	23
Value adjustments and write-backs on receivables	18	9	9
Total	**68**	**37**	**31**

The increase recorded in write-downs of property, plant and equipment in the year was essentially attributable to the increase in write-downs of rolling stock (Euro 11 million), the fleet of buses (Euro 2 million) and some workshop equipment (Euro 3 million), as well as to the write-downs carried out to adjust the book value of some land and buildings at market value (Euro 20 million) and write-downs of the infrastructure (Euro -15 million).

The write-down of receivables, in particular receivables from ordinary customers, increased by Euro 9 million compared to 2012 to adjust the value of receivables at fair value, following a precise analysis of the same and of their degree of recoverability.

36. Provisions

Provisions, which totalled Euro 21 million (Euro 92 million in 2012), included provisions for charges set aside by the companies in the FS Italiane Group, which had started the procedure to access the Bilateral Income-Support Management Fund in 2013, which was set up in order to encourage the reorganisation of the Group itself in consideration of the restructuring and development of the railway transport system.

Additional information is reported in the comment on the item “Other Provisions” in the Statement of Financial Position.

37. Finance income

The table below reports the breakdown of finance income:

	2013	2012	Change
Finance income from non-current receivables and securities	2	3	(1)
Finance income from derivatives	2		2
Sundry finance income	62	37	25
Foreign exchange gains	21	1	20
Total	**87**	**41**	**46**

Finance income recorded an overall increase of Euro 46 million.

The increase in “Sundry finance income” was mainly due to the recognition of the currency appreciation of the Cociv Award for the High Speed/High Capacity Terzo Valico dei Giovi section, equal to Euro 24 million.

The increase in “Foreign exchange gains” arose from the repayment of the share capital on the part of Cisalpino SA (Euro 15 million), which was entered at historical cost at the time of the purchase and was repaid at the exchange rate prevailing as at the date of the transaction, and from the positive effect of the period-end exchange rate for the Group receivables denominated in Swiss francs (Euro 5 million).

In 2013 “Finance income from derivatives” increased as a result of the positive recognition of the time value component for about Euro 2 million.

38. Finance costs

The table below reports the breakdown of finance costs:

values in €/mil.

	2013	**2012**	**Change**
Finance costs on payables	206	215	(9)
Finance costs for employee benefits	45	80	(35)
Finance costs on derivatives		1	(1)
Sundry finance costs		1	(1)
Write-downs of financial assets	50		50
Foreign exchange loss	1	3	(2)
Finance costs on provisions and releases	27	24	3
Total	**329**	**324**	**5**

Finance costs, amounting to about Euro 329 million, showed an increase of Euro 5 million compared to the previous year, which was linked to various components.

"Finance costs on payables", which included costs for interest on debenture loans, interest on medium- and long-term loans granted by banks and by other lenders, and for sundry interest and commissions, recorded a reduction of about Euro 9 million, as a result of a reduction in interest rates in international markets, specifically in the Euribor rate, and a reduction in the average debt for the year.

"Finance costs for employee benefits", which were attributable to the discounting of the TFR and CLC funds, recorded a decrease of about Euro 35 million following a decrease in the Interest cost calculated by applying the actuarial rate and a reduction in the debt as a result of staff members leaving the Group.

On the contrary, the "Write-downs of financial assets" essentially increased as a result of the recognition of the write-down of Euro 49 million carried out in 2013, following the winding-up of the investee company Stretto di Messina SpA.

The abovementioned finance costs were entered net of Government grants, amounting to Euro 157 million.

39. Share of profits (losses) of equity-accounted investments

This item, which included the results of the Group companies accounted for at equity, or any associated companies and companies subject to joint control, was positive for Euro 8 million, against a negative value posted in 2012, recording a portion of losses of Euro 7 million.
For any details, reference is made to the item "Investments (equity method)" in the Consolidated Statement of Financial Position.

40. Current taxes, deferred tax assets and liabilities for the year

The table below reports the breakdown of income taxes:

	2013	**2012**	**Change**
IRAP tax	132	133	(1)
IRES tax	3	4	(1)
Current foreign taxes	3	(1)	4
Deferred tax assets and liabilities	14	(82)	96
Foreign deferred tax assets and liabilities	(8)	(2)	(6)
Adjustments to income taxes relating to previous years	(20)	(4)	(16)
Total income taxes	**124**	**48**	**76**

For more details on the changes in deferred tax assets and liabilities, reference is made to note 10 of the balance sheet items "Deferred tax assets and deferred tax liabilities".

41. Contingent assets and liabilities

Contingent liabilities concerned, in particular, the arbitration proceedings relating to the various sections of the High Speed/High Capacity network, as reported in the paragraph "Judicial investigations and proceedings" (Arbitrations, antitrust proceedings and proceedings before the public contracts supervisory authority, administrative litigation) of the Report on Operations to which reference is made for more details, as well as for other cases that could produce liabilities and that are reported in the same paragraph.

42. Fees due to the independent auditors

It should be noted that – pursuant to article 37, paragraph 16, of Legislative Decree no. 39/2010 and letter 16-*bis* of article 2427 of the Italian Civil Code, the total amount of fees due to the Independent Auditors, for the 2013 financial year, is equal to Euro 2,485 thousand, including accrued fees paid out to the same in the year for other auditing services other than statutory audit (Euro 752 thousand).

43. Fees due to Directors and Statutory Auditors

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

values in €/mil.

RECIPIENTS	2013	2012	Change
Directors	1,709	1,480	229
Statutory Auditors	100	100	
TOTAL	**1,809**	**1,580**	**229**

Fees due to Directors include emoluments envisaged for the positions of Chairman and Chief Executive Officer, as well as any emoluments envisaged for the remaining Board members. To the abovementioned fees must be added, for 2013 only, fees of Euro 52 thousand due to the external member of the Supervisory Board.

44. Related parties

Transactions with executives with strategic responsibilities

The general conditions that regulate transactions (if any) with executives with strategic responsibilities and their related parties are not more favourable than those applied, or that could be reasonably applied, in case of similar transactions with executives without strategic responsibilities of the same entities at arm's length.

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

values in €/mil.

	2013	2012
Short-term benefits	15.7	16.1
Post-employment benefits	1.0	1.0
Other long-term benefits		
Benefits due for termination of the employment relationship	1.2	
Total	**17.9**	**17.1**

The benefits relate to the fees paid to the persons indicated for various reasons. In addition to short-term benefits of Euro 15.7 million paid out in 2013, note a variable part to be paid in 2014, for an amount not exceeding Euro 2.6 million (Euro 3.1 million in 2012).

The executives with strategic responsibilities did not carry out any transaction in the period, either directly or through close relatives with the FS Italiane Group and the companies in the same or with other parties related thereto.

Other transactions with related parties

Below are summarised the main relations with related parties maintained by the FS Italiane Group, which are regulated at arm's length.

Business and other relations

values in €/mil.

Description	Receivables	Payables	Purchases for investments	Guarantees	Revenues	Costs
Enel Group	8	3	1	8	7	61
Eni Group	5	13		2	23	30
Finmeccanica Group	309	421	221	31	21	110
Anas Group	6				5	1
Cassa Depositi e Prestiti Group	1	13		23	4	83
ENAV Group					1	
GSE Group	2	63		150		406
Poste Italiane Group	2	3			2	5
EUROFER		4				
PREVINDAI		1				
Other pension funds		2				2
Other Related Parties		1			1	
Total	**333**	**524**	**222**	**214**	**64**	**698**

Financial relations

values in €/mil.

Description	Receivables	Payables	Income	Costs
Finmeccanica Group			1	
Cassa Depositi e Prestiti Group		283		1
Poste Italiane Group	1			
Total	**1**	**283**	**1**	**1**

Below is summarised the nature of the main abovementioned relations with external related parties.

Credit relationships maintained with the Enel Group and the Eni Group mainly concerned lease rentals and material transport costs, while debt relationships related to rentals for various utilities.

Credit relationships with the Finmeccanica Group mainly concerned lease rentals, costs for transport and rental of rolling stock, while debt relationships related to sundry maintenance (Rolling stock, line, software) and purchases of materials.

Debt relationships with the GSE Group mainly referred to the purchase of electricity for train drive.

Credit relationships with the Cassa Depositi e Prestiti SpA Group mainly related to rentals for leases and easements on land, while debt relationships related to loans and electricity payable to Terna.

Credit relationships with the Poste Italiane Group mainly concerned lease rentals, while debt relationships related to postal charges.

45. Guarantees and commitments

The guarantees given mainly refer to:

- collateral on pledges on the rolling stock of Trenitalia issued by the company in favour of Eurofima to secure medium- and long-term loans raised through Ferrovie dello Stato Italiane (the debt to Eurofima as at 31 December 2013 was equal to Euro 2,809 million);
- guarantees issued in the interests of Trenitalia in favour of the Regional Governments, also in relation to the Service contracts entered into, and in favour of other Entities on the part of financial Institutions;
- guarantees issued in the interests of Group companies to the Tax Authorities;
- guarantees issued in the interests of RFI to the Public Administrations (including, but not limited to: for the good and timely performance of works relating to the High Speed/High Capacity lines, reclamation operations, against the payment of financial grants);
- bank guarantees issued in favour of other entities, such as bid bonds, performance bonds, advance payment bonds.

For more details on the guarantees and commitments of the Parent Company issued in the interests of the Group companies, reference is made to the special section in the Notes to the Financial Statements.

46 Group segment reporting

In line with the Consolidated Financial Statements as at 31 December 2012, as the Parent Company Ferrovie dello Stato Italiane listed a debenture loan in an EU regulated market in 2013, and in compliance with IFRS 8, Operating Segments, the FS Italiane Group is divided organisationally into four operating segments through which it manages its business and activities: Transport, Infrastructure, Property Services and Other Services. The first three focus on core operating activities, while all the remaining activities performed within the Group fall under the fourth. In particular, the FS Italiane Group companies that carry passengers and/or goods by rail, by road or by sea, among which Trenitalia plays a role of the utmost importance, operate in the **Transport** segment, which is of primary importance within the Group. Also belonging to this segment are the Netinera group, the TX Logistik group (both mainly operating in Germany), FS Logistica, Busitalia and Ataf and other smaller companies.

The most important company in the **Infrastructure** segment is Rete Ferroviaria Italiana (RFI), which, as the national track operator, deals with track maintenance and utilisation. Smaller contributions to this segment come from Italferr, the Group's engineering company, and the other companies in the Group that deal with infrastructure, such as Brenner BasisTunnel (BBT), Tunnel Ferroviario del Brennero (TFB) and Lyon Turin Ferroviaire (LTF), all of whose main activities consist in the construction of the Italy-Austria and Italy-France tunnels.

The **Property** segment includes the companies that deal with the management and enhancement of the property assets of the Group that are not related to the running of railways: in detail, these are Grandi Stazioni, Centostazioni (which both acts as operators of the large and medium-sized Italian railway stations), FS Sistemi Urbani and its subsidiary, Metropark (which deal with property improvements, the latter especially as regards parking areas) and the Parent Company, Ferrovie dello Stato Italiane, which is increasingly turning its attention to the enhancement and management of the property assets assigned to it on the basis of the strategic asset allocation decisions contained in the Group's Business Plan.

Finally, the remaining activities performed within the Group, which are not significant enough to cause them to constitute separate segments, are included in **Other Services**. Among these, to quote the main services, are administrative management, building and facility management carried out by Ferservizi, financial services provided by Fercredit and the certification of technological transport and infrastructure systems carried out by Italcertifer.

Below are reported the main relevant highlights of the Group's operating segments, for 2013 and 2012:

values in €/mil.

2013	Transport	Infrastructure	Property Services	Other Services	Adjustments and Eliminations Operating Segments	Ferrovie dello Stato Italiane Group
Revenues from Third Parties	6,283	1,513	230	21		8,047
Inter-segment revenues	301	1,176	172	234	(1,602)	282
Operating revenues	**6,584**	**2,689**	**401**	**256**	**(1,602)**	**8,329**
Personnel cost	(2,216)	(1,540)	(32)	(146)	24	(3,910)
Other net costs	(2,925)	(643)	(307)	(79)	1,564	(2,389)
Operating costs	**(5,141)**	**(2,183)**	**(339)**	**(225)**	**1,588**	**(6,299)**
EBITDA	**1,444**	**506**	**62**	**31**	**(14)**	**2,030**
Amortisation and depreciation	(983)	(95)	(29)	(16)		(1,123)
Write-downs and provisions	(14)	(35)	(31)	(8)		(89)
EBIT	**446**	**376**	**2**	**6**	**(13)**	**818**
Finance income and costs	(177)	(81)	(5)	28		(234)
Income taxes	(85)	(42)	21	(17)		(123)
Net profit for the year (Owners of the parent and Non-controlling Interests)	**184**	**253**	**18**	**18**	**(13)**	**460**
Net invested capital	**8,863**	**35,175**	**1,997**	**(204)**	**2**	**45,834**

values in €/mil.

2012	Transport	Infrastructure	Property Services	Other Services	Adjustments and Eliminations Operating Segments	Ferrovie dello Stato Italiane Group
Revenues from Third Parties	6,189	1,519	224	18		7,950
Inter-segment revenues	287	1,148	161	231	(1,549)	278
Operating revenues	**6,476**	**2,668**	**385**	**248**	**(1,549)**	**8,228**
Personnel cost	(2,182)	(1,533)	(30)	(154)	23	(3,877)
Other net costs	(2,864)	(769)	(248)	(78)	1,525	(2,432)
Operating costs	**(5,045)**	**(2,302)**	**(278)**	**(233)**	**1,548**	**(6,310)**
EBITDA	**1,431**	**365**	**107**	**16**	**(1)**	**1,918**
Amortisation and depreciation	(967)	(63)	(23)	(16)		(1,070)
Write-downs and provisions	(49)	(69)	(3)	(8)		(129)
EBIT	**414**	**233**	**80**	**(8)**		**719**
Finance income and costs	(245)	(63)	(5)	25		(290)
Income taxes	(13)	(31)	(9)	4		(48)
Net profit for the year (Owners of the parent and Non-controlling Interests)	**155**	**140**	**66**	**21**		**381**
Net invested capital	**8,816**	**35,121**	**2,004**	**(141)**	**4**	**45,804**

47. Events after the balance sheet date

January

- In January 2014 Trenitalia learned from the Infrastructure Manager that the electric energy traction costs was to be increased from 1 January 2014 by virtue of Resolution no. 641/2013/R/COM passed by the Energy and Gas Authority (*Autorità dell'Energia Elettrica e Gas*, AEEG) on 27 December 2013. Specifically, given the ongoing revision of the costs saddling power intensive companies, the resolution changed profoundly the application of the Additional Tariff Components (*Componenti Tariffarie Aggiuntive*) (Stranded Costs), which in fact resulted in a significant abatement of the tariff discounts extended, among others, to railway companies. The company initiated administrative proceedings to request the Court to declare the resolution null and void.
- On 17 January 2014 a landslide from the property of third parties hit the IC 600 train on the Milan – Ventimiglia route causing the derailment of the locomotive and a car and disruption of the rail line between the stations of Albenga and Diano Marina, without any serious injuries among passengers. On 3 February, following clearance by the competent authorities, preliminary activities began to remove the train. These preliminary operations were completed on 24 February, thanks also to the use of a duly equipped barge which lifted the derailed locomotive and car and put them back on the rail tracks. Subsequently, activities commenced to remove the locomotive and the car and to repair the infrastructure, thus restoring the safety conditions necessary for circulation to resume on 4 March, 10 days ahead of schedule. In the meantime, passenger service between Savona and Ventimiglia was guaranteed by replacement buses operated by Trenitalia, which provided also traveller assistance thanks to the presence of personnel in the main stations. To allow the final restoration of the area, until April trains will travel at lower speed along the nearly-500-meter section affected by the landslide. RFI filed formal charges against unknown third parties for the landslide and to obtain damages for an amount that is currently being quantified by the competent technical and commercial structures.

February

- On 5 February a new digital telephone system replaced the analogue technology on the lines of the Romagna Basin. The system – which was operational at the end of January, the first of its kind in the region – guarantees more reliable communications between the Bologna control tower (*Posto Centrale Satellite* or PCS, Local Command Post or LCP) and 41 facilities – stations, stops and electrical substations – on the Ferrara – Ravenna – Rimini, Castelbolognese – Ravenna and Faenza – Lugo – Lavezzola lines. Created by Rete Ferrovairia Italiana with a total investment of approximately Euro 1 million, the new system will bring substantial benefits, especially in critical situations for circulation and manning of typically remote-controlled systems, as well as during activities at work sites. The entire system – which is based on VoIP (Voice over IP) technology - breaks down into three lines designed by forming three rings interconnected through optical fibre cables toward the Bologna LCP, each equipped with reclosing on 2Mbit/s SDH technology. The structure of the transmission axes has been designed specifically to make up for any disruptions along the line and to reduce inconveniences to a minimum.
- On 6 February Italferr was awarded a contract with a value of Euro 26 million for the preliminary design of the new railway network of the Oman Sultanate (2,244 km). The Group's engineering company plays a key role in what is regarded as the most important project ever in Oman, both in terms of impact on the country and for the strategic significance attributed to it. This is the last of a long series of international successes for Italferr, which firms up its

leadership in the Middle East. This new award followed the equally important order procured in July 2013 for the design of the new railway line between Riyadh and Jeddah in Saudi Arabia, the so-called Saudi Landbridge: about 1,000 km for an amount of about Euro 27 million. The activity conducted over the past two years by Italferr in the Gulf Area is bringing to light the high quality level of Italian railway engineering and is confirming the leadership of the FS Italiane Group company in designing railway and underground systems in the Middle East. In fact, Italferr is also involved in the design of the red line of the new Doha underground system in Qatar.

- On 7 February, a first hearing was held before the Transport Regulatory Authority (TRA) (*Autorità di Regolazione dei Trasporti* or ART), at which RFI discussed matters related to an "Inquiry into access to infrastructures." During the meeting of 6 March, the Authority, following this and other hearings with some railway operators, started proceedings for the adoption of specific regulations to ensure fair and non-discriminatory access to railway infrastructures, in accordance with methodologies that encourage competition, operational efficiency and affordable costs for users, companies and consumers. The preliminary investigation, which called for public consultation on the necessary regulatory measures, had to be completed within 180 days of the date of publication of the resolution on the TRA internet site, which took place on 10 March and was to generate "regulatory remedies" so as to upgrade the 2014 Network Statement (*Prospetto Informativo della Rete*) prepared by the Infrastructure Manager and to have positive effects for the preparation of the 2015 Network Statement. Within the context of the Network Statement, among others, the TRA will act on the principles and procedures to calculate charges to access the railway infrastructure and service fees, on the criteria to set charges in the absence of a contract and/or failure to use reserved capacity, on services to passengers with disabilities and on the maximum capacity that can be allocated to the individual customers.
- On 17 February 2014, the ruling was filed which rejected the class action initiated by certain Calabrian passengers and municipalities requesting, through an appeal filed with the Lazio Regional Administrative Court in October 2012, that night train service be restored on the south-north line. The Court ruled that Trenitalia did not "violate the obligations contained in the service charters and the quality and economic standards set for public service concessionaires", defining the company's choices "consistent with the general rules and regulations as well as with the provisions of the service agreement." The railway services covered by the appeal, in fact, are part of the universal services that Trenitalia performs upon request of the State, which outlines in the specific agreement the relevant quantity and characteristic plans.
- On 19 February 2014 the Board of Directors of Ferrovie dello Stato Italiane approved the 2014 – 2017 Business Plan of the FS Italiane Group. The Plan provides for an increase in revenues of up to Euro 9.5 billion (Euro 8.2 billion in 2012) in the four-year period. One of its main targets is an average 3.5% rate of growth in revenues per year, an increase which should be driven in particular by revenues from transport services, both by rail and road, which should exceed Euro 7 billion in 2017; EBITDA is expected to report a continuous improvement, up to Euro 2.5 billion (Euro 1.9 billion in 2012), a figure that will cause the EBITDA margin to grow by more than 3 percentage points compared to that recorded in recent years. It is noteworthy that the EBITDA margin of FS Italiane is today the benchmark of reference for the major railway companies in Europe. Total investments will amount to approximately Euro 24 billion (of which about Euro 8.5 billion from the company's cash flows) and will be used nearly entirely for i) on the network side, the development of infrastructures along the railway corridors defined by the European Union – as far as Italy is concerned – and in the metropolitan areas, and ii) on the transportation side, the purchase of new trains and the

development of new technologies supporting the transport business. Planned capital expenditure will not affect much overall indebtedness, which will increase by Euro 0.6 billion over the four-year period. The Plan is strongly oriented toward Local Public Transport, more effective road-rail integration and the implementation of new offering models more aligned with demand by public customers, particularly the Regional governments. The Plan also features a profound revision of both the business models, with an even clearer specialization in market services and universal services, and the governance of the cargo sector, where business units corresponding to the European corridors will be established. Transport activities are expected to grow significantly also in foreign markets, particularly for the subsidiaries (Netinera and TXLogistik), as well as for the engineering and certification companies (Italferr and Italcertifer). Strategies and targets have been set against a macroeconomic backdrop which shows the initial, faint signs of a recovery providing, along with enduring pitfalls, objective opportunities for Italy as a whole, such as EXPO 2015, and the Group, such as the entry into service of the new Frecciarossa 1000 trains. Furthermore, the new 2017 Business Plan was presented to the financial community in Milan on 25 March 2014.

- On 21 February 2014, Law no. 9 came into force relating to "Conversion into law, as amended, of law decree no. 145 of 23 December 2013 bearing urgent measures to start the *Destinazione Italia* Plan to lower gas and electricity prices, to reduce vehicle liability insurance premiums, for the internationalization, development and digitalization of companies and the implementation of public works for EXPO 2015." As far as the Group is concerned, the measure sets out the following main provisions:
  - the cancellation of some grants provided for by two Resolutions (146/2006 and 33/2010) issued by the CIPE (*Comitato Interministeriale per la Programmazione Economica*, Interministerial Committee for Economic Planning) in relation to projects not yet started, which will instead be diverted to works related to EXPO 2015:
    - Euro 53.2 million to build the remote parking system of Cascina Merlata and the connection S.S. 11 - S.S. 233, lot 1-B;
    - Euro 45 million for works necessary for the Malpensa – Terminal T1-T2 railway access;
    - Euro 42.8 million for the line M4 of the Milan underground;
  - with respect to public contracts:
    - contracting authorities are allowed, for contracts under way and as a departure of the rules laid down in the calls for tenders, in particularly urgent cases in relation to the completion of contracts and pending any composition-with-creditor procedure, to pay directly the sub-contractor for the works performed;
    - the provisions on the release of performance bonds is extended to all contracts, including the "excluded" sectors, for public works, even though such contracts might have been executed prior to the coming into force of Legislative Decree 163/2006. Furthermore, companies and entities owned by the MEF and supervised by the MIT, which sign programme contracts for maintenance and investments, are required to provide an account in the multi-year planning reports of the total amount of the liquidity released and the allocation of same;
    - for the cases of composition-with-creditor procedures on a going-concern basis referred to in article 186-*bis* of Bankruptcy Law, after the filing of the appeal, participation in tenders for the awarding of public contracts must be authorized by the Court.
- On 26 February, the European Parliament voted, in a plenary session, the full "Fourth Railway Package" in a first reading. The approved text, which amended the initial proposals of the European Commission, introduced the right for European railway companies to provide commercial services for national High-Speed passenger transport in all the

Member States, in accordance with the so-called reciprocity principle. The Commission's proposal, which called for the obligation to launch tenders for the awarding of Public Service contracts starting from 2019, was changed to a significant extent by the EU Parliament, with the reintroduction of the possibility to award contracts directly starting from 2022, without prejudice to the obligation to comply with generic efficiency criteria. On the other hand, a reciprocity principle was also introduced for services covered by Public Service Obligations, to protect railway companies that operate in open markets. As to the Governance of integrated firms, the proposal of the European Commission for internal separation was rejected. In fact, the new text did not contain the rules on the prohibition to operate a unified financial cash flow system by the holding company, on the separation of information systems, on the separation of headquarters, on the prohibition to transfer personnel, on the introduction of an independent supervisory board and on the control of the Commission over compliance with the above criteria instead of the European Court of Justice. On the other hand, provisions were kept and strengthened in relation to the transparency of financial flows as well as the prohibition to transfer funds between the manager and the railway undertaking, on the separation of the essential functions of the Infrastructure Manager sensitive for competition, the powers of the national Regulators with the request in view of the European Regulator. Regarding the technical pillar, the approach of the Commission's proposal was kept; such approach is designed to simplify and centralize technical certification and to strengthen the role of the European Railway Agency which, in the next few years, should lead to the reduction of time and bureaucracy costs for the railway industry and its operators.

- Starting from 27 February 2014, Trenitalia's tickets may be purchased from the TV at home. This innovative sales channel was activated thanks to the "ProntoTreno" application which, after the success of the versions created for smartphones and tablets, has now been made available on Samsung's smart TVs. With "ProntoTreno" travellers can now purchase tickets for national and regional destinations and can change their bookings, apply for a refund, see whether train in circulation are running on time, check the departing track and receive useful information directly while sitting in front of the TV at home.
- On 28 February 2014, Busitalia signed the contract for the acquisition of 70% quota in "Umbria Mobilità Esercizio Srl" at the end of a complex full reorganisation started by "Umbria TPL e Mobilità SpA" as the contracting authority. At the time of the tender the consideration for this acquisition – which was paid on the occasion of the execution of the contract itself – was set at Euro 21,021,000.00. On the same date, the Company took steps to formalise the deed of acquisition of 70% quotas of "Umbria Mobilità Esercizio Srl". The transaction became effective on 1 March 2014.
- Concerning the condition precedent laid down under section 11 of the contract for the sale of the first lot of Rome Tiburtina areas to BNP Paribas Real Estate, related to the need to activate a reclaiming process for the areas or a waste management plan that might entail a delay of more than 6 months for works to start as of the issue of the building permit, the deadline of 28 February 2014 went by without counterparty triggering the condition precedent.

March

- On 6 March the ANSF (*Agenzia Nazionale per la Sicurezza delle Ferrovie*, National Agency for Railway Safety) published its 2013 accident report, showing an improving trend in both absolute and relative terms. This confirmed that the number of accidents occurred on the line operated by RFI is lower than the European average in relation to the main countries and otherwise lower than the targets set for Italy by the European Commission. In particular, deaths and/or serious injuries concerned mainly not train passengers (no death in 2013) but persons that failed to observe the rules of conduct in a railway context (unauthorized presence on tracks or unauthorized crossing of duly closed rail crossings in violation of the Highway Code); in fact, ANSF launched an awareness campaign regarding this conduct. These results show the practicality and effectiveness of the action and operations implemented by the company which, in the past few years, invested about Euro 9 billion in train circulation and safety technology.

- On 12 March the Italian Competition Authority (*Autorità Garante della Concorrenza e del Mercato*, AGM) completed the preliminary investigation started on 22 May 2013 without any finding of infringement. In fact, the outcome confirms the overall fairness of the individual companies in the FS Italiane Group, in the delicate and new phase of the liberalization of passenger rail transport in the High-Speed segment. Against this backdrop, for the purposes of avoiding any doubt on their good faith, the individual companies involved in the procedure took autonomously a number of commitments to embrace high standards of conduct intended to encourage competition among industry operators, an approach was positively acknowledged by the Authority.
- On 12 March 2014, the Italian Competition Authority served on Trenitalia the order for the closing of the procedure "A/443 - NTV/FS/Obstacles to access to the market for high-speed rail passenger transport services." The procedure was closed without any finding of infringement and, consequently, without any penalty.
- With ruling no. 1345, filed on 19 March 2014 and not yet served, the Council of State granted the appeal[1] filed by the Railway Undertakings (*Imprese Ferroviarie*, IF) and ordered RFI, the MIT and the Railway Service Regulatory Office (*Ufficio per la Regolazione dei Servizi Ferroviari*, URSF, which is currently named Transport Regulatory Authority (*Autorità di Regolazione dei Trasporti*), as a result of the latter having taken over the functions of the former) to execute in full – within 60 days of the service of the ruling and with the adoption of the necessary actions – the judgment based on the ruling no. 1110 issued by the Council of State on 22 February 2013.

  For a larger and more detailed description of the event, reference should be made to the Report on Operations.

April

- On 14 April 2014 the MEF issued the Press Release no. 96, stating as follows: "*As anticipated by the Presidency of the Council of Ministers in a Government's press release, the Ministry of Economy and Finance will take steps, in the short term, to file, with the registered offices of Enel, Eni and Finmeccanica, the lists for the renewal of their respective corporate bodies on the occasion of the next shareholders' meetings.*

  (……. Omissis ……) With reference to the shareholders' meeting of Finmeccanica SpA, which has been called on 9 May on first call and on 15 May on second call, the Ministry, which holds 30.2% of the share capital, will file, with the registered office of the Company, the following list for the appointment of the new Board of Directors:

  1. *Gianni De Gennaro*
  2. *Mauro Moretti*
  3. *Marta Dassù*
  4. *Guido Alpa*
  5. *Alessandro De Nicola*

[1] By said appeal, the Railway Undertakings also asked the Council of State to order all the counterparties to take steps for the full execution of the judgment no. 1110/13 within a preset time limit through the "the rapid recognition of an amount in favour of the plaintiffs, equal to the application of the so-called K2 discount envisaged and regulated under Ministerial Decree 44T."

6. Marina Calderone

7. Fabrizio Landi

(…… Omissis ……).”

In the next days, the MEF, in its capacity as the sole shareholder of Ferrovie dello Stato Italiane SpA, will notify the name of the person who will be appointed as the new Chief Executive Officer of Ferrovie dello Stato Italiane SpA.

Annexes

Consolidation area and equity investments of the Group

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS **ANNEX 1**

Name	HQ	Share Capital	Investing Company	Ownership %
a) Controlling company:				
Ferrovie dello Stato Italiane SpA	Rome	38,790,425,485		
b) Directly-controlled companies:				
Busitalia - Sita Nord Srl	Rome	15,000,000	FS Italiane SpA	100
Fercredit - Servizi Finanziari SpA	Rome	32,500,000	FS Italiane SpA	100
FS Logistica SpA	Rome	143,095,524	FS Italiane SpA	100
FS Sistemi Urbani Srl	Rome	532,783,501	FS Italiane SpA	100
FS Telco Srl	Rome	20,000	FS Italiane SpA	100
Ferservizi SpA	Rome	8,170,000	FS Italiane SpA	100
Italferr SpA	Rome	14,186,000	FS Italiane SpA	100
Rete Ferroviaria Italiana - RFI SpA	Rome	32,007,632,681	FS Italiane SpA	100
Società Elettrica Ferroviaria – S.EL.F. Srl	Rome	34,535	FS Italiane SpA	100
Trenitalia SpA	Rome	1,654,464,000	FS Italiane SpA	100
Italcertifer ScpA	Florence	480,000	FS Italiane SpA	66.66
Centostazioni SpA	Rome	8,333,335	FS Italiane SpA	59.99
Grandi Stazioni SpA	Rome	4,304,201	FS Italiane SpA	59.99
NETINERA Deutschland GmbH	Viechtach	25,000	FS Italiane SpA	51

Name	HQ	Share Capital	Investing Company	Ownership %
c) Indirectly-controlled companies:				
Autobus Paproth GmbH	Mainz-Kastel	25,565	Autobus Sippel GmbH	100
Autobus Sippel GmbH	Hofheim am Taunus	50,000	NETINERA Deutschland GmbH	100
Bluferries Srl	Messina	20,100,000	RFI SpA	100
DNSW GmbH	Mainz	25,000	Regentalbahn AG	100
Erixx GmbH	Celle	25,000	Osthannoversche Eisenbahn Aktiengesellschaft	100
Grandi Stazioni Ingegneria Srl	Rome	20,000	Grandi Stazioni SpA	100
Infrastructure Engineering Services doo Beograd	Belgrade	30.488.268 (1)	Italferr SpA	100
Kraftverkehr Osthannover GmbH	Celle	256,000	Osthannoversche Eisenbahn Aktiengesellschaft	100
Lausitzer Nahverkehrsgesellschaft mbH	Senftenberg	26,000	Südbrandenburger Nahverkehrs GmbH	100
Metropark SpA	Rome	3,016,463	FS Sistemi Urbani SpA	100
NETINERA Immobilien GmbH	Berlin	240,000	NETINERA Deutschland GmbH	100
NETINERA Werke GmbH	Neustrelitz	25,000	NETINERA Region Ost GmbH	100
OHE Cargo GmbH	Celle	26,000	Osthannoversche Eisenbahn Aktiengesellschaft	100
Prignitzer Eisenbahngesellschaft mbH	Berlin	200,000	NETINERA Deutschland GmbH	100
Regentalbahn AG	Viechtach	2,444,152	NETINERA Deutschland GmbH	100
Regental Bahnbetriebs-GmbH	Viechtach	1,023,000	Regentalbahn AG	100
Regental Fahrzeugwerkstätten-GmbH	Viechtach	132,936	Regentalbahn AG	100
Rhein-Main-Bus GmbH	Hofheim am Taunus	25,000	Autobus Sippel GmbH	100
Servizi ferroviari - Serfer Srl	Genoa	5,000,000	Trenitalia SpA	100
Siger srl	Florence	100,000	Ataf Gestioni Srl	100
Sippel-Travel GmbH	Frankfurt am Main	127,950	Autobus Sippel GmbH; Rhein-Main-Bus GmbH	100
Südbrandenburger Nahverkehrs GmbH	Senftenberg	1,022,584	NETINERA Deutschland GmbH	100
Terminali Italia Srl	Milan	11,237,565	RFI SpA; Cemat SpA	100
Trenitalia Logistics France Sas	Paris	43,420	Trenitalia SpA	100
TX Consulting Gmbh	Bad Honnef	25,000	TX Logistik AG	100
TX Logistik AG	Bad Honnef	286,070	Trenitalia SpA	100
TX Logistik Austria GmbH	Schwechat	35,000	TX Logistik AG	100
TX Logistik Danimarca A/S	Padborg	500.000 (1)	TX Logistik AG	100
TX Logistik Svezia AB	Malmo	400.000 (1)	TX Logistik AG	100
TX Logistik Svizzera GmbH	Basel	50.000 (1)	TX Logistik AG	100
TX Service Management GmbH	Bad Honnef	50,000	TX Logistik AG	100
UNIKAI Hafenbetrieb Lüneburg GmbH	Lüneburg	25,600	Osthannoversche Eisenbahn Aktiengesellschaft	100
Verkehrsbetriebe Bils GmbH	Sendenhorst	25,000	NETINERA Deutschland GmbH	100
Vogtlandbahn GmbH	Neumark	1,022,584	Regentalbahn AG	100
NETINERA Bachstein GmbH	Celle	150,000	NETINERA Deutschland GmbH	95.34
Osthannoversche Eisenbahn Aktiengesellschaft	Celle	21,034,037	NETINERA Bachstein GmbH	87.51
Società Gestione Terminali Ferro Stradali-SGT	Pomezia-Rome	200,000	Fs Logistica SpA; Cemat SpA	87.50
Tunnel Ferroviario del Brennero SpA	Rome	163,290,910	RFI SpA	85.79
Neißeverkehr GmbH	Guben	1,074,000	NETINERA Region Ost GmbH	80
Uelzener Hafenbetriebs- und Umschlaggesellschaft mbH	Uelzen	102,258	Osthannoversche Eisenbahn Aktiengesellschaft	74
Ataf Gestioni Srl	Florence	12,982,614	Busitalia - Sita Nord Srl	70
Metronom Eisenbahngesellschaft mbH	Uelzen	500,000	NiedersachsenBahn GmbH & Co. KG	69.90
Thello SAS (già Trenitalia Veolia Transdev SAS)	Paris	1,500,000	Trenitalia SpA	66.67
Firenze City Sightseeing srl	Florence	200,000	Ataf Gestioni Srl	60
NiedersachsenBahn GmbH & Co. KG	Celle	100,000	Osthannoversche Eisenbahn Aktiengesellschaft	60
NiedersachsenBahn Verwaltungsgesellschaft mbH	Celle	25,000	Osthannoversche Eisenbahn Aktiengesellschaft	60
I-Mago SpA	Florence	510,000	Ataf Gestioni Srl	58
Cemat SpA	Milan	7,000,000	FS Logistica SpA	53.28
Grandi Stazioni Ceska Republika	Prague	240.000.000 (1)	Grandi Stazioni SpA	51

(1) Data expressed in foreign currency

Name	HQ	Share Capital	Investing Company	Ownership %
Kraftverkehr - GMBH - KVG Lüneburg	Lüneburg	25,565	KVG Stade GmbH & Co. KG	100
ODIG Ostdeutsche Instandhaltungsgesellschaft mbH	Eberswalde	250,000	ODEG Ostdeutsche Eisenbahngesellschaft mbH	100
Verkehrsbetriebe Osthannover GmbH	Celle	590,542	Osthannoversche Eisenbahn Aktiengesellschaft	100
Kraftverkehr Celle Stadt und Land GmbH	Celle	1,099,278	Osthannoversche Eisenbahn Aktiengesellschaft	61
KVG Stade GmbH & Co. KG	Stade	4,600,000	Osthannoversche Eisenbahn Aktiengesellschaft	60
KVG Stade Verwaltungs GmbH	Stade	25,000	Osthannoversche Eisenbahn Aktiengesellschaft	60
Berchtesgardener Land Bahn GmbH	Freilassing	25,000	Regental Bahnbetriebs- GmbH	50
Cisalpino SA	Berna	100.750 (1)	Trenitalia SpA	50
ODEG Ostdeutsche Eisenbahngesellschaft mbH	Parchim	500,000	Prignitzer Eisenbahngesellschaft mbH	50
Terminal Alptransit Srl	Milan	1,500,000	FS Logistica SpA	50
Trenord Srl	Milan	76,120,000	Trenitalia SpA	50
Verkehrsgesellschaft Landkreis Gifhorn mbH	Gifhorn	25,565	Osthannoversche Eisenbahn Aktiengesellschaft	25.20

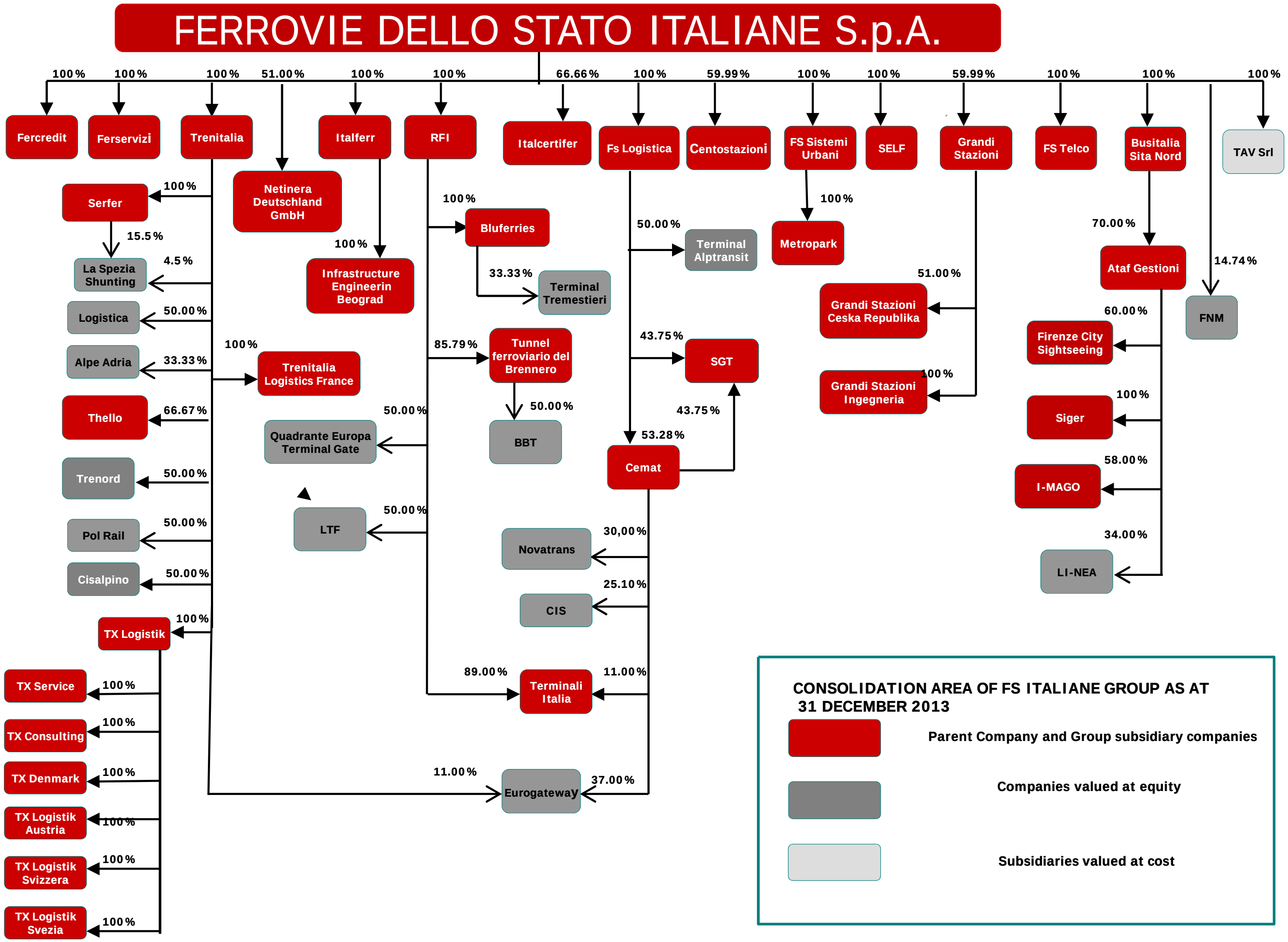
(1) Data expressed in foreign currency

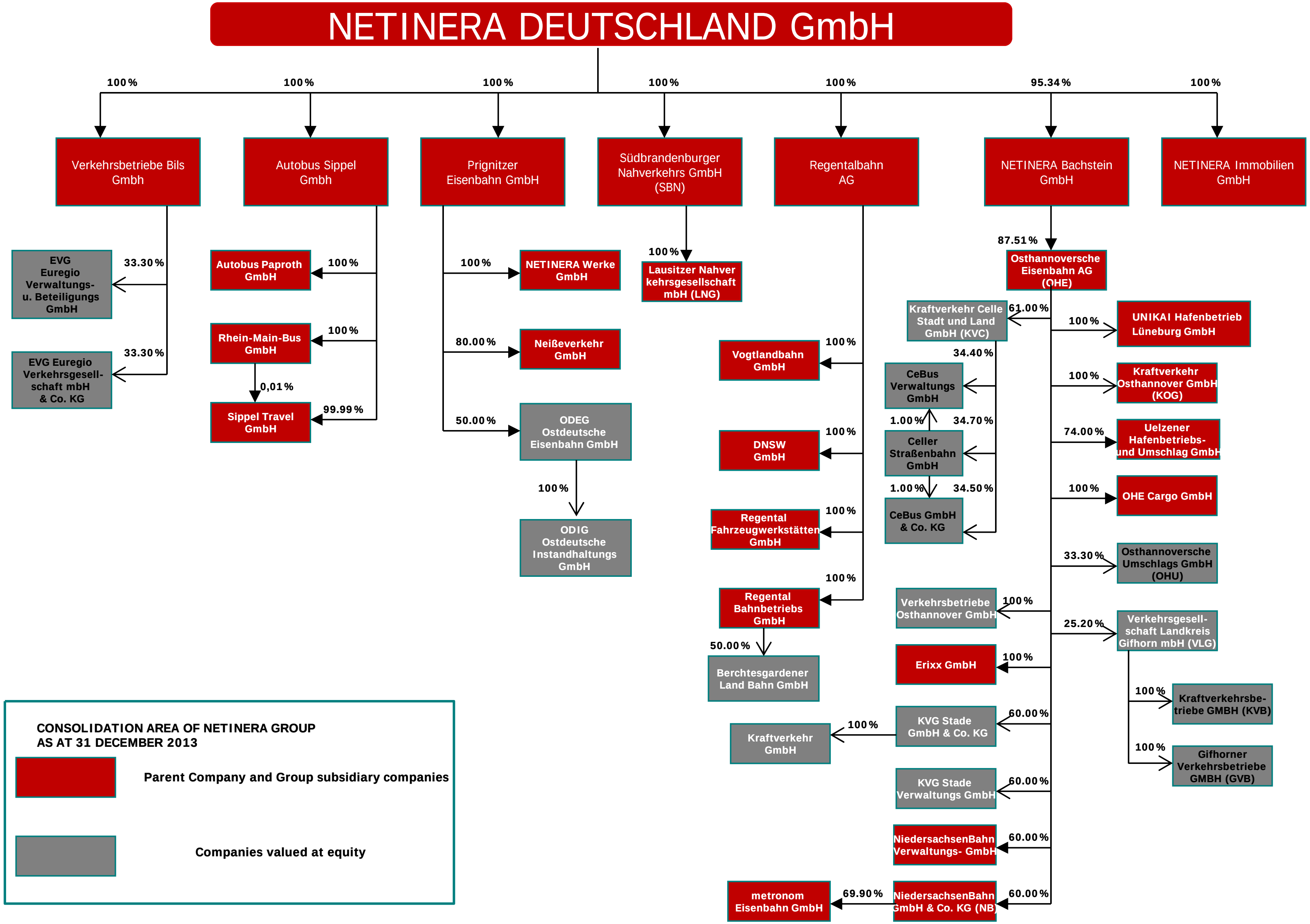
LIST OF ASSOCIATES AND SUBSIDIARIES VALUED AT EQUITY **ANNEX NO. 3**

Name	HQ	Share Capital	Investing Company	Ownership %
Gifhorner Verkehrsbetriebe GmbH	Gifhorn	25,000	Verkehrsgesellschaft Landkreis Gifhorn mbH	100
KVB Kraftverkehrsbetriebe GmbH	Isenbüttel	50,000	Verkehrsgesellschaft Landkreis Gifhorn mbH	100
Galleria di base del Brennero – Brenner Basistunnel BBT SE	Innsbruck	10,240,000	Tunnel Ferroviario del Brennero SpA	50
Logistica SA	Levallois	37,000	Trenitalia SpA	50
Lyon-Turin Ferroviarie - LTF Sas	Chambery	1,000,000	RFI SpA	50
Pol Rail Srl	Rome	2,000,000	Trenitalia SpA	50
Quadrante Europa Terminal Gate SpA	Verona	16,876,000	RFI SpA	50
Eurogateway Srl	Novara	99,000	Trenitalia SpA; Cemat SpA	48
CeBus GmbH & Co. KG	Celle	25,000	Kraftverkehr Celle Stadt und Land GmbH; Celler Straßenbahngesellschaft mbH	35.50
CeBus Verwaltungsgesellschaft mbH	Celle	25,000	Kraftverkehr Celle Stadt und Land GmbH; Celler Straßenbahngesellschaft mbH	35.40
Celler Straßenbahngesellschaft mbH	Celle	571,450	Kraftverkehr Celle Stadt und Land GmbH; CeBus Verwaltungs GmbH; CeBus GmbH & Co. KG	34.70
Li-Nea SpA	Scandicci (Florence)	2,340,000	Ataf Gestioni Srl	34
Alpe Adria SpA	Trieste	120,000	Trenitalia SpA	33.33
Terminal Tremestieri Srl	Messina	450,000	Bluferries Srl	33.33
EVG Euregio - Verkehrsgesellschaft mbH & Co. KG	Münster	60,000	Verkehrsbetriebe Bils GmbH	33.30
EVG Euregio Verwaltungs- und Beteiligungs GmbH	Münster	25,500	Verkehrsbetriebe Bils GmbH	33.30
Osthannoversche Umschlagsgesellschaft mbH	Wittingen	153,600	Osthannoversche Eisenbahn Aktiengesellschaft	33.30
Novatrans Italia Srl	Milan	100,000	Cemat SpA	30
Cesar Information Services - CIS Scrl	Bruxelles	100,000	Cemat SpA	25.10
La Spezia Shunting SpA	La Spezia	1,000,000	Serfer Srl	20.00
FNM SpA (formerly Ferrovie Nord Milano SpA)	Milan	230,000,000	FS Italiane SpA	14.74

LIST OF NON-CONSOLIDATED COMPANIES **ANNEX NO. 4**

Name	HQ	Share Capital	Investing Company	Ownership %
TAV Srl	Rome	50,000	FS Italiane SpA	100
KOG Südwest Verwaltungs-GmbH in liquidation			Kraftverkehr Osthannover GmbH	75
Sita SpA in liquidation	Rome	200,000	FS Italiane SpA	55
Nord Est Terminal - NET SpA in liquidation	Padua	1,560,000	RFI SpA	51
Servizi Ferroviari Portuali – Ferport Genova Srl in liquidation	Genoa	712,000	Serfer Srl	51
Servizi Ferroviari Portuali - Ferport Napoli Srl in liquidation	Naples	480,000	Serfer Srl	51
Network Terminali Siciliani SpA in liquidation	Catania	65,272	RFI SpA	50
Porta Sud SpA in liquidation	Bergamo	10	FS Sistemi Urbani SpA	35
East Rail Srl in liquidation	Trieste	130,000	Trenitalia SpA	32
Sinter Inland Terminal SpA in liquidation	Milan	2,550,000	FS Logistica SpA	21.27


FERROVIE DELLO STATO ITALIANE S.p.A.
100% Fercredit
100% Ferservizi
100% Trenitalia
51.00% Netinera Deutschland GmbH
100% Italferr
100% RFI
66.66% Italcertifer
100% Fs Logistica
59.99% Centostazioni
100% FS Sistemi Urbani
100% SELF
59.99% Grandi Stazioni
100% FS Telco
100% Busitalia Sita Nord
100% TAV Srl
14.74% FNM
100% Serfer
15.5% La Spezia Shunting
4.5%
50.00% Logistica
33.33% Alpe Adria
100% Trenitalia Logistics France
66.67% Thello
50.00% Trenord
50.00% Pol Rail
50.00% Cisalpino
100% TX Logistik
100% TX Service
100% TX Consulting
100% TX Denmark
100% TX Logistik Austria
100% TX Logistik Svizzera
100% TX Logistik Svezia
100% Infrastructure Engineerin Beograd
100% Bluferries
33.33% Terminal Tremestieri
85.79% Tunnel ferroviario del Brennero
50.00% BBT
50.00% Quadrante Europa Terminal Gate
50.00% LTF
89.00% Terminali Italia
11.00%
11.00% Eurogateway
37.00%
50.00% Terminal Alptransit
43.75% SGT
43.75%
53.28% Cemat
30,00% Novatrans
25.10% CIS
100% Metropark
51.00% Grandi Stazioni Ceska Republika
100% Grandi Stazioni Ingegneria
70.00% Ataf Gestioni
60.00% Firenze City Sightseeing
100% Siger
58.00% I-MAGO
34.00% LI-NEA
CONSOLIDATION AREA OF FS ITALIANE GROUP AS AT 31 DECEMBER 2013
Parent Company and Group subsidiary companies
Companies valued at equity
Subsidiaries valued at cost


NETINERA DEUTSCHLAND GmbH
100 %
100 %
100 %
100 %
100 %
95.34 %
100 %
Verkehrsbetriebe Bils Gmbh
Autobus Sippel Gmbh
Prignitzer Eisenbahn GmbH
Südbrandenburger Nahverkehrs GmbH (SBN)
Regentalbahn AG
NETINERA Bachstein GmbH
NETINERA Immobilien GmbH
EVG Euregio Verwaltungs- u. Beteiligungs GmbH
33.30 %
EVG Euregio Verkehrsgesell- schaft mbH & Co. KG
33.30 %
Autobus Paproth GmbH
100 %
Rhein-Main-Bus GmbH
100 %
0,01 %
Sippel Travel GmbH
99.99 %
100 %
NETINERA Werke GmbH
80.00 %
Neißeverkehr GmbH
50.00 %
ODEG Ostdeutsche Eisenbahn GmbH
100 %
ODIG Ostdeutsche Instandhaltungs GmbH
100 %
Lausitzer Nahver kehrsgesellschaft mbH (LNG)
Vogtlandbahn GmbH
100 %
DNSW GmbH
100 %
Regental Fahrzeugwerkstätten GmbH
100 %
Regental Bahnbetriebs GmbH
100 %
50.00 %
Berchtesgardener Land Bahn GmbH
87.51 %
Osthannoversche Eisenbahn AG (OHE)
Kraftverkehr Celle Stadt und Land GmbH (KVC)
61.00 %
34.40 %
CeBus Verwaltungs GmbH
1.00 %
34.70 %
Celler Straßenbahn GmbH
1.00 %
34.50 %
CeBus GmbH & Co. KG
100 %
UNIKAI Hafenbetrieb Lüneburg GmbH
100 %
Kraftverkehr Osthannover GmbH (KOG)
74.00 %
Uelzener Hafenbetriebs- und Umschlag GmbH
100 %
OHE Cargo GmbH
33.30 %
Osthannoversche Umschlags GmbH (OHU)
Verkehrsbetriebe Osthannover GmbH
100 %
25.20 %
Verkehrsgesell- schaft Landkreis Gifhorn mbH (VLG)
Erixx GmbH
100 %
100 %
Kraftverkehrsbe- triebe GMBH (KVB)
100 %
Gifhorner Verkehrsbetriebe GMBH (GVB)
Kraftverkehr GmbH
100 %
KVG Stade GmbH & Co. KG
60.00 %
KVG Stade Verwaltungs GmbH
60.00 %
NiedersachsenBahn Verwaltungs- GmbH
60.00 %
metronom Eisenbahn GmbH
69.90 %
NiedersachsenBahn GmbH & Co. KG (NB)
60.00 %
CONSOLIDATION AREA OF NETINERA GROUP
AS AT 31 DECEMBER 2013
Parent Company and Group subsidiary companies
Companies valued at equity

Certification on the Consolidated Financial Statements at December 31, 2013
of Ferrovie dello Stato Italiane Group
pursuant to the provision of
article 154-bis, paragraph 5 of Legislative Decree 58/1998

1. The undersigned Mauro Moretti and Roberto Mannozzi, in their respective quality as Chief Executive Officier and Manager in charge of the company's accounting documents preparation of Ferrovie dello Stato Italiane S.p.A., also pursuant to rule 154-bis, paragraphs 3 and 4 of Legislative Decree No. 58 of February 24,1998, 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 December 31, 2013.

2. In this regard, we report that:

    a. internal Controls over consolidated financial statements have been defined and the evaluation of their effectiveness has been assessed based on principles and methodologies adopted by Ferrovie dello Stato Italiane S.p.A. in accordance with the "*Internal Controls – Integrated Framework*" issued by *Committee of Sponsoring Organizations of the Treadway Commission*", which represents an internationally-accepted framework for the internal control system;

    b. the assessment of the internal control system did not identify any material issues.

Piazza della Croce Rossa, 1 - 00161 Roma

Ferrovie dello Stato Italiane S.p.A. – Società con socio unico
Sede legale: Piazza della Croce Rossa, 1 - 00161 Roma
Cap. Soc. Euro 38.790.425.485,00
Iscritta al Registro delle Imprese di Roma
Cod. Fisc. e P. Iva 06359501001 – R.E.A. 962805

3. In addition we certify that :

3.1. the consolidated financial statements of FS Italiane Group at December 31,2013:

a. were prepared in accordance with International Financial Reporting Standards endorsed by the European Community pursuant to regulation (CE) 1606/2002 of European Parliament and European Council of July 19,2002;

b. correspond to the entries in the books and accounting records;

c. provided a true and fair representation of the performance and financial position of the parent company and the Group consolidated companies.

3.2 the report on operations contains a reliable analysis of operations and performance, including trend analysis of the parent company and the Group companies, as well as a description of the main risks and uncertainties to which they are exposed.

Rome, April 17, 2014

Mauro Moretti	Roberto Mannozzi
Chief Executive Officier	Manager in charge of the company's accounting documents preparation
....	....

pwc

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the Shareholder of
Ferrovie dello Stato Italiane SpA

1 We have audited the consolidated financial statements of Ferrovie dello Stato Italiane SpA and its subsidiaries ("Ferrovie dello Stato Italiane Group") as of 31 December 2013, which comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes. The directors of Ferrovie dello Stato Italiane SpA are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement art. 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 12 June 2013.

3 In our opinion, the consolidated financial statements of the Ferrovie dello Stato Italiane Group as of 31 December 2013 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement art. 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Ferrovie dello Stato Italiane Group for the year then ended.

4 The directors of Ferrovie dello Stato Italiane SpA are responsible for the preparation of a report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance, solely with reference to the information referred to in paragraph 2, letter b) of article 123-bis of Legislative Decree No. 58/1998 with the

financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 2, letter b) of article 123-bis of Legislative Decree No. 58/1998 presented in the specific section of the aforementioned report are consistent with the consolidated financial statements of Ferrovie dello Stato Italiane SpA as of 31 December 2013.

Rome, 30 April 2014

PricewaterhouseCoopers SpA

Signed by

Leda Ciavarella
(Partner)

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

FINANCIAL STATEMENTS OF FERROVIE DELLO STATO ITALIANE

AS AT 31 DECEMBER 2013

FERROVIE DELLO STATO ITALIANE

Separate Financial Statements

Statement of financial position

values in Euro

	Notes	31.12.2013	31.12.2012
Assets			
Property, plant and equipment	6	41,540,337	42,460,268
Investment properties	7	533,156,206	514,967,472
Intangible assets	8	39,022,954	42,229,808
Deferred tax assets	9	220,080,419	213,743,080
Equity investments	10	35,552,437,702	35,530,336,380
Non-current financial assets (including derivatives)	11	5,922,540,311	4,836,403,680
Non-current trade receivables	14	6,826,518	10,941,711
Other non-current assets	12	398,295,899	150,987,682
Total non-current assets		**42,713,900,346**	**41,342,070,081**
Inventories	13	494,799,580	503,194,991
Current trade receivables	14	129,052,885	110,583,432
Current financial assets (including derivatives)	11	1,269,624,318	1,977,116,823
Cash and cash equivalents	15	420,967,362	268,151,411
Tax receivables	16	84,915,489	83,917,046
Other current assets	12	248,520,787	658,640,214
Total current assets		**2,647,880,421**	**3,601,603,917**
Assets held for sale and disposal groups	17		**63,037,803**
Total assets		**45,361,780,767**	**45,006,711,801**
Equity			
Share capital	18	38,790,425,485	38,790,425,485
Reserves	18	303,763,867	300,099,321
Valuation reserves	18	(1,161,089)	(1,611,517)
Profits (Losses) carried forward	18	(2,917,869,021)	(2,987,495,412)
Profit (Losses) for the year	18	76,770,293	73,290,939
Total Equity		**36,251,929,535**	**36,174,708,816**
Liabilities			
Medium/long-term loans	19	5,920,356,480	4,818,170,788
Severance pay and other employee benefits	20	15,518,950	18,123,660
Provisions for risks and charges	21	81,696,655	87,527,852
Deferred tax liabilities	9	393,914,451	389,636,487
Non-current financial liabilities (including derivatives)	22		566,001
Other non-current liabilities	23	586,764,728	349,060,865
Total non-current liabilities		**6,998,251,264**	**5,663,085,653**
Short-term loans	19	130,207,676	30,241,032
Current portion of medium/long-term loans	19	252,468,591	1,296,470,741
Short-term portion of Provisions for risks and charges			
Current trade payables	24	71,130,043	89,732,512
Income tax payables	25	291,173	1,899,082
Current financial liabilities (including derivatives)	22	978,613,424	738,585,080
Other current liabilities	23	678,889,061	1,011,988,885
Total current liabilities		**2,111,599,968**	**3,168,917,332**
Total liabilities		**9,109,851,232**	**8,832,002,985**
Total Equity and liabilities		**45,361,780,767**	**45,006,711,801**

Income Statement

values in Euro

	Notes	2013	2012
Revenues from sales and services	26	152,576,142	146,030,610
Other income	27	7,833,431	11,225,900
Total revenues and income		**160,409,573**	**157,256,510**
Operating costs			
Personnel cost	28	(51,785,973)	(57,091,184)
Raw and secondary materials, consumables and goods for resale	29	(44,320,376)	(10,222,364)
Costs for services	30	(53,368,950)	(49,942,865)
Leases and rentals	31	(7,268,465)	(7,398,992)
Other operating costs	32	(24,692,044)	(21,891,287)
Capitalisation of internal construction costs	33	202,670	187,026
Total operating costs		**(181,233,138)**	**(146,359,666)**
Amortisation and depreciation	**34**	**(22,111,619)**	**(21,473,932)**
Write-downs, impairment losses (value write-backs)	**35**	**(21,877,807)**	**(1,323,236)**
Provisions			
EBIT		**(64,812,991)**	**(11,900,324)**
Finance income and costs			
Income from equity investments	36	124,809,426	59,016,853
Other finance income	36	153,331,393	185,767,968
Costs on equity investments	37	(32,659,596)	(28,603)
Other finance costs	37	(136,211,405)	(171,986,930)
Profit (loss) before tax		**44,456,827**	**60,868,964**
Income taxes	38	32,313,466	12,421,975
Profit from continuing operations		**76,770,293**	**73,290,939**
Net profit for the year		**76,770,293**	**73,290,939**

Statement of Comprehensive Income

values in Euro

	Notes	2013	2012
Net profit for the year		**76,770,293**	**73,290,939**
Components that will not be reclassified subsequently under profit / (loss) for the year:			
Profits (losses) relating to actuarial benefits	18	623,068	(2,399,736)
Tax effect of Profits (losses) relating to actuarial benefits	18	(172,641)	591,418
Other comprehensive income for the year, net of tax effects		**450,427**	**(1,808,318)**
Total comprehensive income for the year		**77,220,720**	**71,482,621**

Statement of changes in Equity

values in Euro

	Equity								
		Reserves							
		Other reserves			Valuation reserves				
	Share capital	Legal reserve	Extraordinary reserve	Sundry reserves	Reserve or actuarial gains (losses) for employee benefits	**Total Reserves**	Profits (losses) carried forward	Profit (loss) for the year	**Total Equity**
Balance as at 1 January 2012	**38,790,425,485**	**15,537,904**	**27,896,982**	**254,599,169**	**196,801**	**298,230,856**	**(3,026,752,981)**	**41,305,322**	**36,103,208,682**
Capital increase									
Distribution of dividends									
Allocation of the net profit for the previous year		2,065,266				2,065,226	39,240,056	(41,305,322)	
Other changes							17,513		17,513
Comprehensive Income/(Losses) recognised									
of which :									
Profits/(Losses) recognised directly under Equity					(1,808,318)	(1,808,318)			(1,808,318)
Profit/(Loss) for the year								73,290,939	73,290,939
Balance as at 31 December 2012	**38,790,425,485**	**17,603,170**	**27,896,982**	**254,599,169**	**(1,611,516)**	**298,487,805**	**(2,987,495,412)**	**73,290,939**	**36,174,708,816**
Capital increase									
Distribution of dividends									
Allocation of the net profit for the previous year		3,664,547				3,664,547	69,626,392	(73,290,939)	
Other changes									
Comprehensive Income/(Losses) recognised									
of which :									
Profits/(Losses) recognised directly under Equity					450,427	450,427			450,427
Profit/(Loss) for the year								76,770,293	76,770,293
Balance as at 31 December 2013	**38,790,425,485**	**21,267,716**	**27,896,982**	**254,599,169**	**(1,161,089)**	**302,602,778**	**(2,917,869,021)**	**76,770,293**	**36,251,929,535**

STATEMENT OF CASH FLOWS

values in Euro

	2013	2012
Profit / (loss) for the year	**76,770,293**	**73,290,939**
Income taxes	(32,313,466)	(12,421,975)
Finance income and costs	(7,499,556)	
Amortisation and depreciation	22,111,619	21,473,932
Accrual to Provision for risks	95,539	659,045
Write-downs	52,563,721	28,603
Accrual to provisions for employee benefits	356,592	728,699
Provisions and write-downs	**53,015,853**	**1,416,347**
Change in inventories	25,017,270	8,879,384
Change in trade receivables	(14,354,260)	8,793,834
Change in trade payables	(18,602,469)	21,264,591
Change in other assets	162,811,209	325,039,921
Change in other liabilities	(100,225,061)	(354,312,966)
Uses of provisions for risks and charges	(1,097,637)	(12,004,658)
Payment of employee benefits	(2,338,234)	(1,592,457)
Finance income collected/finance costs paid	2,209,082	
Change in tax receivables/payables	27,475,099	19,944,768
Net cash flow generated from / (used in) operating activities	**192,979,742**	**99,771,660**
Investments in property, plant and equipment	(897,356)	(1,578,723)
Investment properties	(898,169)	(2,142,622)
Investments in intangible assets	(12,309,485)	(11,722,397)
Investments valued at equity	(38,250,000)	
Investments, including grants	**(52,355,010)**	**(15,443,742)**
Grants in intangible assets	4,417,745	
Grants	**4,417,745**	
Disposals of property, plant and equipment	2,307	204
Disposals of investment properties	23,207	
Disposals of equity investments		35,247,667
Disposals	**25,514**	**35,247,871**
Change in financial assets	(409,901,719)	157,319,663
Net cash flow generated from / (used in) investing activities	**(457,813,470)**	**177,123,792**
Use and repayment of medium/long-term loans	58,183,543	(98,401,592)
Use and repayment of short-term loans	99,966,643	(11,721)
Change in financial liabilities	(3,332,103)	3,817,201
Net cash flow generated from / (used in) financing activities	**154,818,083**	**(94,596,112)**
Total cash flow generated / (used) in the year	**(110,015,645)**	**182,299,340**
Cash and cash equivalents at the beginning of the year	**333,828,447**	**151,529,107**
Cash and cash equivalents at the end of the year	**223,812,802**	**333,828,447**
of which: balance of the intercompany current account	(197,154,560)	* 65,677,036

Notes to the Separate Financial Statements

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Introduction

With the acquisition of the status of Public Interest Entity on the part of the Parent Company Ferrovie dello Stato Italiane in the course of 2013, following the issue of listed bonds that is described in detail in the Report on Operations, these separate financial statements for the year ended 31 December 2013 (hereinafter also referred to as the "Separate Financial Statements") were prepared in accordance with the International Financial Reporting Standards, issued by the International Accounting Standards Board and adopted by the European Union (EU-IFRS), in accordance with article 2, letter a), of Legislative Decree no. 38 of 28 February 2005. Up to the financial year ended 31 December 2012, the Company made use of the right provided for in the aforesaid Legislative Decree, which regulates the exercise of the options under article 5 of Regulation (EC) no. 1606/2002 on the application of international accounting standards. Specifically, pursuant to articles 3 and 4 of the abovementioned legislative decree, the Company voluntarily decided to apply the EU-IFRS to the preparation of the Separate Financial Statements starting from the year ended 31 December 2010. This voluntary option can no longer be exercised following the bond issue that took place in 2013. Furthermore, it should be noted that, up to the financial year ended 31 December 2009, the Company prepared its separate financial statements in accordance with the relevant provisions laid down under Legislative Decree no. 127 of 9 April 1991, as interpreted by the accounting standards issued by the Italian Accounting Board (*Organismo Italiano di Contabilità*) (the "Italian GAAPs").

2. The Company

Ferrovie dello Stato Italiane SpA is a company incorporated and domiciled in Italy and is organised according to the Italian legal system of the Italian Republic. The Company has its registered office in Rome, at Piazza della Croce Rossa no. 1.

On 17 April 2014 the Directors approved the financial statements at 31 December 2013 and resolved to make them available to the Shareholders within the time limits set out under article 2429 of the Italian Civil Code. These financial statements will be submitted for approval by the Shareholders' Meeting on a date within the time limits set out under article 2364 of the Italian Civil Code and will be filed within the time limits set out under article 2435 of the Italian Civil Code. The Shareholders' Meeting is entitled to make amendments to these financial statements. For the purposes of paragraph 17 of IAS 10, the date considered by the Directors in the preparation of the financial statements is 17 April 2014, i.e. the date of approval by the Board of Directors.

Given the significant controlling interests and in compliance with IAS 27, the Company prepares the consolidated financial statements that report a Group's equity of Euro 36,892 million and a profit for the year attributable to the Group of Euro 459 million.

PricewaterhouseCoopers SpA has been appointed to carry out the statutory audit of the accounts, pursuant to article 14 of Legislative Decree 39/2010 and articles 2409-*bis* and ff. of the Italian Civil Code, allowing the renewal of the mandate granted for the three-year period 2010-2012.

3. Criteria for the preparation of the Financial Statements

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

As previously specified, the separate financial statements were prepared in accordance with EU-IFRS, including all International Financial Reporting Standards (IFRS), all International Accounting Standards (IAS), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which was previously named Standing Interpretations Committee (SIC), as adopted by the European Union and contained in the related EU Regulations published until 17 April 2014, the abovementioned date when the Company's Board of Directors approved this document. Specifically, the EU-IFRS were consistently applied to all the periods presented herein. Furthermore, it should be noted that these financial statements were prepared on the basis of the best knowledge of EU-IFRS and taking account of the best doctrine on the subject; future guidelines and updated interpretations (if any) will be reflected in the subsequent years, according to the procedures envisaged from time to time in the relevant accounting standards.

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

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

- the Statement of financial position: it was prepared by recognising assets and liabilities according to the "current/non-current" classification;
- the Income statement: it was prepared by classifying operating costs by nature;
- the Statement of comprehensive income: it includes the profit for the year, as well as any other changes in equity items that are attributable to transactions not effected with the Company's shareholders; furthermore, following the amendment to IAS 1 "Presentation of Financial Statements", the Company separately reports any and all components recognised under "Other comprehensive income/(losses)", depending on whether they can be subsequently reclassified or not to the income statement;
- the Statement of cash flows: it was prepared by reporting cash flows arising from operating activities according to the "indirect method".

These separate financial statements were prepared on a going-concern basis, as the directors established the non-existence of indicators of a financial, operational or any other nature that could report criticalities about the Company's capacity to meet its obligations in the foreseeable future and specifically within the next 12 months. The description of the procedures through which the Company manages financial risks is contained in the note "5. Financial risk management" below.

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

4. Accounting standards applied

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

Property, plant and equipment

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

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

Depreciation is calculated systematically and on a straight-line basis on the basis of the rates that are deemed to represent the estimated economic and technical useful life of the assets.

The useful life of property, plant and equipment and their residual value are reviewed and updated, where necessary, at least at the end of every year. Future site reclamation costs related to land are capitalised and depreciated.
Below are the depreciation rates used:

Class of asset	Depreciation rate
Land	0%
Reclamation costs	10%
Industrial buildings	2%
Instrumental civil buildings	2%
Non-instrumental civil buildings	1.5%
Industrial equipment:	
- Machinery and equipment	10%
- Internal communication systems	25%
Other assets:	
- Furniture and fittings	12%
- Electronic office machines	20%
- Sundry equipment	12% and 25%

Investment properties

Investment properties are real properties held for the purpose of receiving lease rentals and/or for the appreciation of the invested capital and are not intended for sale in the ordinary course of the business activity. Furthermore, investment properties are not used in the production or supply of goods or services or in the business administration. The accounting standards used for the recognition of the item in question comply with the criteria previously described for the item "Property, plant and equipment".

In the event that a development project is started with a view to a future sale, properties are reclassified to the item "Inventories" following the change in the intended use. The carrying amount at the date of the change in the intended use of the property is treated as a cost for the subsequent recognition under inventories.

Intangible assets

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

i) Concessions, licenses and trademarks

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

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

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

Impairment of intangible assets and property, plant and equipment

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

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

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

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

ii) Goodwill and intangible assets not yet available for use

The recoverable amount of goodwill and of intangible assets that are not yet available for use should be measured annually or more frequently whether or not there is any evidence that these assets may be impaired. In any case, the initial value of goodwill is not reinstated if the reasons for the impairment no longer apply.

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

The equity investments in subsidiaries, associates and companies subject to joint control are valued at cost as adjusted for any impairment.

The equity investment held by the company, which is neither a subsidiary nor an associate and which is not listed in an active market and for which the use of an appropriate valuation model should not be reliable, is in any case valued at cost.

In the case of equity investments valued at cost, they are written down through profit and loss, where any lasting losses of value are identified. If the reasons for a write-down no longer apply, it is necessary to restore the value at most up to the amount of the initial cost. This reinstatement is entered in the income statement.

Financial Instruments

Financial assets and trade receivables

Financial assets are initially measured at fair value and classified under loans and receivables, available-for-sale financial assets or financial assets at fair value through profit or loss, depending on the related nature and the purposes for which they have been acquired.

Financial assets are accounted for at the trade date of the acquisition/sale and are derecognised from the accounts when the right to receive the related cash flows is extinguished and the Company has substantially transferred all risks and rewards relating to the financial instrument and the related control.

Loans and receivables

Loans and receivables are non-derivative instruments with fixed or determinable payments that are not quoted in an active market. Specifically, this category classifies the following items of the statement of financial position: "Non-current financial assets (including derivatives)", "Current financial assets (including derivatives)" and "Current trade receivables".

Loans and receivables are initially accounted for at fair value and subsequently measured at amortised cost using the effective interest rate, net of the provision for write-down. Loans and receivables are included under current assets, except for those having a contractual term exceeding twelve months compared to the balance sheet date, which are classified under non-current assets.

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

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

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

Available-for-sale financial assets

Available-for-sale financial assets are any non-derivative financial assets expressly designated as available for sale and are included under non-current assets, except for those assets which the directors intend to transfer in the twelve months subsequent to the balance sheet date.

Available-for-sale financial assets are initially measured at fair value, as increased by any additional charges and are subsequently measured at fair value, charging the subsequent profits or losses from measurement to an equity reserve. Their recognition in the income statement is made only at the time when the financial asset is actually transferred, or, in the case of accumulated negative changes, at the time when the same are considered to be durable and significant.

Any dividends arising from equity investments entered under the category in object are charged to the income statement, at the time when the Company becomes entitled to receive the related payment.

At each balance sheet date the Company assesses whether there is any objective evidence of an impairment loss of the financial assets. In the case of equity investments classified as available for sale, a reduction in the fair value of the equity investment to below the initial cost is considered to be an impairment loss. If this evidence exists for available-for-sale financial assets, the cumulative loss – which is calculated as the difference between the acquisition cost and the fair value at the balance sheet date, net of impairment losses (if any) previously accounted for in the income statement – is transferred from equity and recognised in the income statement. These losses crystallise and therefore they cannot be subsequently reinstated in the income statement. Any changes in the exchange rates relating to the equity investments entered under available-for-sale financial assets are recognised under the specific equity reserve.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are represented by securities held for trading, as they are acquired for the purpose of being transferred in the short-term. Derivatives are measured as securities held for trading, unless they are designated as hedging financial instruments.

Financial assets at fair value through profit or loss are initially recognized at fair value and the related additional charges are immediately expensed in the income statement. Subsequently, these assets are measured at fair value with changes in profit or loss.

Cash and cash equivalents

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

Loans, Trade Payables and Other Financial Liabilities

Loans, trade payables and other financial liabilities are initially entered at fair value, net of directly-attributable additional costs, and are subsequently valued at amortised cost, applying the effective interest rate method. If there is a change in the estimated expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and of the effective internal rate as initially determined. Loans, trade payables and other financial liabilities are classified under current liabilities, except for those with a contractual term beyond twelve months compared to the balance sheet date and those for which the Company has an unconditional right to defer their settlement for at least twelve months after the reporting date. Loans, trade payables and other financial liabilities are derecognised from the accounts at the time of their repayment and when the Company has transferred all risks and charges relating to the instruments themselves.

Derivative financial instruments

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

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

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship itself;
- hedge is expected to be highly effective;
- effectiveness can be measured reliably;

- the hedge itself is highly effective during the different accounting periods for which it is designated.

If the derivative financial instruments are eligible for hedge accounting, the following accounting treatments shall apply:

Cash flow hedge

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

Derivative financial instruments are accounted for at the trade date.

Estimate of the fair value

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

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

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

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

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

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

Inventories

Inventories, which are made up of properties held for trading that initially resulted from the demerger of former Ferrovie Real Estate SpA, are entered at lower of acquisition cost and market value determined by a survey carried out by a third-party independent expert.

They are entered net of provision for write-down and value-increasing costs are capitalised. The write-down is derecognised in the subsequent years if the reasons for the same no longer apply.

Employee benefits

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

Severance pay and other employee benefits

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

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

Specifically, it should be pointed out that the Company manages a defined benefit plan that is represented by the provision for Severance Pay (*Trattamento di Fine Rapporto*, “TFR”). The Italian Companies are required to set aside this provision pursuant to article 2120 of the Italian Civil Code; it is treated as a deferred remuneration and is correlated to the duration of the working life of the employees and to the remuneration received in the period of service performed. Starting from 1 January 2007, law no. 296 of 27 December 2006, “2007 Finance Act” and subsequent Decrees and Regulations, introduced significant amendments to the TFR regulations, including the worker’s right to choose to allocate its accruing TFR either to supplementary pension funds or to the “Treasury Fund” managed by the INPS (*Istituto Nazionale di Previdenza Sociale*, National Social Security Institute). Therefore, this has entailed that the obligation to the INPS and the contributions paid into supplementary pension funds are now treated, pursuant to IAS 19 “Employee benefits”, as defined contribution plans, while the quotas entered in the provision for TFR at 1 January 2007 are still treated as defined benefit plans.

The Company also has in place a defined benefit pension plan referred to the “Free Travel Card” (*Carta di Libera Circolazione*, CLC) that grants the employees, even if they are retired employees, and to their relatives, the right to travel – free of charge or, in some cases, through the payment of the right of admission – on the trains managed by the FS Italiane Group.

Therefore, a provision has been set aside in the accounts, on the basis of the actuarial techniques previously mentioned, which includes the actuarially determined charge relating to retired employees who are entitled to the benefit, as well as the portion of benefit accrued for the employees in service and to be paid out after the termination of the employment relationship. The accounting treatment of the benefits produced by the Free Travel Card and the effects arising from the actuarial measurement are the same as those envisaged for the provision for Severance Pay.

Provisions for risks and charges

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

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

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

Revenues

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

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

Revenues from contract work in progress are recognised, consistently with the information reported above for the latter item, with reference to the state of progress (percentage of completion method).

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

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

Government grants

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

i) Set-up grants

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

ii) Operating grants

Operating grants refer to sums paid out by the Government or by any other Public Bodies to the Company by way of reduction in costs and charges incurred. Operating grants are charged to the item “Revenues from sales and services”, as a positive component of the income statement.

Cost recognition

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

Income taxes

Current taxes are determined on the basis of the Company’s estimated taxable income and in accordance with the current tax regulations. Deferred tax assets relating to previous tax losses are recognized insofar as it is probable that a future taxable income will be available against which the same may be recovered. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applied in the years in which the differences will be realized or discharged.

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

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

Assets and liabilities held for sale and discontinued operations

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

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

The results from discontinued operations – either disposed of or classified as held for sale and being divested – are recognized separately in the income statement, net of tax effects. The corresponding values relating to the previous year, where present, are reclassified and recognized separately in the separate income statement, net of tax effects, for comparative purposes. Non-current assets (or disposal groups) classified as held for sale, are firstly recognized in accordance with the specific relevant IFRS applicable to each asset and liability and, subsequently, are recognised at the lower of carrying amount and the related fair value, net of selling costs. Subsequent impairment losses (if any) are recognised directly as an adjustment to non-current assets (or disposal groups) classified as held for sale through profit or loss. Instead, a reinstatement of value is recognised for each subsequent increase in the fair value of an asset, net of selling costs, but only up to the amount of the total impairment loss previously recognized.

Recently-issued accounting standards

First-time adoption accounting standards

IFRS 13 – Fair value measurement

On 12 May 2011 the IASB issued IFRS 13 – "Fair value measurement", which illustrates the procedures for determining the fair value for the purposes of the financial statements and will be applicable to all the cases in which the standards require or allow fair value measurement or the presentation of information based on the fair value, with some limited exclusions. Furthermore, the standard requires more extensive information on the fair value measurement (fair value hierarchy) than that required by IFRS 7.

The Company adopted this new standard on a prospective basis as from 1 January 2013.

IAS 19 – Employee benefits

On 16 June 2011 the IASB issued an amendment to IAS 19 – "Employee benefits", which eliminates the option to defer the recognition of actuarial gains and losses according to the corridor method, providing for all actuarial gains or losses to be recognised immediately in the "Other comprehensive income (OCI)", so that the entire net amount of provisions for defined benefits (net of assets serving the plan) is entered in the consolidated statement of financial position. The amendment also provides for any changes in the provision for defined benefits and of any assets serving the plan, between a financial year and the subsequent one, to be divided into three components: the cost components linked to the working activity of the financial year must be recognised as "service costs" in the income statement; net financial charges, which are calculated by applying the appropriate discount rate to the net balance of the provision for defined benefits, net of assets arising at the beginning of the financial year, must be recognised in the income statement as such; actuarial gains and losses that arise from the re-measurement of liabilities and assets must be entered in the statement of comprehensive income. Furthermore, the return of the assets included under net financial charges, as specified above, shall be calculated on the basis of the discount rate of the liabilities and no longer on the basis of the expected return of the assets. Finally, the amendment introduces new additional information to be provided in the notes to the financial statements.

The Company adopted this amendment on a retrospective basis as from 1 January 2013; in consideration of the fact that the Company had already opted for the immediate recognition of actuarial gains and losses under the OCI, the application of the abovementioned amendment has had no effects.

IAS 1 – Presentation of financial statements

On 16 June 2011 the IASB issued an amendment to IAS 1 – "Presentation of financial statements", to require the companies to group all the components reported in the "Other comprehensive income (OCI)", depending on whether or not they can be subsequently reclassified to the income statement. The Company adopted this amendment as from 1 January 2013.

IFRS 7 – Financial instruments - Disclosures

On 16 December 2011 the IASB issued some amendments to IFRS 7 – "Financial instruments – Disclosures". These amendments require the companies to provide information about the actual or potential effects of offsetting financial assets and liabilities on the statement of financial position. The Company adopted these amendments as from 1 January 2013.

Annual Improvements to IFRSs: 2009-2011 Cycle

On 17 May 2012 the IASB published a document named *Annual Improvements to IFRSs: 2009-2011 Cycle*, which adopts the changes to the standards in the framework of their annual improvement process, concentrating on changes that are deemed necessary but not urgent. After this it refers to those that will entail a change in the presentation, reporting and measurement of the items in the accounts, setting aside those that entail changes in terminology or editing changes with very little effect in terms of accounting, or those that have an impact on the standards or interpretations not applicable by the Company:

- IAS 1 "Presentation of financial statements – Comparative information": it is clarified that, in the event that additional comparative information is provided, it must be presented in accordance with IAS/IFRS; if an entity voluntarily provides additional comparative information, this may be included even in only one of the mandatory financial statements, for which the related notes must be then provided. Furthermore, it is clarified that in the event that an entity changes an accounting standard or makes a retrospective adjustment/reclassification, the entity itself shall also present a balance sheet at the beginning of the comparative period (a "third statement of financial position" in the financial statements), while no comparative disclosures are required to be reported in the notes to the financial statements in relation to this "third statement of financial position", except for any relevant items.
- IAS 16 "Property, plant and equipment – Classification of servicing equipment": it is clarified that any servicing equipment shall be classified under Property, plant and equipment if it is used for more than one financial year; otherwise, under inventories.
- IAS 32 "Financial instruments: presentation – Direct taxes": it is clarified that direct taxes on distributions to holders of equity instruments and transaction costs on equity instruments are regulated by the rules under IAS 12.
- IAS 34 "Interim Financial Reporting – Information on operating segments": this standard clarifies requirements on information to be reported in interim reports as to assets and liabilities relating to operating segments.

The Company adopted these amendments as from 1 January 2013.

Accounting standards endorsed by the European Union and not adopted by the Company in advance

IFRS 10 – Consolidated Financial Statements

On 12 May 2011 the IASB issued IFRS 10 – "Consolidated Financial Statements", which replaced SIC-12 "Consolidation - Special Purpose Entities" and IAS 27 – "Consolidated and Separate Financial Statements", which will be renamed "Separate Financial Statements" and will regulate the accounting treatment of equity investments in separate financial statements. The new standard identifies a single control model applicable to all companies. Below are the main developments:

- according to IFRS 10, there is only one fundamental principle for the consolidation of all types of entity, and this principle is based on control. This change removes the inconsistency that was perceived between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and rewards);
- a firmer definition of control has been introduced with respect to the past, based on three elements on the part of the investor: (a) power over the acquired enterprise; (b) exposure or rights to variable returns from the investor's

involvement with the investee; and (c) the ability of the investor to use its power over the investee to affect the amount of the investor's returns;

- IFRS 10 requires an investor, if it wishes to assess whether it has control over the acquired enterprise, to focus on the activities that significantly affect its returns;
- IFRS 10 states that only substantive rights should be considered in assessing the existence of control, namely those that can be exercised in practice when important decisions are to be taken concerning the acquired enterprise;
- IFRS 10 gives practical guidance in order to help in the assessment of whether there is control in complex situations, such as *de facto* control, potential voting rights, situations in which it has to be established whether the decision-maker is acting as agent or principal, etc..

The standard will be applicable on a retrospective basis from 1 January 2014, with early application permitted as from 1 January 2013.

IFRS 11 – Joint arrangements

On 12 May 2011 the IASB issued IFRS 11 – "Joint arrangements", which replaces SIC-13 – "Jointly Controlled Entities – Non-monetary Contributions by Venturers" and IAS 31 – "Interests in Joint Ventures". IFRS 11, without prejudice to the criteria to identify joint control, sets out the reporting principles for entities that are parties to said agreements, defining the equity method as the only method of accounting for the purposes of consolidated financial statements. According to IFRS 11, the existence of a separate vehicle is not a sufficient condition to classify a joint arrangement as a joint venture.

Following the issue of IFRS 11, IAS 28 – "Investments in associates and joint ventures" was amended in order to also include interests in joint ventures within its scope of application from the effective date of the standard.

The new standard will be applicable on a retrospective basis from 1 January 2014, with early application permitted as from 1 January 2013.

IFRS 12 – Disclosure of Interests in Other Entities

On 12 May 2011 the IASB issued IFRS 12 – "Disclosure of Interests in Other Entities" which is a new and complete standard on the additional information to be provided in the consolidated financial statements on any type of equity investment, including those held in subsidiaries, joint arrangements, associates, unconsolidated special purpose entities and any other vehicle company. The standard will be applicable on a retrospective basis from 1 January 2014, with early application permitted as from 1 January 2013.

IAS 32 – Financial instruments: Presentation

On 16 December 2011 the IASB issued some amendments to IAS 32 – "Financial Instruments: presentation", in order to clarify the application of some criteria for the setoff of financial assets and liabilities governed by IAS 32, thus actually making it more difficult. The amendments will be applicable on a retrospective basis for the financial years commencing on or after 1 January 2014, with early application permitted as from 1 January 2013.

IFRS 10 IFRS 11 IFRS 12 – Amendments: transition guidance

On 28 June 2012 the IASB issued some amendments to IFRS 10 – "Consolidated financial statements", IFRS 11 – "Joint arrangements" and IFRS 12 – "Disclosure of Interests in Other Entities", as resulting from the proposals contained in the Exposure Draft – Transition Guidance published in December 2011. The amendments substantially provide further relief in the transition to the new standards by limiting the obligation to provide adjusted comparative information to the previous comparative financial year only. Furthermore, for the first year that IFRS 12 is applied, the requirement to present comparative information for the disclosures related to unconsolidated structured entities is removed. The amendments will be applicable for the financial years commencing after 1 January 2014, with early application permitted as from 1 January 2013.

IFRS 10 IFRS 12 IAS 27 – Investment entity

On 31 October 2012 the IASB published some amendments to IFRS 10 – "Consolidated Financial Statements", IFRS 12 – "Disclosure of Interests in Other Entities" and IAS 27 – "Separate Financial Statements". The abovementioned amendments clarify the definition of "investment entity" and introduce an exception to the application of the principle of consolidation for such entities, and allow the same to measure their subsidiaries at Fair Value. Furthermore, the amendments better define some disclosure requirements that the investment entities must provide in the notes. The standard will be applicable for the financial years commencing on or after 1 January 2014.

IAS 36 – Impairment of Assets – Disclosures on the recoverable amount of non-financial assets

On 29 May 2013 the IASB issued an amendment to IAS 36 – "Impairment of Assets – Disclosures on the recoverable amount of non-financial assets". The amendment regulates the information to be provided in relation to the recoverable amount of an impaired asset in the case this amount is determined at the asset's fair value less costs of disposal. The standard will be applicable for the financial years commencing on 1 January 2014.

IAS 39 – Financial Instruments: Recognition and Measurement

On 27 June 2013 the IASB issued some amendments to IAS 39 – "Financial Instruments: Recognition and Measurement", named "Novation of Derivatives and Continuation of Hedge Accounting." The amendments provide an exception to the requirement to discontinue hedge accounting in situations where derivatives designated in hedging relationships are novated to replace the original counterparty as a consequence of laws or regulations, in order to ensure the successful discharge of the obligation undertaken and if certain conditions are met.

The same amendment will be included in IFRS 9 – "Financial Instruments." These amendments will be applicable from the financial years commencing on 1 January 2014, with early application permitted.

Accounting standards not yet endorsed by the European Union

As at the date of these Financial Statements, the competent bodies of the European Union had not yet concluded the necessary process of endorsement for the adoption of the following accounting standards and amendments:

IFRS 9 – Financial instruments

On 12 November 2009 the IASB published IFRS 9 – "Financial instruments", which represents the first stage of a phased process that is aimed at fully replacing IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities. Specifically, the new standard applies, for financial assets, a single approach based on the procedures to manage financial instruments and on the characteristics of contractual cash flows of the financial assets themselves, in order to determine their accounting policy, replacing the different rules laid down in IAS 39. On the contrary, as to financial liabilities, the main amendment concerns the accounting treatment of changes in fair value of a financial liability designated as financial liability at fair value through profit and loss, in the event that they are due to the change in the credit rating of the liability itself. According to the new standard, these changes must be recognized in the "Other comprehensive income (OCI)" and will no longer be taken through profit or loss. IFRS 9 will be effective from the financial years commencing on 1 January 2018.

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." IFRIC 21 provides guidance on when an entity must recognise a liability for levies 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 represented by the existence of a present obligation of the entity as a result of a past event (obligating event). The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. IFRIC 21 will be effective from the financial years commencing on 1 January 2014.

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 objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, such as, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments will be applicable from 1 July 2014, with early application permitted.

Annual Improvements to IFRSs: 2010-2012 Cycle

On 12 December 2013 the IASB published a document named *Annual Improvements to IFRSs: 2010-2012 Cycle*, which adopts the changes to the standards in the framework of their annual improvement process, in response to eight issues addressed during the 2010-2012 cycle. The standards included in this cycle are: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 7, IAS 16/38 and IAS 24. These amendments will be applicable from 1 July 2014, with early application permitted.

Annual Improvements to IFRSs: 2011-2013 Cycle

On 12 December 2013 the IASB published a document named *Annual Improvements to IFRSs: 2011-2013 Cycle*, which adopts the changes to the standards in the framework of their annual improvement process, in response to four issues addressed during the 2011-2013 cycle. The standards included in this cycle are: IFRS 1, IFRS 3, IFRS 13 and IAS 40. These amendments will be applicable from 1 July 2014, with early application permitted.

Use of estimates and valuations

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

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

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

***i)* Impairment of assets**

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

***ii)* Amortisation and depreciation**

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

***iii)* Provisions for risks and charges**

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

***iv)* Taxes**

The recognition of deferred tax assets is made on the basis of the forecast 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.

5. Financial risks management

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

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

Credit risk

The credit risk is the risk that a customer or one of the counterparties of a financial instrument may cause a loss in not complying with an obligation and this risk mainly arises from trade receivables and from the financial investments of the Company towards third parties. However, it is clarified that the financial assets are mainly made up of loans to FS Italiane Group companies and, therefore, they do not generate any credit risk.

The main trade receivables can be referred to the sales of properties held for trading; the sales for which instalment payment terms or payment extensions are secured by bank guarantees. In consideration of this, the relative credit risk is quite limited.

The recovery prospects of trade receivables are valued position by position, taking account of the instructions given by the department managers and the internal and external legal counsels who are in charge of the recovery procedure (if any). Receivables for which at the balance sheet date a probable loss could arise are consequently written down.

For the credit risk arising from investing activities, a policy is applied for the use of liquidity which defines *(i)* the minimum requirements of the financial counterparty in terms of creditworthiness and the related concentration limits *(ii)* the types of financial products that can be used.

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

values in €/th.

	31.12.2013	**31.12.2012**
Current trade receivables	148,024	128,262
Provision for write-down	(18,971)	(17,679)
Current trade receivables, net of provision for write-down	**129,053**	**110,583**
Other current assets	54,089	47,603
Provision for write-down	(153)	(153)
Other current assets, net of provision for write-down	**53,936**	**47,450**
Non-current financial assets (including derivatives)	5,922,540	4,836,404
Provision for write-down		
Non-current financial assets (including derivatives), net of provision for write-down	**5,922,540**	**4,836,404**
Other non-current assets	1,243	1,236
Provision for write-down		
Other non-current assets, net of provision for write-down	**1,243**	**1,236**

Cash and cash equivalents	**420,967**	**268,151**
Current financial assets (including derivatives)	1,269,489	1,976,982
Provision for write-down		
Current financial assets (including derivatives), net of provision for write-down	**1,269,489**	**1,976,982**
Non-current trade receivables	6,973	11,088
Provision for write-down	(146)	(146)
Non-current trade receivables, net of provision for write-down	**6,827**	**10,942**
Total exposure, net of provision for write-down (*)	**7,804,055**	**7,251,748**

*This item does not include tax receivables and equity investments

The tables below report the exposure to credit risk by counterparty, in absolute terms and as a percentage, excluding Cash and cash equivalents.

values in €/th.

	31.12.2013	**31.12.2012**
Public Administration, Italian Government , Regions	7,526	2,612
Ordinary customers	25,528	24,472
Financial institutions		
Other debtors	4,225	9,170
Group companies	7,345,810	6,947,343
Total exposure, net of provision for write-down	**7,383,089**	**6,983,597**

The tables below provide a percentage breakdown of financial assets at 31 December 2013 and 2012, as broken down by overdue items, net of provision for bad debts.

values in €/th.

	31.12.2013					
		Expired since				
	Not expired	0-180	180-360	360-720	beyond 720	Total
Public Administration, Italian Government, Regions (gross)	4,838	764	797	512	1,643	8,554
Provision for write-down	(403)	(81)	(59)	(156)	(329)	(1,028)
Public Administration, Italian Government, Regions (net)	**4,435**	**683**	**738**	**356**	**1,314**	**7,526**
Ordinary customers (gross)	27,330	1,921	1,409	2,190	10,767	43,617
Provision for write-down	(7,009)	(384)	(431)	(1,102)	(9,164)	(18,089)
Ordinary customers (net)	**20,321**	**1,537**	**978**	**1,088**	**1,603**	**25,528**
Other debtors (gross)	4,378					4,378
Provision for write-down	(153)					(153)
Other debtors (net)	**4,225**					**4,225**
Group companies (gross)	7,343,054	2,071	156	331	198	7,345,810
Provision for write-down						
Group companies (net)	**7,343,054**	**2,071**	**156**	**331**	**198**	**7,345,810**
Total exposure, net of provision for write-down	**7,372,035**	**4,291**	**1,872**	**1,775**	**3,115**	**7,383,089**

values in €/th.

	31.12.2012					
		Expired since				
	Not expired	0-180	180-360	360-720	beyond 720	Total
Public Administration, Italian Government, Regions (gross)	721	268	294	542	1,327	3,152
Provision for write-down		(54)	(75)	(144)	(267)	(540)
Public Administration, Italian Government, Regions (net)	**721**	**214**	**219**	**398**	**1,060**	**2,612**
Ordinary customers (gross)	18,171	2,292	1,483	2,309	17,502	41,757
Provision for write-down		(827)	(652)	(1,122)	(14,684)	(17,285)
Ordinary customers (net)	**18,171**	**1,465**	**831**	**1,187**	**2,818**	**24,472**
Financial institutions						
Other debtors (gross)	9,170				153	9,323
Provision for write-down					(153)	(153)
Other debtors (net)	**9,170**					**9,170**
Group companies (gross)	6,945,731	1,380	34	93	105	6,947,343
Provision for write-down						
Group companies (net)	**6,945,731**	**1,380**	**34**	**93**	**105**	**6,947,343**
Total exposure, net of provision for write-down	**6,973,793**	**3,059**	**1,084**	**1,678**	**3,983**	**6,983,597**

Liquidity risk

The liquidity risk is the risk that an entity may have difficulties in complying with the obligations associated with financial liabilities to be settled delivering cash on hand or any other financial asset.

It should be noted that the Company's financial debt is essentially aimed at the payment of loans payable to the FS Italiane Group companies. The Parent Company adopts asset liability management techniques in raising debt capital and financing for the FS Italiane Group companies. Currently, the loans received, as well as the bonds issued, repeat to the subsidiaries the technical characteristics of the underlying debt such as to allow a time coincidence between monetary revenues and expenses arising from interest and repayments of capital.

Together with the abovementioned guidelines, in order to meet temporary liquidity requirements, in 2011 the Company obtained a Backup Credit Facility of a maximum amount of Euro 1,500 million, raised, on a "committed" basis, with a pool of eight lenders and expiring within three years; this credit line has been created with a general purpose, thus granting the Company the possibility of resorting to this borrowing instrument for the most diverse types of operating requirements. Furthermore, again for the purposes of meeting temporary liquidity requirements, the Company has access to additional "uncommitted" credit lines granted by the banking system.

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

values in €/th.

31 December 2013	Book Value	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
Non-derivative financial liabilities							
Debenture loans	4,162,841	4,891,376	13,945	57,905	316,797	1,439,158	3,063,571
Loans from banks	857,246	1,016,847	130,208	110,830	110,830	332,490	332,490
Payables to other lenders	1,282,946	1,500,000	100,000	100,000	200,000	600,000	500,000
Borrowings from Group companies	978,613	978,613	978,330	283			
Trade payables	71,130	71,130	71,130				
Total	**7,352,776**	**8,457,966**	**1,293,613**	**269,018**	**627,627**	**2,371,647**	**3,896,061**

values in €/th.

31 December 2012	Book Value	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
Non-derivative financial liabilities							
Debenture loans	3,411,801	3,729,139	7,531	606,832	21,144	885,941	2,207,691
Loans from banks	1,306,150	1,503,968	31,041	586,288	110,830	332,490	443,319
Payables to other lenders	1,426,932	1,700,000	100,000	100,000	200,000	600,000	700,000
Borrowings from Group companies	739,151	739,151	736,919	1,666	566		
Trade payables	89,733	89,733	89,733				
Total	**6,973,766**	**7,761,990**	**965,223**	**1,294,787**	**332,540**	**1,818,431**	**3,351,010**

Derivative and non-derivative financial liabilities

values in €/th.

31 December 2013	Book value	Within 12 months	1-5 years	Beyond 5 years
Non-derivative financial liabilities				
Debenture loans	4,162,841	24,277	1,426,026	2,712,538
Loans from banks	857,246	208,557	345,081	303,608
Payables to other lenders	1,282,946	149,842	662,829	470,275
Borrowings from Group companies	978,613	978,613		
Trade payables	71,130	71,130		
Total	**7,352,776**	**1,432,420**	**2,433,936**	**3,486,421**

values in €/th.

31 December 2012	Book value	Within 12 months	1-5 years	Beyond 5 years
Non-derivative financial liabilities				
Debenture loans	3,411,801	602,103	822,121	1,987,576
Loans from banks	1,306,150	580,622	329,638	395,890
Payables to other lenders	1,426,932	143,986	636,928	646,018
Borrowings from Group companies	739,151	738,585	566	
Trade payables	89,733	89,733		
Total	**6,973,766**	**2,155,029**	**1,789,253**	**3,029,484**

The contractual flows from variable-rate financial liabilities have been calculated by using the forward rates estimated at the closing date of the financial statements. Furthermore, it is specified that the debt expiring within 6 months is mainly made up of payables, whose service is financially covered by the provisions set aside in the Finance Laws and by the book balance of the intercompany current account of the companies with net uses on the cash pooling system of the Parent Company.

Market risk, specifically interest rate and exchange risk.

The market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate following changes in market prices, due to changes in exchange rates and interest rates or in the quotations of the 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.

Within market risks the Company is exposed, to a limited extent, to the Interest rate risk and to the Exchange risk.

Interest rate risk

The interest rate risk faced by the Company is zero as variable-rate financial liabilities are fully offset by corresponding financial assets towards subsidiaries.
The table below reports the medium/long-term loans (including the short-term portion) and current and non-current financial liabilities at variable rate and at fixed rate.

values in €/th.

	Book value	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	beyond 5 years
Variable rate	3,845,034	4,188,294	1,119,364	264,049	1,252,642	1,552,239
Fixed rate	3,436,612	4,198,542	372,136	363,578	1,119,006	2,343,822
Balance at 31 December 2013	**7,281,646**	**8,386,836**	**1,491,501**	**627,627**	**2,371,647**	**3,896,061**
Variable rate	4,577,607	4,884,182	1,854,017	11,374	851,048	2,167,744
Fixed rate	2,306,427	2,788,075	316,260	321,166	967,383	1,183,267
Balance at 31 December 2012	**6,884,034**	**7,672,258**	**2,170,277**	**332,539**	**1,818,431**	**3,351,010**

Below is reported a sensitivity analysis that shows the effects that would have been recorded in terms of changes in financial charges had a change arisen, either as an increase or a decrease, of 50 basis points in the Euribor interest rates applied to loans payable in the course of 2013, showing the substantial setoff arising from the simultaneous change in income from loans granted against the same change in interest rates.

values in €/th.

	Shift + 50 bps	Shift - 50 bps
Interest expense on variable-rate payables	17,343	(17,343)
Interest income from financing transactions	(15,931)	15,931
Total	**1,412**	**(1,412)**

Exchange risk

The Company is mainly active in the Italian market, and operations outside the Italian market are limited to the Euro zone countries and, therefore, its exposure to exchange risk is limited, as in the previous year, to only one debit item.

It should be noted that, with specific reference to the debenture loans raised in the previous year for a value of CHF 81 million, the Company is not exposed to any exchange risk as these debit positions are correspondingly covered by the intercompany loans disbursed to the subsidiary company Trenitalia SpA to the same amount and in the same contractual currency.

Equity capital management

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

Financial assets and liabilities by category

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

31 December 2013	Loans and receivables	Payables and borrowings
Non-current financial assets (including derivatives)	5,922,540	
Non-current trade receivables	6,827	
Other non-current assets	398,296	
Current trade receivables	129,053	
Current financial assets (including derivatives)	1,320,122	
Cash and cash equivalents	370,470	
Tax receivables	84,915	
Other current assets	248,521	
Medium/long-term loans		5,920,356
Non-current financial liabilities (including derivatives)		
Short-term loans and current portion of medium/long-term loans		382,676
Other non-current liabilities		586,765
Current trade payables		71,130
Tax payables		291
Current financial liabilities (including derivatives)		978,613
Other current liabilities		678,889

31 December 2012	Loans and receivables	Payables and borrowings
Non-current financial assets (including derivatives)	4,836,404	
Non-current trade receivables	10,942	
Other non-current assets	150,988	
Current trade receivables	110,583	
Current financial assets (including derivatives)	1,977,117	
Cash and cash equivalents	268,151	
Tax receivables	83,917	
Other current assets	658,640	
Medium/long-term loans		4,818,171
Non-current financial liabilities (including derivatives)		566
Short-term loans and current portion of medium/long-term loans		1,326,712
Other non-current liabilities		349,061
Current trade payables		89,733
Tax payables		1,899
Current financial liabilities (including derivatives)		738,585
Other current liabilities		1,011,989

6. Property, plant and equipment

Below is reported the statement of amounts of the item at the beginning and at the end of the year, with the related changes. It should be noted that, during 2013, no changes were recorded in the estimated useful life of the assets.

values in €/th.

	Land and buildings	Industrial and business equipment	Other assets	Fixed assets under construction and advances	Total
Historical cost	51,482	523	13,237	444	65,685
Depreciation and impairment losses	(11,150)	(284)	(12,198)		(23,631)
Balance as at 1 January 2012	**40,332**	**239**	**1,039**	**444**	**42,054**
Investments				1,579	1,579
Entries into service	397		170	(567)	
Depreciation	(722)	(85)	(365)		(1,172)
Total changes	**(325)**	**(85)**	**(195)**	**1,012**	**407**
Historical cost	51,879	523	12,963	1,455	66,820
Depreciation and impairment losses	(11,872)	(369)	(12,119)		(24,360)
Balance as at 31 December.2012	**40,007**	**154**	**844**	**1,455**	**42,460**
Investments				897	897
Entries into service			376	(376)	
Depreciation	(722)	(85)	(371)		(1,179)
Sales and disposals *			(2)		(2)
Other reclassifications **				(636)	(636)
Total changes	**(722)**	**(85)**	**3**	**(115)**	**(920)**
Historical cost	51,879	523	13,236	1,340	66,978
Depreciation and impairment losses	(12,595)	(454)	(12,390)		(25,438)
Balance as at 31 December 2013	**39,284**	**70**	**846**	**1,340**	**41,540**
Sales and disposals *					
Decreases in historical cost from sales and disposals			(103)		(103)
Decreases in accumulated depreciation for disposals			101		101
Total Sales and disposals			**(2)**		**(2)**
Reclassifications**					
Changes in historical cost for reclassifications				(636)	(636)
Total Reclassifications				**(636)**	**(636)**

The item “Land and buildings” relates to the portion of the building of Villa Patrizi, the Company’s registered office; the remaining portion is included under “Investment Properties”.

The reclassifications of Euro 636 thousand, which were carried out in the year, related to the portion relating to the software of investment projects of a mixed nature, which was appropriately reclassified to intangible assets when software started to be used.

7. Investment properties

Below is reported the statement of amounts of the item at the beginning and at the end of the year, with the related changes. It should be noted that, during 2013, no changes were recorded in the estimated useful life of the assets.

values in €/th.

	2013		2012	
	Land	**Buildings**	**Land**	**Buildings**
Balance as at 1 January				
Cost	452,188	393,894	455,614	392,579
Accumulated depreciation	(9,966)	(161,634)	(8,004)	(156,142)
Provision for write-down	(138,147)	(21,367)	(138,722)	(21,369)
Book value	**304,075**	**210,893**	**308,887**	**215,067**
Changes in the year				
Increases		898		2,143
Sales and disposal		(23)		
Reclassifications *	32,631	13,784	(2,853)	(513)
Depreciation	(1,960)	(7,238)	(1,960)	(5,805)
Impairment	(16,834)	(3,070)		
Total Changes	**13,837**	**4,351**	**(4,813)**	**(4,175)**
Balance as at 31 December				
Cost	502,895	440,006	452,188	393,894
Accumulated depreciation	(11,927)	(191,901)	(9,966)	(161,634)
Provision for write-down	(173,058)	(32,860)	(138,147)	(21,367)
Book value	**317,910**	**215,245**	**304,075**	**210,893**
Reclassifications*				
Cost	50,708	45,271	(3,426)	(828)
Accumulated depreciation		(23,065)	(2)	313
Provision for write-down	(18,077)	(8,423)	575	2
Total	**32,631**	**13,783**	**(2,853)**	**(513)**

The item “Investment properties” includes land and buildings that are leased to Group companies and to third parties, or that are not used by the Company, but not held for sale.

In 2013:

- following an analysis carried out on the real estate assets of the Company, also in consideration of the financial situation and in particular of the recession recorded in the property sector, write-downs were made for an overall amount of Euro 19,904 thousand, in order to adjust the book value of the assets at the related market value;
- an amount of Euro 52,108 thousand was reclassified from the item “Assets held for sale and disposal groups” in relation to railway workshops, whose plan of contribution to a company in the FS Italiane Group was not actually implemented. Following the reclassification carried out, the 2012 depreciation was recovered for an amount of Euro 570 thousand. The net value reported in the table includes transfers of Euro 5,764 thousand made to “Inventories” of assets held for sale.

8. Intangible assets

This item is exclusively made up of costs incurred for the implementation and the development of the software mainly relating to the Group's IT system.

The table below reports the amounts of intangible assets at the beginning and at the end of the year.

values in €/th.

	Concessions, licences, trademarks and similar rights	Fixed assets under development and advances	Total
Historical cost	102,350	4,552	106,902
Amortisation and impairment losses	(63,859)		(63,859)
Grants			
Balance as at 1 January 2012	**38,491**	**4,552**	**43,044**
Investments		11,722	11,722
Entries into service	9,377	(9,377)	
Amortisation	(12,536)		(12,536)
Total changes	**(3,159)**	**2,345**	**(814)**
Historical cost	111,727	6,898	118,625
Amortisation and impairment losses	(76,395)		(76,395)
Grants			
Balance as at 31 December 2012	**35,332**	**6,898**	**42,230**
Investments		12,309	12,309
Entries into service	14,394	(14,394)	
Amortisation	(11,735)		(11,735)
Increases in the grants for the year	(4,418)		(4,418)
Other reclassifications *		636	636
Total changes	**(1,759)**	**(1,449)**	**(3,208)**
Historical cost	126,121	5,450	131,571
Depreciation and impairment losses	(88,130)		(88,130)
Grants	(4,418)		(4,418)
Balance as at 31 December 2013	**33,573**	**5,450**	**39,023**
Reclassifications*			
Changes in historical cost for reclassifications		636	636
Total Reclassifications		**636**	**636**

Within the scope of the National Operational Plan (*Programma Operativo Nazionale)* for 2007-2013 Networks and Mobility, the Company received set-up grants of Euro 4,418 thousand in 2013. The recognition of the abovementioned grants, in relation to assets that had already entered into service in previous years, entailed the recovery of the amortization rates applied for an overall amount of Euro 1,746 thousand.

9. Deferred tax assets and deferred tax liabilities

The statement below reports the amounts of deferred tax assets and deferred tax liabilities, as well as the changes that were recorded in deferred taxes entered for the main temporary differences reported between accounting values and the corresponding fiscal values.

values in €/th.

	31.12.2012	Incr.(decr.) with impacts through P&L	Other changes	31.12.2013
Deferred tax assets				
Value differences on property, plant and equipment and intangible assets	102,778	3,022		105,800
Provisions for risks and charges and impairment losses with deferred tax deductibility	34,041	(4,656)		29,385
Value differences on properties held for trading – inventories	76,924	7,971		84,895
Other				
Total deferred tax assets	**213,743**	**6,337**		**220,080**
Deferred tax liabilities				
- Provision for deferred tax liabilities				
Value differences on property, plant and equipment and intangible assets	108,462	(24,214)		84,248
Value differences on properties held for trading – inventories	42,340	(7,769)		34,571
Other	721	(279)		442
Total provision for deferred tax liabilities	**151,523**	**(32,262)**		**119,261**
- Provision for taxes from consolidated IRES tax base	238,114		36,540	274,654
Total deferred tax liabilities	**389,637**	**(32,262)**	**36,540**	**393,915**

Deferred tax assets and the Provision for deferred tax liabilities mainly related to the misalignment between book values and values recognized for tax purposes of property, plant and equipment and intangible assets, on which amortisation and depreciation are calculated, and of properties held for trading, as well as to the deferred deductibility acknowledged to provisions for risks and charges and to write-downs of fixed assets. The changes recorded in the year take account of both the effect of a more precise definition of the misalignments from which they arose, with specific regard to both investment properties and properties held for trading, and the effect of the write-downs made in the year, as described in detail in notes 7 and 13, which are not relevant for tax purposes.

The Provision for taxes from the consolidated IRES (*Imposta sul Reddito delle Società*, Corporate Income Tax) tax base includes taxes assessed by the Company and by the subsidiaries participating in the consolidated tax base that are not due to the Tax Office as they are offset with the tax losses transferred by other companies. In fact, at the end of the year, the consolidating company offsets, in the presence of companies that contribute taxable income and companies that contribute tax losses, the respective results. Net increases and decreases amounted to Euro 36,540 thousand. The Provision reports the changes essentially relating to current taxes estimated by the companies that participate in the consolidated IRES tax base, net of the uses necessary to remunerate the companies themselves for any tax losses transferred at the relevant time. It should be noted that the latter also included any contractual effects concerning the redetermination of the tax (for the years 2007 to 2011) due to the higher deduction of the IRAP (*Imposta Regionale sulle Attività Produttive,* Regional Tax on Production Activities) tax, as introduced by article 2, paragraph 1-*quater*, of Decree Law no. 201/2011, which entailed a use of the provision equal to the receivable acknowledged to the entitled companies.

10. Equity investments

The tables below report the amounts of the Equity Investments in question at the beginning and at the end of the year, as broken down by category, and of the related changes that were recorded in 2013 and 2012.

values in €/th.

	Net value 31.12.2013	Net value 31.12.2012	Accumulated provision for write-down
Equity investments in:			
Subsidiaries	35,395,878	35,373,776	74,264
Associates	23,061	23,061	
Other companies	133,499	133,499	
Total	**35,552,438**	**35,530,336**	**74,264**

Changes in 2013:

values in €/th.

	Net value 31.12.2012	Changes in the year: Acquisitions/ subscriptions	Write-downs/ reinstatements of value	Reclassifications	Other changes	Net value 31.12.2013	Accumulated provision for write-downs
Equity investments in subsidiaries							
Centostazioni SpA	3,050					3,050	
Fercredit SpA	31,413					31,413	
Ferservizi SpA	8,378					8,378	
FS Logistica SpA	143,095		32,659			110,436	32,659
FS Sistemi Urbani Srl	534,094					534,094	
Grandi Stazioni SpA	17,601					17,601	
Netinera Deutschland GmbH (formerly FS2Move GmbH)	89,594	54,761				144,355	
FS Telco Srl	5					5	15
Italcertifer SpA	883					883	
Italferr SpA	8,047					8,047	
RFI SpA	32,896,721					32,896,721	
Self Srl	35					35	
Sita SpA in liquidation	562					562	
Trenitalia SpA	1,612,874					1,612,874	41,590
Busitalia - Sita nord Srl	27,374					27,374	
Tav Srl	50					50	
Total	**35,373,776**	**54,761**	**32,659**			**35,395,878**	**74,264**
Equity investments in associates							
Ferrovie Nord Milano SpA	23,061					23,061	
Total	**23,061**					**23,061**	
Other Companies							
BCC Bureau Central de Clearing	6					6	
Consorzio E.T.L.	10					10	
Eurofima	133,325					133,325	
Hit Rail B.V.	97					97	
Isfort SpA	61					61	
Total	**133,499**					**133,499**	
Total	**35,530,336**	**54,761**	**32,659**			**35,552,438**	**74,264**

The changes recorded in the year, totalling Euro 22,101 thousand, related to:

- an increase of Euro 54,761 thousand in the value of the equity investment in Netinera Deutschland GmbH, as described in detail in the paragraph on “Equity transactions” of the Report on Operations, of which Euro 38,250 thousand as an increase in the Equity reserves of the subsidiary and Euro 16,511 thousand relating to interest accrued on the Shareholders loan, taken as an increase in reserves;
- the write-down made on the equity investment of FS Logistica SpA in order to adjust its value to the corresponding portion of Equity held.

Changes in 2012:

values in €/th.

	Net value 31.12.2011	Changes in the year: Acquisitions/ subscriptions	Other changes	Decreases	Merger	Net value 31.12.2012	Accumulated provision for write-down
Equity investments in subsidiaries							
Centostazioni SpA	3,050					3,050	
Fercredit SpA	31,413					31,413	
Ferservizi SpA	43,251			(34,873)		8,378	
FS Formazione SpA in liquidation	258			(258)			
FS Logistica SpA	143,095					143,095	
FS Sistemi Urbani Srl	534,094					534,094	
Grandi Stazioni SpA	17,601					17,601	
Netinera Deutschland GmbH (formerly FS2Move GmbH)	89,594					89,594	
FS Telco Srl	5					5	15
Italcertifer SpA	883					883	
Italferr SpA	8,047					8,047	
RFI SpA	33,063,962				(167,241)	32,896,721	
Self Srl	35					35	
Sita SpA in liquidation	562					562	
Trenitalia SpA	1,612,874					1,612,874	41,590
Busitalia - Sita nord Srl	27,374					27,374	
Tav Srl	50					50	
Total	**35,576,148**			**(35,131)**	**(167,241)**	**35,373,776**	**41,605**
Equity investments in associates							
Ferrovie Nord Milano SpA	23,061					23,061	
Total	**23,061**					**23,061**	
Other companies							
BCC Bureau Central de Clearing	6					6	
Consorzio E.T.L.	10					10	
Consorzio Italiano Infrastrutture e Trasporti per l'Iraq in liquidation	120			(120)			
Eurofima	133,325					133,325	
Fondazione Accademia S.Cecila	5			(5)			
Fondazione Memoria della Shoah	20			(20)			
Hit Rail B.V.	97					97	
Isfort SpA	61					61	
Total	**133,644**			**(145)**		**133,499**	
Total	**35,732,853**			**(35,276)**	**(167,241)**	**35,530,336**	**41,605**

Below is reported the list of equity investments in subsidiaries, associates with the comparison between book values and the corresponding accrued portion of equity.

values in €/th.

	HQ	Share capital	Profit (loss) for the period	Equity at 31.12.2013	Ownership %	Accrued equity (a)	Book value as at 31.12.2013 (b)	Difference (b) - (a)
Equity investments in subsidiaries								
Busitalia - Sita Nord Srl	Rome	15,000	3,001	27,643	100.00%	27,643	27,374	(269)
Centostazioni SpA	Rome	8,333	9,144	32,471	59.99%	19,479	3,050	(16,429)
Fercredit SpA	Rome	32,500	6,243	85,861	100.00%	85,861	31,413	(54,448)
Ferservizi SpA	Rome	8,170	14,443	24,364	100.00%	24,364	8,378	(15,986)
FS Logistica SpA	Rome	143,096	3,233	110,436	100.00%	110,436	110,436	
FS Sistemi Urbani Srl	Rome	532,783	14,797	553,838	100.00%	553,838	534,094	(19,744)
Grandi Stazioni SpA	Rome	4,304	8,294	144,561	59.99%	86,722	17,601	(69,121)
Netinera Deutschland GmbH (formerly FS2Move GmbH) (*)	Berlin	1,025	(6,471)	255,606	51.00%	130,359	144,355	13,996
FS Telco Srl (**)	Rome	20	(12)	55	100.00%	55	5	(50)
Italcertifer SpA	Florence	480	183	3,049	66.66%	2,032	883	(1,149)
Italferr SpA	Rome	14,186	3,617	48,115	100.00%	48,115	8,047	(40,068)
RFI SpA	Rome	32,007,633	269,786	33,289,845	100.00%	33,289,845	32,896,721	(393,124)
Self Srl	Rome	35		35	100.00%	35	35	
Sita SpA in liquidation	Florence	200		(602)	55.00%	(331)	562	893
Trenitalia SpA	Rome	1,654,464	181,489	1,916,820	100.00%	1,916,820	1,612,874	(303,946)
TAV Srl	Rome	50	(13)	12	100.00%	12	50	38
Total						**36,295,286**	**35,395,878**	**(899,408)**
Equity investments in associates								
Ferrovie Nord Milano SpA	Milan	230,000	17,048	299,254	14.74%	44,110	23,061	(21,049)
Total						**36,339,396**	**35,418,939**	**(920,457)**
TOTAL						**36,339,396**	**35,418,939**	**(920,457)**

(*) The values reported relate to the 2013 financial statements of the Netinera Group.

(**) The equity value entered by the subsidiary includes any payment on account of future capital increases for Euro 135 thousand that Ferrovie dello Stato Italiane recognises as receivables for payments on account of future capital increases.

No write-down is made for the difference between the book value of Netinera Deutschland and the corresponding portion of equity as, in light of the respective planned perspective performances, it is not deemed that a long-lasting impairment loss exists.

For TAV no write-down has been made as the company is not operational, as well as for Sita in liquidation.

Below is reported the summary of the main financial and economic items of the associate Ferrovie Nord Milano:

values in €/th.

Equity investments in associates 2013	Ownership %	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenues	Costs	Profit / (loss)
FNM	14.74%	157,635	265,808	423,443	93,909	34,716	128,625	54,960	41,523	17,048

values in €/th.

Equity investments in associates 2012	Ownership %	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenues	Costs	Profit / (loss)
FNM	14.74%	163,800	283,215	447,015	126,090	37,829	163,919	52,676	39,264	13,735

11. Current and non-current financial assets (including derivatives)

The table below reports the breakdown of financial assets at the end of the two years under comparison.

values in €/th.

	Book value								
	31.12.2013			31.12.2012			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Financial assets									
Medium/long-term loans	5,922,301	256,243	6,178,544	4,824,171	825,748	5,649,919	1,098,130	(569,505)	528,625
Payments on account of future capital increases		135	135		135	135			
Receivables for short-term loans		231,741	231,741		346,697	346,697		(114,956)	(114,956)
Other financial receivables	239	781,506	781,745	12,233	804,537	816,770	(11,994)	(23,031)	(35,025)
Total	**5,922,540**	**1,269,624**	**7,192,164**	**4,836,404**	**1,977,117**	**6,813,521**	**1,086,136**	**(707,492)**	**378,644**

In 2013 financial assets recorded, as a whole, an increase of Euro 378,644 thousand.

“Medium/long-term loans” as at 31 December 2013 related to loans granted to the subsidiaries Rete Ferroviaria Italiana SpA, Trenitalia SpA and Fercredit SpA, for a total amount of Euro 6,178,544 thousand. The increase in the item, equal to Euro 528,625 thousand, was essentially attributable to higher receivables from the subsidiaries Tenitalia SpA and Rete Ferroviaria Italian SpA for the loans granted by Ferrovie dello Stato Italiane SpA out of the funds relating to the two bond issues on the Euro Medium Term Notes Programme for a total of Euro 1,351,427 thousand against lower receivables for the repayments of the loans that took place in the year for a total of Euro 821,387 thousand.

“Receivables for short-term loans” related to the short-term loans granted to subsidiaries.

12. Other non-current and current assets

values in €/th.

	31.12.2013			31.12.2012			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Other receivables from group companies		51,071	51,071		44,089	44,089		6,982	6,982
VAT receivables	397,049	194,560	591,609	149,749	611,162	760,911	247,300	(416,602)	(169,302)
State Administrations and other Public Administrations		13	13		13	13			
Sundry receivables and accrued income and prepaid expenses	1,247	3,029	4,276	1,239	3,529	4,768	8	(500)	(492)
Total	**398,296**	**248,673**	**646,969**	**150,988**	**658,793**	**809,781**	**247,308**	**(410,120)**	**(162,812)**
Provision for write-down		(153)	(153)		(153)	(153)			
Total, net of Provision for write-down	**398,296**	**248,520**	**646,816**	**150,988**	**658,640**	**809,628**	**247,308**	**(410,120)**	**(162,812)**

The decrease in the item "VAT receivables", totalling Euro 169,302 thousand, was essentially attributable to the differential effect due to the refunds made by the Tax Office for the VAT tax refund requested (Euro 351,018 thousand) and to the increases in the VAT pooling for 2013 (Euro 182,872 thousand).

The table below reports the breakdown of receivables by geographical region:

values in €/th.

	31.12.2013	31.12.2012	Changes
National regions	646,852	809,600	(162,748)
Eurozone countries	68	97	(29)
United Kingdom	48	83	(35)
United States	1		1
Total	**646,969**	**809,781**	**(162,811)**

13. Inventories

values in €/th.

	31.12.2013	31.12.2012	Changes
Land and Buildings held for Trading	743,882	719,282	24,600
Provision for write-down	(249,082)	(216,087)	32,995
Total Inventories	**494,800**	**503,195**	**(8,395)**

Inventories are made up of properties held for sale. The decrease compared to 31 December 2012 (Euro 8,395 thousand) is attributable to the net effect of the following factors:

- increases of Euro 18,490 thousand recorded in the year following the purchases made by the subsidiary FS Logistica SpA and of the non-routine maintenance works performed on properties;

- decreases of Euro 12,104 thousand as a result of the sales made in the year, net of the use of the provision for write-down;
- write-downs totalling Euro 31,476 thousand, in order to adjust the book value of the assets at their market value, following an analysis carried out on the real estate assets of the Company, also in consideration of the financial situation and in particular of the recession recorded in the property sector;
- reclassifications from the item “Assets held for sale and disposal groups” for Euro 10,930 thousand, in relation to railway workshops, whose plan of contribution to a company in the FS Italiane Group was not actually implemented and from the item “Investment Properties” relating to land and buildings held for sale (Euro 5,764 thousand).

14. Non-current and current trade receivables

values in €/th.

	31.12.2013			31.12.2012			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Ordinary customers	6,973	36,644	43,617	11,088	30,669	41,757	(4,115)	5,975	1,860
State Administrations and other Public Administrations		8,158	8,158		3,106	3,107		5,052	5,052
Receivables from Group companies		103,561	103,561		94,487	94,487		9,074	9,074
Other receivables		(339)	(339)					(339)	(339)
Total	**6,973**	**148,024**	**154,997**	**11,088**	**128,262**	**139,350**	**(4,115)**	**19,762**	**15,647**
Provision for write-down	(147)	(18,971)	(19,117)	(146)	(17,678)	(17,824)	1	1,293	1,294
Total, net of Provision for write-down	**6,826**	**129,053**	**135,879**	**10,942**	**110,583**	**121,526**	**(4,116)**	**18,469**	**14,353**

In 2013 current and non-current trade receivables, net of provision for write-down, recorded an increase of Euro 14,353 thousand.

Current receivables from Group companies mainly concerned trade receivables from the subsidiaries Rete Ferroviaria Italiana SpA (Euro 36,464 thousand), Trenitalia SpA (Euro 25,195 thousand), Grandi Stazioni SpA (Euro 18,546 thousand), FS Logistica SpA (Euro 6,851 thousand), Ferservizi SpA (Euro 4,448 thousand), Italferr SpA (Euro 4,089 thousand) and Busitalia Srl (Euro 2,746 thousand).

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

values in €/th.

	31.12.2013	31.12.2012	Changes
National regions	153,719	135,858	17,861
Eurozone countries	878	691	187
Other non-EU European Countries		2	(2)
Other countries	400	2,800	(2,400)
Total	**154,997**	**139,350**	**15,647**

15. Cash and cash equivalents

The item is broken down as follows:

values in €/th.

	31.12.2013	31.12.2012	Changes
Bank and postal accounts	285,276	213,562	71,714
Cheques			
Cash and cash on hand	30	25	5
Treasury current accounts	135,661	54,564	81,097
Repo transactions			
Other			
Total	**420,967**	**268,151**	**152,816**

The item recorded an increase of Euro 152,816 thousand compared to the previous year. The increase is mainly due to the Bank and postal accounts, which recorded an increase in short-term liquidity of Euro 71,714 thousand and an increase in treasury current accounts of Euro 81,097 thousand.

16. Tax receivables

At 31 December 2013 tax receivables amounted to Euro 84,915 (Euro 83,917 thousand at the end of 2012) and related to IRES receivables from the Tax Office. The item recorded increases following the deductions applied to the subsidiaries that participate in the consolidated IRES tax base.

17. Assets held for sale and disposal groups

In the course of the year, railway workshops, whose plan of contribution to a company in the FS Italiane Group was not actually implemented, were fully reclassified to "Investment properties" (Euro 52,108 thousand) and "Inventories" (Euro 10,930 thousand).

18. Equity

The changes recorded in 2013 and 2012 for the main equity items are reported analytically in the statement reported after the financial statements formats.

Share capital

At 31 December 2013 the share capital of the Company, which was fully subscribed and paid up by the sole shareholder Ministry of Economy and Finance, was made up of 38,790,425,485 ordinary shares with a par value of Euro 1.00 each, for a total of Euro 38,790,425,485.

Legal reserve

At 31 December 2013 it amounted to Euro 21,268 thousand, following the allocation of the share of 2012 profits for an amount equal to Euro 3,665 thousand.

Reserve for actuarial gains (losses) for employee benefits

The reserve for actuarial gains (losses) includes the effects of the actuarial changes in the Severance Pay and in the Free Travel Card (CLC). At 31 December 2013 there was an actuarial gain of Euro 450 thousand.

Profits (losses) carried forward

At 31 December 2013 net losses carried forward decreased by Euro 69,626 thousand, mainly as a result of the allocation of 2012 profits.

Profit for the year

The 2013 profit for the year was equal to Euro 76,770 thousand.

The table below reports the origin, availability and distributability of the equity items.

values in €/th.

Source	Amounts at 31.12.2013 (a+b)	Unavailable portion (a)	Available portion (b)	Distributable portion of (b)	Summary of uses in the three previous years			
					Capital increase	Loss coverage	Distribution to shareholders	Other (to be specified)
Share Capital	38,790,425	38,790,425						
Capital reserves:								
Demerger reserve	254,599	254,599						
Retained earnings:								
Legal reserve	21,268	21,268						
Extraordinary reserve	27,897		27,897					
Total	**39,094,189**	**39,066,292**	**27,897**					

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

This note illustrates the amounts and contractual conditions that regulate the Company's Loans valued at amortised cost:

values in €/th.

	Book Value		
Medium / long-term loan	**31.12.2013**	**31.12.2012**	**Changes**
Debenture loans	4,138,564	2,809,698	1,328,866
Loans from banks	648,688	725,527	(76,839)
Payables to other lenders	1,133,104	1,282,946	(149,842)
Total	**5,920,356**	**4,818,171**	**1,102,185**

values in €/th.

	Book Value		
Short-term loans and current portion of medium / long-term loans	**31.12.2013**	**31.12.2012**	**Changes**
(Short-term) Debenture loans	24,277	602,104	(577,827)
(Short-term) Loans from banks	208,558	580,622	(372,064)
(Short-term) Payables to other lenders	149,842	143,987	5,855
Total	**382,677**	**1,326,713**	**(944,036)**
Total Loans	**6,303,033**	**6,144,884**	**158,149**

In 2013, an increase was recorded in the medium/long-term portion of the loan from the market, mainly as a result of the issue of the Bond relating to the Euro Medium Term Notes Programme disbursed in 2 Tranches, the first of which in July, equal to Euro 750 million, and the second in December, equal to Euro 600 million, in support of the Investment Plan of the subsidiaries Trenitalia (1st Tranche of Euro 500 million and 2nd Tranche of Euro 100 million) and RFI (1st Tranche of Euro 250 million and 2nd Tranche of Euro 500 million), while a decrease was recorded in the short-term portion, mainly as a result of the repayment of the EUROFIMA debenture loan (Euro 600 million).

Below are the terms and conditions of outstanding medium/long-term loans, including the short-term portion:

values in €/th.

				31.12.2013		31.12.2012	
Creditor	**Currency**	**Nominal interest rate**	**Year of Expiry**	**Face value**	**Book value**	**Face value**	**Book value**
EUROFIMA	EUR	6-month Euribor + Spread	2018	200,000	200,005	200,000	200,007
EUROFIMA	EUR	6-month Euribor + Spread	2018	200,000	200,005	200,000	200.008
EUROFIMA	EUR	6-month Euribor + Spread	2018	149,400	149,403	149,400	149,405
EUROFIMA	EUR	6-month Euribor + Spread	2019	160,000	160,030	160,000	160,026
EUROFIMA	EUR	6-month Euribor + Spread	2019	183,000	183,029	183,000	183,022
EUROFIMA	EUR	6-month Euribor + Spread	2016	194,000	194,024	194,000	194,018
EUROFIMA	EUR	6-month Euribor + Spread	2016	32,300	32,304	32,300	32,303
EUROFIMA	EUR	6-month Euribor + Spread	2015	83,000	83,013	83,000	83,013
EUROFIMA	EUR	6-month Euribor + Spread	2018	62,700	62,701	62,700	62,703
EUROFIMA	EUR	6-month Euribor + Spread	2020	62,700	62,701	62,700	62,700
EUROFIMA	EUR	6-month Euribor + Spread	2015	165,300	165,431	165,300	165,530
EUROFIMA	EUR	6-month Euribor + Spread	2016	310,000	310,204	310,000	310,269
EUROFIMA	EUR	6-month Euribor + Spread	2026	190,000	190,066	190,000	190,076
EUROFIMA	EUR	6-month Euribor + Spread	2026	100,000	100,035	100,000	100,040
EUROFIMA	EUR	6-month Euribor + Spread	2027	128,700	128,795	128,700	128,834
EUROFIMA	EUR	6-month Euribor + Spread	2026	116,000	116,041	116,000	116,048
EUROFIMA	EUR	6-month Euribor + Spread	2022	120,000	120,073	120,000	120,109
EUROFIMA	EUR	6-month Euribor + Spread	2024	122,200	122,234	122,200	122,239
EUROFIMA	EUR	6-month Euribor + Spread	2027	65,700	65,750	65,700	65,770

EUROFIMA	EUR	6-month Euribor + Spread	2020	47,400	47,401	47,400	47,400
EUROFIMA	EUR	6-month Euribor + Spread	2013			600,000	600,511
EUROFIMA	CHF	fixed rate 2.57%	2020	36,657	36,905	37,276	37,315
EUROFIMA	EUR	fixed rate 3.7795%	2014	7,700	7,969	7,700	7,784
EUROFIMA	CHF	fixed rate 2.501%	2016	10,182	10,369	10,355	10,381
EUROFIMA	CHF	fixed rate 2.795%	2017	19,143	19,541	19,467	19,526
EUROFIMA	EUR	6-month Euribor + Spread	2025	42,500	42,640	42,500	42,765
EMTN PROGR. TR. 1	EUR	fixed rate 4.00%	2020	741,389	754,786		
EMTN PROGR. TR. 2	EUR	fixed rate 3.50%	2021	596,293	597,386		
				4,146,264	**4,162,841**	**3,409,698**	**3,411,802**
Unicredit	EUR	3-month Euribor + Spread	2013			475,000	475,317
BEI	EUR	fixed rate 4.685%	2021	725,528	727,038	798,928	800,591
CASSA DD.PP.	EUR	fixed rate 4.026%	2021	1,282,946	1,282,946	1,426,932	1,426,932
Total Loans				**6,154,738**	**6,172,825**	**6,110,558**	**6,114,642**

20. Severance pay and other employee benefits

values in €/th.

	31.12.2013	31.12.2012
Present value of severance pay obligations	15,332	17,939
Present value of Free Travel Card obligations	184	182
Present value of other employee benefits obligations	3	3
Total present value of obligations	**15,519**	**18,124**

The table below illustrates the changes that were recorded in the present value of liabilities for defined benefit obligations for TFR and the Free travel Card (excluding “Other benefits”).

values in €/th.

	2013	2012
Defined benefit obligations at 1 January	18,120	16,585
Service Costs	3	2
Interest cost(*)	354	727
Actuarial (Profits) losses recognised in equity	(623)	2,400
Advances, uses and other changes	(2,338)	(1,593)
Total defined benefit obligations	**15,516**	**18,121**

(*) with recognition through P&L

The use of the Severance Pay and of the Free Travel Card, equal to Euro 2,338 thousand, was generated by payments made to personnel outgoing during the year, advances, secondment of employees from/to other Group companies and advance payments of the tax on Severance Pay revaluation to the Tax Office.

The difference between the value of the allocated amounts expected at the end of the observation period and the expected present value of benefits payable in the future, as recalculated at that date and the new valuation assumptions, constitutes the amount of actuarial (profits)/losses. This calculation generated, in the current year, actuarial profits of Euro 623 thousand compared to losses of Euro 2,400 thousand recorded in 2012.

Actuarial assumptions

The tables reported below summarise:

- the main assumptions made for the actuarial estimate process;
- the sensitivity analyses for each actuarial assumption recognised at the end of the year, showing the effects that would have been recorded following reasonably possible changes in actuarial assumptions as at such date, in absolute terms;
- the contribution for the subsequent year and the average duration of the defined benefit plans obligation;
- the breakdown of the payments scheduled by the plan for the next five-year period

	2013	2012
Discount rate of Severance Pay	2.50%	2.05%
Discount rate of Free Travel Card	3.17%	2.70%
Annual increase rate of severance pay	3.00%	3.00%
Rate of inflation	2.00%	2.00%
Expected turnover rate of employees	3.00%	3.00%
Expected rate of advances	2.00%	2.00%
Mortality		Mortality tables RG48 published by the General Accounting Office
Disability		INPS tables broken down by age and gender
Retirement age		100% subject to meeting the Compulsory General Insurance requirements

values in €/th.

	31.12.2013
Rate of inflation +0.25%	15,693
Rate of inflation -0.25%	15,332
Discount rate +0.25%	15,254
Discount rate -0.25%	15,776
Turnover rate +1%	15,323
Total	**77,378**

values in €/th.

	31.12.2013
Service Cost	3
Duration of the plan	7

values in €/th.

Years of the Payments scheduled	
Payment – 1st year	1,685
Payment – 2nd year	1,302
Payment – 3rd year	1,140
Payment - 4th year	2,040
Payment – 5th year	1,574
Total	**7,741**

21. Provision for risks and charges

The table below reports the amounts at the beginning and at the end of the year and the changes recorded in Provisions for risks and charges in 2013, showing the short-term portion.

. values in €/th

Description	31.12.2012	Provisions	Uses	Other changes	Release of excess provisions	31.12.2013
Provision for taxes	206	96				302
Disputes with personnel and third-parties	21,509		(470)	(4,204)		16,835
Other minor risks	65,813		(5,272)	4,204	(185)	64,560
Total non-current portion	**87,528**	**96**	**(5,742)**		**(185)**	**81,697**

The Provision for taxes is set aside to essentially cover the probable expenses for the notice of assessment received in 2011 from the Provincial Head Office of Genoa – Local Office of Genoa, correlated to the sale of a real estate complex located in the Municipal district of Levanto (La Spezia). The Company has filed an appropriate appeal against the measure.

The Provision for disputes with personnel and third parties is allocated to cover probable charges related to disputes against third parties connected with contracts of sale (price reductions, compensation for damage suffered during the sale negotiations), non-compliance with agreements or disputes on lease agreements, claims on assessments of ownership rights, pre-emptions etc., as well as disputes with personnel. The provision in question was used for Euro 470 thousand in 2013, essentially for disputes with the personnel and in the segment of Real Estate Services.

The Provision for other minor risks is allocated to cover estimated charges to incur for personnel and for charges undertaken by former Ferrovie Real Estate SpA as per contract in relation to specific sales, so-called “income package and high buildings” (*pacchetto a reddito e palazzi alti*) and charges for the reclamation of some sites, as well as items of a tax nature. The uses essentially concerned personnel costs (Euro 4,829 thousand) of the Bilateral management fund – extraordinary component as at 31 December 2013.

22. Current and non-current financial liabilities (including derivatives)

values in €/th.

	Book value								
	31.12.2013			31.12.2012			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Financial liabilities									
Financial instruments									
Other financial liabilities		978,613	978,613	566	738,585	739,151	(566)	240,028	239,462
Total		**978,613**	**978,613**	**566**	**738,585**	**739,151**	**(566)**	**240,028**	**239,462**

Other financial liabilities were essentially made up of payables to subsidiaries for the balance of intercompany current accounts, which recorded an increase compared to 2012 that was essentially attributable to the subsidiary Rete Ferroviaria Italiana SpA.

23. Other non-current and current liabilities

values in €/th.

	31.12.2013			31.12.2012			Changes		
	Non-Current	Current	Total	Non-Current	Current	Total	Non-Current	Current	Total
Advances for grants									
Payables to social security institutions		6,450	6,450		4,650	4,650		1,800	1,800
Vat payables									
Other payables to Group companies	266,894	592,106	859,000	152,470	779,542	932,011	114,424	(187,436)	(73,012)
Payables for consolidated IRES tax base		18,810	18,810		29,290	29,290		(10,480)	(10,480)
Other payables and accrued expenses and deferred income	319,871	61,523	381,394	196,591	198,507	395,098	123,280	(136,984)	(13,704)
Total	**586,765**	**678,889**	**1,265,654**	**349,061**	**1,011,989**	**1,361,050**	**237,704**	**(333,100)**	**(95,396)**

Other current and non-current liabilities recorded a decrease of Euro 95,396 thousand, mainly attributable to "Other payables to Group companies" (Euro 73,012 thousand).

"Payables for consolidated IRES tax base" (Euro 18,810 thousand at the end of 2013) were essentially attributable to the transfer by subsidiaries of the withholding taxes not offset with payables for advances or taxes due and higher advances paid out compared to taxes due.

Non-current "Other payables to Group companies" (Euro 266,894 thousand at the end of 2013) exclusively related to payables for VAT required for reimbursement pertaining to Rete Ferroviaria Italiana SpA and Trenitalia SpA; the increased payables to Rete Ferroviaria Italiana SpA related to the settlement of the 2013 VAT tax return. The current portion (Euro 592,106 thousand) was essentially attributable to payables for the transfer of VAT receivables made during the year or in previous years, not required for reimbursement, and to the portion that is expected to be collected in the subsequent financial year in relation to the tax refunds requested (Euro 550,245 thousand, Euro 748,957 thousand at the end of 2012) and to payables to the subsidiary Rete Ferroviaria Italiana (Euro 32,637 thousand), mainly attributable to interest accrued on the remainder of loans raised with Cassa Depositi e Prestiti and with the European Investment Bank - EIB and the remainder of the pledged account used for the repayment of the latter loan (Euro 10,850 thousand) and the sums acknowledged to the same subsidiary in relation to the value of some assets being demerged and not transferred to former Ferrovie Real Estate (Euro 7,823 thousand).

Non-current “Other payables and accrued expenses and deferred income” (Euro 319,871 thousand at the end of 2013) essentially related to the subscribed capital to be paid for the capital increases of Eurofima (Euro 190,249 thousand). The payable, that is expressed in Swiss Francs, was valued in Euro at the exchange rate prevailing at the end of the year; the adjustment entailed a foreign exchange gain of Euro 3,215 thousand. The current portion was essentially attributable to payables to personnel for fees accrued and yet paid and for the Provision for accrued holidays untaken (Euro 5,865 thousand).

24. Current trade payables

The item is broken down as follows:

values in €/th.

	31.12.2013	31.12.2012	Changes
Payables to suppliers	25,885	33,604	(7,719)
Commercial advances	5,225	4,379	846
Trade payables to Group companies	40,020	51,750	(11,730)
Total	**71,130**	**89,733**	**(18,603)**

The decrease in current trade payables (Euro 18,603 thousand) was substantially attributable to the decrease in payables to Group companies. It should be noted that no non-current trade payables were reported.

25. Income tax payables

This item amounted to Euro 291 thousand (Euro 1,899 thousand at the end of 2012) and related to the IRAP tax debt for relating to 2013, net of advances paid.

26. Revenues from sales and services

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

values in €/th.

	2013	2012	Changes
Revenues from property management (*)	**83,740**	**84,066**	**(326)**
Rent income for use of the brands	**26,721**	**36,614**	**(9,893)**
Services:	**37,318**	**20,550**	**16,768**
Finance Area	3,234	3,815	(581)
Tax and Budget Area	686	451	235
Executive staff administration	623	402	221
Corporate Secretary's Office	1,212	1,175	37
Legal Affairs and Labour	5,738	4,386	1,352
Industrial relations	3,428	3,024	404
Development and Organisation Area	2,044	966	1,078
External Relations Area	6,693	2,354	4,339
Communications	2,546	1,755	791
Institutional affairs	1,785		1,785
Strategies	960		960
Legal affairs	1,472		1,472
Organisation and Processes	278		278
IT Systems	3,144		3,144
Audit	252		252
Corporate protection (formerly *Facilities*)	3,223	2,222	1,001
Capitalisation of works on properties held for trading	**563**	**492**	**71**
Other services	**4,234**	**4,309**	**(75)**
Total	**152,576**	**146,031**	**6,545**

(*) 2012 amount recognised as including revenues from "Profit from assets held for sale, net of tax effects ", equal to Euro 687 thousand.

Revenues from sales and services showed an increase of Euro 6,545 thousand compared to 2012, mainly due to the combined effect of the higher revenues achieved for charge-backs to Group companies for the provision of services following the renewal of the "Contract for the provision of support/consultancy services" which provides for additional services compared to those provided in 2012, against lower revenues from rent income for use of the brands.

Revenues from property management, which substantially included lease rentals and revenues from sales of properties and land held for trading remained substantially unchanged compared to 2012. In the course of the year properties and land held for trading were sold for an overall amount of Euro 18,090 thousand, thus achieving a capital gain of about Euro 6 million.

For the purposes of a more correct comparison of values, compared to the information reported in the financial statements as at 31 December 2012, an amount of 687 thousand was reclassified from “Profit from assets held for sale, net of tax effects” to “Revenues from property management”.

27. Other income

The table below reports the breakdown of Other income:

values in €/th.

	2013	2012	Changes
Commissions earned on sureties	**2,805**	**2,044**	**761**
Reimbursements	**2,547**	**3,835**	**(1,288)**
Corporate positions of Executives with the FS Italiane Group companies	2,029	2,378	(349)
From staff	43	45	(2)
Other reimbursements	475	1,412	(937)
Sundry income	**2,481**	**5,347**	**(2,866)**
Total	**7,833**	**11,226**	**(3,393)**

The decrease in the item was essentially due to lower revenues achieved for penalties (Euro 4,000 thousand), which was offset by an increase in commissions earned on sureties (Euro 761 thousand) following higher guarantees released in the interests, in particular, of the subsidiary Rete Ferroviaria Italiana SpA.

28. Personnel cost

The table below reports the breakdown of Personnel cost:

values in €/th.

	2013	2012	Changes
Permanent staff	**48,357**	**54,155**	**(5,798)**
Wages and salaries	37,053	39,734	(2,681)
Social security contributions	9,895	10,685	(790)
Other permanent staff costs	(764)	641	(1,405)
Severance pay	2,384	2,438	(54)
Permanent staff – provisions and releases	(211)	657	(868)
Self-employed staff and Collaborators	**145**	**263**	**(118)**
Wages and salaries	100	210	(110)
Social security contributions	45	53	(8)
Other costs	**3,284**	**2,673**	**611**
Temporary employment, Seconded staff and *Stage*	1,862	1,500	362
Other personnel-related costs	1,422	1,174	248
Total	**51,786**	**57,091**	**(5,305)**

Personnel costs, which totalled Euro 51,786 thousand, showed a decrease of Euro 5,305 thousand compared to 2012.

This change was attributable to:

- A reduction of Euro 5,798 thousand in permanent staff costs, which was essentially attributable to the reduction in the staff arising from the continuous and gradual process for the reorganization of production and labour on the part of the Company;
- An increase of Euro 611 thousand in other costs, mainly relating to vocational training courses and luncheon vouchers.

It should be noted that the item “Permanent staff - Provisions/releases” includes releases and recoveries for labour litigation.

The table below reports the Company’s average staff broken down by category:

	2013	2012	Changes
Personnel			
Executives	84	94	(10)
Middle managers	219	239	(20)
Other staff	219	214	5
Total	**522**	**547**	**(25)**

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

The item is broken down as follows:

values in €/th.

	2013	2012	Changes
Materials and consumables	633	727	(94)
Lighting and driving force	107	123	(16)
Change in inventories of properties and land held for trading	43,580	9,372	34,208
Total	**44,320**	**10,222**	**34,098**

The increase of Euro 34,098 thousand was mainly related to the item "Change in inventories of properties and land held for trading", for the breakdown of which reference is made to the comments reported in note 13.

30. Costs for services

The balance is broken down in the table below:

values in €/th.

	2013	2012	Change
Transport services	**14**	**29**	**(15)**
Cargo transport services	14	29	(15)
Maintenance, cleaning and other contracted-out services	**5,583**	**4,145**	**1,438**
Services and works contracted-out on behalf of third parties	378	1,330	(952)
Cleaning services and other contracted-out services	205	18	187
Maintenance and repair of intangible assets and property, plant and equipment	5,000	2,797	2,203
Real estate services and utilities	**23,642**	**20,339**	**3,303**
Administrative and IT services	**9,311**	**10,113**	**(802)**
External communication and advertising costs	**3,175**	**3,105**	**70**
Sundry costs	**11,644**	**12,212**	**(568)**
Professional services	1,675	1,750	(75)
Insurance	1,668	1,645	23
Consultancy	1,765	1,993	(228)
Travels and accommodation	542	616	(74)
Other	**5,994**	**6,208**	**(214)**
Total	**53,369**	**49,943**	**3,426**

For some of the sundry services indicated above, any costs centralised at Ferrovie dello Stato Italiane SpA have their corresponding revenue under "Other income" for the charge-back to Group companies, limited to the portions referable thereto.

"Costs for services" showed an increase of Euro 3,426 thousand, which was essentially due to higher costs for maintenance, cleaning and other contracted-out services (Euro 1,438 thousand) and for real estate services and utilities

(Euro 3,303 thousand), which were offset lower costs for administrative and IT (Euro 802 thousand) and consultancy (Euro 228 thousand) services.

31. Leases and rentals

The table below reports the breakdown of Costs for leases and rentals:

values in €/th.

	2013	2012	Changes
Lease rentals and service charges	7,154	7,290	(136)
Rentals and indemnities of rolling-stock and other	114	109	5
Total	**7,268**	**7,399**	**(131)**

The decrease substantially related to reduced charges for lease rentals of properties.

32. Other operating costs

The table below reports the breakdown of other operating costs:

values in €/th.

	2013	2012	Changes
Membership fees and contributions	5,136	4,328	808
Non-deductible VAT (pro-rata)	3,839	2,294	1,545
Duties and taxes	12,788	11,593	1,195
Other sundry charges	2,929	3,676	(747)
Total	**24,692**	**21,891**	**2,801**

The increase of Euro 2,801 thousand in “Other operating costs” was essentially due to higher costs incurred for the local single tax (IMU, *Imposta Municipale Unica*) (Euro 1,156 thousand) and for the non-deductible VAT accrued in the year (Euro 1,545 thousand).

33. Capitalisation of internal construction costs

Capitalisation of internal construction costs, equal to Euro 203 thousand (Euro 187 thousand in 2012), related to personnel costs attributable to investments, connected with the implementation and development of software

34. Amortisation and depreciation

The item is broken down as follows:

	2013	2012	Changes
Amortisation of intangible assets	11,735	12,536	(801)
Depreciation of property, plant and equipment	10,377	8,938	1,439
Total	**22,112**	**21,474**	**638**

The decrease of Euro 801 thousand recorded in amortisation of intangible assets, compared to 2012, was linked to the recovery, totalling Euro 1,746 thousand, of the amortization rates accrued in previous years following the recognition of set-up grants of Euro 4,418 thousand received by the Company within the scope of the National Operational Plan (*Programma Operativo Nazionale)* for 2007-2013 Networks and Mobility.

The total increase of Euro 1,439 thousand in depreciation of property, plant and equipment was due to the entry into service of new assets and to the ordinary performance of the depreciation of those already in service, as well as to the recovery of depreciated assets held for sale as already described in note 7 "Investment properties."

35. Write-downs and impairment losses (value write-backs)

The item is broken down as follows:

values in €/th.

	2013	2012	Changes
Write-down of property, plant and equipment	19,930		19,930
Value adjustments to/write-backs of receivables	1,948	1,323	625
Total	**21,878**	**1,323**	**20,555**

Write-downs and impairment losses increased by Euro 20,555 thousand. This change was mainly attributable to the higher write-downs made in the year, arising from the assessment of the alignment of the amount of the values recognized compared to their related fair value, as described in detail in note 7 "Investment properties."

36. Finance income

The table below reports the breakdown of finance income:

values in €/th.

	2013	2012	Changes
Finance income from non-current receivables and securities	122,458	142,649	(20,191)
Sundry finance income	27,654	43,115	(15,461)
Dividends	124,809	59,017	65,792
Foreign exchange gains	3,220	4	3,216
Total	**278,141**	**244,785**	**33,356**

The balance of finance income, amounting to Euro 278,141 thousand, recorded an increase of Euro 33,356 thousand compared to 2012. This increase was essentially due to:

- higher dividends, amounting to Euro 65,792 thousand, distributed by subsidiaries and associates, in particular due to higher dividends received from Rete Ferroviaria Italiana SpA (Euro 48,000 thousand), Italferr SpA and Centostazioni SpA (Euro 7,657 thousand) against lower dividends received from Fercredit SpA (Euro 1,000 thousand) and FS Sistemi Urbani SpA (Euro 947 thousand);
- higher foreign exchange gains recognized following the adjustment to the uncalled capital to be paid to the investee company Eurofima, expressed in Swiss francs (Euro 3,216 thousand) at the exchange rate prevailing as at 31 December 2013;
- lower interest accrued on receivables for medium/long-term loans granted to the subsidiaries Trenitalia (Euro 16,383 thousand), Rete Ferroviaria Italiana (Euro 3,654 thousand) and Fercredit (Euro 154 thousand). This change was substantially due to the combined effect of lower interest accrued on the Eurofima loans granted to Trenitalia (Euro 25,399 thousand) and on the EIB and Cassa Depositi e Prestiti loans granted to Rete Ferroviaria Italiana (Euro 8,918 thousand), following the repayments obtained in the year, against higher finance income accrued from Trenitalia (Euro 9,016 thousand) and Rete Ferroviaria Italiana (Euro 5,264 thousand) on the loans granted by the Company out of the funds relating to the two bond issues on the Euro Medium Term Notes Programme;
- lower sundry finance income totalling Euro 15,461 thousand, substantially as a result of lower interest accrued on the VAT credit subject to refund (Euro 7,642 thousand) and on the intercompany current account (Euro 3,198 thousand).

37. Finance costs

The table below reports the breakdown of finance costs:

values in €/th.

	2013	2012	Changes
Finance costs on payables	135,818	169,917	(34,099)
Finance costs for employee benefits	388	727	(339)
Write-downs of financial assets	32,659	29	32,630
Foreign exchange losses	6	1,343	(1,337)
Total	**168,871**	**172,016**	**(3,145)**

Finance costs showed a decrease of Euro 3,145 thousand compared to the previous year, which was mainly attributable, as for finance income, to:

- the decrease in costs on the Eurofima (Euro 25,308 thousand), Cassa Depositi e Prestiti (Euro 5,624 thousand), Unicredit Corporate Banking (Euro 3,357 thousand) and EIB (Euro 3,292 thousand) loans, as well as to lower interest accrued on the VAT credit subject to refund (Euro 7,642 thousand) and on the intercompany current account (Euro 2,774 thousand) against higher finance income relating to the two bond issues out of the Euro Medium Term Notes Programme (Euro 15,024 thousand);
- the write-down of the equity investment in FS Logistica SpA, which was made in the year for Euro 32,659 thousand.

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

The table below reports the breakdown of Income taxes:

values in €/th.

	2013	2012	Changes
IRAP tax	4,086	3,709	377
IRES tax	11,387	11,261	126
Income from participation in the consolidated tax base	(9,110)	(9,009)	(101)
Deferred tax assets and liabilities	(38,772)	(15,398)	(23,374)
Adjustments to income taxes relating to previous years		(2,985)	2,985
Taxes – provisions and releases	96		96
Total adjustments for income taxes relating to previous years	**96**	**(2,985)**	**3,081**
Total income taxes	**(32,313)**	**(12,422)**	**(19,891)**

Income taxes showed a positive value in both financial years. The positive increase of Euro 19,891 thousand was mainly attributable to the release of deferred tax liabilities following a more precise definition of the temporary differences behind the same.

For the purposes of a more correct comparison of the values, compared to the financial statements as at 31 December 2012, an amount of Euro 227 thousand was reclassified from the “Profit from assets held for sale, net of tax effects” to “Income taxes.”

	2013		2012	
	Euro	**%**	**Euro**	**%**
Profit (loss) for the year	76,770		73,291	
Total income taxes	(32,313)		(12,422)	
Profit (losses) before taxes	44,457		60,869	
Theoretical IRES tax (national tax rate)		27.5%		27.5%
Lower taxes:				
dividends from shareholdings	(118,569)		(56,066)	
uses of provisions	(5,892)		(15,507)	
other decreases	(5,564)		(1,500)	
Higher taxes:				
accruals to provisions	1,901		1,781	
impairment of investments	32,660			
contingent liabilities	643		1,107	
exchange difference			1,376	
amortisation and depreciation	60,409		13,545	
changes in inventories	6,677			
non-deductible taxes	14,268		13,183	
other increases	10,418		22,162	
total IRES taxable income	41,409		40,949	
Total current income taxes (IRES tax)	**11,387**	**25.6%**	**11,261**	**18.5%**
IRAP tax	**4,085**	**5.57%**	**3,709**	**5.57%**
Accrual to provision for taxes	**96**			
Difference on estimated taxes from previous years			**(2,985)**	
Total deferred tax liabilities	**(38,546)**		**(15,398)**	
Income from participation in the consolidated tax base	**(9,110)**		**9,009**	
Other				
TOTAL INCOME TAXES	**(32,313)**		**(12,422)**	

39. Contingent assets and liabilities

At the balance sheet date there were no contingent assets or liabilities to be reported.

40. Fees due to the Independent Auditors

It should be noted that – pursuant to article 37, paragraph 16, of Legislative Decree no. 39/2010 and letter 16-*bis* of article 2427 of the Italian Civil Code, the total amount of fees due to the Independent Auditors is equal to Euro 611 thousand, including accrued fees (if any) paid out to the same in the year for other auditing services other than statutory audit (Euro 296 thousand).

41. Fees due to Directors and Statutory Auditors

	2013		2012		Changes
Directors	1,518	(1)	1,264	(1)	254
Statutory Auditors	100		100		
Total	**1,618**		**1,364**		**254**

(1) This item includes fees for the position of Chairman, Board Member, as well as the fixed and variable remuneration due to the Chief Executive Officer, Also in the capacity of FS executive.

Fees due to Directors include emoluments envisaged for the positions of Chairman and Chief Executive Officer, as well as any emoluments envisaged for the remaining Board members. To the abovementioned fees must be added the fees due to the external member of the Supervisory Board, which were equal to Euro 52 thousand in 2013 (Euro 52 thousand in 2012). It should be pointed out that the fees due to the representatives of the Ministry of Economy and Finance (Board members and statutory auditors) are transferred, where there is a subordination relationship, to the mentioned Government department.

42. Related parties

Transactions with executives with strategic responsibilities

values in €/th.

	2013	2012
Short-term benefits	7,232	7,992
Post-employment benefits	429	443
Employee benefits due for termination of employment	562	
Total	**8,223**	**8,435**

The benefits relate to the fees paid to the persons indicated for various reasons.

In addition to short-term benefits of Euro 7,232 thousand paid out in 2013, note a variable part to be paid in 2014, for an amount not exceeding Euro 1,170 thousand, after having carried out the checks about the achievement of the predetermined objectives.

It should be pointed out that no long-term benefits have been paid out to executives with strategic responsibilities.

The executives with strategic responsibilities did not carry out any transaction in the period, either directly or through close relatives with the Group and the companies in the same or with other parties related thereto.

Other transactions with related parties

Below are described the main relations with related parties maintained by Ferrovie dello Stato Italiane SpA, which are regulated at arm’s length.

	CREDIT RELATIONSHIPS	DEBT RELATIONSHIPS
Subsidiaries		
RFI SpA	Area services Finance Tax/Budget Corporate affairs Legal and Labour Affairs Executive Staff Administration Industrial Relations Organisation Development External Communication and Media Relations Corporate Protection Institutional Affairs Strategies Legal Affairs Organisation and Processes IT Systems	Charge-back of utilities Technical Entity for works of property maintenance Charge-back of IT services Staff services Health benefits Training Charge-back of fees for Cesare Pozzo tender
	Corporate positions Charge-back of charges for the Pietrarsa museum Communication services Staff services Insurance refunds Reimbursements – IT services Charge-back of service charges Technical assistance for training projects Use of the brand Lease and sub-lease of office premises Charge-back of service charges of the Bilateral Management Fund	
Ferservizi SpA	Area services Finance Tax/Budget Corporate Affairs Legal and Labour Affairs Executive Staff Administration Corporate Protection Industrial Relations Organisation Development External Communication and Media Relations Audit Institutional Affairs Strategies Legal Affairs Organisation and Processes IT Systems	Property management Charge-back of service charges for asset protection IT services Staff services Ferrotel services Fees for the purchase of tickets Fees for asset enhancement Administrative technical management services Staff administration Accounting/Treasury
	Corporate positions Staff services Insurance refunds Refund of IT services Use of the brand Lease and sub-lease of office premises Charge-back of service charges Charge-back of service charges for Bilateral Fund Technical assistance for training projects	Facilities and building management Administrative services Training Asset Allocation services Tender procedures management Legal protection of assets Assistance Services for the Manager Responsible for the preparation of corporate accounting documents
Fercredit SpA	Area services Finance Tax/Budget Corporate Affairs Legal and Labour Affairs External Communication and Media Relations Corporate Protection Organisation Development Strategies Legal Affairs	
	Corporate positions Insurance refunds Charge-back of service charges Lease and sub-lease of office premises Use of the brand	
Grandi Stazioni SpA	Area services Finance Tax/Budget Corporate Affairs Legal and Labour Affairs Executive staff management External Communication and Media Relations Organisation Development Institutional Affairs Strategies Legal affairs IT Systems	Staff services Occupancy expenses Service charges
	Corporate positions Staff services Leaseback fees Insurance refunds	

	Advertising	

	CREDIT RELATIONSHIPS	DEBT RELATIONSHIPS
Subsidiaries		
Centostazioni SpA	Area services Finance Tax/Budget Corporate affairs Executive staff management External Communication and Media Relations Organisation Development Institutional Affairs Strategies Legal Affairs IT Systems Audit Corporate positions Staff services Insurance refunds Charge-back of IT services	Staff services
FS Sistemi Urbani Srl	Area services Finance Tax/Budget Corporate Affairs Legal and Labour Affairs Executive staff management Industrial Relations External Communication and Media Relations Organisation Development Audit Institutional Affairs Strategies Legal Affairs Corporate Protection Organisation and Processes IT Systems Corporate positions Insurance refunds Leases and sub-leases of office premises Use of the brand Charge-back of service charges Charge-back of service charges for Bilateral Management Fund Charge-back of promotional items	Fees for asset enhancement Rental of premises Staff services Training financing
Nord Est Terminal SpA in liquidation	Insurance refunds	
Serfer Srl	Insurance refunds	
TX Logistik AG	Corporate positions Insurance refunds	
Sita SpA in liquidation	Area services Legal Affairs Technical assistance for training projects Insurance refunds	
Trenitalia SpA	Area services Finance Tax/Budget Corporate Affairs Legal and Labour Affairs Executive staff management Industrial Relations Organisation Development External Communication and Media Relations Corporate Protection Institutional Affairs Strategies Legal Affairs Corporate Protection Organisation and Processes IT Systems Corporate positions Staff services Insurance refunds Charge-back of IT services Use of the brand Lease and sub-lease of office premises Charge-back of service charges Charge-back of service charges for Bilateral Management Fund Technical assistance for training projects Charge-back of promotional items	Staff services Advertising and marketing Passenger transport costs Training financing Charge-back costs for revenues pertaining to Civil Defence Charge-back of fees for Cesare Pozzo tender
Italferr SpA	Area services Finance Tax/Budget Corporate Affairs	Staff services Training financing Administrative technical management services

	Legal and Labour Affairs Executive staff management Industrial Relations Organisation Development External Communication and Media Relations Audit Institutional Affairs Strategies Legal Affairs Organisation and Processes IT Systems Corporate positions Staff services Insurance refunds Charge-back of IT services Use of the brand Charge-back of service charges for Bilateral Management Fund Technical assistance for training projects	Passenger transport costs

	CREDIT RELATIONSHIPS	DEBT RELATIONSHIPS
Subsidiaries		
FS Logistica SpA	Area services Finance Tax/Budget Corporate Affairs Industrial Relations Legal and Labour Affairs Executive staff management External Communication and Media Relations Organisation Development Audit Institutional Affairs Strategies Legal Affairs Organisation and Processes IT Systems Corporate positions Insurance refunds Charge-back of IT services Leases of office premises Use of the brand Charge-back of service charges	Purchase of properties and land held for trading Transport and forwarding Staff services
Busitalia - Sita Nord Srl	Area services Tax/Budget Corporate Affairs Legal and Labour Affairs Executive staff management External Communication and Media Relations Organisation Development Audit Institutional Affairs Strategies Legal Affairs Organisation and Processes IT Systems Corporate positions Staff services Insurance refunds Use of IT services Leases of office premises Charge-back of service charges Specialist support for local TPL project	Advertising and marketing Transport and forwarding
Italcertifer SCpA	Area services Tax/Budget Corporate Affairs Executive staff management Industrial Relations External Communication and Media Relations Institutional Affairs Strategies Legal Affairs Staff services Insurance refunds Charge-back of service charges for Bilateral Management Fund	
Cemat SpA	Tax/Budget Corporate Affairs External Communication and Media Relations Organisation Development IT Systems Corporate positions	

	Insurance refunds Charge-back of service charges	
Metropark SpA	Tax/Budget Corporate Affairs External Communication and Media Relations Organisation Development Strategies Corporate Protection Insurance refunds Fees for parking areas Lease and sub-lease of office premises Charge-back of service charges	
Netinera Deutschland GmbH	Area services Legal Affairs IT Systems Staff services Insurance refunds Charge-back of IT services	
Trenitalia Logistic France SaS	Area services Corporate Affairs	
Trenord Srl	Corporate positions Insurance refunds Lease and sub-lease of office premises and workshops Charge-back of service charges	
Terminali Italia Srl	Advertising and marketing Insurance refunds Leases of office premises Charge-back of service charges	
Thello Sas	Insurance refunds	
Bluferries Srl	Corporate positions Insurance refunds	
	CREDIT RELATIONSHIPS	**DEBT RELATIONSHIPS**
Associates		
Ferrovie Nord Milano SpA	Corporate positions	
Associates of subsidiaries		
Alpe Adria SpA	Corporate positions	
L.T.F.-Lyon Tourin Ferroviaire	Leases of office premises Charge-back of service charges	
Logistica SA	Insurance refunds	
BBT SE	Corporate positions	
LI-NEA SpA	Corporate positions	
Terminal Tremestieri Srl	Corporate positions	
Quadrante Europa Terminal Gate SpA	Corporate positions	
Other related parties (*)		
ANAS Group	Corporate positions refunds	
CDDPP Group	Rentals for easements on lands	Loans
ENEL Group	Rentals for easements on lands	Electricity utilities
ENI Group	Rentals for easements on lands	Gas supply
Finmeccanica Group		Maintenance - Software
Invitalia Group		Guarantee deposits
POSTE Group	Rentals of production buildings Staff services Insurance refunds Charge-back of service charges	Postal charges
RAI Group	Rentals	
Eurofer	Staff services Corporate positions refunds Charge-back of service charges Insurance refunds	Grants
Other welfare funds	Corporate positions refunds	Insurance policies
Previndai	Charge-back of service charges	Grants

(*) Companies sharing with Ferrovie dello Stato Italiane the same controlling entity (i.e. Ministry of Economy and Finance).

OTHER RELATIONSHIPS

CONSOLIDATED TAX BASE	VAT POOLING	INTERCOMPANY CURRENT ACCOUNT AND POSTAL ACCOUNTS	LOANS GRANTED	DEPOSITS PAYABLE AND LOANS RECEIVED	ISSUE OF SURETIES IN THE INTERESTS OF	SUPPLEMENTARY PENSION FUNDS
Subsidiaries						
RFI	RFI	RFI	RFI		RFI	
Fercredit	Fercredit	Fercredit	Fercredit			
Ferservizi	Ferservizi	Ferservizi			Ferservizi	
Trenitalia	Trenitalia	Trenitalia	Trenitalia		Trenitalia	
Italferr	Italferr	Italferr			Italferr	
Grandi Stazioni	Grandi Stazioni	Grandi Stazioni			Grandi Stazioni	
Grandi Stazioni Ingegneria	Grandi Stazioni Ingegneria					
Centostazioni	Centostazioni	Centostazioni			Centostazioni	
Sita in liquidation					Sita in liquidation	
Metropark	Metropark	Metropark				
FS Logistica	FS Logistica	FS Logistica	FS Logistica		FS Logistica	
FS Sistemi Urbani	FS Sistemi Urbani	FS Sistemi Urbani			FS Sistemi Urbani	
FS Telco	FS Telco		FS Telco			
Italcertifer						
Cemat	Cemat					
Ferport in liquidation						
Ferport Napoli in liquidation	Ferport Napoli in liquidation					
Self	Self					
Serfer	Serfer	Serfer	Serfer		Serfer	
SGT SpA						
Terminali Italia	Terminali Italia	Terminali Italia	Terminali Italia			
Tunnel Ferroviario del Brennero					Tunnel Ferroviario del Brennero	
Busitalia Sita Nord	Busitalia Sita Nord	Busitalia Sita Nord	Busitalia Sita Nord		Busitalia Sita Nord	
Nord Est Terminal						
					Ataf Gestioni	
		Bluferries				
					TX Logistik	
			Netinera Deutschland GmbH		Netinera Deutschland GmbH	
Other Related Parties						
				Cassa DD.PP.		
		Poste Italiane				
						Eurofer
						Previndai

The tables below summarise the financial and economic values of transactions with related parties for the year ended 31 December 2013.

Business and other relations

values in €/th.

Name	31.12.2013			2013	
	Receivables	Payables	Guarantees and Commitments	Costs	Revenues
Subsidiaries					
Bluferries Srl	12	158			11
Busitalia - Sita Nord Srl	2,834	319		2	820
Cemat SpA	282	621			72
Centostazioni SpA	2,295	223	12	130	523
FS Logistica SpA	18,109	3,882	4,741	18,064	551
Fercredit SpA	596	7,430			385
Ferport Genova Srl in liquidation		103			
Ferport Napoli Srl in liquidation	45				
Ferservizi SpA	10,566	24,971	1,062	31,290	15,576
FS Sistemi Urbani Srl	6,166	676	38	545	1,128
FS Telco Srl		9			
Grandi Stazioni SpA	21,391	933	3,581	1,773	27,362
Grandi Stazioni Ingegneria Srl	221	45			
Italcertifer ScpA	600	507			424
Italferr SpA	10,856	2,790	368	160	2,137
Metropark SpA	789	105			274
Netinera Deutschland GmbH	711	3	75,000		499
Nord Est Terminal SpA in liquidation		221			4
Rete Ferroviaria Italiana SpA	41,074	850,890	1,667,130	2,453	42,402
Self Srl		215			
Serfer Srl	2,624	512	10		10
SGT SpA		41			
Sita SpA in liquidation	122	163	234		7
Terminali Italia Srl	1,171	3			31
Thello Sas		2			3
Trenitalia Logistic France Sas	6				3
Trenitalia SpA	33,680	23,167	95,345	2,188	50,257
Trenord Srl	387	2			310
Tunnel Ferroviario del Brennero SpA	11		28		
TX Logistik AG	83	5	50		68
Total	**154,631**	**917,996**	**1,847,599**	**56,605**	**142,857**
Associates					
Ferrovie Nord Milano SpA	2				2
Total	**2**				**2**
Associates of subsidiaries					
Alpe Adria SpA					10
BBT SE	20				10
LI-NEA SpA					4
Terminal Tremestieri Srl	9				9
L.T.F. Lyon Tourin Ferroviarie Sas	107				31
Logistica SA	46	2		6	3
Quadrante Europa Terminal Gate SpA	5				5
Total	**187**	**2**		**6**	**72**
TOTAL	**154,820**	**917,998**	**1,847,599**	**56,611**	**142,931**
Other related parties					
ANAS Group	27				27
CDDPP Group	71				41
ENEL Group	47	22		54	41
ENI Group	14	48		398	16
Finmeccanica Group				34	
INVITALIA Group	4				
POSTE Group	505	115		390	16
RAI Group					3
Eurofer	14	85			17
Other welfare funds		55		5	
Previndai		489		490	
Total	**682**	**814**		**1,371**	**161**

Financial relations

values in €/th.

Name	31.12.2013			2013	
	Receivables and current accounts	Payables	Guarantees and commitments	Charges	Income
Subsidiaries					
Bluferries Srl		437			
Busitalia - Sita Nord Srl	6,272	33	9,160		256
Cemat SpA					
Centostazioni SpA		406	5,040	7	4,325
Cisalpino AG					
FS Logistica SpA	60,232	190	1,243		1,264
Fercredit SpA	36,004	2,044		1	7,565
Ferservizi SpA		82,064		14	13,746
FS Sistemi Urbani Srl		19,339	900	13	3,809
Grandi Stazioni SpA		13,785		5	9,250
Grandi Stazioni Ingegneria Srl					
Italcertifer ScpA	831	9	53	1	14
Italferr SpA	45,638		8,322	1	13,193
Metropark SpA		1,954		11	
Netinera Deutschland GmbH			371,937		8,719
Rete Ferroviaria Italiana SpA	2,759,311	855,368	749,494	5,116	174,789
Self Srl					
Serfer Srl	3,500	2,601	15		79
Terminali Italia Srl	750	45			20
Trenitalia SpA	4,278,640	340	1,428,269		30,388
TX Logistik AG			9,982		23
Total	**7,191,178**	**978,615**	**2,584,415**	**5,169**	**267,440**
Associates					
Ferrovie Nord Milano SpA					737
Logistica SA					6
Total					**743**
Other related parties					
CDDPP Group		1,282,946		56,014	
POSTE Group	1,564				8
Total	**1,564**	**1,282,946**		**56,014**	**8**

43. Guarantees

The table below reports the Guarantees given by Ferrovie dello Stato Italiane SpA, in the interests of the subsidiaries, in favour of third parties or of other subsidiaries, as broken down in financial and other guarantees.

values in €/th.

Issued in the interests of	Financial	Non-financial
Rete Ferroviaria Italiana SpA	749,494	1,667,130
Trenitalia SpA	1,428,269	95,345
Netinera Deutschland GmbH	371,937	75,000
Busitalia - Sita Nord Srl	9,160	
Centostazioni SpA	5,040	12
Grandi Stazioni SpA		3,581
FS Sistemi Urbani Srl	900	38
Tunnel Ferroviario del Brennero SpA		28
Italferr SpA	8,322	368
Ferservizi SpA		1,062
FS Logistica SpA	1,243	4,741
Sita SpA in liquidation		234
TX Logistik AG	9,982	50
Italcertifer ScpA	53	
Serfer Srl	15	10
Total	**2,584,415**	**1,847,599**

Financial guarantees are mainly made up of guarantees and counter-guarantees issued to banks for loans and guarantees granted in the interests of the subsidiaries by the banks themselves to third parties in the interests of the subsidiaries.

Non-financial guarantees are made up of Bid Bonds, Performance Bonds, commercial guarantees and commitments in favour of the Tax Office.

Direct guarantees (the so-called parent company guarantees) of FS amounted to Euro 2,234,558 thousand, of which Euro 1,847,599 thousand related to non-financial guarantees and Euro 386,959 thousand related to financial guarantees.

The main direct non-financial guarantees have been issued to the Tax Office (Euro 1,615,627 thousand), to secure the refund of tax credits to the subsidiaries Rete Ferroviaria Italiana SpA, Trenitalia SpA, FS Logistica SpA, Ferservizi SpA, Grandi Stazioni SpA, FS Sistemi Urbani Srl, Sita SpA in liquidation, Centostazioni SpA and Tunnel Ferroviario del Brennero SpA. An additional non-financial direct guarantee has been issued to the G.S.E to secure the service contract for the supply of energy entered into with Rete Ferroviaria Italiana SpA (Euro 150,000 thousand).

The main direct financial guarantees are represented by the guarantees in favour of banks and finance companies for the loans granted:

- by Unicredit to the subsidiary Rete Ferroviaria Italiana SpA (guarantees totalling Euro 367,500 thousand, the release of which is expected, considering that the loan was repaid in August 2013);
- by the EIB to Rete Ferroviaria Italiana SpA (a guarantee of Euro 300,000 thousand);
- by the EIB to the subsidiary Trenitalia SpA (a guarantee of Euro 971,250 thousand);
- to the companies in the Netinera Deutschland GmbH group (guarantees totalling Euro 371,937 thousand).

Furthermore, a "Comfort Letter" (Euro 420,000 thousand) has been issued for financing the OPI (now Intesa SanPaolo) loan granted to Trenitalia SpA in 2004.

Foreign guarantees were also issued (i.e. guarantees counter-guaranteed by the reference banks of FS and issued in foreign countries through a local bank) for a total amount of Euro 8,404 thousand; these guarantees were mainly issued in the interests of Italferr SpA (Euro 8,322 thousand) and, to a lower extent, in the interests of Italcertifer (Euro 53 thousand) and RFI (Euro 29 thousand). Said guarantees were made up of Bid Bonds of Euro 1,007 thousand, Performance Bonds of Euro 3,806 thousand and Advance Payment Bonds of Euro 4,598 thousand and were issued to assist the Group companies for their participation in tenders and the conclusion of foreign contracts.

44. Events after the balance sheet date

On 19 February 2014 the Board of Directors of Ferrovie dello Stato Italiane approved the 2014 – 2017 Business Plan of the FS Italiane Group. The Plan provides for an increase in revenues of up to Euro 9.5 billion (Euro 8.2 billion in 2012) in the four-year period. One of its main targets is an average 3.5% rate of growth in revenues per year, an increase which should be driven in particular by revenues from transport services, both by rail and road, which should exceed Euro 7 billion in 2017; EBITDA is expected to report a continuous improvement, up to Euro 2.5 billion (Euro 1.9 billion in 2012), a figure that will cause the EBITDA margin to grow by more than 3 percentage points compared to that recorded in recent years. It is noteworthy that the EBITDA margin of FS Italiane is today the benchmark of reference for the major railway companies in Europe.

On 27 February 2014, the Company received from the Tax Office the refund of the 2011 VAT credit pertaining to Rete Ferroviaria Italiana, for an amount of Euro 132 million, including interest.

On 14 April 2014 the MEF issued the Press Release no. 96, stating as follows: "*As anticipated by the Presidency of the Council of Ministers in a Government's press release, the Ministry of Economy and Finance will take steps, in the short term, to file, with the registered offices of Enel, Eni and Finmeccanica, the lists for the renewal of their respective corporate bodies on the occasion of the next shareholders' meetings.*

(……. Omissis ……) With reference to the shareholders' meeting of Finmeccanica SpA, which has been called on 9 May on first call and on 15 May on second call, the Ministry, which holds 30.2% of the share capital, will file, with the registered office of the Company, the following list for the appointment of the new Board of Directors:

8. Gianni De Gennaro
9. Mauro Moretti
10. Marta Dassù
11. Guido Alpa
12. Alessandro De Nicola
13. Marina Calderone
14. Fabrizio Landi
(…… Omissis ……)."

In the next days, the MEF, in its capacity as the sole shareholder of Ferrovie dello Stato Italiane SpA, will notify the name of the person who will be appointed as the new Chief Executive Officer of Ferrovie dello Stato Italiane SpA.

No significant additional events are reported that occurred after the closing date of the 2013 Financial Statements.

FERROVIE DELLO STATO ITALIANE

Certification on the Financial Statements at December 31, 2013
of Ferrovie dello Stato Italiane S.p.A.
pursuant to the provision of
article 154-bis, paragraph 5 of Legislative Decree 58/1998

1. The undersigned Mauro Moretti and Roberto Mannozzi, in their respective quality as Chief Executive Officier and Manager in charge of the company's accounting documents preparation of Ferrovie dello Stato Italiane S.p.A., also pursuant to rule 154-bis, paragraphs 3 and 4 of Legislative Decree No. 58 of February 24,1998, 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 financial statements at December 31,2013.

2. In this regard, we report that:

   a. internal Controls over financial statements have been defined and the evaluation of their effectiveness has been assessed based on principles and methodologies adopted by Ferrovie dello Stato Italiane S.p.A. in accordance with the "*Internal Controls – Integrated Framework*" issued by *Committee of Sponsoring Organizations of the Treadway Commission*"; which represents an internationally-accepted framework for the internal control system;

   b. the assessment of the internal control system did not identify any material issues.

3. In addition we certify that :

3.1. the financial statements of Ferrovie dello Stato Italiane S.p.A at December 31,2013:

a. were prepared in accordance with International Financial Reporting Standards endorsed by the European Community pursuant to regulation (CE) 1606/2002 of European Parliament and European Council of July 19,2002;

b. correspond to the entries in the books and accounting records of the company;

c. provided a true and fair representation of the performance and financial position of Ferrovie dello Stato Italiane S.p.A.

3.2 the report on operations contains a reliable analysis of operations and performance, including trend analysis of the issuer, as well as a description of the main risks and uncertainties to which it is exposed.

Rome, April 17, 2014

Mauro Moretti	Roberto Mannozzi
Chief Executive Officer	Manager in charge of the company's accounting documents preparation

pwc

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the Shareholder of
Ferrovie dello Stato Italiane SpA

1 We have audited the separate financial statements of Ferrovie dello Stato Italiane SpA as of 31 December 2013, which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes. The directors of Ferrovie dello Stato Italiane SpA are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement art. 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 12 June 2013.

3 In our opinion, the financial statements of Ferrovie dello Stato Italiane SpA as of 31 December 2013 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement art. 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Ferrovie dello Stato Italiane SpA for the year then ended.

4 The directors of Ferrovie dello Stato Italiane SpA are responsible for the preparation of a report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance, solely with reference to the information referred to in paragraph 2, letter b) of article 123-bis of Legislative Decree No. 58/1998 with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession

(*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 2, letter b) of article 123-bis of Legislative Decree No. 58/1998 presented in the specific section of the aforementioned report are consistent with the separate financial statements of Ferrovie dello Stato Italiane SpA as of 31 December 2013.

Rome, 30 April 2014

PricewaterhouseCoopers SpA

Signed by

Leda Ciavarella
(Partner)

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

Ferrovie dello Stato Italiane

Piazza della Croce Rossa, 1
00161 Roma

www.fsitaliane.it