



(TRANSLATION FROM THE ITALIAN WHICH REMAINS THE DEFINITIVE VERSION)

# **FS ITALIANE GROUP AND FERROVIE DELLO STATO ITALIANE S.P.A. 2018 ANNUAL REPORT HIGHLIGHTS**

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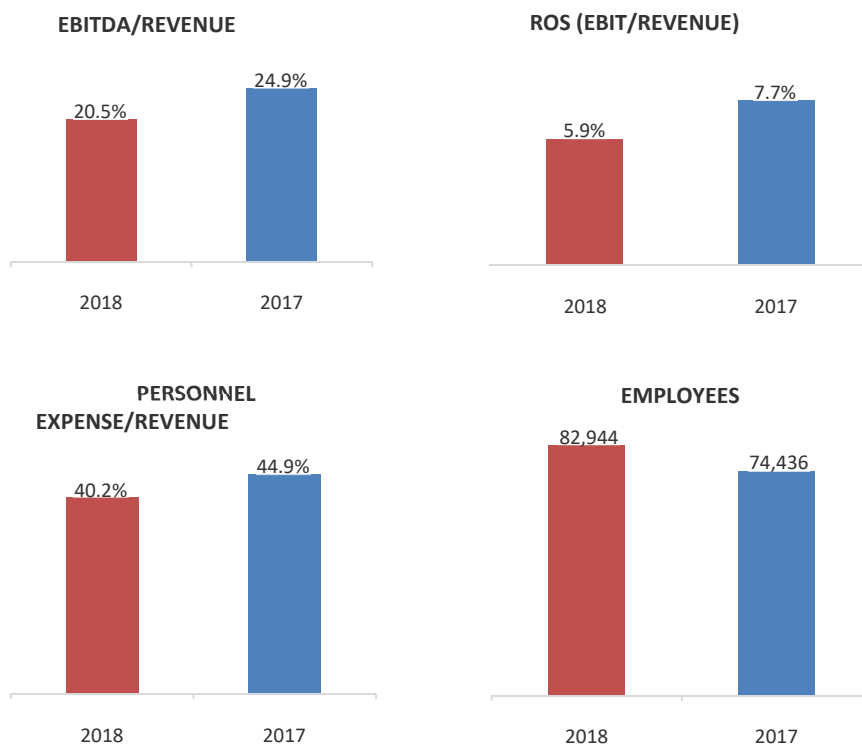
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**FS ITALIANE Group and FERROVIE DELLO STATO ITALIANE S.p.A.**

### **2018 ANNUAL REPORT HIGHLIGHTS**

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## Group highlights



millions of Euros

Main results and financial data	2018	2017	Change	%
Revenue	12,078	9,293	2,785	30.0
Operating costs	(9,602)	(6,980)	(2,622)	(37.6)
Gross operating profit	2,476	2,313	163	7.1
Operating profit	714	718	(4)	(0.5)
Profit for the year	559	552	7	1.2
	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Change</b>	
Net invested capital (NIC)	48,418	45,954	2,464	5.4
Equity (E)	41,763	38,681	3,082	8.0
Net financial position (NFP)	6,655	7,273	(618)	(8.5)
NFP/E	0.16	0.19		
Investments of the year	5,871	5,407	464	8.6
Total cash flows used in the year	(38)	(503)	465	92.4

# The group's financial position and performance

## Introduction

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For the purposes of describing its financial position and performance, the group prepared reclassified financial statements, as set out on the following pages, in addition to those required by the IFRS adopted by the FS Italiane group. The reclassified financial statements comprise performance indicators, which management deems useful in monitoring the group's performance and in presenting the financial results of the business.

In addition and to enable a better understanding of the comments on the group's performance and changes compared to the previous year, the main non-recurring transactions that significantly affected its performance are described below. These transactions, which fit into FS Italiane group's traditional business and do not constitute new business segments for the group<sup>1</sup>, did not require the preparation of pro forma data in the reclassified financial statements.

Specifically:

- since 18 January 2018 (date of the share transfer and acquisition of control after receipt of approval from the Italian Antitrust Authority (AGCM), Anas S.p.A. and its subsidiaries have been included in the group's consolidation scope; therefore, the effects of this acquisition on profit or loss can be seen in the reporting period, unlike in 2017. Specifically, the transfer involved subscription of the €2.86 billion capital increase by the Ministry of the Economy and Finance (MEF). Anas group's inclusion in the consolidation scope took place after (i) an analysis of the transfer value using the group's accounting policies; and (ii) Anas' transition to the IFRS, applied in the company's 2017 financial statements approved by the board of directors on 25 June 2018 and its shareholder FS S.p.A. on 10 September 2018;
- on 14 September 2017 (official closing of the transaction), TrainOSE SA (wholly owned by Ferrovie dello Stato Italiane S.p.A.) joined FS Italiane group, affecting the group's profit or loss for just the last quarter of 2017 while the company made a contribution to FS Italiane group's railway transport business for the full year 2018.

The inclusion of Trenitalia c2c Ltd (from February 2017), Busitalia Simet S.p.A. (road transport, from 7 April 2017), Qbuzz BV and Qbuzz Mobility Services BV (from 31 August 2017 for both) in the consolidation scope had a marginal effect on the changes.

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<sup>1</sup> Anas S.p.A.'s entry into the group expanded the Italian strategic infrastructure that FS Italiane group manages, which now includes the road/motorway network management as well as the railways (both included in the "Infrastructure" operating segment).

The effect of these transactions on the group's key income statement figures is shown below:

millions of Euros

	<b>2018</b>	<b>Change compared to 2017</b>	<b>of which: effects of acquisitions and contributions*</b>	<b>of which: effects of ANAS group</b>
<b>REVENUE</b>	<b>12,078</b>	<b>2,785</b>	<b>2,567</b>	<b>2,319</b>
<b>OPERATING COSTS</b>	<b>(9,602)</b>	<b>(2,622)</b>	<b>(2,282)</b>	<b>(2,036)</b>
<b>GROSS OPERATING PROFIT</b>	<b>2,476</b>	<b>163</b>	<b>285</b>	<b>283</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>714</b>	<b>(4)</b>	<b>54</b>	<b>80</b>
<b>PROFIT FOR THE YEAR</b>	<b>559</b>	<b>7</b>	<b>61</b>	<b>85</b>

\* As already described, this normalisation basically shows the contribution to profit or loss of non-recurring transactions (the companies whose profit or loss figures are included in the column are: Trenitalia c2c Ltd, Trenitalia UK Ltd, Busitalia Simet S.p.A., Qbuzz BV, Qbuzz Mobility Services BV, TrainOSE SA, Nugo S.p.A., Anas S.p.A. and its subsidiaries, Cremonesi Workshop S.r.l., Terminal Alptransit S.r.l. and Trenitalia Logistic France).

## Income statement

millions of Euros

	2018	2017	Change	%
<b>REVENUE</b>	<b>12,078</b>	<b>9,293</b>	<b>2,785</b>	<b>30.0</b>
Revenue from sales and services	11,566	8,993	2,573	28.6
Other income	512	300	212	70.7
<b>OPERATING COSTS</b>	<b>(9,602)</b>	<b>(6,980)</b>	<b>(2,622)</b>	<b>(37.6)</b>
<b>GROSS OPERATING PROFIT</b>	<b>2,476</b>	<b>2,313</b>	<b>163</b>	<b>7.0</b>
Amortisation, depreciation, provisions and impairment losses	(1,762)	(1,595)	(167)	(10.5)
<b>OPERATING PROFIT</b>	<b>714</b>	<b>718</b>	<b>(4)</b>	<b>(0.6)</b>
Net financial expense	(97)	(100)	3	3.0
<b>PRE-TAX PROFIT</b>	<b>617</b>	<b>618</b>	<b>(1)</b>	<b>(0.2)</b>
Income taxes	(58)	(64)	6	9.4
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>559</b>	<b>554</b>	<b>5</b>	<b>0.9</b>
Loss from assets held for sale, net of taxes		(2)	2	100.0
<b>PROFIT FOR THE YEAR</b>	<b>559</b>	<b>552</b>	<b>7</b>	<b>1.3</b>
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT	540	542	(2)	(0.4)
PROFIT FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	19	10	9	90.0

Turning to the FS Italiane group's overall performance, in comparing the operating performance of 2018 and 2017, in addition to the significant impacts of the non-recurring transactions summarised above which were the result of strategic management decisions included in the business plans approved from time to time, the effects of legislation which came into force at the end of 2017, as discussed in the following, must also be kept in mind.

Specifically, the 2017 figures were heavily impacted by the application of the provisions of Law no. 167 of 20 November 2017, which introduced sweeping changes to the previous regulatory framework for the Special Rate Regime (SRR) for the procurement of electrical energy used for traction, no longer basing the calculation of consumption on the type of transport service but instead on the type of infrastructure used to provide the transport service. Considering only the adjustments for 2015-2016, the results for 2017 benefited from a €143 million reduction in energy costs. This reduction led to a €128 million increase in gross operating profit, net of recharges to third-party railway companies. Therefore, in order to compare the group's operating performance based only on management levers, the 2017 figures need to be "normalised". Net of the above-mentioned regulatory impact, the profit for 2017 would have been €424 million.

Turning to the analysis of the main results and financial data for 2018, partly as a consequence of the above factors, **revenue** grew by €2,785 million and the **profit for the year** was €559 million.

Net of the corporate transactions described in detail (+€2,567 million), the increase in **revenue** is mainly due to the rise in revenue from transport services, which grew by a further €287 million in the year.

The positive contribution of the railway passenger transport service (which increased by a total of €152 million), and the contribution of the growth in revenue from road passenger transport (also with an increase of €152 million), drove a 4% increase in **revenue from transport services**. Conversely, the turnover of the freight business decreased by €18 million due to greater complexity and riskiness in the segment. The positive contribution of navigation sector amounted to €1 million.

Different trends were observed for the various business types in the railway passenger transport service.

The performance of the short-haul service (+€167 million) stands out, improving both domestically, with Trenitalia S.p.A. driving the growth with an increase of €59 million, and internationally, thanks to the contribution of the Netinera Deutschland group (+€13 million) and the companies acquired as part of the above-mentioned non-recurring transactions (+€93 million of which: Trenitalia c2c Ltd for €27 million and TrainOSE SA for €66 million). The growth in revenue generated by local transport in Italy is a result of the commitment, and the related costs, that the FS Italiane group has taken on via its subsidiary Trenitalia S.p.A. in the contracts renewed with the Italian regions. Intense activity has commenced, placing the customer at the centre of the strategic priorities, with the aim of improving the overall service offered in terms of punctuality, comfort, cleanliness and safety.

The turnover of the long-haul passenger transport service was substantially unchanged overall (-€15 million; 0.6%), with an improvement in its universal service (+€14 million), offset by a slight decrease in the market service segment (-€29 million). The growth in the universal service segment is due to the change in fees under the medium and long-haul service contract which, in the pursuit of a balance of costs and revenues, rose €16 million to offset the increase in toll costs under the new tariff system and the agreements with the public customer, which required significant dedication over the term of the contract to ensure better service quality, comfort and punctuality.

As mentioned earlier, revenue from road transport services also rose significantly in the year, by €152 million, mostly due to the entry of the Dutch company Qbuzz BV into the group (+€139 million). Domestically, the steps taken to reduce tariff evasion both on board buses and at bus stops are beginning to give results.

On the other hand, as mentioned, revenue from freight transport and logistics services decreased by approximately €18 million.

Almost the entire increase in **revenue from infrastructure services** is due to the entry of Anas group into the consolidation scope (€2,144 million of the total €2,161 million). The remaining portion mostly relates to the increase in toll revenue from infrastructure services due to the cost-of-living adjustment to prices and the increase in production volumes.

The contribution of **other income** to the overall growth of operating revenue was decisive, with the above-mentioned non-recurring transactions accounting for €126 million of the €212 million increase in this caption. The other part mainly includes the effects of non-recurring factors, such as the bankruptcy discharge following the finalisation of the deed of arrangement of Ferrovie del Sud Est e Servizi Automobilistici S.r.l. (+€63 million) and other items, such as revenue generated by the performance regime and insurance compensation.

**Operating costs** rose by €2,622 million (+37.6%) to €9,602 million (2017: €6,980 million). They may be analysed as follows:

- the €675 million increase in net personnel expense is due to the expansion of the consolidation scope described above (€561 million). Almost the entire remaining portion of the increase is due to the growth in the workforce and the effects of contractually-defined salary increases;
- the overall increase in other costs (€1,947 million) which, net of the non-recurring transactions (+€1,721 million), were impacted by the costs to purchase electrical energy used for traction, which rose by €187 million compared to 2017.

This growth is driven by the fact that last year's figure benefited from prior year income due to the rate adjustment (2015-2016) following the application of the above-mentioned legislative provision of Law no. 167/2017. The remaining increase in costs is due to the non-capitalisable component of the consumption of materials (ordinary maintenance). With the exception of the contractually-defined salary increases for employees, operating costs decreased steadily in the second half of 2018 as a result of the savings policies implemented by top management.

**Gross operating profit** increased by €163 million, or 7%, to €2,476 million as a result of the variations in revenue and operating costs described above.

**Operating profit** amounts to €714 million and is basically unchanged from the previous year. Specifically, the increase in gross operating profit was offset by the greater amortisation/depreciation, due entirely to the start-up of the group's considerable investments, and impairment losses, of €193 million and €3 million, respectively, offset by lower provisions of €30 million. This latter caption mainly reflects the performance of the extraordinary part of the fund for income and employment assistance.

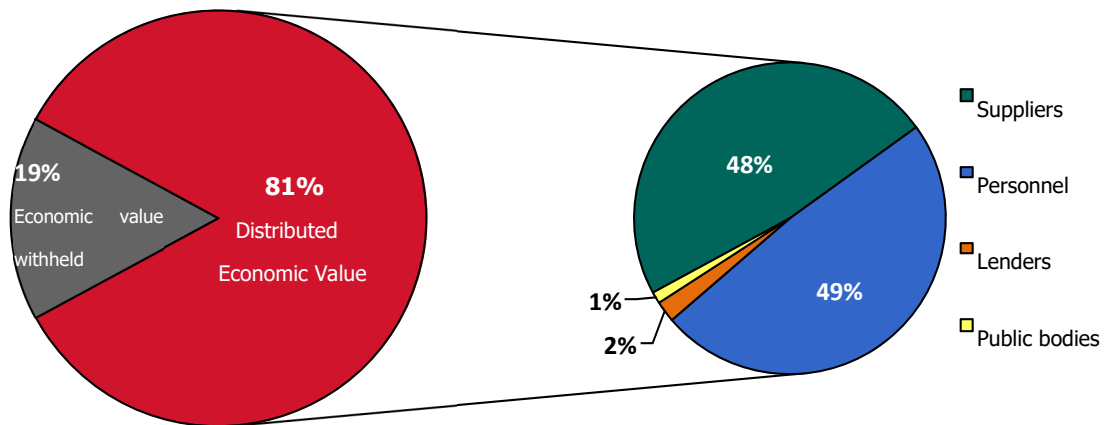
**Net financial expense** of €97 million is substantially unchanged, due to the proportional growth in both financial income (+€48 million, including €18 million for the group's share of profits of equity-accounted investees) and financial expense (+€45 million).

**Income taxes** amount to €58 million, a decrease of €6 million mainly reflecting changes in current taxes (+€7 million), changes in deferred taxes (-€19 million) and adjustments related to prior years (+€6 million).

In addition to the above observations and pursuant to Legislative decree no. 254/2016, the following table shows the directly generated economic value and that distributed by FS Italiane group, highlighting its redistribution to stakeholders. The group acknowledges the importance of a balanced distribution of the value generated by its operations to its stakeholders, value that they contributed to creating directly or indirectly. The analysis of the economic value distributed shows the flows allocated to employees, providers of goods, services and capital, the public administration and the communities in which the group is present.

	millions of Euros					
<b>Directly generated and distributed economic value</b>	<b>2018</b>		<b>2017</b>		<b>2016</b>	
<b>Directly generated economic value</b>	<b>12,202</b>	<b>100%</b>	<b>9,369</b>	<b>100%</b>	<b>9,004</b>	<b>100%</b>
Revenue from sales and services	11,566		8,993		7,908	
Other sundry income	636		376		1,096	
<b>Distributed economic value</b>	<b>9,883</b>	<b>81%</b>	<b>7,202</b>	<b>77%</b>	<b>6,837</b>	<b>76%</b>
Operating costs for materials and services	4,685		2,754		2,623	
Personnel expense	4,853		4,178		3,951	
Payments to financial backers	221		176		170	
Payments to public bodies	124		94		93	
<b>Economic value withheld</b>	<b>2,319</b>	<b>19%</b>	<b>2,167</b>	<b>23%</b>	<b>2,167</b>	<b>24%</b>
Amortisation, depreciation, provisions and impairment losses	1,762		1,595		1,401	
Other sundry costs and taxes	(2)		20		(6)	
<b>Profit for the year</b>	<b>559</b>		<b>552</b>		<b>772</b>	





The value not distributed by the group (approximately €2.3 billion in 2018, €2.2 billion in both 2017 and 2016) consisted substantially of self-financed investments and accruals to reserves, to be reinvested and thereby ensure the continuity and sustainability of the business in the medium and long term, thereby indirectly benefiting FS Italiane group's stakeholders (such as employees and the community through, for example, improvements in service quality, including the universal service).

## Reclassified statement of financial position

millions of Euros

	31.12.2018	31.12.2017	Change
<b>ASSETS</b>			
Net operating working capital	(324)	402	(726)
Other assets, net	2,378	1,173	1,204
<b>Working capital</b>	<b>2,054</b>	<b>1,575</b>	<b>479</b>
Net non-current assets	50,986	47,279	3,706
Other provisions	(4,622)	(2,902)	(1,720)
Net assets held for sale		2	(2)
<b>NET INVESTED CAPITAL</b>	<b>48,418</b>	<b>45,954</b>	<b>2,464</b>
<b>COVERAGE</b>			
Net current financial position	(555)	(65)	(490)
Net non-current financial debt	7,210	7,338	(128)
<b>Net financial debt</b>	<b>6,655</b>	<b>7,273</b>	<b>(618)</b>
<b>Equity</b>	<b>41,763</b>	<b>38,681</b>	<b>3,082</b>
<b>COVERAGE</b>	<b>48,418</b>	<b>45,954</b>	<b>2,464</b>

The group's **net invested capital** of €48,418 million rose by €2,464 million in 2018, due to the increases in **net non-current assets** (+€3,706 million) and **working capital** (+€479 million), offset by the higher **other provisions** (-€1,720 million) and the small decrease in **net assets held for sale** (-€2 million).

**Net operating working capital** amounts to -€324 million, decreased €726 million over the previous year and is the combined effect of changes mainly in connection with:

- the effects of Anas group's entry, which have an overall impact on this caption of -€533 million. Specifically: 1) higher net trade payables of -€909 million; ii) the contribution of inventories and assets as per the contract for +€103 million; iii) greater payments on account to suppliers of +€273 million;
- lower assets arising from the service contracts with the regions (-€127 million) and from the service contract with the MEF (-€280 million). The decrease in the latter is substantially due to the collection of fees under per the medium and long-haul service contract, related to amounts invoiced for 2017;
- lower trade receivables from the railway passenger transport service (-€113 million) and freight transport service (-€9.2 million);
- greater inventories (+€98 million), mainly due to the production of the national workshops of Bari, Pontassieve and Bologna for the construction of frogs, switches and other equipment related to the railway infrastructure;
- the greater advances to electricity suppliers (+€57 million).

**Other assets, net** increased by €1,204 million, mainly as a result of the combination of the following factors:

- greater net assets from the MEF, the Ministry of Infrastructure and Transport (“MIT”) and other government authorities (+€2,473 million) due to the accruals-based recognition of new grants, net of collections and the change in advances allocated to the projects that are already in progress;
- greater liabilities due to the change in the consolidation scope following the entry of Anas S.p.A. described earlier (-€633 million), mainly related to contributions due for works to be completed for motorway operators related to financing received from government ministries;
- the decrease in net VAT assets (-€592 million), due to VAT reimbursements for 2016 and 2017.

**Net non-current assets** increased by €3,706 million, mainly as a result of the above-mentioned consolidation of Anas group, specifically: 1) the recognition of the new value of Anas S.p.A.’s concession (€1,391 million) calculated under the new 2016-2020 Programme Contract which establishes a new concession structure for the company, and the recognition of investments in the concession relationship managed by Sitaf S.p.A. (€1,124 million) related to the concessions for its motorway routes; ii) the increase in assets under construction and payments on account, mainly related to upgrades of the road network (+€354 million); iii) greater investments (of €512 million) in associates and other companies.

**Other provisions** increased by €1,720 million, attributable nearly entirely to the change in the consolidation scope and, in particular, the set-up of the provision for road works risks (+€1,548 million), as well as the changes in deferred tax liabilities (+€250 million).

**Net financial debt** of €6,655 million decreased by €618 million on 31 December 2017, mainly due to the net effect of the following:

- the contribution of Anas group (€531 million). Specifically: i) the contribution of cash and cash equivalents in bank and postal accounts (+€371 million); ii) the increase in the value of the concession financial assets (+€397 million), mostly related to Anas S.p.A. and its subsidiaries for its work performed on infrastructure under concession (mostly roads), to be reimbursed by the competent ministries and bodies as per the IFRS for assets provided by the grantor and; iii) higher financial payables to Cassa Depositi e Prestiti (€178 million);
- the decrease in the cash pooling balance (-€267 million), which comprises the payments made by the MEF in relation to the Programme Contract for railway infrastructure;
- the increase in loans from banks (-287 million euros) due to the opposing effect of the increase in short-term funding and repayments for loans for the purchase of rolling stock for medium and long distance and for regional transport;
- the decrease in bond issues (-€407 million) related mainly to the €612 million repayment of the Eurofirma bond issue, offset by the subscription in March 2018 of the variable rate bonds of €200 million with a 12-year maturity as part of the EMTN Programme listed on the Irish Stock Exchange.

**Equity** rose from €38,681 million to €41,763 million, up by €3,082 million mainly as a result of the following:

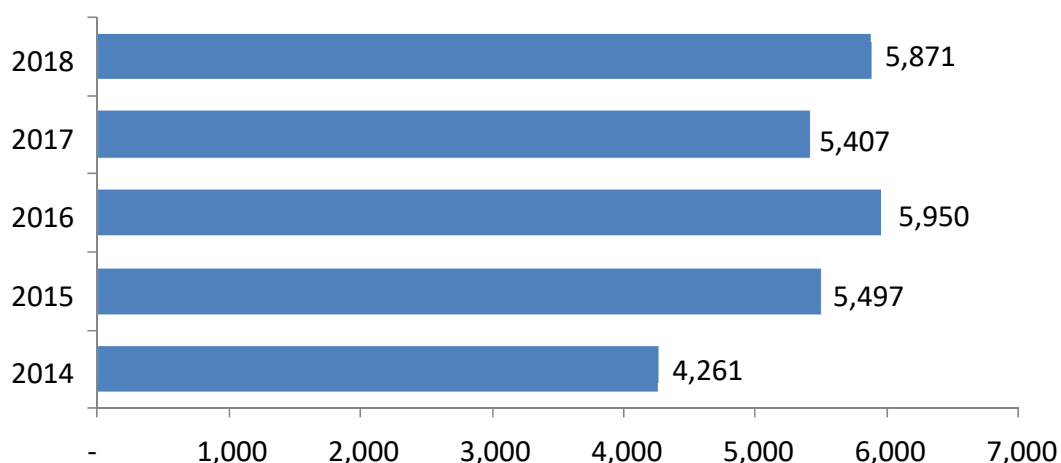
- the increase in the profit for the year to €559 million;
- the increase in the share capital attributable to the owners of the parent (+€2,864 million) after the MEF’s contribution of its entire investment in Anas S.p.A.;
- the dividends paid in 2017 amounting to €150 million (€9 million of which was paid to non-controlling interests);
- the decrease in derivative liabilities (+€19 million).

## Investments

The softening of the Italian economy in 2018, particularly in the second half of the year, resulted in a lower estimated GDP than in 2017, and was the result of the contraction in consumption and investment spending in plant and machinery and transport vehicles, while investments in construction experienced a slightly expansionary phase, with another small increase in 2018 (+2.2%, compared to +1.9% in 2017) across both the residential and non-residential segments. This general situation is in contrast to the trend of the main European and EMU countries which experienced overall growth in investments throughout 2018 - although to differing extents - mostly as a result of expenditure on operating assets and in the residential segment, which acted as a driver of the overall recovery.

FS Italiane group was able to go against the trend in Italy, continuing its expenditure in line with its investment plan and maintaining an average capital expenditure/depreciation ratio greater than 1 from 2012 to date, securing the replacement of assets which becomes obsolete from one year to the next. Investment spending again rose in 2018, confirming - with the consolidation of Anas group - the group as the largest investor in Italy, bolstering the development and renewal of the transport, infrastructure and logistics sector.

FS Italiane group's total expenditure for investments in 2018 came to €5,871 million (€1,144 million of which self-financed and €4,727 million through government grants).



FS Italiane group made "Capital expenditure" approximating €7.5 billion<sup>2</sup> in 2018, 98% in Italy.

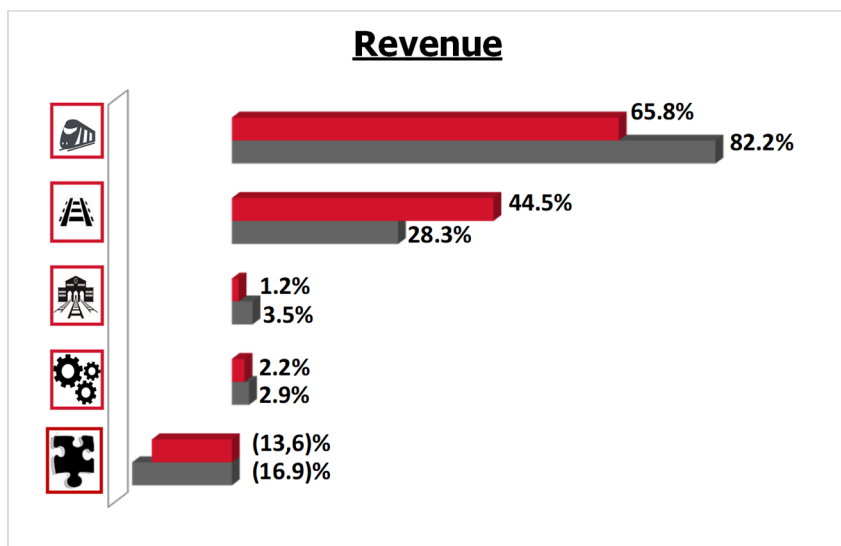
Approximately 84% of investments refers to the Infrastructure operating segment, with RFI S.p.A. investing €4,769 million, including €4,654 million for the traditional/HC network and €115 million for the HS/HC network between Turin, Milan and Naples and Anas group investing €1,391 million. Roughly 15% of investments refers to the Transport operating segment for projects devoted to the transport of passengers by road and rail, both in Italy and abroad, and to the transport of freight. Specifically, Trenitalia S.p.A. invested €798 million (including ordinary maintenance), the Mercitalia group approximately €119 million, the Busitalia group €152 million and the remaining companies operating abroad €35 million (Netinera Deutschland GmbH, Trenitalia

<sup>2</sup> Capital expenditure includes Anas S.p.A. and FSE S.p.A. investments recognised pursuant to IFRIC 12 (approximately €1.3 billion) while the remainder is comprised of the investments of special-purposes entities not consolidated on a line-by-line basis (e.g., TELT, BBT etc, for around €0.3 billion).






c2c Ltd, Thello SAS and TrainOSE SA). The Real estate and Other services segment accounts for the remainder of the group's investments and they were mainly made by FS Sistemi Urbani S.r.l. and Ferrovie dello Stato Italiane S.p.A. for the maintenance and upgrade of the respective property assets and ICT projects.

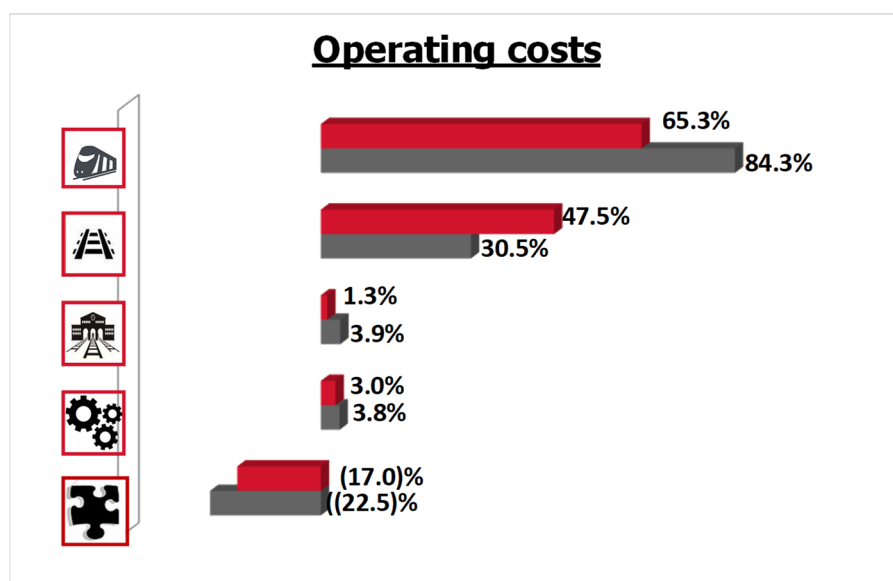
## Segment reporting

FS Italiane group's performance is analysed below with reference to each of the four operating segments that make up its business (Transport, Infrastructure, Real Estate Services and Other Services). The charts below summarise the 2018 and 2017 performance with indication of the percentages of revenue and operating costs, gross operating profit, profit for the year and net invested capital attributable to each segment.

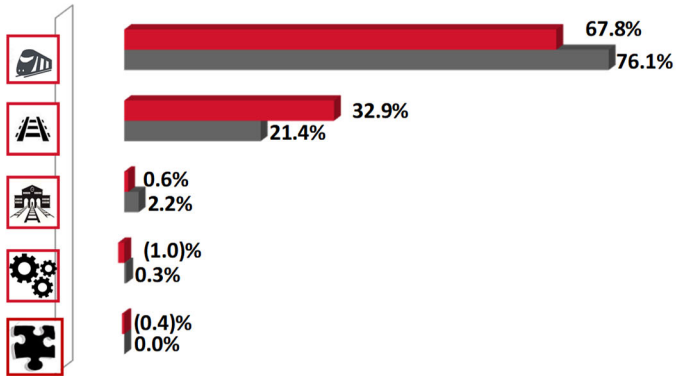


■ 2018 ■ 2017

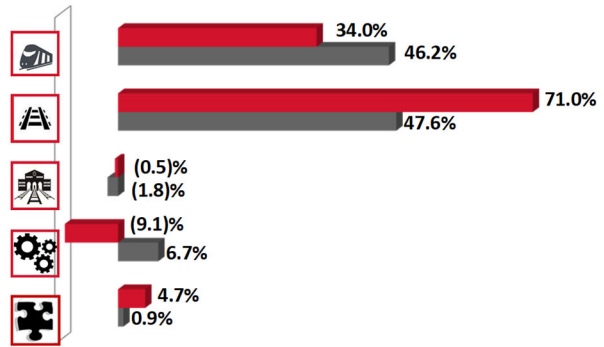
-  Transport
-  Infrastructure
-  Real estate services
-  Other services
-  Adjustments and eliminations



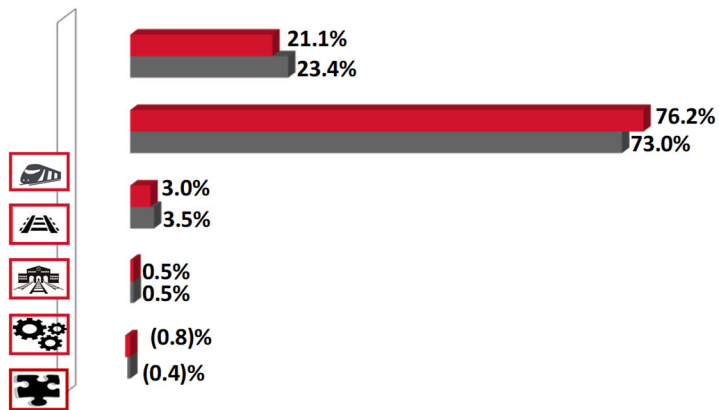
### Gross operating profit








### Profit for the year



### Net invested capital



■ 2018 ■ 2017

-  Transport
-  Infrastructure
-  Real estate services
-  Other services
-  Adjustments and eliminations

## Transport

The FS Italiane group companies operating in the transport of passengers and/or freight by rail, road or sea are part of the Transport segment.

More specifically, rail operations mainly fall under Trenitalia S.p.A., which provides services for passenger transport in Italy and abroad, managing both regional and national routes, including the pre-eminent high speed service. This segment also includes the German group, Netinera Deutschland, which carries out transport activities by rail and road on the local and urban transport market in Germany through approximately 40 investees, TrainOSE SA, which operates in Greece, connecting Athens and Thessaloniki, Trenitalia c2c Ltd, a UK passenger transport company, and Ferrovie del Sud Est e Servizi Automobilistici S.r.l. ("FSE"), which holds the concession for road and rail services in Puglia, Italy.

The group companies that mainly operate in freight transport are those in the Mercitalia hub, with domestic and international operations, including TX Logistik group (mainly in Germany, Austria, Switzerland and Denmark).

The Transport segment also includes road urban and medium/long-haul passenger transport, offered by the group consisting of Busitalia-Sita Nord S.r.l. and its investees. The above-mentioned FSE also provides these services.

	millions of Euros			
	2018	2017	Change	%
Revenue from sales and services	7,689	7,414	275	3.7
Other income	259	228	31	13.6
<b>Revenue</b>	<b>7,948</b>	<b>7,642</b>	<b>306</b>	<b>4.0</b>
<b>Operating costs</b>	<b>(6,269)</b>	<b>(5,882)</b>	<b>(387)</b>	<b>(6.6)</b>
<b>Gross operating profit</b>	<b>1,679</b>	<b>1,760</b>	<b>(81)</b>	<b>(4.6)</b>
<b>Operating profit</b>	<b>336</b>	<b>412</b>	<b>(76)</b>	<b>(18.4)</b>
<b>Segment profit (attributable to the owners of the parent and non-controlling interests)</b>	<b>190</b>	<b>255</b>	<b>(65)</b>	<b>(25.5)</b>
	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Change</b>	
<b>Net invested capital</b>	<b>10,213</b>	<b>10,767</b>	<b>(554)</b>	

The Transport segment shows a **profit for the year** of €190 million.

Its **revenue** of €7,948 million increased significantly (+€306 million) compared to 2017, nearly entirely due to the rise in transport services (+€272 million) for both the internal part of the group's business and the contribution by the companies that entered the consolidation scope in 2017 for the entire year.

Specifically, with reference to the €306 million increase in revenue:

- the good performance of domestic short-haul services drove growth in this segment, mainly due to the higher fees provided for in the new service contracts, necessary to ensure financial balance over the term of the service contract, also considering the increase in costs (e.g., tolls) and the commitments FS Italiane group has taken on to improve service quality, comfort and punctuality. Specifically, the new contracts with the Veneto, Liguria, Sicily, Puglia and Lazio regions have contributed to the growth of the year, whereas 2017 was negatively affected by adjusting items related to the termination of contracts that expired in the previous year;
- higher revenue was generated by the full effect of the above-mentioned acquisitions;



- The prior year income generated by the derecognition of FES's liabilities at the end of the bankruptcy proceedings as per the decree of the ordinary court of Bari of 9 April 2018, which set the date for the approval of the deed of arrangement of 6 June 2018 (+€38 million).

The Transport segment's **gross operating profit** came to €1,679 million, down €81 million on 2017, due almost entirely to the above-mentioned prior year income, referring to 2015-2016, generated by the application of the provisions of Law no. 167/2017 on the rate regime for electrical energy used for traction.

The **operating profit** amounts to €336 million, down €76 million on 2017. The decrease in the gross operating profit was accompanied by smaller amortisation and depreciation expense recognised by Trenitalia S.p.A. in relation to the investment trend.

**Net financial expense** of €91 million did not change significantly from 2017.

**Income taxes** show a negative balance of €55 million, substantially in line with those of the previous year (+€8 million).

### **Loans and borrowings - Transport segment**

#### **Loan for trains - Mercitalia Rail**

On 10 April 2018, Ferrovie dello Stato Italiane S.p.A. granted its subsidiary, Mercitalia Rail S.r.l., an intragroup loan to finance the purchase of 40 new electric trains. The maximum amount of the loan is €114.4 million and it will be disbursed in tranches. The loan was approved as part of the resolution of FS Italiane S.p.A.'s board of directors on 26 October 2017 for the granting of two intragroup loans to the subsidiaries Mercitalia Rail S.r.l. and TX Logistik AG. At the reporting date, €32.6 million of the loan had been used.

#### **Qbuzz loans**

FS S.p.A. granted the Dutch subsidiary Qbuzz BV two intragroup loans totalling €105 million on 23 November 2018, as part of the requirements related to the local public transport concession in the DAV area awarded to Qbuzz BV on 23 February 2018. The €20 million loan covers temporary working capital requirements, while €85 million is allocated to temporarily finance the assets (trains, electric and diesel buses) pending the agreement of the leases.

#### **Unicredit loan - Mercitalia Rail**

Unicredit granted Mercitalia Rail S.r.l. a €6.2 million loan on 19 December 2018 to equip 61 trains with the ERTMS system. It follows a non-repayable grant from the European Commission as part of the CEF Transport 2017 Blending Call covering 50% of the expected project costs (€12.3 million).

### **Interest rate risk hedges - Trenitalia**

Between 31 July and 2 August 2018, 15 interest rate swaps and seven interest rate caps were agreed with 12 leading banks with an investment grade rating, to hedge interest rate risk for Trenitalia S.p.A.. They have a notional amount of approximately €2.2 billion, a term of up to three years and will become effective in the second half of 2018. These transactions will enable the company to set an all-inclusive average cost (including the credit spreads) for the portion of hedged debt up to a ceiling of 0.60% for the 2019-2021 period.

## Infrastructure

The group's main Infrastructure segment company is Rete Ferroviaria Italiana S.p.A. (RFI), whose mission is to serve as the national railway network operator. As network operator, RFI maintains, uses and develops the network and related safety systems, in addition to managing research and development in the field of railway transport and ensuring connections to Italy's largest islands by sea. Anas S.p.A., which together with its subsidiaries manages national-interest Italian roads and motorways, joined the Infrastructure segment in January 2018 and has had a significant impact thereon.

To a lesser extent, given its smaller size, Italferr S.p.A., the group's engineering company, also contributes to the results of this segment. The other group companies active in the Infrastructure segment on an exclusive or incidental basis are: FSE S.r.l., Brenner Basis Tunnel SE, Tunnel Ferroviario del Brennero S.p.A. (TFB), Tunnel Euralpin Lyon Turin S.a.S. (TELT), Grandi Stazioni Rail S.p.A.. Centostazioni Retail S.p.A. and Metropark S.p.A..

	millions of Euros			
	2018	2017	Change	%
Revenue from sales and services	5,017	2,496	2,521	101.0
Other income	357	131	226	172.5
<b>Revenue</b>	<b>5,374</b>	<b>2,627</b>	<b>2,747</b>	<b>104.6</b>
<b>Operating costs</b>	<b>(4,557)</b>	<b>(2,132)</b>	<b>(2,425)</b>	<b>(113.7)</b>
<b>Gross operating profit</b>	<b>817</b>	<b>495</b>	<b>322</b>	<b>65.1</b>
<b>Operating profit</b>	<b>455</b>	<b>295</b>	<b>160</b>	<b>54.2</b>
<b>Segment profit (attributable to the owners of the parent and non-controlling interests)</b>	<b>399</b>	<b>263</b>	<b>136</b>	<b>51.7</b>
	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Change</b>	
<b>Net invested capital</b>	<b>36,884</b>	<b>33,537</b>	<b>3,347</b>	

The Infrastructure segment shows a **profit for the year** of €399 million, a significant increase on 2017 (+€136 million).

**Revenue** amounts to €5,374 million, a significant increase on 2017 (+€2,747 million). The growth is due to revenue of €2,420 million generated almost entirely to the entry into the group of Anas S.p.A. and its subsidiaries. The remaining part of the increase is the effect of:

- the approximately €250 million increase in revenue from RFI, mainly comprised of:
  - higher toll revenue (+€72 million), mainly due to the cost-of-living adjustment to prices and the increase in production volumes;
  - higher revenue from services provided to railway companies (+€127 million), mainly due to the increase in revenue from sales of electrical energy for traction (€126 million), and from traffic-related services (€1 million);
  - higher other revenue (+€28 million) related mainly to the increase in contributions under the Programme Contract (€40 million), partly offset by the accrual (€12 million) made under the provisions of Resolution ART no. 11/2019, issued on 4 February 2019;
- the positive effect of the Infrastructure segment's portion of the above-mentioned €25 million prior year income from FSE's bankruptcy discharge.

The segment's **gross operating profit** increased by €322 million to €817 million, basically the result of the entry of Anas group in the consolidation scope.

The segment's **operating profit** is €455 million, which is €160 million higher than for 2017, also in this case affected by the above-mentioned change in the consolidation scope.

**Net financial expense** of €31 million was substantially unchanged from 2017 (+€4 million).

**Income taxes** show a negative balance of €25 million, a deterioration [*perchè peggioramento se è negativo?*] from those of the previous year (€28 million). [*?vedi pag. 17*]

### **Loans and borrowings - Infrastructure segment**

#### **FSE loan**

FS S.p.A. granted its subsidiary Ferrovie del Sud Est e Servizi Automobilistici S.r.l. (FSE) a loan of a maximum €70 million on 19 December 2018, repayable on the expiry of the deed of arrangement, to cover costs related to the infrastructure segment.

#### **Italferr loan**

FS S.p.A. granted Italferr S.p.A. a €15 million intragroup loan on 27 November 2018 for the purchase of 80% of the architectural design and infrastructure engineering firm, Crew - Cremonesi Workshop S.r.l.. The purpose of this acquisition is to bolster the expertise and specialist skills in the integrated design of models using the building information modelling (BIM) approach.

## Real Estate Services

The Real Estate Services segment mainly consists of FS Sistemi Urbani S.r.l. which handles management, sales and development services for real estate assets that are not used in the group's operations.

The parent also contributes to this segment, exclusively with respect to its real estate management operations, which include providing the group companies with strategic guidelines on real estate and asset allocation (e.g., mergers, demergers, contributions to SPVs, etc.) and handling the sale of properties and land held for trading in real estate holdings.

	millions of Euros			
	<b>2018</b>	<b>2017</b>	<b>Change</b>	<b>%</b>
Revenue from sales and services	140	303	(163)	(53.8)
Other income		24	(24)	(100.0)
<b>Revenue</b>	<b>140</b>	<b>327</b>	<b>(187)</b>	<b>(57.2)</b>
<b>Operating costs</b>	<b>(125)</b>	<b>(275)</b>	<b>150</b>	<b>54.5</b>
<b>Gross operating profit</b>	<b>15</b>	<b>52</b>	<b>(37)</b>	<b>(71.2)</b>
<b>Operating profit (loss)</b>	<b>(6)</b>	<b>22</b>	<b>(28)</b>	<b>(127.3)</b>
<b>Segment loss (attributable to the owners of the parent and non-controlling interests)</b>	<b>(3)</b>	<b>(10)</b>	<b>7</b>	<b>(70.0)</b>
	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Change</b>	
<b>Net invested capital</b>	<b>1,458</b>	<b>1,622</b>	<b>(164)</b>	

The Real Estate Services segment shows a **loss for the year** of €3 million, a €7 million improvement on 2017.

## Other Services

Ferrovie dello Stato Italiane S.p.A. operates in the Other services segment in its role as the group's holding company and for all the activities not included in the real estate services described above. It steers and coordinates the business policies and strategies of the group's operating companies. The other companies that operate in this segment are: Ferservizi S.p.A., which manages the activities not directly related to railway operations as outsourcer for the group's main companies; Fercredit S.p.A., which mainly develops the credit factoring and lease business on the captive market and develops the consumer credit business for the group's employees, and Italcertifer S.p.A., which carries out certification, assessment and testing activities on transport and infrastructure systems.

	millions of Euros			
	2018	2017	Change	%
Revenue from sales and services	244	240	4	1.7
Other income	17	32	(15)	(46.9)
<b>Revenue</b>	<b>261</b>	<b>272</b>	<b>(11)</b>	<b>(4.0)</b>
<b>Operating costs</b>	<b>(285)</b>	<b>(266)</b>	<b>(19)</b>	<b>(7.1)</b>
<b>Gross operating profit (loss)</b>	<b>(24)</b>	<b>6</b>	<b>(30)</b>	<b>&gt;200</b>
<b>Operating loss</b>	<b>(62)</b>	<b>(12)</b>	<b>(50)</b>	<b>&gt;200</b>
<b>Segment profit (loss) (attributable to the owners of the parent and non-controlling interests)</b>	<b>(51)</b>	<b>136</b>	<b>(187)</b>	<b>&gt;200</b>
	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Change</b>	
<b>Net invested capital</b>	<b>231</b>	<b>231</b>		

In 2018, Other services recorded a **loss for the year** of €51 million, down by €187 million on the previous year's profit.

**Revenue** of €261 million decreased by €11 million, related mostly to the parent for the reimbursement of services from its subsidiaries.

The **gross operating loss** amounts to €24 million in 2018, down €30 million on the 2017 gross operating profit due mainly to the more-than-proportional growth in costs.

The segment's **operating loss** amounts to €62 million (-€50 million on 2017). In addition to the deterioration in the gross operating loss, amortisation/depreciation increased, as did impairment losses and accruals (+€5 million and +€15 million, respectively). Specifically, approximately €19 million of the impairment losses are related to FS S.p.A..

**Net financial expense** for 2018 was €101 million, a deterioration of €130 million over 2017, as a result of the impairment losses recognised on equity investments due to the losses incurred by the main operating companies of the Mercitalia hub (Mercitalia Rail S.r.l. and TX Logistic AG, both investees of Mercitalia Logistics S.p.A.). The losses of the hub companies in 2018 and the differences with respect to budget figures are to some extent due to completely occasional factors which, as such, will not have an impact on the outlook for the future business performance (specifically, the prolonged and unexpected closure of important routes and strikes which brought railways operations to a halt in some of the major European countries, impacting international transport) and partly to external factors, such as the unfavourable economic context, in addition to

the greater impact of typical structural risks on the hub's performance (delays in infrastructure investments to boost freight transport by rail, which are likely to last for a long time), which affects the risk/reward profile of the business.

**Income taxes** show a positive balance of €112 million, down €7 million on 2018. This caption reflects the positive effects of the domestic tax consolidation scheme managed by the parent as part of its typical activities.

### **Loans and borrowings – Other Services segment**

#### **EIB bond placement - EMTN series 9**

On 21 March 2018, the parent placed variable rate bonds of €200 million with a 12-year maturity as part of the EMTN Programme listed on the Irish Stock Exchange in a private placement. The issue (Fitch and S&P's ratings of BBB) completes the covering of the group's funding requirements for 2017 as approved by the parent's board of directors on 21 April 2017. The proceeds will be used to fund RFI S.p.A.'s HS/HC infrastructure in the form of an intragroup loan between FS S.p.A. and RFI with the same characteristics and same commitment and constraint terms as the bond issue.

#### **Facility agreement**

On 13 July 2018, Ferrovie dello Stato Italiane S.p.A. signed a new revolving and committed facility agreement for a revolving facility that the banks are irrevocably committed to giving for €2 billion over three years. The parent thus successfully increased its available liquidity compared to the previous credit facility of a maximum of €1.5 billion, which expired on 22 May 2018. The new facility will be provided by a syndicate of 11 major Italian and international banks, selected from the 19 bidders that participated in the call for tenders made by the parent in April on a syndication basis. The credit facility expires on 13 July 2021 and can be used for the group's many activities. FS S.p.A. used the facility agreement, substantially with the same commitments and constraint terms, to grant two three-year revolving and committed intragroup loans to the subsidiaries Trenitalia S.p.A. (€800 million) and RFI S.p.A. (€400 million). The banking syndicate comprises BNP Paribas, Cassa Depositi e Prestiti, Credit Agricole Corporate and Investment Bank, ING Bank, Intesa Sanpaolo and UniCredit (as underwriters, mandated lead arrangers and bookrunners), Banco Bilbao Vizcaya Argentaria, Bayerische Landesbank, Commerzbank Aktiengesellschaft and HSBC France (co-lead managers) and Banco BPM (participant). Intesa Sanpaolo is also the agent bank.

#### **Riyadh metro performance bond**

On 27 September 2018, Saudi British Bank issued a performance bond in favour of ArRiyadh Development Authority, after Flow Consortium (formed by FS, Ansaldo STS and Alstom) was awarded the operation and maintenance contract for lines 3, 4, 5 and 6 of the Riyadh metro. The performance bond - which expires in seven years (renewable for five years) and is for a total amount of SAR546.4 million - is counter-guaranteed by HSBC for FS S.p.A.'s portion. The amount pertaining to FS S.p.A. approximates 43.4 million.

#### **Fitch rating confirmed**

On 5 October 2018, Fitch Ratings issued its annual credit ratings for Ferrovie dello Stato Italiane S.p.A., confirming an issuer default rating of BBB. It also confirmed its BBB rating for the €4.5 billion EMTN Programme and related bonds. The agency downgraded the outlook from stable to negative, reflecting the downgrade of Italy's outlook on 31 August 2018. The methodology used to rate government-related entities means there is a close correlation between the rating of FS Italiane S.p.A. and Italy's.

### **Update and extension of the 2018 EMTN Programme**

On 22 October 2018, FS S.p.A. completed the update of its Euro Medium Term Note (EMTN) Programme listed on the Irish stock exchange and reserved to institutional investors. As part of this update, FS S.p.A. increased the Programme's ceiling to €7 billion, from the initial €4.5 billion, signing the related documentation with 26 dealer banks. The updated and expanded Programme saw the confirmation of the current S&P BBB and Fitch BBB ratings.

### **S&P rating confirmed**

On 29 October 2018, Standard & Poor's confirmed Ferrovie dello Stato Italia S.p.A.'s BBB rating and downgraded the outlook from stable to negative, reflecting the downgrade of Italy's outlook on 26 October 2018. The methodology used to rate government-related entities means there is a close correlation between the rating of FS Italiane S.p.A. and Italy's.

### **Green bond report**

On 6 December 2018, FS S.p.A. presented its first green bond report to its institutional investors. Pursuant to the green bond principles issued by the International Capital Market Association (ICMA), the report sets out the key sustainability results achieved with the allocation of all income generated by FS S.p.A.'s first green bond. The report contains a third party opinion issued by KPMG S.p.A., which confirms FS S.p.A.'s compliance with both international and internal guidelines - defined in 2017 in its Green Bond Framework - as well as the calculation method and the allocation of financial resources to sustainable investments.

### **Corporate Forum for Sustainable Finance**

On 15 January 2019, the Corporate Forum for Sustainable Finance was established by 16 European companies (including FS S.p.A.) to develop a network of knowledge and financial proposals for the development of sustainable finance. The founding companies, which operate in production segments such as electrical energy services, infrastructure, transport services, environmental and real estate services, want to contribute to the development of tools such as bonds, credit lines and other "green" financial instruments that recognise the sustainability of the business model of their issuers.

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

## Income statement

	millions of Euros			
	<b>2018</b>	<b>2017</b>	<b>Change</b>	<b>%</b>
<b>Revenue</b>	<b>180</b>	<b>182</b>	<b>(2)</b>	<b>(1)</b>
- Revenue from sales and services	165	169	(4)	(2)
- Other revenue	15	13	2	15
<b>Operating costs</b>	<b>(237)</b>	<b>(201)</b>	<b>(36)</b>	<b>18</b>
<b>GROSS OPERATING LOSS</b>	<b>(57)</b>	<b>(19)</b>	<b>(38)</b>	<b>200</b>
Amortisation and depreciation	(24)	(21)	(3)	14
Net impairment gains	(16)	(4)	(12)	300
<b>OPERATING LOSS</b>	<b>(97)</b>	<b>(44)</b>	<b>(53)</b>	<b>120</b>
Net financial income	31	166	(135)	(81)
<b>PRE-TAX PROFIT (LOSS)</b>	<b>(66)</b>	<b>122</b>	<b>(188)</b>	<b>(154)</b>
Income taxes	128	109	19	17
<b>PROFIT FOR THE YEAR</b>	<b>62</b>	<b>231</b>	<b>(169)</b>	<b>(73)</b>

The **profit** for 2018 amounts to €62 million, down €169 million on the previous year mainly due to the decrease in net financial income (-€135 million) and the higher operating loss (€53 million).

The increase in the **gross operating loss** is due to both a reduction in revenue (-€2 million) and the €36 million increase in operating costs, related to the factors set out in the following.

The decrease in **revenue** is mainly related to "property management" (leases, commercial use of stations, Grandi Stazioni facilities and sales of land and buildings held for trading). The increase in **operating costs** is mainly due to the higher costs for "services", particularly as relates to real estate services, utilities and fees (+€1.3 million), administrative and IT services (+€2.9 million), external communications and advertising (+€3.7 million), consultancies (+€4.4 million) and higher personnel expense (+€20.5 million) due to both the increases in the average workforce and in the provisions for change management projects.

The increase in the **operating loss** is due to that described above, higher impairment losses on investment property, impairment losses on loans and receivables (also following the application of the new IFRS 9) and the increase in amortisation and depreciation of the year.

**Net financial income** decreased mainly due to:

- the €8 million reduction in dividends distributed by the group companies, mostly by Italferr S.p.A. (-€3 million) and Centostazioni S.p.A., merged into Rete Ferroviaria Italiana S.p.A. (-€8 million), offset by the higher dividends distributed by Netinera Deutschland GmbH (+€3 million);



- the significant impairment loss on the investments in Mercitalia Logistics S.p.A. (+€128 million), following the impairment test carried out as a result of the losses incurred by the main operating companies of the Mercitalia hub.

**Income taxes** improved by €19 million on the previous year mainly as a consequence of the decrease in the income from the tax consolidation scheme (€14 million) recognised against tax losses transferred to the group in previous years and used during the year, as it is improbable that they may be used subsequently, and an increase in deferred taxes (€34 million).

## Reclassified statement of financial position

	millions of Euros		
	31.12.2018	31.12.2017	Change
<b>ASSETS</b>			
Net operating working capital	389	444	(55)
Other assets, net	77	151	(74)
<b>Working capital</b>	<b>466</b>	<b>595</b>	<b>(129)</b>
Non-current assets	549	553	(4)
Equity investments	38,072	35,273	2,799
<b>Net non-current assets</b>	<b>38,621</b>	<b>35,826</b>	<b>2,795</b>
Post-employment benefits	(9)	(9)	
Other provisions	(419)	(485)	66
<b>Post-employment benefits and other provisions</b>	<b>(428)</b>	<b>(494)</b>	<b>66</b>
<b>Net assets held for sale</b>	<b>22</b>		<b>22</b>
<b>NET INVESTED CAPITAL</b>	<b>38,681</b>	<b>35,927</b>	<b>2,754</b>
<b>COVERAGE</b>			
Net current financial debt	(728)	(837)	109
Net non-current financial debt	(220)	(101)	(119)
<b>Net financial debt</b>	<b>(948)</b>	<b>(938)</b>	<b>(10)</b>
<b>Equity</b>	<b>39,629</b>	<b>36,865</b>	<b>2,764</b>
<b>COVERAGE</b>	<b>38,681</b>	<b>35,927</b>	<b>2,754</b>

**Net invested capital** of €38,681 million rose by €2,754 million in the year due to the combined effect of the decrease in **working capital** (-€129 million), and the increases in **other provisions** (+€66 million) and in **net non-current assets** (+€2,795 million).

**Net operating working capital** of €389 million decreased by €55 million in the year, mainly due to the net reduction in trade receivables and payables (-€36 million) and the decrease in land and buildings held for trading (-€18 million), mainly due to the impairment losses of the year.

**Other assets, net** decreased by €74 million due to the net decrease in VAT assets and liabilities (-€571 million), the net increase in other current assets and liabilities (+€487 million) and the increase in deferred tax assets recognised for IRES and IRAP purposes (+€10 million).

**Net non-current assets** amount to €38,621 million, up €2,795 million on 2017, due to the net increase in equity investments for: the purchase of the equity investment in Anas S.p.A. (€2,864 thousand), the recapitalisation of FSE S.r.l. (€42 million) and the conversion of part of the previously-disbursed loans into share capital (€32 million), the payment of €10 million to Nugo S.p.A. to cover losses and reinstate the share capital and reserves, the set-up of FS Technology S.p.A. (€1 million), the reclassification of the equity investment in Centostazioni Retail S.p.A. to assets held for sale (€22 million) and the impairment loss on the equity investment in Mercitalia Logistics S.p.A. (€128 million).

The decrease in **other provisions** (€66 million) is mainly due to the decrease in deferred tax liabilities (€71 million) and greater accruals to the provision for litigation (€6 million).

**Net financial debt** improved by €10 million, reflecting the rise in net liquidity from €938 million at 31 December 2017 to €948 million at 31 December 2018. This increase is mainly due to the use of cash and cash equivalents for the payment of dividends to the MEF (€150 million) and the capital injections (€53 million), as described in the paragraph on "Net non-current assets", offset by the collection of dividends from subsidiaries during the year (€142 million).

Finally, **Equity** shows a €2,764 million increase, mainly due to the profit for the year (€62 million), the increase in share capital for the purchase of Anas S.p.A. (€2,864 million), the dividends paid to the MEF (€150 million) on 15 May 2018 and the reserve set up following the adoption of IFRS 9, net of the tax effects (€11 million).

## Consolidated financial statements

**Statement of financial position**

millions of Euros

	<b>31.12.2018</b>	<b>31.12.2017*</b>
<b>Assets</b>		
Property, plant and equipment	44,371	44,449
Investment property	1,403	1,398
Intangible assets	4,260	988
Deferred tax assets	413	158
Equity-accounted investments	555	373
Non-current concession financial assets	1,917	
Non-current financial assets (including derivatives)	2,155	1,863
Non-current trade receivables	9	9
Other non-current assets	4,471	1,307
<b>Total non-current assets</b>	<b>59,554</b>	<b>50,545</b>
Inventories	2,200	2,102
Current trade receivables	2,494	2,548
Current financial assets (including derivatives)	818	620
Current concession financial assets	1,220	17
Cash and cash equivalents	1,796	1,834
Tax assets	120	113
Other current assets	4,317	5,231
<b>Total current assets</b>	<b>12,965</b>	<b>12,465</b>
<b>Assets held for sale and disposal groups</b>		<b>3</b>
<b>Total assets</b>	<b>72,519</b>	<b>63,013</b>
<b>Total equity and liabilities</b>		
Share capital	39,204	36,340
Reserves	50	42
Valuation reserves	(436)	(467)
Retained earnings	1,896	1,923
Profit for the year	540	542
<b>Equity attributable to the owners of the parent</b>	<b>41,254</b>	<b>38,380</b>
Profit attributable to non-controlling interests	19	10
Share capital and reserves attributable to non-controlling interests	424	240
<b>Total equity attributable to non-controlling interests</b>	<b>443</b>	<b>250</b>
<b>Equity*</b>	<b>41,697</b>	<b>38,630</b>
<b>Liabilities</b>		
Non-current loans and borrowings	8,335	9,125
Post-employment benefits and other employee benefits	1,474	1,633
Provisions for risks and charges	2,588	944
Deferred tax liabilities	525	275
Contract advances	995	
Non-current financial liabilities (including derivatives)	1,620	44
Non-current trade payables	49	96
Other non-current liabilities	138	160
<b>Total non-current liabilities</b>	<b>15,724</b>	<b>12,277</b>
Current loans and borrowings and current portion of non-current loans and borrowings	3,069	2,389
Current portion of provisions for risks and charges	35	50
Current trade payables	5,398	4,252
Tax liabilities	19	18
Contract advances	142	
Current financial liabilities (including derivatives)	69	33
Other current liabilities	6,366	5,363
<b>Total current liabilities</b>	<b>15,098</b>	<b>12,105</b>
<b>Liabilities held for sale and disposal groups</b>		<b>1</b>
<b>Total liabilities</b>	<b>30,822</b>	<b>24,383</b>
<b>Total equity and liabilities</b>	<b>72,519</b>	<b>63,013</b>

\* The parent applied IFRS 9 and IFRS 15 on 1 January 2018. It did not restate the comparative figures given the transition method(s) elected. However, reclassifications were made where necessary to make the figures comparable.

## Income statement

millions of Euros

	2018	2017 *
<b>Revenue</b>		
Revenue from sales and services	11,566	8,993
Other income	512	300
<b>Total revenue</b>	<b>12,078</b>	<b>9,293</b>
<b>Operating costs</b>		
Personnel expense	(4,853)	(4,178)
Raw materials, consumables, supplies and goods	(1,599)	(1,136)
Services	(4,371)	(2,663)
Use of third-party assets	(257)	(229)
Other operating costs	(204)	(202)
Internal work capitalised	1,681	1,428
<b>Total operating costs</b>	<b>(9,602)</b>	<b>(6,980)</b>
<b>Amortisation and depreciation</b>	<b>(1,571)</b>	<b>(1,378)</b>
<b>Net impairment gains</b>	<b>(155)</b>	<b>(152)</b>
<b>Accruals</b>	<b>(36)</b>	<b>(65)</b>
<b>Operating profit</b>	<b>714</b>	<b>718</b>
<b>Financial income and expense</b>		
Financial income	92	62
Financial expense	(221)	(176)
<b>Net financial expense</b>	<b>(129)</b>	<b>(114)</b>
Share of profits of equity-accounted investees	32	14
<b>Pre-tax profit</b>	<b>617</b>	<b>618</b>
Income taxes	(57)	(64)
Profit (loss) from assets held for sale, net of taxes	0	0
Loss from discontinued operations, net of taxes	0	(2)
<b>Profit for the year (attributable to the owners of the parent and non-controlling interests)</b>	<b>559</b>	<b>552</b>
<i>Profit for the year attributable to the owners of the parent</i>	540	542
<i>Profit for the year attributable to non-controlling interests</i>	19	10

\* The parent applied IFRS 9 and IFRS 15 on 1 January 2018. It did not restate the comparative figures given the transition method(s) elected. However, reclassifications were made where necessary to make the figures comparable.

## Statement of comprehensive income

millions of Euros

	2018	2017*
<b>Profit for the year (attributable to the owners of the parent and non-controlling interests)</b>	<b>560</b>	<b>552</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss, net of the tax effect:</b>		
Actuarial gains (losses)	13	(12)
attributable to the owners of the parent	13	(12)
attributable to non-controlling interests		
Items reclassified to profit or loss	16	19
<b>Items that will or may be reclassified to profit or loss, net of the tax effect:</b>		
Cash flow hedges - effective portion of changes in fair value	15	38
attributable to the owners of the parent	15	38
attributable to non-controlling interests		
Net exchange rate gains (losses)		
<b>Other comprehensive income, net of the tax effect</b>	<b>44</b>	<b>45</b>
<b>Comprehensive income (attributable to the owners of the parent and non-controlling interests)</b>	<b>604</b>	<b>597</b>
<i>Comprehensive income attributable to:</i>		
Owners of the parent	584	587
Non-controlling interests	20	10

\* The parent applied IFRS 9 and IFRS 15 on 1 January 2018. It did not restate the comparative figures given the transition method(s) elected. However, reclassifications were made where necessary to make the figures comparable.

## Statement of changes in equity

millions of Euros

Equity															
	Reserves										Retained earnings	Profit for the year	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
	Reserves					Valuation reserves									
	Share capital	Legal reserve	Extraordinary reserve	Other reserves	Translation reserve	Hedging reserve	Actuarial reserve	Fair value reserve	Total reserves						
<b>Balance at 1 January 2017</b>	<b>36,340</b>	<b>7</b>			<b>3</b>	<b>(162)</b>	<b>(350)</b>		<b>(502)</b>	<b>1,559</b>	<b>758</b>	<b>38,155</b>	<b>257</b>	<b>38,412</b>	
Capital increase													4	4	
Dividend distribution												(300)	(10)	(310)	
Allocation of profit for the previous year		32	50						82	376	(458)				
Change in consolidation scope										(62)		(62)	(10)	(72)	
Other changes			(50)						(50)	50			(1)	(1)	
Comprehensive income						57	(12)		45		542	587	10	597	
of which:															
Profit for the year											542	542	10	552	
Gains/(losses) recognised directly in equity						57	(12)		45			45		45	
<b>Balance at 31 December 2017 *</b>	<b>36,340</b>	<b>39</b>			<b>3</b>	<b>(105)</b>	<b>(362)</b>		<b>(425)</b>	<b>1,923</b>	<b>542</b>	<b>38,380</b>	<b>250</b>	<b>38,630</b>	
<b>Effects of IFRS 9 FTA, net of tax effect</b>										<b>(242)</b>		<b>(242)</b>		<b>(242)</b>	
<b>Balance at 1 January 2018</b>	<b>36,340</b>	<b>39</b>			<b>3</b>	<b>(105)</b>	<b>(362)</b>		<b>(425)</b>	<b>1,681</b>	<b>542</b>	<b>38,138</b>	<b>250</b>	<b>38,388</b>	
Capital increase	2,864											2,864	15	2,879	
Dividend distribution											(150)	(150)	(9)	(159)	
Allocation of profit for the previous year		11							11	381	(392)				
Change in consolidation scope					(3)	(12)	(1)		(16)	(166)		(182)	168	(14)	
Other changes															
Comprehensive income						31	13		44		540	584	19	603	
of which:															
Profit for the year											540	540	19	559	
Net gains recognised directly in equity						31	13		44			44		44	
<b>Balance at 31 December 2018</b>	<b>39,204</b>	<b>50</b>				<b>(86)</b>	<b>(350)</b>		<b>(386)</b>	<b>1,896</b>	<b>540</b>	<b>41,254</b>	<b>443</b>	<b>41,697</b>	

\* The parent applied IFRS 9 and IFRS 15 on 1 January 2018. It did not restate the comparative figures given the transition method(s) elected. However, reclassifications were made where necessary to make the figures comparable.

## Statement of cash flows

millions of Euros

	2018	2017*
<b>Profit for the year</b>	<b>559</b>	<b>552</b>
Amortisation and depreciation	1,571	1,378
Share of losses of equity-accounted investees	(32)	(14)
Accruals to provisions and impairment losses	305	263
Losses on sales	(82)	(74)
Change in inventories	(74)	(105)
Change in trade receivables	535	(149)
Change in trade payables	(165)	225
Change in current and deferred taxes	10	46
Change in other liabilities	263	377
Change in other assets	(578)	(1,082)
Utilisation of the provisions for risks and charges	(364)	(203)
Payment of employee benefits	(200)	(145)
Change in financial assets/liabilities for concession services	(283)	(17)
<b>Net cash flows generated by operating activities</b>	<b>1,466</b>	<b>1,069</b>
Increases in property, plant and equipment	(5,770)	(5,306)
Investment property	(1)	(6)
Increases in intangible assets	(402)	(196)
Increases in equity investments	(141)	(131)
<b>Investments, before grants</b>	<b>(6,314)</b>	<b>(5,639)</b>
Grants for property, plant and equipment	4,725	4,300
Grants for investment property	2	95
Grants for intangible assets	125	95
<b>Grants</b>	<b>4,852</b>	<b>4,395</b>
Decreases in property, plant and equipment	115	131
Decreases in investment property	17	17
Decreases in intangible assets	20	10
Decreases in equity investments and profit-sharing arrangements	12	10
<b>Decreases</b>	<b>163</b>	<b>159</b>
<b>Net cash flows used in investing activities</b>	<b>(1,299)</b>	<b>(1,085)</b>
Finance lease payments	(1,106)	667
Disbursement and repayment of non-current loans	111	(1,091)
Disbursement and repayment of current loans	428	456
Change in financial assets	154	(72)
Change in financial liabilities	(159)	(300)
Dividends	367	(146)
Changes in equity and cash acquired through non-recurring transactions	367	(146)
<b>Net cash flows used in financing activities</b>	<b>(205)</b>	<b>(486)</b>
<b>Total cash flows</b>	<b>(38)</b>	<b>(503)</b>
<b>Opening cash and cash equivalents</b>	<b>1,834</b>	<b>2,337</b>
<b>Closing cash and cash equivalents</b>	<b>1,796</b>	<b>1,834</b>

\* The parent applied IFRS 9 and IFRS 15 on 1 January 2018. It did not restate the comparative figures given the transition method(s) elected. However, reclassifications were made where necessary to make the figures comparable.



## Financial statements of Ferrovie dello Stato Italiane S.p.A.

## Statement of financial position

	Euros	
	31.12.2018	31.12.2017*
<b>Assets</b>		
Property, plant and equipment	47,728,199	46,282,439
Investment property	446,432,934	470,311,514
Intangible assets	55,381,616	35,856,757
Deferred tax assets	190,566,943	180,180,053
Equity investments	38,071,710,940	35,273,538,100
Non-current financial assets (including derivatives)	5,996,635,139	6,593,786,366
Non-current trade receivables	5,797,404	5,310,908
Other non-current assets	33,807,518	169,304,672
<b>Total non-current assets</b>	<b>44,848,060,693</b>	<b>42,774,570,809</b>
Inventories	390,256,375	408,021,446
Current trade receivables	104,325,959	141,488,206
Current financial assets (including derivatives)	2,368,162,896	2,363,461,243
Cash and cash equivalents	294,260,996	412,805,816
Tax assets	83,929,942	82,933,518
Other current assets	653,318,313	1,253,256,788
<b>Total current assets</b>	<b>3,894,254,481</b>	<b>4,661,967,017</b>
<b>Assets held for sale and disposal groups</b>	<b>22,395,159</b>	
<b>Total assets</b>	<b>48,764,710,333</b>	<b>47,436,537,826</b>
Share capital	39,204,173,802	36,340,432,802
Reserves	50,353,142	38,807,634
Valuation reserves	367,959	256,442
Retained earnings	315,334,328	256,834,398
Profit for the year	62,397,577	230,910,168
<b>Total equity</b>	<b>39,632,626,808</b>	<b>36,867,241,444</b>
Liabilities		
Non-current loans and borrowings	5,771,692,939	6,490,148,566
Post-employment benefits and other employee benefits	8,867,650	9,123,252
Provisions for risks and charges	159,628,552	153,999,878
Deferred tax liabilities	260,220,508	331,073,192
Non-current financial liabilities (including derivatives)	1,367,876	
Other non-current liabilities	167,317,142	257,085,846
<b>Total non-current liabilities</b>	<b>6,369,094,667</b>	<b>7,241,430,734</b>
Current loans and borrowings and current portion of non-current loans and borrowings	1,682,393,141	1,609,669,422
Current trade payables	112,540,074	112,642,012
Current financial liabilities (including derivatives)	252,473,658	329,421,663
Other current liabilities	715,581,985	1,276,132,551
<b>Total current liabilities</b>	<b>2,762,988,858</b>	<b>3,327,865,648</b>
<b>Total liabilities</b>	<b>9,132,083,525</b>	<b>10,569,296,382</b>
<b>Total equity and liabilities</b>	<b>48,764,710,333</b>	<b>47,436,537,826</b>

\* The parent applied IFRS 9 and IFRS 15 on 1 January 2018. It did not restate the comparative figures given the transition method(s) elected. However, reclassifications were made where necessary to make the figures comparable.

## Income statement

	Euros	
	<b>2018</b>	<b>2017*</b>
Revenue from sales and services	164,904,344	168,782,793
Other income	15,224,719	13,360,358
<b>Total revenue</b>	<b>180,129,063</b>	<b>182,143,151</b>
Personnel expense	(73,568,558)	(53,031,014)
Raw materials, consumables, supplies and goods	(29,303,791)	(24,848,271)
Services	(104,479,553)	(90,347,086)
Use of third-party assets	(4,689,800)	(3,558,144)
Other operating costs	(25,214,408)	(28,789,883)
Internal work capitalised	238,002	68,851
<b>Total operating costs</b>	<b>(237,018,108)</b>	<b>(200,505,547)</b>
Amortisation and depreciation	(24,452,824)	(21,376,666)
Net impairment gains	(15,769,858)	(4,889,162)
<b>Operating loss</b>	<b>(97,111,727)</b>	<b>(44,628,224)</b>
Gains on equity investments	141,543,879	149,574,755
Other financial income	165,026,180	174,663,247
Losses on equity investments	(127,404,582)	(175,112)
Other financial expense	(148,355,949)	(157,959,122)
<b>Net financial income</b>	<b>30,809,528</b>	<b>166,103,768</b>
<b>Pre-tax profit (loss)</b>	<b>(66,302,199)</b>	<b>121,475,544</b>
Income taxes	128,699,776	109,434,624
<b>Profit from continuing operations</b>	<b>62,397,577</b>	<b>230,910,168</b>
<b>Profit for the year</b>	<b>62,397,577</b>	<b>230,910,168</b>

\* The parent applied IFRS 9 and IFRS 15 on 1 January 2018. It did not restate the comparative figures given the transition method(s) elected. However, reclassifications were made where necessary to make the figures comparable.

## Statement of comprehensive income

	Euros	
	<b>2018</b>	<b>2017*</b>
<b>Profit for the year</b>	<b>62,397,577</b>	<b>230,910,168</b>
<b>Items that will not be reclassified to profit or loss:</b>		
Actuarial gains	149,455	15,407
Tax effect on actuarial gains	(37,938)	(10,048)
<b>Other comprehensive income, net of the tax effect</b>	<b>111,517</b>	<b>5,359</b>
<b>Comprehensive income</b>	<b>62,509,094</b>	<b>230,915,527</b>

\* The parent applied IFRS 9 and IFRS 15 on 1 January 2018. It did not restate the comparative figures given the transition method(s) elected. However, reclassifications were made where necessary to make the figures comparable.

## Statement of changes in equity

	Equity					Total reserves	Retained earnings	Profit for the year	Total Equity
	Reserves				Valuation Reserves				
	Share capital	Legal reserve	Extraordinary reserve	Other reserves	Actuarial reserve				
<b>Balance at 1 January 2017</b>	<b>36,340,432,802</b>	<b>6,868,981</b>			<b>251,083</b>	<b>7,120,064</b>		<b>638,773,063</b>	<b>36,986,325,929</b>
Capital increase									
Dividend distribution									
Allocation of profit for the previous year								(300,000,012)	(300,000,012)
Change in consolidation scope		31,938,653	50,000,000			81,938,653	256,834,398	(338,773,051)	(50,000,000)
Other changes			(50,000,000)			(50,000,000)			
Comprehensive income of which:									
Profit for the year								230,910,168	230,910,168
Gains/(losses) recognised directly in equity					5,359	5,359			5,359
<b>Balance at 31 December 2017 *</b>									
<b>Effects of IFRS 9 FTA, net of tax effect</b>									
<b>Balance at 1 January 2018</b>	<b>36,340,432,802</b>	<b>38,807,634</b>			<b>256,442</b>	<b>39,064,076</b>	<b>256,834,398</b>	<b>230,910,168</b>	<b>36,867,241,444</b>
Capital increase									
Dividend distribution							(10,864,730)		(10,864,730)
Allocation of profit for the previous year	<b>36,340,432,802</b>	<b>38,807,634</b>			<b>256,442</b>	<b>39,064,076</b>	<b>245,969,668</b>	<b>230,910,168</b>	<b>36,856,376,714</b>
Change in consolidation scope	2,863,741,000								2,863,741,000
Other changes								(150,000,000)	(150,000,000)
Comprehensive income of which:		11,545,508				11,545,508	69,364,660	(80,910,168)	
Profit for the year								62,397,577	62,397,577
Net gains recognised directly in equity					111,517	111,517			111,517
<b>Balance at 31 December 2018</b>									
<b>Balance at 1 January 2017</b>	<b>39,204,173,802</b>	<b>50,353,142</b>			<b>367,959</b>	<b>50,721,101</b>	<b>315,334,328</b>	<b>62,397,577</b>	

\* The parent applied IFRS 9 and IFRS 15 on 1 January 2018. It did not restate the comparative figures given the transition method(s) elected. However, reclassifications were made where necessary to make the figures comparable.

## STATEMENT OF CASH FLOWS

	Euros	
	2018	2017*
<b>Profit for the year</b>	<b>62,397,577</b>	<b>230,910,168</b>
Income taxes	(128,699,776)	(109,434,624)
Net financial expense	(16,803,534)	(16,828,273)
Amortisation and depreciation	24,452,824	21,376,666
Accruals to provisions and impairment losses	8,962,670	423,408
Impairment losses	160,133,656	2,696,083
Employee benefits	87,623	103,121
<b>Accruals to provisions and impairment losses</b>	<b>169,183,949</b>	<b>3,222,612</b>
Losses on sales	(48)	
Change in inventories	26,830,524	20,331,535
Change in trade receivables	16,546,184	(15,054,299)
Change in trade payables	(101,937)	33,040,881
Change in other assets	734,917,341	505,058,090
Change in other liabilities	(650,515,628)	(526,948,092)
Utilisation of the provisions for risks and charges	(3,137,641)	(11,696,740)
Payment of employee benefits	(193,770)	(2,124,477)
Financial income collected/financial expense paid	16,803,534	16,828,273
Change in tax assets/liabilities	42,994,872	45,476,576
<b>Net cash flows generated by operating activities</b>	<b>294,674,471</b>	<b>194,158,296</b>
Increases in property, plant and equipment	(1,811,499)	(1,876,376)
Investment property	(4,073,347)	(4,635,099)
Increases in intangible assets	(37,640,316)	(11,520,981)
Increases in equity investments	(140,951,507)	(173,970,327)
<b>Investments, before grants</b>	<b>(184,476,669)</b>	<b>(192,002,783)</b>
Grants for equity investments	87,772,206	31,931,175
<b>Grants</b>	<b>87,772,206</b>	<b>31,931,175</b>
Decreases in property, plant and equipment	15,269	5,240
Decreases in investment property	11,002	
<b>Decreases</b>	<b>26,271</b>	<b>5,240</b>
<b>Net cash flows used in investing activities</b>	<b>(96, 678,192)</b>	<b>(160,066,368)</b>
Disbursement and repayment of non-current loans	(675,882,420)	1,423,169,011
Disbursement and repayment of current loans	30,150,511	(1,095,756,520)
Change in financial assets	289,686,958	(701,204,093)
Change in financial liabilities	1,777,462	(932,165)
Dividends	(150,000,000)	(300,000,012)
<b>Net cash flows used in financing activities</b>	<b>(504,267,489)</b>	<b>(674,723,779)</b>
Total cash flows used in the year	(306,271,210)	(640,631,851)
Opening cash and cash equivalents	514,092,267	1,154,724,118
Closing cash and cash equivalents	207,821,057	514,092,267
of which intragroup current account	(86,439,939)	101,286,450

(\*) The parent applied IFRS 9 and IFRS 15 on 1 January 2018. It did not restate the comparative figures given the transition method(s) elected. However, reclassifications were made where necessary to make the figures comparable.

## Reporting by operating segment

The financial highlights of the group's operating segments for 2018 and 2017 are show below:

millions of Euros

2018	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and inter-segment eliminations	FS Italiane group
Revenue from third parties	7,655	4,036	87	6	5	11,789
Inter-segment revenue	293	1,338	53	255	(1,650)	289
<b>Revenue</b>	<b>7,948</b>	<b>5,374</b>	<b>140</b>	<b>261</b>	<b>(1,645)</b>	<b>12,078</b>
Personnel expense	(2,611)	(2,113)	(4)	(152)	27	(4,853)
Other costs, net	(3,658)	(2,444)	(121)	(133)	1,607	(4,749)
<b>Operating costs</b>	<b>(6,269)</b>	<b>(4,557)</b>	<b>(125)</b>	<b>(285)</b>	<b>1,634</b>	<b>(9,602)</b>
<b>Gross operating profit (loss)</b>	<b>1,679</b>	<b>817</b>	<b>15</b>	<b>(24)</b>	<b>(11)</b>	<b>2,476</b>
Amortisation and depreciation	(1,228)	(314)	(10)	(19)		(1,571)
Impairment losses and accruals to provisions	(115)	(48)	(11)	(19)	2	(191)
<b>Operating profit (loss)</b>	<b>336</b>	<b>455</b>	<b>(6)</b>	<b>(62)</b>	<b>(9)</b>	<b>714</b>
Net financial income (expense)	(91)	(31)	2	(101)	124	(97)
Income taxes	(55)	(25)	1	112	(91)	(58)
<b>Segment profit (loss) (attributable to the owners of the parent and non-controlling interests)</b>	<b>190</b>	<b>399</b>	<b>(3)</b>	<b>(51)</b>	<b>24</b>	<b>559</b>

millions of Euros

31.12.2018	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and inter-segment eliminations	FS Italiane group
<b>Net invested capital</b>	<b>10,213</b>	<b>36,884</b>	<b>1,458</b>	<b>231</b>	<b>(368)</b>	<b>48,418</b>

millions of Euros

2017	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and inter-segment eliminations	FS Italiane group
Revenue from third parties	7,352	1,490	147	21	(3)	9,007
Inter-segment revenue	290	1,137	180	251	(1,572)	286
<b>Revenue</b>	<b>7,642</b>	<b>2,627</b>	<b>327</b>	<b>272</b>	<b>(1,575)</b>	<b>9,293</b>
Personnel expense	(2,478)	(1,559)	(27)	(139)	25	(4,178)
Other costs, net	(3,404)	(573)	(248)	(127)	1,550	(2,802)
<b>Operating costs</b>	<b>(5,882)</b>	<b>(2,132)</b>	<b>(275)</b>	<b>(266)</b>	<b>1,575</b>	<b>(6,980)</b>
<b>Gross operating profit</b>	<b>1,760</b>	<b>495</b>	<b>52</b>	<b>6</b>		<b>2,313</b>
Amortisation and depreciation	(1,234)	(108)	(22)	(14)		(1,378)
Impairment losses and accruals to provisions	(114)	(92)	(8)	(4)		(217)
<b>Operating profit (loss)</b>	<b>412</b>	<b>295</b>	<b>22</b>	<b>(12)</b>		<b>718</b>
Net financial income (expense)	(92)	(35)	(1)	29		(100)
Income taxes	(63)	3	(31)	119	(92)	(64)
Loss attributable to assets held for sale	(2)					(2)
<b>Segment profit (loss) (attributable to the owners of the parent and non-controlling interests)</b>	<b>255</b>	<b>263</b>	<b>(10)</b>	<b>136</b>	<b>(92)</b>	<b>552</b>

millions of Euros

31.12.2017	Transport	Infrastructure	Real Estate Services	Other Services	Adjustments and inter-segment eliminations	FS Italiane group
<b>Net invested capital</b>	<b>10,767</b>	<b>33,537</b>	<b>1,622</b>	<b>231</b>	<b>(203)</b>	<b>45,954</b>

The manager in charge of financial reporting, Roberto Mannozi, states, pursuant to article 154-bis.2 of the Consolidated income tax act, that the accounting figures set out in this document are consistent with the accounting documents, books and records.